

Audited Project Financial Statements

Project Number: 38456-034
Loan/Grant Number: 2972
Period covered: July 2018 to June 2019

PAK: Power Transmission Enhancement Investment Program – Tranche 3

Prepared by the Multan Electric Power Company (MEPCO)

For the Asian Development Bank
Date received by ADB: 31 December 2019

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 Access to Information Policy and as agreed between ADB and the borrower.



Office of the
Auditor-General of Pakistan
Special Sectors Audit Wing
Constitution Avenue
Islamabad

005/2020

No. SSAW /FAP/POWER /F-38/ 404.

Dated: 31-12-2019

1. The Secretary,
Economic Affairs Division,
Pak Secretariat, Block "C",
Islamabad.
- 2. Country Director,
Pakistan Resident Mission Asian Development Bank,
Level 8, North Wing, Serena Business Complex,
Khayaban-e-Suharwardy, G-5, Islamabad.
3. Country Director,
The World Bank 20-A,
Shahrah-e-Jamhuriat, G-5/1, Islamabad.
4. JICA Pakistan Office, 4th Floor, Serena Office Complex,
Plot No.17, Ramna-5, Khayaban-e-Suhrawardy,
Islamabad.



Subject: **FINANCIAL ATTEST AUDIT REPORTS ON ACCOUNTS OF FOREIGN AIDED PROJECTS FOR THE FINANCIAL YEAR 2018-19 DUE ON 31-12-2019**

The Financial Attest Audit of the following FAPs have been conducted by this office:

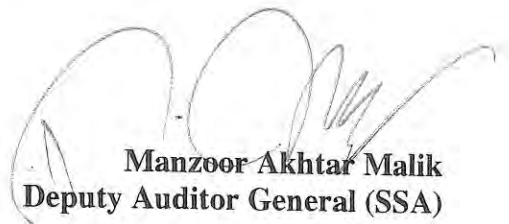
S. #	Name of Foreign Aided Project	Dev. Partner	Loan No.
1.	Transmission Modernization I Project	World Bank	8814-PK
2.	CASA Electricity Transmission and Trade	World Bank	5409-PK
3.	Power Distribution Enhancement Investment Program-Project 1 PEPCO	ADB	2439-Pak (COL)
4.	MMF- Power Distribution Enhancement Investment Program-Tranche 2 GEPCO	ADB	2727-Pak
5.	MMF- Power Distribution Enhancement Investment Program-Tranche 2 MEPCO	ADB	2727-Pak
6.	MMF- Power Distribution Enhancement Investment Program-Tranche 2 LESCO	ADB	2727-Pak

7.	MMF- Power Distribution Enhancement Investment Program-Tranche 2 HESCO	ADB	2727-Pak
8.	MMF- Power Distribution Enhancement Investment Program-Tranche 3 FESCO	ADB	2972-Pak
9.	MMF- Power Distribution Enhancement Investment Program-Project 3 HESCO	ADB	2972-Pak
10.	MMF- Power Distribution Enhancement Investment Program-Project 3: IESCO	ADB	2972-Pak
11.	MMF- Power Distribution Enhancement Investment Program-Project 3 LESCO	ADB	2972-Pak
12.	MMF- Power Distribution Enhancement Investment Program-Project 3 MEPCO	ADB	2972-Pak
13.	MMF- Power Distribution Enhancement Investment Program-Project 3 PESCO	ADB	2972-Pak
14.	MMF- Power Distribution Enhancement Investment Program, Project 3 QESCO	ADB	2972-Pak
15.	MMF- Power Distribution Enhancement Investment Program, Project 3 GEPCO	ADB	2972-Pak
16.	MMF- Power Distribution Enhancement Investment Program-Tranche 4 MEPCO	ADB	3096-Pak
17.	MMF- Power Distribution Enhancement Investment Program-Tranche 4 PESCO	ADB	3096-Pak
18.	MMF- Power Distribution Enhancement Investment Program-Tranche 4 FESCO	ADB	3096-Pak
19.	MMF- Power Distribution Enhancement Investment Program-Tranche 4 IESCO	ADB	3096-Pak
20.	MMF- Power Distribution Enhancement Investment Program-Tranche 4 LESCO	ADB	3096-Pak
21.	MMF- Power Distribution Enhancement Investment Program-Tranche 4 HESCO	ADB	3096-Pak
22.	Jamshoro Power Generation Project	ADB	3090
23.	Jamshoro Power Generation Project	ADB	3092
24.	MFF: 2 nd Transmission-T1	ADB	3419-Pak (Col)

25.	MFF: 2 nd Transmission-T1	ADB	3420-Pak (Col)
26.	Power Transmission Enhancement Investment Program Tranche 4 (AFD)	ADB	8311-Pak (Co Fin Part)
27.	Power Transmission Enhancement Investment Program	ADB	3577-Pak
28.	MFF-Energy Efficiency Investment Program, Tranche 1: MOE	ADB	2553-Pak (Col)
29.	Punjab Transmission Lines & Grid Stations Project	JICA	PK-P58
30.	National Transmission Lines And Grid Station Project	JICA	PK-P61

2. Financial Attest Audit Reports of the above mentioned projects are hereby forwarded to the Government and the concerned Development Partners as per requirements.

Enclosures: As above


Manzoor Akhtar Malik
Deputy Auditor General (SSA)

Cc:

1. SPS to DAG (CA&E), Local.
2. DG Audit (Power), Lahore with the request to issue a copy of the above reports to the Project Management for their further necessary action.
3. Master File



**Financial Attest Audit Report on the
Accounts of Power Distribution Enhancement
Investment Program, Tranche-III, Multan
Electric Supply Company Limited (MEPCO),
Asian Development Bank (ADB), Loan No.
2972-PAK, for the Financial Year 2018-19**



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
PART-II	14
MANAGEMENT LETTER	15
EXECUTIVE SUMMARY	16
1. Introduction	17
2. Audit Objectives	17
3. Audit Scope and Methodology	17
4. AUDIT FINDINGS & RECOMMENDATIONS	18
4.1 Overall Assessment	18
5. CONCLUSION	19
ACKNOWLEDGEMENT	20

Abbreviations and Acronyms

ADB	Asian Development Bank
AGP	Auditor General of Pakistan
DAC	Departmental Accounts Committee
DISCO	Distribution Companies
GCC	General conditions of contract
GOP	Government of Pakistan
ICB	International Competitive Bidding
ISSAI	International Standards of Supreme Audit Institutions
KVA	Kilo Volt Ampere
LC	Letter of Credit
LD	Liquidated Damages
MEPCO	Multan Electric Supply Company
MTDF	Medium Term Development Framework
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-III, ADB Loan No. 2972-PAK (MEPCO portion) was carried out accordingly.

The Directorate General Audit Power conducted audit of the Power Distribution Enhancement Investment Program Tranche-III, ADB loan No. 2972-PAK (MEPCO portion) during September, 2019 for the financial year 2018-19 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-III, ADB Loan No. 2972-PAK (MEPCO portion). 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-III, ADB Loan No. 2972-PAK (MEPCO portion). The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the Power Distribution Enhancement Investment Program Tranche-III, ADB Loan No. 2972-PAK (MEPCO portion).

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 2972-PAK (MEPCO Portion).

Dated: 30 December, 2019
Place: Lahore



HASSAN LATEEF
DIRECTOR GENERAL
Audit Power 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-III
Sponsoring Agency	Asian Development Bank (ADB)
Executing Agency	Multan Electric Power Company (MEPCO)
Loan No.	2972-PAK
PC-1 Cost	US\$ 35.180 Million
Revised Loan Amount	US\$ 30.930 Million
Counter Part Fund	US\$ 4.25 Million
Date of Commencement	December 10 th 2013
Loan Closing Date	June 30 th 2018
Revised Loan Closing Date	January 31 th 2019
Loan utilization status during F.Y 2018-19	US\$ 1.498 million (Pak Rs.192.484 million)
Progressive Expenditure up to F. Y 2018-19	US\$ 30.728 million (Pak Rs.3,246.04 million)
Un-utilized Loan Amount	US \$ 0.202 million

AUDITOR'S REPORT TO THE MANAGEMENT

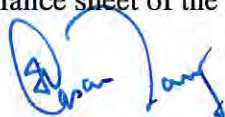
We have audited the accompanying financial statements of the Power Distribution Enhancement Investment Program Tranche-III Multan Electric Power Company Limited (MEPCO) financed under Asian Development Bank Loan No.2972 as of June 30th 2019 and the for the year then ended.

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 of Supreme Audit Institutions (ISSAIs). Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether, the financial statements are free of any material 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, 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 MEPCO, hence bank reconciliation statements is being prepared by management

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-III as on June 30th 2019 and the result of its operation for the year ended June 30th 2019, 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.



HASSAN LATIF
DIRECTOR GENERAL
Audit Power, Lahore

Dated ~~30th~~ December, 2019

FINANCIAL STATEMENTS

Multan Electric Power Company

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

Loan No. 2972-Pak

Statement of Receipts and Payments

For the Period Ended June 30, 2019

	NOTE	2018-19		2017-18	
		Receipts (Payments) controlled by Project	Payment by Third Parties	Receipts (Payments) controlled by Project	Payment by Third Parties
Rupees					
RECEIPTS					
EXTERNAL ASSISTANCE	5	-	192,483,951	-	421,003,980
COUNTERPART FUNDS	6	45,739,991	-	88,254,572	-
TOTAL RECEIPTS		45,739,991	192,483,951	88,254,572	421,003,980
PAYMENTS					
OPERATING EXPENSES	7	45,063,817	-	85,487,437	-
CONSULTANCY SERVICES	8	676,174	-	2,767,135	-
PURCHASE OF PLANT AND EQUIPMENT	9	-	50,929,492	-	259,550,950
CIVIL WORKS	10	-	141,554,459	-	161,453,030
TRANINGS	11	-	-	-	-
TOTAL PAYMNETS		45,739,991	192,483,951	88,254,572	421,003,980
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-III)

Loan No. 2972-Pak

Statement of Comparison of Budget and Actual Amounts

For the Period Ended June 30, 2019

	NOTE	2018-19		2017-18	
		Budget Amount	Actual Amuont	Budget Amount	Actual Amuont
Rupees					
RECEIPTS					
EXTERNAL ASSISTANCE	5	100,000,000	192,483,951	440,000,000	421,003,980
COUNTERPART FUNDS	6	46,000,000	45,739,991	112,000,000	88,254,572
TOTAL RECEIPTS		146,000,000	238,223,942	552,000,000	509,258,552
PAYMENTS					
OPERATING EXPENSES	7	45,100,000	45,063,817	108,000,000	85,487,437
CONSULTANCY SERVICES	8	900,000	676,174	4,000,000	2,767,135
PURCHASE OF PLANT AND EQUIPMENT	9	51,000,000	50,929,492	275,000,000	259,550,950
CIVIL WORKS	10	49,000,000	142,249,459	165,000,000	161,453,030
TRAININGS	11	-	-	-	-
TOTAL PAYMNETS		146,000,000	238,918,942	552,000,000	509,258,552

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. 2972-PAK
For the Period Ended June 30, 2019

1- Reporting Entity

The Financial Statements are for Multan Electric Power Company Limited (MEPCO) in respect of Asian Development Bank (ADB) Loan Agreement 2972-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 09/09/2013 for an amount of US\$ 31.930 million. The project became effective from 10/12/2013 with the closing date of 31/01/2019 with Winding Up period (Revised)

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. 2972-Pak dated 09.09.2013 between the Govt. of Pakistan (GOP) and Asian Development Bank for Power Distribution Enhancement Investment Program (PDEIP) Tranche-III. The following amounts were received by the MEPCO during the period.

	Note	2018-19		2017-18	
		RUPEES	USD	RUPEES	USD
SOE Procedures	5.1	-	-	-	-
Direct Payment	5.2	157,798,325	1,219,807	234,657,153	2,121,737
Commitment Letter	5.3	34,685,626	277,955	186,346,827	1,647,791
		<u>192,483,951</u>	<u>1,497,762</u>	<u>421,003,980</u>	<u>3,769,528</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 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.

2018-19					2017-18				
Sr. No.	Withdrawal Application No	Value Date	RUPEES	USD	Sr. No.	Withdrawal Application No	Value Date	RUPEES	USD
1	M0172	12/Jul/18	7,525,195.00	61,955.29	1	M0133	2/Aug/17	1,557,019.64	14,758.48
2	M0173	12/Jul/18	2,265,593.00	18,652.73	2	M0132	3/Aug/17	10,969,573.00	104,170.03
3	M0176	31/Jul/18	10,411,448.00	83,830.58	3	M0134	3/Aug/17	585,451.00	5,559.60
4	M0174	1/Aug/18	16,530,906.00	133,157.41	4	M0135	3/Aug/17	33,471,503.00	317,854.49
5	M0175	2/Aug/18	5,196,359.00	41,906.39	5	M0136	31/Aug/17	7,527,295.00	71,568.08
6	M0179	20/Aug/18	2,280,750.00	18,417.22	6	M0137	31/Aug/17	5,681,020.00	54,014.50
7	M0178	21/Aug/18	8,089,343.00	65,447.76	7	M0138	28/Sep/17	2,072,725.20	19,656.00
8	M0180	21/Aug/18	1,172,354.65	9,485.07	8	M0139	11/Oct/17	4,196,380.00	39,833.20
9	M0177	24/Aug/18	12,894,468.00	104,031.52	9	M0141	17/Nov/17	4,575,305.00	43,428.21
10	M0181	24/Aug/18	14,079,718.00	113,594.03	10	M0142	24/Nov/17	6,342,182.00	60,176.67
11	M0182	29/Oct/18	18,264,251.00	138,121.73	11	M0144	24/Nov/17	4,422,000.00	41,957.37
12	M0183	29/Oct/18	12,691,927.00	95,981.54	12	M0145	18/Dec/17	1,366,516.38	12,434.18
13	M0156 R	7/Dec/18	1,427,069.00	10,301.11	13	M0143	19/Dec/17	5,778,688.00	52,338.26
14	M0184	10/Dec/18	6,730,310.00	48,514.15	14	M0146	20/Dec/17	5,884,924.00	53,300.64
15	M0188	10/Dec/18	1,309,706.00	9,440.77	15	M0147	9/Jan/18	9,733,278.00	88,113.62
16	M0186	11/Dec/18	3,109,213.20	22,375.21	16	M0148	9/Jan/18	3,148,595.00	28,503.67
17	M0187	20/Dec/18	1,401,120.00	10,080.00	17	M0149	16/Feb/18	1,348,783.00	12,211.43
18	M0190	11/Feb/19	4,475,098.00	32,403.52	18	M0150	16/Feb/18	4,513,635.00	40,864.94
19	M0191	11/Feb/19	9,530,435.00	69,008.47	19	M0152	20/Feb/18	2,716,463.00	24,591.47
20	M0193	11/Feb/19	5,419,589.00	39,242.44	20	M0153	27/Feb/18	9,309,071.40	84,244.99
21	M0185	12/Feb/19	1,910,859.00	13,783.82	21	M0154	12/Mar/18	6,703,515.00	60,672.76
22	M0192	25/Feb/19	11,082,613.00	80,076.05	22	M0155	12/Mar/18	5,666,220.00	51,284.32
23					23	M0158	11/Apr/18	8,851,456.00	76,631.47
24					24	M0156	13/Apr/18	3,645,163.00	31,556.88
25					25	M0157	13/Apr/18	6,996,396.00	60,569.14
26					26	M0159	16/Apr/18	825,037.03	7,130.83
27					27	M0162	19/Apr/18	4,471,301.71	38,645.65
28					28	M0164	20/Apr/18	1,489,197.84	12,871.20
29					29	M0164	20/Apr/18	(1,485,726.84)	(12,841.20)
30					30	M0163	23/Apr/18	863,039.00	7,470.67
31					31	M0167	23/Apr/18	8,599,128.29	74,322.63
32					32	M0160	23/Apr/18	8,527,731.00	73,812.89
33					33	M0166	24/Apr/18	3,982,402.00	34,473.38
34					34	M0161	24/Apr/18	37,886,119.00	327,958.43
35					35	M0164-A	8/May/18	1,485,726.84	12,841.20
36					36	M0171	1/Jun/18	2,281,223.00	19,716.71
37					37	M0168	4/Jun/18	3,998,586.00	34,613.56
38					38	M0169	4/Jun/18	3,215,926.00	27,838.50
39					39	M0170	6/Jun/18	1,454,305.00	12,588.28
Total Direct Payment			<u>157,798,325</u>	<u>1,219,807</u>	Total Direct Payment			<u>234,657,153</u>	<u>2,121,737</u>

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).

2018-19					2017-18				
Sr. No.	Commitment Letter NO.	Value Date	RUPEES	USD	Sr. No.	Commitment Letter NO.	Value Date	RUPEES	USD
1	CL No. 17	1/Aug/18	7,723,934.93	60,839.13	1	CL No. 08	6/Oct/17	1,889,514.00	17,940.05
2	CL No. 36	7/Aug/18	1,545,878.90	12,446.69	2	CL No. 01	9/Mar/18	7,237,600.00	65,505.76
3	CL No. 12	10/Sep/18	2,060,272.50	16,575.00	3	CL No. 02	9/Mar/18	23,328,234.00	211,136.92
4	CL No. 12	10/Sep/18	2,060,272.50	16,575.00	4	CL No. 02	9/Mar/18	8,046,579.00	72,828.88
5	CL No. 11	11/Sep/18	9,385,182.00	75,590.33	5	CL No. 03	12/Mar/18	5,946,999.50	53,819.00
6	CL No. 11	17/Sep/18	9,385,182.00	75,590.57	6	CL No. 36	14/Mar/18	54,508,820.15	493,292.49
7	CL No. 11	24/Sep/18	2,524,903.00	20,338.62	7	CL No. 08	12/Apr/18	15,608,071.00	135,128.00
8					8	CL No. 08	12/Apr/18	15,608,071.00	135,128.00
9					9	CL No. 04	2/May/18	4,470,416.60	38,638.00
10					10	CL No. 03	2/May/18	6,582,867.20	56,896.00
11					11	CL No. 02	3/May/18	23,751,738.00	205,612.85
12					12	CL No. 10	14/May/18	1,577,378.60	13,633.35
13					13	CL No. 10	14/May/18	1,577,378.60	13,633.35
14					14	CL NO. 01	19/Jun/18	16,213,159.00	134,598.63
Total Commitment Letter			<u>34,685,626</u>	<u>277,955</u>	Total Commitment Letter			<u>186,346,827</u>	<u>1,647,791</u>

6- COUNTER PART FUNDING

This represents Funding made by Multan Electric Power Company (MEPCO) at Power Distribution Enhancement Investment Program (PDEIP) Loan No. 2972-Pak (Tranche-III) as per Project requirement.

	2018-19	2017-18
		Rupees
ALLOCATED OVERHEADS	3,982,367	43,372,027
CIVIL WORKS	-	-
TAXES AND DUTIES PAID	39,450,575	40,802,758
CONSULTANCY SERVICES	676,174	2,767,135
PURCHASE OF LAND	-	-
OTHER EXPENSES	1,630,875	1,312,652
TOTAL	45,739,991	88,254,572

7- OPERATING EXPENSES

	2018-19	2017-18
		Rupees
ALLOCATED OVERHEADS	3,982,367	-
TAXES AND DUTIES PAID	39,450,575	40,802,758
OTHER EXPENSES	1,630,875	-
TOTAL	45,063,817	40,802,758

8- CONSULTANCY SERVICES

	2018-19	2017-18
		Rupees
8.1 Individual	-	-
8.2 M/S. En-Masse-M.E	-	-
8.3 Consultancy Services	454,474	1,007,535
NTDCL, Lahore	221,700	1,759,600
TOTAL	676,174	2,767,135

9- Plant and Equipment

	2018-19	2017-18
		Rupees
132KVA Power Transformer	-	-
11KV Incoming Panels	-	-
Control Cable	-	-
Power Cable and Grounding Conductor	-	-
Material for G/S Chak 83-12/L and Dharanwala	-	27,921,176
Material for G/S Faqir Wali, Fort Abbas and S. S. Din	-	67,656,418
Material for 132KV SDT T/L for Chak 83-12/L, Dharanwala, Faqirwali, Fort Abbass & Shah Sadar Din	-	70,514,036
Material for 132KV G/S Mubarak Pur (New)	25,415,812	-
Material for 132KV G/S Chunawala (New)	9,873,930	2,039,756
Material for 132KV SDT T/L Chunawala	1,172,355	-
Material for 132KV T/L Yazman	1,401,120	36,910,745
Material for Conv. Of G/S Yazman	13,066,275	54,508,820
Other GSC Material	-	-
TOTAL	50,929,492	259,550,950

10- Civil Work

	2018-19	2017-18
		Rupees
Conv. 66 - 132 KV G/S Chak 83-12/L & Dharanwala	5,902,167	9,423,851
Conv.66-132 KV Faqirwali, Fort Abbas, S.S. Din	38,753,268	9,733,278
132KV G/S Mubarak Pur (New)	36,077,174	-
132KV G/S Chunawala (New)	12,660,865	27,645,334
132KV SDT T/L Chak 83-12/L, Dharanwala, F. wali, F. Abbass, S.S. Din	-	61,587,528
132KV SDT Hasil Pur - Chunawala T/Line	15,389,424	10,970,028
132KV T/Line Yazman	20,983,811	20,443,788
Conv. 66-132KV G/S Yazman	11,787,750	21,649,223
Other GSC Work	-	-
TOTAL	141,554,459	161,453,030

11- TRAINING

NAME	DESCRIPTION	2018-19	2017-18
			Rupees
		NIL	NIL

12- Cash and Bank

2018-19

2017-18

No Funds Transferred in Designated US Dollar Revolving Fund Account by the Asian Development Bank under Loan No. 2972-Pak.

Cash in hand
Cash in Bank

Rupees

NIL
NIL
NIL

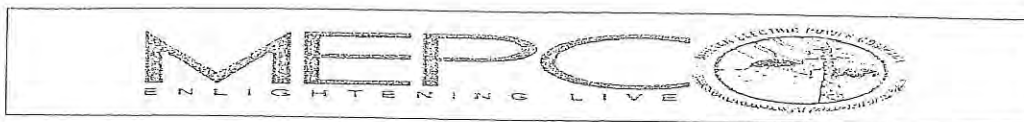
NIL
NIL
NIL

13- General

Figures have been rounded off to the nearest Rupee.



Chief Engineer (Development)
PMU MEPCO Multan

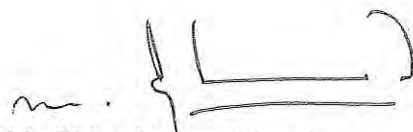


MULTAN ELECTRIC POWER COMPANY LIMITED

Office of the Chief Engineer (Development) MEPCO Complex Wapda Colony Khanewal Road Multan
Ph:# 061-9220248 / 9220213 Fax # 061-9220187

NON-IMPREST ACCOUNT CERTIFICATE
ADB LOAN NO. 2972-PAK TR-III

It is certified that no Imprest Account regarding ADB Loan No. 2972-PAK: Power Distribution Enhancement Investment Program-Tr-III is maintained in PMU, MEPCO. Payments are made directly from ADB to Supplier / Contractor's account.


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

PART-II

MANANGMENT LETTER

EXECUTIVE SUMMARY

- 1. Introduction**
- 2. Audit Objectives**
- 3. Audit Scope and Methodology**
- 4. Audit Findings and Recommendations**
 - 4.1 Overall Assessment**
- 5. Conclusion**

ACKNOWLEDGEMENT

EXECUTIVE SUMMARY

The Directorate General Audit Power conducted audit of the Power Distribution Enhancement Investment Program Tranche-III, ADB Loan 2972-PAK (MEPCO portion) during September, 2019 for the financial year ended June 30th 2019. The main objectives of the audit were to express an opinion on financial statements of the project, to assess whether project was managed with due regard to economy, efficiency and effectiveness, to review project performance against intended objects and to review compliance with applicable rules, regulations and procedures. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

1. INTRODUCTION

The Directorate General Audit Power conducted an audit of the Power Distribution Enhancement Investment Program Tranche-III, ADB Loan No. 2972-PAK (MEPCO portion) during September, 2019 for the year ended June 30th 2019.

The project was an integral part of the Investment Program aimed at enhancing the efficiency of the overall power distribution system and for providing an adequate and reliable power supply to a greater number of industrial, commercial and residential customers.

The proposed project would improve power distribution infrastructure through rehabilitation, augmentation and expansion of the secondary transmission network, and relieve the power system from distribution bottlenecks and constraints. The project provided for improving the secondary transmission facilities with the establishment of new grid stations and enhancing the capacity of the existing ones, expansion of the power distribution network and reduction in energy losses with the objective to realize optimum benefits from the available power.

The project was comprised of 19 Sub- Project (02 No. New Grid Stations including Transmission Lines 06 No. Conversions including Transmission Lines and 03 No. Augmentations and 08 No. Transmission Lines). Total amount of the loan was US \$ 245 million, out of which US\$ 30.930 million were allocated to Multan Electric Power Company (MEPCO)

2. AUDIT OBJECTIVES

The main objectives of the audit were to:-

- i. Review project's performance against intended objectives
- ii. Assess whether project was managed with due regard to economy, efficiency and effectiveness
- iii. Review compliance with applicable rules, regulations and procedures.

3. AUDIT SCOPE AND METHODOLOGY

The Directorate General Audit Power conducted audit of the Power Distribution Enhancement Investment Program Tranche-III, ADB-2972 (MEPCO portion) during September, 2019 for the financial year ended June 30th 2019.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

The assignment was a financial attest audit. The audit was conducted on sample basis. The samples from all areas of expenditure and transactions were selected to ascertain compliance of rules. The overall methodology was as follows: -

- i) Interview and discussion with the management
- ii) Examination of Financial Statement and note accompanied together.
- iii) Examination of contract agreements of supply & procurement of material and execution of works
- iv) Checking of compliance of rules and regulation.
- v) Examination of withdrawal application.
- vi) Examination of imprest account, if any.

The results of examination are given under the heading “Audit Findings”.

AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Overall Assessment

The overall assessment was limited to review of operations and business functions relevant to loan disbursement / management. Management was unable to utilize the loan properly due lack of planning and monitoring activities. The overall assessment of Tranche-III Project (MEPCO Portion) under ADB Loan-2972 PAK with regard to its deliverance to the intended purpose is based upon the following major elements.

i. Relevance:

The Tranche-III Project (MEPCO Portion) remained in line within overall Medium Term Development Framework (MTDF) and the government’s sectoral policies.

ii. Efficacy & Effectiveness:

The loan could not be fully utilized hence efficacy and effectiveness could not be achieved to the envisaged extent

iii. Efficiency:

The procurement was made within the loan execution period. The loan remained available for disbursement according to the release requests, but the release requests

could not be submitted by the management well in time which resulted non utilization of loan according to the allocation.

iv. Economy:

The bidding process for the procurement of goods under Tranche-III project was for competitive rates and based on International Competitive Bidding (ICB).

v. Compliance with rules:

No serious non-compliance with rules was involved in execution of project, however, the issues like non-clearance of ADB loan and slow progress of the works of transmission lines were highlighted in audit observations.

vi. Performance rating of project:

The performance of the project to the extent of expanded amount was satisfactory.

vii. Risk rating of Project:

The risk rating of the Project was Low.

5. CONCLUSION

The closing date of loan was June 30th 2018, however, the date was extended upto January 31th 2019. In the financial year 2018-19 management as per agreed terms with the development partner utilized fund for clearance of pending liabilities instead of undertaking more works. The loan was used for the purpose for which was granted.

5.1 Key Issues for the Future

PC II, PC I and the allied documents may be prepared well in advance by the management before receipt of loan in order to ensure smooth and timely execution of the projects

5.2 Lessons Identified

Success of any project is based on timely decision making and implementation within stipulated time frame of the Project. Upon receipt of loan, well defined SOPs may be notified and adopted for bidding & technical evaluation of bids besides ensuring active monitoring of project activities along predefined project benchmarks. Such measures would ensure greater efficiency in project activities.

ACKNOWLEDGEMENT

We wish to express our appreciation to the Management and staff of MEPCO for the assistance and cooperation extended to the auditors during this assignment.