

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 Hyderabad 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 Hyderabad Electric Supply Company.

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

Auditor General of Pakistan Islamabad

TABLE OF CONTENTS

	Page No.
List of Abbreviations	1
Preface	2
PART-I	3
Project Overview	4
Auditor's Report to the Management	5
Financial Statements	6-11
PART-II	12
MANAGEMENT LETTER	13
EXECUTIVE SUMMARY	14
1. Introduction	15
2. Audit Objectives	15
3. Audit Scope and Methodology	15
4. AUDIT FINDINGS & RECOMMENDATIONS	16
4.1 Procurement and contract management	16
4.2 Overall Assessment	18
5. CONCLUSION	19
ACKNOWLEDGEMENT	20

Abbreviations and Acronyms

ADB	Asian Development Bank
AGP	Auditor General of Pakistan
Dev	Development
DISCO	Distribution Companies
FESCO	Faisalabad 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

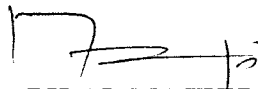
The Auditor General conducts audit subject to Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The Audit of Power Distribution Enhancement Investment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

The Directorate General Audit WAPDA conducted audit of the Power Distribution Enhancement Investment Program Tranche-IV HESCO portion (ADB loan 3096) commenced 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 HESCO 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 HESCO 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 HESCO 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 (HESCO 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 HESCO portion (ADB loan 3096)
Sponsoring Authority	Asian Development Bank
Executing Authority	Hyderabad Electric Supply Company (HESCO)
Loan No.	3096-PAK
PC-I Cost	US \$ 12.304 million
Revised Loan amount	US \$ 11.000 million
Date of Commencement	July 18, 2014
Actual date of commencement	July 18, 2014
Loan closing date	June 30, 2016 ?
Loan utilization status in F.Y 2015-16	US \$ 2.320 million (Rs.242.482 million)
Progressive Expenditure up to last F.Y 2014-15	--- ----

AUDITOR'S REPORT TO THE MANAGEMENT

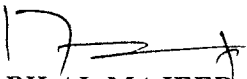
We have audited the accompanying financial statements (pages 07-11) of the Power Distribution Enhancement Investment Program Tranche-IV Hyderabad Electric Supply Company Limited (HESCO) financed under the Asian Development Bank Loan No.3096 as of June 30, 2016, and for the year then ended.

These financial statements are the responsibility of the management of HESCO. 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 HESCO'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 HESCO, 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, 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 HESCO 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 HESCO in accordance with the Loan Agreement; and no proceeds of the loan have been utilized for other purposes; and (C) the HESCO 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

Hyderabad Electric Supply Company Ltd
Notes to Financial statements
For the Year ended 30 June 2016.

1 Reporting Entity

The Financial Statements are for Hyderabad Electric Supply Company Limited (HESCO) in respect of Asian Development Bank Loan Agreement Tranche-IV PAK 3096 between Islamic Republic of Pakistan & Asian Development Bank as well as Project Agreement signed between Hyderabad Electric Supply Company Limited (HESCO) & Asian Development Bank. These Agreements were signed on April 30, 2014 for US\$ 11.000 million. The project became effective from July 18, 2014 with the closing date of 30.06.2017.

The objective of Hyderabad Electric Supply 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 and extension of the existing 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 Bank, which would be repaid in 34 half yearly equal installment.

2 Certification by Project Management on Application of Funds.

The Hyderabad Electric Supply 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

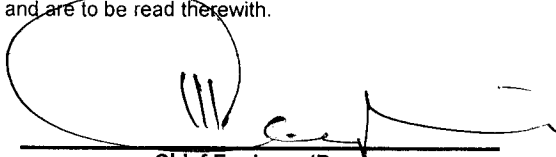
Service benefits of government deputations employees are accounted for in their respective departments while no service terminal benefits are paid to the contractual employees.

Hyderabad Electric Supply Company (HESCO)
Power Distribution Enhancement Investment Program
ADB Loan No. 3096-PAK (Tranche-IV)
Statement of Receipts and Payments
For the year ended June 30, 2016

Rupees in million

Note	2015-16		2014-15			
	Receipts (Payments) Controlled by Project	Payment by Third Parties	Receipts (Payments) Controlled by Project	Payment by Third Parties		
Receipts						
External Assistance	5	-	242.482	-	-	4.454
Counterpart Funds	6	17.273	0.433	-	-	-
Total Receipts		17.273	242.482	0.433		4.454
Payments						
Consultancy Services	7	-	-	-	-	-
Operating Expenses	8	17.273	0.433	-	-	-
Supplies and Consumables	9	-	-	-	-	-
Purchase of Plant and Equipment		-	242.482	-	-	4.454
Civil Works		-	-	-	-	-
Training	10	-	-	-	-	-
Total Payments		17.273	242.482	0.433		4.454
Increase (Decrease In Cash						
Cash at Beginning of Year	12	-	-	-	-	-
Cash at End of Year	13	-	-	-	-	-
Contingencies and Commitments						

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



Chief Engineer (Dev.)
PMU, HESCO, Hyderabad

Hyderabad Electric Supply Company (HESCO)
 Power Distribution Enhancement Investment Program
 ADB Loan No. 3096-PAK (Tranche-IV)
 Statement of Budget and Actual Expenditure
 For the year ended June 30, 2016

Rupees in million-

	Note	2015-16			2014-15		
		Original Budget Amount	Revised Budget Amount	Actual Amount	Original Budget Amount	Revised Budget Amount	Actual Amount
Receipts							
External Assistance	5	242.482	242.482	242.482	4.456	4.456	4.456
Counterpart Funds	6	17.273	17.273	17.273	0.433	0.433	0.433
Total Receipts		259.755	259.755	259.755	4.889	4.889	4.889
Payments							
Consultancy Services	7	-	-	-	-	-	-
Operating Expenses	8	17.273	17.273	17.273	0.433	0.433	0.433
Supplies and Consumables	9	-	-	-	-	-	-
Purchase of Plant and Equipment		242.482	242.482	242.482	4.456	4.456	4.456
Civil Works		-	-	-	-	-	-
Training	10	-	-	-	-	-	-
Total Payments		259.755	259.755	259.755	4.889	4.889	4.889

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

Chief Engineer (Dev:)
PMU, HESCO, Hyderabad

Hyderabad Electric Supply Company (HESCO)
Power Distribution Enhancement Investment Program Tranche-IV
Statement of Receipts and Payments
For the year ended June 30, 2016

All amounts in million

5 External Assistant

External Assistant was received in the form of Credit from the Asian Development Bank under financing agreement dated 30-04-2014 between the Government of Pakistan and ADB for the purpose of Power Distribution Enhancement Investment Program Tranche-IV, Hyderabad Electric Supply Company (HESCO). The following amounts were received by the Project during the year.

Statement of Expenditure		2015-16		2014-15	
		US\$	Pak Rs.	US\$	Pak Rs.
Direct Payment	5.1	-	-	-	-
	5.2	2.320	242.482	0.044	4.454
		2.320	242.482	0.044	4.454

DETAIL OF LOAN EXPENDITURE DURING FY 2015-16

S.NO	WITHDRAWAL APPLICATION No. & DATED	NAME OF FIRMS	DATE OF PAYMENT RELEASED BY ADB	EQUILVALANT US\$	EQUILVALANT PAK RS.
1	H-0003 DT: 07-07-2015	M/S SEIYUAN ELECTRIC COMPANY CHINA Lot-II	16-07-15	0.025	2.554
2	H-0003 DT: 07-07-2015	M/S SEIYUAN ELECTRIC COMPANY CHINA Lot-II	16-07-15	0.017	1.690
3	H-0005 DT: 18-11-2015	M/S SIEMENS PAKISTAN ENGINEERING Co. LTD. KARACHI	23-11-15	0.070	7.342
4	H-0004 DT: 18-11-2015	M/S SIEMENS PAKISTAN ENGINEERING Co. LTD. KARACHI	24-11-15	0.049	4.485
5	H-0006 DT: 18-11-2015	M/S SIEMENS PAKISTAN ENGINEERING Co. LTD. KARACHI	25-11-15	0.003	0.296
6	H-0007 DT: 09-12-2015	M/S Newage Cables (Pvt.) Ltd., Lahore	16-12-15	0.135	14.172
7	H-0008 DT: 09-12-2015	M/S Newage Cables (Pvt.) Ltd., Lahore	15-12-15	0.259	27.055
8	H-0009 DT: 15-03-2016	M/s Chint Electric & Co. Ltd. China	21-03-16	0.389	40.676
9	H-0010 DT: 15-03-2016	M/s Chint Electric & Co. Ltd. China	22-03-16	0.005	0.473
10	H-0012 DT: 29-03-2016	M/S SIEMENS PAKISTAN ENGINEERING Co. LTD. KARACHI	04-04-16	0.558	58.347
11	H-0011 DT: 29-03-2016	M/S SIEMENS PAKISTAN ENGINEERING Co. LTD. KARACHI	05-04-16	0.343	35.879
12	H-0013 DT: 29-03-2016	M/S SIEMENS PAKISTAN ENGINEERING Co. LTD. KARACHI	06-04-16	0.024	2.523
13	LC	M/S SEIYUAN ELECTRIC COMPANY CHINA Lot-II	16-05-16	0.201	20.995
14	H-0015 DT: 12-05-2016	M/S SIEMENS PAKISTAN ENGINEERING Co. LTD. KARACHI	20-05-16	0.070	7.293
15	H-0014 DT: 12-05-2016	M/S SIEMENS PAKISTAN ENGINEERING Co. LTD. KARACHI	23-05-16	0.043	4.485
16	LC	M/S SEIYUAN ELECTRIC COMPANY CHINA Lot-III	23-05-16	0.133	13.907
17	H-0016 DT: 12-05-2016	M/S SIEMENS PAKISTAN ENGINEERING Co. LTD. KARACHI	24-05-16	0.003	0.311
TOTAL				2.320	242.482

5.1 This represents funds transferred to the Power Distribution Enhancement Investment Program Tranche-IV, Hyderabad Electric Supply Company (HESCO)'s designated US Dollar Bank Account by the ADB on the basis of withdrawal application submitted by the project.

5.2 Direct payment represent amount paid directly by the ADB on behalf of the project in respect of goods and services procured imported by the project. The payment made on the basis of withdrawal application by the project.

5.3 There has been no instance of non compliance with the terms and condition of the financing agreement between ADB and Government of Pakistan which have resulted in cancellation of credit.

5.4 Undrawn External Assistance

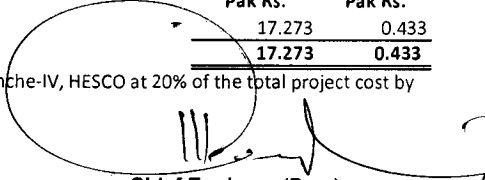
Undrawn credit reporting date represent amounts specified in the financing agreement between ADB and Government of Pakistan that the ADB disburse for Power Distribution Enhancement Investment Program Tranche-IV, HESCO purposes.

	US \$
Amount of Loan	11.000
Amount surrendered	-
Committed Loan Amount	<u>11.000</u>
Disbursements upto June 30,2015	0.044
Disbursements during the year.	<u>2.320</u>
Balance loan amount as at June 30, 2016	<u><u>8.636</u></u>

6 Counterpart Funds

		2015-16 Pak Rs.	2014-15 Pak Rs.
Government of Pakistan	6.1	17.273	0.433
		<u>17.273</u>	<u>0.433</u>

6.1 This represents funding to the Power Distribution Enhancement Investment Program Tranche-IV, HESCO at 20% of the total project cost by the Government of Pakistan (GoP) as agreed between ADB and GoP.


Chief Engineer (Dev.)
PMU, HESCO, Hyderabad

Hyderabad Electric Supply Company (HESCO)
Power Distribution Enhancement Investment Program
ADB Loan No. 3096-PAK (Tranche-IV)
Statement of Receipts and Payments
For the year ended June 30, 2016

All amount in million

8 Operating Expenses

Salaries, miscellaneous

2015-16	2014-15
Pak Rs.	Pak Rs.
17.273	0.433
17.273	0.433

9 Plant & Equipment

Plant and equipment

2015-16	2014-15
Pak Rs.	Pak Rs.
242.482	4.454
242.482	4.454

10 Authorizaton Expenses

These financial statement have been authorized for issue by the Chief Engineer(Dev:) on 5-08-2016.

11 General

Figures have been rounded off to the nearest rupee.

Chief Engineer (Dev:)
PMU, HESCO, Hyderabad

Handwritten signature

HYDERABAD ELECTRIC SUPPLY COMPANY
DEPARTMENT OF ENGINEERING DEVELOPMENT, PMU, HESCO, HYDERABAD.
TEL: 0224-482430 FAX: 022-02240325 Email: esahesco@gmail.com

MEMORANDUM TO THE MEMBER

Date: 20/10/2016

To: *Handwritten name*
From: *Handwritten name*

INTEREST ACCOUNT CERTIFICATE IN RESPECT OF ADB LOAN NO. *Handwritten number*

It is verified that no Interest Account is being maintained by PMU HESCO in respect of ADB loan, OOR-PAK (Tranche-V). Hence no Bank Reconciliation Statement is required in the subject case.

Handwritten signature
DATE: 20/10/16
CHIEF ENGINEER (DEVELOPMENT)
(PMU) HESCO, HYDERABAD