

Mr. Sohail Muzaffar
Chairman
Transparency International-Pakistan
Defence Housing Authority, Karachi

Sub: **Auditor General of Pakistan Reports "Over Rs. 400 Billion Irregularities Found in Road Projects"**

Ref: Your letter No. TL17/2010/IA dated 20th Oct, 2017.

I invite your attention to Transparency International (TI), Pakistan letter dated 9th March, 2017, wherein TI after detailed technical discussion with National Highway Authority (NHA) have shown satisfaction on the view point of NHA regarding alleged mis-procurement in Lahore-Abdul Hakeem Motorway Project, with the following remarks:-

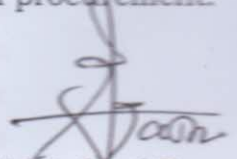
Transparency International Pakistan is of the view that the allegations pointed by the complainant against this tender were not based on facts."

2. As regard Audit observations, an anomalous situation had arisen due to misrepresentation of facts. The Audit Observations were raised against projects with a total cost of Rs. 470 Billion (NHA has launched projects worth over Rs. 1400 Billion in last three years) and the purported irregularities amounted to a very small proportion of the actual cost. It is norm with Audit Authorities to mention the entire project cost in the title of the Audit Para, even if the observation relates to a very meager amount or no financial impact.
3. Secondly the Audit Report (FY 2016-17) was finalized and presented without holding DAC. Now that a DAC has been held, a number of objections have already been addressed and Audit has recommended for their settlement.
4. CPEC is most discussed but least understood concept. The projects undertaken under CPEC framework are subjected to a multilayer Government to Government approval and implementation process. Suffice would be to state that the work for Sukkur – Multan Section (CPEC) was awarded at the exact cost duly approved by the ECNEC, an approval forum comprising of Ministerial Representation of Federation and all the Provinces.
5. Attention is also drawn to the preamble of current Audit Report where for the first time in the history, savings of hundreds of billions by NHA through very open transparent & competitive bidding process, have been duly acknowledged by the Audit. A copy of the relevant portion of report is **annexed**, please.

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6. NHA appreciates & support all the efforts to curb corrupt practices as honesty & transparency are the mission and core values of our organization. We are open to constructive criticism and look forward suggestions for making the procurement process more transparent but at the same time we call for objectivity, honesty and dignity in dealing the issues of national interest.

7. Submitted with a fervent hope that this will help clear the fog surrounding an otherwise a very legit & transparent process of procurement.



(Shahid Ashraf Tarar)
Chairman, NHA

Copy to:-

- Secretary to Prime Minister, Islamabad.
- Registrar, Supreme Court of Pakistan
- Managing Director, PPRA, Islamabad

million was actually incurred has shown in the revised estimates for the year 2015-16. A review of the annual maintenance plan 2015-16 indicated that total estimated cost of the maintenance activities was estimated Rs 18,229.11 million as such the 1% on account of establishment expense was to be charged for Rs 182.291 million rather than Rs 2,265.00 million which entails excess charging of Rs 2,082.71 million. Excessive establishment was deployed than the genuine requirements hence receipts and funds specified for the maintenance of NHA network were utilized towards non development activities. Excessive charging to RMA/Receipt Account caused irregular /un-authorized charge to RMA and Receipt and development funds towards non development amounting to Rs 2,082.71 million (DP. 370).

- iv. Against the estimated receipts of Rs 21,959.00 million, the Authority was able to actualize net receipt of Rs 19,994.00 million involving a shortfall of Rs 1,965.00 million (8.95%): Short fall in revenue targets shows less implementation in revenue recognition policies.
- v. Regional General Manager are required to prepare budget estimates of receipts on the basis of actual receipts of current year under para 2.26 of National Highway Authority Financial Manual. Compliance of these instructions was not forthcoming.
- vi. Management of NHA has carried out an independent review of cost effective procurement of major projects undertaken by NHA during the period from 1st July, 2013 to 31st December, 2016 through M/s KRESTON HYDER BHIMJI&CC Chartered Accountants.

The report of the chartered accountants was submitted to Audit. Some of the salient findings of the report are presented in the following paragraphs:

- a) The report has indicated that NHA invited bids in 104 works. According to the report NHA entered into contract for 104 works for Rs 761.90 billion against bid

price/engineer's estimates of Rs 978.29 billion, resulting into saving of Rs 216.39 billion.

b) In addition another saving of Rs 134.889 billion was observed by undertaking certain important and imperative projects on BOT basis without any financing from or through Government Exchequer.

However, individual procurements of works have been examined by Audit and audit findings have been included in this Audit Report.

4.3 Brief comments on the status of compliance with PAC's directives

Compliance position of PAC's directives on Audit Reports relating to NHA is as under:

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of compliance
1987-88	10	10	8	2	80.00
1989-90	3	3	2	1	66.67
1990-91	9	9	8	1	88.89
1991-92	31	31	25	6	80.65
1992-93	88	88	83	5	94.32
1993-94	117	117	26	91	22.22
1994-95	38	38	34	4	89.47
1995-96	25	25	23	2	92.00
1996-97	45	45	42	03	93.33
1997-98	468	300	358	110	76.50
1998-99	177	177	154	23	87.01
1999-00	185	185	130	55	70.27
2000-01	244	244	213	31	86.58
	2 PAR	2 PAR	-	2 PAR	-
2001-02	70	70	43	27	61.43
2002-03	21	21	10	11	47.62