

Audited Project Financial Statements

Project Number: 38456-034

Loan Number: 2972

Period covered: 01 July 2014 to 30 June 2015

PAK: Power Distribution Enhancement Investment Program, Tranche 3

Prepared by Quetta Electric Supply Company

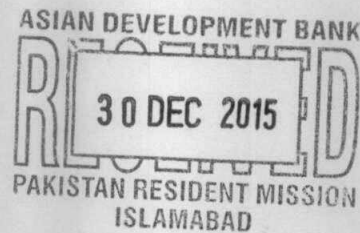
For the Asian Development Bank

Date received by ADB: 30 December 2015

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 Quetta Electric Supply Company.



**Financial Attest Audit Report on the
Accounts of Power Distribution Enhancement
Investment Program Tranche-III Quetta
Electric Supply Company Limited (QESCO),
Asian Development Bank (ADB) Loan No.
2972-PAK
for the Financial Year 2014-15.**



Auditor General of Pakistan Islamabad

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
BOD	Board of Directors
GOP	Government of Pakisatn
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
PC-I	Planning Commission Pro-forma-I
PDEIP	Power Distribution Enhancement Investment Program
PMU	Project Management Unit
QESCO	Quetta Electric Supply Company
WAPDA	Water and Power Development Authority

PREFACE

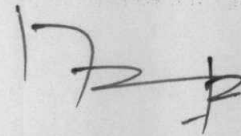
The Auditor General conducts audit subject to Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The Audit of Power Distribution Enhancement Investment Program Tranche-III QESCO portion (ADB loan 2972) was carried out accordingly.

The Directorate General Audit WAPDA conducted audit of the Power Distribution Enhancement Investment Program Tranche-III QESCO portion (ADB loan 2972) during October 2015 for the financial year 2014-15 with a view to reporting significant findings to the stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of the Power Distribution Enhancement Investment Program Tranche-III QESCO portion (ADB loan 2972). In addition, Audit also assessed, on test check basis, whether the management complied with applicable laws, rules, and regulations in managing the Power Distribution Enhancement Investment Program Tranche-III QESCO portion (ADB loan 2972). The Audit Report indicates specific actions that, if taken, will help the management to realize the objectives of the Power Distribution Enhancement Investment Program Tranche-III QESCO portion (ADB loan 2972).

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

The Report has been prepared for submission to the Asian Development Bank in terms of Loan Agreement 2972 (QESCO Portion).

Dated:
Place: Lahore


BILAL MAJEED
DIRECTOR GENERAL
AUDIT WAPDA, LAHORE

PART-I

- 1. PROJECT OVERVIEW**
- 2. AUDITOR'S REPORT TO THE MANAGEMENT
(AUDIT OPINION)**
- 3. FINANCIAL STATEMENTS**

PROJECT OVERVIEW

Name of Project	Power Distribution Enhancement Investment Program Tranche-III QESCO portion (ADB loan 2972)
(a) Sponsoring Authority	Asian Development Bank
(b) Implementing Authority	Quetta Electric Supply Company (QESCO)
Date of Commencement	December 10, 2013
Date of closing	January 31, 2018
Total Project Cost as per PC-I	US \$ 90.50 million
Donor's Share	US \$ 81.95 million
Counterpart Funds	US \$ 8.55 million
Expenditure during the Year 2014-15	US \$ 11.882 million (Rs.1193.603 million)
Progressive Expenditure up to June 30,2015	US \$ 11.882 million (Rs.1193.603 million)

AUDITOR'S REPORT TO THE MANAGEMENT (AUDIT OPINION)

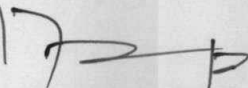
We have audited the accompanying financial statements of the Power Distribution Enhancement Investment Program Tranche-III Quetta Electric Supply Company Limited (QESCO) financed under the Asian Development Bank Loan No.2972 as of June 30, 2015, and for the year then ended.

These financial statements are the responsibility of the management of Quetta Electric Supply Company Limited (QESCO). Our responsibility is to express an opinion on the accompanying statements based on our audit.

We conducted our examination in accordance with International Standards of Supreme Audit Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of misstatement. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audit also includes assessing the accounting principles and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The QESCO's policy is to prepare the accompanying statements in the format agreed between the Asian Development Bank and the Government of Pakistan as noted in the Minutes of Negotiations for the Loan, on a cash receipts and disbursements basis in which cash is recognized when received and expenses are recognized when paid, rather than when incurred.

In our opinion, (A) the aforementioned financial statements and appended notes that were also subject of the audit, fairly present in all material respects the financial position of the Power Distribution Enhancement Investment Program Tranche-III Quetta Electric Supply Company Limited (QESCO) as at June 30, 2015 and the results of its operations for the year ended June 30, 2015, in conformity with International Public Sector Accounting Standards, applied on a basis consistent in all material respects with that of the previous years; (B) the QESCO has utilized all proceeds of the loan withdrawn from the Asian Development Bank only for purposes of the Project as agreed between the Asian Development Bank and QESCO in accordance with the Loan Agreement; and no proceeds of the loan have been utilized for other purposes; and (C) the QESCO was in compliance as at the date of the balance sheet of the year of audit with all financial covenants of the Loan Agreement.



BILAL MAJEED
DIRECTOR GENERAL
AUDIT WAPDA, LAHORE

Dated:

FINANCIAL STATEMENTS

Quetta Electric Supply Company
ADB Loan No. 2972-Pak Tranche-3 (Power
Distribution Enhancement Investment Program)
Statement of Receipt and Payments
For the year ended 30 June, 2015

	Note	2014-15		2013-14	
		Receipts (Payments) Controlled by Project	Payment by Third Parties	Receipts (Payments) Controlled by Project	Payment by Third Parties
Rupees					
<u>Receipt</u>					
External Assistance	5	-	1,147,031,045.00		
Counterpart Funds	6	46,572,449.00	-		0
<u>Total Receipts</u>		46,572,449.00	1147031045.00		
<u>Payments</u>					
Operating Expenses	7	46572449.00	-	-	-
Consultancy Services	8	-	-	-	-
Purchase of Plant and Equipment	9	-	896,835,072.00	-	-
Civil Works	10	-	250,195,973.00	-	-
Trainings	11	-		-	-
<u>Total Payments</u>		46,572,449.00	1,147,031,045.00		-
Increase (Decrease) in Cash					
Cash at Beginning of Year		0	0	0	0
Cash at End of Year		0	0	0	0
Contingencies and Commitments		0	0	0	0

The accompanying notes form an integral part of these financial statements and are to be read therewith.

M. Hameed
(Inspector Officer)

Manger (Project Finance)
PMU QESCO Quetta

Chief Engineer (Development)
PMU QESCO Quetta

Quetta Electric Supply Company
 ADB Loan No. 2972-Pak Tranche-3 (Power
 Distribution Enhancement Investment Program)
 Statement of Comparison of Budget and Actual
 Amounts - (For the year ended 30-06-2015)

Note	2014-15		2013-14	
	Budget Amount	Actual Amount Rupees	Budget Amount	Actual Amount Rupees
	Original		Original	
Receipt				
External Assistance (Total Loan Amount 8732 Million)	5			
	1,147,031,045.00	1,147,031,045.00		
Counterpart Funds	6			
	500,000,000.00	46,572,449.00		
Total Receipts		1,193,603,494.00		
Payments 1				
Operating Expenses	7	46,572,449.00		
Consultancy Services	8			
Purchase of Plant and Equipment	9	896,835,072.00		
Civil Works	10	250,195,973.00		
Trainings	11			
Total		1,193,603,494.00		

The accompanying notes form an integral part of these financial statements and are to be read therewith.

M. Haque
 (Inspecting officer)

Manger (Project Finance)
 PMU QESCO Quetta

Chief Engineer (Development)
 PMU QESCO Quetta

Quetta Electric Supply Company
Power Distribution Enhancement Investment Program –
Loan No.2972-PAK (Tranche-III)
Notes to the Financial Statements
For the Year ended 30 June 2015

1. Reporting Entity

The financial statements are for Power Distribution Enhancement Investment Project. The financial statement encompasses the reporting entity as defined in the Financing Agreement between the Islamic Republic of Pakistan and the Asian Development Bank. The Financing Agreement was signed on 09-09-2013 for an amount of US \$ 81.95 million. The project became effective from 10-12-2013 with the closing date of 31-01-2018.

Financing

The financing is made in the form of Credit based on Asian Development Bank terms, with a maturity of 25 years, with 5 year grace period.

Responsible Agency

A primary responsibility for overall progress and management of the Additional Financing has been entrusted to Economic Affairs Division, GoP.

2. Certification by Project Management on Application of Funds

The Power Distribution Enhancement Investment project management certified that the funds have been applied/expenditure have been incurred for the purpose intended in the financing agreement'

3. Accounting Convention and Statement of Compliance

The financial statement have prepared in accordance with Cash Basis IPSAS Financing Reporting under the Cash Basis of Accounting.

The accounting policies have been applied consistently throughout the period.

4. Significant Accounting Policies

4.1 Foreign Currency Transaction

Cash receipts and payments arising from transactions in foreign currencies are recorded in Pak Rupee by applying to the foreign currency amount, the exchange rate between the Pak Rupee and the Foreign Currency at the date of the receipts and payments. Exchange differences arising on settlement of these transactions are recognized in the Statement of Receipts and Payments.

4.2 Reporting Currency

All amounts in the financial statements are in Pak Rupee.

4.3 Revenue Recognition

Revenue is recognized on the date of receipt of money by bank or clearance of cheque.

Revenue is recognized on gross basis and any related costs are recorded separately.

4.4 Recognition of Expenditure

Expenditure is recognized on the date when payment is made or cheque is issued. Financial year to which the payments pertain is determined by the date on which a cheque or payment advice is issued.

4.5 Employee Terminal Benefits

Service benefits of government deputations employees are accounted for in their respective departments while no service terminal benefits are paid to the contractual employees.

5. External Assistance

[ADB-financed projects in Pakistan are normally funded by two different sources. One is called special operations and one is special operations]

External assistance was received in the form of Credit from the Asian Development Bank under financing agreement dated 28-01-2011 between the Asian Development Bank and Government of Pakistan (GOP) for the purpose of the Power Distribution Enhancement Investment Project. The following amounts were received by the Qesco during the period.

Loan No. 2972-PAK		2014-15		2013-14	
		US\$	Pak Rupees	US\$	Pak Rupees
SOE Procedures	5.1				
Direct Payments	5.2	6,373,574	640,634,260	-	-
Commitment Letters	5.3	5,045,109	506,396,785	-	-
Total:		<u>11,418,683</u>	<u>1,147,031,045</u>		

5.1 SOE Procedure:

No funds transferred in designated US Dollar revolving fund account by the Asian Development Bank on the basis of withdrawal application.

5.2 Direct Payment:

The direct payment procedure is the disbursement procedure where the Asian Development Bank (ADB) at the borrowers request pays a designated beneficiary (e.g., Supplier, Contractor, or Consultant) Directly.

Detail of Cash Withdrawal 2014-15 Withdrawal 2013-14

S. No	Withdrawal Application No.	Value Date	US\$	PKR	S. No	Withdrawal Application No.	Value Date	US\$	PKR
1	QS001	08/02/2015	1,380,770	138,643,256	----- NIL -----				
2	QS002	08/02/2015	1,314,664	132,005,503					
3	QS003	08/02/2015	1,109,039	111,358,566					
4	QS004	08/02/2015	1,472,912	147,895,276					
5	QS005	08/02/2015	280,069	28,146,893					
6	QS006	08/02/2015	34,8469	3,5021,135					
7	QS009	29/06/2015	85,860	8,732,934					
8	QS010	30/06/2015	66,185	6,730,972					
9	QS011	26/06/2015	86,623	8,810,550					
10	QS012	30/06/2015	50,856	5,172,064					
11	QS013	26/06/2015	38,959	3,962,640					
12	QS014	30/06/2015	24,508	2,492,447					
13	QS015	26/06/2015	77,503	7,882,963					
14	QS016	30/06/2015	37,158	3,779,061					
	Total Direct Payments		6,373,574	640,634,260					

5.3 Commitment Letters

Under the commitment procedure the Asian Development Bank (ADB) at the borrowers request irrevocably agrees to reimburse a commercial bank for payment made or to be made to a supplier against a letter of credit (LC).

2014-15

2013-14

Sr. No.	Commitment Letter No.	Value Date	USD	PKR	Sr. No.	Commitment Letter No.	Value Date	USD	PKR
1	QS007	02/06/2015	2,25,7084	225,644,152					
2	QS008	02/06/2015	2,788,025	280,752,633					
	Total Commitment letter		5,045,109	50,639,685					

6. Counterpart Funds

This represents funding made by Quetta Electric Supply Company (QESCO) at Power Distribution Enhancement Program (PDEIP) Loan No. 2972 – Pak (Tranche – III) as per project requirement.

		2014 – 15	2013 – 14
		PakRupees	PakRupees
Allocated Over Heads		46,572,449	-
	TOTAL	<u>46,572,449</u>	<u>-</u>

7-	Operating Expenses	2014-15	2013-14
		Amounts in Pak Rupees	
	Allocated Overhead	46,572,449.00	-
	Taxes And Duties	-	-
		46,572,449.00	-
8-	Consultancy Services	2014-15	2013-14
	Individual	-	-
		-	-
		2014-15	2013-14
9-	Plant And Equipment	Amounts in Pak Rupees	
	QESCO-01 (132 KV D/C T/L Khuzdar- Quetta-Ind:)	415,223,805.00	-
	QESCO-02 (132 KV D/C T/L Loralai- Quetta-Ind:)	481,611,267.00	-
		896,835,072.00	-
10-	Civil Work	2014-15	2013-14
		Amounts in Pak Rupees	
	QESCO-01 (132 KV D/C T/L Khuzdar- Quetta-Ind:)	21,918,992.00	-
	QESCO-02 (132 KV D/C T/L Loralai- Quetta-Ind:)	228,276,981.00	-
		250,195,973.00	-
11-	Training	2014-15	2013-14
		-	-
		NIL	NIL
12-	Cash and Bank		
	No Funds Transferred in Designated US Dollar Revolving Fund Account by Asian development Bank under Loan No. 2972-PAK	2014-15	2013-14
	cash in Hand	Nil	Nil
	Cash at Bank	Nil	Nil
		Nil	Nil

13- Authorization for Issue

These financial statements have been authorized for issue by the Project Director on _____.

14- General

Figures have been rounded off to the nearest rupee.

Comparative figures have been rearranged where necessary for the purpose of comparison.

M. Hanjra
(Inspecting officer)

[Signature]
Manager (Project Finance) Chief Engineer (Dev)
PMU QESCO Quetta

Note: The above breakups and disclosures are not exhaustive. These are for general guidance purposes only. The management may include breakups and disclosures tailored to project's nature of activities.

PART-II

EXECUTIVE SUMMARY

MANAGEMENT LETTER

1. INTRODUCTION

2. AUDIT OBJECTIVES

3. AUDIT SCOPE AND METHODOLOGY

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Construction & Works

4.2 Overall Assessment

4.3 Recommendations

5. CONCLUSION

ACKNOWLEDGEMENT

EXECUTIVE SUMMARY

The Directorate General Audit WAPDA conducted audit of the Power Distribution Enhancement Investment Program Tranche-III QESCO portion (ADB loan 2972) during October 2015 for the financial year ended June 30, 2015. The main objectives of the audit were to express an opinion on the Statement of Receipts and Payments of the project, to review project performance against intended objectives, to review compliance with applicable rules, regulations and procedures. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI).

Key Audit Finding:

- Recoverable amount from contractors – Rs. 587.819 million