



NATIONAL HIGHWAY AUTHORITY

Secretariat HQs

CONFIRMED MINUTES

Subject: **The 310th Meeting of the NHA Executive Board Held on October 19, 2018 at Islamabad**

Introduction

The 310th meeting of the National Highway Authority's Executive Board was held at 1415 hours on October 19, 2018 at the Auditorium of NHA Headquarters, Islamabad. Mr. Jawwad Rafique Malik, Chairman, NHA presided.

Agenda Item 1

Confirmation of Minutes - 309th Meeting of the Executive Board held on October 11, 2018

Decision

The NHA Executive Board confirmed minutes of the 309th Executive Board meeting held on October 11, 2018 with some following amendments.

Action By : Secretary, NHA

Agenda Item 2

Mutation/Transfer of ROW to National Highway Authority

Decision

5.13. The NHA Executive Board directed that the matter of land mutation/transfer of RoW in the name of National Highway Authority be forwarded to Council of Common Interest (CCI) for its deliberation and subsequent decision to resolve the mutation issue amicably.

Action By : Member (Admn)/GM (EALS)

Agenda Item 3

Approval of Nomenclature/Creation of Regular Posts for Finance Wing NHA

The Executive Board deliberated upon the agenda at length & breadth and deferred with the directions to resubmit the same in the forthcoming meeting after making necessary modifications in the working paper as per actual requirement of the Authority with justification.

Action By : Member (Finance)

Agenda Item 4

Procurement of Services for “Repair, Maintenance and Replacement of Defective Parts of Portable/ Mobile Weigh Equipment (DAW 300 PC)”

Decision

The NHA Executive Board approved award of procurement of services for “Repair, Maintenance and Replacement of Defective Parts of Portable/ Mobile Weigh Equipment (DAW 300 PC)” to M/s National Engineers at a total cost of Rs. 47,904,600/- (Rupees forty seven million, nine hundred four thousand, six hundred only).

The Board decided that six mobile weigh stations returned by M/s MORE, which require repair/maintenance, the expenditure in this regard be charged from M/s MORE.

Action By : Member (Finance)

Agenda Item 5

Approval of Suggestions/Recommendations/and Likely way Forward of Management Letter (ML) Being Issued (on NHA's Entity Accounts) by the Auditors for the Year Ended June 30, 2017

Decision

The NHA Executive Board gave following decision mentioned against each issue in the ‘way forward’ column:



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ISSUES			
A-Major Head:		PROPERTY, PLANT AND EQUIPMENT	
A1 - Sub-Head:		Freehold Land and Land Acquisition Advances	
Observation	Recommendation	Explanation	Way forward
It is observed that management has capitalized land amounting to Rs.49,258,049,824/- till June 30, 2017. However, the value of un-mutated land as on June 30, were amounting to Rs. 45,736,277,823/-.	It is recommended that process of land mutation in favor of NHA should be expedited by the NHA management to capitalize land in the books of accounts of NHA.	It is an on-going process and concerted efforts made during the last few years to maximize the mutation documentation in the name of Authority. Below is the year wise status of mutated and un-mutated land for the last three years. Mutated Land: Year 2016-17. = Rs. 49.258 billion Year 2015-16. = Rs. 38.439 billion Year 2014-15. = Rs. 26.784 billion Un-Mutated Land Year 2016-17. = Rs. 45.736 billion Year 2015-16. = Rs. 37.078 billion Year 2014-15. = Rs. 38.006 billion	Special efforts have already been made in last few years to maximize mutation of land in the name of NHA. At the outset of next year's audit GM (EALS) and all field formations have already been requested to make all out coordinated efforts to mutate acquired land in the name of NHA and adjustment record be provided to Finance Wing for reconciliation and adjustment purposes. Board's Decision The NHA Executive Board directed the Member concerned to mutate the acquired land in the name of NHA within a period of one month positively. A completion report to be presented in the Board meeting.
A2 - Sub-Head:		Deposit Work Projects Carried By NHA	
Many projects are being carried by NHA on behalf of other Government Departments. These projects include Thakot Bridge, Shatyal Bypass, SNJP, Bridge Soan and WB Bypass MZF which has been treated as assets in the books of account On the other side, the liability under the head "Deposit work payable" account amounting to Rs. 4.238 billion against these assets was appearing in the books of accounts of NHA.	These projects should be transferred to concerned Government departments / Provinces because these funds had been provided by the others Government departments / Provinces, otherwise the title of assets should be transferred to the NHA and deposit work payable should be netted off against cost of these projects.	Handing/taking over of these projects have not yet been taken place, therefore, these are still appearing in NHA's books of accounts.	A committee may be constituted comprising of the following members to resolve the issue and gave its recommendation either to transfer these projects to the concerned Govt. Departments/ Provinces or transfer of title of these project to NHA: i. Member (Planning) ii. GM (B&A) NHA HQ iii. GM (Const) NHA HQ The committee may kindly be approved to pursue and resolve the issue. Board's Decision The NHA Executive Board approved the committee with the directions to submit the recommendations within one month.
B-Major Head:		CAPITAL WORK IN PROGRESS (CWIP)	
B1 - Sub-Head:		Capitalization of Capital Work in Progress (CWIP)	
Observation	Recommendation	Explanation	Way forward
We observed that some of the projects are completed and are being under use for traffic, but the same is not capitalized in free hold land, Roads on Freehold land or Bridges till terminal date. In our opinion, it is quite possible that some or all of these projects are completed but completion certificates of these projects have not been provided to concerned section for capitalization.	Management should scrutinize all such projects and in case these are completed and under use, then these should immediately be transferred to property, plant & equipment and depreciate or impair these projects accordingly, to depict the true & fair state of affair of the property, plant & equipment.	NHA Finance (Wing) is making intensive efforts to resolve the issue of transfer of capital work in progress to fixed assets. The main bottleneck in this regard is finalization of final bills. As the assets are revalued as at June 30, 2016, therefore impairment testing of the assets is not required at this point of time. However, when the revalued assets will be assessed again after interval of 3-5 years, impairment issue will then be addressed accordingly.	The issue has already been raised at the highest level and necessary instructions from the top management have been conveyed to all the concerned to finalize pending final bills at the earliest. Board's Decision The NHA Executive Board directed to finalize the pending final bills within one month and submit a report.
C - Major Head:		ADVANCES AGAINST CAPITAL WORK IN PROGRESS	



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C1 - Sub-Head: Mobilization and Secured Advance not Adjusted			
We observed that Karachi-Chaman projects shows long outstanding Mobilization advance of Rs. 404,375,492/- (Foreign Currency & Local Currency) and secured advance amounting to Rs. 294,298,814/-. According to the management the contractor has not completed the project and the case is pending in the court.	It is strongly recommended that management should make sure due compliance of terms and conditions of contract with third parties. Management should also take notice that of non-adjustment of mobilization advance.	The case is sub-judice and is pending before the court of law.	Further course of action will be decided in the light of court's decision. Board's Decision The NHA Executive Board observed that the matter is sub-judice, however, directed the Members concerned to submit a comprehensive report to the Board within a period of one month.
D - Major Head: LONG TERM LOANS			
D1 - Sub-Head: Confirmations of Long Term Loans			
Observation	Recommendation	Explanation	Way forward
Loan Confirmations in respect of long term loans related to Economic Affairs Division (EAD) and Finance Division are pending. Although these balances were verified by us through alternate audit test verification of the underlying documents, yet the importance of independent and direct confirmation of balances of such accounts by the external auditors for the purposes of audit of the financial statements could not be ruled out.	Efforts should always be made to apprise the lending authorities to send the desired confirmations without fail and well in time to the auditors, as evidence generated from external sources is always considered as more reliable and conclusive.	The confirmation is pending due to reconciliation issues at EAD's end. However, w.r.t. the recording of loan and financial charges calculation Auditors are satisfied with the workings of NHA.	Following committee may be approved to resolve the issue: i. GM (B&A) NHA, HQ ii. Director (Projects) NHA, HQ iii. Deputy Director (AP) NHA, HQ Board's Decision The NHA Executive Board directed the Member (Finance) to write a letter to Ministry of Communication requesting thereby to call a meeting to discuss and finalize the issue at the earliest.
D2 - Sub-Head: Non-Provision of Agreements of Loans			
During audit we have not been provided with relevant agreements of loans, which were executed between the Authority and the lenders. IBRD-2814, IBRD-3241, IDB-125, IDA -2468, IDB-1323, IDB-1209, PK-06 and interest free loan from Govt. of Punjab. Although these balances are verified through terms and conditions mentioned in the last year audited accounts and confirmation from Economic Affairs Division (EAD) yet the importance of the loan agreements cannot be ruled out.	Terms and conditions that pertain to the Entity can be verified from the agreements that help us for computation of markup, commitment charges, over-due payments, management fee, etc. These agreements of loans should be in record as most of these loans are very old.	The agreements highlighted by the Auditors are very old (pertains to 90's). However, the relevant office dealing with the Aided Projects have been assigned the task to arrange the requisite loan agreements in coordination with Economic Affairs Division (EAD).	As above. Board's Decision The NHA Executive Board directed the Member (Finance) to write a letter to Ministry of Communication requesting thereby to call a meeting to discuss and finalize the issue at the earliest.
E - Major Head: LIABILITIES			
E1 - Sub-Head: Payable to Contractors			

Observation	Recommendation	Explanation	Way forward
It was observed that the Authority is not in practice of preparation of age analysis of payables to contractors, Consultants and Supplier balances. The balance confirmations are not circularized on periodic basis.	Management should prepare age analysis of payables to contractors, Consultants and Supplier. Further, the balances should be periodically circularized and reconciled to avoid the risk of disputes.	Aging analysis are prepared, however periodic circulation of balance confirmation is not in practice. As recommended by the Auditors, the concerned offices have been directed to comply with the recommendations of the Auditors.	Necessary instructions have been given to comply with the audit recommendations. Board's Decision The NHA Executive Board directed to issue necessary instructions to all concerned to comply with the Audit recommendations.
F - Major Head:	REVENUE		
F1 - Sub-Head:	Right of Way Inventory Control		
We have not been provided with the complete inventory of Right of Way (ROW). We require complete list of all stations i.e. petrol, CNG, bus bays, hoardings, hotels etc. along with their locations on National Highways and roads under NHA. This detail is necessary to ensure the completeness assertion of recording all revenue relating to right of ways in the accounts.	Up to date inventory of Right of Way should be maintained by the management of the Authority.	Noted for compliance. Instructions have been issued to the relevant offices for preparation of up to date inventory of ROW.	Necessary instructions have been given to comply with the audit recommendations. Board's Decision The NHA Executive Board directed the GM (RAMD) to expedite the GIS mapping of complete NHA's road network/ digital inventory of RoW.
G - Major Head:	BALANCE CONFIRMATIONS		
G1 - Sub-Head:	Pending Confirmations of Receivables		
Balance confirmations of parties appearing under the head of Receivable from Contractor against Toll collection mainly from M/s FWO and M/s NLC were not received by us, in spite of several reminders. Although these balances were verified by us through alternate audit test verification of the underlying documents, yet the importance of independent and direct confirmation of balances of such accounts by the external auditors for the purposes of audit of the financial statements could not be ruled out.	Efforts should always be made to apprise the parties to send the desired confirmations without fail and well in time as evidence generated from external sources is always considered more reliable and conclusive. Further Concerned department should be assigned the task of sending the periodic direct conformations and reconciliation with parties so that any dispute between the parties and Authority may be timely identified and adjustments if required can be made without any delay.	The confirmations have already been circularized along with reminders. However the same is pending with M/s FWO and M/s NLC. The management has instructed to pursue and get it done at the earliest.	Necessary instructions have been given to comply with the audit recommendations. Board's Decision The NHA Executive Board directed to issue necessary instructions to all concerned to comply with the Audit recommendations.
H - Major Head:	BUILD, OPERATE AND TRANSFER (BOT)		
H1 - Sub-Head:	Delay in Provision of Joint Auditors (JA) and Quality Assurance Inspector (QAI) Reports		
Observation	Recommendation	Explanation	Way forward
As per the Concession Agreements, the Joint Auditors and Quality Assurance Inspectors of the BOT projects are required to submit periodic statements/ reports/information after	The Authority should take immediate steps to ensure the timely receipts of the periodic reports of the Joint Auditors and Quality Assurance Inspectors so that an appropriate	Numerous meeting held with the Concessionaires to resolve the matter of provision of different reports. NHA has some success in obtaining periodic reports including the audit reports which are yet to be finalized by the concerned Concessionaire/	Joint meetings involving all stakeholders are being arranged at NHA-HQ including concerned Zonal Member to discuss and resolve the issue. Board's Decision The NHA Executive Board



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<p>verification of data from the Concessionaries to Authority so that an appropriate and updated record of the BOT projects can be maintained by the Authority to face any adverse situation/ eventuality in the future. However, we observed that such reports/ statements/information were not being submitted by the Joint Auditors/ Quality Assurance Inspectors to Authority strictly in accordance with the said agreement on regularly and timely basis.</p>	<p>and updated record of the BOT projects executed by the Concessioner can be made by the Authority to face any adverse situation eventuality in the future such as taking over the BOT project in case of termination either by the Authority or the Concessioner.</p>	<p>Auditors.</p>	<p>approved the way forward.</p>
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I - Major Head: GENERAL

I1 - Sub-Head: Absence of Proper HR Record of Employees at Head office

<p>It was observed that Admin department had no proper data regarding total number of employees, total number of leaves un-availed by employees, etc. at Head Office. Employees' data is scattered in different regions and it is very difficult to get the actual data of employees.</p>	<p>It is recommended that the employees' data should be centralized at Head office so that it becomes easy to get such data from Head Office for subsequent verification by internal / external auditors including the actuaries.</p>	<p>Instruction may be issued to Admn Wing for preparation of consolidated data of employees including the personal records along with leave records.</p>	<p>Admn. Wing is in the process of operationalizing HRMIS and it has been learnt that the subject issue would be resolved once the HRMIS system becomes fully operational and functional. However, necessary instructions are being issued to Admn Wing to comply with the requirements of the Auditors.</p> <p>Board's Decision The NHA Executive Board directed to issue necessary instructions to all concerned to comply with the Audit recommendations.</p>
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I 2 - Sub-Head: Out-dated Accounting Policies and Concepts Appearing in Financial Manual

<p>It has been observed that Accounting Policies and Concepts appearing in the Financial Manual are not up to date as appearing International Financial Reporting Standards (IFRS).</p>	<p>The Financial Manual is required to be updated according to best accounting practices in use in line with the international financial reporting standards.</p>	<p>Revision and updating of financial manual is in progress according to best accounting practices in use and in line with the international financial reporting standards.</p>	<p>Financial manual incorporating all necessary changes is prepared and the same is at the final review stage. The draft manual will be presented before the Executive Board for final approval soon.</p> <p>Board's Decision The NHA Executive Board approved the way forward.</p>
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13 - Sub-Head: Internal Audit Reports

Observation	Recommendation	Explanation	Way forward
<p>Management reports issued by internal auditors during the year ended June 30, 2017 were demanded but were not provide for verification.</p>	<p>Review of internal audit reports is a part of external audit procedures to ensure the application of internal control procedures. The management of authority should ensure availability of these reports for compliance of audit procedures.</p>	<p>Internal Audit reports will be obtained and provided to the Auditors.</p>	<p>The issue will be resolved through mutual discussion between Finance Wing and Audit Cell before start of next year's audit.</p> <p>Board's Decision The NHA Executive Board approved the way forward.</p>

I 4 - Sub-Head: ERP Requirements



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<p>NHA is a huge organization. In house developed and designed computer program called "General Ledger" is being operated, which does not cater the needs of an organization of NHA size and stature. ERP is required for the following:</p> <ul style="list-style-type: none"> ▪ Accurate and timely access to reliable information. ▪ The ability to share information between all components of the organization. ▪ Elimination of unnecessary operations and data. ▪ Reduction of time and costs of litigation. 	<p>Keeping in view the volume of NHA and increasing role of IT, it is recommended that NHA may switch to ERP as early as possible after having all due process requirements before procurement and implementation of ERP.</p>	<p>Various attempts have already been made to upgrade the existing GL Accounting System / to shift to ERP solutions but somehow each time the matter of introducing ERP solutions could not get through mainly because it is considered as an expensive proposition.</p>	<p>Keeping in view the size and volume of NHA's financials, it is dire need of the hour that principal approval may be accorded for Implementation of ERP solutions for NHA's financial management and initiation of procurement process by seeking proposals from qualified firms.</p> <p>Board's Decision The NHA Executive Board approved the way forward.</p>
<p>I 5 - Sub-Head:</p>	<p>Book Keeping Consolidation Section Staff on ADHOC Basis and Insufficient for Timely Completion of Audit Basis</p>		
<p>In house developed and designed computer program called "General Ledger" is being operated by the IT Analyst and all the financial statements including the consolidated NHA Entity Financial Statements are being prepared by Financial Analysts. Staff trained in accounts and of relevant expertise is inadequate for timely completion of audit.</p>	<p>Estimating the future requirements, considering the importance of the function of Book Keeping as per International Financial Reporting Standards (IFRS) and ensuring continuity of all Book keeping functions, it is recommended that NHA should enhance competent staff of relevant expertise and qualification in the book keeping section and segregate their duties for timely completion of audit of accounts of NHA. Adhoc staff should also be regularized for retention of trained staff.</p>	<p>Regularization of services of Financial/IT Analyst by initiating a recruitment process and extending the contract and retaining the Financial/IT Analyst on same terms and conditions till the completion of procurement/regularization process.</p>	<p>Brief History/Significance In the beginning years of NHA due to in house capacity constraints, preparation of accounts was outsourced. Because of deficient accounting information The Auditors had given disclaimer on the first ever accounts of NHA. In 2001-02 services of another firm of Chartered Accountant was hired but the firm too refused to accomplish the task because they viewed it impossible with available data and resources. However, in 2003 M/s Yusuf, Adil, Saleem, & Co. Chartered Accountants were hired for preparation of accounts from 1999-2002 and they somehow succeeded in preparing the accounts.</p> <p>In order to have in house arrangements for preparation of accounts, a section named Bookkeeping and IT was created in 2005-06. Initially a team of four (04) Financial Analysts and three (03) IT Analysts were hired from the market and they were entrusted with the responsibility to prepare books of accounts through developing and implementing customized accounting software. Over the years these analysts have been able to develop customized in house accounting software i.e. General Ledger Accounting System.</p> <p>DAC in its meeting held on August 10, 2015 recommended induction of these IT and Financial Analysts on contract / regular basis in NHA.</p> <p>At present, these analysts are working on fixed salary basis. They</p>

			<p>are adequately qualified, besides, having vast background knowledge of NHA's financial system and are capable to meet the upcoming requirements of NHA.</p> <p>Auditors Recommendations:</p> <ul style="list-style-type: none"> i. NHA should enhance competent staff of relevant expertise and qualification. ii. Adhoc staff should also be regularized for retention of trained staff. <p>Considering above and keeping in view the importance of the functions being performed by these analysts the following is recommended for approval.</p> <ul style="list-style-type: none"> i. For future requirement: <ul style="list-style-type: none"> a) Regularization of services of existing experienced Financial/IT Analysts staff as already approved by NHA Executive Board in its 274th meeting held on 14th February 2017. To initiate and expedite regularization / recruitment process on immediate basis by the concerned section. b) Creation of posts from National Highway Council (NHC). ii. For Immediate requirement: <ul style="list-style-type: none"> a) Extension in the contract of Financial/IT Analysts effective from the date of expiry of their existing contract on same terms and conditions with 10% annual increase in their existing pay package till the completion of procurement / regularization process. b) Keeping in view the size and volume of NHA's increasing portfolio services of at least 4 more financial analysts may be hired on same terms and conditions of the existing financial analyst. <p>Board's Decision The Executive Board deliberated upon the issue at length & breadth and directed to resubmit the comprehensive proposal in the forthcoming meeting as per actual requirement of the Authority with justification.</p>
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The Board directed that the management letter be shared with the Executive Board, in future, as it will help to resolve the outstanding issues.

Action By : Member (Finance)

Agenda Item 6

Advance Procurement: Amendment in Section 50(i) in NHA Code Chapter-3 "Tendering Process"

The Executive Board deferred the subject agenda item with the direction to submit the same in the next Board meeting after vetting by the Legal Bureau.

Action By : Member (Planning)

Agenda Item 7

Approval of PC-I for Sustainable National Highway Rehabilitation & Improvement Project

The Executive Board deferred the subject agenda item with the direction to submit the same in the forthcoming meeting.

Action By : Member (Engg. Coord)

Agenda Item 8

Construction of Peshawar Northern Bypass Project: Approval of Addendum No. 05 of Consultancy Agreement for Construction Supervision, Awarded to M/s EA Consulting (Pvt) Ltd

The Executive Board deferred the subject agenda item with the direction to submit the same in the forthcoming meeting.

Action By : Member (North Zone)

Agenda Item 9

Addendum No. 01 and EOT of M/s NESPAK for Construction Supervision of RAMPS on Sangla Hill Interchange on Motorway M-3

The Executive Board directed the Member (Central Zone) to discuss the subject claim with M/s NESPAK and if they agree, the addendum may be withdrawn.

Action By : Member (Central Zone)

Conclusion

The Chairman wrapped up the meeting by thanking the Board Members for their active participation and useful input.
