



Auditor-General of Pakistan
Special Sectors Audit Wing
Constitution Avenue

P154036

Islamabad

No.PA/FAP/AJ&K/SSA/F-11/84

Dated: 29 -12-2016

To,

1. The Secretary,
Economic Affairs Division,
Government of Pakistan
Pak Secretariat, Block "C",
Islamabad

✓ 2. The Country Director,
World Bank Resident Mission, 20-A, Shahrah-e-Jamhuriat
Sector G-5/1, Islamabad



Subject: **FOREIGN AIDED PROJECTS (FAPs) AUDIT REPORTS**

Financial Attest Audits of the following FAP Audit Report has been conducted by this office:

S.No	Name of Projects	Development Partners
1.	Disaster and Climate Resilience Improvement Project	World Bank(MDTF)

2. Certificate/Financial Attest alongwith the Audit Report containing therein the management letter (ML) on the same is attached herewith. The referred is hereby issued simultaneously to the Government (to EAD) and to the World Bank Resident Mission Islamabad.

3. The Director General Audit concerned is also being requested to issue a copy of the above mentioned FAP certificate/Audit Report to the concerned Project Manager as well.

Enclosures: As above

Irshad
Irshad Ahmed Kaleemi
Deputy Auditor General
Special Sector Audit
Office Telephone #051-9222917
Office Fax#051-9219191

Cc:

- i. DG Audit AJ&K Muzaffarabad, with the request to issue a copy of the above reports to the project management for their further necessary action.
- ii. SPS to DAG North
- iii. Master File

P154036



**Financial Attest Audit Report on the
Accounts of Disaster and Climate Resilience
Improvement Project
(World Bank)
Loan No. 5686-PAK
Planning & Development Department
For the Financial Year 2015-16**

Auditor General of Azad Jammu and Kashmir



**Financial Attest Audit Report on the
Accounts of Disaster and Climate Resilience
Improvement Project
(World Bank)
Loan No. 5686-PAK
Planning & Development Department
For the Financial Year 2015-16**

Auditor General of Azad Jammu and Kashmir

TABLE OF CONTENTS

	Page No.
List of Abbreviations	1
Preface	2
PART-I	
Project Overview	3
Auditor's Report to the Management (Audit Opinion)	4-5
Financial Statements	6-14
PART-II	
Covering letter to the Management Letter	15
Executive Summary	16
Management Letter	17
1. Introduction	
2. Audit Objectives	
3. Audit Scope and Methodology	
4. Audit Findings and Recommendations	18-23
4.1 Organization and Management	
4.2 Financial Management	
4.3 Procurement and Contract Management	
4.4 Construction and Works	
4.5 Asset Management	
4.6 Monitoring and Evaluation	
4.7 Compliance with Loan Covenants	
4.8 Environment	
4.9 Sustainability	
4.10 Overall Assessment	
5. CONCLUSION	24
6. ACKNOWLEDGEMENT	25

Abbreviations and Acronyms

AJK	Azad Jammu and Kashmir
DAC	Departmental Accounts Committee
DCRIP	Disaster and Climate Resilience Improvement Project
FY	Financial Year
GOP	Government of Pakistan
ICPD	Internal Conference on Population Development
IDA	International Development Agency
INTOSAI	International Organization of Supreme Audit Institutions
MDGs	Millennium Development Goals
NOL	No Objection Letter
PC-I	Preliminary Cost/ Planning Commission-I
PMU	Project Management Unit
RFA	Revolving Fund Account
RFQ	Request for Quotation
SDMA	State Disaster Management Authority
WB	World Bank

PREFACE

The Auditor-General of Azad Jammu and Kashmir conducts audit subject to Article 50-A of the AJ&K Interim Constitution Act 1974, read with Sections 9 and 13 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Act, 2005. The audit of Disaster and Climate Resilience Improvement Project was carried out accordingly.

The Director General Audit Azad Jammu and Kashmir conducted audit of the Disaster and Climate Resilience Improvement Project in October, 2016 for the FY 2015-16 under the Contract Agreement of the Project with a view to report significant findings to stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of 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 Audit Report indicates specific actions that, if taken, will help the management to realize the objectives of the Disaster and Climate Resilience Improvement Project.

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 World Bank in terms of Loan Agreement No. 5686-PK with Islamic Republic of Pakistan.

Dated: December 26, 2016
Muzaffarabad AJK


Aziz-ur-Rehman
Director General Audit

PART-I

- 1. PROJECT OVERVIEW**
- 2. AUDITOR'S REPORT TO MANAGEMENT**
- 3. FINANCIAL STATEMENTS**

PROJECT OVERVIEW

1.	Name of the Project	Disaster and Climate Resilience Improvement Project
2.	Sponsoring Authority	World Bank
3.	Executing Authority	Planning and Development Department through PIU DCRIP
4.	Loan No.	5686 PK
5.	PC-I Cost	2500.000 Millions
6.	Date of Commencement	14-09-2015
7.	Actual Date of Commencement	19-05-2016
8.	Date of Completion (as per PC-I)	30-06-2018
9.	Date of Approval by CDWP	19-05-2015
10.	Loan Closing Date	01-12-2019
11.	Loan Utilization Status in F.Y 2014-15	N/A
12.	Progressive Expenditure upto F.Y 2015-16	Rs. 18.995 Million



Office of the
Director General Audit
Azad Jammu & Kashmir
Muzaffarabad

DGA=05822-920018
FAX=05822-920011

Auditor's Report to the Management (Audit Opinion)

The Directorate General Audit Azad Jammu & Kashmir has audited the accompanying Financial Statements of "Disaster and Climate Resilience Improvement Project" as of 30.06.2016.

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 INTOSAI Auditing Standards as adopted by the Auditor General of Azad Jammu and Kashmir. The Standards require the audit to obtain reasonable assurance that the Financial Statements are free of material misstatements. This audit is based on test check basis and includes findings, evidence supporting the amounts and disclosures in the Financial Statements. It also includes assessment of the accounting principles adopted by the management in preparing Financial Statements. A professional exercise has been conducted to provide a reasonable basis for audit opinion. The statements have been prepared on cash receipts and disbursement basis. On this basis revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred.

In our opinion:

- A. The aforementioned Financial Statements and appended notes subjected to audit fairly present in all material respects the financial position of Disaster and Climate Resilience Improvement Project and results of its operations for the period ended 30.06.2016, in conformity with the accepted accounting principles, applied on a basis consistent in material respects with that of previous year;
- B. The management of the Project has utilized all proceeds of the grant withdrawn from the World Bank for the purposes of the Project as agreed in accordance with the Loan Agreement; and no proceeds of the grant have been utilized for any other purposes.

In addition:-

1. Adequate supporting documentation has been maintained in support of the expenditure incurred;
2. Expenditure of Rs.18.995 million incurred during the Financial Year 2015-16, is eligible for replenishment.



(Aziz-ur-Rehman)
Director General Audit
Azad Jammu & Kashmir

FINANCIAL STATEMENTS

“DISASTER AND CLIMATE RESILIENCE IMPROVEMENT PROJECT (DCRIP)”

FOR THE YEAR ENDED 30TH JUNE 2016

	Page No.
i. Statement of Receipts and payments	7
ii. Statement of Expenditure (by detailed break-up)	8
iii. Reconciliation Statement	9-10
iv. Notes to Financial Statements	11-13

Disaster and Climate Resilience Improvement Project, AJK
Statement of Receipts and Payments
For the Year Ended 30th June 2016

2015 - 2016
 Rupees

RECEIPTS

	Note	
External Assistance	1	209,535,000
Counterpart Funds		-
Total Receipt		209,535,000

PAYMENTS

Consultancy Services	2	4,051,613
Operating Expenses	3	5,050,145
Supplies and Consumables	4	9,835,725
Civil Works		-
Trainings	5	57,525
Total Payments		18,995,008

Increase/Decrease in Cash

Cash at the beginning of the year		-
Receipts during the year		209,535,000
Cash available		209,535,000
Payments during the year		18,995,008
Closing balance at the year end	6	190,539,992

The annexed notes from 1-14 form an integral part of these financial statements.


 AG


 Project Director

Project Director,
 Disaster & Climate Resilience Imp. Project
 Planning & Development Department
 GoAJK, Muzaffarabad.

Disaster and Climate Resilienece Improvement Project, AJK
Statemnt of Comparison of Budget and Actual Amounts
For the Year Ended 30th June 2016

2015-2016

<i>Budget Amount</i>	<i>Actual Amount</i>
Rupees	Rupees

RECEIPTS

External Assisstance

90,000,000

209,535,000

Counterpart Funds

-

-

Total Reciept

90,000,000

209,535,000

PAYMENTS

Consultancy Services

30,600,000

4,051,613

Operating Expenses

9,301,000

5,050,145

Supplies and Consumables

35,744,000

9,835,725

Civil Works

14,255,000

-

Trainings

100,000

57,525

Total Payments

90,000,000

18,995,008


 AD


 Project Director
 Disaster & Climate Resilience Imp. Project
 Planning & Development Department
 GoAJK, Muzaffarabad.

Disaster and Climate Resilience Improvement Project, AJK

Bank Reconciliation Statement NBP a/c no.27-A as on 30-06-2016

Description	Amount (PKR)	Remarks
(A) Balance as per Cash Book	190,539,992	
<i>Add Cheques issued but not presented</i>		
Cheque No. 62000251	264,375	✓
Cheque No. 62000256	6,150	✓
Cheque No. 62000261	57,370	✓
Cheque No. 62000264	30,159	✓
Cheque No. 62000269	18,000	✓
(B) Sub Total	376,054	✓
(C) Balance as per Bank Statement (A+B)	190,916,046	
(D) <i>Less= Bank Charges- if any</i>		
Reconciled balance as per Bank Book (C-D)	190,916,046	
Difference - if any (with reasons)		


Prepared by


Reviewed by


Approved by



Disaster and Climate Resilience Improvement Project

Notes to the Financial Statements

For the year ended 30th June 2016

1 External Assistance

External Assistance/Credit was received from World Bank under financing agreement dated 30/07/2015 between the World Bank and Government of Pakistan and subsequent subsidiary agreement between Government of Pakistan (EAD) and Government of AJ&K(P&DD) for the purpose of Disaster and Climate Resilience Improvement Project. The following payment was received by the project during the period.

	<i>2015-2016</i>	<i>2015-2016</i>
	Rupees	USD
SOE Procedures/Advance 1.1	209,535,000	2,000,000
Direct Payment 1.2	0	0
	<u>209,535,000</u>	<u>2,000,000</u>

1.1 This represents funds transferred by the World Bank on the basis of Withdrawl Application, to DCRIP designated US Dollar Account no. 27-A, maintained at National Bank of Pakistan, Muzaffaabad.

1.2 Direct payments represent amount paid directly by the World Bank on behalf of the project in respect of goods, works and services procured by the project on the basis of Withdrawl Application.

1.3 There has been no instance of non compliance with the terms and conditions of financing /subsidiary

1.4 Undrawn External Assistance

Undrawn credit at reporting date represent amounts specified in financing agreement that World Bank will disburse for DCRIP Project activities. \$ 23,000,000

2016
Rupees

2 Consultancy Services

2.1 * Individual Consultants

2.2 Firms

4,051,613
-
4,051,613

2.1.1 * Mr.Ejaz Ahmed, Financial Management Specialist, Financial reporting of the project

2.1.2 * Mr.Muhamad Ali, Environment Specialist, preparation of environment reports for project activities and allied matters

2.1.3 * Mr. Munir Hussain, Procurement Specialist, Procurement related activities of the project


Project Director,
 Disaster & Climate Resilience Imp. Project
 Planning & Development Department
 GoAJK, Muzaffarabad.

2015-2016

3 Operating Expenses

Rupees

Remuneration and salaries

621,978

General Operating

4,428,167

5,050,145

3.1 Salaries Officers

45,000

3.2 Salaries Staff

576,978

621,978

3.3 Telephone

34,498

3.4 Advertisement and Publicity

163,486

3.5 office maintenance

1,234,906

3.6 POL, Repair and maintenance

144,909

3.7 Stationery

266,808

3.8 Travelling

1,132,432

3.9 Other Expenses

1,451,128

4,428,167

4 Supplies and Consumables

4.1 Vehicles

-

4.2 Furniture and Fixtures

2,125,130

4.3 Office Equipment

7,710,595

9,835,725

5 Trainings

5.1 Trainings

50,000

5.2 Workshops

7,525

57,525

18,995,008

6 Cash and Bank

6.1 Cash in Hand

-

6.2 Cash at Bank (DA)

190,539,992

190,539,992

7 No Contractor liabilities, Obligations and claims under contracts are pending

8 Project and its Operations

8.1 Disaster and Climate Resilience Improvement Project is funded by International Development Agency (IDA) through World Bank Group. A loan cum credit was granted by the bank to Government of Pakistan through EAD of USD 125 Million including USD 25 million for the Azad Government of the State of Jammu and Kashmir. The credit will be utilized in four years effective from 1st September 2015. The implementing agency in AJK will be 'Planning and Development Department' through an independent Project Implement Unit (PIU).

8.2 The Project aims to support restoration of flood damaged infrastructure and strengthen Government capacity to manage disasters and climate variability.

9 Certification by Project Management on Application of Funds

The DCRIP management certified that the funds have been applied and expenditure have been incurred for the purposes intended in the financing agreement.

10 There is no counterpart funding by the Government or any other financial institution.

11 Accounting Convention

These financial statements have been prepared under historical cost convention and on Cash

12 Foreign Currency Transactions

All monetary transactions in foreign currencies are translated into Pak Rupees at exchange rate of Rs.104.7676 prevailing at the date of credit in Project bank account by the State Bank

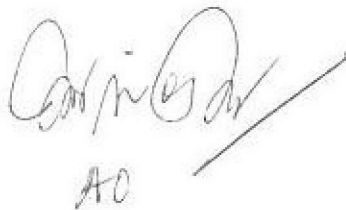
13 Authorization for Issue

These financial statements have been authorised for issue by the Project Director of DCRIP on December 07, 2016

14 General

14.1 Figures have been rounded off to the nearest rupee.

14.2 Figures are grouped where ever necessary for the purpose of presentation



AO



Project Director
Project Director,
Disaster & Climate Resilience Imp. Project
Planning & Development Department
GoAJK, Muzaffargarh