

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

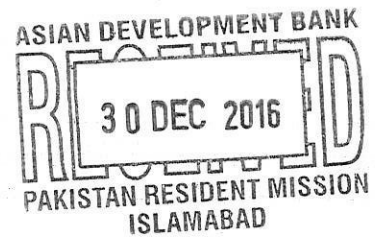
Prepared by Quetta Electric Supply Company

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 Quetta Electric Supply Company.



**Financial Attest Audit Report on the
Accounts of Power Distribution
Enhancement Investment Program
Tranche-IV Quetta Electric Supply Company
Limited (QESCO), 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
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 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 (QESCO) portion (ADB Loan-3096-PAK) was carried out accordingly.

The Directorate General Audit WAPDA conducted audit of the Power Distribution Enhancement Investment Program Tranche-IV (QESCO) 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 (QESCO) 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 (QESCO) 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 (QESCO) 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 (QESCO 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	Quetta Electric Supply Company Ltd. (QESCO)
Loan No.	3096-Pak
PC-I Cost	US\$ 12.26 million
Loan Amount	US\$ 10.35 million
Date of Commencement	July 18, 2014
Actual Date of Commencement	July 18, 2014
Date of Completion (as per PC-I)	December 30, 2016
Date of Approval by ECNEC	December 13, 2013
Loan Closing Date	June 30, 2017
Loan Utilization Status in F.Y 2015-16	US\$ 5.83 million (Pak Rs.610.257 million)
Progressive Expenditure up to last F.Y. 2014-15	-----

AUDITOR'S REPORT TO THE MANAGEMENT

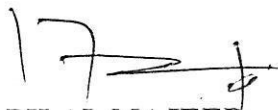
We have audited the accompanying financial statements (pages 07-14) of the Power Distribution Enhancement Investment Program Tranche-IV, Quetta Electric Supply Company (QESCO) financed under the Asian Development Bank Loan No.3096 as of June 30, 2016 and for the year then ended.

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

Quetta Electric Supply Company
 ADB Loan No. 3096-Pak Tranche-4 (Power
 Distribution Enhancement Investment Program)
 Statement of Receipt and Payments
 For the year ended 30 June, 2016

Note	2015-16	2014-15		
	Receipts (Payments) Controlled by Project	Receipts (Payments) Controlled by Project	Payment by Third Parties	Payment by Third Parties
Rupees				
Receipt				
External Assistance	-		610,257	
Counterpart Funds	20,637		-	
Total Receipts	20,637		610,257	
Payments				
Purchase of Plant and Equipment	-		-	
Operating Expenses	20,637		-	
Consultancy Services	-		-	
Purchase of Plant and Equipment	-		610,257	
Civil Works	-		-	
Trainings	-		-	
Total Payments	20,637		610,257	
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.


Manger (Project Finance)
 PMU QESCO Quetta


Chief Engineer (Development)
 PMU QESCO Quetta

Quetta Electric Supply Company
 ADB Loan No. 3096-Pak Tranche-4 (Power Distribution
 Enhancement Investment Program)
 Statement of Comparison of Budget and Actual Amount
 For the year ended 30-06-2016

Note	2015-16		2014-15	
	Budget Amount	Actual Amount	Budget Amount	Actual Amount
	Rupees			
	Original		Original	
Receipt				
External Assistance	5	610.257	610.257	
Counterpart Funds	6	100.000	20.637	
Total Receipts		710.257	630.895	
Payments 1				
Operating Expenses	7	100.000	20.637	
Consultancy Services	8			
Purchase of Plant and Equipment	9	610.257	610.257	
Civil Works	10			
Trainings	11			
Total Payments		710.257	630.895	

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


 Manger (Project Finance)
 PMU QESCO Quetta


 Chief Engineer (Development) PMU
 QESCO Quetta

1 Payment categories should be based on caterogires in legal agreement

**Quetta Electric Supply Company
Power Distribution Enhancement Investment Program –
Loan No. 3096-PAK (Tranche-IV)
Notes to the Financial Statements
For the Year ended 30 June 2016**

1. Reporting Entity

The financial statements are for Power Distribution Enhancement Investment 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 PKR 1030.86 million, equivalent to US \$ 10.35 million. The project became effective from 18-07-2014 with the closing date of 30-06-2017.

The project is implemented through ABC Division, GOP.

Financing

The financing is made in the form of Credit based on Asian Development Bank terms, with a maturity of 25 years, including a grace period of 05 years. The Financing Agreement No is Credit Cr 3096-PAK.

Responsible Agency

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

2. Certification by Project Management on Application of Funds

The Power Distribution Enhancement Investment project 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 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

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

External assistance was received in the form of Credit from the Asian Development Bank under financing agreement dated 30-04-2014 between the Asian Development Bank and Government of Pakistan (GOP) for the purpose of the Power Distribution Enhancement Investment Project. The following amounts were received by the Project during the period.

Loan No. 3096-PAK		2015-16		2014-15	
		US\$	Pak Rupees	US\$	Pak Rupees
SOE Procedures	5.1				
Direct Payments	5.2	4,707,259	492,347,774	-	-
Commitment Letters	5.3	1,125,794	117,909,514	-	-
		<u>5,833,053</u>	<u>610,257,288</u>		

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 the disbursement procedure where the Asian Development Bank (ADB) at the borrowers request pays a designated beneficiary (e.g., Supplier, Contractor, or Consultant) Directly.

Detail of Cash Withdrawal 2015-16

S. No	Withdrawal Application No.	Value Date	Claim	
			US\$	PKR
1	QQ006	13/08/2015	43,754.32	4,451,035.00
2	QQ007	12/08/2015	66,849.00	6,800,415.07
3	QQ008	14/08/2015	4,276.91	435,081.50
4	QQ009	12/08/2015	19,335.00	1,966,910.88
5	QQ011	15/09/2015	26,256.60	2,737,486.86
6	QQ012	16/09/2015	217,564.83	22,683,200.00
7	QQ013	15/09/2015	215,228.00	22,439,456.05
8	QQ020	25/02/2016	3,650.15	382,575.87
9	QQ021	23/02/2016	57,135.00	5,988,376.49
10	QQ022	24/02/2016	36,441.89	3,816,362.00

11	QQ023	24/03/2016	1,950,424.62	204,148,800.00
12	QQ024	28/03/2016	1,937,054.00	203,003,259.20
13	QQ026	09/06/2016	65,482.00	6,834,814.71
14	QQ025	10/06/2016	63,806.98	6,660,000.00
Total			USD. 4,707,259	Pak Rs. 492,347,774

5.3 Commitment Letters

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

Sr.	Commitment Letter No.	Value Date	USD	PKR
1	QQ016	06/10/2015	154,680	16,179,528
2	QS017	23/11/2015	285,272	29,896,231
3	QS018	23/11/2015	447,373	46,884,243
4	QQ019	23/11/2015	28,416	2,977,968
5	QQ020	22/12/2015	210,053	21,971,543
Total.			USD.1125794	Pak Rs.117909514

- 5.1 This represents funds transferred to the Power Distribution Enhancement Investment 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 Power Distribution Enhancement Investment Project purposes.

6. Counterpart Funds

This represents funding made by Quetta Electric Supply Company (QESCO) at Power Distribution Enhancement Program (PDEIP) Loan No. 3096 – Pak (Tranche – IV) as per project requirement.

	2015 – 16 Pak Rupees	2014 – 15 Pak Rupees
Allocated Over Heads	20,637,371	-
	<u>20,637,371</u>	<u>-</u>

7- Operating Expenses		2015-16	2014-15
		Amounts in Pak Rupees Million	
	Allocated Overhead	20.637	-
	Taxes And Duties	-	-
		20.637	-
8- Consultancy Services		2015-16	2014-15
	Individual	-	-
		-	-
		2015-16	2014-15
		Amounts in Pak Rupees Million	
	PAK ELEKTRON LIMITED (LOT-I)	465.770	-
	SIEYUAN ELECTRIC CO. LTD (LOT-II)	24.709	-
	SIEYUAN ELECTRIC CO. LTD (LOT-III)	18.146	-
	SIEMENS (PAK) ENGG. CO. LTD (LOT-IV)	101.632	-
		610.257	-
10- Civil Work		2015-16	2014-15
		Amounts in Pak Rupees Million	
		-	-
		-	-
11- Training		2015-16	2014-15
		-	-
		NIL	NIL
12- Cash and Bank		2015-16	2014-15
No Funds Transferred in Designated US Dollar Revolving Fund Account by Asian development Bank under Loan No. 2972-PAK			
	cash in Hand	Nil	Nil
	Cash at Bank	Nil	Nil
		Nil	Nil

This represents the funding to the Power Distribution Enhancement Investment project at 80% of the total Project cost by the Asian Development Bank as agreed between the G.o.P.

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


Manager
 Project Finance & CE (Dev.)
 PMU, GCSBO, Quetta.

13. Authorization for Issue

These financial statements have been authorized for issued by the Project Director on 31-08-2016.

14. General

Figures have been rounded off to the nearest rupee.

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


Manger (Project Finance)


Chief Engineer (Dev)
PMU QESCO Quetta

Note: The above breakups and disclosures are not exhaustive. These are for general guidance purposes only. The management may include breakups and disclosures tailored to project's nature of activities.

QUETTA ELECTRIC SUPPLY COMPANY

Power Distribution & Enhancement Investment Programme (Tranche-IV)

Loan No. 3096-PAK

Detail Of Counterpart Funding During Year 2015-16

	2015-16
	Rupees in Million
Allocated Overhead	7.311
Civil Works	-
Taxes and Duties Paid	13.326
Consultancy Services	-
Purchase Of Land	-
Other Expenses	-
	<u>20.637</u>


Manager
Project Finance o/e CE (Dev)
PRU, QESCO, Quetta.

Quetta Electric Supply Company
ADB Loan No. 3096-Pak Tranche-IV
Expenditure-PSDP Overheads
For the Financial year ended 30 June 2016

Sr No.	Particulars	2015-16	2014-15
		Rs In Millions	Rs. In Millions
1	Pay And Allowances	2.440	-
2	Employees Benefits		-
3	Telephone		-
4	Postage & Telegram		-
5	Store Handling Exp	1.150	-
6	Advertising and Publicity	0.520	-
7	Subscriptions & Periodics		-
8	Travelling Expenses	2.110	-
9	Consultancy Fee	0.051	-
10	Bank Charges		-
11	Repair Computer & Office Equipment		-
12	Repair of Vehicles	0.190	-
13	Fuel & Oil	0.850	-
	TOTAL	7.311	-

Note: Distributed to Tranche-IV on proportionate bases out of total Rs. 36.556 Million.


 Manager Project Finance
 PMU QESCO Quetta



QUETTA ELECTRIC SUPPLY COMPANY

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OFFICE OF THE
CHIEF ENGINEER (DEV) PMU QESCO
HEADQUARTER ZARGHOON ROADQUETTA

No.PMU/QESCO/CE(Dev)/ 1863

Dated: 19/12 /2016

**DG (Audit) WAPDA
Sunny View Kashmir Road,
Lahore.**

Subject: IMPREST ACCOUNT CERTIFICATE IN RESPECT OF ADB LOAN
NO.3096-PAK (TRANCHE-IV)

It is certified that no Imprest Account is being maintained by PMU QESCO for ADB Loan No.3096-PAK (Tranche-IV). Hence, no Bank Reconciliation Statement is prepared in the subject case.


**Manager (Project Finance)
PMU QESCO, Quetta**