

Audited Project Financial Statement

Project Number: 45233-001

Loan Number: 3049

Period covered: 01 July 2016 to 30 June 2017

PAK Social Protection Development Project

Prepared by Benazir Income Support Program

For the Asian Development Bank

Date received by ADB: 02 January 2018

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 Highway Authority.



**Financial Attest Audit Report on the Accounts of
Social Protection Development Project
Credit No. ADB-3049-Pak
Benazir Income Support Program
for the Financial Year 2016-17
Audit Year 2017-18**

Auditor General of Pakistan Islamabad

ASIAN DEVELOPMENT BANK
02 JAN 2018
1000000000

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Abbreviations and Acronyms

AGPR	Accountant General Pakistan Revenues
BISP	Benazir Income Support Program
CGA	Controller General of Accounts
EAD	Economic Affairs Division
FTR	Federal Treasury Rules
GFR	General Financial Rules
GOP	Government of Pakistan
GPO	General Post Office
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
NOL	No Objection Letter
PC-I	Planning Commission-I
Rs.	Rupees
SPDP	Social Protection Development Project
US\$	United States Dollar
WB	World Bank
WTO	World Trade Organization

PREFACE


The Auditor-General conducts audits under authority provided in Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The audit of "Social Protection Development Project" (SPDP) ADB Credit No. 3049-PAK under Benazir Income Support Program for the Financial Year 2016-17 funded by the Asian Development Bank (ADB) was carried out accordingly.

The Directorate General Audit (Federal Government), Islamabad conducted audit of the "Social Protection Development Project (SPDP)" during October, 2017 for the period 2016-17 with a view to report significant findings to stakeholders. The primary focus of the audit was to express an opinion on the Financial Statements of the project. We also examined the economy, efficiency, and effectiveness aspects of the "Social Protection Development Project (SPDP)". In addition, audit also assessed, on test check basis, whether the management complied with applicable laws, and rules and regulations in managing the "Social Protection Development Project (SPDP)". The Audit Report indicates specific actions that, if taken, will help the management to realize the objectives of the "Social Protection Development Project (SPDP)" more effectively.

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 No. ADB-3049-PAK.

Dated: 29.12.2017
Place: Islamabad


(MUHAMMAD AZHAR)
DIRECTOR GENERAL

PART-I

- 1. PROJECT OVERVIEW**
- 2. AUDITOR'S REPORT TO THE MANAGEMENT**
- 3. FINANCIAL STATEMENTS**

PROJECT OVERVIEW

Name of Project:	Social Protection Development Project (SPDP)
Sponsoring Authority:	Asian Development Bank (ADB)
Executing Authority:	Benazir Income Support Program (BISP)
Loan No:	ADB-3049-PAK
Project Cost:	Rs 18,193.838 million USD 173.637 million
Date of Commencement:	25.11.2013
Actual Date of Commencement:	25.11.2013
Date of Completion: (As per agreement)	31.12.2018
Loan Closing Date:	31.12.2018
Expenditure	Rs. 5,026.730 million (July 2016 to June 2017)
Loan Return Date	01.01.2019 to July 2038 (as per amortization schedule-2)
Special Drawing Right	283.776 million @ Rs. 7.094 million (01.01.2019 to 01.07.2038)

AUDITOR'S REPORT TO THE MANAGEMENT

Auditor's Report on the Social Protection Development Project (SPDP) Financial Statements

We have audited the accompanying Financial Statements of "Social Protection Development Project (SPDP)" under the Benazir Income Support Program ADB Credit No. 3049-Pak that comprises Statement of Receipts and Payments together with the Notes forming part thereof for the year ended 30th June, 2017.

Management's 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 International Public Sector Accounting Standards (IPSASs) 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 unqualified audit opinion.

Opinion

In our opinion:

- a) The financial statements present fairly, in all material respects, the cash receipts and payments made by the project for the year ended 30th June, 2017 in accordance with Cash Basis IPSAS Financial Reporting under the Cash Basis of Accounting Standard.
- b) The expenditures have been incurred in accordance with the requirements of legal agreement.


(MUHAMMAD AZHAR)

DIRECTOR GENERAL

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

Dated: 29.12.2017

FINANCIAL STATEMENTS
FOR THE YEAR 2016-17

Social Protection Development Project (SPDP)
Statement of Cash Receipts and Payments
For the Period from July 1, 2016 to June 30, 2017

Note

2017 (PKR "in Million")		2016 (PKR "in Million")	
Receipts / Payments controlled by the Project	Payments by Third Parties	Receipts / Payments controlled by the Project	Payments by Third Parties

8	4,319.255	-	3,720.612	-
9	13,870.714	-	1,711.256	-
	18,189.969	-	5,431.868	-

10	4.319	-	4.218	-
14	4,142.844	-	1,839.032	-
14	875.024	-	1,839.032	-
14	1.510	-	1.391	-
	5,023.697	-	3,783.673	-
13	13,870.714	-	1,711.256	-
	0.268	-		-
	2.765	-	0.057	-
	18,897.443	-	5,494.986	-
	(707.475)	-	4,326.881	-
	(707.475)	-	4,326.881	-
	4,326.881	-	2,500.910	-
17	3,619.406	-	4,326.881	-

RECEIPTS

Loan Instalments- received by Project
 Loan Instalment- received by Government of Pakistan (GoP)

TOTAL RECEIPTS

PAYMENTS

Program Related Payments:
 Consulting Services
 Unconditional Cash Transfer- Benazir Debit Card (BDC)
 Unconditional Cash Transfer- Biometric Verification System (BVS)
 Unconditional Cash Transfer- Mobile Banking

Direct Payments to Government of Pakistan (GoP)

Operation Related Payments:
 Travelling Allowance
 Payment to Other for Services Rendered

TOTAL PAYMENTS

NET RECEIPT/ (PAYMENT) OF PROJECT FUND


INCREASE / (DECREASE) IN CASH

CASH AT BEGINNING OF THE YEAR

CASH AT END OF THE YEAR

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


Finance Officer
(BISP)


Director (F & A) Policy
BISP


ZAFAR ABBAS
AUDIT OFFICER.

Social Protection Development Project (SPDP)
Notes to the Financial Statements
For the Period from July 1 2016 to June 30, 2017

10 CONSULTING SERVICES
 Individuals

Note

2017
PKR
in Million

2016
PKR
in Million

4.319	4.218
4.319	4.218

10.1 Two individual consultants were hired in May 2015 for the purposes of Financial Management Specialist (FMS) and Internal Audit of the project bearing Procurement Contract Summary Sheet (PCSS) number 0004 and 0005 respectively. On resignation of FMS, new professional was hired in April 2016.

11 UNCONDITIONAL CASH TRANSFER- Benazir Debit Cards (BDC) & Biometric Verification System (BVS)

Tranche- July, 2015 to September, 2015
 Tranche- October, 2015 to December, 2015
 Tranche- October, 2016 to December, 2016
 Tranche- January, 2017 to March, 2017
 Tranche- April, 2017 to June, 2017

2186.759316	1300.531
1,449.325	588.501
1,381.784	
5,017.868	1,889.032

11.1 Cash Transfer was made to 368487 beneficiaries through Benazir Debit Card (BDC) in the under review period.
 11.2 Unconditional Cash Transfer (UCT) represents cash transfers to those beneficiaries, who are included in the BISP's 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.

12 UNCONDITIONAL CASH TRANSFER- Mobile Banking

Tranche- July, 2015 to September, 2015
 Tranche- October, 2016 to December, 2016

12.1	0.00	1.39
12.2	1.51	0
	1.510	1.391

2.1 Cash Transfer was made to 309 beneficiaries through Mobile Banking in the quarter ended 31 September, 2015.
 2.2 Cash Transfer was made to 304 beneficiaries through Mobile Banking in the quarter ended 31 December, 2016.

13 DIRECT PAYMENTS TO GOVERNMENT OF PAKISTAN (GoP)

Payments directly made to GoP by ADB
 Payments directly made to GoP by ADB

13.1		1,711.256
13.2	13,870.71	
	13,870.71	1,711.256

13.1 This represents reimbursement made to GoP as the first quarter payment is transferred to the newly registered beneficiaries.
 13.2 This represents reimbursement made to GoP as the first payment made under PP, second under FP and third TP registered beneficiaries account from the GoP funds.

14 UNCONDITIONAL CASH TRANSFER (UCT)

Benazir Debit Card (BDC)
 Biometric Verification System (BVS)
 Mobile Banking

14.1	4,142.844	1,889.032
14.2	875.024	
14.3	1.51	1.391
	5,019.38	1,890.42

14.1 BDC represents payment made to beneficiaries through benazir debit card. A type of debit card used for cash grants only.
 14.2 This represents payments made to beneficiaries through mobile banking.
 14.3 This represents payments made to beneficiaries through Biometric Verification System

15 EXCHANGE GAIN/ LOSS

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.

[Signature]

Social Protection Development Project (SPDP)
Notes to the Financial Statements
For the Period from July 1, 2016 to June 30, 2017

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
Health Insurance Premiums
Skills Training and Stipend
Taxes and Duties

11.200	1,139.600
33.800	3,439.150
101.500	10,327.63
1.800	183.150
148.300	15,089.53

16.2 In accordance with component IV 'Costing and Financing', clause 24 of PAM, the total project cost is estimated at USD 573.300 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 (PKR in million)

3,619.386

3,619.386

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

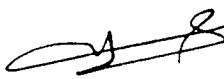
These Financial Statements have been authorized for issue by the Director (F&A) II on _____


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.


Finance Officer
(BISP)


Director (F&A) Policy
(BISP)



Social Protection Development Project (SPDP)

Notes to the Financial Statements

For the Period from July 1, 2016 to June 30, 2017

1 REPORTING ENTITY

The financial statements are for 'Social Protection Development Project'. These financial statements encompasses 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-Sehat (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 July 1, 2016 to June 30, 2017.

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 July 1, 2016 to June 30, 2017

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.

		2017 PKR in Million	2016 PKR in Million
Reimbursement	6.6.1	13,870.714	1,711.256
Imprest Advance Replenishment	6.6.2	4,319.255	3,720.612
		<u>18,189.969</u>	<u>5,431.868</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.

		2017		2016	
	Note	USD in Million	PKR in Million	USD in Million	PKR in Million
Closing balance		93.48	9,721.920	361.872	36,820.518
		<u>93.480</u>	<u>9,721.920</u>	<u>361.872</u>	<u>36,820.518</u>

7 COUNTERPART FUNDS

Government of Pakistan (GoP)

7.1	148.300	15,089.525	148.300	15,089.525
	<u>148.300</u>	<u>15,089.525</u>	<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 in FY 2016-17

Received through WA # 25 to 26

4,319.255

TOTAL

4,319.255

9 LOAN INSTALMENT RECEIVED BY GOVERNMENT OF PAKISTAN (GoP) in FY 2016-17

Received through WA # 11 to 24

13,870.714

TOTAL

13,870.714

Social Protection Development Project (SPDP)


Statement of Expenditure

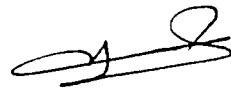
For the Period from July 1, 2016 to June 30, 2017


EXPENDITURE

		<u>2017</u>	<u>2016</u>
	<i>Note</i>	<u>PKR "in Million"</u>	<u>PKR "in Million"</u>
Consulting Services	10	4.319	4.218
Unconditional Cash Transfer (UCT)	14	5,019.378	1,890.423
Travelling Allowance	16	0.268	
Payment to Other for Services R	16	2.765	
		<u>5,026.730</u>	<u>1,894.641</u>

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


Finance Officer


Director (F&A)





Statement of Withdrawal

For the Period from July 1, 2016 to June 30, 2017

S. No.	Date of WA	ADB	Loan No	Application No	Account Credited	Type of Disbursement	Amount "in Million"	
							US Dollar	PKR
1	8-Dec-16	3049-PAK (SF)		00011	Non-Food Account No 1	Reimbursement	3.606	377.780
2	8-Dec-16	3049-PAK (SF)		00012	Non-Food Account No 1	Reimbursement	5.221	546.926
3	8-Dec-16	3049-PAK (SF)		00013	Non-Food Account No 1	Reimbursement	2.279	238.748
4	8-Dec-16	3049-PAK (SF)		00014	Non-Food Account No 1	Reimbursement	0.714	74.844
5	8-Dec-16	3049-PAK (SF)		00015	Non-Food Account No 1	Reimbursement	1.478	154.837
6	8-Dec-16	3049-PAK (SF)		00016	Non-Food Account No 1	Reimbursement	7.912	828.840
7	8-Dec-16	3049-PAK (SF)		00017	Non-Food Account No 1	Reimbursement	9.096	952.808
8	8-Dec-16	3049-PAK (SF)		00018	Non-Food Account No 1	Reimbursement	1.884	197.354
9	8-Dec-16	3049-PAK (SF)		00019	Non-Food Account No 1	Reimbursement	2.054	215.118
10	8-Dec-16	3049-PAK (SF)		00020	Non-Food Account No 1	Reimbursement	0.169	17.760
11	8-Dec-16	3049-PAK (SF)		00021	Non-Food Account No 1	Reimbursement	70.457	7,380.583
12	8-Dec-16	3049-PAK (SF)		00022	Non-Food Account No 1	Reimbursement	20.578	2,155.603
13	8-Dec-16	3049-PAK (SF)		00023	Non-Food Account No 1	Reimbursement	0.468	49.024
14	8-Dec-16	3049-PAK (SF)		00024	Non-Food Account No 1	Reimbursement	6.495	680.490
15	8-Dec-16	3049-PAK (SF)		00025	NBP-007814-3	Replenishment	21.226	2,223.829
16	8-Dec-16	3049-PAK (SF)		00026	NBP-007814-3	Enhancement of Imprest Advance	20.000	2,095.426
Total							173.637	18,189.969

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

Finance Officer

Director (F & A)