Auditor-General of Pakistan

February 2026

Audit Report on

National Highway Authority

Report No: DGAWF-26-001

Audit Year 2025-26

Financial Years: 2023-24 & 2024-25

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PREFACE

Articles 169 & 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 8 & 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, require the Auditor-General of Pakistan to conduct audit of receipts and expenditure of the Federation and the Provinces or the accounts of any authority or body established by or under the control of the Federal or a Provincial government.

This report is based on audit of National Highway Authority (NHA) for the financial years 2023-24 and 2024-25. The Directorate General Audit Works (Federal) conducted audit during Audit Year 2025-26 on a test check basis with a view to make an independent assessment of the entity and provide reliable information to the stakeholders for making sound decision making. The report also aims at improving the internal controls of the entity, thereby allowing the management to take corrective action and improve operational efficiency.

The Audit Report includes key facts about the entity, audit snapshot, findings on systemic issues, conclusion and recommendations for executive action. Audit findings indicate a number of matters related to stated roles & responsibilities of the entity, financial management, human resource management, procurement, operational processes, achievements of targets/KPIs and digitization.

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The audit findings were shared with the entity as well as the Principal Accounting Officer (PAO) and executive responses were evaluated before finalization of this report. The significant portion of the report was discussed with the PAO in Departmental Accounts Committee (DAC) meetings held on 8th-11th December 2025, 5th & 6th January 2026, 12th & 13th January 2026 and 11th February 2026 and the outcome of the meetings has been incorporated in the report.

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

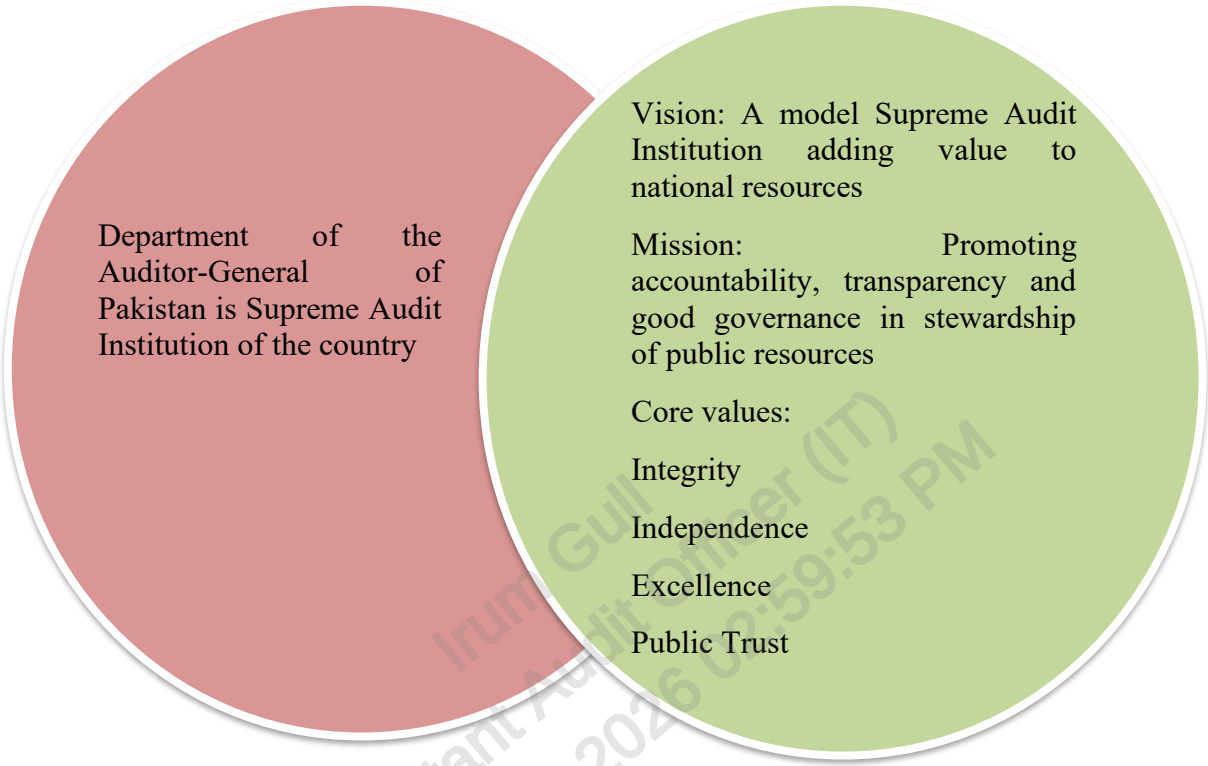
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Islamabad
Dated: 24th February, 2026

(Maqbool Ahmad Gondal)
Auditor-General of Pakistan

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Department of the Auditor-General of Pakistan



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The Auditor-General of Pakistan is appointed under Article 168 of the Constitution of Islamic Republic of Pakistan. The reports of the Auditor-General are laid before the legislature and are discussed by the Public Accounts Committees of the respective Assemblies. The constitutional mandate enables the Auditor-General to strengthen legislative oversight by providing an independent, reliable and objective assessment of the process of governance at the federal, provincial and district level.

AUDIT SNAPSHOT

Audit Report on National Highway Authority (NHA)

DGAWF 26-001
February 2026

Why did we do this Audit?

The audit of the National Highway Authority (NHA) was primarily conducted to examine compliance with rules and regulations, and the efficient use of public funds to reflect a holistic picture of the entity. The audit aimed to identify systemic weaknesses in project planning, procurement, and contract management that lead to financial losses for the government.

The audit focused on the following key areas:

- Financial Propriety and Accountability
- Contractual and Regulatory Compliance
- Administrative, Technical and Quality Oversight

What did we find?

Summary of key achievements of the entity:

- Partial progress in implementing Electronic Toll & Traffic Management (ETTM) systems, covering eight motorways/expressways and 14 toll plazas on national highways, to improve transparency, real-time revenue monitoring and time-economy for commuters by converting manual toll collection to M-tag
- Rehabilitation of Islamabad-Murree Dual Carriageway

Salient Audit findings:

- Weak legal representation and delayed responses to claims resulted in adverse arbitration awards and heavy financial liabilities for the authority.
- Project expenditures exceeded sanctioned limits without prior approval, violating financial regulations and leading to unauthorized spending.
- Significant delays in the submission of PC-IV and PC-V, alongside incomplete asset registers, have hindered the formal closure and capitalization of completed projects.
- Weak monitoring mechanisms and lack of a digitized database resulted in significant revenue leakages from Tolls, Right of Way, leases and fines.
- Administrative inaction against officials responsible for allowing guarantees to expire and making excess payments has perpetuated a culture of non-compliance

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Key Assessment:

Dimension	Primary Driver	Status/Impact
Public Value Creation	Critical network connectivity and mega-project delivery.	Medium
Operational Efficiency	Inadequate planning and contract management, weak legal representation	High
Governance	Non-compliance with Annual Maintenance Plan of roads and weak recovery mechanisms.	Medium
Productivity & Sustainability	Large expenditure-income gap; heavy reliance on debt.	High

What do we recommend?

Key recommendations:

- Strengthen the legal department to proactively manage arbitration cases and minimize financial exposure from protracted litigation.
- Establish a mandatory trigger for PC-I revisions to be finalized before project expenditures exceeding the sanctioned limits.
- Configuration of centralized electronic dashboard to ensure modus-operandi for digitized monitoring of ongoing projects for the top management.
- Implement the laid down mechanism robustly for early completion of the projects.
- Timely recovery of risk and cost from the defaulting contractors.
- Ensure timely recovery of overpaid amount, mobilization advances, forfeiture of retention money through effective monitoring.
- Pursue effectively realization of receivables from tolls operators, concessionaire and lessees.
- Conduct regular M&I inspections as and when required and ensure compliance of the M&I Reports.
- Prepare PC-IV, PC-V and final accounts of the completed projects.
- Strengthen internal oversight mechanism for timely initiation of corrective actions.

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Highlights

DGAWF 26-001 February 2026

Entity Summary Sheet

Description	Details
Legal Framework of Entity	National Highway Authority was established through the National Highway Authority Act, 1991. The legal framework of NHA includes National Highways Safety Ordinance 2000, State-Owned Enterprises Act, 2023, Rules of Business, 1973, National Highways & Strategic Roads Control Rules 1998 and Road Maintenance Accounts Rules 2003, NHA Code 2005.
Mandate, Key Responsibilities/ and Objectives	As per section 4 of NHA Act 1991, the Authority has the mandate to plan, promote, organise and implement programmes for construction, development operation, repairs and maintenance of National Highways, motorways and strategic roads especially entrusted to it by the Federal Government, or by a Provincial Government or any other authority. The mission statement of NHA is to ensure national integration through an efficient, reliable, safe and environment friendly national highway & motorway network for sustained economic growth and higher quality of life in Pakistan. Following are the key responsibilities of NHA as per section 10 of NHA Act 1991: • Advise the Federal Government on matters relating to National Highways and Strategic Roads. • Acquire any Land in accordance with legal procedure and obtain and dispose of movable and immovable property of interests therein. • Research and Development in the field of Highways. • Procure Plant, Machinery, Instruments and Materials required for its

Description	Details
	use. • Enter into and perform all such contracts as it may consider necessary. • Levy, Collect or cause to be collected Tolls on National Highways, Strategic Roads and such other roads as may be entrusted to it and bridges thereon. • License facilities on roads under its control on such terms as it deems fit. • Determine a building line between which and the RoW it shall not be lawful without the consent of the Authority to construct or maintain any structure or make any excavation. • Cause Studies, Surveys, Experiments and Technical Researches to be made or contribute towards the cost of such studies, surveys, experiments or technical researches made by any other agency.
Total Assets (Current/Longterm) (as on 30th June 2025)	Long-term Assets: Rs. 5,612.494 billion Current Assets: Rs. 215.441 billion **Total Assets: Rs. 5,827.935 billion**
Total Liabilities & Equity (Current/Longterm) (as on 30th June 2025)	Long-term liabilities: Rs. 1,842.557 billion Current liabilities: Rs. 2,027.881 billion **Total liabilities: Rs. 3,870.438 billion** Equity (Revaluation surplus - Accumulated deficit): Rs. 1,957.497 billion **Total liabilities & equity: Rs. 5,827.935 billion**
Revenue (For FY 2024-25)	Total Revenue: Rs. 122.021 billion
Government Grants	Grants recognized in income: Rs. 20.074 billion Grants received during the year (cash flow): Rs. 16.682 billion
Expenditure	Operating Expenses: Rs. 195.489 billion Torkham-Jalalabad project expense: Rs. 0.075 billion General and Administrative expense: Rs. 18.445 billion

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Description	Details
	Finance Cost: Rs. 193.488 billion **Total:** **Rs. 407.497 billion**
Net cash inflows from financing activities (For FY 2024-25)	Rs. 160.879 billion
Cash Balances (As on 30th June 2025)	Cash and bank balances: Rs. 132.198 billion
Total Investments (As on 30th June 2025)	Long-term investments: Rs. 22.000 billion
Funding Sources (Govt/Donor agency)	Government loans (domestic & foreign relending through EAD) Grants (government & development partners) Entity-generated revenue (toll income, police fines, BOT revenue, etc.)
Total Allocations (For FY 2024-25)	PSDP (Development Projects): Rs. 161.264 billion AMP (Road Maintenance Projects): Rs. 134.771 billion Establishment Charges: Rs. 11.198 billion Total Allocations: Rs. 307.233 billion
Accounting/financial reporting policy	NHA prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board as notified by the Securities and Exchange Commission of Pakistan.
Status of financial statements	NHA Executive Board in its 478th meeting held on October 14, 2025 recommended certified financial statements of NHA for financial year 2024-25 to the Audit Committee of National Highway Council for endorsement before submission to the Council. The Audit Committee of the Council in its meeting held on October 20, 2025 recommended the financial statements for approval of the Council. The National Highway Council approved the financial statements.

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<table>
<tr><th>Description</th><th>Details</th></tr>
<tr><td>Composite (risk) Rating (derived from audit finding to provide an at-a-glance summary of entity integrity and performance)</td><td>
<table>
<tr><th>Rating</th><th>Classification</th><th>Status of NHA</th></tr>
<tr><td>A</td><td>Low risk</td><td>Project closures</td></tr>
<tr><td>B</td><td>Moderate risk</td><td>Weak monitoring mechanisms and non-finalization of process of digitized database.</td></tr>
<tr><td>C</td><td>Substantial risk</td><td>Financial, Procurement related irregularities, revenue leakages, and weak design controls.</td></tr>
<tr><td>D</td><td>High risk</td><td>• Weak legal representation which resulted into adverse arbitration awards and heavy financial liabilities.
• Unsustainable debt levels.</td></tr>
</table>
</td></tr>
<tr><td>Compliance Status of audit recommendations</td><td>Total 45 Audit reports containing 3366 audit paras were printed. Out of which 2274 paras have been examined by the PAC and 1514 paras were settled, as a result of compliance and others requisite action taken by the Entity. Accordingly, compliance of NHA to audit recommendations in respect of discussed printed paras is around 66%.

Recovery of Rs 1,237.188 million was made and verified during 2024-25 and Rs 11.984 million during 2025-26.</td></tr>
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Abbreviations and Acronyms

ACBC	Asphaltic Concrete Base Course
ADB	Asian Development Bank
AGR	Annual Ground Rent
AMP	Annual Maintenance Plan
BOQ	Bill of Quantities
BOT	Build-Operate-Transfer
CAREC	Central Asia Regional Economic Corridor
CDL	Cash Development Loan
COC	Conditions of Contract
CPEC	China-Pakistan Economic Corridor
CSR	Composite Schedule of Rates
DAC	Departmental Accounts Committee
DHA	Defence Housing Authority
DLP	Defect Liability Period
DST	Double Surface Treatment
EAD	Economic Affairs Division
ECNEC	Executive Committee of National Economic Council
EOT	Extension of Time
EPC	Engineering, Procurement and Construction/ Escalation Payment Certificate
ETC	Electronic Toll Collection
FWO	Frontier Works Organization
GM	General Manager
HR	Human Resource
IAW	Internal Audit Wing
IFRS	International Financial Reporting Standards
IPC	Interim Payment Certificate
ITS	Intelligent Transport System
KKH	Karakorum Highway
LAC	Land Acquisition Collector
M&I	Monitoring and Inspection

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NHEB	National Highway Executive Board
NH&MP	National Highways and Motorway Police
NOC	No Objection Certificate
OMC	Operations & Management Contract
OM&M	Operations, Management and Maintenance
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PCC	Plain Cement Concrete/Particular Condition of Contract
PC-I	Planning Commission (Proforma-I)
PC-IV	Planning Commission (Proforma-IV)
PC-V	Planning Commission (Proforma-V)
PEC	Pakistan Engineering Council
PPE	Property, Plant and Equipment
PPP	Public-Private Partnership
PPRA	Public Procurement Regulatory Authority
PSDP	Public Sector Development Program
RAMD	Road Asset Management Directorate
RDA	Rawalpindi Development Authority
RMA	Road Maintenance Account
RoW	Right of Way
SECP	Securities and Exchange Commission of Pakistan
SOE	State-Owned Enterprise
SOP	Standard Operating Procedure
SWG	Standard Wire Gauge
TOC	Taking Over Certificate
VO	Variation Order
WBM	Water Bound Macadam

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Overview of the National Highway Authority

1. Entity Profile

The National Highway Authority (NHA), established under the National Highway Authority Act, 1991, operates as an autonomous federal body headquartered at Islamabad, with 13 regional offices. It administers 39 national highways, motorways, expressways, and strategic routes spanning 14,480 km (4.6% of national road network, carrying 80% of commercial traffic), succeeding the National Highway Board for infrastructure oversight.

2. Core Functions

NHA undertakes planning, construction, development, operation, repair, and maintenance of national highways funded via Public Sector Development Program (PSDP), Cash Development Loans (CDL), foreign loans and Public-Private Partnerships. NHA Development Portfolio for the year 2024-25 includes 106 projects (87 ongoing), such as CPEC routes, N-55/Chitral dualizations, and N-25 Expressway.

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3. Governance and Accountability

Governance of NHA vests in the National Highway Council to be headed by one of the independent members appointed by the Federal Government, with Chairman (Chief Executive Officer) and Members (Finance, Planning, Engineering). According to SOE Act 2023, NHA Act was amended in June 2024 making NHA as an SOE. Accordingly, National Highway Council is required to be chaired by one of the independent members appointed by the federal government. As per Rules of Business, schedule II, NHA falls under the administrative controls Ministry of Communications. The NHA complies with IFRS which are SECP-notified. The Auditor-General of Pakistan carries out audit of NHA and submit audit reports to the parliament. As an SOE, NHA's performance is monitored by Central Monitoring Unit (CMU) of Finance Division.

4. Key Challenges and Strategic Imperatives as CDL-Funded SOE

Total revenue of NHA for the year 2024-25 is Rs. 122.02 billion. Toll revenue, being major component of total revenue, is Rs. 64.42 billion in the financial year 2024-25, which constitutes 52.8%. NHA faces a challenge of maintenance of road network and repayment of CDL from available financial resources. Assets stood at Rs. 5.83 trillion. Deficit of NHA during the financial year 2024-25 is Rs. 288.54 billion and that has been accumulated to Rs. 2.07 trillion since inception. This has been further exacerbated by CDL financing burden of total debt Rs.

3.75 trillion which includes Rs. 1.40 trillion mark-up. NHA has been facing short term and long-term liquidity constraints because of low current ratio which stands at 0.11. The Foreign exchange losses for the year 2024-25 stand at Rs. 2.70 billion which also impact the financial health of NHA. The contingencies & commitments on account of contractor claims, litigations and land compensation further exacerbate the financial health of NHA. As an SOE, NHA has to comply with enhanced accountability requirements pertaining to governance, sustainability, revenue collection, expanding road infrastructure and resolution of subjudice matters.

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Analysis of Financial Statements

This section provides a brief overview on the financial operations of National Highway Authority (NHA) in light of its audited financial statements. The analysis has been done over the period of last ten financial years (FY 2015-16 to 2024-25).

NHA's audited financial statements for the year 2024-25 contain an unqualified opinion with "Emphasis of Matter", as reproduced below:

> "We draw our attention to Note 22 of the financial statements, which describes the uncertainty related to the outcome of the pending legal cases filed against the Authority by various land owners, contractors, customers or contracted employees and the tax department. Although the management and the legal advisors of the Authority are affirmative that these cases would be decided in the favor of the Authority, yet outcome of these cases is dependent on court or arbitration decision. No provision has been made in the financial statements in this regard due to early stages of these cases and forum of appeal are available to the Authority. Our opinion is not modified in respect of this matter."

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Audit considered Emphasis of Matter of the financial auditor and examined the matter further. Audit found subjudice cases pertaining to land acquisition for a sum of Rs. 114.497 billion and contractor's related cases for a sum of Rs. 254.245 billion. Disputes with reference to Right of Way leases have a potential financial implication amounting to Rs. 3.419 billion. Audit observed that weak legal representation and delayed responses to claims resulted in adverse arbitration awards and heavy financial liabilities for the Authority.

In its operations, NHA generated net deficits throughout the period of ten years, with a net deficit ratio of (236.52%) in FY 2024-25 and (327.93%) in FY 2023-24. Earlier, NHA experienced net deficits in FY 2015-16 to FY 2022-23 ranging from (560.56%) to (248.16%).

Liquidity indicators remained under pressure throughout the period, with the current ratio dropping to 0.11 in FY 2024-25. Under liabilities, long term loans stood at Rs. 1,799.313 billion in FY 2024-25 and represented the most significant long-term liability of NHA.

Finalization of Audited Financial Statements and Frequency of Restatement of Figures

Timelines of finalization of audited financial statements and frequency of restatement of figures for last ten years i.e. 2015-16 to 2024-25 has been analysed. It has been observed that NHA has been consistent in finalization of audited financial statements for the recent four years i.e. 2021-22 to 2024-25 with delay ranging from six to twenty-eight days. The delay in finalization of the financial statements for the years 2015-16 to 2020-21 was six to twelve months. There has been restatement of figures in five years. Year-wise position of timeliness and frequency of restatements is presented in the table below:

Financial Years	Date of finalization of financial statements	Delay beyond six months	Restatements
2024-25	28.01.2026	28 days	-
2023-24	15.01.2025	15 days	-
2022-23	09.01.2024	9 days	-
2021-22	06.01.2023	6 days	2020-21 restated
2020-21	10.08.2022	8 months	2019-20 restated
2019-20	31.12.2021	12 months	2017-18 and 2018-19 restated
2018-19	16.10.2020	10 months	-
2017-18	27.09.2019	9 months	2016-17 restated
2016-17	28.06.2018	6 months	-
2015-16	22.06.2017	6 months	2014-15 restated

Basis of Preparation of Financial Statements

The financial statements for the year 2024-25 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board as notified by the Securities and Exchange Commission of Pakistan.

Profitability Analysis:

Profitability analysis is presented in the table below:

Ratios	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Gross Profit Ratio	18.29%	46.57%	49.94%	57.19%	61.61%	61.84%	(350.48%)	(400.49%)	(408.82%)	(134.24%)
Operating Profit Ratio	(373.49%)	(245.49%)	(263.36%)	(260.33%)	(87.17%)	(313.11%)	(184.20%)	(182.04%)	(139.11%)	(75.39%)
Net Profit Ratio	(559.67%)	(398.01%)	(483.85%)	(412.99%)	(258.88%)	(470.82%)	(229.04%)	(527.46%)	(327.91%)	(236.47%)
Return on Assets	(4.07%)	(3.33%)	(3.70%)	(3.87%)	(2.98%)	(4.27%)	(2.88%)	(7.08%)	(5.49%)	(5.0%)
Return on Capital Employed	(3.32%)	(2.53%)	(2.49%)	(3.10%)	(1.32%)	(3.59%)	(2.97%)	(3.38%)	(3.38%)	(2.4%)

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Gross Profit Ratio:

Gross profit ratio was positive during financial years 2016-22. It became negative after financial year 2021-22. Operating expenses increased from Rs. 17.96 billion in 2015-16 to Rs. 195.48 billion in 2024-25, while operating income grew from Rs. 21.98 billion to Rs. 83.45 billion. Negative ratios indicate unsustainability. Government grants show incremental trend from Rs 2.98 billion in 2015-16 to Rs. 20.07 billion in 2024-25.

Operating Profit Ratio:

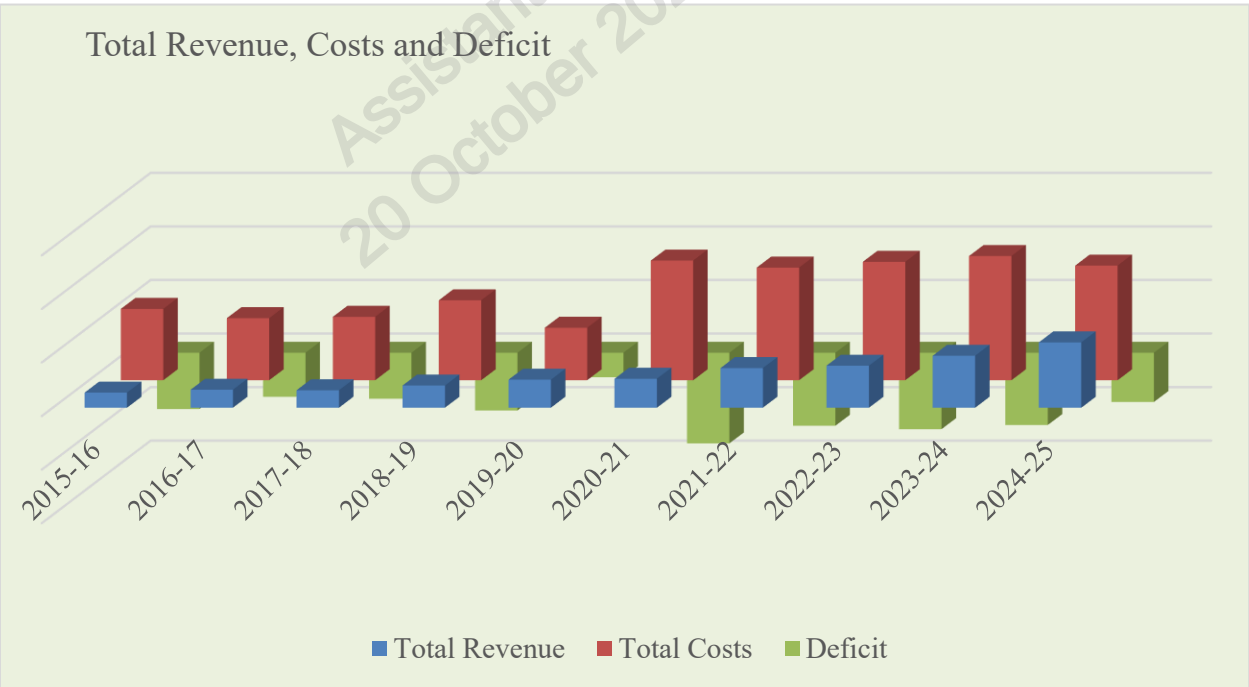
Following table presents NHA Financial Deficit Analysis (Deficit after taxation):

(Rs. in billion)

2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
157.37	133.83	157.65	172.60	94.38	254.57	169.50	413.45	318.03	288.54

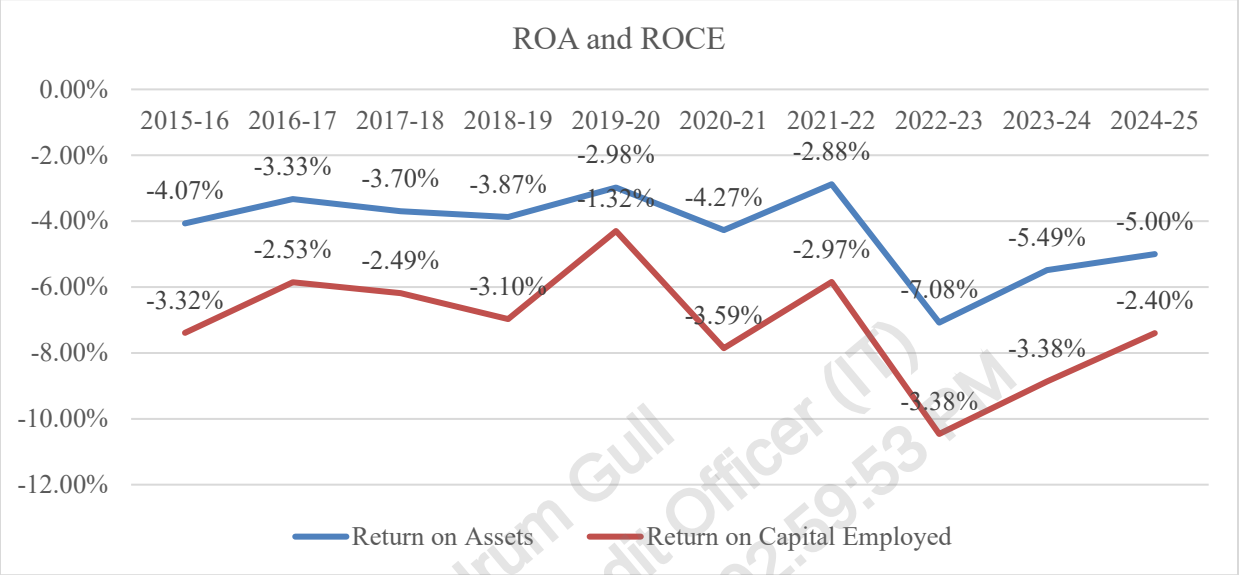
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Operating profit ratio is negative throughout the financial years from 2015-16 to 2024-25. Operating expenses are increasing at more pace than the revenue growth due to high admin and maintenance costs of road network. Ratios are low, signalling operational inefficiency. Without cost controls, deficits will keep on increasing.



ROA and ROCE:

Return on Assets (ROA) and Return on Capital Employed (ROCE) ratios also remained negative across all ten years. This trend reflects persistent inefficient utilization of Authority's asset base in generating operating and net returns. Following figure presents ROA and ROCE ratios of NHA:



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Revenue & Expenditure:

NHA maintained year-on-year revenue growth from 2015-16 to 2024-25, particularly toll collections, the principal source of operating revenues — doubled in FY 2024-25 to approximately Rs. 64 billion from Rs. 32 billion in the year 2023-24. A comparison of two main sources of operational revenues i.e. Toll revenue and RoW is as under:

(Rs in billion)

Year	Total Revenue	Toll Revenue	% of total revenue	RoW Revenue	%age of total revenue
2015-16	28.12	15.56	55.35	0.53	1.88
2016-17	33.54	18.50	55.17	1.015	3.03
2017-18	32.58	19.19	58.90	1.223	3.75
2018-19	41.42	23.05	55.66	1.197	2.89
2019-20	52.33	25.58	48.88	1.146	2.19

Year	Total Revenue	Toll Revenue	% of total revenue	RoW Revenue	%age of total revenue
2020-21	54.07	29.42	54.41	2.296	4.25
2021-22	74.01	35.06	47.38	1.347	1.82
2022-23	78.39	33.40	42.61	1.925	2.46
2023-24	96.99	32.10	33.10	2.246	2.32
2024-25	122.02	64.42	52.80	3.778	3.10

This growth is primarily due to periodic upward revisions in toll rates, implementation of electronic tolling systems (such as M-Tag), and increased vehicular traffic on expanded motorway and highway networks. However, RoW revenue despite potential has a low share in total revenue and needs to be enhanced by finalizing and implementing already conducted GIS survey in the year 2022, resolution of lease related issues, etc.

Operating and other expenses of NHA have also observed a general upward trend over the period from 2015-16 to 2024-25, consistent with the expansion of the national highway and motorway network, increased maintenance obligations. Following table presents the revenue and expenditure trends of NHA for last ten years.

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(Rs. in billion)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total Revenue	28.12	33.54	32.58	41.42	52.33	54.07	74.01	78.39	96.99	122.02
Annual growth rate	-	19%	-3%	27%	26%	3%	37%	6%	24%	26%
Total expend-iture	185.32	166.48	189.58	211.84	187.09	321.36	210.40	374.24	413.95	407.50
Annual growth rate	-	-10%	14%	12%	-12%	72%	-35%	78%	11%	-2%

Receivables & Payables:

Liquidity	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Current Ratio	0.19	0.12	0.13	0.14	0.14	0.15	0.16	0.14	0.11	0.11
Quick Ratio	0.19	0.12	0.13	0.14	0.14	0.15	0.16	0.14	0.11	0.11

Current & Quick Ratios:

Current liabilities increased about 2.8 times, from Rs.706 billion in 2015-16 to Rs. 2,028 billion in 2024-25. This growth is not consistent with current assets. Current assets only rose from Rs. 138 billion to Rs. 215 billion. This likely happened because of short-term debt and payments to creditors for ongoing projects. Since the NHA has government support, it can operate with low liquidity. These ratios signal inability to meet obligations without external aid. Quick ratio is same as current ratio (because there is no inventory), which highlights cash crunch.

Efficiency Ratios:

Efficiency Ratios	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Debtor Turnover Days	107	123	187	213	257	254	267	343	376	221
Creditor Turnover Days	130	333	654	417	199	132	6	5	3	2

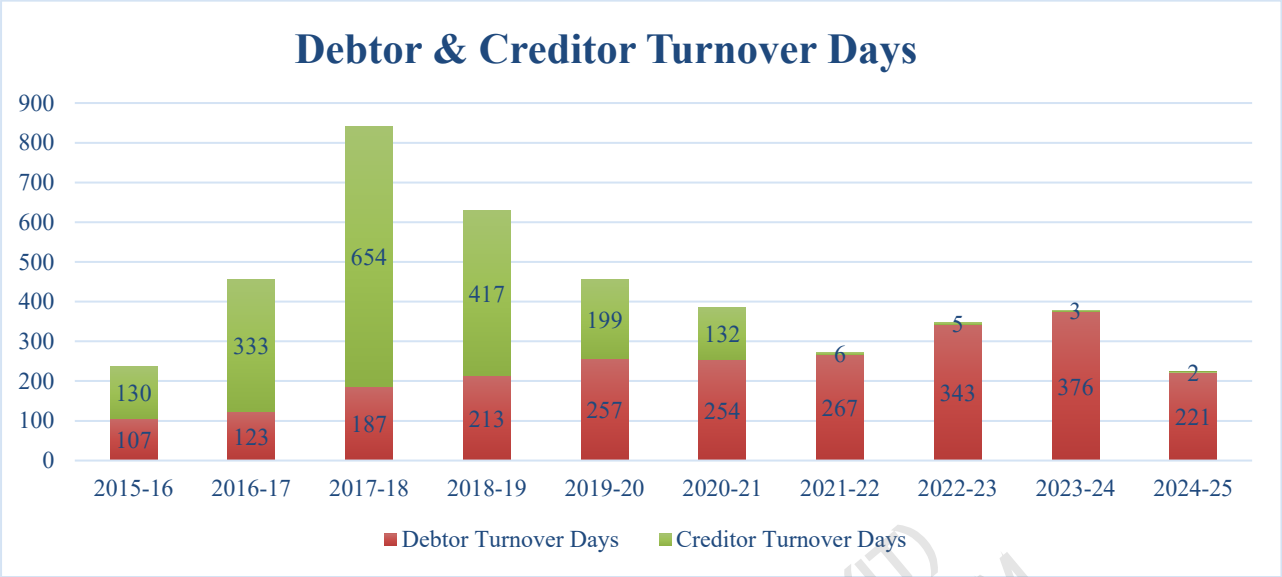
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Debtors & Creditors Turnover Days:

The debtor turnover days for the NHA rose steadily from 107 days in FY 2015-16 to a high of 376 days in FY 2023-24, before dropping to 221 days in FY 2024-25. This trend points to increasing delays in collecting receivables which weakened working capital management over most of the period.

In contrast, creditor turnover days showed extreme volatility — peaking at 654 days in FY 2017-18 and then falling sharply to just 2 days in FY 2024-25. The rapid decline in recent years indicates faster payment to suppliers, likely supported by improved financing inflows.

Overall, the widening gap between collection and payment cycles highlights inefficiencies in receivable recovery and potential liquidity strain, despite strong revenue growth. Enhanced credit control and faster dispute resolution remain key areas for improvement.



Statement of Cash Flows:

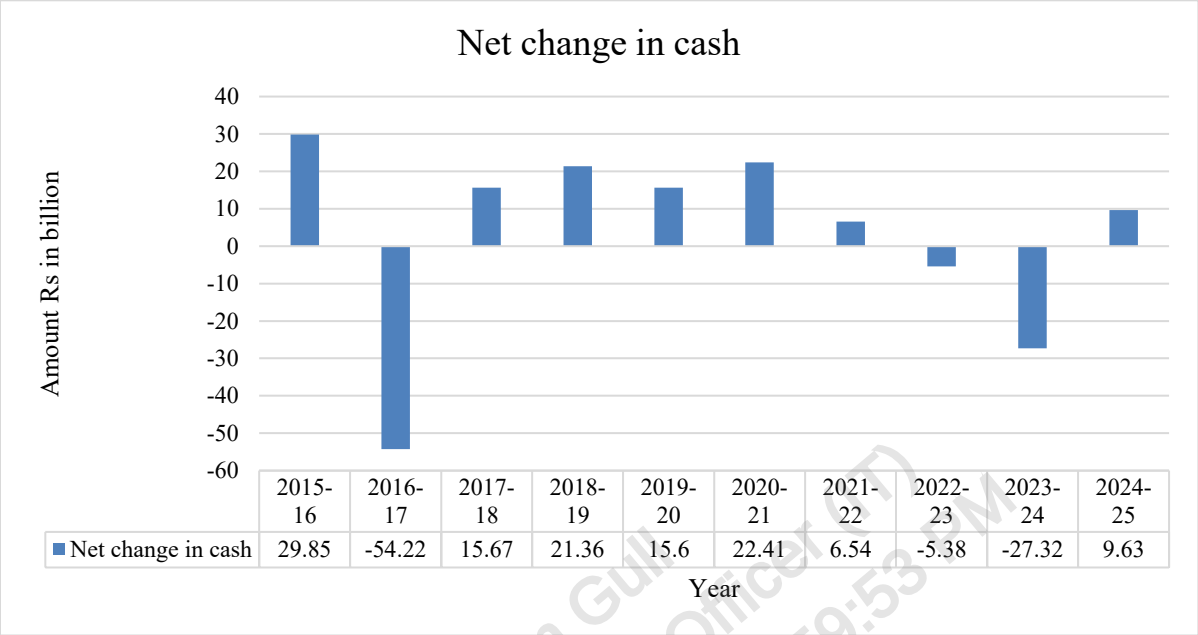
(Rs in billion)

Financial Year	Net Cash from Operating Activities	Net Cash from Investing Activities	Net Cash from Financing Activities	Net Change in Cash	Cash at End of Year
2015-16	-7.64	-86.52	124.01	29.85	111.68
2016-17	24.36	-288.82	210.24	-54.22	69.87
2017-18	-50.100	-285.54	351.31	15.67	85.53
2018-19	9.67	-169.09	180.77	21.36	106.89
2019-20	-0.32	-134.83	150.75	15.60	123.21
2020-21	0.20	-98.13	120.33	22.41	146.91
2021-22	-2.28	-78.79	87.61	6.54	155.27
2022-23	-22.12	-83.50	100.23	-5.38	149.89
2023-24	-49.61	-105.27	127.55	-27.32	122.57
2024-25	-21.03	-130.23	160.88	9.63	132.19

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The net change in cash for NHA over the last ten financial years (2015-16 to 2024-25) reflects a mix of positive and negative shifts, with an overall modest increase in cash balances from Rs. 111.68 billion at the end of 2015-16 to Rs. 132.19 billion at the end of 2024-25. The cumulative net change over this period is approximately Rs. 20.51 billion, indicating a compound annual growth rate of about 1.7% in cash holdings. However, annual fluctuations,

with net changes ranging from a high of Rs. 29.85 billion (2015-16) to a low of Rs. -54.22 billion (2016-17). Three years saw negative net changes (2016-17, 2022-23, and 2023-24), while the remaining seven were positive.



Statement of Changes in Equity:

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Revaluation Surplus on PPE	3,027.70	2,985.06	2,946.62	2,911.62	2,880.63	4,237.41	4,176.23	4,120.80	4,070.52	4,024.89
Accumulated Profit/(Deficit)	(332.19)	(442.97)	(533.99)	(791.10)	(896.10)	(1,079.19)	(1,187.83)	(1,552.88)	(1,822.99)	(2,067.39)
Total Equity	**(332.19)**	**2,584.73**	**2,451.07**	**2,120.52**	**1,984.53**	**3,158.22**	**2,988.40**	**2,567.92**	**2,247.53**	**1,957.50**

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NHA conducted revaluation of its assets in the year 2015-16 (Net surplus of Rs. 3,027.70 billion) and then in the year 2020-21 (net increase in surplus Rs. 1,356.78 billion). The NHA's equity is exhibiting an overall declining trend over the decade despite revaluation. The core reason for equity erosion is the accumulation of annual deficits from Rs. 332.19 billion in 2015-16 to Rs. 2,067.38 billion in 2024-25. These deficits stem from structural inefficiencies, where operating expenses and non-cash charges consistently exceed revenues despite toll income growth. Escalating finance costs and substantial depreciation charges also added to it. NHA's equity is falling mainly because of heavy debt costs and high depreciation.

NHA's Debt Liabilities Analysis:

(Rs. in billion)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Local Loan	551.69	637.05	831.15	916.89	1,012.36	1,112.89	1,170.02	1,244.12	1,351.27	1,479.37
Foreign Loan	234.62	351.80	510.17	668.09	723.16	733.99	778.38	853.73	862.10	878.20
Sub-Total	**786.31**	**988.85**	**1,341.32**	**1,584.98**	**1,735.52**	**1,846.88**	**1,948.40**	**2,097.85**	**2,213.37**	**2,357.57**
Mark-up	451.09	485.53	519.57	593.98	709.03	841.26	841.26	1,061.32	1,220.04	1,398.43
Grand Total	**1,237.40**	**1,474.38**	**1,860.89**	**2,178.96**	**2,444.55**	**2,688.14**	**2,789.66**	**3,159.17**	**3,433.41**	**3,756.00**

Non-current and current liabilities i.e., long term loans (Cash Development Loan) also have a rising trend.

The Authority has current liability of re-payment of mature long-term loans of Rs. 555.39 billion. Non-current liability of long term loans is Rs 1,799.31 billion (after adjusting deposit of Rs 2.86 billion with State Bank of Pakistan). Mark up on long term loans is Rs. 1,398.43 billion.

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FINDINGS

1. Stated Mandate, Role and Responsibilities

1.1 Non-compliance of SOE Act 2023 and NHA Amendment Act 2024

As per section 8 of State-owned Enterprises (SOE) Act, 2023, the Board of every state-owned enterprise shall, prior to commencement of each financial year, adopt a business plan in respect of following three years which shall contain information about the operations, strategic direction, and financial and non-financial performance measures of the state-owned enterprise and demonstrates how the state-owned enterprise shall achieve its primary objective. The Section 7(1) of the NHA Act provides that, for exercising its powers and performing its functions, the Council shall be assisted by an Executive Board consisting of Chief Executive Officer as Chairperson and six Authority Members for Planning, Engineering, Aided Projects, Public Private Partnership Projects, Finance and Administration as Executive Members.

Audit observed that NHA has not prepared and adopted a business plan as required under SOE Act. Further, organogram of the Authority was approved in 2011 and has not been updated despite various administrative restructuring, especially increase in the number of members from five to six and change of the nomenclature from Chairman to Chief Executive Officer NHA as per SOE Act, 2023 and NHA Amendment Act 2024.

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The management replied that NHA has acquired the services of M/s. A.F. Ferguson & Co to prepare a comprehensive HR restructuring plan in light of the provisions of SOEs Act, 2023, including assessment and upgradation of the organogram of NHA.

Audit recommends that the human resource restructuring plan and requisite Business Plan of the entity be prepared in line with SOE Act, 2023 and NHA (Amendment) Act, 2024.

1.2 Non-approval of NHA Master Plan since 1991

As per section 11(1) of the NHA Act, 1991, the Authority shall prepare a master plan for the development, construction, operation and maintenance of National Highways and roads in Pakistan for the approval of the Council.

Audit observed that NHA has been unable to perform its legal duty to prepare a Master Plan for highways and roads for the past 34 years. Audit further observed that NHA does not have a dedicated wing or cell employed continuously in field surveys and necessary investigations required for formulation of feasible projects.

Audit is of the view that the lack of a Master Plan is one of the reasons for NHA's poor performance in designing, awarding, executing, revising and finalizing road projects in recent years.

Audit recommends that the NHA should, at the earliest, establish a dedicated wing/cell employed continuously in field surveys and necessary investigations required for formulation of feasible projects and prepare, maintain and update a Master Plan for highways, motorways and strategic roads across Pakistan accordingly. (GM Coord NHA)

1.3 Award for Work without Acquisition and Possession of Land

Paras 2.44 and 2.57 of Manual for Development Projects 2021, state that availability of land needs to be assured as a part of site selection process in order to avoid delays in project implementation. Availability of land and time taken in its acquisition is an important consideration for project implementation period.

Audit noted that the Gilgit-Shandoor Road project (Rs 34,411.144 million) was awarded in three packages without acquiring or possessing the required land. This violation of Planning Commission guidelines led to delays, as the contractor could not meet the completion schedule due to land-related impediments. This represents an irregular award of work that ignored strategic procurement requirements.

The management replied that the project is of strategic national importance and works were started in parallel with land acquisition to meet federal directives. land acquisition in mountainous regions is complex and time-consuming, but the process is now at an advanced stage, and sections are being handed over to contractors in phases.

The matter was discussed in the DAC meeting held on 10th & 11th December 2025 wherein the Committee directed NHA to submit a comprehensive report by conducting a Fact-Finding Inquiry to Audit.

Audit recommends compliance of DAC directive besides finalization of process of land acquisition. (Para No. 18 GM Maint Jaglot-Skardu NHA GB)

1.4 Non-award of Terminated Lease Agreements

As per NHA Lease Policy 2009, NHA through pre-feasibility study shall identify the way side amenities/sites; define the categorization of amenities to be provided and confirm the availability of land, taking into consideration future road development plans of NHA in those areas. All schemes shall be well supported by the market survey, outline design and detailed independent commercial feasibility. Award of leases shall be through competitive bidding to ensure maximum revenue generation for the Authority.

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Audit noted that new leases have not been awarded by NHA since 2006. Out of 234 registered locations, only 75 leases are currently active, with 153 sites terminated since 2016 primarily due to payment defaults. This resulted in accumulated loss of Rs. 826.200 million over past nine years.

The management replied that new leasing has been halted due to legal complexities and a Supreme Court decision (2019/2020) that restrained NHA from leasing RoW land, following disputes over land mutation with the Punjab Government. The Court observed that NHA's primary mandate is road construction, and leasing for commercial purposes may be ultra vires of the NHA Act. Consequently, NHA is legally prohibited from awarding fresh leases or proceeding with auctions until the final adjudication of the matter by the Supreme Court. The reply was not acceptable because change in NHA Act was initiated to safeguard the financial interest of the Authority. NHA should frame a policy on the subject matter accordingly.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein the Committee directed that the case should be resolved at the earliest and handled properly. NHA was also instructed to share the efforts made so far, verified by Audit. Moreover, the management should ensure that all actions taken, along with date-wise follow-up, are duly verified by Audit.

Audit recommends that the matter be evaluated for further appropriate actions. (Para 2 of GM RoW, NHA)

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1.5 Non-appointment of Legal Advisor and inadequate pursuance of court cases

Chapter 10 of the Regulations for Managing and Conducting Legal Affairs of NHA (2016) mandates monthly, quarterly, and six-monthly reviews of litigation and panel advocate performance at both regional and HQ levels. Additionally, Chapter 5 stipulates the hiring of Legal Advisors to oversee the Legal Bureau and selection committees. Chapter 8 of the NHA Legal Affairs Regulations (2016) mandates strict monitoring of legal offices by the Secretary NHA. The Law Officers are required to submit periodic progress reports via email to Secretary NHA for regular scrutiny of case records to ensure effective follow-up.

Audit noted that NHA paid Rs. 23.955 million on account of legal fees during FY 2023-24. Audit observed non-appointment of Legal Advisors since 2019, the empanelment of advocates without a selection committee member, and a lack of formal performance review meetings. Audit further observed that out of 711 court cases filed since 2019, only 116 (16.24%) have been finalized, leaving 595 cases (83.76%) pending. There was no evidence of periodic reporting or updated case registers, reflecting poor supervision and exposing NHA to high legal and financial risks due to lack of active pursuance. Forty-eight recovery cases amounting to Rs. 40.657 billion showed no recorded progress, and court cases were exclusively assigned to private counsels rather than in-house Law Officers.

The management replied that Legal Advisors were discontinued in 2019 due to underperformance and have not been replaced, empanelment was legally approved by Member (Admin) to handle the high volume of litigation. The progress is monitored virtually and Legal Bureau Management Information System (LBMIS) is updated daily. Current regulations do not allow Law Officers to handle cases directly, though a proposal to amend this is being prepared.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein the Committee directed NHA to provide details of court cases along with disposals/status and also directed for vigorous pursuance of court cases.

Audit recommends strengthening of legal bureau of NHA and vigorous pursuance of court cases. (Para 4 of GM Establishment, NHA)

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2. Financial Management

Development portfolio of NHA

NHA development portfolio (original PSDP allocation) for the year 2024-25 is as under:

Description	No. of projects	Allocations (Rs. in million)		
		Foreign	Local	Total
Ongoing Projects	87	20,120.00	122,060.35	142,180.35
New Projects	15	5,100.00	6,884.000	11,984.00
Sub-Total	**102**	**25,220.00**	**128,944.35**	**154,164.35**
BOT/PPP Projects	4	-	7,100.00	7,100.00
Grand Total	**106**	**25,220.00**	**136,044.35**	**161,264.35**

Source: NHA PSDP Utilization Status Report for the year 2024-25

PSDP budget was revised and releases were made accordingly for Rs. 148,727.708 million (Foreign Rs. 13,365.00 million and Local Rs. 135,362.708 million). Overall utilization of PSDP funds was Rs. 148,727.708 million, which includes local component of Rs. 103,493.153 million, foreign component of Rs. 13,365.00 million and CDL adjustment of Rs. 31,869.555 million. The local component also includes BOT projects amounting to Rs. 2,868.626 million.

There were 15 new schemes with original allocation of Rs. 11,984.000 million. But none of the new schemes could be initiated physically and expenditure of Rs. 50.0 million (0.42% of the allocation of Rs. 11,984 million) was incurred against new schemes. This indicates that new schemes could not be implemented as per planned targets. There were 87 ongoing projects but, no expenditure was incurred against 23 projects during the financial year 2024-25. As such, construction activity on ongoing projects was also not according to the planned targets.

Comparison of PSDP utilization for the financial years 2023-24 and 2024-25 is as follows:

(Rs. in million)

Particulars	2023-24	2024-25	Increase/(Decrease)	%age
Local component	75,608.628	103,493.153	27,884.525	37%
Foreign component	12,906.025	13,365.000	458.975	4%
CDL Adjustment	33,788.167	31,869.555	(1,918.612)	-6%
Total	**122,302.820**	**148,727.708**	**26,424.888**	**22%**

Source: NHA PSDP Utilization Status Reports for the year 2023-24 and 2024-25

Maintenance of road network

NHA prepares Annual Maintenance Plan (AMP) for maintenance activities on roads. AMP serves as the primary instrument for preserving the road network. A comparison of expenditure on road maintenance for last two years is as follows, which shows a decline of 15% in current year's expenditure than the previous year:

(Rs. in million)

Financial Year	2023-24	2024-25	Increase/(Decrease)	%age
Expenditure	65,432.075	55,758.286	(9,673.789)	-15%

Source: Financial statements of NHA

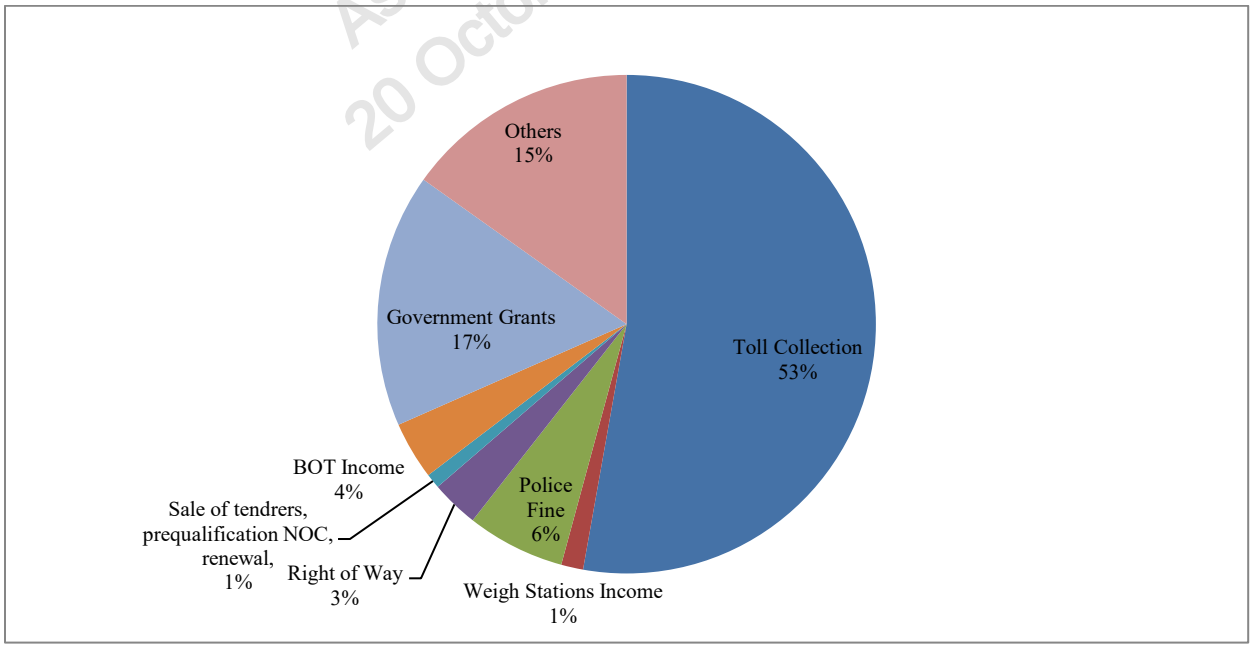
Revenue Collection

Head-wise revenue for the year 2024-25 is as under:

Head	Amount Received (Rs. in million)
Toll Collection	64,423.817
Weigh Stations Income	1,741.558
Police Fine	7,768.204
Right of Way	3,778.107
BOT project revenue	4,575.465
Sale of tenders, pre-qualification, NOC, renewal etc.	1,167.932
Others	18,491.473
Government Grants	20,074.739
Total Revenue	**122,021.295**

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Graphical presentation of Head-wise revenue in percentile of total revenue



The collection broadly pertains to (i) Revenue from tolls (ii) Revenue from commercialization of RoW and (iii) Police Fine. All these indicate visible increase during 2024-25, as detailed below:

(Rs. in million)

Head	2023-24	2024-25	Increase	%age increase
Toll	32,098.44	64,432.82	32,334.38	100.74%
Right of Way	2,246.038	3,778.107	1,532.07	68.21%
Police Fine	5,246.870	7,768.204	2,521.33	48.05%

Source: Financial statements of NHA

Institutional sustainability

Due to inefficient revenue management, NHA is unable to generate matching resources to rehabilitate/maintain the existing road network, as well as, repay the cash development loan from Federal Government. Due to non-payment of cash development loan by NHA, Ministry of Finance has made deduction at source from releases of PSDP during 2024-25 (Rs. 31,869.555 million i.e., 21.42% of total releases of Rs. 148,727.708 million). This has adversely affected the cash flows for development projects, resulting in hampering of physical progress and subsequent throw forward to the next financial year with resultant cost overrun.

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2.1 Non-finalization of accounts of completed works

The Planning Commission's Project Management Guidelines (Para 3.33 & 3.34) and Rule 45 of Public Procurement Rules 2004 require that once a project is completed or a Taking Over Certificate (TOC) is issued, accounts must be finalized and PC-IV (Completion Report) and PC-V (Evaluation Report) must be submitted. This process includes closing supplier contracts, releasing securities, and formally closing bank accounts. According to NHA Code and standard contract conditions, the final bill of a contractor should be prepared and paid within three to six months after the issuance of the Taking Over Certificate (TOC) to ensure the formal closure of project accounts.

Audit observed that NHA did not finalize the project accounts or prepare the PC-IV and PC-V, in six (6) cases, as detailed **Appendix-II**.

The management replied that:

i. Accounts will be finalized upon completion of balance and rectification works agreed upon in an amicable settlement. PC-IV and PC-V forms are currently being prepared, and an inventory of assets was provided to Audit.

ii. The Defect Liability Certificate was issued in April 2024 because the initial Project Engineer's contract had expired. A new Engineer has been appointed and the contractor is now preparing the final statement.

iii. The department replied that while the TOC has been issued, the accounts remain open because the contractor (FWO) is still working on the "punch list" and remaining balance works. 3% of the amount is being retained as per NHA SOP and that the final bill is currently being processed in accordance with contract guidelines.

iv. The delay was due to the non-submission of required documents and final measurements by the contractors.

v. Finalization of accounts requires sufficient time due to procedure formalities of Defect Liability Certificate, clearance from committee and M&I Wing. Procedural formalities will be fulfilled and accounts will be formally closed accordingly.

vi. The finalization of accounts is linked to the issuance of Defects Liability Certificates (DLC) and the settlement of final measurements. Some cases are pending due to ongoing reconciliation of quantities with the consultants and that efforts are being made to finalize all outstanding bills within the current financial year.

The matter was discussed in the DAC meetings held on 8th -11th December 2025, 5th & 6th January 2026, 12th & 13th January 2026 and 11th February 2026 wherein the DAC directed NHA to submit a comprehensive report by conducting a Fact-Finding Inquiry, ensure early finalization of accounts and preparation of PC-IV and submit the report to Audit.

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Audit recommends compliance of DAC directive regarding fact finding inquiry, early finalization of accounts and preparation of PC-IV & PC-V.

2.2 Recovery of Toll Revenue Receivables from Operators

Contractual provisions and NHA financial rules dictate that the toll revenue collected by the operator must be deposited into NHA's designated accounts within the specified timeframe. According to clause 6.1 (ii) Article VI of OM&M contract, if the monthly advance installment of net fixed guaranteed toll revenue is not deposited in NHA designated bank account within 1st seven days of current month, then a penalty of Rs. 30,000 per day from 8th day of respective month shall become liable to be imposed up to 15th day of the said month. On 16th day of the same month, the contract shall become liable to termination under default of OMC along with forfeiture of securities without serving any notice and entertaining any claim.

Audit observed that an amount of Rs. 28,125.417 million remained unrecovered from various toll operators despite the lapse of the contract period or monthly deadlines (**Appendix-III)**. Out of this outstanding amount, an amount of Rs. 20,420.355 million was outstanding since 2013. Non-recovery indicates weak contract enforcement.

The management replied that recovery is being pursued through legal means and have issued final notices to the defaulting operators. In some cases, the matter is under arbitration or in court, and NHA is working to settle the accounts as per the judicial outcomes.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein the Committee directed NHA to recover the due amount and provide complete supporting record of the recovery to Audit for verification.

Audit recommends recovery of outstanding dues along with penalty as per contract.

2.3 Non-Adjustment of Land Acquisition Advances and Non-mutation of land

Paras 12 & 18 of Chapter 7 of the NHA Code (Vol-I) requires that funds credited to Land Acquisition Collectors (LAC) be treated as advances, and the LAC must render complete accounts and supporting documents quarterly for settlement. The LAC shall get transfer the land in favour of NHA through Mutation.

Audit observed that NHA paid advances amounting to Rs. 34,417.121 million to LACs for land acquisition in eleven (11) projects across Pakistan (**Appendix-IV)**. Audit observed that details of amount disbursed by LACs to land owners for which supporting documents for settlement of advances was not obtained. Land acquired was also not mutated in favour of NHA. Audit further observed that in three projects (Karachi-Lahore Motorway Extension, Lahore-Sahiwal-Bahawalnagar Motorway (LSBM), and Lahore Bypass), the Authority released excess amount of Rs. 2,371.954 million to the LACs without any formal demand.

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The management replied that land acquisition and mutation is a lengthy process involving local revenue departments. The complete vouched account and adjustment will be provided to audit after the same is received from LACs on completion of land acquisition process.

The matter was discussed in the DAC meetings held on 8th -11th December 2025, 5th & 6th January 2026, 12th & 13th January 2026 and 11th February 2026 wherein the Committee directed NHA to provide vouched account/record showing adjustment of the advance payment and mutation of land.

Audit recommends that land acquisition process and mutation of land be pursued with LACs and quarterly reconciliation be ensured as per NHA code.

2.4 Non-recovery of Weigh Station Fine and Police Fine Collections

According to clause 6.1 (ii) Article VI of Operations, Management & Maintenance (OM&M) contracts, revenue generated from fine collections at weigh stations must be remitted to NHA on a regular basis according to the terms of the OM&M contracts.

Audit observed that a sum of Rs. 369.155 million was not deposited by eighteen operators on account of weigh station fine and police fine for traffic violations during the financial year 2023-24.

The management replied that adjustment of these outstanding amounts against the monthly invoices of the operators has been initiated and partial recovery of Rs. 61.725 million has been made. Working to automate the data feed from weighbridges to HQ and reconciliation process is being finalized with the help of field offices.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein the DAC directed NHA to provide complete supporting record of the recovery effected, including the sources of recovery, receipt vouchers, and bank challans, and to pursue the remaining recovery.

Audit recommends recovery of outstanding dues from the operators. (Para No. 6 GM Revenue 2025-26 and Para No. 7 & 8 of GM Revenue NHA 2024-25)

2.5 Non-Recovery of Shared Cost from RDA & DHA

According to the minutes of the meeting held on 12th July 2023 regarding Lalazar to Chowk (Rawat), additional work processed through Variation Order No. 02 will be executed on a sharing basis: 25% by the Rawalpindi Development Authority (RDA), 25% by the Defence Housing Authority (DHA), and 50% by the National Highway Authority (NHA).

Audit observed that NHA awarded the Remodelling of Defence Chowk Rawalpindi project to M/s NLC, with total cost of Rs. 734.854 million. The National Highway Executive Board (NHEB) approved a revised project cost of Rs. 845.120 million, an increase of Rs. 110.266 million over the original approval. The Authority failed to recover the 50%

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combined share due from DHA and RDA. This lack of financial oversight resulted in a non-recovery of Rs 55.133 million, placing an undue financial burden on NHA funds.

The management acknowledged the validity of the audit observation and the requirement to recover Rs. 27.566 million each from DHA and RDA. The management further explained that formal requests for payment were issued to both DHA and RDA on August 4, 2025, directing them to deposit the outstanding amounts into the NHA Road Maintenance Account.

The matter was discussed in the DAC meeting held on 5th & 6th January 2026 wherein the Committee directed NHA to recover the additional cost share of DHA and RDA for Rs. 55.133 million and provide record to Audit for verification.

Audit recommends early recovery of respective share. (Para 8 of GM Maint Punjab North, NHA Lahore)

2.6 Unjustified expenditure on General Items

The Bill of Quantities (BOQ) of the work provides an amount for general items, including the provision of survey and allied items, employer and engineer's office and residence, vehicles, and material testing facilities.

Audit noted that the project contract included Rs. 32.482 million for General Items (Bill No. 07), which covered offices, vehicles, and a material testing lab. Audit observed that since the project was managed by the Maintenance Unit Rawalpindi—which already possesses its own material testing laboratory, office infrastructure, and vehicle fleet—the inclusion of these costs in the BOQ was redundant and unjustified. This resulted in an unnecessary expenditure of Rs 32.482 million, attributed to weak technical and financial monitoring during the project's design phase.

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The management replied that the existing laboratory in the Rawalpindi Maintenance Unit was non-functional at the time of execution. To maintain quality standards and meet the high volume of testing required for both the Defense Chowk and GT Road uplifting projects, the establishment of a temporary site laboratory and the procurement of survey equipment were essential. Furthermore, management clarified that all laboratory equipment is currently in the custody of the Consultant and the Client. Therefore, the expenditure is considered fully justified due to the lack of functional in-house facilities. Audit did not agree to the stance of management as no justified reasons for non-functional lab were provided. Further, no explanation was given with reference to vehicles.

The matter was discussed in the DAC meeting held on 5th & 6th January 2026 wherein the Committee directed NHA to provide original MB, Asset Register, justification of inclusion in BOQ, certificate for non-availability lab-test to Audit for verification.

Audit recommends compliance of DAC directive. (Para 9 of GM Maint Punjab North, NHA Lahore)

2.7 Revenue Loss Due to Unjustified Deductions from NHA's Revenue Share

According to Schedule-X (b) of the Concession Agreement, the Concessionaire (M/s MORE) is obligated to pay NHA a 42.19% share of the annual Gross Revenue (minus stipulated collection losses) from the 11th to the 20th year of the concession period. This share is based on the financial model agreed upon during the bidding process.

Audit observed that for the 11th Concession Year (April 2024 to April 2025), the calculated NHA revenue share was Rs. 4,575.464 million. However, the Concessionaire unilaterally adjusted/set off Rs. 1,710.427 million against losses and paid only Rs. 2,865.037 million to NHA. This unauthorized adjustment, without certification by NHA or valid legal grounds within the payment schedule, resulted in a direct revenue loss of Rs. 1,710.427 million to the Authority.

The management admitted that the Concessionaire calculated the total share of Rs. 4,575.46 million and adjusted Rs. 1,710.427 million. NHA clarified that this adjusted amount is disputed and uncertified by the Authority. The matter is currently being processed for resolution under the dispute resolution clause (Clause 27.2) of the Concession Agreement.

The matter was discussed in the DAC meeting held on 5th & 6th January 2026 wherein the DAC directed NHA to resolve the matter with FWO and NLC and share outcome with Audit.

Audit recommends pursuance of alternate dispute resolution process diligently to safeguard the NHA's interest. (GM Maint M-2 & M-4 NHA Faisalabad/Kallar Kahar)

2.8 Non-encashment of performance security, Non-Recovery of Risk & Cost and Non-blacklisting of the defaulting contractors

As per Clause 63.1 of the General Conditions of Contract, if a contractor defaults and the contract is terminated, the Employer has the right to complete the work themselves or through another contractor. The cost of completion, including any increase in rates, is to be recovered from the defaulting contractor. If a contractor defaults, the Employer can encash performance securities, The Employer may also refer the case of default of the Contractor to Pakistan Engineering Council for punitive action under the Construction and Operation of Engineering Works Byelaws 1987.

Audit observed that the following:

i- Twenty (20) contracts were abandoned/terminated due to default of the contractors but performance securities were not encashed. Actions for blacklisting of the defaulting contractors were not initiated. Further, the process of re-award of works at the risk and cost of the defaulting contractors was not finalized.

ii- In three (03) cases, balance works of the defaulting contractors were awarded involving extra cost but recovery of differential cost was not made from the defaulting contractors. (**Appendix-V)**.

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The management replied that:

i. The matter of encashment of performance security is subjudice in one case. Recovery suit is being filed. Re-tendering of balance works are under process.

ii. Calculation of final liabilities on account of risk & cost will be determined on finalization of work and final action will be taken accordingly.

The matter was discussed in the DAC meetings held on 5th & 6th January 2026 and 11th February 2026 wherein the DAC directed to recover the difference of cost from the original contractors. The DAC also directed to en-cash the bank guarantees and blacklist the contractors.

Audit recommends prompt pursuance of encashment of performance securities, recovery of risk & cost amount and blacklisting of the defaulting contractors.

2.9 Non-completion of work due to non-securing of timely funds for the project

Clause 63.1 (Default of Contractor) and Clause 69.1 (Default of Employer) govern the termination of contracts. If a contractor defaults, the Employer can encash performance securities and complete the work at the contractor's risk and cost. Conversely, if the Employer defaults (e.g., non-payment), the contractor has the right to terminate.

Audit observed that the contractor served a termination notice in March 2025, but the Authority failed to encash the contractor's performance security or award the remaining work to a substitute contractor at the original contractor's risk and cost. This resulted into loss of Rs. 2,234.298 million as mobilization advance and non-encashment of performance guarantee amounting to Rs. 2,283.748 million.

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The management replied that the default lies with the Employer (NHA/Govt) because the Ministry of Finance failed to release PSDP funds for 11 months. Under Clause 69.1, the contractor was legally entitled to stop work due to non-payment. Therefore, NHA has no legal grounds to encash securities or initiate risk and cost proceedings against the contractor is the aggrieved party in this instance. The management's stance is not acceptable as arrangement of funds was responsibility of the Authority.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein DAC pended the para till decision on the matter by NHA Authorities.

Audit recommends that matter be examined at appropriate level and action be taken accordingly. (Para 10 of GM Const NHA M-1 to D.I Khan Yarik Sagu)

2.10 Non-adjustment and auction of dismantled material

NHA General Specifications, Item No. 510.2, provides that salvaged pipe culverts or other structures shall be stored at designated points as approved by the Engineer and shall remain the property of the Client. Dismantled material must be accounted for and disposed of through auction with proceeds credited to the project. Additionally, according to Bill of Quantities

(BOQ) Item Non-scheduled Item (NSI)-III, existing pavement structure is to be reused as sub-base material at a rate of Rs. 300 per cubic meter.

Audit observed that in four (4) works, the Authority did not adjust the quantity of material obtained from breaking of existing pavement structure while making payment for item of work providing & laying sub-base. The payment for item of wok dismantling of structure was also made without adjustment of salvaged material in three works. This resulted in non-adjustment and auction of dismantled material amounting Rs. 89.021 million (**Appendix-VI)**

The management replied that while the BOQ allows reuse, the encountered scarified material has so far been found unsuitable (contaminated or below specification) for reuse. If any material meets NHA specifications in upcoming stages, the payment will be adjusted accordingly in future IPCs. In certain cases, material obtained was stored at camp office and will be auctioned in due course.

The matter was discussed in the DAC meetings held on 8th & 9th December 2025, 5th & 6th January 2026, 12th & 13th January 2026 and 11th February 2026 wherein DAC directed NHA to complete the process for disposal/auction of dismantled material within ninety (90) days and record be verified from Audit.

Audit recommends compliance of DAC directives.

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2.11 Irregular Expenditure via Bridge Financing from Road Maintenance Account (RMA)

As per Rule 9(3) of the Roads Maintenance Account (RMA) Rules, 2003, RMA resources must not be withdrawn to bridge finance non-eligible expenditure or be allocated for development projects and capital works. Eligible expenditures are strictly limited to road maintenance, rehabilitation, highway safety improvements, and the preservation of the existing network.

Audit observed that NHA incurred an expenditure of Rs. 5,397.406 million for execution of PSDP/ADB-funded works and the expenditure was charged to RMA account by bridge financing, which was inadmissible under the NHA Code or RMA rules (**Appendix-VII).** Audit is of the view that on one hand NHA is unable to generate matching resources for maintenance of road network through RMA, while on the other hand, RMA resources were irregularly diverted for ineligible expenditure.

The management replied that the bridge financing was made to avoid the delays in completion of PSDP works and releases and emergency restoration works. The amount shall be recouped in RMA account. The process to recoup the amount from the Federal Government (GoP) and transfer it back to the RMA is currently under process.

The matter was discussed in the DAC meetings held on 8th & 9th December 2025, 12th & 13th January 2026 and on 11th February 2026 wherein the DAC directed NHA to early recoup funds to RMA account and also directed to share the efforts regrading recoupment with Audit.

Audit recommends for early recoupment of the funds.

2.12 Overpayment Due to Non-Adjustment of Available Earth

As per NHA General Specification Item 108-C, the quantity of Formation of Embankment from Borrow must be calculated by taking the total embankment quantity and subtracting the quantities of roadway excavation, structural excavation, and granular backfill available from the site.

Audit observed that substantial quantity of earth was excavated from hills and road way excavation, yet the contractor was paid the full rate for embankment formation using borrowed material. The Authority did not adjust the cost of available excavated earth, leading to an overpayment of Rs. 231.651 million. (**Appendix-VIII)**

The management replied that in five cases, the excavated material from the specific sections was tested in the laboratory and found to be unsuitable for use in the road embankment. Consequently, the contractor had to bring suitable borrowed earth from approved pits. Further, in two (2) cases, the Authority has admitted that necessary adjustments will be made in subsequent IPCs.

The matter was discussed in the DAC meetings held on 10th & 11th December 2025, 5th & 6th January 2026 and on 11th February 2026 wherein the Committee directed NHA to adjust the available quantities in upcoming IPC of the work and get it verified from Audit. DAC further directed that certificate/lab report of non-suitability of material be provided to Audit for verification.

Audit recommends that admitted adjustments be made from the next payments and record be verified from Audit.

2.13 Overpayment due to Incorrect Application of Rates in Price Adjustment

Sub-Clause 70.1 of the Particular Conditions of Contract provides that amounts payable to the Contractor shall be adjusted for the rise or fall in the cost of labor, materials, and other inputs by applying a specific price adjustment formula using indices from relevant regions. The Standard Formula for Price Adjustment (2009) specifies that the Current Date Price must be the index prevalent 28 days prior to the start of the month of execution for which the payment statement is prepared.

Audit observed that the Authority applied incorrect current rates for Diesel and Steel for price adjustment in two works. Further, in three cases, price indices of different district were applied instead of district of work done. Application of incorrect rates led to overpayment of

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Rs. 56.247 million. (**Appendix-IX**)

The management admitted the irregularity and stated that price adjustment will be recalculated for necessary adjustment in the upcoming Escalation Payment Certificate (EPC).

The matter was discussed in the DAC meetings held on 10th & 11th December 2025 and 12th & 13th January 2026 wherein the DAC directed NHA to recover the overpaid amount and apply correct rates. The DAC also directed NHA to determine the rates of the specific city nearest to the site of project and provide relevant record for verification.

Audit recommends early recovery of overpaid amount.

2.14 Irregular Release of Retention Money to the Contractor

Clause 14.9 of the contract agreement provides that when the Taking-Over Certificate (TOC) has been issued and the works have passed all specified tests, the first half of the retention money shall be paid to the contractor.

Audit observed that the first half of retention money, amounting to Rs 775.000 million, was released to M/s FWO on May 15, 2025. However, the M&I inspection conducted in August 2024 revealed that 28 out of 82 asphalt cores were deficient in thickness, and several others failed compaction tests. Since the works had not successfully passed the specified quality tests, the contractor was technically ineligible for the release of these funds. This unauthorized release reflects weak internal controls and a violation of the recovery requirements for deficient work.

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The management replied that the project was opened to traffic in 2021 and the TOC was issued effective November 2022, the release of retention money was a fulfillment of contractual obligations and that the contractor had committed to rectifying minor defects during the Defects Notification Period.

The matter was discussed in the DAC meeting held on 10th & 11th December 2025 wherein the Committee directed NHA to submit a comprehensive report by conducting a Fact-Finding Inquiry and submit the report to Audit.

Audit recommends to investigate the matter for fixing responsibility. (Para 1 of GM (Maint.) Jaglot-Skardu NHA GB)

2.15 Non-reconciliation of Unutilized M-Tag Advances and Accrued Interest

As per Clause-3(ii) and (iii) of Article-VII of agreement, M-Tag Advance collection in respect of all motorways (till development of Pak-Tag) will continue to be deposited in existing M- Tag Account owned by OMC. However, earned M-Tag toll (cashless) pertaining to motorways will be deposited in Escrow Account after segregation of motorway-wise revenue as reflected by ETC system reports on next working day. After establishment of Pak-Tag (when applicable), the advance Pak-Tag collection will be deposited with Employer's designated bank account.

As per Clause-4 (i) & (ii) of Article-VII of agreement, the sharing of interest/profit accrued between employer and OMC on un-utilized advance of M-Tag will be determine as per utilization of M-Tag on Motorways during the month. Accordingly, the interest will be transferred to employer's account on monthly basis within first seven days of succeeding month. The interest accrued on un-utilized Pak-Tag/M-Tag Revenue may also be passed as incentive to the commuters of the Motorways with the approval of employer.

According to Clause 3.2 (i)(l) of Scope of Services, OMC may provide Pak Tag services upon request of Employer for which separate proposal will be submitted by OMC to Employer along with payment terms & conditions. OMC will help employer to develop Pak-Tag on Motorways having the ownership of employer and integrate the same with M-Tag.

Audit observed that:

i. NHA did not maintain the information regarding the advances and recharges of M-Tag, which were required to be determined on the basis of total M-Tag revenue. Furthermore, the interest/profit accrued on such balances was to be distributed between NHA and OMC but no sharing of interest/profit and its passing on to the commuters was available on record.

ii. No steps towards developing Pak-Tag with exclusive ownership of NHA were found made as per provision of the contract agreement.

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The management replied that M-Tag funds are managed through a joint venture and the reconciliation process is complex due to the high volume of daily transactions. The NHA is now moving towards a more automated accounting system to ensure all interest correctly captured and credited.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein the DAC directed that details of the Escrow account be provided and the matter be pursued with FWO at the earliest. The minutes of the meeting should also be shared with the Ministry and Audit. Status of development of Pak-tag also be shared with Audit.

Audit recommends implementation of contract clauses besides due recoveries from the operators. (Para 7 of GM (Revenue).

2.16 Non-recovery from Housing Societies for Right of Way (RoW) Usage

As per NHA's 2020 notification, NOC fees for housing schemes range from Rs. 24 million to Rs. 75 million depending on acreage, with additional refundable securities (Rs. 3–10 million) and annual approach rentals of Rs. 200,000 per approach.

Audit observed that major housing schemes i.e. Capital Smart City, Bahria Golf City, and G-15 are utilizing NHA's RoW for access on the M-2, N-5, and IMDC without NOC fee of Rs. 656.00 million.

NHA replied that Capital Smart City has been issued an NOC for partial land and additional recovery is underway; Bahria Golf City and others are being pursued for regularization; and G-15 and Fazaia already have NOCs. NHA is currently taking up the matter of irregularities and pending NOCs with housing society managements.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein the DAC directed NHA to provide the relevant records to Audit for verification.

Audit recommends recovery of dues besides pursuance of NOCs as per policy and verification of the same as per DAC directives. (Para 6 of GM RoW, NHA)

2.17 Non-recovery of Outstanding Dues from Oil Marketing Companies (OMCs)

As per Appendix-I of Chapter IV of the SOP 2002, OMCs are required to pay administrative charges and approach rentals on behalf of dealers upon a single notice from NHA, with surcharges ranging from 10% to 30% for defaults.

Audit observed that an amount of Rs. 4,200.00 million remained outstanding from filling/CNG station since 2005. NHA did not enforce the undertaking from OMCs to clear these dues or apply the mandatory 30% surcharge for the three-month default period. Furthermore, NHA Executive Board in its 326th held on 17th October, 2019 agreed in principle, that with effect from July 01, 2020 Consumer Price Index (CPI) based proposed/revised rates be submitted for consideration/ approval. However, no such revisions in rates were made.

The management replied the primary hurdle in recovering enhanced rates is the litigation in the Islamabad High Court (ICA 344 & 345/2022), where OMCs have challenged NHA's authority to revise rates. NHA is bound by court judgments to accept previous rental fees until the case is decided or an amicable settlement is reached. The matter remains subjudice, with the most recent hearing taking place in October 2025.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein the DAC directed that the case should be resolved at the earliest and handled properly. The management was also instructed to get all efforts made so far, verified by Audit. Moreover, the management should ensure that all actions taken, along with date-wise follow-up, are duly verified by Audit.

Audit recommends that the court case be pursued vigorously to materialize the potential revenue. (Para 9 of GM RoW, NHA)

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2.18 Non-recovery of Outstanding Dues from Right of Way (RoW) Users

Para 7, Appendix-I of the Regulatory Framework and SOP for Preservation and Commercial use of RoW (2002) stipulates that if commercial entities or government agencies fail to pay lease, ground, or approach rentals on time, a surcharge at prescribed rates must be applied.

Audit observed that an amount of Rs. 154.569 million was outstanding from various RoW users. This includes Rs. 3.862 million from 75 specific leases and Rs. 150.707 million from various amenities. NHA did not take penal action or apply surcharges against these defaulters, leading to significant non-recovery.

The management replied that recovering ground and approach rentals from thousands of NOC holders is a continuous and cumbersome process. Partial recovery has been achieved, including recovery Rs. 3.86 million from the 75 leases and Rs. 21.8 million from amenity approach rentals, both including surcharges where applicable. The management further replied that field offices are actively pursuing the remaining dues.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein the Committee directed full recovery of the outstanding dues and verified by Audit.

Audit recommends recovery of dues. (Para 19 of GM RoW, NHA)

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2.19 Non-recovery of Rent from NH&MP

Para 43 of the NHA Administrative Manual 2002 stipulates that rent for land and buildings must be charged with the Chairman's approval. Government hiring rates (Office Memorandum dated 13.12.2024) provide the standardized per-square-foot rates for such accommodations.

Audit observed that the National Highways and Motorway Police (NH&MP) were in possession of 18,500,957 square feet of NHA land at various locations across Pakistan. NHA did not recover an estimated Rs 87.885 billion in rent for the past five years as calculated by NHA Establishment Wing.

The management replied that a committee under the chairmanship of Member (Finance) NHA has been constituted to verify the buildings under NH&MP occupation. Further, a joint working group between NHA and NH&MP was formed in June 2025. The committee is currently reconciling the actual number of buildings, after which the financial impact will be finalized.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein the DAC directed that complete report be shared with Audit and the Ministry based on resolution of the issue.

Audit recommends pursue recovery of rent from NH&MP. (Para 4 of GM Establishment)

2.20 Price Escalation on Market Rate Items

Clause 70.1(b) excludes price adjustment (escalation) for items where the rate has already been analyzed based on current market rates at the time of a Variation Order (VO).

Audit observed that NHA inserted an item 'formation of Granular Material platform' in BOQ during execution of works through Variation Orders and rate of this item was analyzed on market basis. NHA paid Rs. 786.986 million on account of price escalation for non-BOQ item which was not admissible. This resulted in unauthorized price escalation on non-BOQ items, as detailed below:

(Rs in million)

AIR Para No.	Name of work	Total payment of price escalation	Payment of price escalation on non-BOQ item
12	Construction of Petaro-Sehwan (Package-IC)	759.246	394.808
18	Construction of Additional Carriageway on Indus Highway (N-55) Rojhan-Rajanpur	893.768	392.178
	Total escalation paid on non-BOQ items		**786.986**

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The management replied that the observation regarding improper escalation has been referred to the Project Director to work out the actual adjustment due and initiate recovery.

The matter was discussed in the DAC meetings held on 5th & 6th and 12th & 13th January 2026 wherein the DAC directed to provide the approved rate analysis and justification of allowing escalation on market rate items.

Audit recommends compliance of DAC directive or recovery of due amount. (Para No. 12 & 18 GM Budget & Accounts, NHA)

2.21 Non-enhancement of Rental Charges of Machinery

CPW Rule 378 stipulates that for every job involving the use of government machinery, an estimate of cost must be sanctioned by a competent authority. This estimate must include indirect charges, and the realized amount must be based on actual costs to avoid losses to the state exchequer.

Audit observed that NHA collected only Rs 5.016 million from renting out specialized machinery (Profilometer, Heavy Weight Deflectometer (HWD), and LCMS/Multi-function vehicle-MFV) to other government departments. NHA did not revise its rental rates since 2022

despite significant hikes in fuel prices, labor costs, and material expenses, leading to a loss of potential revenue.

The management admitted that current rates are nominal and explained that while these machines are primarily for internal Annual Maintenance Plan (AMP) surveys, these were rented out during idle periods. NHA has accepted the audit stance and assured that a revised rate schedule, aligned with the current price index, will be submitted to the National Highway Executive Board (NHEB) for approval.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein the DAC directed NHA to review rates and approval of revised rates be shared with Audit.

Audit recommends revision of rental charges of machinery in light with market dynamics. (Para 8 of GM RAMD NHA)

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3. Procurement

3.1 Installation of Sub-Standard Fence on M-5

NHA Composite Schedule of Rates (Item 611a) requires Galvanized wire mesh fence (1500 mm high, 10 SWG) with precast R.C.C. posts as the standard for motorway execution to ensure safety and durability.

Audit observed that NHA awarded 12 emergency contracts worth Rs. 195.618 million to install barbed wire (14 SWG) instead of the approved standard galvanized wire mesh (10 SWG) at Multan-Sukkur Motorway. Audit observed several irregularities: the use of sub-standard material, inflated rate analysis for non-schedule items without market quotations, and the ignoring of Motorway Police concerns regarding the sub-standard design. Using a lower-quality non-schedule item at high rates when a superior standard item was available in the CSR was a compromise on motorway security.

The management replied that the shift to barbed wire as a directive from the Prime Minister's Office to plug 156 km of stolen fence gaps within one-month, barbed wire is more economical (three times cheaper than mesh), more difficult to steal due to the risk of injury to thieves, and easier to repair. This initiative saved the national exchequer millions while effectively minimizing theft. The reply was not acceptable because prevailing standards were compromised and no comprehensive analysis to adopt barbed wire fence instead of Mesh wire fence was provided. This substandard wire would not be able to control the passage of wild animal on motorway leading to fatal accidents and damaging wild life. Further, rate analysis of both items and its approval along with quotation and latest report of Motorway Police regarding missing fence be shared with Audit.

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The matter was discussed in the DAC meeting held on 5th & 6th January 2026 wherein the DAC directed NHA to fix responsibility against the person(s) at fault and also directed to place the matter before Executive Board, provide justifications for using the substituted wire, rate analysis along with NHMP letters for verification.

Audit recommends that a comprehensive analysis be provided on what grounds a non-scheduled item was replaced with the scheduled one and provide details about its impact to avoid accidents and theft. (Para 16 of GM Maint NHA Punjab-South)

3.2 Award of Work via Direct Contracting without Sanctioned Estimate and in violation of Rule 42 (f) of Public Procurement Rules

Rule 42(f) of Public Procurement Rules 2004 states that procuring agency may engage in direct contracting with state owned entities subject to the conditions, namely:- (iii) in case there are more than one organizations or bodies eligible to perform the works or render the services,

the procuring agency shall hold competition amongst them through limited tendering (notifications) without any advertisements, however, giving reasonable time for submission of their applications or proposals; (iv) the procuring agency shall devise a mechanism for determining price reasonability to ensure that the prices offered by the state-owned entities are reasonable for award of the contract.

Audit observed that NHA awarded the installation of a Multi-Panel Bridge (MPB) at Sardi Wala to M/s FWO for Rs. 82.178 million through direct contracting in violation of Rule 42(f). This was done without a detailed estimate, evaluation of reasonability of rates and necessity of items (like design and security charges) which were included in the BOQ by the bidder.

The management replied that the project involved a specialized Matiere Bridge donated by the Government of France for flood relief. Due to the complex engineering required and the extreme urgency to restore connectivity, the work was awarded to M/s FWO on a Government-to-Government (G2G) basis under Rule 42(f) of the Public Procurement Rules, the hostile region and specialized nature of the work justified the rates and the direct award to a state-owned entity.

The matter was discussed in the DAC meeting held on 11th February 2026 wherein the DAC directed NHA to submit a certificate of Member Zone concerned in this context that only M/s. FWO has expertise for installation of bridge in the country to Audit.

Audit recommends that fulfillment of conditionalities of award under rule 42(f) be substantiated with documentation. (Para 8 of GM Maint Balochistan NHA, Khuzdar)

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3.3 Award of work without fulfillment of requirements of Rule 42(f) of Public Procurement Rules

Rule 42(f) of Public Procurement Rules 2004 states that procuring agency may engage in direct contracting with state owned entities subject to the conditions, namely:- (iii) in case there are more than one organizations or bodies eligible to perform the works or render the services, the procuring agency shall hold competition amongst them through limited tendering (notifications) without any advertisements, however, giving reasonable time for submission of their applications or proposals; (iv) the procuring agency shall devise a mechanism for determining price reasonability to ensure that the prices offered by the state-owned entities are reasonable for award of the contract.

Audit noted that the NHA awarded work "All Weather Road Opening through Mechanized Snow Clearance from Km 720-806 (86KM) on KKH Sost to Khunjerab (N-35)" to M/s FWO through Memorandum of Understanding (MoU) signed in December 2023 for a period of 5 years. The agreement cost was Rs. 850.39 million for the year 2024-25 and payment of Rs. 850.39 million was made up to June 2025.

Audit observed the following:

i. The Routine Maintenance work from km 350-806 Karakorum Highway (N-35) for the year 2024-25 amounting to Rs. 1,371.250 million was awarded to M/s FWO. A separate special maintenance contract for all weather road opening through mechanized snow clearance of KKH from km 720-806 amounting to Rs. 850.39 million was also awarded to the same contractor for 86 km stretch of the same road.

ii. The single bid was accepted without analyzing the price reasonability, as required under rule 42 (f) (iv) of Public Procurement Rules.

iii. Detailed Engineering Estimates of the work to be executed were neither prepared nor technically sanctioned.

iv. No feasibility study was prepared or approved for mechanized clearance of snow at Khunjerab during winters.

v. Payments were made to the contractor without obtaining the required monthly and annual reports from the contractor during the contract period.

Audit is of the view that the lapse occurred due to disregard of regulatory provisions ensuring transparency and value for money.

The management replied that being the specific nature of contract, an MOU was signed between Chairman NHA & D.G FWO for mechanized snow clearance between Sost and Khunjerab on KKH (N-35). After conclusion of contract agreement, the Authority carried out the work through M/s FWO, and the payments were made in accordance with the agreement. Subsequently, the Authority has made payments Rs. 850.39 million as per the approved reimbursable cost methodology, in equal installments. The Routine Maintenance work from km 350-806 KKH (N-35) for the year 2024-25 amounting to Rs. 1,371.250 million has been awarded to M/s FWO, and a separate special maintenance contract for the specific works of all-weather road opening through mechanized snow clearance of KKH from km 720-806 amounting to Rs. 850.39 million has also been made with M/s FWO.

Audit is of the view as the work was not awarded as per Public Procurement Rules. Furthermore, no detailed estimates were prepared to justify the rates quoted by the contractor. Monthly and annual progress reports were not prepared to assess the subsequent year's contract cost.

The matter was discussed in the DAC meeting held on 10th & 11th December 2025 wherein the Committee directed NHA to provide record pertaining to award of the snow clearance work along with price reasonability to Audit for verification.

Audit recommends compliance of DAC directive. (Para 5 of GM (Maint.) Jaglot-Skardu NHA)

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3.4 Loss due to Award of Routine Maintenance Works at Higher Rates

Para-56 of NHA Code provides that Technical Sanction is a guarantee that estimates are accurately calculated based on adequate data and ensures that utmost economy is observed consistently with good workmanship and materials.

Audit observed that the Routine Maintenance contract for KKH (N-35) for 2024-25 was awarded to M/s FWO for Rs. 1,371.250 million, which is significantly higher than the previous year's cost of Rs. 1,097.00 million. Even allowing for a standard 10% annual increase, the cost should have been Rs. 1,206.7 million, resulting in an unjustified excess of Rs 164.55 million. The work was awarded through direct contracting without a competitive bidding process or a detailed survey to justify the extraordinary cost hike.

The management replied that the work was awarded to M/s FWO with the anticipatory approval of the Chairman NHA. Audit did not agree with the management stance as the matter requires approval National Highway Executive Board.

The matter was discussed in the DAC meeting held on 10th & 11th December 2025 wherein the DAC directed NHA to provide NHA Board's approval and detailed justifications of enhanced cost.

Audit recommends that approval of Executive Board besides justification/reasonability of rates be shared with Audit. (Para 7 of GM (Maint.) Jaglot-Skardu GB)

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3.5 Overpayment due to Non-Revision of Rates after Variation

Clause 52.2 of the Particular Conditions of Contract mandates a re-rating of items if the varied quantity exceeds 30% of the original BOQ quantity and the total value of that item exceeds 2% of the contract price.

Audit observed that in project 'Construction of Peshawar Northern Bypass (Package-3A) Warsak Road to Nasir Bagh Road' the quantity of Steel Reinforcement Grade-60 increased by 160% (from 892 to 2,323 Tons). The cost of this variation exceeded the 2% threshold of the contract price, yet the Authority continued to pay the contractor at the original quoted rate (10% above CSR) instead of applying a lower, competitive re-rated price. The failure to re-rate this item as per the contractual trigger resulted in an overpayment of Rs 11.171 million.

Further, in another project 'Dualization and Improvement of Indus Highway (N-55) Karak to Kohat, the quantity of item 'excavation of unsuitable material' was increased by 1,825% (from 330,000 cu.m to over 6,351,254 cu.m). Despite this variation, which equaled 19% of the revised contract cost, the Authority continued to pay the contractor at the original quoted rate, which was 25% higher than the Engineer's Estimate. The failure to re-rate this item to a lower, competitive price resulted in an overpayment of Rs 434.930 million.

The management replied in first case that necessary recoveries will be made after the Engineer determines the new rates after completion. Further, in second case, it was replied that variation was caused by a major re-alignment of Speena Morr Bypass approved by the NHA Executive Board to reduce fatal accidents. Re-rating was not approved by the Executive Board.

The matter was discussed in the DAC meeting held on 10th & 11th December 2025 wherein the DAC directed NHA to recover the overpaid amount and compliance be shared with Audit within 90 days and also directed to provide NHA Board's decision on revision of rates.

Audit recommends recovery besides approval of NHA Executive Board regarding re-rating with detailed calculations. (Para 9 & 11 of GM Const NHA Peshawar)

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4. Operational Processes, Targets and KPIs

4.1 Project management analysis

During the last five years (2020–2025), the National Highway Authority completed 24 development projects across its Central, North, and West Zones as per record provided by General Manager (Engineering Coordination). A review of these projects indicates recurring problems in planning, execution, monitoring, and financial closure as under:

Deficiencies in Cost Estimation and PC-I Revisions: A key weakness in NHA projects is the frequent revision of PC-Is, which reflects poor planning and unrealistic cost estimation at the approval stage. Out of 24 completed projects, 8 required revisions of cost estimates, showing that one-third of the projects were initially underestimated. For example, the Construction of Kot Pindi Das Interchange on M-2 was approved at Rs. 550.55 million but later revised to Rs. 1,093.78 million, reflecting an increase of about 99%. Similarly, the Construction of Two-Lane Highway from Jaglot to Skardu rose from Rs. 22,154 million to Rs. 33,270 million, an increase of nearly 50%. Another case is the Improvement and Widening of Road from Thokar Niaz Baig to Hudiara Drain, where costs also increased significantly during revision. These substantial upward revisions highlight systemic flaws in project planning, inadequate technical assessments, and absence of proper feasibility studies.

Time Overruns for completed Projects: A review of the 24 projects completed by NHA during the last five years reveals that time overruns were widespread and persistent. Out of these projects, only one project, "Construction of 8 Lanes Overhead Bridge at Imamia Colony Railway crossing at Shahdra (N-5)" was completed within the stipulated timeline, while all others suffered delays of varying degrees. The delays ranged from as low as 37 days to as high as 1,155 days, with the maximum overrun recorded in "Construction of Hakla (M-1) to Yarik (D. I. Khan) Motorway, Package - 4 (Pindigheb to Tarap)". Several projects reported delays exceeding two years, demonstrating a systemic weakness in adhering to original schedules. These repeated extensions not only undermined the credibility of initial planning but also had a direct impact on cost escalation, as inflation and prolonged resource deployment increased expenditures.

Cost overruns for completed projects: The analysis of 24 completed projects shows that cost overruns were a recurring challenge across NHA's portfolio. For example, 6 projects reported cost overrun of more than Rs. 500 million. Overall, the price escalation points to serious deficiencies in initial cost estimation, feasibility studies, and timely decision-making. Inflationary pressures and delays also contributed to escalations, since prolonged execution periods increased costs due to market price fluctuations. Together, these factors significantly undermined the efficiency of public spending.

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Delays in Financial Closure (Final Bills): Final bills are an essential part of project closure as this confirm actual expenditure and settle contractor claims besides providing reliable cost data for planning future projects. In the case of NHA, compliance with this requirement has been very weak. Out of 24 projects completed in the last five years, only 7 projects (29%) had their final bills cleared, while the remaining 17 projects (71%) are still pending despite physical completion. This lack of timely financial closure has several consequences. It prolongs outstanding liabilities, increases the risk of disputes with contractors, and leaves project accounts incomplete. It also creates difficulties for auditors and oversight institutions, as expenditures cannot be fully verified without final bills.

Weak Compliance with PC-IV Submissions: PC-IV reports are essential and assess whether a project delivered the expected results within the approved cost and time, and also capture the lessons learned for future planning. However, the compliance level in NHA projects has been very poor. Out of 24 projects completed in the last five years, only 3 PC-IVs were submitted, leaving the 21 without any formal evaluation. This lack of reporting means there is no systematic record to confirm if the projects achieved their intended objectives or whether the resources were used efficiently. Out of the 24 projects, only 7 had their final bills cleared, while the rest remain not finalized. This incomplete financial closure also raises the level of mismanagement within the organization. In turn, this makes it difficult to plan new projects on the basis of accurate cost and expenditure data. (GM Engineering Coord NHA)

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4.2 Issues relating to Monitoring & Inspection of the Works

According to Standard Operating Procedures (SOPs) for inspection of ongoing construction works (2014), the Monitoring & Inspection Wing of NHA will conduct monitoring at various stages i.e. on achieving physical progress between 30–50% and 60–80%, Taking-Over Certificate (TOC) and Defect Liability Certificate (DLC). Furthermore, Clause 49.2 of the contract agreement stipulates that contractors shall complete any outstanding work and rectify defects identified during the inspection to the satisfaction of the Engineer. According to the NHA Monitoring Guidelines dated March 11, 2015, monitoring officers are required to conduct visual condition surveys, monitor ongoing maintenance works, and verify field activities. Field formations are under obligation to ensure strict compliance with the observations raised in these monitoring reports to maintain the quality and integrity of the road network.

Audit observed following:

i. Audit noted that M&I wing of NHA inspected forty-six (46) works at various stages i.e. execution, TOC & DLC, and identified defects and incomplete works like deficient asphaltic thickness, asphaltic slippage, rain-cuts, cracks, damaged shoulders, unexecuted guardrails, U-turns, IRI tests, pavement marking etc. as detailed in **Appendix-X**. Audit

observed that project authorities did not address significant defects and balance works identified during M&I inspections. Non-compliance of M&I observations indicates a weak follow-up of quality assurance mechanism.

The management replied that compliance reports of rectified works will be shared besides identified recoveries and completion of unexecuted works will be ensured before finalization of accounts. Audit recommends compliance of M&I reports.

ii. M&I Wing of NHA did not conduct inspection of thirteen (13) ongoing works (**Appendix-XI)**. Audit observed following institutional issues:

a. Region-wise monthly progress reports of ongoing construction projects (PSDP and Aided) were not being forwarded to the Inspection Wing to conduct inspection between 30 to 50 percent and between 60 to 80 percent to assure quality of work.
b. Project authorities sent request to M&I wing to conduct inspection only for issuance of TOC & DLC.

Absence of monitoring of the Project at two crucial stages i.e. 30-50% & 60-80% poses the risk of structural instability as quality tests of underneath layers at the time of TOC/DLC could not be performed i.e. compaction, field density tests to assure quality of executed work.

The management replied that inspections for specific projects in Balochistan and Sindh could not be conducted primarily due to non-provision of physical progress reports by the Projects Directors and because of law-and-order situation. Inspection will be carried out shorty and outcome will be shared with Audit accordingly. Audit recommends that measures be taken to ensure liaison between M&I wing and project authorities for timely inspections as per SoP.

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iii. Regional monitoring officers issued reports pertaining to Karachi, Sukkur, Peshawar, Lahore, Multan and Quetta for maintenance works valued at Rs 71,678.00 million, highlighting various technical deficiencies and deviations from specifications. No evidence for corrective measures on the reports was shared with audit.

The management replied that the monitoring reports are shared with the relevant Maintenance units for rectification. The process of compliance is ongoing and many of the pointed-out defects have already been addressed by the contractors. Consolidated compliance report, vetted by the monitoring team, would be provided to Audit during the next session. Audit recommends compliance of M&I reports. (GM M&I)

iv. Maintenance works across Punjab, Sindh, Balochistan, and Khyber Pakhtunkhwa worth Rs 28,131.939 million were executed under the Annual Maintenance Plans but 50% stage inspection by the M&I Wing were not conducted.

The management replied that the M&I Wing faces significant human resource constraints and logistical challenges. While 50% stage inspections are ideal, prioritize inspections at the Taking Over Certificate (TOC) and Defects Liability Certificate (DLC) stages, efforts are being made to strengthen the regional M&I setups to ensure better coverage of ongoing works. Audit recommends that measures be taken to ensure liaison between M&I wing and project authorities for timely inspections as per SoP. (GM RAMD NHA)

v. In seven regions (Gilgit, Gwadar, M-1, Kallar Kahar, Khuzdar, Muzaffarabad, and Abbottabad), the posts of Regional Monitoring Officers remained vacant. Maintenance expenditure of Rs 34,696.00 million was incurred during FY 2023-24 and 2024-25, but works remained uninspected due to vacant posts of Regional Monitoring Officer.

The management replied that inspections for Abbottabad, Muzaffarabad, and M-1 have been conducted by assigning officers from HQs/Regions on an assignment basis and Kallar Kahar (M-2) is under a concession agreement. For Gwadar and Khuzdar, inspections were hindered by the law-and-order situation. However, NHA is currently processing the deployment of dedicated Regional Deputy Directors/Assistant Directors (M&I) to strengthen the wing. Audit recommends observance of institutional framework to ensure monitoring of works for long term stability. (GM M&I)

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The matter was discussed in the DAC meetings held on 8th -11th December 2025, 5th & 6th January 2026, 12th & 13th January 2026 and on 11th February 2026 wherein the DAC directed that M&I reports and compliance of the deficiencies of works/quality as pointed out by the M&I be submitted through M&I Wing.

Audit recommends compliance of DAC directive.

4.3 Creation of liabilities/Overambitious Annual Maintenance Plan 2024-25

Para 5.9.3 Chapter-5 of SOP RMA NHA code (Volume-II) provides that maintenance works shall commence from 1st July of every calendar year and be completed during the financial year by 30th June of the next calendar year. Further, the Annual Maintenance Plan (AMP) serves as the primary instrument for preserving the highway network. Timely procurement of maintenance works is essential to prevent road deterioration and ensure the safety of commuter.

Audit noted that the NHEB, in its 463rd meeting held on 26th May 2024, accorded approval of the Annual Maintenance Plan (AMP) 2024-25 amounting to Rs. 66,936.58 million, in addition to carry-forward liabilities from the previous year amounting to Rs. 67,835.17 million. An amount of Rs. 28,293.95 million was allocated for functional overlay, structural

overlay and rehabilitation respectively under AMP 2024-25 which constituted 42.27% of the current year's AMP.

Audit observed that despite the approval of the AMP 2024-25 with an allocation of Rs. 28,293.95 million under periodic maintenance and rehabilitation to prevent road from deterioration and ensure the safety of commuters, NHA failed to initiate the procurement process for these works. Audit further observed that in most of the regions i.e. Burhan, Faisalabad, Khuzdar and Multan, works pertaining to previous year's AMPs were executed during 2025-26 leaving the current year's AMP unimplemented (**Appendix-XII)**. Audit further observed that a sum of Rs. 63,906.74 million was released and utilized across all 13 regions/units and headquarters against overall approved AMP for Rs. 134,771.75 million (including current and previous years liability). The overall utilization stands at 47.42%. The delay in execution may lead to the deterioration of the road network, which will eventually require more expensive rehabilitation rather than preventive maintenance. This reflects a lack of planning and slow administrative processing within the RAMD wing.

The management replied that the delay was due to the late approval of the RMA (Road Maintenance Account) budget and the transition to a new e-bidding system, tenders for a significant portion of the AMP works have now been advertised and the procurement is in various stages of completion. The reply is not acceptable because delay in approval of AMP is against the spirit of NHA Code which requires completion of maintenance works within the same year and therefore is a mismanagement of NHA.

The matter was discussed in the DAC meetings held on 8th -11th December 2025, 5th & 6th January 2026, 12th & 13th January 2026 and 11th February 2026 wherein the DAC directed to revise the SOPs regarding annual maintenance plan implementation from NHA Board and also directed to implement the annual maintenance plan.

Audit recommends that implementation strategy for AMP be strengthened through expeditious procurement processes.

4.4 Deviation from Technically Sanctioned Stretches

National Highway Executive Board accorded approval for execution of work PM-AJK-23-75-01 on specified chainages of 12.5 Km on South Bound Carriageway and 4 Km on North Bound Carriageway at N-75 (Islamabad Murree Dual Carriageway).

Audit observed that in Contract No. PM-AJK-23-75-01, various BOQ and Non-BOQ items were executed on stretches (RD 8+500 to 10+000 NBC) which were not included in the original technical sanction. Since estimates are finalized after thorough site inspections and surveys, subsequent changes to the location undermine the sanctity of the competitive bidding process and the technical sanction. This unauthorized shift in scope resulted in an irregular payment of Rs 42.680 million. Audit maintains that this non-adherence to contract provisions constitutes procedural lapse.

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The management replied that the road portion underneath the Bharakahu Flyover was severely damaged by CDA construction activities. CDA, though was legally obligated to repair the assets, requested NHA to undertake the work due to their weak financial position, committing to future recoupment. Consequently, NHA obtained principle and formal approval for a Variation Order (VO) from the Member (Engineering Coord) to include the damaged reach (KM 8+500 to 10+000) for traffic ease.

The matter was discussed in the DAC meeting held on 5th & 6th January 2026 wherein the DAC directed to provide RD-wise detailed measurements to Audit for verification.

Audit recommends compliance of DAC directive. (Para 1 of GM Maint NHA, Muzaffarabad)

4.5 Non-Observance of International Roughness Index (IRI) Standards on M-2

Schedule A, Clause 4 of the Concession Agreement defines the basic parameters for riding quality. During the operation phase, the International Roughness Index (IRI) must not be greater than 3.5m/KM. Any value exceeding this threshold requires immediate rectification, such as patching or asphalt overlays, to ensure commuter safety and vehicle efficiency.

Audit observed that the IRI reports for the year 2024-25 the riding quality at various locations across the M-2 Motorway exceeded the permissible limit of 3.5. These high IRI values indicate a bumpy surface, poor maintenance, and potential structural distress in the asphalt layers. The non maintaining of the road within the agreed IRI standards constitutes a violation of the Concessionaire's operational obligations and reduces the service life of the motorway.

The management replied that IRI reports showed that some stretches initially exceeded the 3.5 limit. It was further informed that the Concessionaire was directed to address these areas through pothole filling, patchwork, and removing rutting. After these interventions, an updated report showed that only approximately 1.75 KM of the road remains above the permissible limit, and the Concessionaire has been requested to bring these final stretches into compliance. The reply was not acceptable because the concessioner carried out IRI tests from its own equipment without engaging NHA respective wing i.e. RAMD to authenticate IRI report results.

The matter was discussed in the DAC meeting held on 5th & 6th January 2026 wherein the DAC directed NHA to provide the IRI reports to Audit for verification.

Audit recommends management to ensure compliance with permissible limits as per provision of the IRI standards and share IRI reports as directed by DAC. (Para 17 of GM Maint M-2 & M-4 Faisalabad/Kallar Kahar)

4.6 Delay in Implementation of PC-I for Lahore-Bahawalnagar Motorway

Para 2.48 Chapter 2, of the Project Manual states that the cost estimates of a project must be prepared with due care and diligence so that these only require revision on an exceptional

basis and project implementation is not delayed due to the non-availability of funds. Besides, the cost debitable to the development budget must be distinguished from the cost debitable to the revenue budget.

Audit observed that ECNEC approved the project amounting to Rs. 263,795.863 million in July 2023 with a 36-month implementation period. However, the construction has not yet commenced on Lahore-Bahawalnagar Motorway. These delays and procedural violations reflect weak internal controls and negligence in adhering to the approved PC-I schedule.

The management replied that the revision of the PC-I is under process due to conversion of the estimates from CSR-2022 to CSR-2024 and the partial release of funds are also contributing factors for delay.

The matter was discussed in the DAC meeting held on 5th & 6th January 2026 wherein the DAC directed NHA to provide latest Progress Report along with revised reply, decision of CDWP and approval for additional payment of Rs 1 billion to Audit for verification.

Audit recommends early execution of project to avoid cost overrun implementation and share progress reports, decision of CDWP and approval for additional payment as directed by DAC. (Para 4 of GM PM Package NHA, Lahore)

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4.7 Overpayment Due to Measurement of Items Beyond Theoretical Limits

According to Para 209 (d) of the CPWA Code, all payments for work done must be based on quantities recorded accurately in the Measurement Book (MB). It is incumbent upon the person taking measurements to record dimensions clearly and precisely to ensure that payments do not exceed the actual work performed according to the sanctioned designs and theoretical limits.

Audit observed that the Authority measured and paid excess quantities of the items 'granular sub-base course' and 'formation of embankment' for a total quantity 82,316 cum which exceeded the theoretical volumes calculated from the approved cross-sections against the project 'Construction of Hoshab-Awaran Road (Section-2)'. This deviation from the design parameters resulted in an overpayment of Rs. 71.492 million to the contractors, as detailed below:

AIR Para No.	Name of item	Quantity paid (cu.m)	Quantity to be paid (cu.m)	Difference (cu.m)	Rate (Rs)	Amount Rs. in million
01	Granular Subbase course	144,825	108,502	36,323	Rs. 1,500	54.485
09	Formation of Embankment	332,955	309,802	23,156	Rs. 340	7.873
12	Formation of Embankment	328,425	305,588	22, 837	Rs. 400	9.134
					Total	**71.492**

The management replied that variations were documented by the supervision consultant and are being regularized through a Variation Order. Further, in two cases, the 1:2 slope was applied because the sub-grade is an integral part of the embankment formation, which is designed with a 1:2 slope as per the drawings. The layers directly beneath the asphalt (aggregate base and sub-base) are restricted to the 1:1 slope.

The matter was discussed in the DAC meeting held on 11th February 2026 wherein the DAC directed NHA to effect recovery if the work is carried out with 1H:2V slope beyond the approved design.

Audit recommends recovery of the overpaid amount. (GM Const South Balochistan NHA Khuzdar AIR Para No. 1,9 & 12)

4.8 Inadmissible payment on account of extra item

Technical sanctions must ensure that only necessary items of work are included. Para 56 of the NHA Code prohibits the inclusion of superfluous or redundant items that do not contribute to the structural integrity or functional requirement of the project.

Audit observed that an expenditure of Rs. 34.43 million on an item of work, extra compaction/additional layers, was inadmissible based on the original design and soil reports. The Authority introduced this item through a Variation Order without providing a technical justification for why the original specifications were insufficient.

The management replied that additional work was required due to a change in the moisture content of the soil discovered during execution, which necessitated extra compaction to meet the density requirements. The change was essential for the road's durability.

The matter was discussed in the DAC meeting held on 11th February 2026 wherein the DAC directed NHA to share technical report regarding usage of concrete class A3 instead of class A1 with Audit.

Audit recommends compliance of DAC directive. (Para 8 of GM Const North NHA Quetta)

4.9 Unauthentic Payment of Afforestation Works

According to Supplementary Specifications Clause 10 & 11, contractors for tree plantation must establish computerized nurseries, maintain inventory, provide tree guards/stakes, and ensure a 100% survival rate after 12 months. Maintenance costs are deemed included in the quoted rates and are not paid separately.

Audit observed unauthentic payments amounting to Rs. 54.894 million for afforestation works on the N-55 and N-5 highways. The contractors did not establish the mandatory containerized nurseries, besides non-maintaining proper inventory registers regarding species,

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location sketches, or casualty replacements. Audit maintains that the survival of the plantation is at risk and the payments lack technical authenticity and transparency.

The management replied that inventory registers are being maintained and that the contractors have established nurseries at specific KMs (e.g., KM 135-136 on N-55).

The matter was discussed in the DAC meeting held on 12th & 13th January 2026 wherein the DAC directed the Director (Afforestation) NHA to conduct a survey on tree plantation and submit the survey report to Audit for verification.

Audit recommends compliance of DAC directive. (Para 9 of GM Maint Sindh South NHA Karachi)

4.10 Unjustified execution of Guard Rail Posts

NHA General Specifications Items 604.2.4 and 604.4.1 specify that guard rail posts shall be galvanized and installed at a standard-length spacing of 3.81 meters. Specifications provides that Guard Rail Posts shall be galvanized and the section and length specified and as per standard design and practice, length spacing of a post is 3.81 meter.

Audit observed that the contractor was paid for 4,568 steel posts to support 8,582.4 meters of guard rail. Based on the NHA standard spacing of 3.81 meters, only 2,252.59 posts should have been required. The use of much narrower spacing (approx. 1.87 meters) resulted in the execution of unauthentic quantities beyond the required specification which resulted into an overpayment of Rs 8.335 million. Audit highlighted that the project drawings themselves violated NHA's general specifications regarding post spacing.

The management replied that the posts were installed at 1.875-meter spacing as per the approved tender drawings & NHA specifications also allow spacing of posts as shown on the drawings. The reply was not acceptable because NHA General specifications requires adherence to 3.81 meters spacing.

The matter was discussed in the DAC meeting held on 12th & 13th January 2026 wherein the DAC directed NHA to either review the NHA general specifications quoted in the audit observation or otherwise execute the work according to existing specifications. The DAC also directed NHA to provide approved drawing & design of the project along with BOQ and Measurement Books to Audit for verification.

Audit recommends adherence to NHA specification besides recovery of excess paid amount. (Para 9 of GM CAREC Tranche-I, Sindh North, NHA Sukkur)

4.11 Non-enforcement of axle load at Motorway Weigh Stations

As per Sr. No. 4 of Twelfth Schedule of the National Highways Safety Ordinance, 2000, as amended by the Ministry of Communications vide SRO No. 1418(I)/2019 dated 18.11.2019,

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the fine of moving violation in the category of "Carrying goods less than 15% in excess of permissible load" is Rs 10,000.

Audit observed from the activity reports of thirty-seven weigh stations located at the entry points of motorways; the management did not impose fine on 40,957 overloaded trucks (**Appendix-XIII**) and allowed to divert on alternative routes. Moreover, this act resulted in higher road maintenance liabilities due to the premature deterioration of the pavement. The operators were often found by passing the weighing process in collusion with drivers. This practice undermined the very purpose of the weight stations and caused a loss of revenue amounting to Rs 409.570 million.

The management replied that surprise inspections have been increased besides installing cameras at weigh stations to monitor the process remotely.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein the DAC directed NHA to take up the matter with National Highways & Motorway Police for enforcement. Para is pended till enforcement of strict action.

Audit recommends compliance of DAC directive (Para 5 of GM (Revenue)

4.12 Non-Operational Toll Plazas leading to Revenue Loss

All authorized toll plazas must remain operational according to the schedule to ensure the continuous realization of government revenue.

Audit observed a loss to the Authority caused by forty-three toll plazas (**Appendix-XIV**) remaining non-operational for extended periods without valid technical or legal justifications. This resulted in a significant shortfall in the expected revenue collection, as traffic passed through these sections without being tolled. The management did not provide timely interim arrangements or expedite the re-tendering process to keep these sites active. This reflects a lack of proactive revenue management and ineffective coordination among the field offices and the Revenue Wing.

The management replied that the non-operation was due to external factors such as local law and order situations, court stay orders, or the completion of road works. Efforts are being made to resolve these hurdles and restart collection.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein the DAC directed that plaza-wise details, including the current position, justifications, and efforts made, be shared with Audit, along with documented reasons for the delay in operationalizing the plazas.

Audit recommends early operationalization of toll plazas to avoid revenue loss. (Para 4 of GM Revenue)

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4.13 Less deposit of toll revenue collected through interim arrangement

According to Para 12 (b) of chapter-11 of NHA code vol-I, in the event of an emergency arising from the premature termination of contract or due to suspension of the toll collection by the contractor for reasons beyond his control, the General Manager (Region) after seeking approval of the Chairman, NHA, shall collect the toll revenues departmentally till award of a fresh contract. General Manager concerned shall employ such establishment on work charge basis.

Audit observed that NHA operated twelve toll plazas through internal arrangements during the financial year 2023-24. The management collected toll amounting to Rs. 2,152.184 million during this period but deposited an amount of Rs. 2,098.542 million against realized revenue which resulted into less deposit of revenue for Rs. 53.642 million.

The management replied that interim collections are often lower because departmental staff lack the specialized resources of private operators. All collected funds have been deposited and the shortfall is merely a comparison with unrealistic bid targets. Reply was not acceptable because retention of collected toll income without getting approval from competent authority was not admissible.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein the DAC directed NHA that complete details of toll plazas operated departmentally, along with the approved imprest details, be provided to Audit. Further, details of the tenders should be submitted to Audit for verification. Audit emphasized that the balance amount be recovered from the operators within one week.

Audit recommends early realization of collected revenue into the authority accounts besides action against persons at fault. Audit further recommended that award of toll plazas through competitive bidding be ensured in timely manner so that shortfall through departmental collection could be avoided. (Para 9 of GM Revenue NHA)

4.14 Short revenue collection during interim departmental arrangements

According to Para 12(b) of Chapter-11 of the NHA Code Vol-I, tolls are to be collected through O&M contractors procured under Public Procurement Rules and NHA Roads Maintenance Account Rules. In emergency cases—such as premature contract termination or suspension of toll collection due to reasons beyond the contractor's control—the General Manager (Region), upon approval of the Chairman NHA, may assume interim charge of toll collection. The GM must employ necessary staff on a work-charge basis during this transitional period.

Audit noted that during FY 2021-22, GM (Revenue) NHA terminated three toll plaza contracts due to contractors' failure to timely deposit monthly guaranteed amounts. Consequently, toll collection was assigned to Regional GMs on an interim basis.

Audit observed that revenue collected at two toll plazas during this interim period was significantly lower than that of previous or subsequent contract-based collections, even though departmental collection was based on actual traffic count. This reflects inadequate revenue safeguards during the interim phase. The resulting shortfall amounted to Rs. 37.169 million, as detailed below. Moreover, the cost of collection through imprest mechanism further reduced net receipts.

Toll Plaza	**Previous Monthly Contract Rate (Rs)**	**Period of Depart-mental Collection**	**No. of Months**	**Depart-mental Collection (Rs)**	**Projected Amount as per previous contract rate (Rs)**	**Difference (Shortfall/(Excess) (Rs)**
(1)	(2)	(3)	(4)	(5)	(2)x(4)= (6)	(5)-(6)= (7)
Hakla-DIK, M-14	76,133,000	12.04.21 to 30.06.21	2.63	173,451,520	200,483,567	27,032,047
Shikarpur, N-55	12,690,786	05.09.21 to 28.10.21	1.77	11,929,970	22,420,388	10,490,419
Sehwan, N-55	4,507,786	21.10.21 to 14.12.21	1.80	8,467,050	8,114,015	(353,035)
			Total	**193,848,540**	**231,017,970**	**37,169,430**

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Failure to implement robust financial safeguards during interim toll collection led to unnecessary financial losses, undermining the economic use of resources. The dual responsibilities of GM concerned—including road maintenance and toll operations—impacted the quality and focus of toll collection, exposing an inefficient organizational response during transitional arrangements.

Audit pointed out the shortfall in June 2023. The management explained that toll operations were handed over to GMs after contractors defaulted and that toll collection was not effectively managed due to additional responsibilities assigned to the GM concerned.

The matter was discussed in DAC meeting held on 7th March 2024 wherein Audit apprised the committee that collection of revenue through departmental arrangement was on lesser side as compared with rates of contractors. DAC directed NHA to provide comprehensive report explaining toll-plaza wise justification, action against defaulting contractor (blacklisting, forfeiture of security deposit, etc) to Audit for verification. Compliance to DAC's directive was not made till the finalization of this report.

Audit recommends early compliance with DAC's directive by submitting a detailed justification and action plan to avoid future loss of revenue and improve interim financial governance. (Para 14 of GM Revenue NHA)

4.15 Premature DLC Inspection of projects without public use

According to Standard Operating Procedures (SOPs) for inspection of ongoing construction works (2014), the Monitoring & Inspection Wing of NHA will conduct monitoring at various stages i.e. on achieving physical progress between 30–50% and 60–80%, Taking-Over Certificate (TOC) and Defect Liability Certificate (DLC).

Audit observed that NHA conducted inspections and issued TOCs/DLCs for two major bridge projects (Layyah–Taunsa Bridge and Kallur Kot Bridge) totaling Rs. 4,619.600 million, without opening for traffic. The approach roads required to utilize these bridges remained unexecuted or unawarded, rendering the inspections and the entire investment effectively unutilized during the contract period.

The management replied that Layyah–Taunsa Package-I (Bridge) was completed, but Package-II (Approach Roads) was terminated due to contractor's default and remains stalled due to lack of funds.

In case of Kallur Kot project, the management replied that the CDWP directed the Provincial Governments (Punjab and KPK) to construct the approach roads, while NHA was only responsible for the bridge and river training works. Since the bridge was completed as per the contract, the DLC was issued.

The matter was discussed in the DAC meeting held on 5th & 6th January 26 wherein the DAC directed NHA to provide justification for issuance of DLC and also directed to take up the matter with Provincial Government to complete the approach road on priority.

Audit recommends that measures be taken to operationalize the bridges. (Para 2 of GM Monitoring & Inspection NHA)

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5. Internal Audit

5.1 Internal Audit Function in NHA

Internal Audit Wing (IAW) of NHA was established in 1998 and its detailed Standard Operating Procedures were issued in 2005 with the approval of Chairman NHA. Subsequently, an Internal Audit Manual was also framed in March 2017. The Internal Audit Wing has a sanctioned strength of 45 personnel including 8 officers and 37 support staff. Currently, six officers and 19 support staff are available. The Internal Audit Wing works independently and report directly to Chief Executive Officer/Chairman NHA.

In addition that certain functions of IAW are also referred to NHA Code (Vol-I) 2005 and NHA Administrative Manual, which require regular internal audit for verifying amounts of revenue collected and for resolving any dispute between the NHA and its collecting agents and any other concerned party and IAW will carry 100% inspection and physical verification of all stores record at headquarters and regions etc., with special emphasis upon store/assets record keeping.

Audit observed that the Internal Audit Wing prepared its Audit Plans for the financial years 2023-24 and 2024-25. However, internal audit of revenue collection was not included in those Audit Plans. Follow-up of internal audit reports was also not shared with Audit to examine compliance status. Further, internal audit reports of revenue collected were also not shared.

Audit recommends that Internal Audit Wing should ensure preparation of comprehensive Audit Plan covering revenue and administrative matters in addition to development works besides follow-up.

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6. ICT and Digitization

6.1 Non-conversion of Manual Toll Plazas to ETTM System

NHA is mandated to convert all manual toll plazas to the Electronic Toll & Traffic Management (ETTM) system to minimize human intervention and maximize revenue accuracy.

Audit observed that several high-traffic toll plazas continue to operate manually, failing the conversion deadline established by the Authority. This delay prevents NHA from achieving real-time monitoring and leads to continued reliance on manual data entry, which is prone to errors and manipulation. Audit noted that the slow pace of technological transition hinders the achievement of financial transparency and operational efficiency. The lack of a clear timeline for this conversion remains a significant point of concern for audit.

The management replied that the conversion is being carried out in phases based on the availability of funds and technical feasibility. The most significant revenue-generating plazas have already been prioritized for the next phase of ETTM implementation.

The matter was discussed in the DAC meeting held on 8th & 9th December 2025 wherein the DAC directed that a revised reply regarding the step-by-step capital-intensive investment be submitted. Furthermore, a comprehensive report on the issue be provided to Audit.

Audit recommends early conversion of all manual toll plazas on ETTM system to ensure transparency and operational efficiency. (Para 2 of GM Revenue NHA)

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7. Conclusion

The audit paras, read collectively with the financial statements, indicate material weaknesses in financial discipline, contract administration, procurement governance, and internal controls within NHA. While individual observations are often defended on technical, contractual, or administrative grounds, the aggregate pattern reveals recurring deviations from the canons of financial propriety, inconsistent enforcement of contractual remedies, and delayed regularization of liabilities and recoveries.

Key risk themes emerging from the audit include:

- Erosion of value for money due to acceptance of excessive premiums, execution of uncontrolled quantities, weak estimation practices, and irregular variation orders.
- Revenue leakage and non-recovery arising from non-imposition of liquidated damages, delayed recovery of shared costs, deficient tax deductions, expired performance securities, and weak enforcement of RoW commercial charges.
- Exposure of public funds to avoidable risk due to non-revalidation of guarantees, non-obtaining of insurance, delayed finalization of project accounts, and premature release of retention money.
- Weak contract lifecycle management, particularly in handling delays, defaults, arbitration, risk-and-cost recoveries, and escalation beyond approved PC-I provisions.
- Operational inefficiencies reflected in non-implementation of approved maintenance plans, overlapping maintenance activities, and execution of works outside technically sanctioned scopes.

Although management responses frequently cite approvals, EOTs, arbitration, inflation, concessionaire rights, or austerity measures, the audit evidence demonstrates that controls are reactive rather than preventive, and financial regularization is often pursued post-facto, increasing fiscal risk and undermining accountability. Overall, the audit points to the need for structural strengthening of governance frameworks rather than para-wise settlements, as the issues observed are not isolated but systemic in nature.

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8. Recommendations

1. Strengthen Contract Governance and Enforcement

- Enforce uniform application of Liquidated Damages, risk-and-cost recovery, and performance security requirements, irrespective of project size or contractor profile.
- Institutionalize time-bound decision-making on EOTs, terminations, and arbitration and litigation outcomes to avoid prolonged financial exposure.
- Prohibit payment of interest, escalation, or premiums where contractors are concurrently in default, unless explicitly justified and approved by the competent authority.

2. Restore Financial Discipline and Propriety

- Mandate pre-payment compliance checklists covering guarantees, insurance, tax deductions, recoveries, and BOQ controls before processing IPCs/EPCs.
- Align price escalation payments strictly with approved PC-I provisions, ensuring timely revision of PC-Is prior to exceeding sanctioned limits.
- Prevent release of retention money and final payments until project closure documentation (PC-IV, PC-V, asset registers) is fully completed.

3. Improve Estimation, BOQ Integrity, and Technical Controls

- Discontinue the use of open or silent BOQs except in narrowly defined emergencies, supported by Board-approved SOPs.
- Enforce realistic, survey-based estimates and restrict variations to exceptional cases, with quantified justification and prior approval.
- Require reconciliation of allied work items (e.g., milling vs asphalt quantities, excavation vs embankment) as a mandatory part of measurement certification.

4. Enhance Revenue and Recovery Mechanisms

- Establish a centralized recoveries dashboard for LDs, shared costs, RoW revenues, tax deductions, and advances to LACs.
- Impose strict timelines for recovery from external stakeholders (DHA, RDA, utilities) with escalation to higher forums in case of default.
- Link performance of field formations with measurable recovery and revenue targets.

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5. Reinforce Internal Controls and Accountability

- Introduce risk-based internal audits focusing on high-value variations, escalation claims, and maintenance contracts. Internal Audit Wing should ensure preparation of comprehensive Audit Plan covering revenue and administrative matters in addition to development works besides follow-up.
- Fix responsibility for lapses such as expired guarantees, non-obtaining of insurance, and excess payments, and initiate administrative action where negligence is established.
- Strengthen coordination between Engineering, Finance, RAMD, and Legal Wings to ensure end-to-end contract oversight.

6. Shift from Para Settlement to Systemic Reform

- Avoid treating audit paras as isolated compliance issues; instead, use them as inputs for policy refinement, SOP revision, and capacity building.
- Periodically place a consolidated audit risk report before the NHA Executive Board highlighting trends, recurring weaknesses, and financial exposure.

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Appendices

Appendix-I

Audit Objectives

The objective of Entity audit is to examine the activities of the Entity in a comprehensive manner covering its mandate, responsibilities, financial management, human resource management, procurement processes, operational processes, key performance indicators, digitization environment and to report audit findings in a holistic manner enabling the management and Principal Accounting Officer have a clear picture of the Entity's performance.

Scope

This Entity audit report contains audit findings resulting from the audit of National Highway Authority for the financial year 2023-24 and 2024-25. The report contains findings on different activities carried out by the NHA during the two financial years. The findings provide financial, compliance and performance audit perspective on the activities of the Entity.

Methodology

Desk audit was conducted to assess the systems, procedures, and control environment of the audited Entity. Permanent file and Planning file were reviewed and updated to understand the Entity's institutional framework. Audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and Financial Audit Manual issued by the Department of the Auditor-General of Pakistan. A structured methodology was adopted which included: updating business process knowledge with a focus on controls; identifying and prioritizing key controls based on risk; designing and executing audit programs; formulating operational and functional sphere-wise audit findings and practicable recommendations.

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Appendix-II

2.1 Non-finalization of accounts of completed works

S. No.	Name of Work	Project Cost (Rs in million)	Date of completion	Remarks
1.	Peshawar-Karachi Motorway Lahore-Abdul Hakeem Section (M-3) project (Para No. 11)	148,654.00	Maintenance Period completed 31.03.2022 2nd half of retention money released on 02.05.2025	Final bill and accounts remain unfinalized. PC-IV and PC-V documents have not been submitted, and project assets (vehicles, lab equipment) have not been recorded in the stock register.
2.	Construction of additional carriageway Petaro Sehwan, Package-1A (Section-3) (Para No. 21)	2,063.097	TOC March 2022 Defect Liability 30.06.2022	Despite the passage of more than three years and the expiry of the Defect Liability Period, the NHA management did not finalize the project accounts or prepare the mandatory PC-IV and PC-V reports.
3.	Improvement, Upgradation and Widening of Jaglot - Skardu Road (Para No. 03)	31,000.0	TOC issued on 06.05.2025 effective 01.11.2022	Accounts of the work have not yet been finalized
4.	Three Periodic Maintenance works. (GM NAs NHA Abbottabad) (Para No. 01)	217.001	2024-25	Three (3) works were physically completed and handed over, yet the final accounts have not been settled despite lapse for more than six months
5.	Maintenance works. GM (Maint.) Balochistan, North NHA Quetta (Para No. 12)	469.109	January/November 22.	Accounts for completed three periodic maintenance works (structural and functional overlay) were not finalized despite the works being completed in January/November 22.
6.	**Construction of M-1 to D.I. Khan project**			Despite the issuance of TOCs for all packages and DLCs for a few packages,
	Hakla to D. I. Khan Package - I Yarak -	13,257.000	TOC 28.07.2021	

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S. No.	Name of Work	Project Cost (Rs in million)	Date of completion	Remarks
	Rehmani Khel (55 Km)			the accounts of the works have still not been finalized, even after nearly three years since the issuance of the TOCs.
	Package-2A (25+400 to 50+791.64)	9,232.715	TOC 02.09.2021 DLC 22.04.2022	
	Package-2B (0+000 to 25+802.76)	7,250.000	TOC 04.11.2020 DLC 22.08.2023	
	Package-2C (13+400 to 19+940)	7,137.853	TOC 23.01.2022	
	Package-2D (0+00 to 13+400)	4,441.774	DLC 06.10.2020	
	Hakla to D. I. Khan Package - III Tarap to Kot Balian (0+000 to 52+500 km) 52.50 Km	20,628.943	TOC 13.10.2021	
	Package-IV-Pindi Gheb to Tarap Section 50 Km	21,386.222	TOC 01.01.2022	
	Package-V Hakla to Pindi Gheb (63.04 km)	16,886.803	TOC 01.01.2022	

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Appendix-III

2.2 Non-recovery of toll revenue from operators

(Rs in million)

AIR Para No.	Formation/Audit Year	Operator	Outstanding amount	Remarks
02	GM Revenue 2025-26	M/s NLC	5,377.665	Reciveable toll for the year 2024-25
04	GM Revenue 2025-26	Various operators	466.171	Reciveable toll for the year 2024-25
06	GM Revenue 2024-25	Various operators	680.853	Reciveable toll for the year 2024-25
10	GM Revenue 2024-25	Various operators	9,229.392	For the period March 2020 to September 2021
11	GM Revenue 2024-25	M/s Haji Mir Liaquat Ali Lehri	475.057	Reciveable toll for the year 2024-25
12	GM Revenue 2024-25	M/s FWO	11,190.963	Rs 7,117.721 million for the period Aug-2013 to 7th Aug-2018 & Rs 4,073.742 million

AIR Para No.	Formation/Audit Year	Operator	Outstanding amount	Remarks
				for the period 8th Aug-2018 to Jan-2021
13	GM Revenue 2024-25	M/s NLC	705.316	Reciveable toll for the year 2024-25
		Total	**28,125.417**	

Appendix-IV

2.3 Non-Adjustment of Land Acquisition Advances and Non-mutation of land

AIR Para No.	Name of Formation	Name of Project	Land Acquired	Amount (Rs. In Million)
15	General Manager, M-2, M-3, NHA, Lahore	Construction of an interchange at (M -3), Abdul Hakeem Motorway Essan, Sharaqpur, District, Sheikhupura, (20 Kms form M-2)	501 Kanal 18 Marlas	418.194
04	General Manager, M-2, M-3, NHA, Lahore	Construction of Kot Pindi Das interchange on M-2 Motorway	-	136.681
06	General Manager (Const.), M-1 to D.I.Khan (Yarik Sagu)	Dualization & Improvement of Existing N-50 from Yarik – Sagu Zhob Package-1, Yarik-Sagu (50 KMs)	-	300.000
06	General Manager, B & A, NHA, Islamabad	1.Improvement and widening of Chitral-Shandoor land acquisition, NHA, 2.Yarik - Mughalkot - Zhob Section N-50 (245 Km)	-	1640.491
09	General Manager, Kahuta – Rawalpindi, NHA	Dualization of Rawalpindi Kahuta Road	-	1,393.212
05	General Manager Construction KPK Chitral Lowari Tunnel Project	Improvement & Widening of Chitral – Booni – Mastuj – Shandur Road	-	1,858.304

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AIR Para No.	Name of Formation	Name of Project	Land Acquired	Amount (Rs. In Million)
13	GM CAREC Tranche II & III, NHA	Dualization & Rehabilitation of DG Khan-DI Khan of N-55	-	5,707.053
03	General Manager (Const) North, NHA, Quetta	Various Deputy Commissioners	-	1,417.500
03, 07 & 08	General Manager PM Package, NHA, Lahore	Extension of KLM Start point to Saggian road and main Ravi Bridge. Construction of Lahore Sahiwal Bahawalnagar Motorway. Construction of Lahore Bypass from Kalashah Kaku Exit to KLM to Multan Road near Radio Station	-	21,545.686
	Total			**34,417.121**

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Appendix-V

2.8 Non encashment of performance security, Non-Recovery of Risk & Cost Amount and Failure to Blacklist the Defaulting Contractors

S. No.	AIR Para No.	Name of Formation	Name of Project	Amount Rs. (m)	Remarks
1.	05	GM Construction North NHA, Quetta	Dualization of Kuchlak – Zhob Section of N-50: Package – 4 (Nasai to Khanozai)	857.00	Despite Contractor Default Performance Security was not encashed and action for black listing was not initiated
2.	01	GM Maintenance (North) NHA Quetta	03-Nos of contracts relating to PM and RH PM-2019-20-BN-01 PM-BN-201920-04 RH-BN-2019-20-	303.133	Three (3) works were terminated due to failure of the contractor to commence the works. Performance securities

S. No.	AIR Para No.	Name of Formation	Name of Project	Amount Rs. (m)	Remarks
			03		equivalent to 10% (Rs 30.31million) were not encashed.
3.	12	GM Maintenance (Punjab South) NHA Multan	Ten (10) cases pertaining to different insurance companies and bank i.e M/s East West Insurance Co, M/s IGI General Insurance Ltd, M/s United Insurance and JS Bank Ltd. Karachi	183.905	Performance guarantees were not encashed.
4.	06	GM Maintenance (Punjab South) NHA Multan	Periodic Maintenance Work (Structural Overlay) between KM 639+300 – 648+000 (N-55)	36.097	Performance guarantee and mobilization advance guarantee were not encashed.
5.	04	GM Maintenance (Punjab South) NHA Multan	Different Rehabilitation and Periodic Maintenance works (05-Nos of contracts terminated)	937.718	Five (5) Periodic Maintenance and Rehabilitation works were terminated between 2020 and 2023 after contractors achieved only minimal progress (9% to 48%). Works were not retendered besides recovery
6.	01	GM Construction Jhal-Awaran M-8 NHA, Khuzdar	Gwadar-Ratodero Road (M-8), Khuzdar – Shahdad Kot Road Section – IV, Contract Package-III KM 35+000 to 84+000	805.669	Balance work of Rs 196.605 million was awarded for Rs 971.314 million. Recovery an account of Risk

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S. No.	AIR Para No.	Name of Formation	Name of Project	Amount Rs. (m)	Remarks
					and cost amounting to Rs 805.669 million was not made.
7.	13	GM Maintenance (Punjab South) NHA Multan	Periodic Maintenance (Structural Overlay) work KM 750+000 – 763+000 & 785+000 – 796+000 on N-55 Contract No.PM-2019-20-PS-01	155.517	Balance work of Rs 117.240 million was awarded for Rs 272.757 million. Recovery an account of Risk and cost amounting to Rs 155.517 million was not made.
8.	02	GM Maintenance (Punjab South) NHA Multan	Rehabilitation work from Km 840 – 855	230.234	Balance work of Rs 330.322 million was awarded for Rs 560.556 million. Recovery an account of Risk and cost amounting to Rs 230.234 million was not made.
9.	10	General Manager (Maintenance), Punjab-West, NHA Mianwali	Contract No. RH-N-135-21-22/08 (Km 160+000 to Km 200+000) amounting to Rs 1,666,245,934 and Contract No. RH-N-135-21-22/10 (Km 240+000 to Km 286+000)	1,925.987	Balance work of Rs 2,471.287 million was awarded for Rs 4,397.274 million. Recovery an account of Risk and cost amounting to Rs 1,925.987 million was not made.

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Appendix-VI

2.10 Non-adjustment of Available Pavement Material

AIR Para	Name of Formation	Name of Project	Overpayment	Remarks
12	GM (Maint.) Punjab North, NHA Lahore	Re-modeling and Improvement of Golra Mor with Underpass	10.278	Non-adjustment of available pavement material
14	GM (Maint.) Punjab North , NHA Lahore	Uplifting of T-Chowk (Rawat) to Lalazar (Ayub Park	23.178	Non-adjustment of available pavement material
12	GM (RAMD) NHA HQ	Balance Works of Rawat-Rawalpindi Project	14.262	Non-adjustment of available pavement material
10	GM Jhal-Awaran M-8, NHA Khuzdar	Rehabilitation and up-gradation of Jhaljao - Bela Road	15.318	Non-adjustment of available pavement material
05	GM CAREC Tranche-I Sindh North Sukker	Construction of Additional 2 Lane Carriageway from Ratodero to Shikarpur N-55 Section-2	1.667	Non-auction of dismantled /adjustment material
07	GM CAREC Tranche-I Sindh North Sukker	Construction of Additional 2 Lane Carriageway from Ratodero to Shikarpur N-55 Section-2	10.056	Non-auction of dismantled /adjustment material
11	GM RAMD NHA	Conversion of 2 Lane LAI and Swan Bridges to 4 Lane Bridges	14.262	Non-auction of dismantled /adjustment material
			89.021	

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Appendix-VII

2.11 Irregular Expenditure via Bridge Financing from Road Maintenance Account (RMA)

AIR Para	Name of Formation	Name of Project	Amount (Rs in million)	Remarks
2	GM (RAMD) NHA HQ		3,087.417	Bridge financing of RMA funds to PSDP project
12	GM (Maint.) Sindh South, NHA Karachi	Construction of M-9 Motorway	1,290.000	Bridge financing of RMA funds to PSDP project
1	GM (Maint.) Balochistan, NHA Khuzdar	Construction of New Hub Bridge (ADB) project	1,019.989	Bridge financing of RMA funds to ADB-funded project
		Total	**5,480.1**	

Appendix-VIII

2.12 Overpayment Due to Non-Adjustment of Available Earth

AIR Para No	Name of Formation	Name of Project	Amount (Million)
13	GM construction Peshawar	Project Director Rehabilitation & Upgradation of Pezu – Tank Road	4.436
4	GM Construction Punjab-North NHA Lahore	Construction of 6 Lane Overhead Bridge at Imamia Colony Lahore", to M/S NLC at a contract cost of Rs 3,379,452,758	17.912
2	GM Construction South Balochistan NHA Khuzdar	Construction of Hoshab – Awaran – Khuzdar Section of M-8 (Section 02), Awaran-Naal, Package 2C KM 260+000 to KM 314+000	106.200
5	GM Construction South Balochistan NHA Khuzdar	Construction of Hoshab – Awaran – Khuzdar Section of M-8 (Section 02), Awaran-Naal, Package 2B KM 200+000 to KM 260+000	48.00
11	GM Construction South Balochistan NHA Khuzdar	Construction of Hoshab - Awaran Road Project (Package-1B) from Km 73+500 to 146+000 (72.5 Km)	20.409
16	GM Construction South Balochistan NHA Khuzdar	Construction of Hoshab – Awaran – Khuzdar Section of M-8 (Section 02), Awaran-Naal, Package 2A KM 146+000 to KM 200+000	34.651
		Total	**231.608**

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Appendix-IX

2.13 Overpayment due to Incorrect Application of Rates in Price Adjustment

AIR Para No	Name of Formation	Name of Project	Amount (Million)	Remarks
10	GM Construction NHA Peshawar	Construction of Peshawar Northern Bypass (Package-3A) Warsak Road to Nasir Bagh Road (Gravity Link Canal) 5.38 km (Km 19+500 to Km 24+880)	3.506	Authority applied current rate of diesel and steel for calculation of price adjustment
5	GM CAREC Tranche-II & Tranche-III Sindh North, NHA Sukkur	Construction of Additional Carriageway on Indus Highway (N-55) from Shikarpur - Rajanpur (221 km) Lot-3 - Kashmore - Rojhan Section from Km 164+600 to Km 213+500 (48.90 Km	18.415	Authority applied price indices for another district instead of district where project is located
24	GM CAREC Tranche-I Sindh North, NHA Sukkur	Construction of Additional Carriageway Petaro – Sehwan (N-55) Section-I from Km 40+000 to 64+000	29.608	Authority applied price indices for another district instead of district where project is located
25	GM CAREC Tranche-I Sindh North, NHA Sukkur	Construction of Additional Carriageway Petaro – Sehwan (N-55) Section-I from Km 40+000 to 64+000	2.166	Authority applied current rate of diesel and steel for calculation of price adjustment
6	GM CAREC Tranche-II & Tranche-III Sindh North, NHA Sukkur	Construction of Additional Carriageway on Indus Highway (N-55) from Shikarpur - Rajanpur (221 km) Lot-I - Shikarpur - Kandhkot Section from Km 43+400 to Km 105+820 (62.42 Km	2.552	Authority applied price indices for another district instead of district where project is located
	Total		**56.247**	

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Appendix-X

4.2 (i) Non-Compliance to M&I observations regarding defects and unexecuted works

S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
Para No. 01(GM M&I)					
1	China Pakistan Economic Corridor (Western Route) from Hakla (on M-I) to D.I.Khan Motorway Package-III	M/s FWO	20,628.00	14th May 2024 to 15th May 2024	i. The rectification of asphalt surface in the form patchwork was observed throughout the project length. Signs of settlement at shoulder (inner/outer) and under New Jersey Barrier (NJB) were observed at many locations. The strategy of rectification was not shared with M&I team. ii. At many locations TST was damaged. iii. Thickness was found less than design for different pavement layers. iv. Thickness of 52 cores out of 106 No. less than design thickness. v. Forty-seven (47) cores for ACWC have been found less than specification. vi. Fence was found missing throughout the road length. The concrete posts were also found damaged and missing at most of the locations.
Para No. 05 (GM M&I)					
2	CPEC Western route Hakla – DI Khan Package IV	M/s LIMAK - ZKB JV	21,386.00	January 2024	**Defective work** a. Rectification of Side Slope Protection at various locations b. Removal of trimmed material c. Lane Marking for yellow lane d. Recovery of less core thickness for mina carriageway and service road **Balance Work** a. Guard rails post for 6.93 Km b. Guard rails (w-Beam) 19.0 Km

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					c. Gabion mattress 100% d. U turns 4 Nos Apron rip rap for culverts 40 Nos
3	CPEC Western route Hakla – DI Khan Package IV	M/s LIMAK - ZKB JV	16,886.00	January 2024	**Defective work** a. Rectification of Side Slope Protection at various locations b. Removal of trimmed material c. Lane Marking for yellow lane d. Recovery of less core thickness for mina carriageway and service road **Balance Work** a. Guard rails post for 6.655 Km b. Guard rails (w-Beam) 13.045 Km c. Gabion mattress 100% d. U turns 7 Nos e. Apron rip rap for culverts 55 Nos
Para No. 07 (GM M&I)					
4	Rehabilitation & Improvement of Balkasar-Mianwali Road (N-130), Contract RH-N-130-21-22/01 PACKAGE-1	M/s SKB	1,243.55		M&I observed the following: i. Deduction in deficit thickness of Cores and other items as mentioned in TOC Report needs to be rectified. ii. Cracks found on north lane at km 34+200 ~ 35+250 on the right side of carriageway. iii. Shoulder found damaged at two locations at km 7+300 (10 m) & at km 22+800 (50 m) Tala Gang Bypass. iv. Pavement Marking found faded at km 0+000 ~ 8+000. v. Cat Eyes found missing at some locations from 0+000 ~ 10+000 & km 31+250 ~ 33+900.
5	RH-N-130-21-22/02, PACKAGE-II	M/s SKB	1,136.468		M&I observed that: i. Deduction in deficit thickness of Cores and other items as mentioned in TOC Report needs to be rectified. ii. Asphalt Slippage found in north lane at km 46+490, km

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					47+150, km 48+165, km 49+270, km 69+050, km 78+800 & km 79+100. iii. No Safety measures i.e Guard Rail / Parapet wall found at km 79+100 ~ 80+000 on Curve, it may safety hazard. iv. 02 Nos. Kilometers Posts found missing at km 70 & 75. v. 08 Nos. Sign Boards found missing at various locations. vi. Weigh Stations / bridges needs to install for axle load control.
6	RH-N-130-21-22/03, PACKAGE-III	M/s Al Mehreen-Hasas (JV)	1,638.50		M&I observed that: Deduction in deficit thickness of cores and other items as mentioned in TOC Report needs to be rectified.
7	RH-N-130-21-22/04, PACKAGE-IV	M/s Sultan Mehmood & Company (SMC)	1,170.634		M&I observed that: i. Deduction in deficit thickness of cores and other items as mentioned in TOC Report needs to be rectified. ii. Some cracks found on carriageway at (NBC) at km 0+000 ~ 0+600, km 31+200 & 36+000. iii. Wheel Paths in north lane found at various locations i.e km 19+100, 25+000, 28+400, 32+000, 33+150, 36+000, 39+000 & 40+000. iv. 3 No. Kilometers Posts found missing at some locations. v. Ten Kilometer post found missing. vi. Pavement Marking found faded from km 5+150 ~ 18+000.
8	RH-N-130-21-22/04, PACKAGE-V	M/s KNK (Pvt) Ltd.	1,141.976		M&I observed that: i. Deduction in deficit thickness of Cores and other items as mentioned in TOC Report needs to be rectified. ii. IRI tests not carried out yet on the project as mentioned in the consultancy agreement.

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					iii. 2 No. Kilometers Posts found missing at km 46+000 & 47+000. iv. 2 No. (Ten Kilometer) post found missing. v. Kerb Block found damaged at some locations. vi. Weigh Stations / bridges needs to install for axle load control.
9	RH-N-130-21-22/04, PACKAGE-VI	M/s KNK (Pvt) Ltd.	1,252.260		i. IRI tests not carried out yet on the project as mentioned in the consultancy agreement. ii. Rain Cut developed on both sides at km 104+200 near Khansar Toll Plaza, at km 108+100, 109+250, 112+200, 114+200 & 115+050. iii. 01 No. (Ten Kilometer) post found missing. iv. Pavement Marking found faded at some stretches. v. Weigh Stations / bridges needs to install for axle load control.
Para No. 08 (GM M&I)					
10	Dualization & Improvement of Pindigheb Kohat Road (34.5 KM) Package-1	M/s ACEG – NCC (JV)	5,660.452	24.04.2025	. Out of sixty-nine (69) asphaltic concrete cores thickness of sixteen (16) cores was found less than design. . Field Density Tests (FDTs) were carried out for 08 layers. 02 FDTS showed compaction less than specifications for Aggregate Base course layers at KM 8+750 left carriageway. . Field survey for checking of levels was conducted at random locations which showed the following: a. Difference between Design FRL and as-built levels were observed. b. Cross slopes were also found not as per design at some locations. c. Longitudinal grades and cross slopes were found out of

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					specification tolerance limits at some locations. d. Width of carriageway/asphaltic wearing course found less than required at some locations. . Condition survey for carriageway showed cracks, raveling, wheel path depressions, bleeding and formation of potholes at some locations. Pavement condition survey at specific locations. Further, for assessing the riding quality, No IRI survey report is prepared by the supervisory consultants which is their obligation under clause 4.2.9 of their consultancy agreement. (refer page 56 of consultancy agreement)
11	Construction of 8-Lane Bridge on Railway crossing shahdara, N-5 Lahore	M/s NLC	3,847.19	25-26.07.2024	Balance Works: i. 62 x electric poles are installed without connection and electric lights and wiring. ii. Lane marking on service roads is balance iii. Traffic Signs not installed. iv. Construction of masjid is in progress Defective Work: i. The thickness of asphalt concrete is found less at KM 1269+650 (refer para 6.3) ii. The locations where compaction is found less than specified be kept under observation in DLP against any distress/failure. iii. Gap ranging from 25mm to 30 mm is observed between shear keys and adjacent girder at few transoms. iv. The drop down pipe from drain holes on deck slab is missing near abutments. v. Residual construction material is found dumped under the flyover which need to be removed.

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					vi. Joint sealant is not provided between abutment wall and retaining wall of ramp
12	Construction of 2.25 Km missing link road on Okara side to connect Rai Mansab Ali Khan Kharal Bridge, Approach Road with Existing provincial Network	M/s KNK Pvt Ltd	191.594	26-27.02.2025	i. Installation of guard rail at critical section (610 m) on each side is identified to be outstanding balance works whereas, erosion and drainage works are deleted through re-appropriation. ii. Weight of stones used in grouted riprap (Class-B) was found underweight by 20% and overweight by 31% iii. Grouted riprap Class-B on slopes was found without any major distress. However, Cement sand mortar without hydrated lime was adopted/ used in the grouted riprap along slopes iv. Construction of apron (2 m wide) is found in critical section (610m) however filter layer (300 mm) was found in a stretch of 210m only.
13	Chakdara – Mingora-Fatehpur Section (N-95)	M/s SGEC – KC-AMC (JV)	2,964.689	07-12.06.2021	i.IRI Survey was not conducted as yet being pre-requisite as per contract clause No. 9.5 ii. Pavement marking white & yellow found faded.
14	Central Asia Regional Economic Cooperation (CAREC) Corridor Development Program-Tranche 1 Project, Rehabilitation and improvement of Existing Carriageway from Peshawar to Dara Adam Khel (Section-3) (34.350) Km	M/s Nasrullah Jan Inamaullah Khan & Co JV	1,362.149	9-10.12.2023	i. International Roughness Index (IRI) test conducted by RAMD section, the reading of IRI was taken at 100 Meters intervals. 114 readings of IRI found greater than threshold value. ii. Deduction in deficit thickness of cores and other items as mentioned in TOC report yet to be done. iii. Cracks in Rigid pavement were pointed out in TOC report, which were sealed, however, some Cracks were also found in the panels. iv. Pavement Marking found

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					faded at some locations
15	Loan 3378-PK Post flood National Highway Rehabilitation Project. Rehabilitation of road N-50 Kuchlak – Zhob-D.I Khan Package 8 (30.65 KM)	M/s Sultan Mahmood & Company	2,649..211	31st March to 4th April 2022	i. It was observed that gabion work was not carried out as per specifications, undersize and oversize stones were found in gabion walls ranging from 5cmk, 30cm, 45cm and 50cm against 10cm – 20cm required. ii. As per NHA specification minimum required depth of Rip Rap Class C is 60cm whereas at site 30cm depth of stone has been used by the site authority.
16	Dualization & Improvement of Old Bannu Road Package 1 Domkail to Khurram (40 Km)	M/s FWO	6,482.235	31st January to 3rd February, 2024	i. Thirty-Eight (38) Nos. Asphalt Cores (Asphalt Base + Wearing Course) were taken at interval of one Kilometer. Thickness of seven (07) Cores found less than the design thickness. ii. Rutting found in 100 Meters at Km 13+690 (NBC). iii. Pavement Marking (TP), cat eyes and Kilometer post yet to execute. iv. Difference in levels found between NSL at Tender Drawings stage and NSL carried out at Joint Survey Levels, The Engineer of the Project may clarify.
17	Dualization & Improvement of Old Bannu Road Package II Khurram to Karappa (35.275 Km)	M/s FWO	5,858.607	31st January to 3rd February, 2024	i. Forty (40) Nos. Asphalt Cores (Asphalt Base + Wearing Course) were taken at interval of one Kilometer (NBC&SBC). Thickness of nine (09) Cores found less than the design thickness. ii. Rutting observed ranging from 5 to 8 mm on NBC at Km 64+225-64+325, 72+300-72+350, 73+325-75+000 and up to 20 mm in two stretches of 100m and 75m from 73+225 to 73+325 and 75+000 to 75+075 respectively. iii. Difference in levels found between NSL of Tender

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					Drawings and NSL carried out for construction. The Engineer of the Project may clarify.
Para No. 09 (GM M&I)					
18	Dualization of Khuzdar-Kuchlak Road, Section-I	M/s SMADB-Shahrukh-MBC(JV)	8,786.786		M&I observed that Core Thickness i.e 03 out of 17 was found less than the design thickness.
19	Dualization of Khuzdar-Kuchlak Road, Section-II	M/s Umer Jan & Co-NPI and Engineering	8,786.786		M&I observed that: i. Core Thickness i.e 05 out of 20 was found less than the design thickness. ii. Core Compaction i.e 02 Nos. out of 20 was found slightly less than the specified compaction. iii. Rutting observed in some segments ranging from 5-15 mm when checked randomly with straight-edge between Km 52+900 to 57+950. iv. Improper backfilling was found in approaches of Culverts especially at culvert Km 53+635, Km 56+875 and Km 57+940.
20	Chitral - Pret Road. KM 0+00 ~ 38+965 (38.965 Km) Package-I	M/s Umer Jan & Co.	2,668.317		M&I observed that: Core Thickness i.e 01 out of 20 was found less than the design thickness.
21	Pret - Booni Road KM 38+965 ~ 78+688 (39.723 Km) Package-II	M/s Umer Jan & Co.	2,829.340		i. Disintegration and cracking found at some panels of Rigid Pavement. ii. Concrete for Rigid Pavement and other structure being used without batching plant. iii. Profile of the road, cut slopes & benches not found as per the Drawings. iv. Retaining & Breast Walls found damaged at some locations and very small stones in dimensions used in the walls without mortar. v. Segregation in aggregate base found at some locations. No stock piles for aggregate base found at site. Aggregates are directly unloaded at sites and
22	Booni – Shaidas Road KM 78+688 ~ 114+833 (36.145 Km) Package-III	M/s Umer Jan & Co.	2,546.315		
23	Shaidas – Shandoor Road KM 114+833 ~ 152+615 (37.782 Km) Package-IV	M/s Umer Jan & Co.	2,870.633		

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					then mixing being carried out at site. vi. Only one Laboratory at Package-I is functional which is not sufficient to conduct the regular testing of materials however, FDT is being conducted on respective packages. Therefore, for proper testing & Quality Control of Material each package must have its independent laboratories.
24	Construction of 8 Lane Overhead Bridge at Imamia Colony Railway Crossing Shahdara Lahore.	M/s NLC	3,379.453	24.08.2024	M&I observed that: i. Finishing works was not upto the mark. Bottom steel of few launched Girders of span 1,4&5 found exposed. ii. Cracks observed in Pier # 4. iii. Finishing of Retaining Wall is also required. Plum unserviceable & dowels found exposed in retaining wall which required to address. iv. Gap between Abutment transom and Retaining wall observed which needs to clarify by the consultant. Wooden planks & dowels bars observed in Retaining wall.
25	Kuchlak – Zhob Package – IV	M/s SMADB-Shahrukh-MBC (Jv)	8,750.000		M&I observed the following: i. Embankment layer thickness was observed to be more than specifications, at various locations where embankment was X-sectionally exposed. ii. Excessive segregation, honey combing, bugling and lack of workmanship and poor formwork issues observed in almost all structure work. Repair work also not upto the mark. Culverts were randomly checked. iii. Overall level of concrete curing was not upto the mark. iv. Field density test for Aggregate Base Course conducted

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					at KM 217+050 (C/L) side has been found (less compaction), Achieved 98.2% against 100%). Field density test for Sub Base Course conducted at KM 217+050 (C/L) has been found less compaction (Achieved 96.9% against 98%)
26	Kuchlak – Zhob Package – V	M/s JHCEC-ZEPL (JV)	8,716.686		M&I observed that: i. Cracks (across the girders) were observed almost in all girders. Hence, Girders cracks be evaluated prior to launching. ii. Minor Honey combing and segregation was observed in culverts. iii. 10 cores of ACWC+ACBC were taken. Combined thickness of 3 cores was found to be less beyond tolerance limit. Price adjustment against less thickness of asphalt course be made. iv. 11 No. of cores of ACBC were taken at an interval of 1.0 Km between the cores. Thickness of cores depict variation with minimum core thickness of 12.2 cm and maximum thickness of 14.0 cm against design thickness of 13 cm ACBC. Necessary corrective action as per NHA general specification No. 203.3.11 is required.
27	Dualization of Quetta Western Bypass (N-25)	M/s Matracon – Reliable (JV)	3,938.000		M&I observed that: i. A total 21 No. of cores were taken of ACBC an interval of 1.0 Km between the cores. Thickness of cores depicts variation with minimum core thickness of 15.1 cm and maximum thickness of 17.5 cm against design thickness of 16 cm ACBC. Necessary corrective action as per NHA general

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					specification No. 203.3.11 is required. ii. Excessive segregation and minor cracks were observed in culverts walls. No chamfer in culverts provided at site in contradiction to drawings. Sealant between Culverts box and wing wall has not been provided. Undulation and bugling seen in concrete surfaces. Moreover, undulations were observed in top surface of wing walls.
Para No. 10 (GM M&I)					
28	Const. of Infrastructure & Allied Works for Metro Bus Services from Peshawar Morr to New Islamabad International Airport (Electrical & Mechanical) **(Package-I)**	M/s NLC	5,719.795	11.07.2024	M&I observed the following: i. Security cameras hardware is installed but no functional output is displayed since control room has not been constructed and shall be verified after completion of IT works by IT Contractor. ii. Remote Monitoring Control System (RMCS) cannot not verified, since control room has not been constructed and shall be verified after completion of IT works by IT Contractor. iii. Handicap Call Operation Panel (COP) is missing. iv. Generator sets of 200 kVA and 250 KVA are installed on each station and in working condition. However, the run-time/running hours of all these Generators, except 250 KVA at G-10 station, is lesser than 8 hours while the contract demands at-least *continuous-test-running of 24 hours* to ensure satisfactory operation. Same shall be performed/ensured. v. One of the two Spare Diesel Generator (DG) sets is burnt/ damaged completely. The other spare DG set is in working condition and was checked on dummy load. The run time of this

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					generator is 2.9 hours. Both of these DG sets were not installed at any station. vi. Canopies of DG sets are rusted. vii. Fuel monitoring system (sensors, cabling, pipes etc.) are not installed. viii. Fuel tanks are in-placed but not used. These are rusted from inside. Needs treatment and proper water resistant enclosure as per CoC.
29	Const. of Infrastructure & Allied Works for Metro Bus Services from Peshawar Morr to New Islamabad International Airport (Widening/Extension of Motorway M-2 Link Road) **Package-III)**	M/s MORE (Pvt) Ltd/FWO	3,808.150	23.12.2019	M&I observed the following: i. Riding quality and overall apparent condition of the carriageway is not up to mark. ii. Quality of TST has not been as per required standards; wear and tear in the top surface is observed at various locations.
30	Const. of Access Main Link Road Section from M-1/M-2 Interchange to Islamabad International Airport Metro **Package-IV**	M/s NLC	2,536.100	26.01.2021	M&I observed the following: i. A suitable deduction for surface tolerance in respect of ACWC has also been recommended however amount has not been calculated/mentioned. ii. Level of outer shoulder level is higher than carriageway. iii. Yellow pavement marking on outer side has faded completely on both sides of the main carriageway. iv. Grouted Rip Rap has been found cracked at the abutments of Bridge No.1 v. Major crack has been observed at this location. vi. Grating of cross drainage is missing at Km 12+800 (L/S). vii. A longitudinal major crack has been observed in PCC shoulder on (R/S) at the start of U-turn area. viii. Wing Wall of Bridge No.2

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					has been found damaged on R/S. ix. Fence is missing in a length of more than 2600 meter. Fence has been found damaged at Km 10+70 (L/S) and Km 11+350 (L/S).
Para No. 11 (GM M&I)					
31	Improvement, Up-gradation & Widening of Jaglot – Skardu Road (S-1) On EPC/Turnkey Mode Basis	M/s FWO	31,000.00		a. Thickness was found less than design for Asphalt Concrete Pavement Layers for twenty-eight (28) Nos. cores out of eighty-two (82) Nos. cores. b. Compaction of 82 Nos. cores for ACWC and ACBC have been tested in laboratory. Compaction of three (03) Nos. cores for ACWC have been found slightly less than specifications, whereas, forty-eight (48) Nos. cores for ACWC have been found more than specifications compaction. Also, compaction of two (02) Nos. cores for ACBC have been found slightly less than specifications whereas, forty-two (42) Nos. cores for ACBC have been found more than specification. c. Two (02) Nos. cores were taken on rigid pavement. Thicknesses of cores were found to be 33.1 cm and 31.8 cm against design thickness of 30 cm. d. Twelve (12) Nos. cores were taken on PCC Shoulder. Thicknesses of four (04) Nos. cores out of twelve (12) Nos. were found less than design thickness of 15cm. e. Compaction of Aggregate Base course has been found less than specification limits (ranging from 0.1% to 2.6%) on pits except at Km 24+050. f. Compactions of Sub Base

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					course have been found less than specification limits (ranging from 0.6% to 3.1%) on pits except at KM 103+000 and KM 72+950. g. Overall Pavement thickness was found less on Pit at KM 24+050 i.e 41.5cm against 43.0cm. h. As per site requirement height of breast walls were found less at several locations. i. Expansion Joints on Bridge at KM 127+000 were not installed and may be taken up expeditiously. j. Balance work of ACWC on bridges at KM 114+470 and 127+000 be taken up by project authorities on emergent basis. k. Slope/Abutment protection works/Training works of bridges were not as per design/drawings. l. Water ways were found choked at various locations. Leftover work viz-a-viz Pedestrian Walk ways on one side of the bridges were not completed. m. As per Employer's requirement minimum 40 bridges were to be constructed/retained, but as per provided inventory 33 bridges were retained/constructed. n. Construction Residual material along the road were observed. o. Wing and Parapet walls of most of the culverts were not constructed as the same was also mentioned in punch list of leftover works. p. 1 x cell box culvert against the 2 x cell culvert was

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					constructed at KM 13+944 and KM 14+015. q. Undersized pipe culvert (dia 300 mm) was used at certain location against the requirement of 760mm dia pipe.
Para No.03 (GM Maintenance Punjab-North Lahore)					
32	M/s Hassan Enterprises	SM-PN-21-05-05	63.172	08.11.2023	Recovery on account of less thickness of asphalt was not made.
33	M/s GRL &CO.	PM-2021-22-PN-10	997.649	29.10.2024	The M&I observed that compaction of cores is found less than 97% at different locations. DST on outer shoulder is found loose with uneven cross slope at few locations. . Highway safety works was required to be made.
34	M/s WIC JV Lawagher Construction	PM-2020-21-PN-13	908.551	16.12.2024	Less thickness of Asphaltic cores of ACWC and ACBC asphalt was not made.
35	M/s Fazal Engineering Corporation	PM-2021-22-PN-01	353.420	19-21.02.2024	M&I observed the following: - i. The core thickness is found less at 2 x locations. ii. The compaction of cores was found less at 2 x locations. iii. The outer shoulder has been chipped off at KM 2+500 in the length of 200m moreover the level of out: Shoulder is higher than carriageway level in the shape of edge step.
36	M/s Shiekh Abdur Razzaq & Company (Pvt) Ltd.	SM-2022-23-PN-05	278.524	03.02.2025	M&I observed the following: - i. Alligator cracks were observed from KM 124+100 (100m length) KM 1286+100 (80m length) ii. Outer shoulder was chipped off at few locations.
37	M/s Highway Construction Co.	PM-2019-20-PN-06	232.242	29-30.08.2023	M&I observed the following: - i. Deduction against lesser core thickness at different location. ii. Alligators cracks in outer lane on tire paths at some locations. iii. The DST on outer shoulders is found loose at few

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
					locations.
ra No. 08 GM Maintenance Sindh North (Sukkur)					
38	PM-2023-24-SN-02	M/s Muhammad Ramzan & Co	316.207	26.05.2025	i. At the time of inspection 21xCores of Asphalt Concrete Wearing Course were taken out of which 04x Cores found less than the desired thickness ii. Shoulder construction activities are currently in progress between at Km 451-455, no Granular sub base is executed in front of amenities at some locations.
Para No. 05 (GM Maintenance (North) NHA Quetta)					
39	M/s Haji Noor Muhammad & Sons	PM-2021-22-BN-05 (N-50)	401.779	21.11.2024	i. DST and Highway Safety works were not carried out by the Contractor. ii. Price adjustment for 3 Nos less thickness of cores of asphalt was not made.
40	M/s Haji Abdul Hanan & Sons (JV) Mir Ahmed Jan Bangulzai	PM-BN-2019-20-04 (N-50)	620.168	24.09.2024	i. DST and Highway Safety works were not carried out by the Contractor. ii. Price adjustment for 2 Nos less thickness of cores of asphalt was not made.
41	M/S Mir Ahmed Jan Bangulzai	PM-BN-2021-22-07 (N-65)	260.266	18.12.2024	i. The Highway Safety works as per punch list was not carried by the Contractor.
42	M/s Abdullah Jan & Co.	PM-2021-22-BN-01 (N-40)	580.893	05.12.2024	i. ABC and DST on shoulders concrete work and Highway Safety works as per punch list were not carried by the Contractor.
43	M/s Al Sarwar Jan (JV) M/s Regional Const. Co.	PM-2019-20 BN-01 (N-40)	103.477	05.12.2024	i. Shoulder work and Highway Safety works as per punch list were not carried by the Contractor.
44	M/s Haroon Builders	PM-2020-21-BN-07 (N-25)	369.542	05.12.2024	i. DST on Shoulder and Highway Safety works as per punch list were not carried by the Contractor.
45	M/s LKB Const. Company.	PM-BN-2021-22-08 (N-70)	194.039	08.10.2024	i. The WBM, DST on shoulders works as per punch list were not carried by the Contractor.
46	M/s Sarwar Khan Govt. Contractor	PM-2021-22-BN-09	190.834	24.09.2024	i. The WBM, DST on shoulders and Highway Safety as per

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S. No.	Name of Contract	Name of Contractor	Contract Cost	Date of M&I	Observations and Findings
		(N-70)			punch list were not carried by the Contractor.

Appendix-XI

4.2 (ii) Non-Carrying out inspections of ongoing works

(Rs in million)

Sr. No.	Name of Work	Contract Cost
Para No. 12 (GM M&I)		
1.	CAREC Corridor Development Investment Programme Tranche-I Projects (Package-1C)	3,019.849
2.	Indus Highway (N-55) Additional Carriageway project (Shikarpur-Rajanpur Section) Length 221.9 KM	33,850.870
3.	Dualization of Indus Highway (N-55) Sarai Gambila to Kohat Section	22,441.453
4.	Dualization of Rawalpindi - Kahuta Road (28.4 KM) Bypass and land acquisition, affected properties compensation and relocation of utilities for Dualization of Rawalpindi- Kahuta Road (28.4 KM) including 4-lane bridge over Sihala Railway Pass, Sihala Bypass and Kahuta Bypass	3,650.000
5.	Construction of Kot Pindi Das Interchange on Motorway M-2 in District Sheikhupura	584.091
6.	Construction of Hoshab – Awaran – Khuzdar; Section of M-8 Project ; Section-2: Hoshab - Awaran, Naal, length 168 KM	28,835.222
7.	Construction of Hoshab-Awaran Kiwzar; Section of M-8 Project: Package 01 : Hoshab -Awaran , length 146 km	14,583.867
8.	Rehabilitation & Upgradation of 79.890 KM, Jhal Jaho-Bela Road	7,208.206
9.	Rehabilitation & Upgradation of 54.80 KM long Awaran-Jhaljao Road	5146.110
Para No.04 (GM Construction KP		
10.	Dualization and Improvement of old Bannu Road Package-03, Ghandi Chowk to Sarai Nourang Road	717.901
Para No.09 General Manager (Maint) Peshawar KPK		
11.	PM-KP-21-2006(D)	484.034
12.	SM-KP-21-2004(D)	170.326
Para No. 14 (GM Construction Khuzdar)		
13.	Construction of Nokundi-Mashkhel Project from Km 0+000 to 102+950 (102.950 Km)	5,726.084
	Total	**126,418.013**

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Appendix-XII

4.3 Creation of liabilities/overambitious Annual Maintenance Plan 2024-25

S. No.	AIR Para No.	Name of formation	AMP	Amount Rs. in million	Remarks
1.	01	GM RAMD NHA Islamabad	2024-25	28,293.95	Periodic maintenance and rehabilitation works were not procured
2.	04	General Manager, Maintenance M-I & E-35, NHA, Burhan	2024-25	1,813.527	Previous year's liabilities were cleared
3.	01	GM Maintenance Punjab North, NHA, Lahore	2024-25	4,599.17	Bidding process for AMP 2023-24 & 2024-25 was annulled in June 2025 without awarding any work and allocated amount remained unutilized.
4.	01	GM M-2, M-4 NHA Faisalabad/Kallar Khar	2024-25	2,121.01	96% of the funds were utilized to clear liabilities of 2020-21 to 2023-24
5.	02	GM Maintenance North NHA Quetta	2023-24	1,727.80	Allocated amount of Rs 1,727.80 million on Periodic Maintenance & Highway Safety remained unutilized and bidding process was annulled.
6.	02	GM Maintenance NHA Khuzdar	2024-25	1,243.98	Allocated amount remained unutilized and liabilities of previous year's AMPs were paid.
7.	01	GM Maintenance Punjab South, NHA, Multan	2024-25	1,925.88	Allocated amount remained unutilized and liabilities of previous year's AMPs were paid.
8.	06	General Manager (Maintenance) Baluchistan-West Makran, NHA, Gwadar	2020-21,2022-23 and 2023-24	1992.588	Periodic Maintenance contract of AMP 2021 & 2122 were not procured until 2023-24

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Appendix-XIII

4.11 Non-enforcement of Axle Load at Motorway Weigh stations

Sr. No	Weigh Station	No. of overloaded Trucks
1.	Sharaqpur (Northbound (NB)/Southbound(SB)	144
2.	Nankana Sahib NB/SB	167
3.	Sawabi NB/SB	566

Sr. No	Weigh Station	No. of overloaded Trucks
4.	Chach NB/SB	72
5.	Kot Najeebullah NB/SB	470
6.	Jharikus NB/SB	1040
7.	Brahama Bahatar NB/SB	6168
8.	Fatah Jhang NB/SB	1344
9.	Panu Aqil NB/SB	377
10.	Rohri NB/SB	1145
11.	Pensara NB/SB	1365
12.	Amin Pur NB/SB	467
13.	Deputy Wala NB/SB	360
14.	Wali khan NB/SB	708
15.	Rashakai NB/SB	1171
16.	Rahim Yar Khan NB/SB	99
17.	Zahir Pir NB/SB	526
18.	Waryam Wala NB/SB	50
19.	Toba Tek Singh NB/SB	2160
20.	Ghazi NB/SB	806
21.	Burhan NB/SB	2940
22.	Gojra NB/SB	124
23.	Sham Kot NB/SB	1714
24.	Faisalabad NB/SB	211
25.	Abdul Khel NB/SB	3
26.	Yarik NB/SB	3582
27.	Shorkot NB/SB	1594
28.	Din Pur NB/SB	443
29.	Khanpur Hattar NB/SB	105
30.	Shah Maqsood NB/SB	5473
31.	Kundal NB/SB	17
32.	Esa Khel NB/SB	173
33.	Shah Shams Tabraiz NB/SB	134
34.	Sher Shah NB/SB	227
35.	Shah Rukn-e-Alam NB/SB	157
36.	Daud Khel NB/SB	1480
37.	Kot Balian NB/SB	3375
	Total	**40,957**

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Appendix-XIV

4.12 Non-operational toll plazas leading to revenue loss

Sr. No	Toll Plaza	Road
1	Jamrud	N-5
2	Pabbi	N-5
3	Lar	N-5
4	Kotri	N-5 KTH
5	Thatta	N-5 KTH
6	Ormara	N-10
7	Pasni	N-10
8	Mahandri	N-15
9	Naran	N-15
10	Winder	N-25
11	Uthal	N-25
12	Koraro	N-25
13	Bakhalo	N-25
14	Wad	N-25
15	Mastung	N-25
16	Mezai Ada	N-25
17	Battagram	N-35
18	Besham	N-35
19	Dasu	N-35
20	KPK/GB Border	N-35
12	Jaglot	N-35
22	Anabad	N-35
23	Shaikh Wasil	N-40
24	Noshki	N-40
25	Padog	N-40
26	At Km 397	N-40
27	Dargai	N-45
28	Timergarah	N-45
29	Bee Bour	N-45
30	Dhanasar	N-50
31	Musafirpir	N-50
32	Nisai	N-50
33	Pezu	N-55
34	Kot Mittan	N-55
35	Dadu	N-55
36	Sann	N-55
37	Bellpat	N-65
38	Bewata	N-70
39	Mekhtar	N-70
40	Loralai	N-70
41	Q. Saifullah	N-70
42	Kohat	N-80
43	Chakdara/Mingora	N-95

Nilm Gull
Assistant Audit Officer (IT)
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