

# 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 Peshawar 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 Peshawar Electric Supply Company.

ASIAN DEVELOPMENT BANK  
30 DEC 2016  
PAKISTAN RESIDENT MISSION  
ISLAMABAD



**Financial Attest Audit Report on the  
Accounts of Power Distribution  
Enhancement Investment Program Tranche-  
IV Peshawar Electric Supply Company  
Limited (PESCO), 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 Condition of Contract
GOP	Government of Pakistan
ISSAI	International Standard of Supreme Audit Institutions
KV	Kilo Volt
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
PESCO	Peshawar Electric Supply Company
PMU	Project Management Unit
SCC	Special Condition of Contract
STG	Secondary Transmission Grid
WAPDA	Water and Power Development Authority

## PREFACE

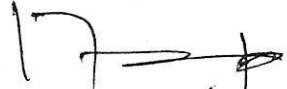
The Auditor-General conducts audit subject to Article 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The audit of Power Distribution Enhancement Investment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

The Directorate General Audit WAPDA, Lahore conducted audit of the Power Distribution Enhancement Investment Program Tranche-IV 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 (PESCO) 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 (PESCO) 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 (PESCO) (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 (PESCO 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**
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## PROJECT OVERVIEW

Name of Project	Power Distribution Enhancement Investment Program (Tranche-IV)
Sponsoring Authority	Asian Development Bank (ADB)
Executing Authority	Peshawar Electric Supply Company (PESCO)
Loan No.	3096-Pak
PC-I Cost	US \$ 23.950 million
Loan Amount	US \$ 23.950 million
Date of Commencement	July 2014
Actual Date of Commencement	July 2014
Date of Completion (as per PC-I)	June 2017
Dated of Approval by ECNEC	April 2014
Loan Closing Date	June 30, 2017
Loan Utilization Status in F.Y 2015-16	US \$ 10.562 million (Rs.1,105.964 million)
Progressive Expenditure upto F.Y 2014-15	US \$ 0.084 million (Rs.991.492 million)

## AUDITOR'S REPORT TO THE MANAGEMENT


We have audited the accompanying financial statements (pages 07-17) of the Power Distribution Enhancement Investment Program Tranche-IV, Peshawar Electric Supply Company, PESCO Portion (ADB Loan-3096) financed under the Asian Development Bank Loan No.3096-PAK as of June 30, 2016 and for the year then ended.

These financial statements are the responsibility of the management of the PESCO. 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 PESCO's policy is to prepare the accompanying statements in the format agreed between the Asian Development Bank and the Government of The Islamic Republic 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, PESCO, 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 (PESCO) 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 year's (B) the PESCO 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 PESCO in accordance with the Loan Agreement; and no proceeds of the loan have been utilized for other purposes; and (C) the PESCO 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

# PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)

## Statement of Receipts and Payments

ADB Loan # 3096-PAK Tr-IV

For the Year ended 30 June 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				
<b><u>Receipts</u></b>				
External Assistance	5	1,105.964	-	8.508
Counterpart Funds	6	-	-	-
<b><u>Total Receipts</u></b>		<b>1,105.964</b>	<b>-</b>	<b>8.508</b>
<b><u>Payments</u></b>				
Consultancy Service		-	-	-
Operating Expenses CPF + duties		-	-	-
Supplies and Consumables ADB Bank Loan		-	-	-
Purchase of Plant and Equipment (Direct Payments + Commitment Letters)	7	1,105.964	-	8.508
GST Payments & Taxes etc (CounterPart)		-	-	-
Civil Works		-	-	-
Trainings		-	-	-
<b><u>Total Payments</u></b>		<b>1,105.964</b>	<b>-</b>	<b>8.508</b>
INCREASE (DECREASE) IN CASH		0.000	0.000	0.000
CASH AT BEGINNING OF YEAR		0.000	0.000	0.000
CASH AT END OF THE YEAR		<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

### CONTINGENCIES AND COMMITMENTS

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

Chief Engineer (Development)  
PMU PESCO, Peshawar

# PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)

## Statement of Comparison of Budget and Actual Amounts

ADB Loan # 3096-PAK Tr-IV

For the Year ended 30 June 2016

Note	2015-16		2014-15	
	Budget Amount	Actual Amount	Budget Amount	Actual Amount
Rupees				
<b><u>Receipts</u></b>				
External Assistance	5	400.00	1,105.964	8.508
Counterpart Funds	6	300.00	420.414	-
<b><u>Total Receipts</u></b>		<b>700.00</b>	<b>1,526.378</b>	<b>8.508</b>
<b><u>Payments</u></b>				
Consultancy Service		-	-	-
Operating Expenses CPF + duties		-	-	-
Supplies and Consumables ADB Bank Loan		-	-	-
Purchase of Plant and Equipment (Direct Payments)	7	-	1,105.964	8.508
GST Payments & Taxes etc (CounterPart)	8	-	420.414	-
Civil Works		-	-	-
Trainings		-	-	-
<b><u>Total Payments</u></b>		<b>-</b>	<b>1,526.378</b>	<b>8.508</b>

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

Chief Engineer (Development)  
PMU PESCO, Peshawar

# **Peshawar Electric Supply Company (PESCO)**

## **Notes to the Financial Statements**

### **ADB Loan # 3096-PAK Tr-IV**

**For the year ended 30 June, 2016**

#### **1 Reporting Entity**

The Financial Statements are for (PESCO) Project. The Financial Statement 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** for an amount of **USD 23.950 Million**. The Project became effective from **18.07.2014** with the closing date of **30.06.2017**.

The Project is implemented through Economic Affairs Division, Government of Pakistan.

#### **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 **05 years**. The Financing Agreement now is Credit **US\$: 10.646 Million** Equivalent to PKR: **1,114.472 Million**.

#### **Responsible Agency**

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

#### **2 Certification by Project Management on Application of Funds**

The PESCO Project Management Certified that the funds have been applied / expenditure has been incurred for the purposes 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 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.

#### 4.6 Payments by Third Party

The payments made by third parties do not constitute cash receipts or payments controlled by the project but do benefit 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 the third parties column on the face of Statement of Cash Receipts and Payments and notes to the financial

### 5 External Assistance

[ADB-financed projects in Pakistan are normally funded by two different sources. One is called Ordinary operations and one is special operation]

External assistance was received in the form of Credit from the Asian Development Bank under financing agreement dated **July-2008** between the Asian Development Bank and Government of Pakistan (GoP) for the purpose of the Power Distribution Enhancement Investment Program **Tranche-IV**. The following amounts were received by the Project during the period.

#### Loan No. 3096-PAK (Ordinary Operation)

		2015-16		2014-15	
		US \$	Pak Rupees	US \$	Pak Rupees
SOE Procedures	5.1	-	-	-	-
Direct Payment	5.2	2.026	212.657	0.084	8.508
Commitment Letter	5.3	8.536	893.307	-	-
		<b>10.562</b>	<b>1,105.964</b>	<b>0.084</b>	<b>8.508</b>

#### Loan No. xxxx-PAK (Special Operation)

		2015-16		2014-15	
		US \$	Pak Rupees	US \$	Pak Rupees
SOE Procedures	5.1	-	-	-	-
Direct Payment	5.2	-	-	-	-
Commitment Letter		-	-	-	-
		-	-	-	-

- 5.1 This represents funds transferred to the (PESCO) Project's Designated US Dollar Bank Account by the Asian Development Bank on the basis of Withdrawal Applications submitted by the Project.
- 5.2 Direct payments 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.
- 5.3 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.
- 5.4 Undrawn External Assistance
- Undrawn Credit at reporting date represent amounts specified in the financing agreement between the Asian Development Bank and GoP that the Asian Development Bank will disburse for (PESCO) Project Purposes.

	Note	2015-16 Amounts in US \$	2014-15
Closing Balance		13.304	23.866
		<b>13.304</b>	<b>23.866</b>

#### 6 Counterpart Funds

	2015-16		2014-15	
	US \$	Pak Rupees	US \$	Pak Rupees
Government of Pakistan (GoP)	4.042	420.414	-	-
	<b>4.042</b>	<b>420.414</b>	<b>-</b>	<b>-</b>

- 6.1 This represents funding to the (PESCO) Project at \_\_\_ % of the total Project Cost by the Government of Pakistan as agreed between the Asian Development Bank and GoP

	2015-16		2014-15	
	US \$	Pak Rupees	US \$	Pak Rupees
7 Purchase of Plant & Equipments (Direct Payment + Commitment letters)	10.562	1,105.964	0.084	8.508
	<b>10.562</b>	<b>1,105.964</b>	<b>0.084</b>	<b>8.508</b>

	2015-16		2014-15	
	US \$	Pak Rupees	US \$	Pak Rupees
8 GST + Taxes	4.042	420.414	-	-
	<b>4.042</b>	<b>420.414</b>	<b>-</b>	<b>-</b>

## Workshops

-	-
-	-
-	-

[A brief description of trainings and workshops conducted during the period]

Unrealized Exchange Gain (Loss)

2015-16	2014-15
Amounts in Pak Rupees	

Balance as per Books of Project as at Year end

-

Closing Balance before Conversion as at Year end

-

Closing Balance After Conversion as at Year end

-

-	-
-	-
-	-

This represents notional (loss)/gain on dollar amounts shown in the bank statement. The resultant (loss)/gain do not accrue to the Project. Unrealized Gain (Loss) will be settled at the completion of the Project. The unspent dollar balance, if any, will be refunded to [Donor/Lender] at the end of the Project.

Cash and Bank

Loan No. xxxx

2015-16	2014-15
Amounts in Pak Rupees	

Cash in Hand

-

Cash in Bank

-

-	-
-	-
-	-

Loan No. yyyy

2015-16	2014-15
Amounts in Pak Rupees	

Cash in Hand

-

Cash in Bank

-

-	-
-	-
-	-

## Commitments

2015-16	2014-15
Amounts in Pak Rupees	

Contractor Liabilities

-

Obligation under Contract

-

Pending Litigation and Claims

-

-	-
-	-
-	-

## 9 Authorization for Issue

**Operating Expenses**

	Note	2015-16	2014-15
		Amounts in Pak Rupees	
Remuneration and Salaries		-	-
General Operating Expenditures		-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

		2015-16	2014-15
		Amounts in Pak Rupees	
Salaries - Officer		-	-
Salaries - Staff		-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

		2015-16	2014-15
		Amounts in Pak Rupees	
Telephone		-	-
Advertisement and Publicity		-	-
Office Maintenance		-	-
POL, Repair & Maintenance		-	-
Stationery		-	-
Travelling		-	-
Other Expenses		-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

**Supplies and Consumables**

		2015-16	2014-15
		Amounts in Pak Rupees	
Vehicles		-	-
Furniture & Fixtures		-	-
Office Equipment		-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

**Trainings**

		2015-16	2014-15
		Amounts in Pak Rupees	
		-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>



## 5.2 Direct Payment Procedure

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.

## 2014-15

Sr No	Withdrawal Application No	Value Date	Rupees	USD
1	P0001	28.06.2015	8,508,000	83,648.03
TOTAL Direct Payment			8,508,000.00	83,648.03

## 2015-16

2014-15[illegible]

8,508,000.00	83,648.03
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These financing statements have been authorized for issued by the Project Director on **31/08/2016**.

**10. General**

Figures have been rounded off to the nearest rupee.

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




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**Chief Engineer (Development)**  
**PMU PESCO, Peshawar**

**Note:** Operating expenses, such as Salaries, Telephone Charges, POL Charges, TA/DA and other expenses of PMU Office are being debited to office of PD (GSC) PESCO on monthly basis and the same are distributed by (GSC) on ADB/PSDP works as overhead Charges.

CERIFICATE FOR (SOE) AND (BRS) AGAINST ADB LOAN NO. 3096-PAK

It is certified that Statement of Expenditure (SOE) relates to Imprest Account and PESCO has not availed the facility of Imprest Account under the ADB Loan No. 3096-PAK so that No statement of expenditure and Bank Reconciliation Statement are maintained.

  
Chief Engineer (Development)  
PMU/PESCO Peshawar