

Audited Project Financial Statements

Project Number: 48402-001
Loan/Grant Number: 3300/0440
Period covered: 1 July 2015 to 30 June 2016

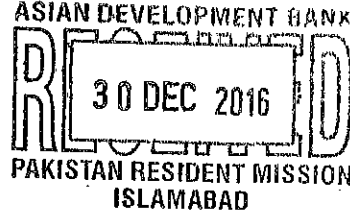
PAK: National Motorway M-4 Gojra-Shorkot Section Project

Prepared by National Highway Authority

For the Asian Development Bank
Date received by ADB: 30 December 2016

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy (2011) and as agreed between ADB and the National Highway Authority.

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**Financial Attest Audit Report
on the Accounts of
Construction of Faisalabad-Khanewal
Expressway (M-4/E-4)
Package-II: Gojra-Shorkot Section (61 km)
Asian Development Bank
Loan 3300-Pak,
3121 (Partially for consultancy)
& Grant 0440**

**National Highway Authority
Ministry of Communications
Government of Pakistan
For the Financial Year 2015-16**

Auditor General of Pakistan Islamabad





**Financial Attest Audit Report
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For the Financial Year 2015-16**

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Abbreviations and Acronyms

ADB	Asian Development Bank
CDL	Cash Development Loan
E-4	Expressway-4 (Faisalabad-Khanewal Expressway)
ECNEC	Executive Committee of the National Economic Council
EMP	Environment Management Plan
EPC	Escalation Payment Certificate
FC	Foreign Currency
GFR	General Financial Rules
GoP	Government of Pakistan
IPC	Interim Payment Certificate
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
km	Kilometer
LARP	Land Acquisition & Resettlement Plan
LC	Local Currency
M-2	Motorway-2 (Lahore-Islamabad Motorway)
M-3	Motorway-3 (Pindi Bhattian-Faisalabad Motorway)
M-4	Motorway-4 (Faisalabad-Khanewal Motorway)
MoC	Ministry of Communications
N-5	National Highway-5 (Grand Trunk Road)
NHA	National Highway Authority
NTC	National Trade Corridor
NTCHIP	National Trade Corridor Highway Investment Programme
OM	Office Memorandum
PC-I	Planning Commission (Proforma-I)
PEC	Pakistan Engineering Council
PSDP	Public Sector Development Programme
VO	Variation Order

PREFACE

The Auditor General of Pakistan conducts audit subject to Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 7 of the Auditor General's Functions, Powers and Terms and Conditions of Service Ordinance, 2001.


The Financial Attest Audit of the Project "National Trade Corridor Highway Investment Program, Construction of Faisalabad-Khanewal Expressway (M-4/E-4), Package-II: Gojra-Shorkot Section (61 km)" financed by the Asian Development Bank, through Loan No. 3300-Pak, Loan 3121 (partially for consultancy) and Grant No. 0440, was carried out accordingly.

The Director General Audit Works (Federal), Islamabad conducted Financial Attest Audit of the Project (Package-II, Gojra-Shorkot Section 61 km) during August-September, 2016 for the period 2015-16 with a view to expressing opinion on financial statements and reporting significant findings to the stakeholders. Audit examined the economy, efficiency and effectiveness of the project. In addition, Audit also assessed, on test check basis, whether the management complied with applicable laws, rules and regulations in managing the Project. The Report indicates specific actions that, if taken, will help the management to realize the objectives of the project.

The Report consists of two parts. Part-I contains Auditor's Report (Audit Opinion) and Financial Statements. Part-II contains Management Letter comprising Executive Summary and Audit Findings.

The Report has been prepared for submission to the Asian Development Bank in terms of its Loan Agreement with the Government of Islamic Republic of Pakistan.

Dated: 29th December, 2016
Islamabad


(Maqbool Ahmad Gondal)
Director General Audit Works (Federal)

PROJECT OVERVIEW

Name of the Project/Program:	National Trade Corridor Highway Investment Program, Faisalabad-Khanewal Expressway (M-4/E-4) 184 km, Package-II Gojra-Shorkot Section (61 km)
Sponsoring Authority:	Asian Development Bank
Executing Authority:	National Highway Authority
Loan No.	3300-Pak & Grant No. 0440
Date of approval by ECNEC:	6 th February, 2008
PC-I Cost:	Rs 28,791.70 million (Package-I, II, III & IV)
Date of Commencement:	April 01, 2016 (Package-2A & 2B)
Actual Date of Commencement:	April 01, 2016 (Package-2A & 2B)
Date of Completion (as per PC-I):	24 months
Date of Closing of Loan Agreement:	31 st May, 2020
Loan/Grant Utilization Status in FY 2015-16:	
i. Loan share:	Rs 513.175 million
ii. Grant share:	Rs 1,068.199 million
iii. Government of Pakistan share:	<u>Rs 192.161 million</u>
Total amount for the year:	Rs 1,773.535 million
Progressive Expenditure upto June 2016:	Rs 1,773.535 million

AUDITOR'S REPORT TO THE MANAGEMENT

The Director General Audit Works (Federal), Islamabad has audited the accompanying Financial Statements of the Project "Faisalabad-Khanewal Expressway (M-4/E-4) 184 km, Package-II Gojra-Shorkot Section (61 km)" financed through ADB Loan 3300-Pak, Loan 3121 (partially for consultancy) and Grant 0440 as of 30th June, 2016.

The preparation of Financial Statements is the responsibility of the Management of the Project. Responsibility of Audit is to express an opinion on the accompanying Statements based on the audit exercise.

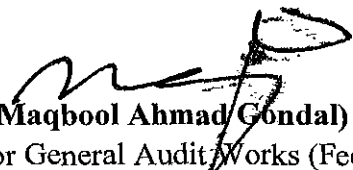
The audit exercise was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAI). The Standards require the Audit to obtain reasonable assurance that the Financial Statements are free of material misstatements. This audit is based on a test check basis and includes findings, evidence supporting the amounts and disclosures in the Financial Statements. It also includes assessing the Accounting Principles used by the Management in preparing Financial Statements and significant estimates made by the Management as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Management's policy is to prepare the accompanying statements in the format agreed between the Asian Development Bank and the Government of Pakistan, on a cash receipts and disbursement basis in which revenue is recognized when received and expenses are recognized when paid.

In our opinion:

- A. The aforementioned Financial Statements and appended Notes, that were also subject to audit, fairly present in all material respects the financial position of the Project "Faisalabad-Khanewal Expressway (E-4) 184 km, Package-II Gojra-Shorkot Section (61 km)" and results of its operations for the period ended 30th June, 2016 in conformity with Cash Basis International Public Sector Accounting Standards, applied on a basis consistent in material respect with that of previous year,
- B. The management of the Project has utilized all proceeds of the Loan and Grant withdrawn from the Asian Development Bank only for the purposes of the Project as agreed between the Asian Development Bank and Government of Pakistan in accordance with the Loan Agreement and no proceeds of the loan have been utilized for any other purposes.

Dated: 29th December, 2016
Islamabad


(Maqbool Ahmad Gondal)
Director General Audit Works (Federal)

FINANCIAL STATEMENTS

NATIONAL TRADE CORRIDOR

HIGHWAY INVESTMENT PROGRAM,

FAISALABAD-KHANEWAL EXPRESSWAY (M-4/E-4)

(184 KM)

PACKAGE-II: GOJRA-SHORKOT SECTION

(61 KM)

ADB LOAN 3300-PAK, 3121 (PARTALLY FOR

CONSULANCY) & GRANT-0440

(NATIONAL HIGHWAY AUTHORITY)

FOR THE YEAR ENDED 30th JUNE, 2016

FINANCIAL STATEMENTS
NATIONAL TRADE CORRIDOR HIGHWAY INVESTMENT
PROGRAM
FAISALABAD-KHANEWAL EXPRESSWAY (M-4/E-4) (184 KM)
PACKAGE-II: GOJRA-SHORKOT SECTION (61 KM)

ADB LOAN 3300-PAK, 3121-PAK & GRANT-0440
FOR THE YEAR ENDED 30th JUNE, 2016

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Statement of Comparison of Budget and Actual Amounts	8
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Statement of Withdrawal Applications	12-15

ANNUAL FINANCIAL STATEMENTS

For ADB Loan No. 3300-PAK & Grant No. 0440: Faisalabad - Khanewal Project (184km) Section Gojra to Shorkot

**Statement of Cash Receipts and Payments
For the year ended June 30, 2016**

	FY 2015-16 (PKR Million)			FY 2014-15 (PKR Million)			
	Note	Payments by Project Authorities	Payments by Third Parties	Total Receipts/Payments	Payments by Project Authorities	Payments by Third Parties	Total Receipts/Payments
Receipts							
ADB Loan No. 3300	4		507.773	507.773		-	-
ADB Loan No. 3121	5		5.402	5.402		-	-
ADB Grant No. 0440	6		1,068.199	1,068.199		-	-
Government Funds	7	192.161		192.161		-	-
Total Receipts		192.161	1,581.374	1,773.535			
Payments							
Civil Works inc. Escalation	8	100.200	1,569.801	1,670.001		-	-
Consulting Services	9	24.342	11.573	35.915		-	-
Transfer of Funds (R/M)	10	-	-	-		-	-
Establishment	11	67.619	-	67.619		-	-
Total Payment		192.161	1,581.374	1,773.535			
Increase/(Decrease) in Cash							
Cash at beginning of year		-	-	-		-	-
Increase/(Decrease) in Cash		-	-	-		-	-
Cash at end of year							

M. Iqbal Nadeem
AUDIT OFFICER
 Dte. General Audit Works
 (Federal) Islamabad

Farooq
Farooq Ullah Jan
 Dy. Director (Account)
 National Highway Authority
 ISLAMABAD.

M. Iqbal Nadeem
 At (Accounts) AD

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For ADB Loan No. 3300-PAK, 3121 & Grant No. 0440: Faisalabad - Khanewal Project
(184km) Section Gojra to Shorkot
For the year ended June 30, 2016

	Note	FY 2015-16 (PKR Million)				FY 2014-15 (PKR Million)			
		Actual	Original Budget	Revised Budget	Difference of Original Budget and Actual	Actual	Original Budget	Revised Budget	Difference of Budget and Actual
Cash in Flows									
ADB Loan No. 3300	4	507.773	700.000	700.000	(192.227)	-	-	-	-
ADB Loan No. 3121 (Consultancy)	5	5.402	-	-	5.402	-	-	-	-
ADB Grant No. 0440	6	1,068.199	-	-	1,068.199	-	-	-	-
Government Funds	7	192.161	700.000	700.000	(507.839)	-	-	-	-
Total Receipts		1,773.535	1,400.000	1,400.000	373.535	-	-	-	-
Cash Outflows									
Civil Works inc. Escalation	8	1,670.001	-	1,670.001	-	-	-	-	-
Consulting Services	9	35.915	-	35.915	-	-	-	-	-
Transfer of Funds (R/M)		-	-	-	-	-	-	-	-
Establishment	10	67.619	-	67.619	-	-	-	-	-
Total Payments		1,773.535	-	1,773.535	-	-	-	-	-
Net Cash Flows		-	-	-	-	-	-	-	-

[Signature]
AUDIT OFFICER
Dte. General Audit Works
(Federal) Islamabad

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Dy. Director (Accounts)
National Highway Auth.
ISLAMABAD.

[Signature]
AD (Accounts) AP

**For ADB Loan No. 3300-PAK, 3121 PAK & Grant No. 0440: Faisalabad -
Khanewal Project (184km) Section Gojra to Shorkot**

**Notes to the Financial Statements
For the year ended June 30, 2016**

1. Nature and Status of the Project

Faisalabad Khanewal Motorway M-4 Project ("the project") is under taken by the National Highway Authority ("the authority"). The M-4 Project will drastically reduced the traffic congestion particularly heavy vehicular traffic from Faisalabad to Khanewal. The project section from Gojra to Shorkot is financed by Government of Pakistan (GOP) in collaboration with Asian Development Bank (ADB) through loan agreement. This represent the Loan USD 178 millions USD Grant 92 million sanctioned by ADB through GOP for NHA. As per Aide-memoir dated 22.10.2015. The loan amount shall be paid back to ADB in 25 Years starting after Gestation period of 5 years including Interest Rate 15% per annum

2. Management Assertion / Certificate by Project Management on application of Funds

It is certified that fund have been applied / expenditure has been incurred for the purpose intended in the loan agreement

Management Assertion

The proceeds of the withdrawal of ADB have been utilized in manner stipulated Activity Agreement with ADB.

3. Accounting Convention and Basis for Preparation

The Financial statements have been prepared in accordance with cash basis IPSAS financial reporting under cash basis of accounting. The accounting policies have been applied consistantly through out the period.

	Note	FY 2015-16 PKR in Million	FY 2014-15 PKR in Million
4 ADB Loan No. 3300		507.773	-
Total		507.773	-
5 ADB Loan No. 3121		5.402	-
Total		5.402	-
Conultancy cost paybale to M/s IDC at M-4 charged from loan 3121.			
6 ADB Graht No. 0440		1,068.199	-
Total		1,068.199	-
Total External Assistance		1,581.374	
7 Government Counterpart Fund			
GOP Fund		192.161	-
Total		192.161	-
8 Civil Works			
Expenditure from ADB Funds		1,569.801	-
Expenditure from GoP Funds		100.200	-
Total		1,670.001	-

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Inqam Ullah, Jan
Dy. Director (Accounts) AP
National Highway Authority
ISLAMABAD.

[Signature]
AD (Accounts) - AP

9 Consulting Services

Expenditure from ADB Funds

11.573

-

Expenditure from GoP Funds

24.342

-

Total

35.915

-

10 Transfer of Funds (R/M)

Expenditure from GoP Funds

-

-

Total

-

-

11 Establishment

Salary (GOP)

28.000

-

Other Establishment Exp (GOP)

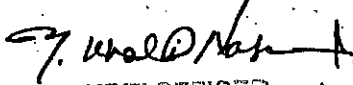
39.619


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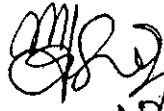
Total

67.619

-


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Irfan Ullah Jan
Dy. Director (Accounts) AP
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AD (ACCOUNTS) - AP

NATIONAL HIGHWAY AUTHORITY
For ADB Loan No. 3300, 3121 & Grant No. 0440-PAK: Gojra to Shorkot (M-4) Project
Reconciliation Statement
For the Year Ended June, 30, 2016

(Rs. In Million)

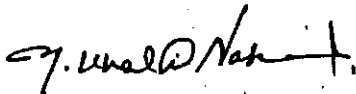
Balance as ADB Documents Confirmation against Loan 3300	507.773
Balance as ADB Documents Confirmation against Loan 3121	5.402
Balance as ADB Documents Confirmation against Grant 0440	1,068.199

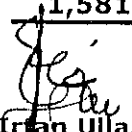
1,581.374

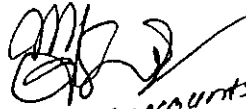
Booked by NHA Not Appearing in ADB Document

Expenditure as per withdrawl Application of Loan 3300	507.773
Expenditure as per withdrawl Application of Loan 3121	5.402
Expenditure as per withdrawl Application of Grant 0440	1,068.199

1,581.374


AUDIT OFFICER 'A'
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Irfan Ullah Jan
Dy. Director (Accounts)


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National Highway Authority
ISLAMABAD.

Detail of Summary Sheet (AP Section)
Faisalabad Khanewal (M-4) 184 Km Gojra - Shorkot Section Loan No: 3300
For the Year ended 30th June, 2016

Sr No.	Date	Application No.	Contract No.	Amount Claimed			Net (Equi. Rs.)
				LC	FC	Rate	
1	02.03.2016	NH001	M-4 IIA	227,185,959			227,185,959
2	02.03.2016	NH002	M-4 IIB	16,829,001			16,829,001
3	06.04.2016	NH003A	M-4 IIB		2,525,128	102.0094	257,586,747
4	03.05.2016	NH004	M-4		17,294.10	104.50	1,807,233
5	03.05.2016	NH005	M-4	664,548			664,548
6	03.05.2016	NH006	M-4	460,480	-	-	460,480
7	03.05.2016	NH007	M-4	213,326			213,326
8	03.05.2016	NH008	M-4	74,703	-	-	74,703
9	03.05.2016	NH009	M-4	23,670			23,670
10	23.05.2016	NH010	M-4		23,373.30	104.30	2,437,835
11	23.05.2016	NH011	M-4	489,256			489,256
Total Amount							507,772,759

7. walid Nasir
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 Dte. General Audit Works
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Prof. Dr. Irfan Ullah, Jun
 Dy. Director (Accounts) AP
 National Highway Authority
 ISLAMABAD.

MR. ADL
 ADL Accounts AP

Detail of Summary Sheet (AP Section)
Faisalabad Khanewal (M-4) 184 Km Gojra - Shorkot Section Grant No: 0440
For the Year Ended 30th June, 2016

Sr No.	Date	Application-No.	Contract No.	Amount Claimed	
				LC	Net (Equ. Rs.)
2	02.03.2016	NH001	M-4 IIA	535,509,761	535,509,761
3	08.03.2016	NH002	M-4 IIB	532,689,400	532,689,400
				1,068,199,161	

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M/R
AD(Accounts)-AP

NATIONAL HIGHWAY AUTHORITY
For ADB Loan No. 3300-PAK: Gojra to Shorkot (M-4) Project
For the Year Ended June, 30, 2016
ADB Loan PK-3300

W/App'l No.	Appl. Amount		Amount Disbursed		Amount Disbursed In PKR	US\$ Equivalent	Value Date	Acctg Month
	US\$	(2,525,128)	US\$	(2,525,128)				
NH001	PRS	227,185,959	PRS	227,185,959	227,185,959	2,171,047	9-Mar-16	201603
NH002	PRS	16,829,001	PRS	16,829,001	16,829,001	160,819	22-Mar-16	201603
NH004	US\$	17,294	US\$	17,294	1,807,233	17,294	11-May-16	201605
NH005	PRS	664,548	PRS	664,548	664,548	6,353	16-May-16	201605
NH006	PRS	460,480	PRS	460,480	460,480	4,402	16-May-16	201605
NH007	PRS	213,326	PRS	213,326	213,326	2,039	16-May-16	201605
NH008	PRS	74,703	PRS	74,703	74,703	714	16-May-16	201605
NH009	PRS	23,670	PRS	23,670	23,670	226	16-May-16	201605
NH010	US\$	23,373	US\$	23,373	2,437,835	23,373	30-Jun-16	201606
NH011	PRS	489,256	PRS	489,256	489,256	4,675	30-Jun-16	201606
NH03A	US\$	2,525,128	US\$	2,525,128	257,586,750	2,525,128	13-Apr-16	201604
TOTAL					507,772,762	2,390,943.71		

M. Usaid Nazki
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AMR
AD (ACCOUNTS) AP

NATIONAL HIGHWAY AUTHORITY
For ADB Grant No. 0440-PAK: Gojra to Shorkot (M-4) Project
For the Year Ended June, 30, 2016
ADB Loan PK-0440

W/App'l No.	Appl. Amount		Amount Disbursed		US\$ Equivalent	Value Date
NH001	PRS	535,509,761	PRS	535,509,761	5,117,150	10-Mar-16
NH002	PRS	532,689,400	PRS	532,689,400	5,092,146	15-Mar-16
TOTAL				1,068,199,161	10,209,296	

G. Ubal Nasir
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