

Audited Project Financial Statements

Project Number: 37192
Loan Number: 3203
Period covered: 6 March 2015 to 30 June 2016

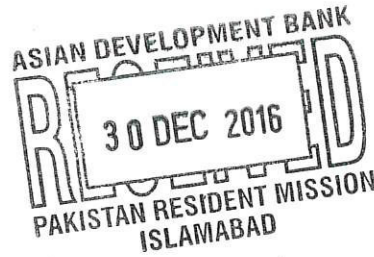
PAK: Power Transmission Enhancement Investment Program Tranche 4

Prepared by the National Transmission and Despatch 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 National Transmission and Despatch Company.

HQ



**Financial Attest Audit Report on the
Accounts of MFF -Power Transmission
Enhancement Investment Program
Tranche-IV National Transmission &
Despatch Company Limited (NTDCL)
Lahore, Asian Development Bank, (ADB)
Loan No. 3203-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	6-12
PART-II	13
MANAGEMENT LETTER	14
EXECUTIVE SUMMARY	15
1. Introduction	16
2. Audit Objectives	16
3. Audit Scope and Methodology	17
4. AUDIT FINDINGS & RECOMMENDATIONS	17
4.1 Financial Management	17
4.2 Procurement and Contract Management	18
4.3 Overall Assessment	19
5. CONCLUSION	20
ACKNOWLEDGEMENT	21

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AGP	Auditor General of Pakistan
DISCOs	Distribution Companies
GOP	Government of Pakistan
ISSAI	International Standards of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
LC	Letter of Credit
LD	Liquidated Damages
NTDCL	National Transmission & Despatch Company Limited
PC-I	Planning Commission Proforma-I
PD	Project Director
PTEIP	Power Transmission Enhancement Investment Program
PEPCO	Pakistan Electric Power Company
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 section 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The Audit of Power Transmission Enhancement Investment Program Tranche-IV (NTDC) ADB Loan- 3203-PAK was carried out accordingly.

The Directorate General, Audit WAPDA conducted audit of the Power Transmission Enhancement Investment Program Tranche-IV (NTDC) of ADB Loan-3203-PAK during September, 2016 for the financial year 2015-16 with a view to reporting significant findings to stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of the Power Transmission Enhancement Investment Program Tranche-IV (NTDC) ADB Loan-3203-PAK. In addition, Audit also assessed, on test check basis, whether the management complied with applicable laws, rules, and regulations in managing the Power Transmission Enhancement Investment Program Tranche-IV (NTDC) ADB Loan-3203-PAK. The Audit Report indicates specific actions that, if taken, will help the management to realize the objectives of the Power Transmission Enhancement Investment Program Tranche-IV (NTDC) ADB Loan-3203-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 the Asian Development Bank (ADB) in terms of Loan Agreement 3203- PAK.

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 Transmission Enhancement Investment Program Tranche-IV
Sponsoring Authority	Asian Development Bank(ADB)
Executing Authority	National Transmission & Despatch Company
Loan No.	3203-PAK
PC-I Cost	Rs.40950 Million
Loan Amount	US \$ 248.00 Million
Date of Commencement	December 12, 2014
Actual date of Commencement	December 12, 2014
Date of completion (as per PC-I)	December 31, 2016
Loan closing date	December 31, 2016
Loan utilization status in F.Y 2015-16	US\$ 6.464 million (Pak Rs.677.765 million) <i>CFIS 86.432</i>
Progressive Expenditure up to F.Y 2014-15	US\$ 0.115 million (Pak Rs.11.695 million)


AUDITOR'S REPORT TO THE MANAGEMENT

We have audited the accompanying financial statements (pages 07-12) of the Power Transmission Enhancement Investment Program Tranche-I V financed under the Asian Development Bank Loan No.3203-PAK as of June 30, 2016, and for the year then ended. These financial statements are the responsibility of the management of NTDC. Our responsibility is to express an opinion on the accompanying statements based on our audit.

We conduct 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 NTDC'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 MP&M NTDC, 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 Transmission Enhancement Investment Program Tranche-IV (NTDC) 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) NTDC 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 NTDC in accordance with the Loan Agreement; and no proceeds of the loan have been utilized for other purposes; and (C) the NTDC 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

NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED
POWER TRANSMISSION ENHANCEMENT PROJECT
ADB LOAN NO.3203-PAK(TRANCHE-IV)

Statement of Receipts and Payments
For the Year ended 30.06.2016

		2015-16		2014-15		CUMULATIVE	
		Receipts (Payments) Controlled by Project	Payment by Third Parties	Receipts (Payments) Controlled by Project	Payment by Third Parties	Receipts (Payments) Controlled by by Project	Payment by Third Parties
	Note	(RUPEES IN MILLION)		(RUPEES IN MILLION)		(RUPEES IN MILLION)	
Receipts							
External Assistance	5	-	677.765	-	11.695	-	689.460
Counterpart Funds	6	-	-	-	-	-	-
Total Receipts		-	677.765	-	11.695	-	689.460
Payments							
Civil Works	7		677.765		11.695		689.460
Purchase of Plant and Equipment	8						
Interest During Construction	9		-				
Operating Expenses	10						
Mark Up							
Consultancy Services	11						
Total Payments		-	677.765	-	11.695	-	689.460
Increase (Decrease) in Cash		-	-	-	-	-	-
Cash at Beginning of Year		-	-	-	-	-	-
Cash at End of Year	13	-	-	-	-	-	-
Contingencies and Commitments	14						

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


CHIEF ENGINEER / PROJECT DIRECTOR

DATED

NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED
POWER TRANSMISSION ENHANCEMENT PROJECT ADB LOAN NO.3203-PAK
TRANCHE-IV

Statement of Comparison of Budget and Actual Amounts
For the Year ended 30.06.2016

		2015-16			2014-15		
		Budgeted Amount		Actual Amount	Budgeted Amount		Actual Amount
		Original Amount	* Revised Amount		Original Amount	* Revised Amount	
		(RUPEES IN MILLION)			(RUPEES IN MILLION)		
<u>Receipts</u>	Note						
External Assistance	5	6,490.500	2,245.300	677.765		7,630.000	11.695
Counterpart Funds	6				-	-	-
<u>Total Receipts</u>		6,490.500	2,245.300	677.765	-	7,630.000	11.695
<u>Payments</u>							
Civil Works	7	6,490.500	2,245.300	677.765		7,630.000	11.695
Purchase of Plant and Equipment	8						
Interest During Construction	9						
Operating Expenses	10						
Consultancy Services	11						
<u>Total Payments</u>		6,490.500	2,245.300	677.765	-	7,630.000	11.695

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


CHIEF ENGINEER / PROJECT DIRECTOR

DATED

NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED
POWER TRANSMISSION ENHANCEMENT PROJECT (TRANCHE-III) under ADB LOAN NO.3203-PAK

Notes to the Financial Statements
For the Year ended 30.06.2016

1 Reporting Entity

- 1 The Financial Statements are for National Transmission and Despatch Company Limited (NTDCL) in respect of Asian Development Bank (ADB) Loan Agreement No 3203-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 December 12, 2014 for an amount of US\$ 248.000 Million. The Project became effective from 12.12.2014 with the closing date of 31.12.2016.
- 1 The main objective of the project is enhancement & extension of NTDC's existing system to provide appropriate facilities for dispersal of power proposed to be generated from southern part of the country to the load centers to meet the power demand of country.

2 Certification by Project Management on Application Funds

The Office of Chief Engineer MP&M NTDC project management certified that the funds have been applied/expenditures have been incurred for the purpose intended in the Financing Agreement.

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 consistently throughout the period.

4 Significant Accounting Policies

- 4 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 difference arising on settlement of these transactions are recognized in the Statement of Receipts and Payments.

4 Reporting Currency

All amounts in the financial statements are in Pak Rupee.

4 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 Recognition of Expenditure

Expenditure is recognized on the date when payment is made or cheque is issued. Financial year to which the payment pertains is determined by the date on which cheque or payment advice is issued.

5 Employee Terminal Benefits

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

5 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 benefits by, the third parties. Payments by third parties, if any, are disclosed in the Payments by third parties column on the face of Statement of Cash Receipts and Payments and notes to the financial Statements.

Notes to the
Financial
For the Year ended 30.06.2016

External Assistance was received in the form of Credit from the Asian Development Bank (ADB) under financing agreement dated 20/05/2006 between the Asian Development Bank (ADB) and Government of Pakistan (GOP) for the purpose of the NTDC

The following amounts were received by the Project during the period

	2015-16	
	US\$	Pak Rupees
		Figures in Million
SOE Procedures	-	-
Direct Payment (Detail attached)	-	671,765
TOTAL	-	671,765

W/App I. No.	Appl. Amount	W/Auth. No.	Amount Disbursed	US\$ Equivalent	Value Date	Acctg Month	Exchange Rate	Equivalent PKR
CAP US\$	185,913.98		US\$ 185,913.98	185,913.98	01-Dec-15	201512	105.5329	19,620,041.00
CAP US\$	494,270.00	916A	US\$ 184,909.00	184,909.00	01-Jun-16	201606	104.49	19,384,033.00
Y0001 PR\$	40,922,082.00	1	PR\$ 40,922,082.00	390,322.57	02-Feb-16	201602	104.85	40,959,708.00
Y0002 PR\$	747,300.58	2	US\$ 747,300.58	747,300.68	28-Jan-16	201601	104.59	78,426,740.00
Y0003 US\$	1,178,882.04	3	US\$ 1,178,882.04	1,178,882.04	22-Apr-16	201604	103.39	123,595,643.00
Y0004 US\$	32,585,417.00	4	PR\$ 32,585,417.00	311,558.02	06-May-16	201605	104.73	32,621,370.00
Y0006 US\$	596,064.00	5	US\$ 596,064.00	596,064.00	02-Jun-16	201606	104.73	62,746,718.00
Y0007 PR\$	103,046,180.00	6	PR\$ 103,046,180.00	984,207.97	24-Jun-16	201606	104.8237	103,168,320.00
Y0008 US\$	1,884,441.75	7	US\$ 1,884,441.75	1,884,441.75	27-Jun-16	201606	104.76	197,552,574.00
				5,463,600.05				

LFIS: 06.472, 34773

	2015-16
Amount in US\$	
Closing Balance	243.421
	243.421

Government of Pak	6.1
NTDC own sources	6.2
Total	

2015-16	
US\$	Pak Rupees
-	677.765
-	677.765

This represents funding to the NTDC projects of the total Project Cost by the Government of Pakistan as agreed between the ADB and GOP.

Category	Value
US\$	100
Pak Rupees	100

It includes: Duties, Taxes, Interest Charges, Escalations and Civil Works.

2015-16	
US\$	Pak Rupees

Opening
Addition during the year
Closing Balance

2015-16	
US\$	Pak Rupees
-	11.695
-	677.765
-	689.460

Opening	Purchase of Plant & Equipment during the year	Closing Balance
100	100	200

2015-16	
US\$	Pak Rupees
1	100
2	200
3	300
4	400
5	500
6	600
7	700
8	800
9	900
10	1000

Interest Paid to GOP by NTDC during the s

2015-16
Per Rupees

	2014-15
Amount in US\$	247,885
	247,885 ✓

2014-15	
US\$	Pak Rupees
-	-
-	11.695
-	11.695

2014-15	
US\$	Pak Rupees

	2014-15	
US\$		Pak Rupees

2014-15	
US\$	Pak Rupees
100	100
100	100
100	100
100	100

2014-15	
US\$	Pak Rupees
-	-
-	-
-	-

2014-15
Pak Rupens

	2014-15	
	US\$	Pak Rupees
SOE Procedures	-	Figures in Million
Direct Payment (Detail attached)	-	12.695
TOTAL	-	12.695

[illegible]

9.1 Interest Paid:

According to Section 2.02 of the Loan Agreement signed between Asian Development Bank and Islamic Republic of Pakistan, the borrower shall pay to ADB interest on the principal amount of the loan withdrawn and outstanding from time to time at rate for each interest period equal to the sum of USOR and 0.60% Government of Pakistan has taken the loan amount to National Transmission and Dispatch Company (NTDC) at 11.00% interest rate plus 06.00% Exchange Rate Risk Cover.

During the year 2014-2015 no interest has been paid by NTDC to the Government of Pakistan. In financial Year 2013-2014 interest paid includes interest for years 2011-12 & 2012-13 for Rs.380.887 and 1,259.366 respectively.

10 Net Operating Expenses

	2015-16		2014-15	
	US\$	Pak Rupees	US\$	Pak Rupees
Operating Expenses				
Staff Salaries & other benefits	-	-	-	-
Travelling & conveyance expenses	-	-	-	-
Vehicle fuel, repair & maintenance	-	-	-	-
Postage, telephone and internet	-	-	-	-
Printing & Stationery	-	-	-	-
Legal & professional fees	-	-	-	-
Security & other utilities	-	-	-	-
Depreciation & amortization	-	-	-	-
Interest charges	-	-	-	-
Miscellaneous expenses	-	-	-	-
Total Operating Expenses	-	-	-	-
Less: Other Income	-	-	-	-
Net Operating Expenses	-	-	-	-

11 Consultancy Services

	2015-16		2014-15	
	Amount in Pak Rupees		Amount in Pak Rupees	
Individuals	-	-	-	-
Firms	-	-	-	-
Total	0.000	-	0.000	-

12 Unrealized Exchange Gain(Loss)

	2015-16		2014-15	
	Pak Rupees		Pak Rupees	
Balance as per Books of Project as at Year end	-	-	-	-
Closing Balance before Conversion at Year end	-	-	-	-
Closing Balance after Conversion as at the Year end	-	-	-	-
Exchange (Loss)/Gain	-	-	-	-

Exchange (Loss)/Gain does not apply to the NTDC as ADB loan is lent to NTDC by Government of Pakistan in Pak Rupees

13 Cash and Bank

	2015-16		2014-15	
	Pak Rupee		Pak Rupees	
Loan No. 2396-PAK	-	-	-	-
Cash in Hand	-	-	-	-
Cash in Bank	-	-	-	-

Payments are directly made by Asian Development Bank on behalf of the project/NTDC in respect of goods & services procured/imported by the Project/NTDC.

14 Commitments

	2015-16		2014-15	
	Payment by Third Parties	Receipts (Payments) Controlled by Project	Payment by Third Parties	Receipts (Payments) Controlled by Project
Contractor Liabilities	-	-	-	-
Obligation under Contract	-	-	-	-
Pending Litigation and Claims	-	-	-	-

14 Authorization for Issue

These financial statements have been authorized for issue by the Project Director on 30 June 2016

15 General

Figures have been rounded off to Million rupees upto three decimal places.
Comparative figures have been rearranged where necessary for the purpose of comparison.

GULRAIZ AKHTAR
CHIEF ENGINEER / PROJECT DIRECTOR

DATED

NATIONAL TRANSMISSION AND DESPATCH COMPANY LTD

CHIEF ENGINEER(MP&M) NTDC

NO.CE/MP&M/ACCTS/ 399

Dated: 29-8-16

Rana Abdul Hameed,
Inspecting Officer,
Wapda House, Lahore.

Sub: IMPREST ACCOUNT CERTIFICATE IN RESPECT OF LOAN NO 2846 & 3203

It is certified that no imprest account is being maintained by MP&M for subject loans.

Hence no bank reconciliation statement is prepared.

Chief Engineer (MP&M) NTDC
622-Wapda House, Lahore