

Audited Project Financial Statements

Project Number: 38456-037
Loan Number: 3096
Period covered: 01 July 2015 to 30 June 2016

PAK: Power Distribution Enhancement Investment Program, Tranche 4

Prepared by Islamabad Electric Supply Company

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 Islamabad Electric Supply Company.

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**Financial Attest Audit Report on the
Accounts of Power Distribution Enhancement
Investment Program Tranche-IV Islamabad
Electric Supply Company Limited (IESCO),
Asian Development Bank (ADB) Loan No.
3096-PAK for the Financial Year 2015-16**

Auditor General of Pakistan Islamabad

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AGP	Auditor General of Pakistan
Dev	Development
DISCO	Distribution Companies
IESCO	Islamabad Electric Supply Company
GCC	General conditions of contract
GOP	Government of Pakistan
ISSAI	International Standards of Supreme Audit Institutions
KVA	Kilo volt Ampere
LC	Letter of Credit
LD	Liquidated Damages
MVA	Mega volt ampere
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 conditions of contract
STG	Secondary Transmission Grid
WAPDA	Water and Power Development Authority

PREFACE

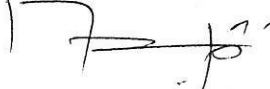
The Auditor-General conducts audit subject to Article 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The Audit of Power Distribution Enhancement Investment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

The Directorate General Audit WAPDA conducted audit of the Power Distribution Enhancement Investment Program Tranche-IV (IESCO) portion (ADB Loan-3096) during August 2016 for the financial year 2015-16 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 (IESCO) 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 (IESCO) portion (ADB loan 3096). The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the Power Distribution Enhancement Investment Program Tranche-IV (IESCO) 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 (IESCO Portion).

Dated:27.12.2016
Place: Lahore


BILAL MAJEED
DIRECTOR GENERAL
Audit WAPDA Lahore

PART-I

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

PROJECT OVERVIEW

Name of Project	Power Distribution Enhancement Investment Program (Tranche-IV)
Sponsoring Authority	Asian Development Bank (ADB)
Executing Authority	Islamabad Electric Supply Company Ltd. (IESCO)
Loan No.	3096-Pak
PC-I Cost	US\$ 25.281 million
Loan amount	US\$ 17.810 million
Date of Commencement	July 18, 2014
Actual Date of Commencement	July 18, 2014
Date of Completion (as per PC-I)	June 30, 2017
Date of Approval by ECNEC	April 30, 2014
Loan Closing Date	June 30, 2017
Loan Utilization Status in F.Y 2015-16	US\$ 0.752 million (Pak Rs.78.968 million)
Progressive Expenditure up to last F.Y 2014-15	---

AUDITOR'S REPORT TO THE MANAGEMENT

We have audited the accompanying financial statements (pages 07-12) of the Power Distribution Enhancement Investment Program Tranche-IV Islamabad Electric Supply Company (IESCO) financed under the Asian Development Bank Loan No.3096 as of June 30, 2016 and for the year then ended.

These financial statements are the responsibility of the management of IESCO. Our responsibility is to express an opinion on the accompanying statements based on our audit.

We conducted our examination in accordance with International Standards on Auditing. 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 IESCO'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. Since, no imprest account is being maintained in PMU IESCO, hence no bank reconciliation statements are prepared.

In our opinion, (A) the aforementioned financial statements and appended notes that were also the subject of the audit, fairly present in all material respects the financial position of the Power Distribution Enhancement Investment Program Tranche-IV as at June 30, 2016 and the results of its operations for the year ended June 30, 2016, 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 IESCO 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 IESCO in accordance with the Loan Agreement; and no proceeds of the loan have been utilized for other purposes; and (C) the IESCO 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:27.12.2016

FINANCIAL STATEMENTS

Islamabad Electric Supply Company Limited

Power Distribution Enhancement Investment Program - Tranche - IV (ADB Loan # 3096-PAK)

Statement of Receipts and Payments

For the year ended 30 June 2016

	Note	2015-16		2014-15	
		Receipts (Payment) Controlled by Project	Payment by Third Parties	Receipts (Payment) Controlled by Project	Payment by Third Parties
-----Rupees-----					
Receipts					
External Assistance	5		78,968,467		-
Counterpart Funds	6	206,310	-	-	-
		-	-		
Total Receipts		206,310	78,968,467	-	-
Payments					
4A Turnkey	5		-		-
4B Equipment and Material	5		78,968,467		-
Counterpart Funds	6	206,310	-	-	-
Consultancy Services					
Operating Expenses					
Supplies & Consumables					
Civil Works					
Trainings					
Total Payments		206,310	78,968,467	-	-
Increase/Decrease in Cash		-	-	-	-
Cash at Beginning of Year		-	-	-	-
Cash at End of Year		-	-	-	-
Contingencies and Commitments		-	-	-	-

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


Manager Finance
 PMU IESCO Islamabad


Chief Engineer (Development)
 PMU IESCO Islamabad

Islamabad Electric Supply Company Limited

Power Distribution Enhancement Investment Program - Tranche - IV (ADB Loan # 3096-PAK)

Statement of Comparison of Budget and Actual Amounts

For the year ended 30 June 2016

	Note	2015-16			2014-15		
		Budget Amount		Actual Amount	Budget Amount		Actual Amount
		Original	Revised		Original	Revised	
-----Rupees-----							
Receipts							
External Assistance	5	400,000,000	-	78,968,467	-	-	-
Counterpart Funds	6	150,000,000	-	206,310	-	-	-
				-			
Total Receipts		550,000,000	-	79,174,777	-	-	-
Payments							
4A Turnkey	5	-	-	-	-	-	-
4B Equipment and Material	5	-	-	78,968,467	-	-	-
Counterpart Funds	6	-	-	206,310	-	-	-
Consaltancy Services		-	-	-	-	-	-
Operating Expenses		-	-	-	-	-	-
Supplies & Consumables		-	-	-	-	-	-
Civil Works		-	-	-	-	-	-
Trainings		-	-	-	-	-	-
Total Payments		-	-	79,174,777	-	-	-

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


Manager Finance
 PMU IESCO Islamabad


Chief Engineer (Development)
 PMU IESCO Islamabad

Islamabad Electric Supply Company Limited

Power Distribution Enhancement Investment Program - Tranche - IV (ADB Loan # 3096-PAK)

Notes to the Financial Statements

For the year ended 30 June 2016

1 Reporting Entity

The Financial Statements are for Power Distribution Enhancement Investment Program under ADB Loan 3096, Tranche-IV. The Financial Statements 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 30-04-2014 Under the loan agreement between IESCO & ADB amount of US\$ 17.810 million out of the total amount of US\$ 167.200 million were allocated to Company. As of 30 June 2016 the Company has received (including direct payments to suppliers) an amount of US\$ 0.752 million.

The Project became effective from 18 July 2014 with the closing dated of 30-06-2017.

The Project is implemented through Economic Affairs Division Islamabad GoP.

Financing

The Financing is made in the form of Credit based on Asian Development Bank terms, with a maturity of 20 years, including a grace period of 5 years. The Financing Agreement No is loan No 3096-PAK.

Responsible Agency

The primary responsibility for overall progress and management of the Additional Financing has been entrusted to Economic Affairs Division Islamabad, Government of Pakistan.

2 Certification by Project Management on Application of Funds

The Power Distribution Enhancement Investment Program 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 payment advice is issued.

4.5 Payments by Third Party

The payments made by third parties do not constitute cash receipts or payments controlled by the project but do benefits the project as the project does not receive cash (including cash equivalents) directly from, or gain control of the bank accounts or similar facility established for its benefit by, the third parties. Payments by third parties, if any, are disclosed in the payments by third parties column on the face of statement of Cash Receipts and Payments and notes to the financial.

5 External Assistance

External Assistance was received in the form of Credit from the Asian Development Bank under financing agreement dated 30 April 2014 between the Asian Development Bank and Government of Pakistan (GoP) for the purpose of the Power Distribution Enhancement Investment Program. The following amounts were received by the Project during the period.

Islamabad Electric Supply Company Limited

Power Distribution Enhancement Investment Program - Tranche - IV (ADB Loan # 3096-PAK)

Notes to the Financial Statements

For the year ended 30 June 2016

Loan No. 2972 - PAK (Ordinary Operation)		2015-16		2014-15	
		US\$	Pak Rupee	US\$	Pak Rupee
Direct Payment	5.1	431,290	45,381,269	-	-
Commitment Letter	5.2	320,836	33,587,198	-	-
		752,126	78,968,467	-	-

Direct Payments 2015-16

S/No	Date	W/A No	Supplier/Contractor	US\$	Pak Rupee
1	27-11-2015.	I0001	M/S YUANCHENG CABLES CO LIMITED	40,105	4,231,221
2	27-11-2015.	I0002	M/S PINGGAO GROUP CO. LTD	35,041	3,696,976
3	27-11-2015.	I0003	M/S PINGGAO GROUP CO. LTD	22,276	2,350,248
4	04-12-2015.	I0004	M/S PAK ELECTRON (PEL) LTD	199,154	20,998,247
5	03-03-2016.	I0008	M/S CONSPAK-ZAHID & CO. LTD	58,417	6,115,729
6	04-04-2016.	I0009	M/S CONSPAK-ZAHID & CO. LTD	76,046	7,962,519
7	05-04-2016.	I0010	M/S CONSPAK-ZAHID & CO. LTD	252	26,328
Total:-				431,290	45,381,269

Commitment Letter 2015-16

S/No	Date	W/A No	Supplier/Contractor	US\$	Pak Rupee
1	05-05-2016.	757	M/S YUANCHENG CABLES CO LIMITED	320,836	33,587,198
Total:-				320,836	33,587,198

Direct Payments 2014-15

S/No	Date	W/A No	Supplier/Contractor	US\$	Pak Rupee
1				-	-
Total:-				-	-

Commitment Letter 2014-15

S/No	Date	W/A No	Supplier/Contractor	US\$	Pak Rupee
1				-	-

5.1 Direct payment represent amount paid directly by the Asian Development Bank on behalf of the Project in respect of goods and services procured/imported by the project. The payments were made on the basis of withdrawal application submitted by the project.

5.2 This represent payments made to Suppliers on dates against contract agreement through Commitment Letter.

5.3 There has been no instance of non compliance with the terms and conditions of the financing agreement between the Asian Development Bank and GoP which have resulted in cancellation of Credit.

6 Counterpart Funds

		2015-16		2014-15	
		US\$	Pak Rupee	US\$	Pak Rupee
Government of Pakistan	6.1	0.002	206,310	-	-
(IESCO Own Resources)					
		0.002	206,310	-	-

Islamabad Electric Supply Company Limited

Power Distribution Enhancement Investment Program - Tranche - IV (ADB Loan # 3096-PAK)

Notes to the Financial Statements

For the year ended 30 June 2016

6.1 This represent funding to the Power Diistribution Enhancement Investment Program at 20% of the total project cost by the GoP (IESCO Own Resources) as agreed between the Asian Development Bank and GoP (IESCO).

7 Authorization of Issue

These financial statements have been authorized for issued by the Chief Engineer (Development) Management Unit IESCO, Islamabad on 13th Oct 2016.

8 General

Figures have been rounded to nearest Rupee.

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



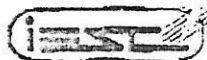
Manager Finance
PMU IESCO Islamabad



Chief Engineer (Development)
PMU IESCO Islamabad

Attention:

Mr. Ahmad AAO



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Office of
CHIEF ENGINEER (DEV)
PMU IESCO Head Office,
Street 40 G-7/4, Islamabad

No. 963 /IESCO/PMU/MFDate: 14 . 11 .2016TO WHOM IT MAY CONCERN

It is certified that No Imprest Account has been maintained in PMU IESCO against
Loan

ADB Tranch – II Loan No 2727 – PAK
ADB Tranch – III Loan No 2972 – PAK
ADB Tranch – IV Loan No 3096 – PAK


MANAGER FINANCE
MANAGEMENT UNIT IESCO
ISLAMABAD