

# Audited Project Financial Statement

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Project Number: 45233-001

Loan Number: 3049

Period covered: 01 July 2017 to 30 June 2018

## PAK Social Protection Development Project

Prepared by Benazir Income Support Program

For the Asian Development Bank

Date received by ADB: 31 December 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 Access to Information Policy and as agreed between ADB and the Benazir Income Support Program.



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

**Auditor General of Pakistan Islamabad**



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## **LIST OF ABBREVIATIONS**

AGP	Auditor General of Pakistan
BISP	Benazir Income Support Program
EAD	Economic Affairs Division
GFR	General Financial Rules
GOP	Government of Pakistan
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
Rs.	Rupees
SPDP	Social Protection Development Project
US\$	United States Dollar
WB	World Bank
WA	Withdrawal Application

## PREFACE

Auditor General of Pakistan conducts audits subject to the Articles 169 and 170(2) 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)" under Benazir Income Support Program for the Financial Year 2017-18 was carried out accordingly.

Directorate General Audit (Federal Government) conducted audit of the project during October, 2018 for the period 2017-18 with a view to report significant findings to stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of the project. In addition, audit also assessed, on test check basis, whether the management complied with applicable laws, rules and regulations in managing the project. The Audit Report indicates specific actions that, if taken, will help the management to realize the objectives of the project.

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. 3049-PAK.

**Dated:** 10/12/2018

**Place:** Islamabad

  
(MAQBOOL AHMAD GONDAL)  
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 US\$ 173.637 million
Date of Commencement:	25.11.2013
Date of Completion: (As per agreement)	31.12.2018
Loan Closing Date:	31.12.2108
Expenditure:	Rs. 4,052.395 (July 2017 to June 2018)

## AUDITOR'S REPORT TO THE MANAGEMENT

**Mr. Omer Hamid Khan**

Secretary,  
Benazir Income Support Programme,  
Pak- Secretariat,  
Islamabad.

### **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 ADB Loan No.3049-Pak under Benazir Income Support Program that comprises Statement of Receipts and Payments together with the Notes forming part thereof for the year ended June 30, 2018.

#### **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 Standards of Supreme Audit Institutions (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 (ISSAIs). 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 our audit provide a reasonable basis for our 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 June 30, 2018 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.

  
**(Maqbool Ahmad Gondal)**

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

**Dated:** 10.12.2018



## FINANCIAL STATEMENTS

**Social Protection Development Project (SPDP)**  
**Statement of Cash Receipts and Payments**  
*For the Period from July 1, 2017 to June 30, 2018*

2018 (PKR "in Million")		2017 (PKR "in Million")	
Receipts / Payments controlled by the Project	Payments by Third Parties	Receipts / Payments controlled by the Project	Payments by Third Parties

*Note*

**RECEIPTS**

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

8	4,137.107	-	4,319.255	-
9	1,845.821	-	13,874.584	-
	<b>5,982.928</b>	<b>-</b>	<b>18,193.838</b>	<b>-</b>

**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

10	1.781	-	4.339	-
14	2,311.955	-	4,142.844	-
14	1,738.660	-	875.024	-
14	-	-	1.510	-
	<b>4,052.395</b>	<b>-</b>	<b>5,023.717</b>	<b>-</b>
13	1,845.821	-	13,874.584	-
	-	-	0.268	-
	-	-	2.765	-
	<b>5,898.216</b>	<b>-</b>	<b>18,901.333</b>	<b>-</b>

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**

	84.712	-	(707.495)	-
	84.712	-	(707.495)	-
	3,619.386	-	4,326.881	-
17	3,704.098	-	3,619.386	-

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

  
**Muhammad Zubair (FMS)**  
 (BISP)

  
**Mahmood Ahmad Khan**  
 Director (F.A)  
 BISP

  
**MUHAMMAD NAEEM AKHTAR**  
 Audit Officer  
 Directorate General Audit  
 Federal Government  
 Islamabad

**MAHMOOD AHMAD KHAN**  
 Director (F&A)  
 Benazir Income Support Programme  
 Government of Pakistan  
 Islamabad

**Social Protection Development Project (SPDP)**  
**Notes to the Financial Statements**  
**For the Period from July 1, 2017 to June 30, 2018**

**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, 2017 to June 30, 2018.

**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.

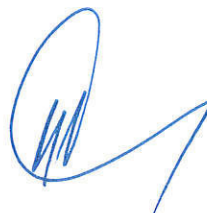
**6.3 Recognition of Expenditure**

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.

  
  
**MUHAMMAD NAZEM AKHTAR**  
Audit Officer  
Directorate General Audit  
Federal Government  
Islamabad





**Social Protection Development Project (SPDP)**  
**Notes to the Financial Statements**  
**For the Period from July 1, 2017 to June 30, 2018**

**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.

		2018 PKR	2017 PKR
	Note	in Million	in Million
Reimbursement	6.6.1	1,845.821	13,874.584
Imprest Advance Replenishment	6.6.2	4,137.107	4,283.696
		<u>5,982.928</u>	<u>18,158.280</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. US\$ 13.9 million was deducted as interest by ADB and closing loan balance on 30.06.2018 was \$ 32.38 million

**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 2017-18**

Received through WA 4,137.107

**TOTAL 4,137.107**

**9 LOAN INSTALMENT RECEIVED BY GOVERNMENT OF PAKISTAN (GoP) in FY 2017-18**

Received through WA. 1,845.821

**TOTAL 1,845.821**

MUHAMMAD NAZIM AHMAD  
 Joint Audit Officer  
 Directorate General Audit  
 Federal Government  
 Islamabad

**Social Protection Development Project (SPDP)**  
**Notes to the Financial Statements**  
**For the Period from July 1 2017 to June 30, 2018**

**10 CONSULTING SERVICES**  
 Note  
 Individuals

2018 PKR in Million	2017 PKR in Million
1.781	4.32
<b>1.781</b>	<b>4.32</b>

10.1 Individual consultant was hired as Procurement Specialist under the project

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

Tranche- October, 2016 to December, 2016  
 Tranche- January, 2017 to March, 2017  
 Tranche- April, 2017 to June, 2017  
 Tranche- July, 2017 to Sept, 2017  
 Tranche- Oct, 2017 to Dec, 2017  
 Tranche- Jan, 2018 to March, 2018  
 Tranche- April, 2018 to June, 2018

	2,186.76
	1,449.33
	1,381.78
1,231.35	
1,331.19	
813.18	
674.90	
<b>4,050.615</b>	<b>5,017.868</b>

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
12.2	-	1.51
	-	
	<b>0.000</b>	<b>1.510</b>

12.1 No Cash Transfer was made to beneficiaries through Mobile Banking in FY 2017-18

12.2 No Cash Transfer was made to beneficiaries through Mobile Banking in FY 2017-18

**13 DIRECT PAYMENTS TO GOVERNMENT OF PAKISTAN (GoP)**

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

13.1	1,845.82	
13.2		13874.584
	<b>1,845.82</b>	<b>13,874.584</b>

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	2,311.955	4,142.844
14.2	1,738.660	875.024
14.3		1.51
	<b>4,050.615</b>	<b>5,019.38</b>

14.1 BDC represents payment made to beneficiaries through benazir debit card. A type of debit card used for cash grants only.

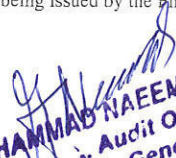
14.2 This represents payments made to beneficiaries through Biometric Verification System

14.3 This represents payments made to beneficiaries through mobile banking.

**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.

  
**MUHAMMAD NAEEM AKHTAR**  
 Audit Officer  
 Directorate General Audit  
 Federal Government  
 Islamabad



**Social Protection Development Project (SPDP)**  
**Notes to the Financial Statements**  
**For the Period from July 1, 2017 to June 30, 2018**

**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
<u>148.300</u>	<u>15,089.53</u>

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 (PKR in million)

3,704.098

3,704.098

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.

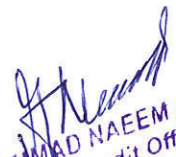
**19 AUTHORIZATION FOR ISSUE**

**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.

  
FMS  
(BISP)

  
MUHAMMAD NAEEM AKHTAR  
Jr. Audit Officer  
Directorate General Audit  
Federal Government  
Islamabad

  
Director (F.A)  
(BISP)

MAHMOOD AHMAD KHAN  
Director (F&A)  
Benazir Income Support Programme  
Government of Pakistan  
Islamabad



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

*For the Period from July 1, 2017 to June 30, 2018*

S. No.	Date of WA	ADB	Loan No	Application No	Account Credited	Type of Disbursement	Amount	
							US Dollar	PKR
1	6- Sept -2017	3049-PAK (SF)		00028	Non-Food Account No 1	REIM	7,017,230.94	738,948,100.000
2	6- Sept -2017	3049-PAK (SF)		00029	Non-Food Account No 1	REIM	1,297,640.75	136,647,800.000
3	22-Nov-2017	3049-PAK (SF)		00034	NBP-007814-3	Replenishment	13,186,828.00	1,444,296,567.000
4	22-Nov-2017	3049-PAK (SF)		00036	NBP-007814-3	Replenishment	26,390.00	2,781,881.000
5	24-Nov-2017	3049-PAK (SF)		00038	Non-Food Account No 1	REIM	1,211,696.74	127,766,878.000
6	29-Nov-2017	3049-PAK (SF)		00039	Non-Food Account No 1	REIM	1,027,093.21	108,301,432.000
7	24-Nov-2017	3049-PAK (SF)		00040	Non-Food Account No 1	REIM	36,697.94	3,869,600.000
8	29-Nov-2017	3049-PAK (SF)		00041	NBP-007814-3	Replenishment	11,752,698.00	1,287,222,475.000
9	30-Nov-2017	3049-PAK (SF)		00042	Non-Food Account No 1	REIM	6,252,764.33	690,367,710.000
10	04-Dec-2017	3049-PAK (SF)		00043	Non-Food Account No 1	REIM	364,473.10	39,919,172.000
11	26-Dec-2017	3049-PAK (SF)		00045	NBP-007814-3	Replenishment	12,705,890.00	1,402,806,491.000
<b>Total</b>							<b>54,879,403.010</b>	<b>5,982,928,106.000</b>

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

  
FMS

  
Director (F.A.)

**MAHMOOD AHMAD KHAN**  
Director (F.A.)  
Benazir Income Support Programme  
Government of Pakistan  
Islamabad

**Social Protection Development Project (SPDP)**  
**Statement of Expenditure**  
*For the Period from July 1, 2017 to June 30, 2018*

		2018	2017
	Note	PKR "in Million"	PKR "in Million"
<b>EXPENDITURE</b>			
Consulting Services	10	1.781	4.339
Unconditional Cash Transfer (UCT) through BDC	14	2,311.955	5,019.378
Unconditional Cash Transfer (UCT) through BVS		1,738.660	
Travelling Allowance	16		0.268
Payment to Other for Services R	16		2.765
		<b>4,052.395</b>	<b>5,026.750</b>

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

  
**FMS**

  
**MUHAMMAD NAEEM AKHTAR**  
 Audit Officer  
 Directorate General Audit  
 Federal Government  
 Islamabad

  
**Director (F.A)**

**MAHMOOD AHMAD KHAN**  
 Director (F&A)  
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