

# Audited Project Financial Statements

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Project Number: 45233-001  
Loan/Grant Number: 3049  
Period covered: 1 July 2014 to 30 June 2015

## PAK: Social Protection Development Project

Prepared by: Benazir Income Support Program (BISP)

For the Asian Development Bank  
Date received by ADB: 30 December 2015

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 Benazir Income Support Program (BISP).



**DIRECTORATE GENERAL AUDIT  
(FEDERAL GOVERNMENT)  
BENEVOLENT FUND BUILDING ZERO POINT,  
ISLAMABAD**

☎ 051-9252217, Fax: 051-9252256

No. DGA/FAP/SSNP Add Fin./2015-16/F-610/427

Dated: 24 .08.2016

To

✓ **Mr. Fakhar Munir,**  
Internal Auditor,  
Benazir Income Support Program(BISP),  
Islamabad.

**Subject: MINUTES OF THE MEETING OF DEPARTMENTAL ACCOUNTS  
COMMITTEE (DAC) ON THE AUDIT REPORTS OF DONOR  
FUNDED PROJECT OF BENAZIR INCOME SUPPORT PROGRAM  
(BISP) FOR THE FINANCIAL YEAR 2013-14 AND 2014-15**

Please refer to BISP U.O No. BISP/Ext.Audit/DFP/2014-15 dated 15.08.2016 on the above subject.

2. Find attached Minutes of the DAC meeting held on 09.08.2016 duly vetted and signed by Director General Audit (FG), Islamabad. It is requested that a copy of the minutes signed by the other member and the Chairman DAC may kindly be sent to this Directorate General for information and record.

✓ **Enclosure:** As above


  
**AKHTAR MAJEED**  
Audit Officer (FAP)

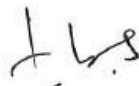
**MINUTES OF THE MEETING OF DEPARTMENTAL ACCOUNTS COMMITTEE (DAC)**  
**ON THE AUDIT REPORTS OF DONOR FUNDED PROJECT OF BENAZIR INCOME**  
**SUPPORT PROGRAM (BISP) FOR THE FINANCIAL YEAR 2013-14 AND 2014-15**


A meeting of the Departmental Accounts Committee was held at BISP Headquarters on 09-08-2016 to discuss the Audit Reports on the Accounts of Donor Funded Projects of BISP for the Financial Year 2013-14 and 2014-15. The meeting was chaired by the Secretary, BISP.

2. The Secretary BISP in his opening remarks welcomed the Director General Audit (Federal Government), Deputy Financial Advisor (Finance Division) and other participants. During meeting, following decisions were taken:

<b>ADB LOAN 3049-PK (FY 2014-15)</b>		
4.1.1	Unverifiable payments made to beneficiaries - Rs. 3,363.882 million	On the basis of verification of soft data relating to payments made to beneficiaries including the PMT score and record relating to transfer of payment to beneficiaries by Audit, <b>DAC settled the Para.</b>
4.1.2	Non-maintenance of cash book	In view of reply and evidence provided that cash book is being maintained manually on Cash Book Register (verified by Audit) as well as in the form of a computerized program / software, <b>DAC settled the Audit Para.</b>
4.1.3	Non-production of record	In view of reply and verification of record by Audit i.e. cash book, criteria for selection of banks, soft data of beneficiaries including PMT score and payments made to beneficiaries by the banks, <b>DAC settled the Audit Para.</b>

  
(Muhammad Ajmal Gondal)  
Director General Audit  
(Federal Government)  
Islamabad

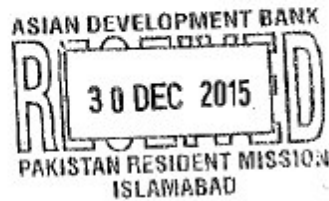
  
(Shahzad Ahmed)  
Deputy Financial Advisor  
Finance Division  
Islamabad

  
(Muhammad Saleem Ahmad Ranjha)  
PAO / Secretary, BISP



**Financial Attest Audit Report on the Accounts of  
Social Protection Development Project  
ADB Loan No. 3049  
Benazir Income Support Program  
for the Financial Year 2014-15**

**Auditor General of Pakistan Islamabad**



## PROJECT OVERVIEW

<b>Name of Project:</b>	Social Protection Development Project (SPDP)
<b>Sponsoring Authority:</b>	Asian Development Bank (ADB)
<b>Executing Authority:</b>	Benazir Income Support Program (BISP)
<b>Credit No.:</b>	ADB-3049-PK
<b>Project Cost:</b>	SDR 283,776,000
<b>Date of Signing Agreement:</b>	25.11.2013
<b>Actual Date of Commencement:</b>	24.06.2014
<b>Date of Completion:</b>	31.12.2018

The Government of Pakistan entered into a Financing Agreement with Asian Development Bank (ADB) on 25.11.2013, for a sum not exceeding SDR 283,776,000 for Social Protection Development Project (SPDP) under Benazir Income Support Program (BISP).

The objective of the project is to increase resilience for BISP female beneficiaries and their families:

The project shall comprise:

- (a) Expansion of BISP's cash transfer program to reach all Eligible Families ("Part 1");
- (b) Improvement and expansion of BISP's Waseela-e-Rozgar (skills development program) and the Waseela-e-Sehet (health insurance program) ("Part 2"); and
- (c) Improvement of BISP's financial management and internal control system ("Part 3");

## **AUDITOR'S REPORT TO THE MANAGEMENT**

### **Auditor's Report on the Social Protection Development Project Financial Statements**

We have audited the accompanying Financial Statements of "Social Protection Development Project (SPDP)" under Benazir Income Support Program ADB Loan No.3049-PK that comprises Statement of Receipts and Payments together with the Notes forming part thereof for the year ended 30<sup>th</sup> June, 2015.

### **Management Responsibility**

It is the responsibility of the project management to establish and maintain a system of internal controls, and prepare and present the Statement of Receipts and Payments in conformity with the requirements of Cash Basis IPSAS Financial Reporting under the Cash Basis of Accounting Standard.

### **Auditor's Responsibility**

The responsibility of the auditor is to express an opinion on the financial statements based on the audit conducted. We conducted our audit in accordance with the International Standards of Supreme Audit Institutions. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. The audit process includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Basis for Qualified Audit Opinion**

Based on our audit, we report that:

- i. Payments of Rs. 3,363.882 million made to beneficiaries could not be verified.
- ii. Cash book was not maintained.
- iii. Auditable record was not provided.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph:

- a) The financial statements present fairly, in all material respects, the cash receipts and payments by the project for the year ended 30<sup>th</sup> June, 2015 in accordance with Cash Basis IPSAS Financial Reporting under the Cash Basis of Accounting Standard.
- b) The expenditure has been incurred in accordance with the requirements of legal agreement.



**(JUNAID MUSHTAQ QURESHI)**

**Director General**

Directorate General Audit (Federal Government),  
Benevolent Fund Building, Zero Point, Islamabad.

**Dated:** 01.11.2015

## **FINANCIAL STATEMENTS**



# Social Protection Development Project (SPDP)

## Statement of Cash Receipts and Payments

For the Period from June 24, 2014 to June 30, 2015

		2015 (PKR "in Million")	
		Receipts / Payments controlled by the Project	Payments by Third Parties
	Note		
<b>RECEIPTS</b>			
Loan Instalments- received by Project	8	5,865.545	-
Loan Instalment- received by Government of Pakistan (GoP)	9	1,066.437	-
<b>TOTAL RECEIPTS</b>		<b>6,931.982</b>	<b>-</b>
<b>PAYMENTS</b>			
<i>Program Related Payments:</i>			
Consulting Services	10	0.697	-
Unconditional Cash Transfer- Benazir Debit Card (BDC)	11	3,359.691	-
Unconditional Cash Transfer- Mobile Banking	12	4.190	-
		<b>3,364.578</b>	<b>-</b>
Direct Payments to Government of Pakistan (GoP)	13	1,066.437	-
<i>Operation Related Payments:</i>			
Advertisement and Publicity		0.057	-
<b>TOTAL PAYMENTS</b>		<b>4,431.072</b>	<b>-</b>
<b>NET RECEIPT/ (PAYMENT) OF PROJECT FUND</b>		<b>2,500.910</b>	<b>-</b>
<b>INCREASE / (DECREASE) IN CASH</b>		<b>2,500.910</b>	<b>-</b>
<b>CASH AT BEGINNING OF THE YEAR</b>		<b>-</b>	<b>-</b>
<b>CASH AT END OF THE YEAR</b>	17	<b>2,500.910</b>	<b>-</b>

The annexed notes 1 to 20 form an integral part of these financial statements.

Financial Management Specialist (FMS) - SPDP

Director (F&A)-II

Audit Officer

# Social Protection Development Project (SPDP)


## Statement of Expenditure

For the Period from June 24, 2014 to June 30, 2015

	Note	2015
		PKR "in Million"
EXPENDITURE		
Consulting Services	10	0.697
Unconditional Cash Transfer (UCT)	14	3,363.881
Advertisement and Publicity		0.057
		<u>3,364.635</u>

The annexed notes 1 to 20 form an integral part of these financial statements.

  
Financial Management Specialist (FMS) - SPDP

  
Director (F&A) II

  
Audit Officer

**Social Protection Development Project (SPDP)**  
**Bank Reconciliation Statement**  
*For the Period from June 24, 2014 to June 30, 2015*

PKR "in Million"

Note	2014						2015					
	September	October	November	December	January	February	March	April	May	June		
Balance as per Bank Statement (as on month end)	5,100.668	5,100.668	5,100.668	5,088.526	5,088.526	5,088.524	4,633.901	4,243.333	4,243.278	2,500.967		
Add: Payments directly made by bank, not recorded in cash book	-	-	-	-	-	-	-	-	-	-		
Add: Receipts recorded in cash book, but not recorded by bank	-	-	-	-	-	-	-	-	-	-		
Less: Unpresented cheques	-	-	-	-	-	-	(178.745)	(0.054)	-	(0.057)		
Less: Receipts credited in bank, but not recorded in cash book	-	-	-	-	-	-	-	-	-	-		
Balance as per Cash Book (as on month end)	17 5,100.668	5,100.668	5,100.668	5,088.526	5,088.526	5,088.524	4,455.157	4,243.278	4,243.278	2,500.910		
<b>CASH MOVEMENT</b>												
Opening Balance	5,100.668	5,100.668	5,100.668	5,100.668	5,088.525	5,088.525	5,088.524	4,455.156	4,243.278	4,243.278		
Total Monthly Receipts	-	-	-	764.877	-	-	-	-	-	-		
Total Monthly Payments	-	-	-	(777.020)	-	(0.001)	(633.368)	(211.878)	-	(1,742.368)		
Closing Balance (Balance as per Cash Book)	17 5,100.668	5,100.668	5,100.668	5,088.526	5,088.525	5,088.524	4,455.156	4,243.278	4,243.278	2,500.910		

As the project designated bank account (Imprest Fund Account) became functional in September, 2014, therefore, the bank statements for the months June, 2014 to August, 2014 are not presented above.

The annexed notes 1 to 20 form an integral part of these financial statements.

*For the Period from June 24, 2014 to June 30, 2015*

Financial Management Specialist (FMS) - SPDP

*[Signature]*  
 Audit officer

Director (F&A)-II

**Social Protection Development Project (SPDP)**  
**Statement of Withdrawal**

*For the Period from June 24, 2014 to June 30, 2015*

S.No	Date of WA	ADB Loan No	Application No	Account Credited	Type of Disbursement	Amount "in Million"	
						US Dollar	PKR
1	10-Sep-14	3049-PAK (SF)	00001	NBP-007814-3	Imprest Fund Advance	50.007	5,100.668
2	28-Nov-14	3049-PAK (SF)	00002	Non-Food Account No 1	Reimbursement	10.664	1,066.437
3	9-Dec-14	3049-PAK (SF)	00003	NBP-007814-3	Replenishment	7.618	764.877
Total						68.289	6,931.982


*The annexed notes 1 to 20 form an integral part of these financial statements.*

  
19 Nov 2015

Financial Management Specialist (FMS) - SPDP



Auditor

  
Director (F&A)-II

## **Social Protection Development Project (SPDP)**

### **Notes to the Financial Statements**

*For the Period from June 24, 2014 to June 30, 2015*

#### **1 REPORTING ENTITY**

The financial statements are for 'Social Protection Development Project'. These financial statements encompass the reporting entity as defined in the Loan Agreement between the Islamic Republic of Pakistan ("Borrower") and Asian Development Bank ("ADB"). This Loan Agreement was signed on 25-11-2013 for an amount of SDR 283,776,000. The project closing date is 31-12-2018. The Executing Agency (EA) of the aforesaid project is 'Benazir Income Support Program (BISP)'.  
The objective of Social Protection Development Project is to help the Government of Pakistan (GoP) by increasing the resilience for BISP female beneficiaries and their families.

The project shall comprise:

- 1- expansion of BISP's cash transfer program to reach all Eligible Families ("Part 1");
  - 2- improvement and expansion of BISP's Waseela-e-Rozgar (skills development program) and the Waseela-e-Sihat (health insurance program) ("part 2"); and
  - 3- improvement of BISP's financial management and internal control systems ("Part 3").
- The project is implemented through Benazir Income Support Program, Government of Pakistan (GoP).

#### **Financing**

The financing is made from the ADB's Special Funds Resources with a maturity of 24 years, including a grace period of 5 years.

#### **Responsible Agency**

A primary responsibility for overall progress and management of the Additional Financing has been entrusted to Benazir Income Support Program (BISP), Government of Pakistan (GoP).

#### **2 CERTIFICATION BY PROJECT MANAGEMENT ON APPLICATION OF FUNDS**

The Social Protection Development Project management certified that the funds have been applied/ expenditure have been incurred for the purposes intended in the loan agreement.

#### **3 ACCOUNTING CONVENTION AND STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with Cash Basis IPSAS Financial Reporting under the Cash Basis of Accounting.

These cash basis accounting recognizes transactions and events only, when cash is received or paid by the entity.

#### **4 REPORTING PERIOD**

The reporting period of these financial statements is the financial period commencing from June 24, 2014 to June 30, 2015.

#### **5 REPORTING CURRENCY**

The reporting currency of these financial statements is PKR which is Executing Agency's (Benazir Income Support Programme) functional and presentational currency.

#### **6 SIGNIFICANT ACCOUNTING POLICIES**

##### **6.1 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.

##### **6.2 Foreign Currency Transaction**

Cash receipts and payments arising from transactions in foreign currencies are recognized in PKR by applying to the foreign currency amount, the weighted average exchange rate between the PKR and the US Dollar. For disbursements (payments), the rate of the first tranche would be utilized and likewise, First In First Out would be the basis for conversion in subsequent payment transactions.

However, cash balances held in foreign currency is reported using the closing rate.

##### **6.3 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.

##### **6.4 Employee Terminal Benefits**

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

## Social Protection Development Project (SPDP)

### Notes to the Financial Statements

For the Period from June 24, 2014 to June 30, 2015

#### 6.5 Payments by Third Parties

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 Third Parties column on the face of Statement of Cash Receipts and Payments and Notes to the Financial Statements.

#### 6.6 External Assistance

External assistance was received in the form of Loan bearing reference number "3049-PK (SF)" from the ADB under financing agreement dated 25 November, 2013 for the purpose of "Social Protection Development Project". The following amounts were received by the project during the period.

	Note	2015 PKR in Million
Reimbursement	6.6.1	1,831,314
Imprest Fund	6.6.2	5,100,668
		<u>6,931,982</u>

6.6.1 This represents funds transferred to the Social Protection Development Project's designated Bank Account by the ADB on the basis of Withdrawal Applications submitted by the Project Management.

6.6.2 This represents the ADB's advance disbursement from the loan account for deposit to an Imprest Account to be used exclusively for ADB's share of eligible expenditures.

6.6.3 Disbursement Procedures such as 'Direct Payment' and 'Commitment' are not used for funds transferred to the project.

6.6.4 There has been no instance of non-compliance with the terms and conditions of the loan and project agreements between the ADB and GoP, which have resulted in cancellation of loan.

#### 6.7 Undrawn External Assistance

Undrawn balance of loan at reporting date represents amount specified in the loan agreement between the ADB and GoP that the ADB will disburse for Project purposes.

	Note	2015 USD in Million	2015 PKR in Million
Closing balance		361,872	36,820,518
		<u>361,872</u>	<u>36,820,518</u>

#### 7 COUNTERPART FUNDS

Government of Pakistan (GoP)	7.1	148,300	15,089,525
		<u>148,300</u>	<u>15,089,525</u>

7.1 This represents funding to the Project approximately at 25.6% of the total project cost by the GoP as agreed between the ADB and GoP.

#### 8 LOAN INSTALMENTS RECEIVED BY PROJECT

First tranche	8.1	5,100,668
Third tranche	8.2	764,877
		<u>5,865,545</u>

8.1 This was received through Withdrawal Application No 00001 dated 10-September, 2014; credited in the Project's designated account.

8.2 This was received through Withdrawal Application No 00003 dated 9-December, 2014; credited in the Project's designated account.

#### 9 LOAN INSTALMENT RECEIVED BY GOVERNMENT OF PAKISTAN (GoP)

Second tranche	9.1	1,066,437
	13.1	<u>1,066,437</u>

9.1 This was received through Withdrawal Application No 00002 dated 28-November, 2014 credited in GoP's Non-Food Account No 1.

9.2 Total withdrawals are amounting PKR 6,931,982 million, which comprises PKR 5,865,545 and PKR 1,066,437 loan instalments received by the project and GoP respectively.

## Social Protection Development Project (SPDP)

### Notes to the Financial Statements

For the Period from June 24, 2014 to June 30, 2015

	Note	2015 PKR in Million
<b>10 CONSULTING SERVICES</b>		
Individuals		0.697
		<u>0.697</u>
<b>10.1</b>	Two individual consultants were hired in May 2015 for the purposes of Financial Management and Internal Audit of the project bearing Procurement Contract Summary Sheet (PCSS) number 0004 and 0005 respectively.	
<b>11 UNCONDITIONAL CASH TRANSFER- Benazir Debit Card (BDC)</b>		
Tranche- October, 2014 to December, 2014		777.020
Tranche- January, 2015 to March, 2015		842.553
Tranche- April, 2015 to June, 2015		1,740.118
		<u>3,359.691</u>
<b>11.1</b>	Cash Transfer was made to 617,945 beneficiaries through Benazir Debit Card (BDC) in the under review period.	
<b>11.2</b>	Unconditional Cash Transfer (UCT) represents cash transfers to those beneficiaries, who are included in the BISPs eligible beneficiaries (have passed the scorecard threshold i.e 16.17) and having valid CNIC. Moreover, these cash transfers are not linked to any condition.	
<b>12 UNCONDITIONAL CASH TRANSFER- Mobile Banking</b>		
Tranche- January, 2015 to March, 2015	12.1	2.637
Tranche- April, 2015 to June, 2015	12.2	1.553
		<u>4.190</u>
<b>12.1</b>	Cash Transfer was made to 293 beneficiaries through Mobile Banking in the quarter ended 31 March, 2015.	
<b>12.2</b>	Cash Transfer was made to 309 beneficiaries through Mobile Banking in the quarter ended 30 June, 2015.	
<b>13 DIRECT PAYMENTS TO GOVERNMENT OF PAKISTAN (GoP)</b>		
Payments directly made to GoP by ADB	13.1	1,066.437
		<u>1,066.437</u>
<b>13.1</b>	This represents reimbursement made to GoP as the first quarter payment amounting PKR 4,500 is transferred to the newly registered (Post 1 July, 2013) beneficiaries account from the GoP funds.	
<b>14 UNCONDITIONAL CASH TRANSFER (UCT)</b>		
Benazir Debit Card (BDC)	14.1	3,359.691
Mobile Banking	14.2	4.190
		<u>3,363.881</u>
<b>14.1</b>	BDC represents payment made to beneficiaries through benazir debit card. A type of debit card used for cash grants only.	
<b>14.2</b>	This represents payments made to beneficiaries through mobile banking.	
<b>15 EXCHANGE GAIN/ LOSS</b>		
The rate of exchange applied by the State Bank of Pakistan (SBP) for converting foreign currency into PKR for that tranche at the time of receipt of funds in the SBP from the donor. In case of more than one tranches, the rate applied for each tranche will be used for project reporting purposes and funds received in the first tranche will be utilized first and the utilized balance shall be attributed to the last tranche.		
Therefore by adopting the aforesaid policy, being issued by the Finance Division, GoP, it does not result any exchange gain/ loss.		

**Social Protection Development Project (SPDP)**  
**Notes to the Financial Statements**  
For the Period from June 24, 2014 to June 30, 2015

16 PROJECT COST- MOVEMENT	Note	2015 USD in Million	2015 PKR in Million
Total Committed Loan by ADB/ ADB's share in total Project Cost- 'A'		430.000	43,752.500
GoP share in total Project Cost- 'B'	16.1	148.300	15,089.525
Total Project Cost- 'C'=(A+B)		578.300	58,842.025
Loan instalment received directly by GoP- 'D'		10.664	1,066.437
Total payments by Project- 'E'		33.646	3,364.635
Cash at bank- 'F'	17	24.579	2,500.910
Loan instalments received by the Project- 'G'=(E+F)		58.225	5,865.545
Total withdrawals (loan instalments received)- 'H'=(D+G)	8	68.889	6,931.982
Undrawn total Project proceeds- 'I'=(C-H)		510.172	51,910.043
Undrawn foreign loan proceeds- 'J'=(A-I)	6.7	361.872	36,820.518

**16.1 GoP share in total Project Cost**

GoP financing includes actual expenditure incurred by executing agency (BISP) in support of its programs over the project period. In accordance with Project Administration Manual (PAM), the estimated division of the counterpart funding are outlined below:

Executing Agency's (BISP) administration cost	11.200	1,139.600
Health Insurance Premiums	33.800	3,439.150
Skills Training and Stipend	101.500	10,327.625
Taxes and Duties	1.800	183.150
	148.300	15,089.525

16.2 In accordance with component IV 'Costing and Financing', clause 24 of PAM, the total project cost is estimated at USD 578.300 million. ADB will finance 74.4% and GoP will provide the counterpart funding equal to 25.6%.

16.3 The financing charges; a component of counterpart funding; will be capitalized, which include taxes and duties.

16.4 The actual expenditure of counterpart funding includes administration cost, health insurance premiums and skills training fee and stipend.

**17 CASH AND BANK / CASH AT THE END OF THE YEAR**

Cash at Bank	2,500.910
	<u>2,500.910</u>

17.1 This account is maintained in National Bank of Pakistan and designated for the ADB funded project "Social Protection Development Project".

**18 CORRESPONDING FIGURES- COMPARATIVE FINANCIAL INFORMATION**

Comparative financial information are not stated in these financial statements, as the receipts / payments took place in the current financial period. However, the loan and project agreements were signed as on 25 November, 2013.

**19 AUTHORIZATION FOR ISSUE**

These Financial Statements have been authorized for issue by the Deputy Director (F&A) II on \_\_\_\_\_.

**20 GENERAL**

**20.1 Level of Precision**

Figures in these Financial Statements have been rounded off to the nearest million of PKR, unless otherwise stated.



Financial Management Specialist (FMS) - SPDP



Deputy Director (F&A) II