

# Audited Project Financial Statements

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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 Gujranwala Electric Power Company

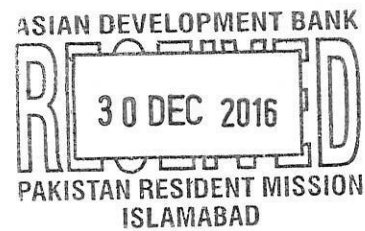
For the Asian Development Bank

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 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 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
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 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 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: 27.12.2016  
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)
Sponsoring Authority	Asian Development Bank (ADB)
Execution Authority	Gujranwala Electric Power Company (GEPCO)
Loan No.	3096 Pak
PC-I Cost	US\$ 12.412 million
Loan Amount	US \$ 8.730 million
Date of Commencement	July, 2014
Actual Date of Commencement	July, 2014
Date of Completion (as per PC-I)	June 30, 2017
Date of Approval by ECNEC	December 13, 2013
Loan closing date	June 30, 2017
Loan utilization Status in F.Y 2015-16	US \$ 4.676 Million (Pak Rs.482.985 million)
Progressive Expenditure up to F.Y 2014-15	US \$ 0957 Million (Pak Rs.97.478 million)

## **AUDITOR'S REPORT TO THE MANAGEMENT (AUDIT OPINION)**

We have audited the accompanying financial statements (pages 07-14) 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, 2016, 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. Since, no imprest account is being maintained in PMU GEPCO, hence no bank reconciliation statement are prepared.

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, 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 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: 27.12.2016



## FINANCIAL STATEMENTS

**Gujranwala Electric Power Company Ltd**  
**ADB LOAN NO. 3096-PAK (Tranche-IV)**  
Statement of Receipts and Payments  
For the Financial Year ended 30 June 2016

		<b>2015-16</b>	<b>2014-15</b>
	Note	Rs. In million	Rs. In million
<b>Receipts</b>			
External Assistance	5	482,985,703	97,477,080
Counterpart Funds	6	66,106,655	3,750,469
Refund During the year			
<b>Total Receipts</b>		<b>549,092,358</b>	<b>101,227,549</b>
<b>Payments</b>			
Counter Part Fund	6	66,106,655	3,750,469
Operating Expenses	7		
Supplie & Consumeables	8		
Purchase of Plant and Equip.	9	482,985,703	97,477,080
Civil Works	10		
Trainings	11		
<b>Total Payments</b>		<b>549,092,358</b>	<b>101,227,549</b>

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

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**CHIEF ENGINEER (DEVELOPMENT)**  
PMU, GEPCO.

Gujranwala Electric Power Company Ltd  
ADB LOAN NO. 3096-PAK (Tranche-IV)  
Statement of Receipt and Payments  
For the Financial Year ended 30 June 2016

	Note	2015-16		2014-15	
		Receipts (Payments) Controlled by Project	Payment by Third Party	Receipts (Payments) Controlled by Project	Payment by Third Party
(Million Rupees)					
<b>Receipts</b>					
External Assistance				-	-
ADB-Trenche-IV	5		482,985,703	-	97,477,080
Counterpart Funds	6	66,106,655		3,750,469	-
<b>Total Receipts</b>		<b>66,106,655</b>	<b>482,985,703</b>	<b>-</b>	<b>-</b>
<b>Payments</b>					
Operating Expenses	7	66,106,655		3,750,469	-
Purchase of Plant and Equip.	8		482,985,703	-	97,477,080
<b>Total Payments</b>		<b>66,106,655</b>	<b>482,985,703</b>	<b>3,750,469</b>	<b>97,477,080</b>

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

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 2016

Note	2015-16			2014-15		
	Budget Amount		Actual Amount	Budget Amount		Actual Amount
	Original	Revised		Original	Revised	
<b>Receipts</b>						
External Assistance		-	-	-	-	-
ADB-Trench-IV	5	400,000,000	-	-	-	97,477,080
Counterpart Funds	6	180,000,000	-	-	-	3,750,469
<b>Total Receipts</b>		<b>580,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Payments</b>						
Operating Expenses	7	-	-	-	-	-
			66,106,655	-	-	3,750,469
Purchase of Plant and Equip.	8	-	-	-	-	97,477,080
			482,985,703	-	-	-
<b>Total Payments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101,227,549</b>

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

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)

2015-16		2014-15	
US \$ in million	Rs. in million	US \$ in million	Rs. in million
4,676,578	482,985,703	957,005	97,477,080
4,676,578	482,985,703	957,005	97,477,080

**2015-16**

Sr#	WA#	Contract No.	Value Date	Accounting Month	Amount (US\$)	Amount (PKR)
1	G0012		22-Jul-15	07/2015	863,654.59	87,766,221
2	00901		10-Aug-15	08/2015	84,709.80	8,623,458
3	G0013		3-Aug-15	08/2015	38,934.00	3,962,313
4	G0014		13-Aug-15	08/2015	504,876.24	51,360,000
5	G0015		12-Aug-15	08/2015	514,214.00	52,341,843
6	G0016		8-Oct-15	10/2015	522,179.24	54,518,071
7	G0017		8-Oct-15	10/2015	514,214.00	53,694,226
8	G0018		8-Oct-15	10/2015	188,368.59	19,666,604
9	G0019		8-Oct-15	10/2015	192,830.00	20,135,309
10	G0020		7-Oct-15	10/2015	65,710.00	6,862,095
11	G0021		15-Oct-15	10/2015	492,285.51	51,360,000
12	G0022		14-Oct-15	10/2015	514,214.00	53,678,799
13	1342		4-Nov-15	11/2015	164,619.00	17,354,135
14	G0023		14-Jan-16	01/2016	13,038.00	1,376,291
15	G0024		15-Jan-16	01/2016	2,730.68	286,338
					<b>4,676,578</b>	<b>482,985,703</b>

**Gujranwala Electric Power Company Ltd**  
**Notes to the Financial Statements**

**6 Counter Part Funds**

Government of Pakistan (GOP)  
 (GEPCO own resources)

2015-16	2014-15
(Amounts in Pak Rupees)	
-	-
66,106,655	3,750,469
<b>66,106,655</b>	<b>3,750,469</b>

**7 Operating Expenses**

Remuneration and Salaries  
 General Operating Expenditures  
 Duties and Taxes  
 Own source material and Exp (Kharaba etc)

Note	2015-16	2014-15
	(Amounts in Pak Rupees)	
	19,590,829	-
7.1	6,258,035	-
7.2	1,272,811	3,750,469
7.3	38,984,980	-
	<b>66,106,655</b>	<b>3,750,469</b>

**7.1 General Operating Expenses**

Telephone  
 Advertisement and Publicity  
 POL, Repair and Maintenance  
 Power Light & Water  
 Stationery  
 Travelling  
 Other Expenses  
 Supplies and Consumables

2015-16	2014-15
(Amounts in Pak Rupees)	
279,666	-
270,975	-
2,512,305	-
788,702	-
132,693	-
2,029,940	-
233,820	-
9,933	-
<b>6,258,035</b>	<b>-</b>

**7.2 Duties and Taxes**

Duties and Taxes paid by GEPCO own source

2015-16	2014-15
(Amounts in Pak Rupees)	
3,750,469	3,750,469
<b>3,750,469</b>	<b>3,750,469</b>

**7.3 Own source material and Exp (Kharaba etc)**

Own source material and Exp (Kharaba etc)

2015-16	2014-15
(Amounts in Pak Rupees)	
38,984,980	-
<b>38,984,980</b>	<b>-</b>

**8 Purchase of Plant and Equipment**

Procurement of Material-ADB  
 Procurement of Material-PSDP

2015-16	2014-15
(Amounts in Pak Rupees)	
482,985,703	97,477,080.000
<b>482,985,703</b>	<b>97,477,080</b>

**9 Authorization of Issue**

These Financial Statements have been authorized for issue by the Project Director on 31/12/2016

**10 General**

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

**CHIEF ENGINEER (DEVELOPMENT)**  
**PMU, GEPCO.**

Gujranwala Electric Power Company Ltd  
ADB LOAN NO. 3096-PAK (Tranche-IV)  
Statement of Withdrawals from ADB Loan (Direct Payment)  
For the Financial Year ended 30 June 2016

**2015-16**

Sr#	WA#	Name of Contractor/ Supplier	Value Date	Accounting Month	Amount (US\$)	Amount (PKR)
1	G0012	PEL	22-Jul-15	07/2015	863,654.59	87,766,221
2	00901	Hengyang Nanfang	10-Aug-15	08/2015	84,709.80	8,623,458
3	G0013	Conspak	3-Aug-15	08/2015	38,934.00	3,962,313
4	G0014	PEL	13-Aug-15	08/2015	504,876.24	51,360,000
5	G0015	PEL	12-Aug-15	08/2015	514,214.00	52,341,843
6	G0016	PEL	8-Oct-15	10/2015	522,179.24	54,518,071
7	G0017	PEL	8-Oct-15	10/2015	514,214.00	53,694,226
8	G0018	PEL	8-Oct-15	10/2015	188,368.59	19,666,604
9	G0019	PEL	8-Oct-15	10/2015	192,830.00	20,135,309
10	G0020	Conspak	7-Oct-15	10/2015	65,710.00	6,862,095
11	G0021	PEL	15-Oct-15	10/2015	492,285.51	51,360,000
12	G0022	PEL	14-Oct-15	10/2015	514,214.00	53,678,799
13	1342	Sieyuan Electric Co.	4-Nov-15	11/2015	164,619.00	17,354,135
14	G0023	Conspak	14-Jan-16	01/2016	13,038.00	1,376,291
15	G0024	Conspak	15-Jan-16	01/2016	2,730.68	286,338

<b>Total</b>					<b>4,676,578</b>	<b>482,985,703</b>
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CHIEF ENGINEER (DEVELOPMENT)  
PMU, GEPCO.



**GUJRANWALA ELECTRIC POWER COMPANY LTD.**

Direct: 055- 9200595

FAX : 055-9200594

Office of the  
Chief Engineer (Development)  
GEPCO Ltd., 565-A Model Town  
G.T. Road, Gujranwala.

No. GEPCO/CE-Dev/MF- 2783

Dated: 29-09-2016

**Certificate for DG Audit WAPDA**

It is certified that no imprest account regarding ADB Loans Tranche-II (2727), Tranche-III (2972) and Tranche-IV (3096) is maintained in PMU GEPCO. Payments are made directly from ADB to Contractors' accounts.

  
Chief Engineer (Development)  
GEPCO Ltd Gujranwala