

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 Multan 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 Multan Electric Power Company.

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**Financial Attest Audit Report on the Accounts of
Power Distribution Enhancement Investment
Program Tranche-IV Multan Electric Power
Company Limited (MEPCO), 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
BOD	Board of Directors
GCC	General Condition of Contract
GOP	Government of Pakistan
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
MEPCO	Multan Electric Power Company
PC-I	Planning Commission Pro forma
PDEIP	Power Distribution Enhancement Investment Program
PMU	Project Management Unit
SCC	Special Condition of Contract
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 (PDEIP) Tranche-IV (ADB Loan No. 3096-PAK) MEPCO portion was carried out accordingly.

The Directorate General Audit WAPDA conducted audit of the Power Distribution Enhancement Investment Program (PDEIP) Tranche-IV MEPCO portion (ADB loan No. 3096-PAK) 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 (PDEIP) MEPCO portion (ADB loan No. 3096-PAK)). 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 (PDEIP) MEPCO portion (ADB loan No. 3096-PAK). 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 (PDEIP) MEPCO portion (ADB loan No. 3096-PAK).

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 Asian Development Bank (ADB) in terms of Loan Agreement No. 3096-PAK (MEPCO 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 (PDEIP) Tranche-IV
Sponsoring Authority	Asian Development Bank (ADB)
Executing Authority	Multan Electric Power Company (MEPCO)
Loan No.	3096-PAK
PC-1 Cost	US\$ 36.940 million
Loan Amount	US\$ 31.820 million
Date of Commencement	July 18, 2014
Actual Date of Commencement	July 18, 2014
Date of Completion (as per PC-1)	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\$ 5.642 million (Pak Rs.586.142 million)
Progressive Expenditure up to last F.Y2014-15	-----

AUDITOR'S REPORT TO THE MANAGEMENT

We have audited the accompanying financial statements (pages 07-18) of the Power Distribution Enhancement Investment Program Tranche-IV Multan Electric Power Company Limited (MEPCO) financed under 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 Multan Electric Power Company Limited (MEPCO). 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 MEPCO'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 impressed account is being maintained in PMU MEPCO, hence no bank reconciliation statements 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 as at June 30, 2016 and the result of its operation 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 MEPCO 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 MEPCO in accordance with the Loan Agreement; and no proceeds of the loan have been utilized for other purposes; and (C) the MEPCO 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

Multan Electric Power Company
 Asian Development Bank , Power Distribution Enhancement Investment Program (Tranch-IV)
 Loan No. 3096-PAK
 Statement of Receipts and Payments
 For the Period from July 18, 2014 to June 30, 2016

	NOTE	2015-16		2014-15	
		Receipts (Payments) controlled by Project	Payment by Third Parties	Receipts (Payments) controlled by Project	Payment by Third Parties
Rupees					
RECEIPTS					
EXTERNAL ASSISTANCE	5	-	586,142,393	-	-
COUNTERPART FUNDS	6	23,907,694	-	-	-
TOTAL RECEIPTS		23,907,694	586,142,393	-	-
PAYMENTS					
OPERATING EXPENSES	7	12,227,062	-	-	-
CONSULTANCY SERVICES	8	-	-	-	-
PURCHASE OF PLANT AND EQUIPMENT	9	-	506,183,353	-	-
CIVIL WORKS	10	11,680,632	79,959,040	-	-
TRANINGS	11	-	-	-	-
TOTAL PAYMNETS		23,907,694	586,142,393	-	-
INCREASE (DECREASE) IN CASH		0.000	0.000	0.000	0.000
CASH AT BEGINNING OF YEAR		0.000	0.000	0.000	0.000
CASH AT END OF YEAR		0.000	0.000	0.000	0.000

CONTINGENCIES AND COMMITMENTS

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


 Chief Engineer (Development)
 PMU MEPCO Multan

Multan Electric Power Company

Asian Development Bank, Power Distribution Enhancement Investment Program (Tranch-IV)

Loan No. 3096-Pak

Statement of Comparison of Budget and Actual Amounts

For the Period from July 18, 2014 to June 30, 2016

	NOTE	2015-16		2014-15	
		Budget Amount	Actual Amount	Budget Amount	Actual Amount
Rupees					
RECEIPTS					
EXTERNAL ASSISTANCE	5	575,000,000	586,142,393	-	-
COUNTERPART FUNDS	6	25,000,000	23,907,694	-	-
TOTAL RECEIPTS		600,000,000	610,050,087	-	-
PAYMENTS					
OPERATING EXPENSES	7	14,000,000	12,227,062	-	-
CONSULTANCY SERVICES	8	1,000,000	-	-	-
PURCHASE OF PLANT AND EQUIPMENT	9	510,000,000	506,183,353	-	-
CIVIL WORKS	10	75,000,000	91,639,672	-	-
TRANINGS	11	-	-	-	-
TOTAL PAYMNETS		600,000,000	610,050,087	-	-

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


Chief Engineer (Development)
 PMU MEPCO Multan

MULTAN ELECTRIC POWER COMPANY LIMITED
NOTES TO THE STATEMENT OF RECEIPTS AND PAYMENT
LOAN NO.3096-PAK
For the Period from July 18, 2014 to June 30, 2016

1- Reporting Entity

The Financial Statements are for Multan Electric Power Company Limited (MEPCO) in respect of Asian Development Bank (ADB) Loan Agreement 3096-Pak. The Financial Statement encompasses the reporting entity as defined in the Financing Agreement between Islamic Republic of Pakistan & Asian Development Bank. The Financing Agreement was signed on 30/04/2014 for an amount of US\$ 31.820 million. The project became effective from 18/07/2014 with the closing date of 30/06/2017.

The objective of Multan Electric Power Company Limited 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 improve power distribution infrastructure through augmentation, conversion and Constructing New 132 KV Grid Station and relieve the power system form distribution bottlenecks and constraints.

The financing is made in the form of Credit based on Asian Development terms, which would be repaid in 40 half yearly equal installment

2- Certification by Project Management on Application of Funds

The Multan Electric Power Company Limited 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.

4- Signification 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.

5- External Assistance:

This Represents an External Assistance received in the form of credit from Asian Development Bank (ADB) under Loan No. 3096-Pak dated 30.04.2014 between the Govt. of Pakistan (GOP) and Asian Development Bank for Power Distribution Enhancement Investment Program (PDEIP) Tranche-IV. The following amounts were received by the MEPCO during the period.

	Note	2015-16		2014-15	
		RUPEES	USD	RUPEES	USD
SOE Procedures	5.1	-	-	-	-
Direct Payment	5.2	309,015,140	2,996,559	-	-
Commitment Letter	5.3	277,127,252	2,645,196	-	-
		586,142,393	5,641,755	-	-

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 a disbursement procedure where the Asian Development Bank (ADB), at the borrower's request, pays a designated beneficiary (e.g., supplier, contractor, or consultant) directly.

2015-16					2014-15				
Sr. No.	Withdrawal Application No	Value Date	RUPEES	USD	Sr. No.	Withdrawal Application No	Value Date	RUPEES	USD
1	M0002	10/Aug/15	19,621,184	192,932				-	-
2	M0001	11/Aug/15	14,031,638	137,921				-	-
3	M0003	12/Aug/15	401,630	3,915				-	-
4	M0004	21/Aug/15	124,488,777	1,222,876				-	-
5	M0005	25/Aug/15	1,741,350	16,995				-	-
6	M0006	4/Sep/15	10,080,392	96,927				-	-
7	M0010	8/Sep/15	4,955,184	47,646				-	-
8	M0011	15/Sep/15	3,145,173	30,213				-	-
9	M0016	31/Mar/16	20,219,274	192,932				-	-
10	M0015	1/Apr/16	14,031,638	134,065				-	-
11	M0017	4/Apr/16	424,842	4,040				-	-
12	M0018	22/Apr/16	79,959,040	763,946				-	-
13	M0019	16/May/16	15,915,018	152,151				-	-
Total Direct Payment			309,015,140	2,996,559	Total Direct Payment			-	-

5.3 Commitment Letters:

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

2015-16					2014-15				
Sr. No.	Commitment Letter NO.	Value Date	RUPEES	USD	Sr. No.	Commitment Letter NO.	Value Date	RUPEES	USD
1	CL No. 07	19/Jan/16	112,253,106	1,070,603				-	-
2	CL No. 08	19/Jan/16	161,599,739	1,543,455				-	-
3	CL No. 09	20/Jan/16	3,274,408	31,138				-	-
Total Commitment Letter			277,127,252	2,645,196	Total Commitment Letter			-	-

6- COUNTER PART FUNDING

This represents Funding made by Multan Electric Power Company (MEPCO) at Power Distribution Enhancement Investment Program (PDEIP) Loan No. 3096-Pak (Tranche-IV) as per Project requirement.

	2015-16	2014-15
		Rupees
ALLOCATED OVERHEADS	7,187,779	-
CIVIL WORKS	11,680,632	-
TAXES AND DUTIES PAID	4,712,876	-
CONSULTANCY SERVICES	-	-
PURCHASE OF LAND	-	-
OTHER EXPENSES	326,407	-
TOTAL	23,907,694	-

7- OPERATING EXPENSES

	2015-16	2014-15
		Rupees
ALLOCATED OVERHEADS	7,187,779	-
TAXES AND DUTIES PAID	4,712,876	-
OTHER EXPENSES	326,407	-
TOTAL	12,227,062	-

8- CONSULTANCY SERVICES

	2015-16	2014-15
		Rupees
8.1 Individual	-	-
8.2 M/S. En-Masse	-	-
Consultancy Services	-	-
TOTAL	-	-

9- Plant and Equipment

	2015-16	Rupees	2014-15
132KV Circuit Breakers & Isolatoes	4,955,184		-
132KV CTs and Lightening Arrestors	3,145,173		-
Control, Relay & 11KV Panels	345,857,458		-
Cables & Conductors	10,080,392		-
132KV Power Transformer	126,230,127		-
Allied Material for Grid Station	15,915,018		-
TOTAL	<u>506,183,353</u>		<u>-</u>

10- Civil Work

	2015-16	Rupees	2014-15
11KV Switch Room and Control Room Extensions at 132KV G/Stations	79,959,040		-
Other GSC Work	11,680,632		-
	<u>91,639,672</u>		<u>-</u>

11- TRAINING

NAME	DESCRIPTION	2015-16	Rupees	2014-15
		<u>NIL</u>		<u>NIL</u>

12- Cash and Bank

No Funds Transferred in Designated US Dollar Revolving Fund Account by the Asian Development Bank under Loan No. 3096-Pak.

	2015-16	Rupees	2014-15
Cash in hand	NIL		NIL
Cash in Bank	NIL		NIL
	<u>NIL</u>		<u>NIL</u>

13- General

Figures have been rounded off to the nearest Rupee.


Chief Engineer (Development)
 PMU MEPCO Multan

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No. 3307 CED P-4 MPF

Oct. 24, 2016.

NON-INTEREST ACCOUNT CERTIFICATE
SUB LOAN NO. 3096-PAK TR-IV

It is certified that no Interest Account regarding ADB Loan No. 3096-PAK: Power Distribution Enhancement Investment Program-Tr-IV is maintained in PMU, MEPCO. Payments are made directly from ADB to Supplier / Contractor's account.



Chief Engineer (Development)
PMU (MEPCO), Multan.