

Audited Project Financial Statements

Project Number: 38456-037
Loan Number: 3096
Period covered: 01 July 2014 to 30 June 2015

PAK: Power Distribution Enhancement Investment Program, Tranche 4

Prepared by Gujranwala Electric Power Company

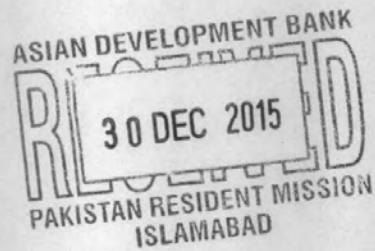
For the Asian Development Bank
Date received by ADB: 30 December 2015

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 Gujranwala Electric Power Company.



**Financial Attest Audit Report on the
Accounts of Power Distribution Enhancement
Investment Program Tranche-IV Gujranwala
Electric Power Company Limited (GEPCO),
Asian Development Bank (ADB) Loan No.
3096-PAK
for the Financial Year 2014-15.**

Loan 3096



Auditor General of Pakistan Islamabad

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AGP	Auditor General of Pakistan
Dev	Development
DISCO	Distribution Companies
GCC	General Conditions of Contract
GEPCO	Gujranwala Electric Power Company
GOP	Government of Pakistan
ISSAI	International Standards of Supreme Audit Institutions
LC	Letter of Credit
LD	Liquidated Damages
NTDC	National Transmission and Dispatch Company
PC-I	Planning Commission Proforma-I
PD	Project Director
PDEIP	Power Distribution Enhancement Investment Program
PEPCO	Pakistan Electric Power Company
PMU	Project Management Unit
SCC	Special Condition of Contract
STG	Secondary Transmission Grid
WAPDA	Water and Power Development Authority

PREFACE

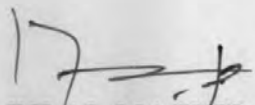
The Auditor-General conducts audit subject to Article 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The Audit of Power Distribution Enhancement Investment Program Tranche-IV GEPCO portion (ADB loan 3096) was carried out accordingly.

The Directorate General Audit WAPDA conducted audit of the Power Distribution Enhancement Investment Program Tranche-IV GEPCO portion (ADB loan 3096) 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-IV GEPCO portion (ADB loan 3096). 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-IV GEPCO portion (ADB loan 3096). 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-IV GEPCO portion (ADB loan 3096).

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 3096 (GEPCO 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-IV)
Authority Responsible for:	
(a) Sponsoring	Asian Development Bank (A.D.B.)
(b) Implementing	Gujranwala Electric Power Company Ltd. (GEPCO)
Date of Commencement:	July 18, 2014
Date of closing:	December 31, 2016
Total Project Cost as per PC-I	US\$ 12.412 Million
Amount allocated as per Loan Agreement	US \$ 9.062 Million
Counterpart Funds	US \$ 3.350 Million
Expenditure during 2014-15	US \$ 0.957 Million Rs.101.227 million
Expenditure upto June 30, 2015	US \$ 0.957 Million Rs.101.227 million

AUDITOR'S REPORT TO THE MANAGEMENT (AUDIT OPINION)

We have audited the accompanying financial statements of the Power Distribution Enhancement Investment Program Tranche-IV Gujranwala Electric Power Company Limited (GEPCO) financed under the Asian Development Bank Loan No.3096 as of June 30, 2015, and for the year then ended.

These financial statements are the responsibility of the management of Gujranwala Electric Power Company Limited (GEPCO). 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 GEPCO'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-IV Gujranwala Electric Power Company Limited (GEPCO) 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 GEPCO 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 GEPCO in accordance with the Loan Agreement; and no proceeds of the loan have been utilized for other purposes; and (C) the GEPCO 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:

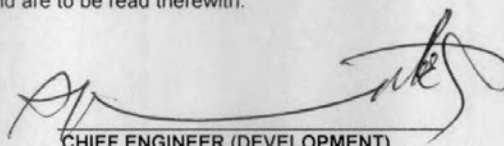
FINANCIAL STATEMENTS

Gujranwala Electric Power Company Ltd
 ADB LOAN NO. 3096-PAK (Tranche-IV)
 Statement of Receipt and Payments
 For the Financial Year ended 30 June 2015

Note	2014-15		2013-14	
	Receipts (Payments) Controlled by Project	Payment by Third Party	Receipts (Payments) Controlled by Project	Payment by Third Party
(Million Rupees)				
Receipts				
	External Assistance		-	-
5	ADB-Trenche-IV	97,477,080	-	-
6	Counterpart Funds	3,750,469	-	-
	Total Receipts	3,750,469	-	-
Payments				
7	Operating Expenses	3,750,469	-	-
8	Purchase of Plant and Equip.	97,477,080	-	-
	Total Payments	3,750,469	-	-

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

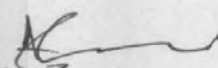

 INSPECTING
 OFFICER



 CHIEF ENGINEER (DEVELOPMENT)
 PMU, GEPCO.

Gujranwala Electric Power Company Ltd
 ADB LOAN NO. 3096-PAK (Tranche-IV)
 Statement of Comparison of Budget and Actual Amounts
 For the Financial Year ended 30 June 2015

	Note	2014-15			2013-14		
		Budget Amount		Actual Amount	Budget Amount		Actual Amount
		Original	Revised		Original	Revised	
Receipts							
External Assistance		-	-	-	-	-	-
ADB-Trench-IV	5	-	-	97,477,080	-	-	-
Counterpart Funds	6	-	-	3,750,469	-	-	-
Total Receipts		-	-	101,227,549	-	-	-
Payments							
Operating Expenses	7	-	-	3,750,469	-	-	-
Purchase of Plant and Equip.	8	-	-	97,477,080	-	-	-
Total Payments		-	-	101,227,549	-	-	-

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


 INSPECTING
 OFFICER.


 CHIEF ENGINEER (DEVELOPMENT)
 PMU, GEPCO.

1 Reporting Entity

The Financial Statements are for Gujranwala Electric Power Company Ltd in respect of Asian Development Bank (ADB) Loan No. 3096-Pak (Tranche-IV). The Financial Statement encompasses the reporting entity as defined in the Loan Agreement between Islamic Republic of Pakistan & Asian Development Bank as well as Project Agreement signed between Gujranwala Electric Supply Company Limited & Asian Development Bank. These Agreements were signed on 30-04-2014 for US\$ 8.73 million. The project became effective from 18-07-2014 with the closing date of 30-06-2017.

The objective of Gujranwala Electric Power Company Ltd Project is to increase the efficiency, reliability and quality of electric supply by strengthening of electricity distribution network to reduce losses and improvement in supply. The financing will cover improvement in power distribution infrastructure through augmentation and extension of the existing 132 KV Grid Station and relieve the power system from distribution bottlenecks and constraints.

The financing is made in the form of Credit based on Asian Development Bank terms.

2 Certification by Project Management on Application of Funds.

The Gujranwala Electric Power Company Ltd project management certified that the funds have been applied/expenditure have been incurred for the purposes intended in the loan / project.

3 Accounting Convention and Statement of compliance.

The financial statements have been prepared in accordance with Cash Basis IPSAS Financial Reporting under the Cash Basis of Accounting.

The accounting policies have been applied consistency 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 Rupees.

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 Recognitions 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.

Gujranwala Electric Power Company Ltd
Notes to the Financial Statements

5 External Assistance.

External assistance was received in the form of Credit from ADB under ADB Loan No. 3096-Pak (Tranche-IV) as per Loan Agreement between Islamic Republic of Pakistan & Asian Development Bank as well as Project Agreement signed between Gujranwala Electric Power Company Ltd & Asian Development Bank. The following amounts were received and paid by the project during the period.

Loan No. 3096-Pak (Ordinary Operations)	2014-15		2013-14	
	US \$ in million	Rs. in million	US \$ in million	Rs. in million
Direct payment	957,005	97,477,080	-	-
	957,005	97,477,080	-	-

Statement of Withdrawals from ADB Loan (Direct Payment)
For the Financial Year ended 30 June 2015.

2014-15

Sr#	WA#	Name of Contractor/	Value Date	Accounting Month	Amount (US\$)	Amount (PKR)
1	G0002	Hengyang Nanf	20-Mar-15	03-2015	9,412.20	957,221
2	G0003	Sieyuan	17-Mar-15	03-2015	18,291.00	1,856,537
3	G0004	PEL	25-Mar-15	03-2015	95,626.90	9,751,802
4	G0005	Conspak	30-Mar-15	03-2015	26,407.52	2,689,920
5	G0006	Pioneer	31-Mar-15	03-2015	379,113.89	38,606,380
6	G0007	PEL	01-Apr-15	04-2015	193,133.44	19,666,604
7	G0008	PEL	01-Apr-15	04-2015	192,830.00	19,659,019
8	G0010	Pioneer	22-Jun-15	06-2015	42,190.30	4,289,598
Total					957,005	97,477,080

Gujranwala Electric Power Company Ltd
Notes to the Financial Statements

	2014-15	2013-14
6 Counter Part Funds	(Amounts in Pak Rupees)	
Government of Pakistan (GOP)	-	-
(GEPCO own resources)	3,750,469	-
	3,750,469	-

		2014-15	2013-14
7 Operating Expenses	Note	(Amounts in Pak Rupees)	
Remuneration and Salaries		-	-
General Operating Expenditures	7.1	-	-
Duties and Taxes	7.2	3,750,469	-
Own source material and Exp (Kharaba etc)	7.3	-	-
		3,750,469	-

7.1 General Operating Expenses		2014-15	2013-14
		(Amounts in Pak Rupees)	
Telephone		-	-
Advertisement and Publicity		-	-
POL, Repair and Maintenance		-	-
Power Light & Water		-	-
Stationery		-	-
Travelling		-	-
Other Expenses		-	-
Supplies and Consumables		-	-
		-	-

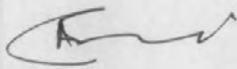
7.2 Duties and Taxes		2014-15	2013-14
		(Amounts in Pak Rupees)	
Duties and Taxes paid by GEPCO own source		3,750,469	-
		3,750,469	-


7.3 Own source material and Exp (Kharaba etc)		2014-15	2013-14
		(Amounts in Pak Rupees)	
Own source material and Exp (Kharaba etc)		-	-
		-	-

8 Purchase of Plant and Equipment		2014-15	2013-14
		(Amounts in Pak Rupees)	
Procurement of Material-ADB		-	-
Procurement of Material-PSDP		-	-
		-	-

9 Authorization of Issue
 These Financial Statements have been authorized for issue by the Project Director on 31/12/2015

10 General
 Figures have been rounded to nearest rupee.
 Comparative figures have been rearranged where necessary for the purpose of comparison.


 INSPECTING
 OFFICER


 CHIEF ENGINEER (DEVELOPMENT)
 PMU, GEPCO.

PART-II

EXECUTIVE SUMMARY

MANAGEMENT LETTER

1. INTRODUCTION
 2. AUDIT OBJECTIVES
 3. AUDIT SCOPE AND METHODOLOGY
 4. AUDIT FINDINGS AND RECOMMENDATIONS
 - 4.1 Procurement of Material
 - 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-IV GEPCO portion (ADB Loan 3096) 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 Findings:

- Non-deduction of liquidated damages US \$ 856 from contractor.
- Investment amounting to US \$ 5.684 million at risk under ADB Tranche-IV.