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ADVISORY SERVICES

National Engineering Services Pakistan (Private) Limited Pre-award Assessment Report

October 2011



Glossary of terms

A&P	Architecture and Planning	KSA	Kingdom of Saudi Arabia
ADB	Asian Development Bank	LPG	Liquefied Petroleum Gas
AGM	Annual General Meeting	M&E	Monitoring and Evaluation
BESOS	Benazir Employees Stock Option Scheme	MD	Managing Director
BoD	Board of Directors	MoU	Memorandum of Understanding
BoM	Board of Management	NESPAK	National Engineering Services Pakistan (Private) Limited
CAGR	Compound Annual Growth Rate	P&M Division	Power and Mechanical Division
CDA	Capital Development Authority	P&QP	Process and Quality Plan
CEO	Chief Executive Officer	PEC	Pakistan Engineering Council
CM Division	Construction Management Division	PCE	Project Control Estimate
CP&AC	Central Procurement & Appraisal Committee	PEP	Project Execution Plan
E&PHE Division	Environmental and Public Health Engineering Division	PPRA	Public Procurement Regulatory Authority
EOI	Expression of Interest	QAG	Quality Assurance Group
ERRA	Earthquake Reconstruction and Rehabilitation Authority	RO	Reporting Officer
GIS	Geographical Information System	SECP	Securities and Exchange Commission of Pakistan
GoP	Government of Pakistan	ToR	Terms of Reference
GT&GE Division	Geotechnical and Geoenvironmental Engineering Division	UAE	United Arab Emirates
HR	Human Resource	UN	United Nations
HVAC	Heating, Ventilation and Air Conditioning	USAID	United States Agency for International Development
IFRS	International Financial Reporting Standards	VP	Vice President
IT	Information Technology	WAPDA	Water and Power Development Authority
JV	Joint Venture	WR	Water Resource
KPIs	Key Performance Indicators	WR Division	Water Resource Division

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ASSESSMENT REPORT



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For the attention of: Mr. Ejaz Rahim
Chief of Party

7 October 2011

Pre-award assessment report on National Engineering Services Pakistan (Private) Limited

We have made a review and evaluation of the managerial capacity and internal control systems of the National Engineering Services 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 National Engineering Services Pakistan (Private) Limited .

The management of the National Engineering Services 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.

Based on this knowledge and the review and evaluation conducted by our firm, we believe that current policies and procedures of National Engineering Services 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.

Further, nothing came to our attention that would cause us to believe that, subject to compliance with post-obligation conditions provided in the "Executive Summary" section of our report, National Engineering Services Pakistan (Private) Limited does not have the managerial, technical, administrative and financial capabilities to carry out the proposed USAID funded activities.

S. Bakhtiyar Kazmi
Partner



The background features several overlapping geometric shapes in two shades of blue: a dark blue and a lighter blue. The shapes are angular and layered, creating a modern, abstract design. The text 'EXECUTIVE SUMMARY' is centered within one of the lighter blue shapes.

EXECUTIVE SUMMARY

A. Introduction to assignment

- KPMG was assigned by ASP–RSPN to carry out pre-award assessment of National Engineering Services 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.
- The overall objective of the pre-award assessment was to provide reasonable assurance to ASP-RSPN/ USAID-Pakistan that National Engineering Services 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.

KPMG assessment methodology

- 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.
- KPMG assessment methodology was based on the premise that in order to successfully assume financial and programmatic accountability for an award, the potential awardee needs certain minimum capacities and systems identified from USAID rules and regulations and international standards.
- KPMG methodology for pre-award assessment evaluated minimum capacity requirements for the potential awardee. Assessment procedures were designed to:
 - a) Check (where applicable) current and possibility of future compliance with the United States Government rules and regulations.
 - b) Evaluate organization's capacity for receiving the future higher assistance based on a comprehensive absorptive capacity analysis.
 - 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 project.

- d) Perform walk through and test on sample basis on the financial, management and procurement systems
- USAID's relevant rules and regulations were referred for guidance to determine the benchmarks against which the Company was to be assessed.
- Our key assessment procedures included:
 - a) Obtaining detailed understanding of Company's policies and procedures, its organizational and legal structure;
 - b) Obtaining detailed understanding of Company's operations during last three years;
 - c) Evaluating compliance with stated policies and procedures; and
 - d) Reviewing and analyzing Company's progress and management activities on key clients being served by the Company.
- 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 of a project.

Executive summary

Risk assessment matrix

Core function	Key Observations and Conclusions	Rating	Page Ref
Governance and management structure	<ul style="list-style-type: none"> • Adequate legal status. • Appropriate external audit arrangement • Limited oversight of the Board of Directors including absence of Board committees to effectively monitor company's operations. • Weakness in internal audit arrangements including lack of independence, absence of policies and procedures, absence of internal audit planning and inadequate staffing. 	Medium	35-40
Financial management and accounting system	<ul style="list-style-type: none"> • Adequate segregation of duties in place. • Finance function adequately staffed to manage financial affairs of the company. • Low staff turnover. • Adequate controls over bank payments and reconciliations. • Inconsistent allocation of finance staff among various divisions/offices with volume of operations. • Majority of finance function staff lacks professional qualifications. • Job descriptions for finance staff (except for Chief Finance Manager) not developed. • Policies and procedures manual requires major update. • Fixed assets register not adequate i.e. lacking asset code and location. • Accounting software requires major up gradation in line with complex accounting and reporting requirements of the company. • Accumulating receivables with no formal mechanism for rigorous follow up against long outstanding receivables. 	Medium	41-47
Procurement system	<ul style="list-style-type: none"> • Dedicated procurement function established. • Low value of administrative procurements at existing scale of operations. • Public Procurement Rules 2004 applied for procurements of the company. • Procurement committee and managing director approve all procurements of the company. • Absence of legal vetting over contract management. • Procurement policies do not provide for conflict of interest checks with the suppliers regarding the employees involved in carrying out procurements. 	Low	48-51

Executive summary

Risk assessment matrix – contd..

Core function	Key Observations and Conclusions	Rating	Page Ref
Human resource function	<ul style="list-style-type: none"> • Dedicated HR function established. • HR function adequately staffed with experienced personnel. • Low staff turnover. • Adequate staff evaluation process developed and implemented. • Adequate training needs assessment mechanism in place and regular trainings of staff are arranged. • HR policies and procedures lack certain key areas. • Instances of non-compliance with maintenance of personal records procedures. 	Low	52-56
Absorptive capacity	<ul style="list-style-type: none"> • Demonstrated capacity of managing small to large scale projects. • Staff strength of more than 3,000 employees including more than 2,700 technical staff. • Currently managing portfolio of 364 mandates having total contract value of USD 364.5 million. • Low idle capacity implies that additional resources might be required in the event of award of major contract. • Capacity building in terms of financial management systems as well as monitoring and evaluation system might be required in the event of award of major contracts. 	Low	57-62
Monitoring and evaluation	<p>A. Project level management and monitoring</p> <ul style="list-style-type: none"> • Lack of formal procedures for client evaluation, engagement acceptance and risk assessment of prospective clients. • Lack of comprehensive mechanism for project evaluation. • Absence of change logs in respect of changes in project contracts. • Instances of delays in achieving project timelines. • Detailed activity wise timesheets not prepared. 	Medium	63-71

Executive summary

Risk assessment matrix – contd..

Core function	Key Observations and Conclusions	Rating	Page Ref
Monitoring and evaluation ... contd.	B. Independent monitoring and evaluation <ul style="list-style-type: none"> ● Absence of a dedicated monitoring and evaluation function. ● Absence of defined policies and procedures. ● Absence of tools and guidelines. ● Absence of client satisfaction review mechanisms. 		
Overall assessment	Based on our assessment of respective core functions of NESPAK, it has been rated as a MEDIUM RISK entity for future funding.		

Please refer Annexure AA for risk rating matrix

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: GOVERNANCE AND MANAGEMENT STRUCTURE			
<p>Internal audit arrangements</p> <ul style="list-style-type: none"> The Company has an internal audit function reporting to managing director of the company. A comprehensive internal audit manual is not developed and implemented. Similarly, an internal audit plan is also not prepared and approved. The internal audit department does not contain adequately qualified staff as they lack professional qualification and the required experience and skill set. A total number of five staff members have been employed in the internal audit function of the company. Keeping in view the size of operations of the company, existing staff strength of internal audit function is not considered adequate. 	<ul style="list-style-type: none"> Internal audit function of the company might not be independent. In the absence of comprehensive internal audit manual, standardized internal audit procedures, to ensure effective oversight of company's operations, might not be carried out by the internal audit function of the company. Absence of internal audit plan might result in inefficient utilization of resources. Lack of adequate and experienced staff in the internal audit function of the company might result in ineffective oversight on company's operations. 	<ul style="list-style-type: none"> Internal audit should be reporting to the Board of Directors, preferably through audit committee comprising members of the Board. Internal audit function of the company should be strengthened in terms of adequate and experienced human resource and development of comprehensive policies and procedures manual including detailed guidelines for planning and performing internal audit on the company's operations. 	40
<p>Lack of active oversight by the Board of Directors</p> <ul style="list-style-type: none"> The Board of Directors of the company comprises of representatives of various government departments and notables appointed by the Ministry of Water and Power. Regular board meetings are held, however, key decision making is carried out by Board of Management of the company, comprising of managing director and divisional heads. Active participation of board of directors in overseeing operational affairs of the company is not evident from the minutes of board meetings. 	<ul style="list-style-type: none"> The existing arrangement may dilute controls and independent oversight to ensure a mechanism of checks and balances within the company. 	<ul style="list-style-type: none"> The board of directors of the company should be more extensively involved in overseeing operational affairs of the company through formation of BoD committees i.e. Audit Committee, Project Appraisal Committee, Project Evaluation Committees, Procurement Committees etc.. 	39
<p>Lack of formal mechanism for recovery of outstanding debtors</p> <ul style="list-style-type: none"> Consultancy fee receivables of the company have been piling up over the years. However, the company has not developed any formal mechanism for recovery of long outstanding receivables. Total consultancy fee receivables of the company as at 30th June 2010, amount to PKR 3.2 billion (USD 37 million) out of which PKR 846 million (USD 9.8 million) is outstanding since more than a year. 	<ul style="list-style-type: none"> Lack of adequate mechanism for recovery of long outstanding receivables of the company might result in permanent loss to the company. Accumulation of receivables has resulted in negative cash flows from operations in 2010. In case the existing trend prevails, the company might face serious liquidity crisis. 	<ul style="list-style-type: none"> An in house mechanism for recovery of long outstanding receivables should be in place and rigorous follow up should be carried out for timely recovery of project fees. Further, legal measures might be taken, where required, for recovery of long outstanding receivables of the company. 	38

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM			
<p>Adequacy of staff strength</p> <ul style="list-style-type: none"> • A total number of 92 staff members (as at September 2011) have been employed by the company in finance division. However, allocation of workload among the finance division staff posted in various project management divisions/offices is not consistent. As per our analysis of workload allocation to finance staff of the company, the average workload (in terms of contract value managed by finance function staff of a particular project management division/office) ranges between PKR 38 million (USD 0.44 million) and PKR 1,284 million (USD 14.9 million). • Further, a total number of 38 staff members (as on September 2011) have been staffed at central office which is responsible for consolidation of all divisions as well as financial affairs of project management divisions and support functions not having decentralized finance functions. • Keeping in view the abovementioned analysis, the finance function of the company might be abundantly staffed. 	<ul style="list-style-type: none"> • Inadequate allocation of finance staff couple with potential overstaffing, might result in ineffective and inefficient financial management of the company. 	<ul style="list-style-type: none"> • Finance function of the company should be analyzed critically to ensure that effective and efficient financial management is in place. • Staff strength in each area of finance function should be based on level of effort required, complexity and number of transaction involved . 	43
<p>Adequacy of qualification, skill set and experience</p> <ul style="list-style-type: none"> • Key accounting and finance personnel have adequate experience, however, except for the Chief Finance Manager they do not hold adequate professional qualifications. 	<ul style="list-style-type: none"> • Finance function may not be able to adequately discharge its responsibilities pertaining to day-to-day financial management as well as periodic financial reporting and progress evaluation. 	<ul style="list-style-type: none"> • Capacity of finance staff in terms of professional qualifications should be enhanced to attain greater expertise in managing complex financial matters of the company. 	43
<p>Job descriptions</p> <ul style="list-style-type: none"> • Except for Chief Finance Manager, written job descriptions are not developed for the finance team of the company. Head of division verbally communicates the tasks to be performed by each section manager. 	<ul style="list-style-type: none"> • In the absence of specific written job descriptions of the finance staff of the company, guidance on roles and responsibilities might not be available to the finance staff resulting in inefficient utilization of human resource. 	<ul style="list-style-type: none"> • Detailed job descriptions for finance staff at all levels should be developed and implemented. 	44

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM - CONTD.			
<p>Policies and procedures</p> <ul style="list-style-type: none"> • An accounting manual has been developed to govern the functions of finance division of the company. However, the manual was developed at the time of establishment of the company and contains mostly outdated information. Updation in finance related policies and procedures are carried out through work instructions and memos issued by head of finance division from time to time. • Updated policies specifying detailed description of roles and responsibilities of the finance division related to the banking operation, assets management, payroll preparation, preparation of financial statements and document retention are not available. • Further, written policies and procedures related to invoicing and costing of projects was not available. 	<ul style="list-style-type: none"> • In the absence of updated policies and procedures covering all aspects of financial affairs of the company, effective controls over critical areas might not be exercised. 	<ul style="list-style-type: none"> • Accounting manuals should be updated to include detailed policies and procedures covering all aspects of financial affairs of the company. • Finance division staff should be trained on updated accounting manual. 	44
<p>Fixed assets management</p> <ul style="list-style-type: none"> • Fixed assets have not been coded. Fixed assets register neither included the field for unique code of the asset nor the location of the asset. • We were also not provided with the documentation for last physical verification of the fixed assets carried out by the company. 	<ul style="list-style-type: none"> • The Company may not be able to effectively manage its resources. 	<ul style="list-style-type: none"> • Fixed assets should be coded and the same should be incorporated in fixed asset register along with location of asset in order to ensure appropriate and updated monitoring of their usage. • Further, physical verification of fixed assets should be carried out on a regular basis 	44

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM - CONTD.			
<p>Accounting software</p> <ul style="list-style-type: none"> ● Accounting software used by the company was developed in FoxPro by a finance officer of the company. The software provides basic level functions only including recording of data and generating trial balance report. We noted following inconsistencies in the accounting software used by the company: <ul style="list-style-type: none"> – Accounting software used by the divisions and regional offices is not linked with the central office and trial balances of various divisions are sent to the central office on monthly basis for consolidation purposes. – The accounting software is not capable of managing job wise accounting records. Job wise accounting record is maintained manually. – Accounting software allows recording of back date entries and editing of entries posted in the ledgers. – Comparison of budget with actual income and expenditures is not generated from the accounting system. – Aging analysis of receivables is not generated from the accounting software. However, age analysis report of receivables of the company is prepared on manual basis by each of the division/office. – No offsite data backup policy is made or followed. 	<ul style="list-style-type: none"> ● The accounting software might not be able to handle complex accounting transactions and generate adequate reporting. ● Adequate controls might not be exercised over accounting and financial records due to subsequent changes in the entries posted into the ledger. 	<ul style="list-style-type: none"> ● Keeping in view of the size of operations of the company and inconsistencies highlighted in the accounting software, the existing software should be upgraded or replaced with a reputed ERP to adequately manage financial affairs of the company. 	<p>46</p>

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: PROCUREMENT SYSTEMS			
<p>Conflict of Interest</p> <ul style="list-style-type: none"> Procurement policies does not provide for conflict of interest checks with the suppliers regarding the employees involved in carrying out procurements. 	<ul style="list-style-type: none"> Procurement process may not be transparent. 	<ul style="list-style-type: none"> Appropriate conflict checks shall be performed before entering into procurement contracts. 	51

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: HUMAN RESOURCE FUNCTION			
<p>Policies and procedures</p> <ul style="list-style-type: none"> ● Policies and procedures developed for human resource management lacks guidance on following areas: <ul style="list-style-type: none"> – Staff utilization planning. – Payroll management. – Staff development. – Staff redundancy. 	<ul style="list-style-type: none"> ● Human resource activities may not be adequately guided. 	<ul style="list-style-type: none"> ● Human resource policies and procedures should be reviewed and updated to include guidance/ procedures in respect of all HR related activities. 	54
<p>Staff hiring process and personnel record maintenance</p> <ul style="list-style-type: none"> ● Policies and procedures for recruitment of staff are available. However, the interview committee does not include a representative from coordination division (division vested with HR functions of the company). ● NESPAK does not have a staff utilization plan and most of its technical staff are engaged on projects in hand. ● Further, the company has not developed staff hiring plan bifurcated into envisaged staff requirement based on level of qualification or experience. ● During personal file compliance we noted certain discrepancies highlighted in Annexure S 	<ul style="list-style-type: none"> ● Non-compliance with policies and procedures. 	<ul style="list-style-type: none"> ● In view of the specialized nature of HR function, interview committee should include a representative from HR or Coordination Division. ● Staff utilization plan should be developed and updated on a regular basis in order to assess the availability of staff at any given point and time. ● A formal exercise for development of staff hiring plan should be carried out on an annual basis after estimating staff requirements. ● Policies and procedures should be followed rigorously. 	54
<p>Staff accountability and performance evaluation</p> <ul style="list-style-type: none"> ● Job description of key staff management staff has been developed whereas standardized job description of staff below grade 12 have not been developed. 	<ul style="list-style-type: none"> ● The Company might not be able to adequately evaluate its employees. 	<ul style="list-style-type: none"> ● Job descriptions should be developed and used for accountability and performance evaluation of staff. 	55

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: MONITORING AND EVALUATION			
A – Project level monitoring and evaluation			
Risk assessment of prospective clients			
<ul style="list-style-type: none"> NESPAK does not have laid down procedures for carrying out formal client evaluation, engagement acceptance and risk assessment of its prospective clients especially for private sector entities as well as overseas projects. 	<ul style="list-style-type: none"> Non existence of formal risk assessment mechanism may lead to reputational, financial or litigation risks. 	<ul style="list-style-type: none"> Formal procedures should be developed for carrying out risk assessment of prospective clients which shall be applicable for both overseas as well as local projects. Risk assessment procedures may include analysis of past performance of client, capacity to pay fee, analysis of financial strength of the organization and assessment of other stakeholders in the project. 	65
Project evaluation			
<ul style="list-style-type: none"> NESPAK has laid down policies and procedures for carrying out project evaluation in terms of technical and financial resources required for completion of a project, however, the company does not have a formal mechanism for carrying out assessment of project stakeholder and their past performance trends in order to accurately assess the project requirements. 	<ul style="list-style-type: none"> Company is prone to entering into a contract which may lead to unnecessary delays or disputes. 	<ul style="list-style-type: none"> The company should have documented mechanism in place for carrying out assessment of project stakeholder and their past performance trends with an objective to critically evaluate possible outcomes of accepting the engagement. 	65
Project Planning			
<ul style="list-style-type: none"> It was assessed that NESPAK possess effective project planning mechanism, however, the company does not have formal policies and procedures/documentation in place which highlights minimum requirements of qualification/technical expertise or experience of staff to be deputed on a project. 	<ul style="list-style-type: none"> In the absence of adequate arrangements for strategizing resources for a project in line with stated mandate given to the company, the service quality may suffer. Optimal utilization of staff may not be carried out 	<ul style="list-style-type: none"> The company should standardize and formalize its process of selection of staff to be deputed on clients for seamless service delivery. 	66

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: MONITORING AND EVALUATION – CONTD..			
<p>Cost allocation and management</p> <ul style="list-style-type: none"> We were provided with a sample of three projects where actual costs exceeded project cost estimates. Please refer Annexure V for details of cost overruns. 	<ul style="list-style-type: none"> Excess costs incurred on projects might signify inadequate planning and monitoring of projects. Financial loss to the company. 	<ul style="list-style-type: none"> Cost allocation and project estimates should be developed and reviewed thoroughly in order to avoid incurring loss to the company. 	67
<p>Compliance with project timelines</p> <ul style="list-style-type: none"> As per our discussion with the management, it was identified that there were issues in meeting project timelines, however, we were not provided with listing of completed/ongoing project where estimated timelines were not met. As per management, project timelines are not met mainly due to shortage of payment due from GoP to contractors or subsequent change in project scope. 	<ul style="list-style-type: none"> Delays in project completion might result in excess costs to the company. Under utilization of staff. 	<ul style="list-style-type: none"> Effective monitoring should be carried out over each project in order to avoid unnecessary delays. 	67
<p>Staff management</p> <ul style="list-style-type: none"> Timesheets of all project staff are submitted at the end of each month which form basis for raising of invoices. Timesheets are reviewed and approved by Project Manager and submitted to Division Head for approval. However, we noted that timesheets submitted by project staff highlights chargeable hours but does not specify the activities performed justifying the hours spent. 	<ul style="list-style-type: none"> In the absence of detailed time sheets specifying activities performed by employees allocated to projects, effective performance evaluation might not be carried out. Costs charged to the clients might not be justified that could lead to disputes with the clients. Staff might be underutilized. 	<ul style="list-style-type: none"> Timesheets of each staff should provide breakdown of hours spent over each activity providing tighter control to Project Manager and Division Head over staff performance. 	68

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: MONITORING AND EVALUATION – CONTD..			
<p>B – Independent monitoring and evaluation</p> <p>Independent monitoring and evaluation</p> <ul style="list-style-type: none"> • An independent monitoring and evaluation function has not been established. Accordingly, no formal mandate of the department has been developed. • Further, no staff has been dedicated for monitoring and evaluation of Company’s operations. 	<ul style="list-style-type: none"> • Monitoring and evaluation activities may not be adequately carried out. 	<ul style="list-style-type: none"> • An independent monitoring and evaluation function should be established. 	68
<p>Policies and procedures</p> <ul style="list-style-type: none"> • Policies and procedures in respect of M&E have not been developed, accordingly, no standard reporting and other requirements are defined. However, reporting requirements pertaining to project progress under each project are included in respective contracts with the clients. • Roles and responsibilities of M&E function have not been defined. 	<ul style="list-style-type: none"> • M&E activities may not be adequately guided. 	<ul style="list-style-type: none"> • Policies and procedures with respect to monitoring and evaluation should be developed and implemented. 	69
<p>Tools and guidelines</p> <ul style="list-style-type: none"> • Tools and guidelines for carrying out independent monitoring and evaluation of project activities have not been developed. 	<ul style="list-style-type: none"> • M&E activities may not be adequately guided. 	<ul style="list-style-type: none"> • Policies and procedures with respect to monitoring and evaluation should be developed and implemented. 	69

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: MONITORING AND EVALUATION – CONTD..			
<p>Adequacy of staff</p> <ul style="list-style-type: none"> A dedicated staff has not been assigned for carrying out monitoring and evaluation function. Accordingly, an assessment of adequacy of staff experience and skill set could not be carried out. 	<ul style="list-style-type: none"> The Company may not be able to efficiently and effectively carry out its roles and responsibilities under projects. 	<ul style="list-style-type: none"> Adequate and appropriate staff should be dedicated for monitoring and evaluation function. 	69
<p>Client satisfaction analysis</p> <ul style="list-style-type: none"> A mechanism for reviewing client satisfaction has not been developed. 	<ul style="list-style-type: none"> In the absence of feedback from the clients, inadequate services provided to the clients might remain unnoticed resulting in reputational as well as financial loss to the company. 	<ul style="list-style-type: none"> Client satisfaction analysis should be performed. 	69

Issue	Implication	Recommendation	Key analysis
CORE FUNCTION AREA: MONITORING AND EVALUATION – CONTD..			
<p>Compliance results</p> <ul style="list-style-type: none"> • While performing projects compliance of seven projects, we observed the following: <ul style="list-style-type: none"> – JV agreement was not signed by the Managing Director. Please refer Annexure X for specific instances; – Quality control committee minutes were not made available to us in respect of proposal. Please refer Annexure X for specific instances; – Project Control Estimates were not updated after amendments in the consultancy contracts. Please refer Annexure X for specific instances; – Project time sheets were not approved by Division Head. Please refer Annexure X for specific instances; – We were not provided with evidence regarding vetting of consultancy contracts carried out by Contracts Division. Please refer Annexure X for specific instances; – We were not provided with evidence relating to quality assurance review carried out by Quality Assurance Group of contract deliverables as required under policies and procedures manual. Please refer Annexure X for specific instances; – We were not provided access to project documents as mentioned in Annexure X; and – We were not provided access to project files for certain projects. Please refer Annexure X for specific instances. 	<ul style="list-style-type: none"> • Non compliance with policies and procedures 	<ul style="list-style-type: none"> • The policies and procedures adopted by the company should be complied with for all stages of project. 	70

Executive summary

Summary of award obligation conditions

Pre-obligation conditions

- No pre-obligation conditions were identified.

Post-obligation conditions

Following post-obligation conditions were identified:

Strengthening of governance structure

- BoD committees, i.e. audit committees, project appraisal committee, project management committee, purchase committee etc., with specific TOR should be established with an objective of ensuring continuous oversight over company's operations. Further, internal audit department should report to BoD through audit committee.
- The internal audit function should be strengthened through provision of comprehensive policies and procedures manual, internal audit plan and development of staff TORs in order to ensure that it performs its role effectively and efficiently. Further, internal audit department should report to BoD.

Capacity building of finance department

- The Finance and accounting manual to be comprehensively updated and implemented.
- Updation of accounting software should be carried out in order to improve transparency and accuracy of accounting records.

Strengthening of human resource function

- A comprehensive human resource policies and procedures should be developed and implemented in letter and spirit.
- Job descriptions for all level of staff should be developed.

Strengthening of monitoring and evaluation mechanism

- A robust mechanism should be put in place to carry out risk assessment procedures for prospective clients and engagements.
- An independent monitoring and evaluation function, with adequate and appropriate staff, should be developed.
- Policies and procedures with respect to monitoring and evaluation, duly supported by relevant tools and guidelines, should be developed.
- Regular monitoring and evaluation of projects should be carried out by the dedicated monitoring and evaluation teams.



MAPPING EXERCISE

Mapping exercise

Summary of mapping activity

Recommendation	Management initiative	Action point
<p>Strengthening of governance structure</p> <ul style="list-style-type: none"> Internal audit manual along with detailed staff TORs should be developed. BoD committees, i.e. audit committees, purchase committee etc., with specific TOR should be established with an objective of ensuring continuous oversight over company's operations. 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Internal audit function should be equipped with comprehensive policies and procedures manual and detailed staff TORs should be developed . BoD committees should be established with clear mandate for regular oversight of company's operations.
<p>Capacity building of finance department</p> <ul style="list-style-type: none"> Accounting and finance manual should be updated and implemented. Up gradation of accounting software should be carried out. 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Accounting and finance manual in line with the operations of NESPAK should be developed and approved from the competent authority. Accounting software should be upgraded in line with the size of operations of the company. The accounting software should have adequate control over transaction posting and editing. Further, the software should be capable of generating customized reports.
<p>Strengthening of human resource department</p> <ul style="list-style-type: none"> A comprehensive human resource policies and procedures should be developed and implemented in letter and spirit. Job descriptions for all level of staff should be developed. 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Policies and procedures should be revised to adequately provide guidance over human resource activities. Job descriptions should be developed in order to provide guidance to staff on their roles and responsibilities.
<p>Strengthening of procurement function</p> <ul style="list-style-type: none"> Mechanism should be put in place to carry out risk assessment procedures for prospective clients and engagements. An independent monitoring and evaluation function, with adequate and appropriate staff, should be developed. Policies and procedures with respect to monitoring and evaluation, duly supported by relevant tools and guidelines, should be developed. Regular monitoring and evaluation of projects should be carried out by the dedicated monitoring and evaluation teams. 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Risk assessment policies and procedures should be devised to adequately protect the company from reputational, financial and litigation risks. A dedicated monitoring and evaluation function, with sufficient and appropriate staff, should be developed. Policies and procedures with respect to monitoring and evaluation should be developed. Monitoring and evaluation plans should be developed and implemented.

The background features several overlapping geometric shapes in two shades of blue: a dark blue and a lighter, vibrant blue. These shapes are arranged in a way that creates a sense of depth and movement, with some shapes appearing to be layered on top of others. The overall composition is clean and modern.

INTRODUCTION TO ORGANIZATION

Introduction to organization

Legal status and organizational profile

A. Legal status

- National Engineering Services Pakistan (Private) Limited (“NESPAK” or “the company”) was established in March 1973 as a private limited company, under Companies Act 1913 (now Companies Ordinance, 1984). The company is wholly owned by the Federal Government of Pakistan.

B. Organization

- The registered office of the company is situated in Lahore, whereas, regional offices are located in Karachi, Islamabad, Peshawar and Quetta. The company’s overseas offices are located in Saudi Arabia, Oman, Iran, Afghanistan and Qatar.
- NESPAK was established with the objective to create a pool of talented engineers, attain self-reliance in engineering consultancy and replace foreign consultants.
- As at 1st September 2011, NESPAK has employed 2,763 staff members including 1,157 professional staff members and 1,054 para professional staff members. In addition, the company has also hired 630 employees on contract basis.
- The company has following project management divisions:
 - Architecture & Planning;
 - Agriculture;
 - Construction Management;
 - Environmental & Public Health Engineering;
 - Earthquake Reconstruction;
 - Geo-tech. & Geo-environmental Engineering;
 - Highways and Transportation Engineering;
 - Monitoring and Information Technology;
 - Power & Mechanical;
 - Structural Engineering; and
 - Water Resource

- In addition, following specialty divisions are also functional:

- Economic Studies;
- Contracts;
- Human resources;
- Business development;
- Building services; and
- Quality management.

C. Subsidiaries and associates

- The company has made investments in subsidiaries and associated companies, located in Pakistan as well as in KSA, Oman and Qatar. Following table shows summary of company’s subsidiary and associated concerns:

NESPAK Investments			
Company	Country	% holding	Carrying value
Subsidiaries			PKR '000
NESPAK and partners LLC	Oman	65 %	1,736
Mohammad hisham aitah-NESPAK	KSA	49 %	1,328
National engineering services Pakistan Limited	Qatar	49 %	2,234
			5,298
Associates			
Corporation House (private) Limited	Pakistan		9,176
Engineering Consulting Associates (Nigeria) Limited*	Nigeria		-
Turkpak International (private) Limited	Pakistan		21,782
Technology and Resource Development (private) Limited*	Pakistan		-
			30,958
* carrying value nil as whole amount of investment written off due to diminution in value.			

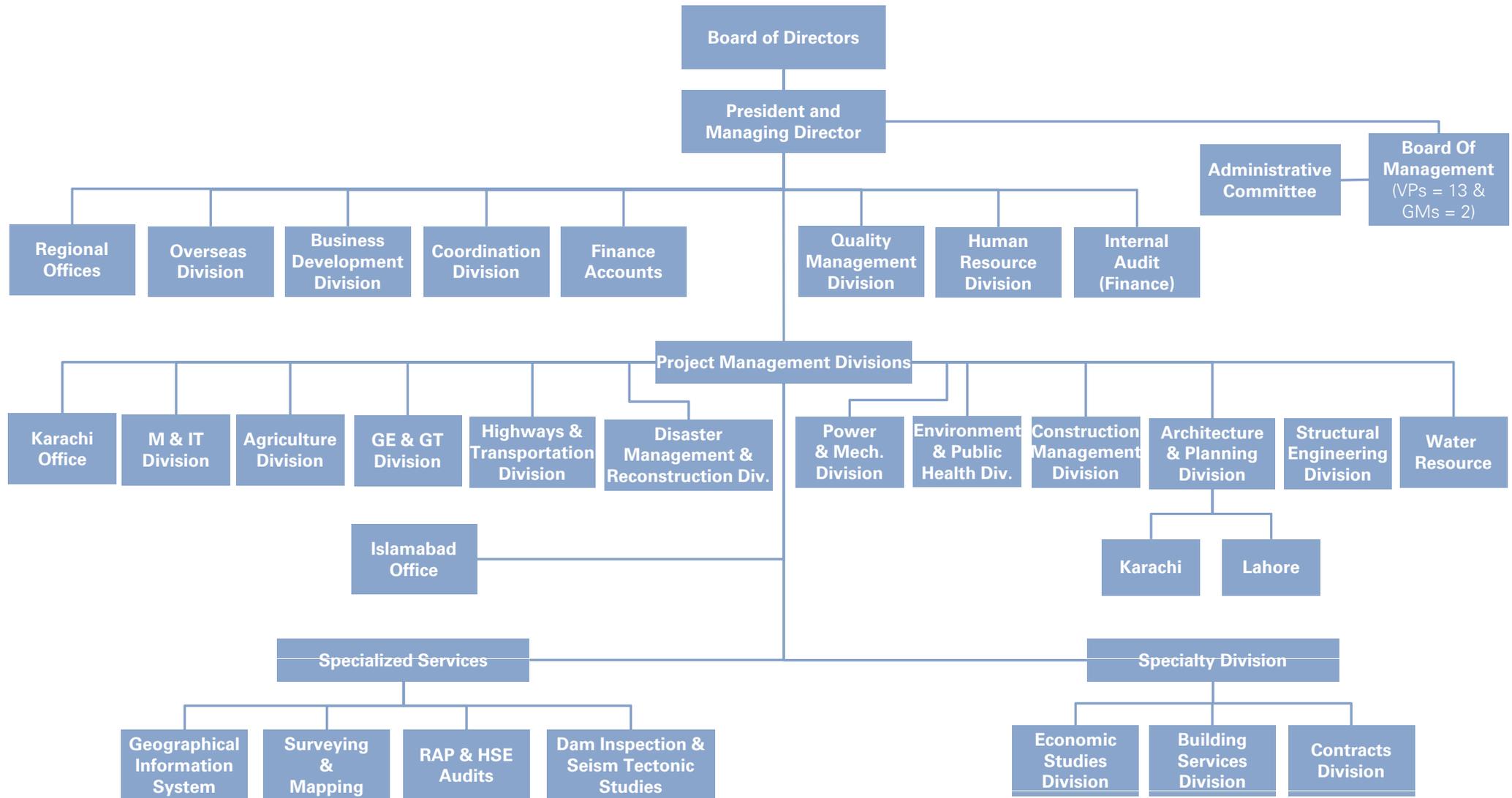
Source: Audited financial statements of NESPAK

D. Experience profile

- NESPAK offers a broad spectrum of consultancy services ranging from conception to completion and operation of development projects. The scope of these services covers prefeasibility and feasibility studies, surveying and mapping, investigations, design, tender and contract documentation, construction/installation supervision, contract management and post-construction services.
- NESPAK specializes in the fields of power and mechanical; water and agriculture; architecture and planning; highways, bridges, airports and seaports; environmental and public health engineering; engineering for industry; heating, ventilation and air-conditioning; information technology and geographical information systems (GIS).
- Since inception till 1st September 2011, NESPAK has rendered services for 3,191 projects including 2,742 projects in Pakistan and 449 projects in around 36 other countries. Total cost of projects for which NESPAK provided various services is estimated at around USD 176 billion. *(source: NESPAK presentation, website and profile).*
- Please refer Annexure C for sector wise experience and nature of services provided by NESPAK.

Introduction to organization

Management and organizational structure



Introduction to organization

List of major projects

Sr. No.	Sector	Project	Client	Project Cost (US \$ Million)	Services/Scope of work									
					Feasibility Study	Project Planning	Detailed Design	Tender Documents	Construction Supervision	Review/Evaluation	General Consultancy	Geotech. Survey	Environmental Studies	Resettlement Studies
1	Energy Sector	1,450 MW Ghazi-Barotha Hydropower Project	WAPDA / World Bank	2,417	✓	✓	✓	✓	✓	✓				
2		Dasu Hydropower Project	WAPDA	6,000	✓									
3	Water Resources Development and Dam Engineering	Kalabagh Dam Project	WAPDA	6,096		✓	✓	✓						
4		Basha Diamer Dam project	WAPDA	5,000	✓									
5	Communication Sector	Sheikhupura-Multan-D.G.Khan Motorway (405 km)	National Highway Authority	2,708			✓	✓		✓				
6		Lahore Ring Road Project	Communication & Works Deptt., Govt. of Punjab	1,684	✓	✓	✓	✓	✓					
7	Architecture and Planning Sector	Reconstruction & Rehabilitation of Earthquake Affected Areas	Earthquake Reconstruction & Rehabilitation Authority (ERRA)	5,983							✓			
8		New Township at AL-Wathba Abu Dhabi	General Headquarters Abu Dhabi Defence Forces	385		✓	✓	✓						
9	Public Health Engineering Sector	Water Supply Master plan for Madinah-al-Munawwarah	Ministry of Municipal and Rural Affairs	1,388		✓								
10		Sewerage and Drainage Schemes for Central & Southern Lahore	Water & Sanitation Agency , Lahore	344		✓	✓	✓	✓					
11	Industrial Sector	Pakistan Steel Mills	Pakistan Steel Mills Corporation	209	✓	✓	✓	✓	✓					
12		White & Grey Cement Plants at Iskandarabad	Maple Leaf Cement Factory Limited	213			✓	✓						
13	Oil, Gas and Petrochemical Sector	Bhit Development Project, Sindh	LASMO Oil Pakistan Ltd.	280								✓		
14		Hub Power Station Conversion to Gas	LASMO Oil Pakistan Ltd.	142	✓									
15	Environmental Engineering Sector	Ghazi-Barotha Hydro Power Project	WAPDA	2,417	✓	✓	✓	✓	✓	✓			✓	✓
16		Kalabagh Dam Project	WAPDA	6,096		✓	✓	✓					✓	✓

Source: NESPAK profile

Introduction to organization

Financial statement analysis

NESPAK	30 June 2010	30 June 2009	30 June 2008
Balance sheet			
Rupees ('000)			
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and equipment	303,076	226,061	188,597
Assets subject to finance lease	1,080	1,350	-
Intangible assets	3,056	363	197
Capital work in progress	186,414	105,215	-
Investments	36,256	30,408	25,230
Loans and Advances	9,134	6,041	6,027
Long term security deposits	14,761	10,401	9,555
Deffered Tax asset	161,121	136,775	111,406
	714,898	516,614	341,012
CURRENT ASSETS			
Drawing and Stationery Stores	4,452	4,496	4,122
Contract fee receivable	3,179,235	2,357,787	1,591,979
Advances, deposits, prepayments and other receivables	146,861	89,818	100,372
Cash and bank balances	1,109,119	1,288,689	1,030,429
	4,439,667	3,740,790	2,726,902
	5,154,565	4,257,404	3,067,914
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital (500,000 shares of Rs. 10 each)	5,000	5,000	5,000
Issued, subscribed and paid up capital	1,500	1,500	1,500
Revenue Reserves	3,871,465	3,092,438	2,210,111
	3,872,965	3,093,938	2,211,611
NON-CURRENT LIABILITIES			
Employee retirement and other benefits	371,357	329,419	238,106
Liabilities against assets subject to finance lease	-	221	-
CURRENT LIABILITIES			
Current portion of long term liabilities	60	44	-
Creditors, accrued and other liabilities	662,016	552,537	364,153
Provision for taxation	248,167	281,245	254,044
	910,243	833,826	618,197
	5,154,565	4,257,404	3,067,914

Source: Audited financial statements of NESPAK

Overview and analysis

- The company has registered continuous growth in its net assets during the period from 30th June 2008 to 30th June 2010 owing to net profits earned during these years. The net assets of the company stand at PKR 3.87 billion (USD 45 million) as at 30th June 2010.
- Current assets comprise 86% of total assets of the company as at 30th June 2010 and mainly include contract fee receivable, which amounted to PKR 3.2 billion (USD 37 million) as at 30th June 2010.

- Contract fee receivable is increasing over the years, which is impacting liquidity position of the company. Debtors days increased from 199 in 2009 to 229 in 2010. As per the aging details prepared by NESPAK as at 30th June 2010, contract fee receivable amounting to PKR 846 million (USD 9.8 million) is outstanding since more than one year, against which accumulated provision amounting to PKR 541 million (USD 6.3 million) has been accounted for in the financial statements of the company.
- Property plant and equipment are comprised of buildings on freehold land (30%), vehicles (25%), office and electrical equipment (15%) and furniture, fixtures & fittings (15%) in 2010. However, land amounting to PKR 7.1 million (USD 0.08 million) and building amounting to PKR 92.3 million (USD 1.07 million) are carried at cost less accumulated depreciation. The market value of these assets might be significantly higher than the carrying value.
- Investments include company's investments in subsidiaries in KSA, Oman and Qatar (amounting to PKR 5.3 million USD 0.06 million) and in associated companies in Pakistan (amounting to PKR 30.9 mil USD 0.36 mil).
- Capital work in progress represents civil works on company's office building under construction in Islamabad.
- Long term loans and advances include PKR 5.04 mil (USD 0.06 mil) to partners in foreign subsidiaries of the company and PKR 4.02 mil (USD 0.05 mil) to employees of the company.
- Deferred tax asset mainly represents temporary differences due to provision for doubtful debts which are not yet been written off.
- Current and non-current liabilities as at 30th June 2010, comprised mainly of employee related costs payables (retirement benefits and bonuses). Other significant liabilities include advance from customers and provision for taxation representing 26% and 19% of total liabilities respectively.
- Off balance sheet items include guarantees given by commercial banks and an insurance company on behalf of the company amounting to PKR 2.6 billion (USD 0.4 million)

Introduction to organization Financial statement analysis – contd..

NESPAK Profit and Loss Accounts	Year ended 30 June		
	2010	2009	2008
	Rupees ('000)		
Consultancy services fee	5,058,097	4,331,690	3,275,712
Administrative expenses	(4,094,657)	(3,407,602)	(2,509,414)
Operating Profit	963,440	924,088	766,298
Financial Charges	(3,709)	(3,648)	(3,923)
	959,731	920,440	762,375
Other income	101,391	209,552	110,731
Share of profit from associates - net	3,614	5,224	4,812
Profit before taxation	1,064,736	1,135,216	877,918
Taxation	(284,959)	(252,139)	(241,347)
Profit after taxation	779,777	883,077	636,571

Source: Audited financial statements of NESPAK

● Analysis of operating results

- Consultancy services fee income of the company posted CAGR of 26% between year 2008 to 2010. Whereas, fee income increased by 17% in 2010 as compared to 2009. Increase in fee income is due to increase in active mandates of the company which increased from 277 in 2009 to 429 in 2010.
- Consultancy services fee for the year 2010 comprises PKR 4.5 billion (USD 52.1million) from local operations, PKR 293 million (USD 3.4 million) from foreign offices and PKR 324 million (USD 3.8 million) from foreign subsidiaries of the company.
- In terms of profitability, net profit after tax of the company declined from 20% in 2009 to 15% in 2010. Decline in profitability is mainly due to increase in administrative expenses.
- Administrative expenses increased by 29% in year 2010, as compared to 17% increase in fee income.
- Administrative expenses for the year ended 30th June 2010, mainly comprise of salaries, wages and benefits which represent 63% of total administrative expenses. Other significant expenditures included in administrative expenses are sub-consultancy fees amounting to PKR 517 million (USD 6 million), vehicle running expenses amounting to PKR 365 million (USD 4.2 million) and office maintenance and utilities amounting to PKR 227 million (USD 2.6 million).
- Sub-consultancy expenses mainly comprise of cost charged by NESPAK Foundation for services rendered to NESPAK under internal arrangement.
- Other income mainly includes return of bank deposits of PKR 62.8 mil (USD 0.73 mil) and exchange gain of PKR 29.2 mil (USD 0.33 mil).
- Return on assets remained 15% for the year 2010, as compared to 21% in 2009. Whereas, return on equity for the year 2010 remained 20% which declined from 29% in 2009.

Introduction to organization Financial statement analysis – contd..

NESPAK			
CASH FLOW STATEMENT			
	2010	2009	2008
	Rupees ('000)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	378,369	663,239	390,299
Income taxes paid	(342,383)	(250,307)	(195,974)
Employees benefits paid	(64,124)	(57,705)	(75,026)
Increase in loans and advances	(767)	(14)	(483)
Increase long term security deposits	(4,953)	(846)	(2,986)
Net cash generated from operating activities	(33,858)	354,367	115,830
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed Capital expenditure	(208,600)	(166,810)	(59,628)
Purchase of intangible assets	(4,348)	(472)	(145)
Sales proceeds from disposal of tangible fixed assets	7,180	2,492	3,011
Dividend received	1,750	1,500	-
Interest received	62,801	73,003	62,910
Net cash used in/generated from investing activities	(141,217)	(90,287)	6,148
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid	(41)	(1,422)	-
Dividend Paid	(750)	(750)	(450)
Financial Costs	(3,704)	(3,648)	(3,923)
Net cash used in/from financing activities	(4,495)	(5,820)	(4,373)
Net decrease/increase in cash and cash equivalents	(179,570)	258,260	117,605
Cash and cash equivalents at beginning of the year	1,288,689	1,030,429	912,824
Cash and cash equivalents at end of the year	1,109,119	1,288,689	1,030,429

Source: Audited financial statements of NESPAK

• Cash flows analysis

- The net cash flows from operating activities remained negative for the year ended 30th June 2010, which is mainly due to increase in consultancy fee receivable. Net cash flows from operating activities in 2010 amounted to a deficit of PKR 34 million (USD 0.4 million) which declined from a surplus of PKR 354 million (USD 4.1 million) in 2009.
- The net cash flows from investing activities remained at deficit of PKR 141 million (USD 1.6 million) and PKR 90 million (USD 1.04 million) in 2010 and 2009 respectively which are mainly represented by investments in office buildings.
- The negative cash flows from operations and investing activities in 2010 are not considered significant when compared to overall operations of the company. However, in case the current trend of negative cash flows from operations prevails, the company might have to face serious liquidity crisis.
- The cash flows from financing activities represent the cash flows in relation to lease financing facilities and bank guarantee charges.

The background features several overlapping geometric shapes in two shades of blue: a dark blue and a lighter blue. A large dark blue shape is on the left, partially overlapping a lighter blue shape that extends towards the top right. Another dark blue shape is positioned below the first one, overlapping it and extending towards the bottom right. The text is placed on the right side, overlapping the lighter blue area.

CORE FUNCTIONS ANALYSIS

The background features several overlapping geometric shapes in two shades of blue: a dark blue and a lighter blue. The shapes are primarily rectangular and trapezoidal, creating a modern, layered effect. The text is positioned on the right side, overlapping the lighter blue shapes.

GOVERNANCE AND MANAGEMENT STRUCTURE

Core functions analysis

Governance and management structure

Overview of governance and management structure

1. Legal entity

- National Engineering Services Pakistan (Private) Limited was incorporated in 1973 under Companies Act, 1913 (now Companies Ordinance, 1984). The company is wholly owned by the Federal Government of Pakistan and is engaged in providing engineering consultancy services in Pakistan and abroad. The registered office of the company is situated at 1-C, Block N, Model Town Extension, Lahore.
- As per the Functional and Legal Classification document issued by National Commission for Government Reforms, NESPAK is classified as a corporation under the Ministry of Water and Power.

2. Statutory filing requirements

- Since NESPAK is registered as a private limited company under the Companies Ordinance 1984 (the Ordinance), it 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

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

4. Governance and management structure

● Shareholders

- The Federal Government through Ministry of Water and Power is the sole shareholder in NESPAK.
- 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.

● 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) recommendations for the post of Managing Director and promotions of senior management staff; c) approval of financial statements; e) approving annual budgets etc. However, it is not extensively involved in core operations of the company. Please refer Annexure D for synopsis of BoD meeting minutes.
- The BoD of NESPAK constitute of government officials and other notables as appointed by Ministry of Water and Power. Please refer Annexure E for details of NESPAK's BoD.
- Please refer Annexure F for synopsis of Company's Memorandum of Association and Annexure G for Company's Articles of Association.

● Board of Management

- The responsibility of day to day affairs of the company vests with the Managing Director of the company. In order to effectively and efficiently manage the operations of the company, a Board of Management has been setup.
- The Board of Management constitutes of all divisional heads and is chaired by the senior most person in BoM. Regular meetings are held to discuss progress of every project and issues are discussed. Further, quarterly financial statements are reviewed by the Board of Management, along with monthly progress reports.

Core functions analysis

Governance and management structure

5. Accountability environment

5.1 External audit

- 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 30 June 2010.)
- Currently A. F. Ferguson & Co. (a member firm of Price Waterhouse Coopers) are the external auditors of the company.

5.2 Government audit

- NESPAK is subject to government audit which is performed by Directorate of Commercial Audit and Evaluation as per the mandate given to it by Auditor General of Pakistan for carrying out audit of government's commercial undertakings.

5.3 Internal audit

- The company has an in house audit department to perform audit activities.
- The internal audit department consists of 5 personnel and is headed by Manager Accounts who holds masters degree in commerce.
- Please refer Annexure H for summary of internal audit findings.

5.4 Quality audit

- NESPAK has put in place a Quality Management Division which is headed by a Vice President.
- The Quality Management Division has developed a Quality System Manual which provides guidance to staff on processes and documents to be prepared on various stages of project lifecycle i.e. planning, execution and closure.
- The division carries out quality audit of all project management as well as specialist divisions of NESPAK. A detailed annual audit plan is prepared and distributed to all divisions. The reports are prepared on regular basis and submitted to BoM for review.

6. Registration with Pakistan Engineering Council

- The company is registered with Pakistan Engineering Council as 'Consulting Engineers'.
- The type of ownership as identified under Pakistan Engineering Council Registration is "Private Limited Company".

7. Other certifications/ accreditations

- NESPAK has a valid ISO 9001 accreditation. The scope under the said accreditations include technical consultancy services for all service lines of NESPAK.
- The ISO 9001 accreditation certifications have been carried out by Moody International.

8. Assessment of adequacy of function/ critical risk factors

8.1 Legal status

a) Benchmark

- 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.
- 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.

b) Observations and conclusions

- The company is registered under the Companies Ordinance, 1984, however, for all practical purposes it is considered a government entity based on the following:
 - 100% owned subsidiary of Government of Pakistan through Ministry of Water and Power;
 - BoD constitutes of government officials and other notables as appointed by Ministry of Water and Power;

Core functions analysis

Governance and management structure

- Annual audited financial statements presented to BoD for approval;
 - Subject to annual Government audit performed by Directorate of Commercial Audit and Evaluation;
 - Appointment of Managing Director by the Federal Government; and
 - Classified as cooperation under Ministry of Water and Power as per Functional and Legal Classification document issued by National Commission for Government Reforms.
- The Company has obtained registration with PEC under the Pakistan Engineering Council Act, 1975.
 - The Company was assessed to have adequate legal status for carrying out its operations.

8.2 Tax status

a) Benchmark

- The Company should have a valid registration under the Income Tax Ordinance, 2001, applicable in Pakistan and is in compliance with tax laws.

b) Observations and conclusion

- NESPAK is registered with Federal Board of Revenue as 'company' under Income Tax Ordinance 2001 and was assessed to have adequate registration status under the law.

8.3 Dispute resolution mechanism

a) Benchmark

- Appropriate arrangements should be made to ensure that the entity is able to defend its contractual rights and legal actions instituted against the company.
- The entity should not have pending litigations which may affect the continuity of its business operations.

b) Observations and conclusion

- The company enters into legal arrangements on need basis and is considered adequate for company's operations. Although, the company's receivables against services rendered for various projects have piled up to the level of PKR 3.2 billion (USD 37 million), however, no litigation has been initiated against its debtors which is mainly due to the fact that most of these receivables are from government entities with which the company is maintaining long term relationship.
- On the basis of assessment procedures, no instance of legal dispute came to our attention.

8.4 Compliance with filing requirements

a) Risk area

- 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:
 - a. Conducting operations;
 - b. Holding governance meetings;
 - c. Maintaining books of accounts;
 - d. Filing of statutory returns with the SECP.
- Appropriate controls should be in place to ensure compliance with filing requirements of Companies Ordinance, 1984.

b) Observations and conclusion

- The company is in compliance with the statutory filing requirement and submits annual return under Companies Ordinance 1984. Similarly, NESPAK submits annual tax returns as per Income Tax Ordinance 2001 and we did not come across any exceptions to applicable tax laws.
- Hence, it was assessed that the company is in compliance with filing requirements under Companies Ordinance 1984, and Income Tax Ordinance 2001.

Core functions analysis

Governance and management structure

8.5 Governance structure

a) Benchmark

- An adequate governance structure, with an inbuilt mechanism that ensures continuous monitoring of entity's operations, should be developed and implemented.
- Adequate segregation of roles and responsibilities should be introduced within the governance structure to ensure a mechanism for regular checks and balances.
- 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.
- 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.

b) Observations and conclusion

- The governance structure of NESPAK comprises of BoD and BoM which are mandated to carry out overall review of performance of the Company.
- The BoD, which consist of mostly government nominated members, carry out its meeting two to three times in a year. However, after reviewing the minutes of BoD meetings, it was assessed that detailed evaluation of company's operations are not being carried out by the BoD. Further, the BoD has not constituted any board committees i.e. audit committees, procurement committees and other oversight committees.
- The Managing Director through BoM oversees the operations of the company. The BoM comprising of senior management staff of NESPAK is headed by the Managing Director and carries out regular meetings to review progress of projects and discuss administrative issues. However, we were not provided with minutes of BoM meetings to assess the effectiveness of BoM.
- Functional level roles and responsibilities have been developed and implemented.

8.6 External audit independence/ adequacy

a) Benchmark

- The entity should have adequate arrangements for independent audit of its financial statements and control environment.
- The entity should comply with the applicable statutory requirements in respect of arranging an independent audit.
- Auditing entities should be independent in fact and appearance and should independently carry out the responsibilities assigned to them.
- External audit should be carried out through a reputed firm for ensuring quality of audit and enhancing the credibility of financial statements.

b) Observations and conclusion

- The BoD appoints the external auditors for a term of five years. The current external audit of the company's financial statements is conducted by A. F. Ferguson & Co. (a member firm of Price Waterhouse Coopers) which have been performing audit for the past three years. Previously, external audit of company's financial statements was being performed by Ernst & Young Ford Rhodes Sidat Hyder & Co.. We were provided with audited financials for the last three years in which the auditors have expression unqualified opinion on the financial statements of the company.
- However, the company does not obtain management letter from its auditors as it has not been included in the scope of services agreed with them.
- NESPAK is also subject to government audit carried out by Directorate of Commercial Audit and Evaluation. After reviewing the government audit report, we understand that no significant issues were identified. Please refer Annexure I for summary of government audit findings.

8.7 Internal audit

a) Benchmark

- An independent and effective internal audit mechanism should be in-built into the operating cycle.
- 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.
- Scope of an internal audit function should cover all cross sections of an entity's operations.
- 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 scope of work.

b) Observations and conclusion

- The Company has set-up an internal audit function which reports directly to the Managing Director/President.
- The internal audit department comprises of 5 personnel and is headed by Manager Internal Audit. The Manager Internal Audit holds Masters Degree in Commerce with over 23 years experience and was assessed adequate to perform his role and responsibilities as head of internal function.
- A comprehensive internal audit manual is not developed and implemented. Similarly, an internal audit plan is also not prepared and approved on a yearly basis.
- Further, the observation raised by the internal audit department are repetitive in nature. Please refer Annexure H for summary of internal audit findings.

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FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM

Core functions analysis

Financial management and accounting system

1. Overview

- A dedicated accounting and finance division has been established to carry out accounting and reporting of financial matters of the company.
- Finance division is responsible for accounting and financial control, budgeting, insurance, loans and advances administration, income tax, corporate and secretarial, treasury management, payroll and budget preparation.
- Separate finance functions are established for some of the divisions, regional and overseas offices, while the central office finance section is responsible for overall consolidation as well as accounting and reporting of those divisions where dedicated finance function is not established. Please refer Annexure J for detailed structure of finance division of the company.
- Divisions and offices having dedicated finance function, are responsible for accounting at their locations, whereas, monthly trial balance report is forwarded to the central office for consolidation purposes.
- Functions of the finance division are governed by the accounting manual, developed in 1970s, along with work instructions and memos issued by head of finance from time to time.
- Finance division has a dedicated team of 92 employees including 86 professional staff members. Finance division is headed by the Chief Finance Manager, who is charged with the responsibility for overall operations of the function and reports to Managing Director (MD)/ BoD.
- The company is using in house developed accounting software based on FoxPro system. Key reports generated from accounting system include :
 - Trial balance report;
 - Division wise expenses report; and
 - Job wise direct cost report .

- Payroll is prepared manually by the disbursement section of central office finance function for all the divisions and is forwarded to the corporate affairs and banking section for transfer of salaries.
- Manager overseas accounts is responsible for coordination with overseas office and consolidation of overseas accounts.
- The responsibility for the preparation of budget rests with Manager budget and taxation who is assisted by two budget officers. Annual budgets are approved by the board of directors.
- Manager Corporate affairs & banking section is responsible for bank accounts management who is assisted by three officers.
- The company is managing the fixed assets by maintaining a fixed assets register on MS excel.
- For details on financial management and accounting systems, please refer to Annexure K.

2. Assessment of financial management and accounting system

2.1 Structure/ segregation of duties

a) Benchmark

- 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.

b) Observations and conclusion

- The company has eight central office sections, four overseas offices, and four regional offices finance sections. Each central office section is headed by manager who is responsible to the Chief Finance Manager finance. Regional and overseas finance staff is directly responsible to the head of regional and overseas office.
- Adequate segregation of duties are implemented in the company. However, central office's oversight on accounting and financial affairs of certain divisions, where separate finance function is established, is not exercised.

Core functions analysis

Financial management and accounting system – contd..

2.2 Adequacy of staff strength

a) Benchmark

- Accounting and finance function should be adequately staffed to ensure efficient execution of tasks assigned to each personnel and avoid risks of errors and omissions in the accounting records.

b) Observations and conclusion

- A total number of 92 staff members are employed in the finance division of the company, headed by Chief Finance Manager. At central office level, 38 staff members are employed.
- Finance and accounts staff employed in various divisions ranges between 1 to 9 staff members. However, as per our analysis of staff allocation for various divisions as compared to total volume of projects managed by their respective divisions shows that certain divisions might be overstaffed.

Analysis of finance staff allocation to divisions - September 2011				
Divisions/offices	Staff	No. of ongoing projects	Contracts value of ongoing projects	Avg. volume managed per person
			PKR millions	
Central office - finance	38			
Disaster Management & Reconstruction	4	12	5,134	1,284
Environment & Public Health Engineering	1	41	1,271	1,271
A&P (L)	1	43	1,133	1,133
Geo Tech	3	15	2,419	806
Highways & Transportation	8	32	3,793	474
Construction management	3	21	1,396	465
Water Resource	9	24	3,715	413
Power & Mechanical	8	33	3,188	398
Agriculture	4	8	1,195	299
Karachi	4	33	1,014	254
M&IT	1	6	167	167
A&P (K)	3	18	429	143
RO KP	2	4	159	80
Islamabad	3	29	114	38
Total	92			

- Based on our analysis of the finance staff allocation to divisions and offices, it is concluded that existing staff strength of finance division is capable of managing existing operations of the company and additional staff might not be required in case of award of further contracts.

2.3 Adequacy of qualification, skills set and experience

a) Benchmark

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.

b) Observations and conclusion

- Mr. Fasial Majeed, Chief Finance Manager – finance division is a qualified Chartered Accountant and has been associated with the Company for seven years.
- Mr. Ashfaq Asee, Manager–budget and taxation holds B.Com degree and has been associated with the Company for more than thirty years.
- Jawad A. Sattar, Manager–overseas accounts hold B.Com degree and has been associated with the Company for thirty five years.
- Key accounting and finance personnel have adequate experience. however, except for the Chief Finance Manager they do not hold adequate professional qualifications. Please refer Annexure L for detailed description of staff profile.

2.4 Employees turnover

a) Benchmark

- Key management personnel should be retained for longer periods of time to ensure continuity and efficiency in divisional operations.

b) Observations and conclusion

- Chief Finance Manager is associated with the company for the last seven years.
- On overall basis, low turnover was observed in finance division of the company. Only five staff members from finance division left the company during the last three years.

Core functions analysis

Financial management and accounting system – contd..

2.5 Job description

a) Benchmark

- Job descriptions and ToRs of all key staff in the finance department should be developed, properly documented and communicated, to ensure that every employee is informed about his/ her role in the department.

b) Observations and conclusion

- Except for Chief Finance Manager, written job descriptions are not developed for the finance team of the company. Head of division verbally communicates the tasks to be performed by each section manager.

2.6 Policies and procedures

a) Benchmark

- Adequate policies and procedures should be developed in order to ensure that key processes are accurately performed against measurable performance standards.
- Adequate policies and procedures should be developed to ensure provision of adequate guidance to finance staff in performing day-to-day responsibilities.

b) Observations and conclusion

- An accounting manual has been developed to govern the functions of the department. The manual for accounting and finance covers only the following areas:
 - Receipts and payments;
 - System of accounts costing ledger;
 - Bank account management; and
 - Store management.
- The accounting manual of the company was developed in 1970s and is not updated later on. However, changes are carried out through work instructions and memos issued by head of finance division from time to time.

- Updated policies specifying detailed description of roles and responsibilities of the finance division related to the banking operation, assets management, payroll preparation, preparation of financial statements and document retention are not available.

2.7 Compliance with identified policies and procedure

a) Benchmark

- 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.

b) Observations and conclusion

- While carrying out the compliance testing of policies and procedures manual, we observed certain instances of non compliance. Please refer Annexure M for detailed results of our compliance tests.

2.8 Payroll procedures

a) Benchmark

- Sufficient and appropriate controls should be implemented to ensure that payrolls are accurately prepared on the basis of personnel records and appropriate adjustments/ deductions are made in accordance with organization's policies and procedures and requirements of the applicable taxation and other laws.

b) Observations and conclusion

- Payroll is prepared manually by the disbursement section of central office finance function for all the divisions based on personnel records provided by coordination division. Payrolls are reviewed by each division head and internal audit department.
- Policies and procedures for preparation and payment of payroll have been developed. However, payroll reconciliations with general ledger are not being prepared.

2.10 Fixed assets management

a) Benchmark

- Fixed assets register should be designed and maintained in accordance with identified policies and procedures and applicable regulatory requirements.

Core functions analysis

Financial management and accounting system – contd..

- All assets should be recorded in the fixed asset register along with their location and unique identification number (asset code).
- 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.
- All assets of the entity should be adequately insured to avoid any losses due to theft and damage

b) Observations and conclusion

- Fixed assets have not been coded. Fixed assets register neither included the field for unique code of the asset nor the location of the asset.
- We were also not provided with the documentation for last physical verification of the fixed assets carried out by the company.

2.11 Maintenance of bank accounts

a) Benchmark

- 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.

b) Observations and conclusion

- Bank accounts are opened through BoD approvals. Bank accounts are being operated by authorised signatories. Cheques are signed by at least two of the authorised signatories.

2.12 Appropriateness of financial statement and disclosures

a) Benchmark

- Financial statements and the disclosures should adequately comply with the requirements of IFRSs and applicable laws and regulations.

b) Observations and conclusion

- Financial statements and the disclosures of NESPAK comply with the requirements of IFRSs and applicable laws and regulations. Financial statements of the company are audited by A.F. Ferguson & Company, chartered accountants.

2.13 Project invoicing and costing

a) Benchmark

- Adequate policies and procedures should be developed in respect of project invoicing and costing.
- Adequate controls should be in place to ensure that project costs are accurately and completely charged to the project as per the agreed terms and conditions, on the basis of auditable documentation.

b) Observations and conclusion

- We were not provided with the written policies and procedures related to invoicing and costing of project.
- The accounting software is not capable of managing job wise accounting records. Job wise accounting record is maintained manually.
- Invoices are raised by the project manager in accordance with terms specified in the project agreement. Recently, the company has adopted practice of cross checking of all project invoices by the central finance office of the company. As per the revised practice, the Chief Finance Manager is required to sign all the project invoices before they are issued to the clients. Copy of invoice is forwarded to the finance function of respective divisions for accounting purposes. However, the invoices are not pre numbered and are generated manually.
- Project wise time sheets are maintained in respect of each employee assigned to the project and are approved by the respective project manager.
- The project costing mechanism adopted by the company is based on allocation of non-chargeable costs to chargeable technical staff costs. At each year end, ratio of non-chargeable costs to chargeable technical staff costs is calculated by finance division of the company and is certified by the auditors of the company. This ratio is used in costing for new projects and agreed with the client.
- Adequate controls are in place over project costing and charging systems. Please refer Annexure Z for process of invoicing and receipt.

Core functions analysis

Financial management and accounting system – contd..

2.14 Bank reconciliation statements

a) Benchmark

- Adequate controls should be in place to ensure that bank reconciliations are prepared in timely manner, reviewed and approved by a competent authority.

b) Observations and conclusion

- Bank reconciliation statements are regularly prepared and reviewed by appropriate level of staff in respect of all bank accounts being maintained by the company.

2.15 Budget preparation and monitoring

a) Benchmark

- Adequate controls should be in place to ensure that reliable budgets are prepared in respect of project as well as administrative activities.
- Budgets should be periodically reviewed by appropriate level of management to ensure their relevance and monitoring of actual utilization.

b) Observations and conclusion

- Finance division has issued work instruction for preparation and monitoring of budgets.
- The responsibility for the preparation of budget rests with Manager budget and taxation who is assisted by two budget officers. Annual budgets are prepared in April of every year. Division heads are responsible for providing detailed budget of their respective divisions. Annual budgets are approved by the Board of Directors of the company.
- Job budgets are prepared by the project manager which are consolidated at divisional level. Divisional budgets are sent to the Manager – budget and taxation, at central office finance, for review and consolidation.
- Jobs revenue from expected jobs are budgeted only when the negotiations are on the final stage.

- Budgets are not revised in case of any cost revisions or revenue revisions incorporated through contract addendums on the basis of utilization reports.
- Finance division generates the budget v/s actual analysis and reports the same to managing director. Budget v/s actual analysis is also presented to Board of Management (BoM).
- Adequate arrangements are in place for preparation and review of budgets as well as monitoring of actual results in comparison to approved budgets.

2.16 Accounting Software

a) Benchmark/criteria

- Data base through which accounting software has been developed should be licensed.
- There should be a formal contract with software developer for maintenance and updating of the software.
- IT policy should be developed and software security should be a part of it.
- Offsite data back policy should be developed and followed rigorously.
- Proper audit trails should be present in the software to track entries.
- Training of accounting staff on the software should be carried out.

b) Observations

- Accounting software was developed in FoxPro by a finance officer of the company. The software provides basic level functions only include recording of data and generating trial balance report.
- Accounting software used by the divisions and regional offices is not linked with the central office and trial balances of various divisions are sent to the central office on monthly basis for consolidation purposes.

Core functions analysis

Financial management and accounting system – contd..

- Accounting software allows recording of back date entries and editing of entries posted in the ledgers.
- Comparison of budget with actual income and expenditures is not generated from the accounting system.
- Aging analysis of receivables is not generated from the accounting software. However, age analysis report of receivables of the company is prepared on manual basis by each of the division/office.
- No offsite data backup policy is made or followed.
- Considering the limitations of the existing accounting software, significant up gradation might be required in the accounting system to enable it to effectively manage the accounting and reporting requirements of the company.

2.17 Collection of Receivables

a) Benchmark/criteria

- Adequate controls over collection of account receivables should be in place to minimize the risk of bad debts.
- The company should have formal litigation process in case of payment default by the client,

b) Observations

- The company has not developed any formal process for collection of receivables.
- Consultancy fee receivable increased from PKR 2.4 billion (USD 27.9 million) in 2009 to PKR 3.2 billion (USD 37 million) in 2010. Bad debts written off also increased during the financial year 2010 from PKR 47.8 million to 54.97 as compared to financial year 2009.
- Increase in consultancy fee receivables has resulted in negative cash flows from operations of the company in 2010. In case the current trend prevails, the company might suffer serious liquidity crisis.
- The company has not entered into any legal proceedings for recovery of debt.

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PROCUREMENT SYSTEM

Core functions analysis Procurement system

1. Overview

- NESPAK is following Public Procurement Rules, 2004 (PPRA) and internal work instructions issued to carry out procurement of goods and services. Please refer Annexure N or details on procurement systems.
- NESPAK is currently carrying out two types of procurements:
 - Procurement of goods
 - Project specific procurement of sub-consultants services
- Procurement of goods include the procurement for day to day affairs of the office administration i.e. computer equipment, vehicles and general office equipment .
- 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.

A. Procurement of goods

- A dedicated procurement section has been established to carry out procurement of goods. Procurement section is headed by manager procurement who is assisted by four staff members.
- Central Procurement & Appraisal Committee (CP&AC) is formed by the Managing director which is authorized to approve purchases of works/services and comprises of:
 - Convener,
 - Secretary, and
 - Five members (comprising of a, b, c, d, e)
- Approval for stationery items of routine use is not required from the CP&AC.

B. Project specific procurement sub-consultants services

- Project specific procurements of sub-consultants are carried out by each division.

Comparison of fixed assets procured during last three years				
Particulars	2010	2009	2008	Total
Owned	Rs.	Rs.	Rs.	Rs.
Furniture and fixtures	9,062	26,955	5,382	41,399
Vehicles	47,871	16,028	12,975	76,874
Office equipment	22,085	23,163	16,135	61,383
Telephone Installation	126	989	2,179	3,294
Drawing equipment	428	2,255	1,102	3,785
Computers	15,360	15,296	21,855	52,511
Sub-Total	94,932	84,686	59,628	289,263
Finance Lease				
Vehicles	-	1,687	-	1,687
Sub-Total	-	1,687	-	1,687
Services Procured				
Consultants.(Local)	139,281,891	141,677,726	69,034,532	349,994,149
Consultants(Foreign)	16,489,541	66,849,823	31,847,278	115,186,642
Sub-Total	155,771,432	208,527,549	100,881,810	465,180,791
Total	155,866,364	208,613,922	100,941,438	465,471,741

Source: Audited financial statements of NESPAK

2. Assessment of procurement systems

2.1 Appropriateness of procurement policies and procedures

a) Benchmarks

- Comprehensive procurement policy should be developed which should provide rules and procedures for procurement of goods, works and services.
- The procurement policy should provide detailed guidance as well as policies and procedures in respect of domestic and international procurements.
- 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.

Core functions analysis

Procurement system – contd..

- 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).
- 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.
- Procurement manual should include detailed evaluation criteria for the selection of sub-contractor/ sub-consultants.

b) Observations and conclusion

- Public Procurement Rules 2004 and work instructions issued by the company for procurement of goods provide detailed policies and procedures with respect to procurement of goods.

2.2 Dedicated procurement function

a) Benchmark

- Separate dedicated function for procurement should be established in view of specialized nature of procurements to be made.

b) Observations and conclusion

- The company has established a dedicated procurement function for the procurement of goods which is headed by manager procurement.
- For procurement of services, the company has not established a separate procurement section. Procurements related to services have been designated to various divisions on the basis of nature of services to be procured.

2.3 Segregation of duties

a) Benchmark

- Procurement activities should be adequately segregated to ensure that a mechanism of checks and balances is introduced within the procurement cycle.

b) Observations and conclusion

- Adequate segregation of duties for procurement activities carried out at head office level are in place. In case of procurement of goods manager procurement is responsible for complete procurement process. CP&AC and Managing Director are the approving authorities for procurement .
- Head of relevant division is responsible for procurement of services. While CP&AC and Managing Director are the approving authorities for procurement.

2.4 Compliance with policies and procedures/laws and regulations

a) Benchmark

- Appropriate controls should be introduced to ensure that all transactions are carried out in accordance with applicable laws and regulations. An effective control environment should be evolved within the entity to ensure that non-compliances are prevented and/ or timely detected and rectified.
- 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.

b) Observations

- Compliance with applicable policies and procedures for procurement of goods and services was tested on sample transactions and we noted certain instances of non-compliance which are reported in Annexure O.

2.5 Adequate experience/staff strength in procurement

a) Benchmark

- Personnel vested with the responsibility of procurement should be specialized, experienced, trained and capable of contract management and administration.

b) Observations

- Company has dedicated section for procurement of goods function which is headed by manager procurement. Manager procurement is working with NESPAK for more than 20 years.
- Manager procurement is assisted by four staff members having adequate experience.
- Divisions have adequate staff strength and experience to carry out procurement of services.

2.6 Legal advise on high value procurements

a) Benchmark

- Professional advise on legal documentation such drafting of agreements, employee and consultants should be carried out while awarding of contract.

b) Observation and conclusion

- Company is not involved in high value procurements related to goods and thus does not require legal advise on procurements related to goods.
- The Company has no formal legal arrangement for obtaining legal advise for procurement of consultants services. The Company utilizes services of an independent lawyer on need basis.

2.7 Conflict of Interest

a) Benchmark

- Conflict of interest checks with the suppliers should be established and carried out before carrying out procurements

b) Observation

- Procurement policies does not provide for conflict of interest checks with the suppliers regarding the employees involved in carrying out procurements.



HUMAN RESOURCE FUNCTION

Core functions analysis

Human resource

1. Overview of the function:

- Human resource function in NESPAK is managed through two separate divisions i.e. Coordination Division and Human Resource Division. Each divisions are headed by a Vice President and perform separate set of activities relating to human resource function.
- The Coordination Division consists of 101 employees. The primary functions of the division are as follows:
 - To carry out hiring of personnel of all grades and all types;
 - To ensure that annual job appraisals are carried out of each employee;
 - To assess candidates for promotions based on job appraisals;
 - To maintain and update on a regular basis the personnel files of all employees of NESPAK;
 - To coordinate between other divisions;
 - To issue all office memos;
 - To carry out correspondence with Ministry of Water and Power; and
 - Carry out other administrative matters.
- The human resource division consists of 15 employees. The primary function of the division is as follows;
 - To carry out training need assessment and prepare annual training plan for all divisions;
 - Coordinate with other divisions for carrying out project specific trainings; and
 - Prepare HR monthly report highlighting key changes.
- The Company maintains following manuals in respect of HR matters.
 1. Policies and procedures manual for recruitment of staff;
 2. Policies and procedures manual for promotion of staff;
 3. NESPAK service rules; and

4. Human resource policies and procedures manual.

- The “Policies and procedures manual for recruitment of staff” covers Company’s hiring process relating to all grades and all types. Similarly, “Policies and procedures manual for promotion of staff” covers matters relating to job appraisals and promotion of staff. Please refer Annexure P for summary of hiring and promotion policies and procedures adopted by NESPAK.
- NESPAK service rules provide guidance on general administrative matters which include, leave, travel, medical etc.. Please refer Annexure Q for overview of the service rules.
- Currently NESPAK does not hire new staff on permanent basis. All staff requirements are fulfilled through hiring on contractual or daily wages basis. However, as per NESPAK policy, staff hired on contractual basis are offered permanent position after three years of services subject once satisfactory appraisal report is obtained.
- Following is the breakup of staff strength of NESPAK as at September 2011:

Cadre wise staff	
Category	Staff strength
Permanent employees	1,852
Employees on contracts	905
Daily wages	630
	3,387

Source: Management information

- The resources required under any specific projects are acquired on daily wages basis. Their contract period is either based on the duration of the project or fulfillment of tasks if hired for a specific task. The daily wages staff can be hired for all grade levels.

2. Assessment of HR function

2.1 Dedicated Human Resource Division

a) Benchmark

- A dedicated and centralized division entrusted with all responsibilities relating to human resource function should be established in view of managing human resource in an efficient manner in order to ensure that effective HR planning and policy making is in place and staff possess adequate and up to date knowledge for continued staff development.

b) Observation and conclusion

- NESPAK lacks a dedicated and centralized human resource division as roles and responsibilities relating to human resource function are segregated among two divisions.
- However, it was assessed that major functions are being performed satisfactorily.

2.2 Appropriateness of policies and procedures

a) Benchmark

- An organization should have adequate policies and procedures 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.
- HR policies and procedures should be complied in order to ensure that key operating resource is adequately managed and utilized towards achieving entity's goals and objectives

b) Observations and conclusion

- Policies and procedures developed for human resource management lacks guidance on following areas:

- Staff utilization planning.
- Payroll management.
- Staff development.
- Staff redundancy.

2.3 Staff hiring process and personnel record maintenance

a) Benchmarks

- 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.
- 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.
- 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.
- Complete documentation, as stipulated in the policies and procedures, should be maintained in respect of all employees.

b) Observations and conclusion

- Currently NESPAK does not offer permanent position to candidates as staff is only inducted on contractual or daily wages basis. The policies and procedures for recruitment and selection of personnel provides guidance for hiring of staff on contracts and daily wages.
- The Coordination division maintains a database of shortlisted candidates which as per policy can be utilized for a period of one year.
- During our compliance of recruitment process, we observed that the interview committee does not include a personnel from coordination division. Please refer Annexure R for compliance of hiring process.

Core functions analysis

Human resource – contd..

- Adequate records of personnel are being maintained, however, during personal file compliance we noted certain discrepancies highlighted in Annexure S.
- NESPAK does not have a staff utilization plan and most of its technical staff are engaged on projects in hand.
- Further, the company has not developed staff hiring plan bifurcated into envisaged staff requirement based on level of qualification or experience.

2.4 Adequacy of staff qualification, skills set and experience

a) Benchmarks

- 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.
- 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.

b) Observations and conclusion

- Staff qualification, skill set and experience of key staff is considered adequate. Please refer Annexure T for analysis on qualification of staff.
- We noted that the human resource function is being led by VP who are engineers by profession. As human resource is a specialized field, hence, it should be headed by adequately qualified personnel in order to manage company's affairs in an efficient manner. Please refer Annexure L for key staff profiles.

2.5 Staff accountability and performance evaluation

a) Benchmarks

- A mechanism should be implemented ensuring adequate communication of staff responsibilities as well as accountability and evaluation of employee progress against KPIs.

- Job descriptions should be carefully developed in respect of each staff position to ensure that most efficient utilization of human resources is achieved. Performance evaluations should be strictly based upon job descriptions and targets assigned to the employee.
- Performance evaluation framework should be developed which should include KPI at individual and project level to evaluate the performance of each individual and substantiate the contribution of individuals towards achievement of goals.
- Salary increments and incentives should be based on performance evaluation.

b) Observations and conclusion

- Staff accountability and performance evaluation mechanism is considered adequate as the company has a laid down procedure for evaluating staff performance annually which is also based for promotions.
- Job description for Vice presidents and Division Heads are in place. However, we noted that job descriptions/TOR are not available for grade 12 and below.

2.6 Staff retention and employee turnover

a) Benchmark

- 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.

b) Observation and conclusion

- Formal retention policy has not been developed by the company, however, we observed that staff turnover is not significant as per the details provided by the management as it is less than 5%.

2.7 Training and development

a) Benchmark

- 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.
- 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. Further, post training assessment should be carried out in order to assess the level of intervention which shall be used as basis for development of training plan for subsequent year.

b) Observations and conclusion

- The Human Resource Division of NESPAK carries out formal training need assessment annually and a comprehensive training plan is developed during the start of each year. Please refer Annexure U for summary of training activities for year 2011.

2.8 Hiring of staff on daily wages

a) Benchmark

- The staff deputed on projects should be well versed with company's policies and procedures. Staff should be hired on long term basis and only limited number may be hired on daily wages in order to ensure quality of deliverables.

b) Observations and conclusion

- NESPAK has over 600 personnel on daily wages as per the details provided by the management. Out of 600 personnel, more than 70 personnel are qualified engineers and deputed on projects.

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ABSORPTIVE CAPACITY ANALYSIS

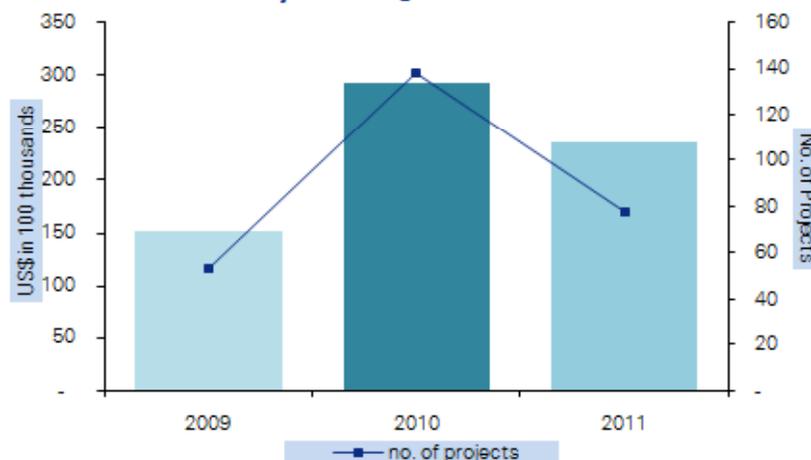
Absorptive capacity analysis

1 NESPAK operations

1.1 Analysis of completed projects

- During the last three years, the company has completed 269 projects with a total contract value of US\$ 68 million including 53 projects with fee amounting to US\$ 15.3 million in 2009, 138 projects with fee amounting to US\$ 29.4 million in 2010 and 78 projects with fee amounting to US\$ 23.7 million in 2011.
- In terms of clients of the company, 52% of the projects with total contract value of US\$ 32 million were carried out for government of Pakistan.
- Major clients of the company in the government sector include WAPDA, Government of Punjab, and Government of Baluchistan which jointly represent 49% of total contract value of government sector clients.
- A total number of 15 projects with contract value amounting to US\$ 16 million were carried out by NESPAK in joint venture arrangements.
- Major clients of the company, other than government of Pakistan, include foreign clients such as Aero-ports de Paris, Clients in government sector of Oman, Clients in government sector of Bangladesh and Clients in government sector of Saudi Arabia.
- In terms of service area wise analysis of completed mandates during last three years, NESPAK's scope of work in most of the projects related to preparation of detailed designs and construction supervision.
- With reference to NESPAK's experience of working with IFIs (USAID, World Bank, Asian Development Bank, JICA, UNICEF, Islamic Development Bank and KFW Germany), NESPAK has completed six projects with total contracts value of US\$ 1.46 million during the last three years.

Trend of completed project 2009-2011 - No. of Projects along with contract value



Services wise distribution of completed projects (2009-2011)	US\$ in million	
	No. of projects	Project value
Detailed Design	117	3,069
Construction Supervision	114	3,263
Tender Documents	74	2,415
Project Planning	44	996
Design Review	44	1,075
Feasibility Study	24	5,226
Software Requirement Specification	1	-
Functional Specifications Document	-	-
System Study Design	1	-
Software Development	-	-
Testing, Debugging & Implementation	-	-
Documentation & Training	-	-
Satellite Imagery	4	-
Map Digitization	5	-
Digital Terrain Model	1	-
Global Positioning System Survey	-	-
GIS Database && Model Development	3	-
Map Analyses	3	-
Environmental improvement study	18	-
others	10	4,651

* Few projects were comprising of multiple tasks

Absorptive capacity analysis – contd..

1.1 Analysis of completed projects – contd..

- An analysis was carried out to determine the capacity and experience of company for managing different scales of contracts in terms of contract value for projects completed during last three years.

Contract value range	No. of projects	Project value	Contract value	Avg. project value
US\$ in million				
Less than US\$ 1 million	256	9,416	41.2	37
Greater than US\$ 1 million & less than US\$ 4.99 million	12	442	21.7	37
Greater than US\$ 5 million & less than US\$ 14.99 million	1	5,777	6	5,777
Greater than US\$ 15 million & less than US\$ 49.99 million	-	-	-	-
Greater than US\$ 50 million & less than US\$ 55 million	-	-	-	-
Total	269	15,635	68.3	58

- More than 95% of the projects (256 projects out of a total number of 269 projects) completed during last three years were for consultancy fees of less than USD 1 million. However, the company has also managed a project with consultancy fee amounting to USD 6 million.
- The above analysis is limited to the extent of NESPAK's capacity with reference to the number of projects and projects size in term of contract value. The technical capability, nature and complexity of the projects completed by NESPAK have not been discussed under this analysis.

1.2 Analysis of ongoing projects

- Currently, company is managing a portfolio of 376 ongoing projects with total contract value of US\$ 364.5 million. Total project cost of ongoing projects, for which NESPAK is providing various consultancy services, amounts to USD 19.7 billion.
- Current projects managed by the company are mostly awarded by the government of Pakistan. Around 75% of the projects with total contract value of US\$ 275.4 million are government of Pakistan projects.

- Projects awarded by government of Pakistan include projects of WAPDA, Government of Pakistan, Government of Punjab, Government of Baluchistan, ERRA, NHA, NTDC and Government of Azad Jammu and Kashmir.
- Among the ongoing projects, a total number of 50 projects with contract value amounting to US\$ 112.2 million are being carried out by NESPAK in joint venture arrangements.
- As per the reporting system of NESPAK, operational progress of regional offices and foreign office are reported on the basis of locations instead of divisions. Below is the summary of division wise mandates currently managed by NESPAK's central office located in Lahore:

Summary of division wise ongoing projects (central office only)			
Division	No. of projects	NESPAK fees	Total project costs
Amounts in USD millions			
Architecture & Planning -Lahore	43	13.2	921.5
Agriculture	8	13.9	59.2
Building Structures	2	0.0	146.5
Construction Management	21	16.2	415.0
Disaster Management & Reconstruction	12	59.7	474.2
Environment & Public Health Eng.	41	14.8	1,024.1
Geotech & Geoenvironmental Eng.	15	28.1	4,282.7
Highways & Transportation Eng.	32	44.1	3,258.6
Monitoring & Information Technology	6	1.9	45.9
Power & Mechanical	33	37.1	2,743.7
Structural Engg.	11	2.4	745.0
Water Resources	24	43.2	2,961.1

- With reference to NESPAK experience of working with IFIs (USAID, World Bank, Asian Development Bank, JICA, UNICEF, Islamic Development and KFW Germany), NESPAK has 23 projects with total contracts value of US\$ 56.66 million representing 16% of total contracts value of ongoing projects.

Absorptive capacity analysis – contd..

- An analysis was carried out to determine the capacity and experience of company for managing different scales of contracts in terms of contract value.

Contract value range	No. of projects	Project value	Contract value	Avg. project value
US\$ in million				
Less than US\$ 1 million	290	9,267	77.5	32
Greater than US\$ 1 million & less than US\$ 4.99 million	73	8,900	156.3	122
Greater than US\$ 5 million & less than US\$ 14.99 million	12	6,137	80.2	511
Greater than US\$ 15 million & less than US\$ 49.99 million	–	–	–	–
Greater than US\$ 50 million & less than US\$ 55 million	1	4,186	50.6	4,186
Total	376	28,490	364.6	76

- As evident from the above analysis, most of the ongoing projects have consultancy fees of less than USD 1 million. However, the company has demonstrated capacity of managing project with consultancy fee of USD 50.6 million.
- The above analysis is limited to the extent of NESPAK capacity with reference to the number of projects and projects size in term of contract value. However, the technical aspects, nature and complexity of the projects completed by NESPAK have not been considered under this analysis.

1.3 Overall operational capacity

- Keeping in view NESPAK's ongoing as well as completed projects during last three years, it is concluded that NESPAK has demonstrated capacity of managing projects ranging between small sized to mega sized.
- In terms of service areas, NESPAK has diversified experience of providing range of services. However, core competencies of the company, as demonstrated through volume of services provided, are in project designing, construction supervision, assistance in tender documents, project planning, design reviews and feasibility studies.

2 Governance and management structure

- NESPAK's governance structure is comprised of Board of Directors, appointed by the Ministry of Water and Power, and Board of Management. The Board of directors comprises of government officials and notables, whereas, the Board of Management comprises of managing director and divisional heads. Although, the Board of directors of the company is adequately structured and empowered to take strategic decisions, however, active participation of the Board of Directors is not evident.
- Project management structures are developed and adequately implemented to manage small to large sized projects.
- In terms of accountability, the company has adequate arrangements of external audit of their financial statements. Whereas, the company has established an internal audit function, however, the internal audit is reporting to managing director of the company. Internal audit's capacity in terms of human resource and professional qualifications is limited to effectively execute oversight over company's operations.

3. Financial management and accounting systems

- Separate finance functions are established in most of the project management divisions under the umbrella of central finance function. Finance function of the company is adequately staffed to manage financial affairs of the company.
- Accounting manual has been developed to govern the financial affairs of the company, however, the manual is not updated since its development in 1970s. Updated policies specifying detailed description of roles and responsibilities of the finance division related to the banking operation, assets management, payroll preparation, preparation of financial statements and document retention are not available.

Absorptive capacity analysis – contd..

3. Financial management and accounting systems - contd..

- An accounting software was developed in house to process the financial information, however, the software provides only basic level functions and do not suffice the accounting and reporting requirements of the company.
- Considering the limitations of the existing accounting software, significant up gradation might be required in the accounting system to enable it to effectively manage the accounting and reporting requirements of the company at existing as well as enhanced level of operations resulting from additional award of projects.

4. Procurements systems

- NESPAK is following Public Procurement Rules 2004 along with work instructions issued form time to time to carry out procurements of the company. These Rules provide adequate detailed policies and procedures for carrying out procurements of goods and services.
- Certain instances of non-compliances with the applicable policies and procedures related to procurements were identified from our compliance testing, however, they are not considered material in the overall context of operations of the company.
- A dedicated function for procurement of goods has been established in the company. Procurements of services, including consultants for execution of projects, is carried out by respective divisions.
- However, all types of procurements are subject to approval by a Central Procurement and Appraisal Committee and managing director of the company.
- Keeping in view the volume of procurements carried out by the company as compared to overall operations of the company and the control environment prevalent to monitor the procurements carried out by the company, the existing procurement management set up is considered capable of managing the existing as well as additional procurements resulting from award of further mandates to the company.

5 Human resources

- NESPAK has a total staff strength of 3,387 including 2,757 technical staff members. Human resource function of the company is managed by two separate divisions i.e. Coordination Division and Human Resource Division. HR policies and procedures are in place covering majority of HR management areas and are being implemented on regular basis.
- On the basis of staff utilization levels (from June 2010 to July 2011) for major divisions of the company, it was observed that average staff utilization rate of major project management divisions was 96%.
- We were not provided with staff utilization details of certain major divisions including GT & GE division and foreign offices, due to which we remained unable to determine overall staff utilization rate of the company.
- Based on the analysis carried out to ascertain manageable project size with current idle capacity, in divisions for which staff utilization rates were provided to us, it is concluded that the company may have the available capacity to manage few small to medium size projects. However, additional resources might be required for managing mega projects.

6 Monitoring and evaluation functions

- 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 the 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.

Absorptive capacity analysis – contd..

7 Conclusion

- Based on various considerations discussed in the preceding paragraphs of this section, it may be concluded that from an operational perspective, NESPAK may be categorized as large size organization in terms of its ability to manage projects.
- In case of award of major contracts, additional resources and strengthening measures would be required with reference to financial management systems and monitoring & evaluation systems, which would primarily be dependent on size and type (complexity) of project..

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MONITORING AND EVALUATION

Core functions analysis

Monitoring and evaluation

1. Introduction

- Monitoring of projects undertaken by NESPAK is carried out primarily through two divisions i.e.
 - Monitoring and Information Technology Division
 - Quality Management Division
- NESPAK has developed an Oracle based in-house management information system by the name of NESPAK Manpower Management Information System ("NESMAN"). NESMAN is being operated and maintained through Monitoring and Information Technology Division of NESPAK.
- Whereas, keeping in line with the requirement of ISO 9001, NESPAK has compiled a Quality System Manual.

1.1 NESMAN

- NESMAN is a computer-based information system that integrates data from all the divisions, including project management divisions and support divisions, to provide management with the information relating to project management in terms of man power utilization and review of budgets.
- The primary goals and objectives of NESMAN are as follows:
 - To monitor manpower utilization on each project by the Project Manager and Division Head;
 - To monitor and control the cost estimates of the project
 - Provide access to Project Manager and senior management staff for monitoring purposes of various projects at a time;
 - Timely availability of necessary information to the Management for decision making.
- The basic purpose of NESMAN is to monitor charging against projects in terms of hours and costs. It provides access to the Project Managers to monitor actual time spent on projects in comparison to budgeted targets and project costs.

- Further, it facilitates the higher management i.e. Division Heads and Managing Director to monitor and analyze the performance of a project in specific and Divisions / Company as a whole.
- Key information extracted from NESMAN is as follows;
 - Company Report: Giving an overview picture of operations of the company;
 - Monthly NESMAN reports: Primarily highlighting manpower utilization;
 - Division Report; highlighting key projects being handled and performance of each division;
 - Summary of charging on overhead jobs;
 - Monthly employees count;
 - Charging to idle time;
 - Charging to gratis job;
 - Transfer of proposals charging; and
 - Changes in employee count.
- Recently, Monitoring and Information Technology Division has provided access of NESMAN to individual divisions as well, with a view that project information is readily available to Project Managers and Division Heads for planning and decision making purposes. Access to all reports is given to selected personnel in each division through which reports are generated as and when required.

1.2 Quality Management

- NESPAK has developed a Quality System Manual which provides guidance to staff on processes and documents to be prepared on various stages of project planning, execution and closure.
- The manual also has laid down job descriptions of higher management staff.
- Quality assurance at site is carried out only on the request of client.

Core functions analysis

Monitoring and evaluation – contd..

2. Assessment of M&E function

A. PROJECT LEVEL MANAGEMENT AND MONITORING

2.1 Risk assessment of prospective client

a) Benchmark

- A comprehensive and formal client evaluation, engagement acceptance and risk assessment procedures should be in place. The procedures should be performed before entering into any contractual arrangement with a client in order to protect company from financial, litigation and reputational risk.
- The policies and procedures should be well documented and role and responsibilities should be defined for carrying out risk assessment of prospective clients.

b) Observations and conclusion

- NESPAK does not have laid down procedures for carrying out formal client evaluation, engagement acceptance and risk assessment of its prospective clients.
- Although majority of NESPAK projects have been awarded by government entities, however, it has rendered sizable services to private sector clients as well. Further, as NESPAK has considerable overseas operations, it is pertinent that formal procedures are developed for carrying out risk assessment of prospective clients which shall be applicable for both overseas as well as local projects.

2.2 Project evaluation

a) Benchmark

- A robust mechanism should be in place to critically evaluate each project before contemplating to enter into proposal stage. The evaluation should be based on thorough information about the envisaged project including assessment of all stakeholders including their past relationship and experience with them.

- The company should assess its technical and financial strength after evaluating in depth the scope of work and specifications of the envisaged project.
- An assessment of the critical success factors of a project should be carried out which should be measured against available resources (both at entity level as well as JV level).
- A high level review of project plans should be carried out before further progress towards project proposal and contracting stages.

b) Observations and conclusion

- NESPAK does not have a formal mechanism in place for assessing the envisaged project. Detailed assessment is not carried out in respect of NESPAK's past experience with the stakeholder associated with the project, which may include contractors, consultants etc..
- NESPAK has policies and procedures in place for carrying out feasibility studies on prospective projects. Project budgeting is carried out before submission of any proposal which estimates level of effort required, man months required and overhead costs.
- NESPAK has a formal mechanism in place for project evaluation. In respect of cost estimates, its is prepared on the basis of expected man months in a project multiplied by grade wise charge out rates. Cost estimates are prepared by Project Manager after incorporation of input from other division which are envisaged to provided services as well. Cost estimates are then reviewed and approved by the relevant Division Head. The charge out rates are issued by Contracts Division which are applicable for one year. However, for the year 2009, we noted that the charge out rates were calculated and circulated on August 27, 2010 which were effective from July 01, 2009.
- As per our discussion with management, it was noted that overhead cost rate used for calculation of charge out rates is reduced in certain cases in order to remain competitive in the bidding process. We were not provided detail of instances where overhead cost rate was reduced, hence, we remain unable to assess the financial impact of such decisions. Please refer Annexure Y for detailed project lifecycle.

Core functions analysis

Monitoring and evaluation – contd..

- Although NESPAK has laid down policies and procedures for carrying out project evaluation in terms of technical and financial resources required for completion of a project, however, the company does not have a formal mechanism for carrying out assessment of project stakeholder and their past performance trends in order to accurately assess the project requirements.

2.3 Project planning

a) Benchmark

- Projects should be planned in a manner that ensures best utilization of entity's resources. Project performance variables directly linked with key performance indicators should be identified, evaluated and accordingly incorporated into project feasibilities and plans.
- A formal assessment of technical, human and infrastructural resources should be carried out to ensure that available resources are adequately identified, positioned and Company's requirements with respect to project implementation are adequately identified.
- Project plans should be reviewed and approved by relevant key management personnel with adequate expertise to ensure that project is adequately reviewed and possible implementation issues are timely identified and resolved at the planning stage.
- Project activities should be adequately planned and coordinated amongst all implementing partners to ensure that projects are implemented in an efficient and coordinated manner. Project responsibilities should be adequately identified and documented to ensure that all partners are aware of their roles and may be held accountable for their respective set of roles and responsibilities.

b) Observations and conclusion

- Project methodologies are developed on the basis of identified scope of work. Methodologies provide detailed description of project implementation steps, relevant staff and resources to be employed by the entity.

- Project staff is identified by the Division Head based on past experience and availability of resources. However, we noted that, a formal process documentation in respect of required level of expertise and number of man months required in a project, is not in place.
- Project work plans are developed on the basis of proposed methodologies based on scope of service provided by client.
- JV agreements are executed which set out respective roles and responsibilities of each implementing partner. The JV agreements identify the lead implementing partner who is responsible for coordinating the activities of JV partners. BoM, led by the representative of lead partner is formed. Periodic progress reviews are carried out by the BoM.
- Project management structure; framing of financial policy including working capital and payment of future liabilities and obligation, opening of JV bank accounts, authorization limits, leasing of property for project office accommodations, approval of annual accounts, developing procedures for obtaining clearance of client for engagement of short term specialists, delegation of powers, monitoring of progress, etc. are also specified in the JV agreement.
- It was assessed that NESPAK possess effective project planning mechanism, however, the company does not have formal policies and procedures/documentation in place which highlights minimum requirements of qualification/technical expertise or experience of staff to be deputed on a project.

2.4 Contract management

a) Benchmark

- Formal contracts should be executed with Clients to ensure that respective rights and obligations are adequately documented, program activities are adequately identified, to ensure that Company is not exposed to risks associated with the project.

Core functions analysis

Monitoring and evaluation – contd..

- Appropriate level of staff, with adequate authority, should be assigned the role for contract management, to ensure that project deviations in terms of project specification; their impact on respective roles and responsibilities of each partner, cost estimates, etc. are adequately documented and signed off by each partner.
- Policies and procedures with respect to contract management should be developed and implemented to ensure that all contracts are adequately developed.
- Adequate change management procedures should be developed and implemented to ensure that all changes are adequately documented, approved by respective parties to the project and are adequately incorporated into project implementation and cost estimates. Adequate record of modifications made in the contract should be retained on the basis of a formal document retention policy.

b) Observations and conclusion

- Formal contracts are executed with Clients in case where NESPAK is the sole consultant as well as in case of JV arrangements, specifying respective roles and responsibilities of each partner to the agreement. NESPAK has a dedicated function i.e. Contracts Division which carries out review of all contracts to be signed.
- Most of the contracts signed by NESPAK are on guideline and template provided by the Pakistan Engineering Counsel. In case there is any deviation from standard clauses, MD approval is sought.
- Change logs are not being maintained and formal addendums are issued in respect of changes resulting from modifications in project implementation, cost estimates, etc..
- Based on the above, it was assessed that NESPAK has adequate contracting mechanism in place.

2.5 Cost allocation and management

a) Benchmark

- Project costs should be rigorously monitored to ensure that projects are implemented in line with cost estimates, cost variations are reviewed and rationalized, and appropriate modifications are made in project cost estimates.
- Adequate controls should be in place to ensure that project costs are accurately and completely charged to the project on the basis of actual costs. Further, adequate controls should be in place to ensure that costs are charged to the project in accordance with the terms of the project contract.

b) Observation and conclusion

- NESPAK has a formal mechanism in place for project evaluation. In case of cost overruns, the matter is referred to BoM and explanation is sought from the Project Manager and Division Head for such instances. Subsequently corrective actions are recommended and efforts are made in order to avoid similar situation in other projects.
- However, even if there has been misjudgment in calculating cost estimates/man months or mismanagement of project execution, the management ensures that job is completed as per scope of work agreed with the client. Please refer Annexure V for sample of cost overruns.

2.6 Compliance with project timelines

a) Benchmark

- Adequate controls should be in place to ensure that project timelines are followed. Rigorous review of progress should be carried out to ensure that expected delays are timely identified, appropriate measures are taken to ensure that delays are optimally minimized and appropriate update is provided to the JV partners as well as the client.

Core functions analysis

Monitoring and evaluation – contd..

b) Observation and conclusion

- As per our discussion with the management, it was identified that there were issues in meeting project timelines, however, we were not provided with listing of completed/ongoing project where estimated timelines were not met. As per management, project timelines are not met mainly due to shortage of payment due from GoP to contractors or subsequent change in project scope.

2.7 Progress reviews by project management

a) Benchmark

- Regular progress reviews should be carried out to ensure that progress is regularly reviewed, potential issues are timely identified and communicated to stakeholders, and appropriate resolution is attained.

b) Observation and conclusion

- Project manager along with BoM is responsible for monitoring & evaluation at the project. In case of JV, a project coordination office is setup which oversees all project activities.
- NESPAK has implemented a mechanism for receiving client complaints which are then forwarded to relevant head of division for their reply and corrective actions if any.
- Issues relating to performance of NESPAK staff on projects are usually raised. Please refer Annexure W for summary of client complaints. However, it was assessed that the company has effective processes in place for project management.

2.8 Staff management

a) Benchmark

- Adequate controls should be in place to ensure that performance of staff allocated at projects is regularly carried out and reported to appropriate management level.

- Detailed timesheets of staff deputed on projects should be regularly submitted, reviewed and approved.

b) Observation and conclusion

- The review of performance of staff deputed on projects is the responsibility of the Project Manager. The Project Manager reports to Division Head on a monthly basis highlighting staff utilization and budget comparison.
- Timesheets of all project staff are submitted at the end of each month which form basis for raising of invoices. Timesheets are reviewed and approved by Project Manager and submitted to Division Head for approval. However, we noted that timesheets submitted by project staff highlights chargeable hours but does not specify the activities performed justifying the hours spent.

B. INDEPENDENT MONITORING AND EVALUATION

2.9 Independence of monitoring and evaluation function

a) Benchmark

- 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.

b) Observation and conclusion

- Monitoring function has been entrusted to Monitoring and Information Technology Division which records project wise and employee wise time spent on a specific project. However, an independent monitoring and evaluation function over seeing the technical aspects of the project has not been established. Accordingly, no formal mandate of the department has been developed.
- Further, no staff has been dedicated for monitoring and evaluation of Company's operations.

Core functions analysis

Monitoring and evaluation – contd..

2.10 Policies and procedures/ job description

a) Benchmark

- Policies and procedures for M&E activities should be adequately laid down to ensure efficient execution of duties by M&E personnel.
- Roles and responsibilities of M&E personnel should be clearly defined and should be set with the objective to achieve effective monitoring and evaluation.
- A robust reporting system should be in place to ensure timely reporting of issues identified thereby assisting the management to take timely corrective actions. Regular follow-up of monitoring and evaluation observations should be carried out.

b) Observation and conclusion

- Policies and procedures in respect of M&E have not been developed, accordingly, no reporting and other requirements are defined. However, reporting requirements pertaining to project progress under each project are included in respective contracts with the clients.
- Roles and responsibilities of M&E function have not been defined.

2.11 Tools and guidelines

a) Benchmark

- Tools and guidelines should be developed to provide guidance in respect of monitoring and evaluation of project and other operation of the Company.
- The tools and guidelines should be updated on the basis of updated monitoring and evaluation requirements of the entity.
- A regular review of compliance with monitoring and evaluation tools and guidelines should be carried out and reported to appropriate level of management.

- 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.

b) Observation and conclusion

- Tools and guidelines for carrying out independent monitoring and evaluation of project activities have not been developed.

2.12 Adequate experience of relevant staff

a) Benchmark

- Personnel assigned with the monitoring and evaluation responsibilities should possess adequate qualification, skills and expertise to carry out monitoring and evaluation of project and company's operations.

b) Observation and conclusion

- A dedicated staff has not been assigned for carrying out monitoring and evaluation function. Accordingly, an assessment of adequacy of staff experience and skill set could not be carried out.

2.13 Client satisfaction analysis

a) Benchmark/Criteria

- A formal mechanism should be implemented to carry out client satisfaction analysis at the conclusion of project.
- A mechanism should be implemented to obtain continuous feedback from the clients to assess impact of the services to ensure achievement of the project objectives.

b) Observations and conclusion

- A mechanism for reviewing client satisfaction has not been developed, however, client complaints are duly received and processed.
- Certificate of completion of project are received by the company.

Core functions analysis

Monitoring and evaluation – contd..

2.14 Non payment from clients

a) Benchmark

- Company should have mechanism in place for vigorously chasing of unpaid invoices. Further, a laid down and approved policy should be in place in case of non payment of dues.

b) Observation and conclusion

- As per contract signed by NESPAK with client, the company has a recourse for suspension of work if its invoices are not paid.
- However, NESPAK carries out most of its projects with GoP, it has not taken any legal action for non payment of dues. Further, as a policy, work on projects is not suspended on the basis of non payment of dues.

2.15 Project management

a) Benchmark/criteria

- Robust policies and procedures should be implemented for carrying out the projects effectively and efficiently. Further, compliance with these policies should be ensured by effective monitoring .
- Reports/plans should be developed in compliance with quality system manual to manage the project smoothly and efficiently.
- Quality should be ensured by preparing quality management plans both for project execution and reporting under the project. Quality assurance reviews should be carried out for all the deliverables under the agreement with clients.
- Project execution plan should be developed and should be in line with the agreement. Deadlines and commitment should be followed however in case of amendments in the agreements with the clients project execution plans, work plans, cost estimates and quality assurance plans should be revised.

- Project plans should be reviewed and approved by relevant key management personnel with adequate expertise to ensure that project is adequately reviewed and possible implementation issues are timely identified and resolved at the planning stage.
- Effective project management function should be in place to carry out the following activities:
 - Overseeing delivery to ensure that project objectives are achieved through the service offered by NESPAK.
 - Ensuring timely supply of services to the rightful recipients.
 - Obtaining continuous feedback from the clients to assess impact of the services to ensure achievement of the project objectives.
- Clear clauses should be mentioned in the contract documents with the clients for settlement of disputes and if any disputes with the clients arise during project implementation early settlement of the disputes should be ensured.

b) Observations

- NESPAK has implemented a formal policy for carrying out its projects. Further, a Quality System Manual has also been developed by NESPAK which lays down a detailed policy for quality assurance steps to be taken out during project implementation.
- While performing projects compliance of seven projects, we observed the following:
 - Quality control committee minutes were not made available to us in respect of proposal. Please refer Annexure X for specific instances;
 - Project Control Estimates were not updated after amendments in the consultancy contracts. Please refer Annexure X for specific instances;
 - Project time sheets were not approved by Division Head. Please refer Annexure X for specific instances;

Core functions analysis

Monitoring and evaluation – contd..

- We were not provided with evidence relating to quality assurance review carried out by Quality Assurance Group of contract deliverables as required under policies and procedures manual. Please refer Annexure X for specific instances;
- We were not provided access to project documents as mentioned in Annexure X;
- We were not provided access to project files for certain projects. Please refer Annexure X for specific instances;

The background features several overlapping geometric shapes in two shades of blue: a dark blue and a lighter, vibrant blue. These shapes are arranged in a way that creates a sense of depth and movement, with some shapes appearing to be layered on top of others. The overall composition is clean and modern.

ANNEXURES

Annexure A

List of key documents reviewed

Sr. No	List of documents reviewed
1	Minutes of Board Meetings
2	Article of Association
3	Project specific contracts and Joint Venture Agreements for various projects
4	Policies and Procedures Manuals
5	Corporate Profile Booklet
6	Memorandum of Association
7	Financial Statements
8	Company Registration Documents
9	Documents filed with the registrar (Form A, Form 29)
10	Income Tax Returns and Registration
11	List of employees
12	Insurance Documentation
13	Monthly Project Reports submitted to clients for various projects
14	Job Descriptions
15	Resumes of Key Personnel
16	Audit Inspection Report 2009-2010
17	Chart of accounts and Trial Balance
18	Delivery Orders, Purchase Requisitions, Purchase Orders, Comparative Statements, Invoices
19	Bank Account Details
20	Bank Reconciliations
21	Personnel Files
22	Payroll Sheets
23	Internal Audit Reports

Annexure B List of NESPAK key personnel interviewed

Name	Designation	Department
Mr. Asad I.A Khan	Managing Director	
Mr. Tanvir Qamar	Vice President	Coordination Division
Dr. Tahir Hayat	Vice President	GT & GE Division
Mr. Abrar Ahmed Khan	(GM)/Special Assistant to MD	Quality Management Division
Mr. Omer Qayyum	Vice President	CM Division
Dr. Mansoor Ahmed Hashmi	Vice President	Overseas Division
Mr. Mehmood Sulehri	General Manager	Contracts Division
Mr. Faisal Majeed	Chief Finance Manager/ Head	Finance Division
Mr. Muhammad Javed	General Manager	GT & GE Division
Mr. Maqbool Ahmed	Manager Accounts	Accounting department
Mr. Naseer ud Din	Manager	Corporate Affairs and Banking
Mr. M Ashfaq Asee	Manager	Budget & Taxation
Mr. Mateen Ahmad	Manager	WR Division

Annexure C

Sector wise experience and services provided by NESPAK

Architecture & Planning (A&P) Sector

- NESPAK has three regional offices at Lahore, Karachi and Islamabad to offer services in Architecture & Planning (A&P) Sector. It employs 169 professionals including a team of 38 architects and 33 engineers & other specialists, well-experienced in their respective fields.
- To date NESPAK has successfully handled 488 local and overseas projects in the A&P Sector. Overseas, it has worked in the Sultanate of Oman, U.A.E., Saudi Arabia, Guinea, Iran, Tajikistan, Yemen and Sierra Leone.
- Engineering services includes
 - Health Care Facilities: 36 projects with a cumulative cost of Rs. 9,525 million.
 - Educational Facilities: 81 projects with a cumulative cost of Rs. 14,000 million
 - Office/Commercial Buildings: 169 buildings with a total cost of Rs. 9,000 million.
 - Sports Facilities: 21 projects, with a cumulative cost of Rs. 967 million
 - Planning and Area Development: 92 projects, with a cumulative cost of Rs. 23 billion
 - Housing Schemes: 25 projects with a cumulative cost of Rs. 6,439 million
 - Community Buildings, Parks, Recreational Buildings: 25 projects with a cumulative cost of Rs. 5,104 million.
 - Landscaping: 19 large projects with a cumulative cost of Rs. 160 million
 - Interior Design: 20 projects with a cumulative cost of Rs. 1,000 million.

Energy Sector

- NESPAK has handled both local and overseas projects in energy sector spreading over 17 countries of Asia, Africa and Central Asian Republics. The services include all facets of project implementation from conceptual designs to final commissioning and operation.

- In the Energy Sector, NESPAK offers engineering services in the following fields:
 - Planning and System Studies
 - Hydropower,
 - Thermal Power,
 - Nuclear Power,
 - Transmission,
 - Substations,
 - Distribution and Rural Electrification,
 - SCADA and Telecommunications,
 - Mechanical and HVAC

Environment sector

- NESPAK has handled about 75 projects in the Environment Sector. Environmental impact assessment and social soundness studies were carried out in different fields such as oil and gas, power plants, parks, motorways, dams, airports, canals, hospitals, etc.
- NESPAK provides the following expert services in environmental engineering planning and management:
 - Site Characterization/Baseline Data of Environmental,
 - Ecological Investigations,
 - Environmental Risk Assessment,
 - Environmental Planning and Management,
 - Environmental Impact Assessment,
 - Air and Noise Pollution Control,
 - Contaminated Site Assessment and Remediation,
 - Water Resources Management for Environmental Development,
 - Infrastructure Planning for Environmental Development,
 - Facilities for Recreational Purposes, Environmental Audit.

Annexure C

Sector wise experience and services provided by NESPAK – contd..

Communication sector

- In communication sector NESPAK has three major areas of expertise:
 - Highways & Transportation Engineering
 - Airports
 - Seaports and harbors
- NESPAK employs more than 300 highly qualified transportation & highway specialists, engineers, surveyors and technicians.
- NESPAK has worked on 320 highways and traffic engineering projects mainly Motorways, Highways, Urban Roads, Rural Roads, Grade Separated Interchanges, Bridges & Flyovers, Underpasses, and Tunnels.
- NESPAK has developed complete expertise to plan and design terminal buildings, runway systems, airfield lighting, telecommunication systems and all other vital components and infrastructure facilities of a modern airport.
- Since its inception in 1973, NESPAK has worked in Pakistan and Yemen Arab Republic on various projects in the Ports and Harbors Sector. The depth of experience acquired over these years is summarized as Deep Sea Ports, Fish Harbors, Marine Terminals, Container Terminals, Inland River Navigation
- Scope of services of communication sector includes:
 - Road Infrastructure Master Planning
 - Pre-Feasibility Studies for Route Selection
 - Feasibility Studies,
 - Transportation and Traffic Engineering,
 - Soils and Materials Investigations,
 - Geometric Design for Road Works and Interchanges,
 - Pavement Design,
 - Construction Supervision of Roads/Bridges/Tunnels,
 - Surveys and Investigations,
 - Planning, Design and Tender Documents,
 - Technical and Financial Evaluation,
 - Hydraulic Model Studies,
 - Detailed Design and Construction Supervision for Harbors and water front structures/facilities.

Industrial sector

- Since the 1973, NESPAK has provided professional services on 193 projects relating to heavy, medium and light engineering industries including steel mills, cement factories, automobile manufacturing units, process plants, seed processing plants and rice cleaning mills. The total cost of these projects is US \$ 2,245 million.
- NESPAK has worked in the following areas
 - Road Infrastructure Master Planning
 - Pre-Feasibility Studies
 - Steel Mills.
 - Automobile Plants,
 - Cement Plants,
 - Fertilizer /Polyester Plants,
 - Sugar Plants,
 - Textile Units.

Information Technology and GIS Sector

- NESPAK currently have 35 employees in this department. So far, 49 projects have been undertaken by NESPAK in this Sector (36 in IT and 14 in GIS).
- Scope of NESPAK's services includes Satellite Imagery Interpretation, Map Digitization, Digital Terrain Model, Global Positioning System Survey, GIS Database and Model Development, Geographic Analyses, Map production.
- Utilities mapping, irrigation, urban planning, watershed management and dam engineering were the principal areas in which NESPAK secured and implemented GIS projects.

Oil, Gas & Petrochemical Sector

- Since 1973, NESPAK has provided consultancy services on more than 33 projects in Pakistan and overseas.
- Scope of NESPAK's services includes Feasibility studies, Detailed design, preparation of tender documents and construction management of storage, Thermal stress analysis of pipelines, Surge analysis of network, NDT/Radiographic tests of welds.

Annexure C

Sector wise experience and services provided by NESPAK – contd..

- In this sector NESPAK offers consultancy services in the following areas:
 - Liquid petroleum products storage facilities,
 - Liquefied petroleum gas (LPG) & chemical storage facilities,
 - Cross country transfer pipelines,
 - Airport fuel hydrant facilities,
 - Marine loading/unloading facilities,
 - Implementation of projects on BOT/BOO basis and EPC contracts.

Public Health Engineering Sector

- Since 1973, over 300 projects have been secured by NESPAK in the Public Health Engineering sector in Pakistan and abroad costing more than US\$ 8.118 billion.
- It has also provided engineering services on projects in Afghanistan, Ghana, Iran, Kingdom of Saudi Arabia, Nigeria, Oman, Sudan, Syria, Tanzania and UAE.
- The services provided by NESPAK in this Sector are Water Supply, Sewerage, Drainage, Solid Waste Management, Plumbing, Industrial Wastes,

Water Resource Development & Dam engineering

- For this sector NESPAK employed more than 200 professionals, who provides services covering all aspects from conceiving an idea to completion of a project, including master planning, pre-feasibility and feasibility studies, project planning, physical and simulation model studies, construction supervision and contract management, periodic inspections of large projects.
- Design and construction supervision of the Left Bank Irrigation Tunnel of Tarbela Dam Project in 1973 was the first WR project of NESPAK since then; it has provided services for more than 400 water resources projects within the country and overseas.

Annexure D Synopsis - Minutes of Meetings - Board of Directors

Meeting	Date	Matters Discussed
132 meeting	5th may 2011	Write off of receivables during the year 2009/2010 NESPAC proposed to write off 54.97 million of receivables, of which 24.56 million has been approved by MD, and balance of Rs 30.41 million is placed before the Board for consideration and approval, the committee made by Board recommend the same at jan 20 2011 and send the report to board for approval. the board approved the write off.
132 meeting	5th may 2011	Appointment of Auditors for the year 2010/2011 After discussion the Board recommends the appointment of A.F. Fergusons & Company, Chartered Accountants as Auditors for the year 2010/2011 at the fee of Rs 600,000/- plus out of pocket expenses not exceeding 50% of the audit fee
132 meeting	5th may 2011	Revision of Group Life Insurance benefits With the passage of time these benefits have dwindled in value due to inflation, it is proposed that group life insurance benefits be enhanced to 9.20 million per annum from the average bill of 5 million. The financial implications of this would be average of 4.2 million per annum which is only around 0.16% of the salary cost. matter after discussion referred to the committee (consists of 3 directors) for review and implementations
132 meeting	5th may 2011	Selection Board on Promotion of Vice President During the previous meeting held at 29 dec 2010, board was of the opinion that selection board be expanded to included 2 more directors. The board reconstituted the selection board, consisting to 3 members again
132 meeting	5th may 2011	Welfare Funds Contribution In the View of high rate inflation in the country in the recent year, it was proposed that employee contribution should be increased by 50% , so the annual contribution by employees should be around 5.4 million and subsequently the company's annual contribution will become to 10.8 million as per rules company's contribution to should not be less then double the amount of the member each year after discussion this item was referred to committee for review & implementation
132 meeting	5th may 2011	Encashment of un-availed Earned Leave in case of death The encashment of un-availed earned live of a deceased employee increased from 60 days to 180 days .
132 meeting	5th may 2011	Retirement/Designation of Vice presidents Five VP will be retiring on Oct 2011 , for their replacement new promotions will be in order. The MD presents its report for ratification of the Board
132 meeting	5th may 2011	Appointment in Grade -12 MD has recommended the appointment of Dr. Shahzad Rehman in Grade-12 and ask for approval of Board Chairman and Board ratified the appointment

Annexure D Synopsis - Minutes of Meetings - Board of Directors – contd..

Meeting	Date	Matter discussed
131 meeting	29th Dec 2010	Appointment of new Chairman on the Board of directors Mr. Javed Iqbal nominated as new chairman of board of directors, in place of Mr. shahid Rafi who has retired
131 meeting	29th Dec 2010	Grant of Adhoc Allowance 2010 As the Federal Government has announced the Grant of Adhoc Allowance 2010 @ 50% of the existing basic pay. The estimated financial implications of giving adhoc allowance will increase 25.90 million, per month or 14.8% of existing salary. Out of this 10% is already being proposed in the year budget After discussion the board approved the increase
131 meeting	29th Dec 2010	Bonus to NESPAK employees, for the year 2009/2010 Board approved the payment of bonus to all eligible employees @ 2 months basic pay.
131 meeting	29th Dec 2010	Dividend for the year end 2009/2010 A dividend @ 66.6% of the paid capital share of 1.5 million i.e. 1 million was recommended to shareholders for approval.
131 meeting	29th Dec 2010	Appointment of Company Secretary Mr. Faisal Majeed, manager as Company Secretary on probation
131 meeting	29th Dec 2010	Benzair Employees Stock Option Scheme (BESOS) Under BESOS all permanent employees, and contractual employees (with minimum service of 5 years) of NESPAK will be offered 12% shares in NESPAK on the basis of their length of service in NESPAK This will only apply to employees who are on the roll of the company on 14th august 2009. A trust will assign unit certificates to eligible NESPAK employees, These shares are not saleable and can only be surrendered to the trust (buyback of these shares will be net worth based on the last audited financial statements After some discussion board approved the above as government policy

Annexure D Synopsis - Minutes of Meetings - Board of Directors – contd..

Meeting	Date	Matter discussed
130 meeting	9th Aug 2010	Confirmation of the Appointment of Directors Due to the Change of Dean, Faculty of civil engineering UET Lahore, the new dean is now the director of the Board of Director of NESPAK Board confirms the appointment of new director
130 meeting	9th Aug 2010	Resignation of Mr. Sohail Wajahat Hussain Siddiqui, Director Due to enhanced work load Mr.Sohail Wajahat Resigned from his position as director of the Board The Board accepted his resignation
130 meeting	9th Aug 2010	Revision of benefit of Senior Employees MD had recommended the revision of benefits of senior employees (Grade 12 and above) with the effect from 01.07.2009 in the previous meeting 128th The board reviewed and approved the recommendation. Due to the inflation in recent past now some equivalent benefits are also being given to junior staff. The implication of the revision is Rs 2.65 million per month, which is 2.2% of the existing salary The board noted and approved
130 meeting	9th Aug 2010	Approval of new promotions The Selection Board formed in 106th meeting stated some promotions to the post of Vice President Board reviewed and approved the recommendation of Selection Board
130 meeting	9th Aug 2010	Budget for the Year 2010/2011 The Anticipated operating Income for the year 2010-2011 is estimated to increase by 0.4% The anticipated expenditure for the Year 2010-2011 is estimated by 11.1% The Operating profit (540 million) represent 11.2% of the operating income (19.7% previous year) The Profitability of Qatar office (which was only 2.1% as compared to 11.2% of the overall income of NESPAK) was also Questioned by the Board The Board approved the budget year 2010/2011 except for the the capital budget for the purchase of vehicles (reduced it from 28 to 18 vehicles –Financial implication was corresponding decrease from Rs 41.8 million to Rs 24 million
130 meeting	9th Aug 2010	Amendment in NESPAK Leave rules (Covering Iddat period) According to Islamic Shariah Law it is mandatory for a Muslim widow to observe an iddat period of 130 days, It was recommended that iddat leave should be granted to all Muslim widow employees of NESPAK Board authorized the MD to decide this matter according to Govt leave Rules
130 meeting	9th Aug 2010	Nomination of a Director on the Board of Governors of the NESPAK Foundation Board nominated Mr. Muhammad Ahsan Akhtar Malik, Director of NESPAK on the Board of Governors of the NESPAK Foundation, to replace the retiring Director
130 meeting	9th Aug 2010	Grant of Adhoc Allowance 2010 As the Federal Government has announced the Grant of Adhoc Allowance 2010 @ 50% of the existing basic pay. The estimated financial implications of giving adhoc allowance will increase 25.90 million, per month or 14.8% of existing salary. Out of this 10% is already being proposed in the year budget The matter was referred to committee (comprises of 3 directors)
130 meeting	9th Aug 2010	Appointment in Grade-12 Karachi office required the service of experienced HVAC engineer to head its HVAC section Appointment of Engineer Mr. Noor Afzal (24 years of experience) was approved by the board in the meeting

Annexure E List of directors of NESPAK

Sr No.	Directors
1	Mr Javed Iqbal Secretary, Ministry of Water & Power Islamabad
2	Mr Asad I.A Khan MD/President NESPAK Lahore
3	MR Muhammad Haroon Shaukat Special Secretary Ministry of Foreign Affairs Islamabad
4	Mr.Altaf Ahmad Ch. Chairman,NHA Islamabad
5	Mr.Javed Aslam, Chairman Planning & Development Board/Add.Chief Sec (Development) Governmnet of Sindh, Karachi
6	Mr Ata Ullah khan, Additional Chief Sect. (Development) Government of Khyber Pakhtoon Khawa, Peshawer
7	Mr. Ali Zaheer Hazara, Additional Chief Sect. (Development), Government of Balochistan Quetta
8	Mr. Muhammad Iqbal Awan, Additional Secretary (CF), Ministry of Finance Govt. of Pakistan, Islamabad
9	Muhammad Ahsan Akhtar Malik, Additional Secretary Minister of Water & Power, Govt. of Pakistan, Islamabad
10	Mr.Muhammad Ayub Sheikh, Managing Director, Husnain Cotex Limited
11	Mr, Haseeb Khan, Chartered Accountant/Chief Executive, haseeb Khan & Co Ltd.
12	Prof Dr.Abdul Sttar Shakir Dean Faculty of Civil Engineering University of Engineering & Technology ,Lahore

Annexure F

Synopsis of Memorandum of Association

Name of the Company: National Engineering Services Pakistan (Private) Limited
Registered Office: Punjab Province
Legal Status: Company limited by Shares incorporated under section 38/39 of the Companies Ordinance, 1984

Objects:

- The company for which the company is established are to undertake the following business in and outside Pakistan.
 - ❖ To carry on primarily the business of consultants, advisers, Structural Engineering, Builders, Architects, Contractors, Job Contractors, Designers, Decorators, Furnishers with regard to construction, development, improvements of Dams, Buildings, Roads, Bridges, Tunnels and Airfields, runways, buildings, aviation fields, hangers and work of every description connected therewith, in general, and to act as consultants, Professional Advisers, and agents; and, act as estimators, Valuers, Appraisers, Surveyors, Town Planners, Reinforced Concrete Specialists, and any other Civil Engineering and Architectural work of any kind whatsoever, anywhere in the world.
 - ❖ To plan, investigate, design and supervise the construction of earth fill, rock fill and Concrete storage Dams, Spillways, Outlet structures. Diversion weirs and barrages, canal head works, canals, canal falls, Distribution works, Cross drainage works, etc.
 - ❖ To plan investigate design and supervise the construction of Hydro electric, thermal, Gas and Atomic Energy Projects.
 - ❖ To plan , investigate design and supervise the construction of flood reservoirs, flood embankments, flood channels etc. etc.
 - ❖ To plan , investigate design and supervise the construction of land reclamation projects.
 - ❖ To plan , investigate design and supervise the construction of water supply and sewerage projects.
 - ❖ To carry on the business of mechanical engineers, electrical engineers, consultants, advisers, sanitary and water engineers and plumbers, in general and carry out the civil, electrical and mechanical of building, installations, properties of all kinds.
 - ❖ To carry on the business of professional manager, and agents of all kind of companies, firms, local bodies, Government of other individual and association of persons.
 - ❖ Generally to carry on in any place in the world any other trade or business whether manufacturing or otherwise, subsidiary or auxiliary to or which can be conveniently carried on in connection with any of the company's objects.

Legal Form:

- The Company is being formed as a private limited company

Liability :

- The liability of the members is limited

Share Capital

- The share capital of the company is Rs 50,00,000 divided in to 5,00,000 shares of Rs 10 each.

Annexure G

Synopsis of Articles of Association

Public Company

- 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.
- The company shall not at any time offer any of its shares or debentures, or debenture stock to the public for subscription.
- The right to transfer shares of the company is restricted.

Shares

- Share Certificates
 - ❖ Every person whose name is entered as a member in the register shall, without payment, be entitled to receive within three months after allotment or within forty five days of the application for registration of transfer, a certificate under the Seal specifying the share or shares held by him and the amount paid up thereon. Provided that, in respect of the share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate, the delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all.
 - ❖ If a share certificate is defaced, lost or destroyed, it may be renewed on payment of such fee, if any, not exceeding one rupee, and on such terms, if any, as to evidence and indemnity and payment of expenses incurred by the Company in investigating title as the Directors think fit.
- Transfer of shares
 - ❖ 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 in respect thereof.
- Transmission of shares
 - ❖ 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.
 - ❖ Any person becoming entitled to a share in consequence of death or insolvency of member shall, upon such evidence being produced as may from time to time be required by directors, have the right, either to be registered as member in respect of the shares or, instead of being registered himself, to make such transfer of the share as deceased or insolvent person could have made; but directors shall, in either case have the same right to decline or suspend registration as they, would have had in the case of a transfer of shares by deceased or insolvent person before the death or insolvency.
 - ❖ 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
- Alteration of Capital
 - ❖ 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.
 - ❖ The new shares shall be subject to same provisions with reference to transfer, transmission and otherwise as the shares in original share capital
 - ❖ Share capital can be reduced by special resolution by any reason

Annexure G

Synopsis of Articles of Association – contd..

Meeting and proceedings

- General meetings

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 and not more than 15 months after holding of its last preceding AGM as may be determine by the directors..

- ❖ 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 as is provided by section 159..

- Notice and proceedings

- ❖ 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 to such persons under the ordinance of the company, entitle to receive such notices from company..

- ❖ No business shall be transacted at any general meeting unless quorum of members is present at the time when meeting proceeds to business, 2 members present personally who represent not less than 25% of total voting power.

- ❖ 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 number as chairman

- ❖ If poll is demanded, it shall be taken in accordance with the manner laid down in section 168.

- Votes of members

- ❖ Every member present in present shall have one vote except for election of directors in which case the provision of section 178 shall apply

- ❖ On a poll every member shall have voting rights as laid down in section 160.

- ❖ 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.

- ❖ A proxy must be a member of the Company.

Management and Administration

- Directors

- ❖ The number of directors shall not be less than 3 or more than 11.

- ❖ No person shall be appointed as director unless he is a member of the company .

- ❖ The business of the company shall be managed by the Directors, who may pay all the expenses incurred in promoting and registering the company & may exercise all such powers of the company as are not by the ordinance or by these regulation.

- ❖ The directors shall appoint a CEO in accordance with the provisions of section 198 & 199 & the terms & conditions of the CEO shall be determined by the Board

Annexure G

Synopsis of Articles of Association – contd..

- Powers and duties of Directors
 - ❖ The business of the company shall be managed by the directors, who may pay all expenses incurred in promoting and registering the Company
 - ❖ The Board may exercise all the powers of the company to borrow money and to mortgage or charge its undertaking, property and assets and to issue debentures, and other securities, whether outright or as collateral security for any debt, liability of the company or of any third party.
- Disqualification of Directors
 - ❖ No person shall become a director of company if he suffers from any of disabilities or disqualifications mentioned in section 187 & if already a director than shall cease to hold such office from the date he become disabled or disqualified.
 - ❖ However, that no director shall vacate his office by reason only of his being the member of any company which has entered into Contracts with, or done any work for, the company but such Director shall not vote in respect of any such contract or work
- Proceeding of Directors
 - ❖ The Directors may meet together for dispatch of business, adjourn and otherwise regulate their meetings, as they think fit
 - ❖ Questions arising at any meeting shall be decided by a majority of votes
 - ❖ Directors can delegate any of their powers not required to be exercised in their meeting to committees consisting of such members or members of their body as they think fit.
 - ❖ The company is wholly owned by the Federal Govt. accordingly the nomination of directors shall be under section 183(b).
 - ❖ A resolution in writing signed by majority of directors or affirmed by them telex or telegram shall be as valid & effectual as if it has been passed at a meeting of directors duly convened & held.
 - ❖ The directors may elect a chairman of their meeting & determine the period for which he is to hold office but if no such chairman is elected the director present may choose one of their number to be chairman of the meeting.
 - ❖ A committee may elect a chairman of their meeting but if no such chairman is elected, members present may choose one of their number to be chairman of the meeting.

Dividends and Reserves

- The company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Directors, nor shall any dividend bear interest against the company.
- No dividend shall be paid otherwise than out of profits of the year or any other undistributed profits.
- The dividend shall be paid within the period laid down in section 251.
- All Dividend unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed.
- The Directors may before recommending any dividend, set aside out of the profits of the company such sums as they think proper as a reserve or reserves
- The Directors may carry forward any profits which they may think prudent not to distribute without setting them aside as a reserve.

Annexure G

Synopsis of Articles of Association – contd..

Accounts:

- The directors shall keep Proper books of account, as required by section 230 of the Ordinance
- The directors shall as required by section 233 and 236 of the Companies Ordinance, cause to prepare and laid before the company in the general meeting such profit and loss accounts and balance sheets duly audited and reports as are referred to in those sections.
- **Audit:**
- Auditors shall be appointed and their duties regulated in accordance with Sections 252 to 255 of the Ordinance

Winding up:

- 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.

Arbitration

- Whenever any difference arises between the company on the one hand and any of the members their executors, administrators or assigns on the other hand touching the true intent or construction for the incident or consequences of this articles or of the statutes or touching anything their or thereafter done executed in pursuance of these articles or touching any breach or alleged breach of these articles or any claim on account of any such breach or otherwise relating to the premises or to these articles or to any statute effecting the company or companies affairs every such difference shall as a condition precedent to any other action at law be referred in conformity with the arbitration Act 1940 or any statutory modification thereof and any rules made there under.

Annexure H Summary of internal audit findings

Internal audit reports - Issues raised by internal auditor		
Year of audit	Division	Issues raised
2009 - 10	Water Resource Division, Lahore	-In certain cases NESPAK leaves Rules were not observed properly.
		-Receivables amounting to Rs. 52.543 Millions are being appeared in the books of accounts.
		-In few cases late billing to the client were observed.
		-In certain cases, addition were made in the approved stationery requisition.
		-It has been observed that advances against certain Ex-employees were not adjusted.
		-In few cases medical expenditures were reimbursed to the employees against the NESPAK rules.
		-Over time hours were paid over and above the approved limit as per labour laws.
		-It was observed that in certain cases payment were made without observing the NESPAK payment procedure.
2009 - 10	C.M Division, Lahore	-In certain cases NESPAK leaves Rules were not observed properly.
		-During a test check of the stationery stock register, calculations mistakes were observed.
		-During a test check of the stationery stock register, certain items were found short / excess of the stock.
		-In certain cases stationaery items were issued on the requisitions which were not approved by the competent authority.
2008 - 09	P&M Division, Lahore	-More emphasis should be given to follow company's transport rules.
		-In certain cases NESPAK leaves Rules were not observed properly.
		-It has been observed that 158.889 millions were outstanding against various clients.
		-Stock and asset register were not being maintained as per Company's policy.
		-In most cases, medical rules were not being followed and the expenses were reimbursed to employees over and above the approved rates.
		-In certain cases the NESPAK T.A rules were not observed properly.
		-More emphasis should be given the overtime rules.
-In certain cases payment were made without pre-audit of the payment vouchers.		
-More stress should be given to follow the NESPAK transport rules.		

Annexure I

Summary of government audit findings – 2009-10

Reduction in profit of NESPAK by 106.407 million due to assigning jobs to NESPAK Foundation at expensive rates.

- Review of accounts, of NESPAK Foundation for the year 2009-2010 indicated that NESPAK has paid consulting fee of Rs. 371.389 million to the Foundation. Out of which Rs 253.985 million was paid by Foundation as its employees' salaries and Rs. 11.006 million was charged by NESPAK for services provided by NESPAK to Foundation, Remaining amount of Rs. 106.407 million was retained by Foundation as its Profit.
- If this job is done by NESPAK its self then the profit of NESPAK could easily be increased by Rs. 106.407 million.

Purchase of expensive property of Rs. 45.604 million without observing PPR

- The management of NESPAK purchased a House for MD vide Bank Payment No.655 dated 27.07.2009 at total cost of Rs.45, 603,705 without press tendering.
- The purchase of property without press tendering as specified in PPRs is considered irregular as it is clear cut violation of PPRs.

Annual Recurring Loss of Rs. 4.752 million to NESPAK on purchase of house for the residence of M.D

- The cost of the house acquired for MD was Rs.45, 603,705. The financial cost / worth of this amount calculated as Rs. 5,472,445 per annum (at the average 12% per annum), Whereas MD was entitled to the house rent of Rs. 720,000 per annum. Thus NESPAK is bearing loss of Rs. 4,752,445 per annum.

Non Adjustment / recovery of Rs 287.391 million outstanding against different clients in respect of subsidiary company of NESPAK in Saudi Arabia

- Review of accounts of subsidiary for the year 2009-10 indicated that huge balances of Rs 287,391,441 were lying outstanding against Saudi clients.

Loss of Rs. 118.862 million due to incurring heavy expenses on abandon project

- NESPAK should have left the work after a certain period when WAPDA was not entertaining their claims.
- According to the agreement the NESPAK could have terminate the contract by 30 days written notice. But NESPAK decided too late to close the project.

Loss of Rs.13.601 million to NESPAK due to commencement of consultancy work at Sita Dam Project without any formal agreement.

- NESPAK started consultancy work for Sita Dam (WAPDA) by receiving letter (11.08.2009) assigning the work to NESPAK.
- No agreement was signed till Oct 2011, as NESPAK didn't forwarded the agreement to WAPDA, later WAPDA didn't respond to the agreement which result in NESPAK bearing huge loss of 13.601 million

Irregular payment of Rs.3,453 million on account of retainer ship and hiring the services of legal advisors without vetting from Ministry of law & justice

- The management of NESPAK hired the services of legal advisors on retainer-ship as well as for dealing cases in the court of law but the approval from ministry of Law; Justice& Human Rights in case of legal fee exceeding Rs. 100,000 was not obtained

Unjustified payment on account of arrears of pay and allowances of NESPAK Foundation Rs. 20.854 million

- The bill for the month of April & May 2009 submitted by NESPAK foundation included an amount of 20.854 million on account of arrears of salary from July 2008 to March 2009. NESPAK had hired the services of professional from NESPAK Foundation to whom a certain rate of pay was being paid after receiving consultancy charges from its clients. Although the management had paid arrears of pay to the said professionals yet it still did not receive the same from the clients concerned.

Annexure I

Summary of government audit findings – contd..

Irregular expenditure of Rs. 533,307 on training of a deputationist.

- Management of NESPAK incurred a sum of Rs.533,307 on a foreign training of a deputed officer from the Ministry of Information and Broadcast. The management should have incurred career building expense for its own employees not for deputations.

Interest loss of Rs.824,000 due to loaning of a joint venture partner in violation of contract agreement

- Management of NESPAK loaned Rs. 3 million, Rs. 4 million and Rs.4.7 million to co-partners. Out of which amounts of Rs.2 million, Rs.1.5 million and Rs.4 million were returned by the JV partners leaving an outstanding balance of Rs.2.2 million. As per agreement the JV partners were required to receive the amount of their share on receiving from the client but in violation of the agreement NESPAK paid loans to the JV partners without charging any loan/profit thereon. Thus, in this way NESPAK sustained an interest loss of Rs.824,000.

Non-inclusion of heavy initial registration cost of Rs.894,695 in the value of vehicles.

- NESPAK management paid registration charges on the purchase of new vehicles during the year 2009-10. The registration charges were required to be included in the value of assets and the assets should be capitalized but instead of doing so the management debited the registration charges.

Unjustified payment of cantonment board fee of Rs.1.246 million on the purchase of property in DHA in contravention of sales agreement

- NESPAK paid a sum of Rs.41.5million in 2009-10 for the purchase of said property. In addition to sales value of property NESPAK also paid cantonment board fee of Rs.1.245 million. According to sales deed the payment of cantonment board fee was the responsibility of the seller. The cantonment charges paid in connection of sales deed is therefore held irregular.

Unjustified payment of bank charges of Rs.1.121 million on account of online transfer of salaries of the staff.

- Management of NESPAK Islamabad ERRA office paid bank charges of Rs.1.121 million to Habib Bank Limited on account of online transfer of salaries of staff. In Government as well as in many other Govt. Organizations, the salaries are transferred in accounts of staff but neither any such charges are claimed by bank neither from Govt. nor from individuals. NESPAK had neither took up the matter with HBL authorities nor reported to State Bank. This action of management is therefore held irregular.

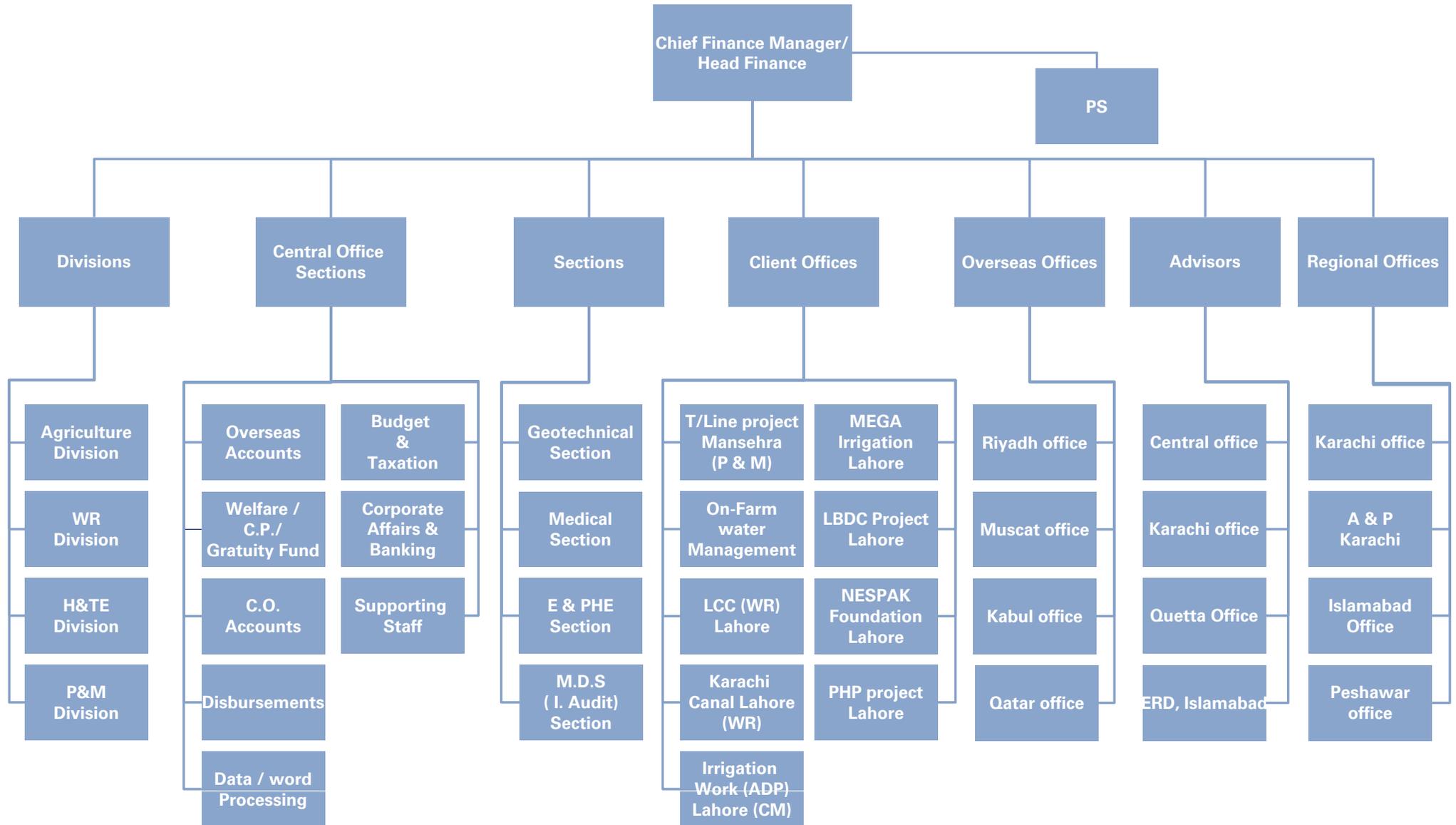
Payment of salaries of Rs.1.638 million on the appointment of an engineer without BOD approval and advertisement.

- NESPAK appointed an engineer on contract basis of 18.06.2010 for the post of GM Structures Division in Grade 12. As per policy prior approval from BOD was required and the job was to be advertised in a daily newspaper. The officer had since been paid Rs. 1.638 million up to 30.04.2011. the appointment of the officer without confirmation from BOD and without advertising is held irregular.

Purchase of items valuing Rs.1.455 million from non-prequalified firms.

- The management of NESPAK made frequent purchases from non-prequalified bidders. These irregular purchases amounted to Rs.1.455 million during year 2009-2010.

Annexure J Structure of finance division



Annexure K

Policies and procedures for financial management and accounting system

NESPAK Accounting Manual

- The relevant provisions relating to maintenance of accounts and their audit as contained in the memorandum & articles of association of the company are reproduced.

1. Accounts

- Directors are required to keep proper books of accounts with respect to money received and expended, sales and purchases, assets & liabilities of the company
- The books of accounts are kept with the registered office of the company.
- The director cause to be prepared and laid before the company in the general meeting profit and loss account or Income or expenditure account, balance sheets and reports.

2. Audit

- Auditors are appointed and their duties regulated in accordance with section 144 and 145 of the Companies Ordinance 1984 or any statutory modification afterword in force.
- The accounts of the company kept by the directors are examined by the auditors, who have access to the accounts books of the company at all reasonable time and accounts, and if any error found they are corrected.
- The main accounts of the company are maintained in the National bank of Pakistan, WAPDA House, Lahore into which moneys received on accounts of the income are credited, and disbursement meet.
- The Company may open accounts for the central office with other branches of National Bank of Pakistan and also with other commercial banks as approved by the managing Director.

3. Receipts of Money

- Every Employee of the company is personally responsible for the Moneys they receive on company's behalf, and those cash should not be mixed with their personal cash.

4. Assessment, Collection and Checkup of Revenue

- It is the duty of the concerned employees of each project/ offices/ branch to see that dues of the company are correctly and promptly assessed, collected, and paid into the account of the company.

5. Submission of bills/Accounts to Clients

- Bills for the amounts due to the company are rendered to the clients on the dates prescribed in the relevant contract agreements, and the payments received from the clients are watched by the Central Office or by project offices as per arrangement made by the company.

6. Essential Conditions Governing the Expenditure

- No employees may incur any expenditure or enter into any liability involving expenditure from the funds of the company unless sanctioned by the general or special orders of Board, or by director or an employee with the assigned powers.

7. Withdrawal of Moneys

- The moneys should not be withdraw from the accounts of company unless authorized by rule, Order (force of law). Moneys cannot be withdrawn from the account of the company for investment or deposits elsewhere.

8. General Outline of the System of Accounts

- The Accounts of each Project/Job will be maintained by each office separately showing the income and expenditure and resultant Profit and Loss and assets and liabilities.
- Main Cash book with bank Columns, imprest/petty cash book, Journal, General Ledger, and Subsidiaries Ledger for Advances, Debtors, and Creditors etc are maintained by the central office.
- Each Project office is responsible to compile monthly accounts of its receipts and expenditure, in the form of trail balance to the finance manager by the 5th of the following month.

Annexure K Policies and procedures for financial management and accounting system – contd..

9. Costing Ledger

- In order to arrive at the correct cost of each project/job a costing ledger (with Salaries and wages accounts, direct salary cost, Direct Expense Control Account, Overhead Control Account, Costing Profit and loss Account) in addition to financial ledger is maintained and kept separate.

10. Inter Office Transactions

- When central office makes payment on behalf of a division or transfer funds, a debt invoice is issued, and if the payment made by a project on behalf of other project, the payee project issues a similar debt advice. Advices issued by each project are serially numbered for each financial year.
- Each credit advice is numbered in the similar way.

11. Transaction between project /branch offices

- The transaction between the project/branch offices are kept separately from the transactions between the central office and projects/ branches
- Reconciliation of the central office current account with the project/branch office is maintained by the central office, each debit/credit advice received from the other end is verified and responded to promptly by the central office or branched office concerned.

12. Bank Accounts

- With the approval of the managing director one or more accounts can be opened, and all transaction have to be conducted by designated banks accounts by the company.
- Bank accounts of the company are operated jointly by a Vice President and a finance officer. All instructions to the bank whether for opening of a letter of credit, making a remittance or for entering into any commitment require two signatures, one of which must be from engineering side and other is from accounts side.
- All disbursement are made by the accounts officer in the case of central office and by the head of a project in case of project/branch office.

13. Handling of cash/cheque

- When it is absolutely necessary to employ a messenger for this purpose a man of some length of service and proved trust worthiness should be employed and in all cases when the amount is above 500 a guard should be sent with the messenger
- The payment of salaries and wages and other allowances are always made through bank except those of grade 1 and 2, in which case payment in cash may be made through a senior employee nominated by the chief of Division/head of section.
- A bank reconciliation statement is drawn up and put up to finance manager in the central office for all bank accounts by the 5th of the following month.

14. Receipt

- When money is received by an authorized employee of the company on behalf of the company, receipt is drawn on the prescribed form. Moneys received by an employee of the company in excess of his immediate requirement should be deposited not later than the next bank working days.

15. Payments

- All payments, to employees having a cheque book are made by cheque. Disbursements may, however, be made in cash for pay allowance of employee in grade 1,2 at their option and for meeting petty charges for motor vehicles maintenance on tour, Purchase of minor items of stationary stores not exceeding 25/-etc.

16. Salary and wages bills

- The salary and wages bills of central office and project/branch office are prepared by the accounts branch of each office. The salary and wages bill get counter signed by the head of administration section.
- Only one salary and wages bill for all employees irrespective of their status and designation is prepared by the bill section in the accounts branch on the pay slip issued by the internal auditor.

Annexure K

Policies and procedures for financial management and accounting system – contd..

- Salary and wages remaining or likely to remain undisbursed for a week are deposited into the bank by the cashier.
- Every voucher should bear or have attached to it an acknowledgment of payment signed by the person whom or on whose behalf the claim is put forward or by his duly constituted attorney.
- A separate account is maintained in the general ledger in respect of each type of deduction; detailed and person wise records are kept in the sub ledger from which the monthly schedules/statements are prepared in respect of outstanding balances.

17. Security refundable

- As per terms of the contract, security at the rate specified in the contract is deducted from the bill of the supplier/contractors while making payment of their claims.
- A Cash Book with bank columns, a petty cash book, imprest cash book, journal, general ledger, subsidiary ledgers are maintained.
- The Trial balance as at 30th June each year sent by each project branch office to the finance manager is drawn after adjustment of all necessary provisions required to be created at the close of the year, and is supported by details of all accruals, prepayments, Copies of bank reconciliation statements, details of contingent liabilities, bank balance confirmations, details of imprest, advances, deposits etc, book values of assets showing accumulated depreciation separately.

18. Store Accounts

- The company employees entrusted with the purchase, care, use or consumption of stores is responsible for maintaining correct records and preparing correct returns in respect of store.

Annexure L Key management profiles viewed

Sr No.	Name	Designation	Qualification	Experience		Major Engagement Area
				External	With NESPAK	
1	Asad Ismail A. Khan	President and Managing Director	N.D. Architecture –Lahore, M. Architecture (USA)	7	26	Corporate Management, Architectural Planning & Design, Interior Design, Landscape Architecture, Project Management
2	Rana Khalid Hameed	Vice President (Islamabad Office and Convener, Board of Management)	B.E. Civil Engineering, N.E.D. University of Engineering & Technology Karachi		37	Structural Planning and Design
3	Khurram Afzal	Vice President (Power & Mechanical)	B.Sc (Electrical Engineering)–Lahore		34	HV & EHV Substations
4	Tahir Bakhtiar Qureshi	Vice President (Power Projects Saudi Arabia)	B.Sc. Engg. (Mechanical), M.Sc. Engg. (Mechanical), Canada	4	29	Project Management, Contract Administration, Design, Construction Supervision, Testing & Commissioning of Thermal Power Plants
5	Amjad A. Khan	Vice President (Monitoring & Information Technology)	B. Engg.(Honours) Civil & Structures, Sheffield, England		32	Corporate Management, Project Monitoring & Control, MIS, Project Management, Resources Allocation and HRD
6	Tanwir Qamar	Vice President (Coordination)	B.Sc. Engg. (Civil) –Lahore	13	26	Contract Administration, Construction Supervision and Business Development
7	Tahir Shamshad	Vice President (Presently working on deputation as Member Planning, Capital Development Authority (CDA), Islamabad)	Master in Engineering Management leads to Phd (in process) from CASE (UET Texila)		30	Construction Management, Corporate Management, Planning, Design & Monitoring of Infrastructure and Disaster Management & Reconstruction
8	Azra Zaigham	Vice President (Architecture & Planning Lahore)	B. ARCH., MURP (Masters in Urban & Regional Planning)		35	Architectural Design, Urban & Regional Planning, Business Development, Project Management Professional (PMP)
9	Muhammad Omer Qayyum	Vice President (Construction Management)	B.Sc Civil Engineering, M.Sc.		32	Construction Management
10	Dr. Tahir Mahmood Hayat	Vice President (Geotechnical & Geo–environmental Engineering)	B.Sc Engg. (Hons) M. Engg. (AIT–Bangkok) Ph.D. (UIUC–USA)		28	Geotechnical Engineering, Dams, Landslides and Soft Ground
11	Jamil-ud-Din Khilji	Vice President (Disaster Management & Reconstruction)	B.Sc. Mechanical Engineering	11	24	Construction Management & Project Management
12	Kamran Imtiaz	Vice President (Human Resources)	B.Engg. (Civil) –Lahore, M.Sc Engr. (Civil) –U.S.A.		27	Human Resource Management
13	Zahoor Ahmad Minhas	Vice President (Survey and Mapping/Divisional Coordinator) Highways and Transportation Engineering	B.Sc. Engg. (Civil) – Lahore		34	Planning Design and Construction Supervision of Highways/Survey and Mapping

Annexure L Key management profiles viewed – contd..

Sr No.	Name	Designation	Qualification	Experience		Major Engagement Area
				External	With NESPAK	
14	Azhar Masood	Vice President (Design) Highways and Transportation Engineering	B.Sc. Engg. (Civil) –Lahore	2	30	Highway Design and Construction Supervision
15	Tanvir Masud	Vice President (Highways and Transportation Engineering)	B.Sc. Engg. (Civil) – Lahore, LLB – Lahore	14	20	Design and Construction Supervision of Urban & Rural Roads, Bridges, Interchanges, Underpasses and Ring Roads
16	Shahid Aslam	Vice President (Substations) Power and Mechanical	B.Sc. Engg. (Electrical) –Lahore, M.Sc. Engg. (Electrical) & MBA –Lahore	2	32	Substations Design, Preparation of Equipment Specifications, Testing, Commissioning of Substations and Project Management
17	Basit Masud	Vice President (Geotechnical and Geo-environmental Engineering)	B.Sc. Geology – Lahore, M.Sc. Geology and Geohydrology –Lahore		30	Engineering Geology
18	Mirza Asif Baig	Vice President (Water Resources)	M. Engg (Water Resources Engineering), Asian Institute of Technology, Bangkok, Thailand		30	Hydrology/Water Resources Management/ Flood Management
19	Bashir Ahmed Sial	Vice President (Water Resources)	M. Engg (Hydraulics), Asia Institute of Technology, Bangkok, Thailand	6	29	Planning & Design of Irrigation & Drainage, Project Management
20	Abdul Basit	Vice President (Structural Engineering)	MSc. Engg. (Structures) Atlanta, USA		34	Structural Engineering Design
21	Manzoor Ali	Vice President (Agriculture)	B.Sc. Agriculture Engg. University of Agriculture Faisalabad, M. Engg. AIT (Bangkok) Thailand	10	23	Water Resources Development, Dam Engineering, Contract Administration
22	Parvez Mukhtar Rana	Vice President (Construction Management) Division	B.Sc. (Indus Tech), B.E (Civil), PMP (USA)	7	24	Construction Management in Water, Industrial and Building Sectors, Quality Assurance Specialist
23	Dr. Mansoor Ahmed Hashmi	Vice President (Overseas)	B.E Engg. (Civil) –Canada, M.E Engg. (Civil) –USA, Ph.D Engg. (Civil) –USA		28	Water Resources Planning, Project Management, Geographic Information Systems, System Analysis
24	Farhat Adil	General Manager/Head (Karachi)	B.E (Civil Engineering)		30	Construction & Project Management
25	Mahmood A. Sulehri	General Manager/Head (Contracts)	MSc. Transportation Engineering – UET, Texila –Pakistan	7	21	Middle-level Corporate Management, Contract Administration and Construction Management
26	Anwar Saeed Khan	General Manager (Regional Office Riyadh)	BE (Mechanical)		34	Planning, Designing, Management, Monitoring Evaluation of Industrial, Ports & Harbor Projects, Fuel Storage and handling facilities and Business Development

Annexure L Key management profiles viewed – contd..

Sr No.	Name	Designation	Qualification	Experience		Major Engagement Area
				External	With NESPAK	
27	Abrar Ahmed Khan	General Manager, Quality Management Division & Special Assistant to MD	M.S. Civil Engineering (USA)	2	27	Quality Management, Corporate Affairs Handling, Structural Engineering and Project Management
28	Mrs. K. Shaheen Inam	General Manager/Head (Economic Studies)	M.A. Economics –Lahore		29	Economic and Financial Appraisal of Projects
29	Muhammad Sajid	General Manager/Head (E&PHE)	B.Sc Engg. (Civil) –Lahore	10	24	Public Health Engineering Expert
30	Muhammad Arif Changezi	General Manager/Head (Architecture & Planning Karachi)	B-Arch, (NCA), Dip-Environmental Design	1	23	Architectural Design & Project Management
31	Abdul Qadeer	General Manager (Regional Office Islamabad)	B.Sc. Civil Engineering, Lahore	4	24	Project Management, Contract Management and Coordination
32	Muhammad Asif Khan	Regional Manager (Khyber Pakhtunkhwa)	B.Sc. Engg. (Civil)–Peshawar		29	Construction/Project Management and Business Development
33	Abdul Qayyum Chaudhry	Head (Building Services)	B.Sc. Mechanical Engineering –Lahore	2	24	Building Services & Systems, Project Management, Contract Administration, Design, Construction Supervision and Operation
34	Danish Raza	Regional Manager (Muscat)	M.Sc. Transportation Engineering		21	Highway Design & Construction, Transportation Engineering and Business Development
35	Ahmad Said	Head (Business Development Division)	B.Sc. Civil Engineering Lahore, M.Sc. Construction Management, UK		21	Project Management, Contract Administration & Business Development
36	Afaq Halem	Regional Manager (Qatar)	B.Sc. Engg. (Civil) –Lahore		21	Project Management, Geotechnical Engineering and Business Development
37	Faisal Majeed	Chief Finance Manager/Head (Finance)Division	FCA, Fellow Member of the Institute of Chartered Accountants of Pakistan	7	6	Corporate Management, Finance, Accounts, Taxation, Audit and Company Secretarial Affairs
38	Muhammad Ayub	Regional Manager (Quetta)	B.Sc. Engg. (Civil) –Lahore		26	Constructions Supervision/Management and Business Development
39	Farm an Ullah	Regional Manager (Kabul)	B.Sc (Civil)	2	20	Building Construction, Supervision and Management

Annexure L Key management profiles viewed – contd..

Sr. No.	Name	Designation	Qualification	Experience		Major Engagement Areas
				External	With NESPAK	
40	Mansoor Hassan Khan	Manager Internal Audit	M.Com (Finance)		23	Internal auditing

Annexure M Finance function – payment compliance

Payment Vouchers																			
Sr #.	Description	Voucher No.	Date	Amount (PKR)	Amount in Bank Statement	Posting in GL	Voucher Signed					Work Order Attached/Memorandum from Division	Attached invoice from supplier				Copy of Cheque checked for		
							Prepared by accountant	Checked by Accounts Officer	Checked by internal auditor	By Disbursement manager	Receiver		Amount	Passed for Payment stamp Signed by M.A and V.P	Approved stamp for payment by Vice president	Signed by Supplier	Amount	Authorized Signatories	Payee Name
1	Payment made to M/S Toyota Township for repair of vehical (LEE7738) belonging to E& PHE Department through Cheque # 26523149 on 13/07/2011	PV#582	25/07/2011	2,120	✓	✓	✓	✓	✗	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓
2	Payment made to Pearlite Company for purchase by the Structure engineering division Lahore through cheque # 26523147 on 1/07/2011	PV#580	25/07/2011	51,480	✓	✓	✓	✓	✓	✓	✗	✗	✓	✓	✓	✓	✓	✓	✓
3	Payment made to M/S Pilot computer system for purchase of computer equipment by Water and agriculture devision through cheque #0041467	PV # 277	30/06/2011	254,031	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓
4	Payment Made to Sitara Medicine & General Store for Bill of Medicine Provided to the Employees through Cheque #3261664	PV#1031	31/05/2011	196,643	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓
5	Vehical rental Payment Made to Zishi Tours for hirinig Car# LEC-2468 through cheque# 3261663	PV#1030	31/05/2011	37,999	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓
6	Payment to Mr.Muazam jamil through cheque # 25519563 as reimbursment of his expense incurred to purchase gift for client	PV# 173	3/3/2011	17,100	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓
7	Payment made to M/S Ahmad Computers & Stationars for supply of Computer equipment through cheque # 3260499	PV# 216	7/3/2011	215,110	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓

Annexure M Finance function – receipt compliance

Receipt Vouchers												
Sr.	Date	Description	RV No.#	Amount	Posting in GL	Receipt Voucher Signed by		Traced in Bank Statement		Memorandum attached	Copy of Cheque Received	
						Prepared by Accountant	Checked by Manager/Accounts Officer	Date	Amount		Date	Amount
1	20/05/2011	Payment Received by Geo metric & Geo enviroment division for its consultancy services (ghazi baroatha hydropower project for base line inspection) through cheque # 07237551	1398	2,397,313	✓	✓	✓	✓	✓	✓	✓	✓
2		Payment received for consultancy services provided,through cheque # 119583	1397	13,947,000	✓	✓	✓	✓	✓	✓	✓	✓
3	19/08/2011	Payment received for job # 2812 by Water resources division through cheque # 0598356		9,994,205	✓	✓	✓	✓	✓	✓	✓	✓
4	31/05/2011	Payment Received by P&M Division Provided for its services provided to customer through Cheque	1127	1,908,743	✓	✓	✓	✓	✓	✓	✓	✓
5	31/05/2011	Payment Received through bank Transfer by DM & R Division for its services provided to UNICEF	1129	8,442,725	✓	✓	✓	✓	✓	✗	N/A	N/A
6	16/05/2011	Payment Received by H& TE Division for its services provided to client	1128	5,922,447	✓	✓	✓	✓	✓	✓	✓	✓
7	31/05/2011	Payment Recived by P&M Division for its services Provided to National Transmision and dispatch company through Cheaue	1125	5,081,675	✓	✓	✓	✓	✓	✗	✓	✓
8	20/04/2011	Payment Received from Govt of the State of Azad Jammu & kashmir through Direct payment	1009	16,139,946	✓	✓	✓	✓	✓	✓	N/A	N/A

Annexure M Finance function – stores compliance

Store Documentation Flow Compliance																							
Sr #.	Description	Folio/ R No	Date	Amount (PKR)	Stationary Store Indent					Purchase Order					Memorandum Signed by			Incoming and Out going			Delivery Note		
					Signed by					Signed by Manager Procurement/Secretary CP & AC	Description Matched	Price Per Unit	Page No of Stock Register where entered	Quantity	Signed By			Signed By Finance Department	Quantity	Price	Signed By supplier	Description Matched	Received by Signature
					Prepared by	Approving Authority Above Grade 12 Officer	Price Per Unit	Page No of Stock Register where entered	Quantity						Chief (Procurement & Administration)	Vice President (Coordination)	Store Incharge						
1	Toner For laser Jet Printer 3050 for the job MD Secritriat from M/S Compsi Building (Pvt) Ltd	173	26/08/2011	6,844	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
2	Starter (S-10) Purchased For Building Services Division	710	7/7/2011	350	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
3	1000 Paper Ream off set imported A-4 Purchased from M/S Makro Habib, PO# 7443 Issued to GT& GE Division	410	16/06/2011	370,000	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
4	D-Link swith Conector Purchased from M/S Pilot Computer & System for A&P Division	900		11,890	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	
5	Multi Media Projector for A & P Division From M/S Mega Plus	491	22/04/2010	135,000	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	
6	Monitor LCD, PO#6832 from M/S Pilot Computer For Q.M Division	451	27/01/2010	15,660	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	

Annexure N

Policies and procedures - Procurement system

1. Policies related to procurement of goods

- For purchase of any items, users/department heads send a requisition to the Secretary Central Procurement & Appraisal Committee (CP&AC). The committee is authorized to approve purchases of works/services up to Rs. 100,000. For any purchases above that amount, the committee recommends approval to the Managing Director.
- CP&AC (The "Committee") is formed by the Managing Director and comprises of:
 - Convener
 - Secretary
 - Five members.
- After approval of CP&AC, procurement manager calls for quotations from the pre-qualified suppliers.
- Procurement manager prepares comparative statement and order is placed to the lowest bidder.
- The secretary CP&AC may place repeat orders with the vendors within 6 months from issuance of a purchase order, provided that there is no change in the market price of those items.
- Approval for stationery items of routine use is not required from the CP&AC
- Committee approves the list of vendors for supply of various items after evaluating suppliers on the basis of approval criteria.
 - Financial Position of the vendors
 - Experience in supply/execution/manufacturing
 - After sales services
 - Registration with sales/income tax departments
 - Warranties
- Suppliers are weighed on a scale of 0-10. Any vendor with less than 5 score is rejected.
- Performance of all approved suppliers is evaluated at least once a year. Performance is weighed on a scale of 0-10 with zero being the poorest and 10 being the best.

- CP&AC is responsible for quality assurance of purchased items. They are responsible for checking that the item supplied meets the specification of end user as per the purchase order. Quality assurance relating to IT equipment (Toners, computers, printers, ups, software, etc) will be carried out by the representatives of the Monitoring & Information Technology Division
- Invoices are sent to the convener for final signatures after quality assurance
- Payment is made by the Finance division after receiving signed copy of bill from CP&AC secretary.
- For emergency purchases up to Rs.20,000 at a time, and up to Rs. 200,000 per year respectively, members of the BOM may incur expenditures after conducting a market survey. Heads of Divisions who are not members of the BOM can incur expenditure up to Rs. 6,000 at a time with a ceiling of Rs. 60,000 in a year.

2. Policies related to procurement of services

- The Company is following PPRA rules 2004 for procurement of services and goods. Extracts from PPRA rules are as follows:

A. Procurement Planning

- All procuring agencies must have a detailed planning system in place, which can realistically identify all the requirements of the procuring agency, its available resources, timelines and benefits that are likely to accrue.
- All proposed procurements for the financial year shall be announced, without any splitting or regrouping of the procurements, on the Procurement Authority's website as well as on the Procurement Agency's website
- Required specifications shall allow for the widest possible competition and cannot be favored towards any single contractor nor put other suppliers at a disadvantage. Specifications cannot refer to brand names, model numbers, etc
- All procuring agencies shall create a clear chain of authorization for procurement and shall only initiate procurements once approval of the competent authorities has been accorded.

Annexure N Policies and procedures - Procurement system – contd..

B. Advertisements

- Procurements over Rs. 100,000 and up to the limit of Rs. 2,000,000 shall be advertised on the Authority's website in prescribed format. Advertisements may also be put in print media if deemed necessary .
- All procurements above Rs. 2,000,000 must be advertised in print media and on the Authority's website. Advertisement shall appear in at least one English newspaper and one Urdu newspaper.
- Response time cannot be less than 15 days for national bidding and 30 days for international bidding. Response time must be specifically stated in advertisements.

C. Pre-qualification, Qualification and Disqualification of Suppliers and Contractors

- Procuring agencies are permitted to pre-qualify bidders. They may take into account, while engaging in prequalification,
 - Relevant experience and past performance
 - Personnel, plant and equipment capabilities
 - Financial position
 - Management capability
 - Any other relevant factors
- Procuring agency must announce all information required and the evaluation criteria that will be used
- Procuring agency shall promptly notify each supplier whether or not it has been pre-qualified and shall make available a list to those directly involved of the suppliers who have been pre-qualified. Reasons for not qualifying must also be provided

D. Method of Procurement

- The principal method of procurement shall be through open competitive bidding.
- Bids shall be valid for the period of time specified in the bidding document. If an extension is requested by the procuring agency and the bidder does not agree, the bid shall be allowed to be withdrawn without forfeiture of bid security.

- All bids shall be opened publicly in the presence of the bidders or their representatives who may choose to be present, at the time and place announced prior to the bidding. The procuring agency shall read aloud the unit price as well as the bid amount and shall record the minutes of the bid opening. All bidders in attendance shall sign an attendance sheet. All bids submitted after the time prescribed shall be rejected and returned without being opened.
- Procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for an unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement.
- No evaluation criteria shall be used for evaluation of bids that had not been specified in the bidding documents
- The procuring agency may reject all bids or proposals at any time, without any liability arising, prior to the acceptance of a bid or proposal. The procuring agency shall upon request communicate to any supplier or contractor who submitted a bid or proposal, the grounds for its rejection of all bids or proposals, but is not required to justify those grounds
- Procuring agencies shall announce the results of bid evaluation in the form of a report giving justification for acceptance or rejection of bids at least ten days prior to the award of procurement contract
- The bidder with the lowest evaluated bid shall be awarded the procurement contract. Where needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed ten per cent of the contract amount
- Procuring agencies may provide for petty purchases where the object of the procurement is below the financial limit of twenty five thousand rupees. Such procurement shall be exempt from the requirements of bidding.

Annexure N

Policies and procedures - Procurement system – contd..

- Direct contracting is permissible where the procurement relates to spare parts/supplementary services purchased from the original supplier or where there is only one manufacturer/supplier for the product
- Except for defect liability or maintenance by the supplier or contractor, as specified in the conditions of contract, performance of the contract shall be deemed close on the issue of overall delivery certificate or taking over certificate which shall be issued within thirty days of final taking over of goods or receiving the deliverables or completion of works enabling the supplier or contractor to submit final bill and the auditors to do substantial audit.

E. Procurement Records

- All procuring agencies shall maintain a record of their respective procurement proceedings along with all associated documentation for a minimum period of five years.

F. Settlement of Disputes

- If a bidder is aggrieved by the actions of the procuring agency, he may submit a written complaint not later than fifteen days of the issuance of the bid evaluation report. The procuring agency shall form a committee of an odd number of people to deal with bidder complaints
- The procuring agencies shall allow for a method of arbitration in the procurement contract not inconsistent with the laws of Pakistan.

Annexure O Procurement policy compliance

S. No	Discription	Cost of Purchase	Purchase Requisition			Approval of CP&AC	Request for quotation	Comparative statement	Approval on CS					Supplier name in the approved supplier list	Evaluation Criteria	Purchase Order			Invoice		Quality Assurance Checked (VP m&IT)/ other member			Approval for payment Convener
			Date	Prepared By	Approved by				Date	Secretary CP&AC	Member of CP&AC	Member of CP&AC	Approval of Convener			No.	Date	Approved by Procurement manager	Date	Receiving signature	Signature of Secretary CP&AC	Signature of VP M&IT if computer item other wise any other member		
Purchase of Computer items																								
1	Hp Laptop (01)	102,873	27-Apr-11	p	GM (A&P)	P	P	P	15-May-11	p	p	p	P	p	Lowest	7454	21-Jun-11	p	22-Jun-11	p	p	p	N/A	P
2	Hp desktops (02)	158,010	27-Apr-11	p	GM (A&P)	P	P	P	15-May-11	p	p	p	P	p	Lowest	7453	21-Jun-11	p	29-Jun-11	Q	p	p	N/A	P
3	UPS (01)	12,285	27-Apr-11	p	GM (A&P)	P	P	P	15-May-11	p	p	p	P	p	Lowest	7455	21-Jun-11	p	22-Jun-11	p	p	p	N/A	P
Purchase of Stationery																								
4	Box file 3" (300)	26,400	20-Apr-11	p	Chief (P&A), VP (Cord)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	p	N/A	7314	6-May-11	p	6-May-11	p	p	N/A	P	p
5	Computer A3 paper box of 1000 sheets(12)	26,676	12-Apr-11	p	Chief (P&A), VP (Cord)	N/A	P	p	4-May-11	p	p	p	p	p	Lowest	7313	6-May-11	p	11-May-11	p	p	N/A	p	p
6	Markers uniballs , etc (1300)	93,600	20-Apr-11	p	Chief (P&A), VP (Cord)	N/A	P	p	30-Aug-10	N/A	N/A	N/A	N/A	p	Lowest	7313	6-May-11	p	11-May-11	p	p	N/A	p	p
7	Air Freshener (75)	14,625	12-Apr-11	p	Chief (P&A), VP (Cord)	N/A	P	p	13-Aug-10	p	p	p	p	p	Lowest	7279	25-Apr-11	p	3-May-11	Q	p	N/A	p	p
8	Punch and Binding machine Kombo (01)	33,500	21-Feb-11	p	VP (WR)	p	P	p	23-Feb-11	p	p	p	p	p	lowest	7190	2-Mar-11	p	4-Mar-11	P	p	N/A	P	P

Annexure O Procurement policy compliance – contd..

S. No	Discription	Cost of Purchase	Purchase Requisition			Approval of CP&AC	Request for quotation	Comparative statement	Approval on CS					Supplier name in the approved supplier list	Evaluation Criteria	Purchase Order			Invoice		Quality Assurance Checked (VP m&IT)/ other member				Approval for payment Convener
			Date	Prepared By	Approved by				Date	Secretary CP&AC	Member of CP&AC	Member of CP&AC	Approval of Convener			No.	Date	Approved by Procurement manager	Date	Receiving signature	Signature of Secretary CP&AC	Signature of VP M&IT if computer item otherwise any other member	Approval for payment Convener		
Purchase of Electronic																									
9	LCD Display 23" dell/hp samsung	24,804	12-Apr-11	p	VP (H & TED)	p	P	P	13-May-11	p	p	p	p	p	Lowest	7354	20-May-11	p	24-May-11	p	p	p	N/A	p	
Purchase of uniform																									
10	Summer Cloth 1 (5062.5 meters)	658,125	N/A	N/A	N/A	p	p	p	21-Apr-11	p	p	p	p	p	lowest	7289	27-Apr-11	p	27-May-11		p	p	p	p	
11	Summer Cloth 2 (105 meters)	13,650	N/A	N/A	N/A	p	p	p	21-Apr-11	p	p	p	p	p	lowest	7289	27-Apr-11	p	27-May-11		p	p	p	p	
Purchase of furniture																									
12	Exective table (01)	29,928	29-Dec-09	Q	GM/Head Quality management	p	p	p	14-Jan-10	p	p	p	p	p	Lowest	6374	18-Jan-10	p	16-Feb-10	Q	P	N/A	P	P	
13	Cupboard (01)	6,960	29-Dec-09	Q	GM/Head Quality management	p	p	p	14-Jan-10	p	p	p	p	p	Lowest	6374	18-Jan-10	p	16-Feb-10	Q	P	N/A	P	P	
14	Small Table (01)	2,552	29-Dec-09	Q	GM/Head Quality management	p	p	p	14-Jan-10	p	p	p	p	p	Lowest	6374	18-Jan-10	p	16-Feb-10	Q	P	N/A	P	P	
15	Sofa Single seater (02)	10,440	29-Dec-09	Q	GM/Head Quality management	p	p	p	14-Jan-10	N/A	N/A	N/A	N/A	N/A	Lowest	6374	18-Jan-10	p	16-Feb-10	Q	P	N/A	P	P	
16	Rack (1)	5974	23-Oct-09	P	VP (GE & GT)	p	p	p	23-Nov-09	p	p	p	p	p	lowest	6243	26-Nov-09	p	Q	Q	p	N/A	p	p	

Annexure O Procurement policy compliance – contd..

S. No	Discription	Cost of Purchase	Purchase Requisition			Approval of CP&AC	Request for quotation	Comparative statement	Approval on CS					Supplier name in the approved supplier list	Evaluation Criteria	Purchase Order			Invoice		Quality Assurance Checked (VP m&IT)/ other member			Approval for payment Convener
			Date	Prepared By	Approved by				Date	Secretary CP&AC	Member of CP&AC	Member of CP&AC	Approval of Convener			No.	Date	Approved by Procurement manager	Date	Receiving signature	Signature of Secretary CP&AC	Signature of VP M&IT if computer item	other wise any other member	
17	Shelf (1)	4600	23-Oct-09	P	VP (GE & GT)	p	p	p	23-Nov-09	p	p	p	p	lowest	6243	26-Nov-09	p	Q	Q	p	N/A	p	p	
18	Low table (1)	3973	23-Oct-09	P	VP (GE & GT)	p	p	p	23-Nov-09	p	p	p	p	lowest	6243	26-Nov-09	p	Q	Q	p	N/A	p	p	
19	Sofa Single Seater (2)	10440	23-Oct-09	P	VP (GE & GT)	p	p	p	23-Nov-09	p	p	p	p	lowest	6243	26-Nov-09	p	Q	Q	p	N/A	p	p	
20	hood with tube light (1)	3944	23-Oct-09	P	VP (GE & GT)	p	p	p	23-Nov-09	p	p	p	p	lowest	6243	26-Nov-09	p	Q	Q	p	N/A	p	p	
21	Revolving Executive Chair (1)	7842	23-Oct-09	P	VP (GE & GT)	p	p	P	23-Nov-09	p	p	p	p	lowest	6243	26-Nov-09	p	Q	Q	p	N/A	p	p	

Legend

- P – Present
- Q –Query

Annexure P

Summary of hiring and promotion processes

1. Hiring Process

- Induction process is initiated by concerned Division Head. Whenever a project is awarded to a division the division head determines the staff required to be hired for the project and gets the approval from Managing Director for the hiring of required staff.
- The approved hiring request is then forwarded to the HR division which is responsible for the advertisement in a daily newspaper as well as on NESPAK website.
- CVs/applications against the advertisement published are received by HR division. After short listing the applications on the basis of criteria given in advertisement the applications are forwarded to the concerned division head.
- The concerned division head recommends the multi divisional interview committee which includes the concerned division head and three to four other divisional heads. The interview committee conducts the interviews.
- A prescribed format is used as an interview evaluation sheet in which marks are given to the candidates interviewed. Candidates scoring less than 50 marks are not eligible for induction. On the basis of marks obtained a merit list is prepared by concerned division and the order of this list is followed for the recruitment.
- A list of selected candidates is sent to the Coordination Head for the further processing and approval from MD. After approval from MD is obtained the Coordination Division prepares offer letters and sends it to the selected candidates.

2. Promotion process

- Appraisal process for promotion of employees is initiated by the Coordination Division which is responsible for intimating each employee for the requirement of filling the Annual Performance Review Report (APRR) and circulates it throughout NESPAK.
- The form is filled by each employee and submitted to their respective Reporting officer (RO) who is their immediate boss. The RO assess the different factors (I.e. Quality of work done, personality, supervision required, attitude, work habits etc) and on the basis of his assessment gives grading to employees. The RO gives the comments about the employee in APRR form and recommends for the promotion (if eligible).

- Then the form is forwarded by the Ro to the Division Head for his recommendation. Entry of APRRs is made in the NESPAK Annual Performance Review System (a software used by NESPAK) that generates a summary of APRRs which were recommended for promotion by the Division Heads.
- This summary is presented in Administrative Committee meeting that is held at every year end. Administrative Committee comprise of Divisional Heads from different divisions. After reviewing the recommended cases and evaluating on need assessment basis recommendation for promotions are made by the Administrative Committee.
- After Administrative Committee approval promotion cases are forwarded to the Managing Director for approval. Managing Director has sole authority for the approval of promotions. After approval from MD promotion orders are issued by the Coordination Department along with the signatures of Vice President Coordination Division. Further, status of the promoted employees is updated in the system.

Annexure Q

Summary of HR policies and procedures

1. Contributory provident fund rules

- The trustees, from time to time, appoint one of themselves or any of the officers of the company to be the secretary of the fund.
- The following persons are the first trustees of the fund:
 - Director
 - Finance manager
 - Chief office engineer
 - Senior most office assistant
 - Budget and finance officer
- Upon removal, resignation, death of any one or more of the trustees, new trustee or trustees being appointed under the provisions contained, the funds, properties and the securities belonging shall deemed to be transferred from the late trustee or trustees to the remaining or any newly appointed trustee or trustees without any formal instrument of transfer being executed.
- The trustees shall have complete control over the management of the fund and the properties and securities belonging to the fund.
- The trustee who is the director of the company shall be the chairman of the trustee. The trustees may delegate from time to time, powers, authority or discretion to a committee consisting of members not less than three of their body as they think fit. All employees including whole time chairman, whole time directors and all employees on contract for three years or more shall be eligible to become the subscriber of the fund except those employed on probation or as apprentice or on temporary basis.
- Every subscriber shall contribute to the fund at the rate 10% of the salary that shall be deducted from his salary and shall be paid by the company to the trustees. The company shall contribute to the fund a sum equal to the 10% of aggregate amount of salary of subscribers and pay the same to the trustees to be brought into account.
- A subscriber who ceases to be a subscriber because of the dismissal from the service of the company for misconduct and whatever the period of service was, he shall not be entitled to any part of the amount standing to his credit in the company's contribution account.

- Any dispute or difference which arises between any subscriber or his executors, administrators, nominees and the trustees will be referred to arbitration of the chairman of NESPAK. The decision of the chairman will be final and binding on the parties.

2. Employees (efficiency and discipline) rules

- These rules shall apply to all permanent, temporary employees including employees on contract.
- The term misconduct shall be deemed to mean and include the following;
 - Disobedience of any lawful and reasonable order of superior
 - Malingering and slowing down of work
 - Refusal to work on another job
 - Habitual late attendance and habitual absence without leave
 - Giving and accepting bribes
- a) Gambling within the office premises
- b) Drunkenness, fighting or indecent behavior within or without the office premises.
- The company may in its discretion to punish on misconduct in any or more of the following:
 - Minor/major penalty
 - Dismissal
 - Discharge
- The authority competent to award punishment shall be the authority competent to make appointment of the employee.
- An employee shall have right of making an application for revision and appeal against any of the punishment imposed to the next higher authority of the authority awarding the punishment.

Annexure Q Summary of HR policies and procedures – contd..

3. Gratuity rules

- Gratuity will be allowed in accordance with scales to the following employees rendering satisfactory services;
 - Who have completed at least three years of services
 - Who have died while in the service of the company irrespective of their length of service
 - Who retired due to continuous ill health irrespective of their length of service
 - Whose services are terminated by the company owing to abolition of his/her post or for reasons other than dismissal
 - An employee who resigns from the service of the company shall be eligible, provided he has atleast 8 completed years of his service
- The calculation of total amount of gratuity payable to non-workmen is salary as on the 31st Dec 2002 multiplied by completed period of service in years and part thereof up to 31st of Dec 2002, plus, last drawn salary multiplied by the completed period of service, in years and part thereof from 1st of Jan 2003 up to the date of leaving NESPAK service.
- All gratuity payments shall be subject to deductions on account of income tax and super tax or any other tax etc.
- All applications for gratuity shall be on prescribed form and should be duly recommended by the head of office in which the employee was last serving.

4. Leave Rules

- These rules apply to all whole time NESPAK employees except the employees on contract.
- The kinds of leave admissible to an employee are;

–Casual leave	–Earned leave
–Sick leave	–Accident leave
–Study leave	–Maternity leave
–Extra ordinary leave	–Ex-Pakistan leave

	Competent authority to sanction leave	Person requiring leave
1	Board of directors	Chairman / Director
2	Directors of respected division	Ch. Engr. / fin. Mngr./other officers of equivalent rank
3	Authority designated by directors of respected divisions	Other employees

- Maximum Casual leave entitled in a financial year to: non workmen = 6, workmen = 12
- No prior sanction is required for one day's casual leave.
- The period spent on casual leave will be treated as on duty but if the absence exceed the prescribed limit, the entire period will be treated as leave other than casual leave and will be debited to the leave account.
- An employee may be allowed sick leave with pay @ 1/22 of the period spent on duty.
- Sick leave for the period of continuous 7 days and above shall be allowed only on the production of medical certificate from the company authorized doctor.
- If the accident occurs at work place, accident leave on full pay will be allowed up to maximum 15 days on the recommendation of company authorized doctor.
- An employee has atleast 1 year services in NESPAK is allowed for unpaid study leave up to maximum of two years for studies outside Pakistan in such subjects that are related to activities of NESPAK.
- Maternity leave will be granted to married female on full pay which may be extend to 3 months from the date of its commencement, or the end of six weeks from the date of commencement, whichever be earlier.

Annexure Q Summary of HR policies and procedures – contd..

- When no other leave is due to an employee, extra ordinary leave may be granted on the discretion of company up to maximum of 2 months at a time on no allowance no pay basis and period spend will not be counted for increment.
 - A non-workman employee may be permitted to avail leave preparatory to retirement up to maximum of 180 days subject to availability of leave on his credit.
 - An employee on medical leave may not return without first producing medical certificate of fitness in such a form as company may prescribe.
 - in case where all applications for leave cannot be granted, the following considerations will take into account to which applicant should be granted the leave;
 - The employee who can, for the time being, best be spared
 - The amount of leave due to the various applicants
 - The amount and character of services rendered by each applicant since he last returned from leave
 - The fact that any such applicant was compulsory recalled from his last leave
 - If an employee on leave desires an extension, he must make an application to sanction authority atleast 15 days before the expiry of leave. No extension of leave can be deemed unless an order has been passed and communicated to that employee.
- ### 5. Medical rules
- The company shall appoint medical officers and dental surgeons as deemed necessary.
 - Each employee is required to make a declaration about his family members dependent on him/her on the format attached. Any change affecting the family members will be notified by the employee with in 1 month of its occurrence.
 - Each employee shall choose one medical officer and one dental surgeon out of the panel and convey his choice in writing to the company and shall consult them only except in any emergency.
- All actual cost incurred on emergency treatment shall be reimbursed by the company on the production of bills/vouchers duly verified by the attending doctor.
 - The company may constitute a panel of specialists for providing specialized consultation/treatment to the employees or their family member.
 - While procuring medicines from approved chemists and druggist, the following procedures shall be observed;
 - Company will provide prescription forms to its medical officer/dental surgeon/specialists for prescribing the medicines. The original copy of form bear embossed seal of company and signatures of secretary medical committee.
 - The prescription forms will issued in triplicate (original white, duplicate pink, and yellow book copy)
 - The medical officer will retain yellow book copy and hand over other two copies to the employee concerned. An employee or his family member will produce the original (white) copy to any of the approved chemist for the supply of medicines of the brand or manufacturing company prescribed thereon.
 - At the time of issuing medicines, the chemist will also prepare bill in triplicate and will obtain signatures of recipient on all three copies of the bill as well as on the white copy and hand over the copies of bill to the recipient while delivering the medicines to him.
 - The chemist will forward the original bill along the white copy of prescription to the company for payment on monthly basis.
 - Treatment of employee or his family member, on medical advice, at a station other than the headquarters will be allowed and entitled to travel on company expense.
- ### 6. Service rules
- The employees are classified as under;

- Permanent	- Temporary
- Probationer	- Apprentice

Annexure Q

Summary of HR policies and procedures – contd..

- An increment may be granted by the company to an employee based on satisfactory work, attendance and conduct report from the departmental head. The company is the sole judge to grant or not any increment.
 - An employee may be granted an honorarium by the managing director or any other senior employee who may be authorized on that behalf. The amount of honorarium shall be settled in advance.
 - House rent allowance shall be paid to those employees not provided with accommodation by the company at such rates may be sanctioned by the company on time to time.
 - Conveyance allowance shall be paid to the employees at such rates as may be sanctioned for time to time.
 - Entertainment expenses incurred on company account may be reimbursable to an employee up to the limits fixed by the company from time to time.
 - Employees shall be entitled to other benefits admissible under NESPAK rules include:
 - Contributory provident fund
 - Welfare fund
 - Group insurance
 - Washing allowance
 - Medical facility
 - Appointment up to Grade 11 will be made by Managing Director or any employee to whom such powers may be delegated by board managing director/board.
 - An employee shall comply with regulations relating to attendance, hours of duty, nature of work etc as shall be prescribed from time to time by the company.
 - An employee shall not speculate in stocks, shares, commodities or securities of any description nor be connected with information or management of a joint stock company.
 - In case of dismissal or removal, pay and allowances of employee shall cease from the date of such dismissal/ removal.
 - On the demand of other organizations an employee may be lent temporary to other organizations on terms and conditions as determined by the company and it requires prior approval of managing director.
- #### 7. Welfare fund rules
- These rules shall apply to all members of NESPAK employee's fund.
 - The fund constituted by the company shall consist of:
 - Contribution made by the members
 - Contribution made by the company
 - Other contributions and donations
 - Income from investments of the whole or the part of balance in the fund
 - The fund will be administered by a trust to be constituted by the managing director who will also nominate the chainman from amongst the trustees.
 - The fund shall be utilized for giving financial assistance to the members in the form of:
 - Grants
 - Educational scholarships
 - Interest free loan (for workmen employees)
 - The grant shall be sanctioned by the trust and shall be the final judge for the admissible of grant.

Annexure Q Summary of HR policies and procedures – contd..

- The company shall contribute to the fund that may determine from time to time but the amount should not less than double the amount contributed by the member every month.
- Proper accounts of fund shall be maintained under the supervision of trust and accounts shall be audited by the auditors appointed by the company for this purpose.

8. Travelling fund rules

- Travelling expense would be admissible to an employee travelling on duty, on tour or transfer.
- Kinds of travelling allowance are:
 - Air fare
 - Rail fare
 - Daily allowance
 - Road journey allowance
 - Actual expense
- For journeys performed on tour or temporary transfer an employee shall be entitled to one fare for himself.
- The daily allowance rates are as follows:

Grade	Ordinary rate	Special rate
1 & 2	150	210
3 & 4	250	380
5 to 7	360	510
8 & 9	530	720
10 & 11	600	960
12 & above	720	1180

- Road journey allowance is as follows:

	Amount in PKR
Taxi charges	PKR 8/KM
Road mileage charges	PKR 2/KM

- The employees of grade 8(a) & below shall be allowed to Rs. 2 per Km when required to travel within the city for official work and the company's car is not provided to him.
- Travelling allowance for journeys on transfer would be allowed in shape of following payments:
 - Transfer grant
 - Daily allowance during journey period
 - Daily allowance on arrival at the new place of posting
- In case of employee category 1, the company may also pay one train fare by the lowest class for the employee's servant
- Travelling allowance shall be allowed in respect of journey on retirement from the place of last posting to home town.
- All travelling expense bills shall be approved and counter signed by controlling authorities.
- To travelling allowance shall be paid to a person on his first appointment in the company.
- Advances may be paid in respect of travelling allowance, if necessary. The sanction of authorized officer is necessary before travelling advances are allowed.

Annexure R Hiring process compliance

Hiring process compliance

Sr.	Name	Designation (Current)	Designation (on appointment)	Division	Regular/ Contract/ Daily Wages	Grade	Induction Date	Advertisement Made	Candidate's Application Attached	Name in Short Listed Candidates	Selection/Interview committee Members	Marks obtained in Interview	Interview sheet attached	Recommendation of Selection Committee	Final Approval of MD for Recruitment	Remarks
1	Miss Ayesha Sana	Business Analyst	Business Analyst	HRD	Regular	8A	7-Jan-08	✓	✓	✓	GM M&IT Div Chief Engineer P&M Div Manager IT M&IT Div	63	✓	✓	✓	No representation of the concerned division and HR Division in the interview panel
2	Manzoor Hussain	Principal Engineer	Engineer	E&PHE	Contract	11	18-May-06	✓	✓	✓	GM EPHE GM W&A Chief Engineer EPHE Chief Engineer EPHE	54	✓	✓	✓	
3	Kashif Hasan	Accountant	Accountant	H&TE	Contract	7	13-Mar-08	✓	✓	✓	GM W&A Manager Acc w&A Manager Accounts & Finance	80	✓	✓	✓	No representation of the concerned division and HR Division in the interview panel
4	Javed Siddique	Senior Architect	Architect	DMRD	Contract	11	6-Aug-07	✓	✓	✓	Head HR ERRRA Div Pr Engineer ERRRA Pr Engineer ERRRA	60	✓	✓	✓	
5	Maqbool Ahmad	Accounts officer	Account Asssitant	Finance	Regular	G-09	18-Dec-84	✗	✓	✗	Signatures of board members found only	70	✓	✓	✗	Induction date is old so current proces was not followed.

Annexure S Personal files compliance

Personal files compliance																						
Sr.	Name	Designation	Division	Regular/ Contract/ Daily Wages	Grade	Induction Date	Interview Evaluation Form	Photographs	NIC Copy	Certificate of Domicile	Copies of Academic Certificates	Copies of Experience Certificates (if any)	Appointment Letter	Medical certificate	Joining Report	TORs	Employee Training Record	Extension of Contract	Performance Appraisal/ Annual Assessment Report	Leave/ Late Arrival Record	Promotion Letter	Salary Increments/ Promotions (if any)
1	Mrs. Nabila Rashid	Chief Architect	A&P (L)	Regular	12	18-01-90	X	X	X	✓	✓	✓	✓	✓	✓	X	✓	N/A	✓	✓	✓	✓
2	Ahmad Halim	General Manager	Karachi	Regular	12	20-1-86	X	X	X	X	✓	N/A	✓	X	✓	X	✓	N/A	✓	✓	✓	✓
3	Faisal Hameed	Chief Engineer	P&M	Regular	12	22-04-87	X	X	✓	X	✓	✓	✓	X	✓	X	X	N/A	X	✓	✓	✓
4	Miss Ayesha Sana	Business Analyst	HRD	Regular	8A	1/7/2008	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	N/A	N/A	✓	✓	✓	✓
5	Manzoor Hussain	Principal Engineer	E&PHE	Contract	11	18-05-06	✓	X	✓	✓	✓	✓	✓	✓	✓	X	N/A	✓	✓	X	✓	✓
7	Kashif Hasan	Accountant	H&TE	Contract	7	13-3-08	✓	✓	✓	X	✓	N/A	✓	✓	✓	X	N/A	✓	✓	X	✓	✓
8	Rashid Ali	Helper	M&IT	Daily Wages	N/A	2/11/2008	X	X	✓	X	✓	X	✓	X	X	X	X	N/A	X	X	N/A	N/A
10	Muhammad Faisal Baig	Economist	ESD	Daily Wages	N/A	16-06-09	X	✓	✓	✓	✓	✓	✓	X	✓	X	X	X	X	✓	X	X

Annexure T Analysis on qualification of staff

Qualification wise bifurcation of employees

Division	PHD/ M. Phil/ CA	Masaters	Bachelor	Others	Total
A&P(K)	0	9	31	44	84
A&P(L)	0	6	24	25	55
AGRI	1	25	15	11	52
BDD	0	5	3	4	12
BSD	1	3	10	3	17
CM	1	18	97	131	247
CONTRACTS	0	2	7	2	11
COORD	0	4	9	88	101
DMR	1	25	112	169	307
E&PHE	0	14	68	63	145
ESD	0	9	1	2	12
FINANCE	1	4	22	10	37
GT&GE	3	51	50	44	148
H&TE	0	33	126	248	407
HRD	0	9	2	4	15
I.A SECT.	0	2	3	0	5
ISLAMABAD	2	18	62	104	186
KARACHI	0	33	84	101	218
M&IT	0	14	6	15	35
MD OFFICE	0	0	0	2	2
OVERSEAS	1	2	0	3	6
P&M	0	22	129	84	235
QMD	0	1	2	3	6
RO ISB	0	1	4	9	14
RO KPK	0	3	15	21	39
RO QUETTA	0	0	1	5	6
SED	0	22	50	32	104
WR	4	55	91	88	238

Category wise bifurcation of employees

DIVISION	Regular	Contract	Daily Wages	Total
A&P(K)	70	14	0	84
A&P(L)	41	14	0	55
AGRI	32	19	1	52
BDD	6	6	0	12
BSD	11	6	0	17
CM	162	83	2	247
CONTRACTS	5	6	0	11
COORD	60	26	15	101
DMR	60	247	0	307
E&PHE	99	45	1	145
ESD	9	3	0	12
FINANCE	29	8	0	37
GT&GE	79	68	1	148
H&TE	259	148	0	407
HRD	8	7	0	15
I.A SECT.	4	1	0	5
ISLAMABAD	134	52	0	186
KARACHI	173	45	0	218
M&IT	26	9	0	35
MD OFFICE	2	0	0	2
OVERSEAS	4	2	0	6
P&M	178	57	0	235
QMD	4	2	0	6
RO ISB	4	2	8	14
RO KPK	31	8	0	39
RO QUETTA	1	0	5	6
SED	78	18	8	104
WR	176	61	1	238

Annexure U Summary of training activities for year 2011

JANUARY 2011				
Sr No.	Course Title	Resource Person/Organization	From Date	To Date
COURSES				
1	INTRODUCTION TO WRITING SKILLS	SALIM RAFI AHMAD	06-01-2011	07-01-2011
2	WRITING SKILLS	SALIM RAFI AHMAD	10-01-2011	11-01-2011
3	INTRODUCTION TO PROJECT MANAGEMENT	LMDA	11-01-2011	12-01-2011
4	INTRODUCTION TO PROJECT MANAGEMENT	LMDA	11-01-2011	12-01-2011
5	INFORMATION HANDLING	PIM	11-01-2011	12-01-2011
6	INTRODUCTION TO PRESENTATION SKILLS	SALIM RAFI AHMAD	13-01-2011	14-01-2011
7	INTRODUCTION TO PRESENTATION SKILLS	SALIM RAFI AHMAD	17-01-2011	18-01-2011
8	INTRODUCTION TO PROJECT MANAGEMENT	LMDA	19-01-2011	20-01-2011
9	PROJECT MANAGEMENT	LMDA	25-01-2011	26-01-2011
10	ADVANCE WRITING SKILLS	PIM	25-01-2011	26-01-2011
11	TECHNICAL REPORT WRITING	LMDA	25-01-2011	26-01-2011
LECTURES				
1	DESIGN OF FOUNDATION	JUNAID AHMED	04-01-2011	04-01-2011
2	A DEBATE ON CLIMATE CHANGES	M. HAFEEZ CHISHTI	24-01-2011	24-01-2011
3	METHODS FOR SEISMIC HAZARD ANALYSIS	MUHAMMAD JAVED	27-01-2011	27-01-2011
IT COURSES				
1	PROGRESS MONITORING USING PRIMAVERA	NAGUIB SUHAIL KIDWAI	10-01-2011	14-01-2011
2	PROGRESS MONITORING USING PRIMAVERA	NAGUIB SUHAIL KIDWAI	24-01-2011	28-01-2011

Annexure U Summary of training activities for year 2011 – contd..

FEBRUARY 2011				
Sr No.	Course Title	Resource Person/Organization	From Date	To Date
COURSES				
1	DESIGN CONSIDERATION FOR COASTAL STRUCTURING	UNIVERSITY OF ENGINEERING &	03-02-2011	04-02-2011
2	WRITING SKILLS	SALIM RAFI AHMAD	07-02-2011	08-02-2011
3	ADVANCE PROJECT MANAGEMENT	LMDA	09-02-211	10-02-2011
4	ADVANCE WRITING SKILLS	SALIM RAFI AHMAD	10-02-2011	11-02-2011
5	INTRODUCTION TO PRESENTATION SKILLS	PIM	11-02-2011	12-02-2011
6	ADVANCE PROJECT MANAGEMENT	LMDA	17-02-2011	18-02-2011
7	ADVANCE PRESENTATION SKILLS	LMDA	17-02-2011	18-02-2011
8	AUTOCAD	ABU SHAHMA RAZI	19-02-2011	19-02-2011
9	PROJECT MANAGEMENT	LMDA	24-02-2011	25-02-2011
10	ADVANCE PROJECT MANAGEMENT	PIM	25-02-2011	26-02-2011
IT COURSES				
1	PROBLEM MONITORING USING PRIMAVERA	NAGUIB SUHAIL KIDWAI	21-02-2011	25-02-2011

Annexure U Summary of training activities for year 2011 – contd..

MARCH 2011				
Sr No.	Course Title	Resource Person/Organization	From Date	To Date
COURSES				
1	TECHNICAL REPORT WRITING	LMDA	07-03-2011	08-03-2011
2	TECHNICAL REPORT WRITING	RAFIQ JAFFAR	07-03-2011	08-03-2011
3	BASIC MANAGEMENT SKILLS	LMDA	09-03-2011	10-03-2011
4	PROBLEM SOLVING AND DECISION MAKING	LMDA	11-03-2011	11-03-2011
5	ADVANCE PRESENTATION SKILLS	PIM	11-03-2011	12-03-2011
6	EFFECTIVE PROJECT PROPOSAL DEVELOPMENT	LMDA	14-03-2011	15-03-2011
7	CLIENT INTERACTION	LMDA	16-03-2011	16-03-2011
8	CLIENT INTERACTION	RAFIQ JAFFAR	16-03-2011	16-03-2011
9	GT ISSUES IN DESIGN OF GANGES BARRAGE PROJECT	JUNAID AHMED	17-03-2011	17-03-2011
10	EFFECTIVE TIME MANAGEMENT	SALIM RAFI AHMAD	18-03-2011	18-03-2011
11	MONITORING & EVALUATION OF PROJECTS	RAFIQ JAFFAR	21-03-2011	22-03-2011
12	INTERVIEWING SKILLS	RAFIQ JAFFAR	24-03-2011	25-03-2011
13	CONTRACT MANAGEMENT PART –1	SAEED UL HASSAN	25-03-2011	25-03-2011
14	ADVANCE AUTOCAD	ABU SHAHMA RAZI	26-03-2011	26-03-2011
15	TOLE OF GIS & REMOTE SENSING IN INFRASTRUCTURE DEV.	IMTIAZ HASSAN	28-03-2011	28-03-2011
16	ADVANCE WRITING SKILLS PART –B	SALIM RAFI AHMAD	29-03-2011	29-03-2011
17	ADVANCE WRITING SKILLS PART –A	SALIM RAFI AHMAD	29-03-2011	29-03-2011
IT COURSES				
1	PROGRESS MONITORING USING PRIMAVERA	NAGUIB SUHAIL KHAN	07-03-2011	11-03-2011

Annexure U Summary of training activities for year 2011 – contd..

APRIL 2011				
Sr No.	Course Title	Resource Person/Organization	From Date	To Date
COURSES				
1	CONTRACT MANAGEMENT PART –II	SAEED UL HASAN	01-04-2011	01-04-2011
2	MS-EXCEL 2007	HAMID IQBAL	09-04-2011	09-04-2011
3	INTRODUCTION TO PROJECT MANAGEMENT	LMDA	11-04-2011	12-04-2011
4	INTRODUCTION TO PRESENTATION SKILLS	SALIM RAFI AHMAD	11-04-2011	12-04-2011
5	PROJECT MANAGEMENT	LMDA	13-04-2011	14-04-2011
6	PILE SEDIGN/CONSTRUCTION	SHAHAB AZIM KIDWAI	15-04-2011	15-04-2011
7	PRIMAVERA	REHAN AHMAD	15-04-2011	15-04-2011
8	MS-EXCEL 2007	RASHID HUSSIAN	16-04-2011	16-04-2011
9	ADVANCE EXCEL 2007	HAMID IQBAL	16-04-2011	16-04-2011
10	SAFETY MANAGEMENT & WORKING TOGETHER	DR. RAFIQ M. CHOUDARY –NUST	18-04-2011	18-04-2011
11	TEAM BUILDING	RAFIQ JAFFAR	18-04-2011	19-04-2011
12	BASIC MANAGEMENT SKILLS	LMDA	20-04-2011	21-04-2011
13	INFORMATION HANDLING	LMDA	21-04-2011	22-04-2011
14	ADVANCE MS EXCEL	RASHID HUSSIAN	23-04-2011	23-04-2011
15	EFFECTIVE PROJECT PROPOSAL DEVELOPMENT	LMDA	25-04-2011	26-04-2011
16	CONFLICT RESOLUTION	RAFIQ JAFFAR	25-04-2011	25-04-2011
17	INTERPERSONAL SKILLS	RAFIQ JAFFAR	26-04-2011	27-04-2011
LECTURES				
1	MIN. ENV. FLOW-BABOL RIVER AL-BORZ DAM PROJECT	KAMRAN YOUSAF KAZI	07-04-2011	07-04-2011
2	PROGRAMMABLE LOGIC CONTROLLERS	M/S ABB & MESI ENTERPRISES	22-04-2011	22-04-2011

Annexure U Summary of training activities for year 2011 – contd..

MAY 2011				
Sr No.	Course Title	Resource Person/Organization	From Date	To Date
COURSES				
1	BASIC MANAGEMENT SKILLS	LMDA	10-05-2011	11-05-2011
2	INGORMATION HANDLING	LMDA	12-05-2011	13-05-2011
3	ASSERTIVE CLIENT HANDLING	RAFIQ JAFFAR	16-05-2011	17-05-2011
4	PROJECT MANAGEMENT	LMDA	17-05-2011	18-05-2011
5	LEADERSHIP SKILLS	RAFIQ JAFFAR	18-05-2011	19-05-2011
6	EFFECTIVE TIME MANAGEMENT	SALIM RAFI AHMAD	23-05-2011	23-05-2011
7	INTRODUCTION TO PRESENTATION SKILLS	SALIM RAFI AHMAD	24-05-2011	25-05-2011
8	FINANCE FOR PROFESSIONALS	LMDA	24-05-2011	25-05-2011
9	TECHNICAL REPORT WRITING	RAFIQ JAFFAR	30-05-2011	31-05-2011
LECTURES				
1	SLOPE STABILIZATION & LAND SLIDING MITIGATION	DR. MANZOOR HUSSAIN –NUST	21-05-2011	21-05-2011
JUNE 2011				
Sr No.	Course Title	Resource Person/Organization	From Date	To Date
COURSES				
1	PRICE ADJUSTMENT IN CONSTRUCION PROJECTS	PERVEZ AKHTAR	03-06-2011	03-06-2011
2	INTRODUCTION TO WRITING SKILLS	SALIM RAFI AHMAD	08-06-2011	09-06-2011
3	PROBLEM SOLVING AND DECISION MAKING	LMDA	10-06-2011	10-06-2011
4	INTRODUCTION TO PRESENTATION SKILLS	SALIM RAFI AHMAD	13-06-2011	14-06-2011
5	INTERVIEWING SKILLS	RAFIQ JAFFAR	13-06-2011	14-06-2011
6	CLIENT INTERACTION	RAFIQ JAFFAR	15-06-2011	15-06-2011
7	INTRODUCTION TO WRITING SKILLS	SALIM RAFI AHMAD	20-06-2011	21-06-2011
8	CORPORATE GROOMING & ETIQUETTE	NDC TRAINING ACADEMY	21-06-2011	22-06-2011
9	EFFECTIVE TIME MANAGEMENT	SALIM RAFI AHMAD	23-06-2011	23-06-2011
10	INFORMATION HANDLING	LMDA	27-06-2011	28-06-2011
11	PROJECT MANAGEMENT	LMDA	29-06-2011	30-06-2011
LECTURES				
1	GREEN BUILDING	MUHAMMAD HARIS FAROOQI	24-06-2011	24-06-2011

Annexure V Cost overruns

Sr No.	Job No.	Project Name	Started On	Project Division	Project Manager	Control Estimate	Total Usage	Remaining
1	2878	Dadu-Khuzdar Power Transmision System Project	31-Dec-06	Power	Tahir Adnan Qureshi	62,431,254	94,510,146	(32,078,894)
2	2945	Consult.Serv For Package-A(Turkey Const)In Education	1-Jun-07	Karachi Office	Muhammad Farooq	74,079,620	84,595,300	(10,515,680)
3	2744	Consult.Serv For Audit & Accounts Complexes at Khi & Quet	1-Dec-05	A&P Karachi	Abdul Kareem Qureshi	5,580,174	8,783,358	(3,203,184)

Annexure W Summary of client complaints

Title	Job No	Nature of Complaint	Date of Receipt	Corrective Action Taken By Head	Copy of Memorandum from HQMD to Concerned Division Attached	Copy of Complaint Form Client Attached Signed By		Log Of Client Complaints Attached Signed By		
						Client	Viewed by MD	Project Manager (PM)	Division Head	PM for Corrective Action Taken
HVAC System of ISE	2580	Irregularities Involved in the HVAC System installed at Islamabad Stock Exchange Towers	25/07/2009	Letters written to client by ER, NESPAK	✓	✓	✓	✓	✓	✓
Repair and Maintenance of 9 road in Muree	Q	Poor Quality of road shoulder and failing to play its roll as resident supervisor	27/10/2009	Presentation to all higher authorities for explaining all issues	✗	✗	✗	✓	✓	✓
Surab-Basimanag-panjgur -hoshab Road Project (N-85)	Q	Slow Progress of Work	15/09/2009	The slow Pace of work was due to the contractor and letters written	✓	✓	✓	✓	✓	✓
Roads from Jinnah Park to flying club Rawalpindi	Q	NESPAK failed to perform their duties and could not ensure to complete the agreement	27/07/2009	The Project Delayed and Funds Problem	✓	✓	✓	✓	✓	✗
Parking Plaza at Jhika gal Muree	Q	The Project was designed on land slide area and construction stoped.NESPAK did not investigate potential Slope instability risk	30/01/2009	Letter of Clarification is being issued to ministry of Water & Power Design of Landslide stabilization measure is in progress	✗	✓	✓	✓	✓	✓
Sindh Water Sector improvement Project	Q	Poor Performance of Consultant, delay in clearance SAPs,RAPs,EMPs	7/9/2010	Observation has been solved e.g. from client complaints	✗	✓	✓	✓	✓	✗
Quetta Water supply Project	2592	A letter received by the project director expressing bad expression of NESPAK from the project team failure in achieving the targets. Lack of technical skills and resolution of gaps discussed.	5/4/2010	A letter 2592/OTA /MIM/01/2874 dated April 12,2010 written for the causes of delay because of administrative approvals.	✗	✓	✓	✓	✓	✓

Annexure W Summary of client complaints – cond..

Title	Job No	Nature of Complaint	Date of Receipt	Corrective Action Taken By Head	Copy of Memorandum from HQMD to Concerned Division Attached	Copy of Complaint Form Client Attached Signed By		Log Of Client Complaints Attached Signed By		
						Client	Viewed by MD	Project Manager (PM)	Division Head	PM for Corrective Action Taken
Sewerage scheme R.Y.K with treatment plant	2906	Delay in payments to contractor. After transfer of the previous R.E about two months ago, No new R.E has been appointed. Slow progress of work.	6/3/2008	no delay in payment due to NESPAK. Contractor has to improve manpower. One experienced R.E from NESPAK has also been appointed to expedite the work.	✗	✓	✓	✓	✓	✓
Quaid e azam industrial estate, multan	2957	Overall performance is not satisfactory. There is no permanent R.E. Mobilization of staff and delay in in payment of 5th IPC.	7/2/2008	Tender drawing issued and revised, also appointed new R.E. He is advised to adopt proactive approach and R.E was instructed to send IPCs through project manager.	✗	✓	✓	✓	✓	✓
Arrangement of R.E for Dande Dam Project	Q	Mass scale variations have been felt for revision of PC 1 and serious problems are now being faced during execution stage.	19-09-2009	Problems in execution of project has been solved with the client through site visit.	✓	✓	✓	✓	✓	✓
Renovation and construction of BUITMS	2593	Complete failure quality wise and timely completion of the project causing loss of millions	15-08-2008	Audit observation were responded and R.E shall be deputed and outstanding payment received and the defective works could be rectified and the delays were on the part of of BUITMS for delay payments.	✓	✓	✓	✓	✓	✓
Pakistan standard quality control authority building	2611	Secy S&T complained about NESPAK design, cost escalations, retaining wall and quality construction	6/5/2008	Contractor was advised to replace porcelain floor tiles and repair all cracks in block masonry. NESPAK staff clarified all quarries related with the building.	✓	✗	✗	✓	✓	✓

Annexure X Project management issues

Quality control committee minutes not found with proposal			
Project	Client	Division	Project Fee (Rs. in millions)
225 MW Atlas Power Plant near Sheikhpura	Atlas Power Limited, Karachi	GT & GE	9.715
969 MW neelum Jhelum hydroelectric project	WAPDA	GT & GE	540.000
Punjab Irrigation System Improvement Project	Irrigation and Power Department, Govt. of Punjab	WR	83.064
Fatima Jinnah Institute of Dental Sciences, Lahore	Health Deptt, Govt of punjab	A & P	62.790

Project control estimate not revised with amendment in the consultancy contract			
Project	Client	Division	Project Fee (Rs. in millions)
Transmission lines for Hydropower projects (Duber khwar, khan khwar & Allai khwar) on tributaries of revier Indus	Water and power development authority	P&M	148.229

Time sheets were not signed by the division head			
Project	Client	Division	Project Fee (Rs. in millions)
Punjab Irrigation System Improvement Project	Irrigation and Power Department, Govt. of Punjab	WR	83.064
Flyover at kalma Chowk, lahore	Communication & Works Dept., Govt of the punjab	Highway dept	88.300

Quality assurance checks were not made on the deliverables under the contract			
Project	Client	Division	Project Fee (Rs. in millions)
225 MW Atlas Power Plant near Sheikhpura	Atlas Power Limited, Karachi	GT&GE	9.715
Punjab Irrigation System Improvement Project	Irrigation and Power Department, Govt. of Punjab	WR	83.064
Transmission lines for Hydropower projects (Duber khwar, khan khwar & Allai khwar) on tributaries of revier Indus	Water and power development authority	P&M	148.229

Annexure X Project management issues – contd..

Documents relating to projects not provided						
Project	Client	Division	Documents not provided			
			Project Fee (Rs. in millions)	Project execution plan	Time sheets of project staff	Completion reports/transmittal letters
225 MW Atlas Power Plant near Sheikhpura	Atlas Power Limited, Karachi	GT&GE	9.715	✓	✓	
Dasu Hydropower Project	WAPDA	P & M	150.781	✓	✓	✓
969 MW neelum Jhelum hydroelectric project	Water and Power Development Authority	GT&GE	540.000	✓		
Fatima Jinnah Institute of Dental Sciences, Lahore	Health Deptt, Govt of punjab	A & P	62.790		✓	

No data provided of following projects			
Project	Client	Status	Project Cost (Rs. in millions)
Kachhi canal project phase-1	Water & development authority	Completed	473.303
Refurbishment of TFCs, MCCs and RTOs all over pakistan	Federal board of revenue	Completed	71.000
Prime minister's pakage for multan	Bulidings deptt. Govt. of punjab	Completed	40.000
Anchorage sihala islamabad	Pakistan navy	Completed	30.000
Reconstruction and rehabilaition of earthquake affected areas	earthquake reconstruction and rahabilitation authority	ongoing	4,347.737
Rehabilitation lower chenab canal project	punjab irrigation & drainage authority	ongoing	442.000
Project of federal programme under access to justice	Ministry of law,justice & human rights, govt. of pakistan	ongoing	245.000
New gwadar international airport	Civil aviation authority	ongoing	135.000

Annexure Y Project life cycle

1. Project Life Cycle

- Following stages are generally involved from project inception to successful completion of the project.

i) Business Development/Opportunity Seeking

- Business Development Division of NESPAK explores new business opportunities through internet, newspapers, correspondence with local and foreign clients. It also watch out for circulation of information regarding jobs financed by international donors like UN, USAID, ADB, World bank, Islamic Development Bank etc.
- Whenever an opportunity arises the Business Development Division contacts the relevant division for further processing and expression of interest.

ii) Consortium building and proposal submission

- Whenever a division is approached by the Business Development Division regarding a prospective project the Division Head is responsible for initial verification of NESPAK's capability in the particular field and availability of resources. The Division Head also determines whether there is a need for engaging outside sub-consultants, experts, advisors or sub-contractors. If need for engaging other consulting firms is identified the **Division Head** approaches other consulting firms with relevant experience for building a consortium.
- After acceptance of the invitation to tender, the Division Head appoints a suitable person as the Proposal Manager for preparing proposal for the prospective client. In case of a consortium the proposal is prepared jointly by the parties to the consortium.
- An MoU is signed amongst interested bidders setting out terms and conditions for the JV. Under this MoU a Board of Management is formed which will be responsible for overall management of the project and contact with the client. Lead firm for the project is identified and maximum involvement of professional staff man months from each firm is defined in terms of percentage.

- An expression of interest, comprising of overall relevant experience financial strengths of parties to the MoU, is submitted for the tenders, which are evaluated by the prospective client. Business Development Division also assists the Divisional Head in preparation of EOI.
- Project cost estimates are developed on the basis of proposed methodologies, expected man months required in the project and revenue and considerations of Company's management. Proposal Manager is responsible for carrying out this exercise.
- Proposal includes comments on TOR, scope of work, profiles of JV parties (in case of a JV), methodology, work plan, specific personnel to be deployed on the project and their CVs, cost of services, obligations of NESPAK/JV and the client etc.
- Proposal is reviewed by a Quality Assurance Group (QAG), nominated by the Division Head to ensure its quality prior to submission to client. Where necessary, quality assurance of the proposal is ensured by the Division Head himself or his nominee.

iii) Contracting

- Once the proposal is accepted by the technical evaluation team of the client, and award of contract to NESPAK/consortium a letter of work commencement is issued to the consortium.
- The Division Head appoints a Project Manager who drafts a Consultancy Contract/Agreement on the basis of relevant standard format of contract agreements issued by Pakistan Engineering Council unless the client require use of its own format.
- Contract with client includes general and special terms and conditions to the project, description of services to be provided, detailed project cost estimates, detailed work plan, details of resources to be deployed at deferent stages of the project, deliverables, project management structure, schedule of payments and reporting requirement.
- Prior to submission to client for negotiation, the contract is quality assured by the Contracts Division Head or the Contracts Specialist nominated by him.

Annexure Y Project life cycle – contd..

- In case a consortium is built for the project a Joint Venture Agreement is entered between the JV partners after the Consultancy Agreement with the client. The JV agreement includes terms and conditions comprising formation and objective of the joint venture along with identification of project manager, duration of the agreement and duties and responsibilities of the partners.

iv) Project implementation/ management

- Project implementation is the responsibility of project manager, an employee of lead partner to the JV. In cases of major projects a project coordinator is also allocated by the concerned division head of the lead firm of the JV who oversee all the divisions involved in the project and is also responsible for the day to day coordination between JV partners. Normally the Project Coordinator is of Chief Engineer level. BoM comprise of representatives of JV partners which is headed by the representative of the lead partner of the JV.
- However, project management responsibility rests with the BoM and Project Manager at project level whereas different JV partners have different mechanisms in place for project monitoring and management. In case of NESPAK, oversight of the project activities and adherence with timelines of the project is carried out at head office and project office level.

a) Oversight at Head Office level

- At head office level, Division Head and Project Coordinators are responsible for project oversight.
- The Project Coordinator is responsible for oversight of day to day progress, contract management, human resource deployment and billing and outstanding payments of their respective projects.
- Project progress reports submitted by Project Manager are reviewed by project coordinator on a monthly basis. All the reports issued under a project are quality reviewed by a Quality Assurance Officer assigned to the project. These quality assurance reviews are carried out under the Quality Manual developed by NESPAK.

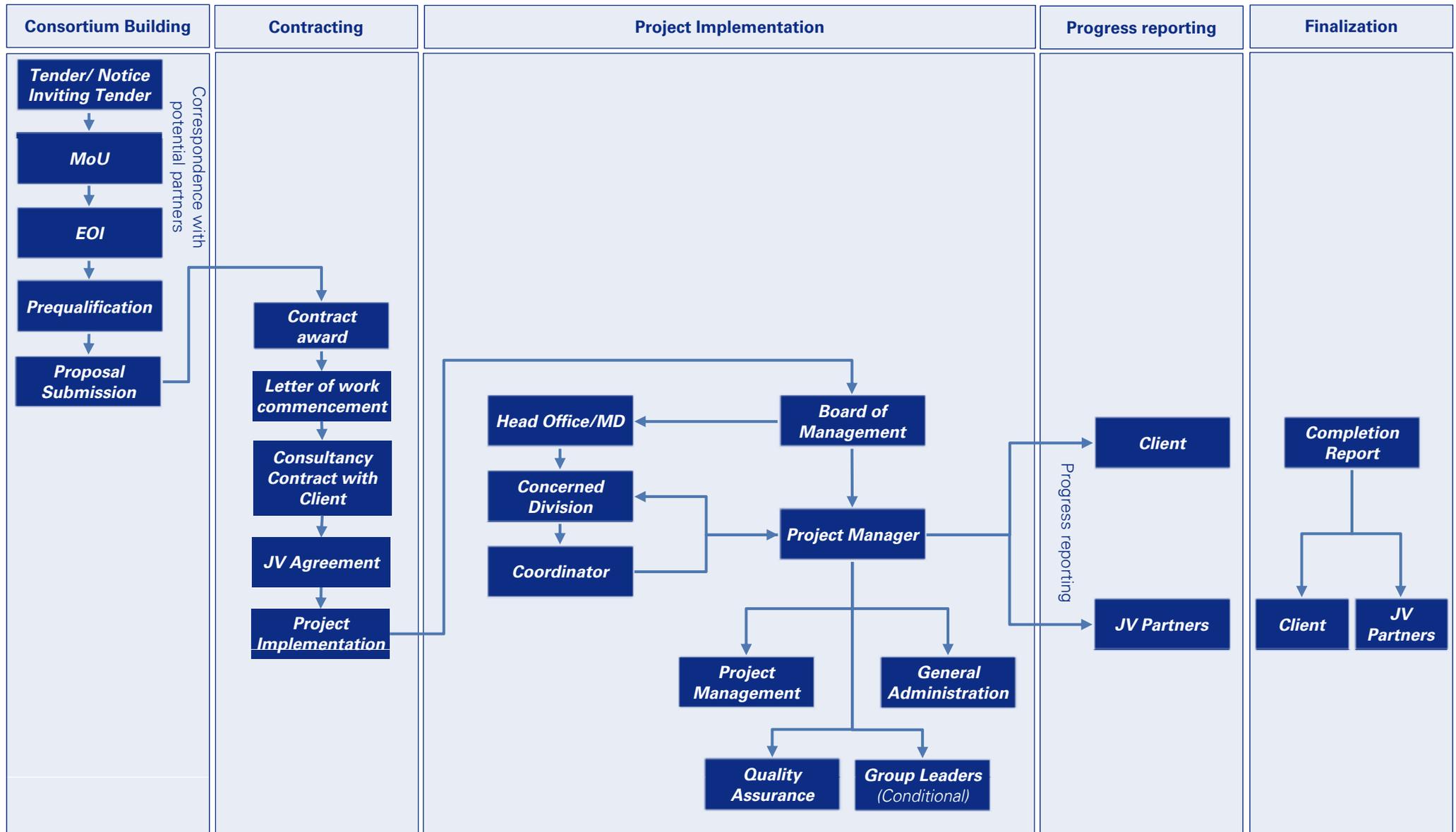
b) Oversight at Project Level

- Board of Management (BoM) for individual projects are established for project oversight. BoM meetings are carried out once every six (6) months.
- BoM is generally comprised of one member from each joint venture partner. Leader of BoM is normally a representative of the lead firm in the Joint Venture. Detailed mandate of BoM is agreed in their respective joint venture agreements.
- Every project is headed by a Project Manager (PM). Project manager is nominated through mutual agreement between the JV partners. The nominated project manager is normally an employee of the lead firm in the Joint Venture.
- Prior to commencement of work on the project, the Project Manager prepares a Project Control Estimate (PCE) and Project Execution Plan (PEP). The Project Manager manage the project in accordance with the PEP. It includes scope of work, main activities related to the project, schedule of activities including QAG reviews, designated groups and group wise costs. It is approved by the concerned Division Head.
- In cases there are more than one division is involved in a project, Group Leaders are assigned by the Project Manager in all concerned divisions. These Group Leaders are responsible for the preparation of Process and Quality Plan within the overall framework of the Project Execution Plan.
- This plan includes activities relating to the part of project assigned to the group, quality plan, deliverables to the project Manager, schedule of activities including quality assurance, designated staff and references to the existing Quality Operational Procedures and Guidelines. It is approved by relevant Division Head and a copy is sent to the Project Manager.
- The Group Leader manages the processes and activities within his group in accordance with the approved Process and Quality Plan (P&QP).
- Project manager is responsible for supervision and implementation of project as agreed in the JV agreement and Contract with the client. Further project manager is responsible for the submission of all deliverables within the agreed timelines.

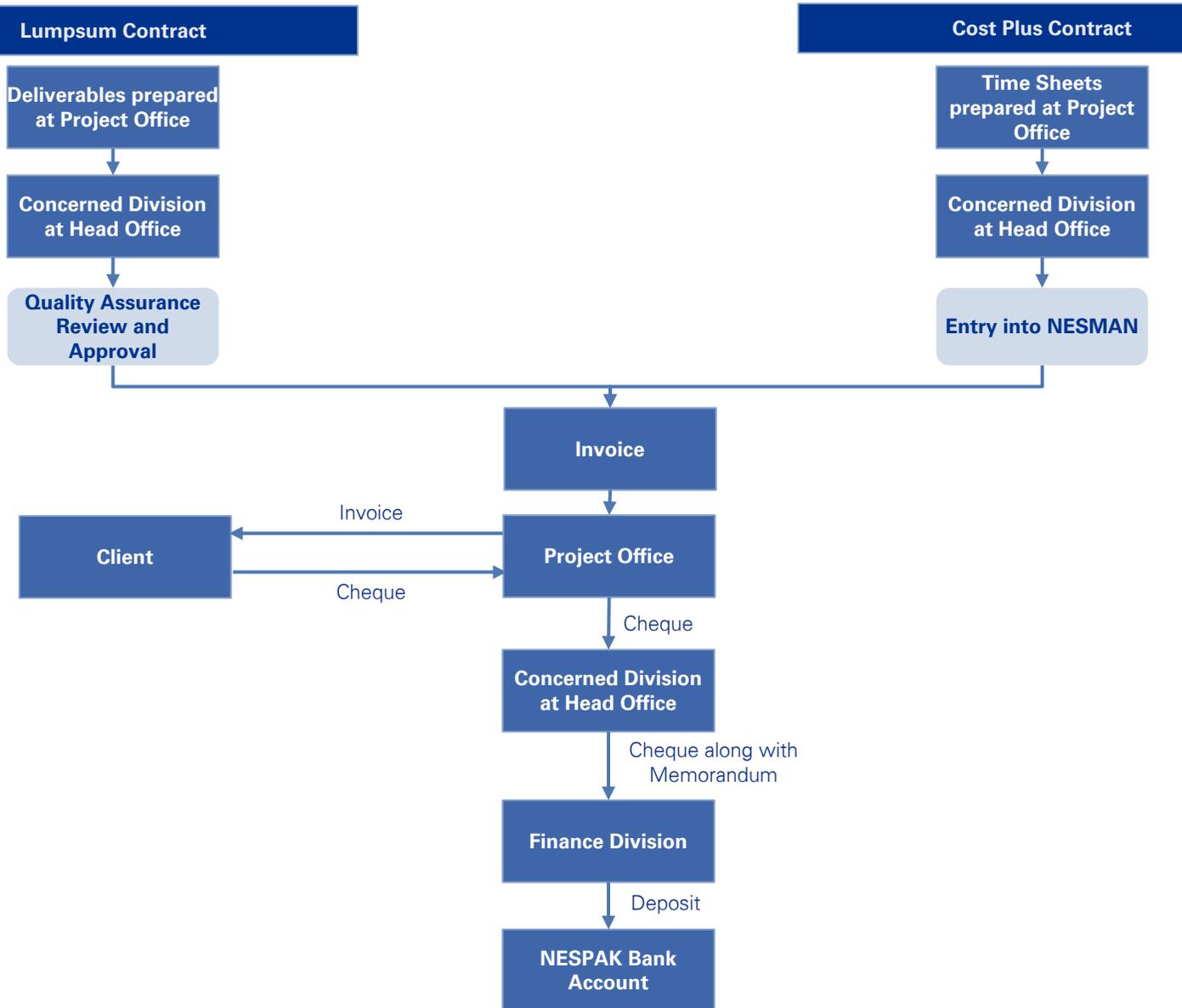
Annexure Y Project life cycle – contd..

- Project Manager is also responsible for compliance with reporting requirements of the client. Following types of reports are submitted to clients with a copy submitted to all JV partners:
 - Inception Report;
 - Monthly, Quarterly and Annual progress report;
 - Technical Reports and Position Papers;
 - Completion report;
 - Other reports at various stages of the project as determined by the contract.
- Further, a Quality Assurance Officer is also nominated by the Project Manager at the Project Office level who is responsible for the quality review of all the reports prepared by the Project Office including the Progress Reports.

Annexure Y Project life cycle – contd..



Annexure Z Process of Invoicing & Receipt



Annexure AA Rating Matrix

Low Risk

- Capacities and systems fully satisfy minimum requirements.

Medium Risk

- Capacity gaps pose some manageable risks and certain strengthening measures must be completed.

High Risk

- Capacity gaps pose major risks which must be addressed to ensure that the risks have been mitigated to manageable levels.

Annexure AB

Notice to the reader

Notice to reader

This report has been prepared by KPMG Taseer Hadi & Co. ('the Firm/ KPMG') solely for the purpose of providing reasonable assurance to ASP/ the Client that National Engineering Services (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 to perform pre-award assessment on National Engineering Services (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 12 September 2011. We have not undertaken to update our report for events or circumstances arising after that date.

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.

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.

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.

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. 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.

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.

Annexure AB

Notice to the reader – contd..

Scope of work

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 National Engineering Services (Private) Limited (The Company).

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.

Our comments are based on the work carried out on the basis of information provided by the National Engineering Services (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.

We draw your attention to the following significant matters:

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.

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.

All analysis, conclusions or assessments have inherent limitations since they are based on un-verified information.

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.

Annexure AC Management comments

Management Comments

Governance and Management Structure

Limited Oversight by BOD – NESPAK Board of Directors (BOD) comprise mainly of high government officials and eminent professionals from the private sector. The BOD meets about 3 to 4 times in a year, however, sub-committees (such as finance, budget, promotion etc.) meetings take place from time to time as required. During the inception period of NESPAK, BOD had defined detailed policies and procedures on most of the administrative, operational and financial matters that provide guidelines for smooth operations of the company which are strictly adhered to by NESPAK.

The BOD has empowered the Managing Director/ President to run the company as per policies approved by BOD through the Board of Management (BOM) which constitutes senior most personnel of the company. Many of the committees suggested by KPMG already exist at the level of BOM and these effectively monitor all activities under the guidance of the Managing Director. In this process, the existing TOR's of these committees would be revisited and made more crisp and well documented. As suggested by KPMG, these committees will be further strengthened with the objective of ensuring continuous oversight over company's operations and immediately address any Client complaints about NESPAK performance on the projects.

Internal Audit Arrangement – Internal Audit is presently reporting to MD. We plan to constitute an Audit Committee from the members of BOM, headed by the MD.

In order to strengthen the internal audit functions, comprehensive policies and procedure manual will be developed through hiring an independent agency. Internal audit plan and capacity building of the staff will accordingly be implemented. Since it is the stated policy of USAID to improve the working of local firms through capacity building, we may request the USAID to assist us in developing these policies/manual/plan and capacity building of the internal audit.

Financial Management and Accounting Systems

Comprehensive Accounting and Finance Manual – At present the accounting and financial operations are implemented in accordance with accounting manuals as revised from time to time duly approved by the BOD. The existing system is currently working satisfactorily, however as suggested by KPMG, the accounting and finance manual will be updated comprehensively to incorporate new pronouncements to replace the existing manual.

As the operations of the company are expanding, the existing accounting software will be upgraded or replaced with an appropriate ERP to adequately manage the financial affairs of the company. Capacity building of the staff to handle the new software will also be arranged and professionally qualified staff will be inducted in due course of time to effectively handle the financial matters of the company. USAID may be requested to help in this capacity building process.

KPMG Analysis

- Our observation relates to lack of active oversight by BoD. We believe that in order to increase the efficiency of operations and instigate higher level of transparency and accountability, active oversight of BoD is essential.
- As recommended in our report, internal audit function should report directly to BoD to ensure independence.
- Similarly, Audit Committee should be constituted from the BoD .
- Recommendation agreed by the management, hence no adjustments were required in this case.

Annexure AC

Management Comments	KPMG Analysis
<p>Human Resources Function</p> <p>Human resources policies and procedures are already in place with clear guidelines in the form of different policies and service rules which are being incorporated in the HR Manual which is presently under preparation. Furthermore all the policies and procedures are being periodically updated and every effort is being made to implement these in letter and spirit.</p> <p>Job description of key personnel already exists. As the working of NESPAK divisions is mainly project based, therefore the duties and responsibilities of our professionals vary for different divisions. Currently job descriptions are being developed on the basis of grades and divisions and entire process of developing job descriptions will be completed in the next six months.</p>	<ul style="list-style-type: none">● Recommendation agreed by the management, hence no adjustments were required in this case.
<p>Monitoring and Evaluation</p> <p>NESPAK carries out informal risk assessment of private clients before entering into contract with them. However for government organizations, since we can adopt a number of courses to recover the receivables, thus formal risk assessment for such clients has not been carried out in NESPAK so far. However, this is a good suggestion which we can take into account for our future projects.</p> <p>The projects handled by us cover a wide variety of fields of activities, for example roads, buildings, water retaining structures, agriculture etc. The monitoring and evaluation for each field requires deployment of expert staff in that particular field. Thus at present monitoring and evaluation of projects are done at the level of the division under which the project falls (for example road project would be monitored by Highways & Transportation Division), quality checks are provided in the Project Execution Plan of the project and monitored at all levels as defined in the Quality Manual of NESPAK.</p> <p>We agree that in the long term, a dedicated M&E set-up is required. NESPAK is committed to work in this direction and such a set-up would also be developed in due course of time.</p> <p>Policies and procedures with respect to monitoring and evaluation already exist and will be updated and further strengthened.</p> <p>Regular monitoring and evaluation of the projects is carried out at the divisional level as per Scope of Work agreed with the client and procedures given in the Project Execution Plan and will be further strengthened. Where required, such as for USAID A&E Services projects, special monitoring and evaluation teams can also be formulated.</p>	<ul style="list-style-type: none">● Recommendation agreed by the management, hence no adjustments were required in this case.

Annexure AC

Management Comments

General

Page 33 – As indicated in the exit meeting, the cash flow from operating activities for the year ended on 30th June 2011 is expect to be positive.

Page 36 – The Board of Management is chaired by Convener BOM, which is normally senior most person in BOM, duly appointed by the Managing Director, and not by Managing Director.

Page 38 – The word “incompliance” in first line of second last para appears a typing error and should be “in compliance”.

Page 39 – Minutes of BOM are available in Head Office and can be provided on request.

Page 42 – Add “/BOD” after “MD” in Bullet 6 of Overview.

Refer Bullet 8 of Overview, payroll is not prepared manually but prepared on Oracle database.

Page 44 – Contrary to what described in Bullet 2 of Observations on Payroll Procedures, payroll reconciliation between payroll register and general ledger is regularly made.

Page 45 – Refer to Bullet 3 of Observation on Project Invoicing and Costing, as per revised practice, Accounts Managers/Account Officer designated by Head Finance division are required to sign all project invoices along with the Project Manager. All invoiced are numbered as per prescribed procedure and entered in a register for record.

Page 51 – We understand that our procurement policies do not have any conflict of interest as a number of persons are involved in the procurement process at various stages and quality checks are essentially implemented before receiving goods from vendors. Please explain what additional checks may be required.

Page 54 – As per “Induction & Promotion Criteria”, the interview process is now standardized according to which one member from permanent interview board, one member from concerned division, one member nominated by MD and one member from HR division.

Page 55 – Staff utilization plan is prepared at the divisional level which controls the staff requirement and activities based on projects in hand and expected projects.

KPMG Analysis

- Our analysis of financial position of NESPAK was based on audited financials till FYE 2010.
- Relevant adjustment made in the report.
- Relevant adjustment made in the report.
- No action required.
- Relevant adjustment made in the report.
- As per our discussions with management and documents shared with us, Oracle generated payroll was not shared with us.
- As per our discussions with management and documents shared with us, we were not shown reconciliation between payroll and GL.
- No action required.
- Our observation related to ensuring independence of employees involved in the procurement process. The observation has not been addressed by NESPAK.
- Management comment does not specify the effective date of adopting this criteria. Further, as per our discussions with management and documents shared with us, the interview committee did not consist of a member from HR division.
- As per our discussions, formal documented mechanism is not in place which provides guidelines on the preparation of staff utilization plan.

Annexure AC

Management Comments

General – contd..

Page 65 – NESPAK has a standard mechanism for assessing the incoming projects. After assigning a proposal preparation task to a division, that division corresponds with all the concerned divisions for review and write-up for the proposal and estimation of required man-month input to accomplish the required scope of work. The proposal is then consolidated by the concerned division, after giving due weight to past experience the stakeholders associated with the project.

Page 66 – For Project Planning, formal process documentation for staff requirement is provided in the “Project Execution Plan” prepared at the start of the project and agreed with all the concerned divisions and approved by the Head of the Division.

Page 68 – Staff Management, project staff has defined duties and responsibilities as per their position on the project. The project manager is responsible to ensure the duties/responsibilities assigned to each staff is effectively performed and chargeable hours are in accordance with the output of the staff.

Page 70 – For project management, a Letter of Authorization is issued to the VP’s by Managing Director, authorizing them to sign contracts agreement, proposals etc. Scanned copy of one such authorization letter issued to VP (GT&GE Division) is attached.

Due to shortage of time, the record of Quality Control Meeting for the cited projects was not made readily available. However, Quality Control process for proposal is carried for all proposals also as is carried out for Project documentations.

Project Control Estimates are required to be revised after the signing of Addendum with the Client.

At the project level, the Project Manager is authorized to sign time sheets of the staff working directly under his control.

As per ISO requirement, all consultancy contracts and JV agreements/MOU are vetted by the Contracts division before signing. Review comments of Contracts Division for a sample consultancy contract are attached. Record for such reviews is available in the Contracts division of NESPAK.

Project documents/files could not be readily made available as record of the most of the cited projects is available in project offices/ regional offices which are located away from Head Office.

Page 91 – In the first Bullet of Audit, year of Companies Act may be corrected as “1913” instead of “1013”.

Page 97 – Last page of Annexure L is related to cost over-run project as given in Annexure V and inadvertently placed here.

KPMG Analysis

- Our observation related to formal mechanism for assessing projects on the basis of past experience. We have detailed project evaluation mechanism adopted by NESPAK.
- Our observation relates to lack of formal mechanism for assessing staff requirement, however, the observation has not been addressed by the management.
- We recommended that timesheets submitted by staff should specify the activities performed in order to justify the hours spent.
- Observation removed from the report
- No action requested.
- as per documents provided for selected projects, project estimates were not revised.
- Out of 10 projects selected, we observed 2 instances where timesheets were not approved by the Division Head. Refer Annexure X.
- Observation removed from the report
- As relevant documents were not provided, we are not in a position to make adjustments in the report.
- Required amendment made in the report.
- Required amendment made in the report.

Annexure AC

Management Comments

General – contd..

Page 112 – Daily Allowance rates and Road journey allowance rates are old. Office Orders for currently applicable rates are attached.

Page 114 – Personal files of Mr. Naveed Riaz and Naeem Akhtar were available in the record room and were shown to KPMG during exit meeting. It is ensured that personal file of all the employees is maintained at the Head Office.

KPMG Analysis

- Amendment made.
- Amendment made.