

# Audited Project Financial Statement

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Project Number: 45233-001

Loan Number: 3049

Period covered: 01 July 2018 to 30 June 2019

## PAK Social Protection Development Project

Prepared by Benazir Income Support Program

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 Benazir Income Support Program.



**Financial Attest Report on the Accounts of  
Social Protection Development Project  
ADB Loan No.3049-PAK  
Benazir Income Support Programme  
for the Financial Year 2018-19  
Audit Year 2019-20**

**Auditor General of Pakistan Islamabad**



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## Abbreviations and Acronyms

AGP	Auditor-General of Pakistan
AGPR	Accountant General Pakistan Revenues
APM	Alternate Payment Mechanism
BISP	Benazir Income Support Programme
CCT	Conditional Cash Transfer.
DFID	Department for International Development
DLIs	Disbursement linked individuals.
EAD	Economic Affairs Division
FY	Financial year
IDA	International Development Association
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
NBP	National Bank of Pakistan
NSER	National Socio-Economic Registry
PAC	Public Accounts Committee
PNCTP	Pakistan National Cash Transfer Programme
PPRA	Public Procurement Regulatory Authority
RFA	Revolving Fund Account
Rs.	Rupees
SBP	State Bank of Pakistan
SOE	Statement of Expenditure
SPDP	Social Protection Development Project
SSN	Social Safety Net
UCT	Unconditional Cash Transfer
UK	United Kingdom
WeT	Wasila-e-Taleem

## PREFACE

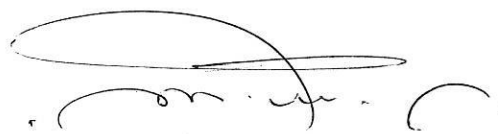
Auditor General of Pakistan conducts audit subject to the Articles 169 and 170(2) of the Constitution of Islamic Republic of Pakistan, 1973 read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The audit of "Social Protection Development Project (SPDP)" under Benazir Income Support Programme for the Financial Year 2018-19 was carried out accordingly.

Director General Audit (Social Safety Nets) conducted audit of the project during October, 2019 for the financial year 2018-19 with a view to report significant findings to stake holders. Audit examined the Annual Financial Statements in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) to express an opinion. Audit also assessed, on test check basis, whether the management complied with applicable laws, rules and regulations in managing the project. The Audit Report suggested 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:** .06.12.2019  
**Place:** Islamabad



**(Muhammad Azhar)**  
DIRECTOR GENERAL

## **PART-I**

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

## 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 Programme (BISP)
<b>Loan No:</b>	ADB-3049-PAK
<b>Project Cost:</b>	SDR284,776,000
<b>Date of Commencement:</b>	25.11.2013
<b>Date of Completion:</b> (As per agreement)	31.12.2018
<b>Loan Closing Date:</b>	30.06.2019
<b>Expenditure</b>	Rs.1,534.866 Million (July 2018 to June 2019) (The amount was released by BISP to banks for disbursement among BISP beneficiaries who were registered with BISP from July 2013 onward)

## AUDITOR'S REPORT TO THE MANAGEMENT

**Mr. Ali Raza Bhutta,**  
Secretary,  
Benazir Income Support Programme  
F-Block, Islamabad

### **Auditor's Report on the Social Protection Development Project (SPDP)**

We have audited the accompanying Financial Statements of "Social Protection Development Project (SPDP)" under the Benazir Income Support Programme, Loan No. 3049-PAK that comprises Statement of Receipts and Payments together with the Notes forming part thereof for the year ended 30<sup>th</sup> June, 2019.

### **Management's Responsibility**

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

### **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 as a whole are free of material misstatement. 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 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 30<sup>th</sup> June, 2019 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 agreements.

**(Muhammad Azhar)**

DIRECTOR GENERAL

Directorate General Audit (SSN),

Benevolent Fund Building, Zero Point, Islamabad

**Dated: 06-12-2019**



## FINANCIAL STATEMENTS



Empowering Women Empowerment

# BENAZIR INCOME SUPPORT PROGRAMME

## ANNUAL FINANCIAL STATEMENTS

FOR FY 2018-19

ADB-Social Protection Development Project (SPDP)

AFS FY 2018-19

# Secial Protection Development Project (SPDP)

## Statement of Cash Receipts and Payments

For the Period from July 1, 2018 to June 30, 2019

### 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)

Conditional Cash Transfer- Biometric Verification System (BVS)

Direct Payments to Government of Pakistan (GoP)

### TOTAL PAYMENTS

NET RECEIPT/ (PAYMENT) OF PROJECT FUND

INCREASE / (DECREASE) IN CASH

CASH AT BEGINNING OF THE YEAR

CASH AT END OF THE YEAR

Note

2018-19 (PKR "in Million")		2017-18 (PKR "in Million")	
Receipts / Payments controlled by the Project	Payments by Third Parties	Receipts / Payments controlled by the Project	Payments by Third Parties
8	1,877.705	4,137.107	-
9	-	1,845.821	-
	<b>1,877.705</b>	<b>5,982.928</b>	-
10	-	1.781	-
14	445.19	2,311.955	-
14	1,089.67	1,738.660	-
	<b>1,534.866</b>	<b>4,052.395</b>	-
13	-	1,845.821	-
	<b>1,534.866</b>	<b>5,898.216</b>	-
	342.839	84.712	-
	342.839	84.712	-
	3,704.098	3,619.386	-
17	4,046.937	3,704.098	-

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

Muhammad Zubair (FMS)  
(BISP)

Muhammad Akmal Khan  
Director (F.A)  
BISP

ABDUL RAHIM  
Audit Officer  
Directorate General Audit (SSNs)  
Deptt. of the Auditor-General of Pakistan  
Islamabad

**Social Protection Development Project (SPDP)**  
**Statement of Cash Receipts and Payments**  
*For the Period from July 1, 2018 to June 30, 2019*

Note

**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)  
 Conditional Cash Transfer- Biometric Verification System (BVS)

Direct Payments to Government of Pakistan (GoP)

**TOTAL PAYMENTS**

**NET RECEIPT/ (PAYMENT) OF PROJECT FUND**


**INCREASE / (DECREASE) IN CASH**


**CASH AT BEGINNING OF THE YEAR**

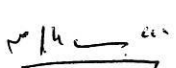
**CASH AT END OF THE YEAR**

2018-19 (PKR "in Million")		2017-18 (PKR "in Million")	
Receipts / Payments controlled by the Project	Payments by Third Parties	Receipts / Payments controlled by the Project	Payments by Third Parties
8	1,877.705	4,137.107	-
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10	-	1.781	-
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**Muhammad Zubair (FMS)**  
**(BISP)**

  
**Muhammad Akmal Khan**  
**Director (F.A)**  
**BISP**

  
**ABDUL RAHIM**  
 Audit Officer  
 Directorate General Audit (SSNs)  
 Capt. of the Auditor-General of Pakistan  
 Islamabad

**Social Protection Development Project (SPDP)**  
**Notes to the Financial Statements**  
**For the Period from July 1, 2018 to June 30, 2019**

**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, 2018 to June 30, 2019.

**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.



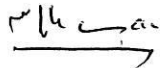
However, cash balances held in foreign currency is reported using the closing rate.

**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.

  
  
  
**ABDUL RAHIM**  
Audit Officer  
Directorate General Audit (SSNs)  
Deptt. of the Auditor-General of Pakistan  
Islamabad

**Social Protection Development Project (SPDP)**  
**Notes to the Financial Statements**  
**For the Period from July 1, 2018 to June 30, 2019**

**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.

		2019 PKR in Million	2018 PKR in Million
Reimbursement	6.6.1		1,845.821
Imprest Advance Replenishment	6.6.2	1,877.705	4,137.107
		<u>1,877.705</u>	<u>5,982.928</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.
- 6.6.3 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.

**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\$ 21.30 million was deducted as interest by ADB and closing loan balance on 30.06.2019 was \$ 10.55

**8 LOAN INSTALMENTS RECEIVED BY PROJECT in FY 2018-19**

Received through WA	1,877.705
<b>TOTAL</b>	<b>1,877.705</b>

**9 LOAN INSTALMENT RECEIVED BY GOVERNMENT OF PAKISTAN (GoP) in FY 2018-19**

Received through WA	-
<b>TOTAL</b>	<b>-</b>

*12/11*

*12/11*

**ABDUL RAHIM**  
 Audit Officer  
 The Joint Audit (SSNs)  
 Office of the Auditor-General of Pakistan  
 Islamabad

**Social Protection Development Project (SPDP)**  
**Notes to the Financial Statements**  
**For the Period from July 1 2018 to June 30, 2019**

**10 CONSULTING SERVICES**  
 Individuals

*Note*

2018-19 PKR in Million	2017-18 PKR in Million
-	1.781
-	1.781

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- July, 2017 to Sept, 2017  
 Tranche- Oct, 2017 to Dec, 2017  
 Tranche- Jan, 2018 to March, 2018  
 Tranche- April, 2018 to June, 2018  
 Tranche- July, 2018 to Sept, 2018  
 Tranche- Oct, 2018 to Dec, 2018  
 Tranche- Jan, 2019 to March, 2019  
 Tranche- April, 2019 to June, 2019

2018-19 PKR in Million	2017-18 PKR in Million
	1,231.35
	1,331.19
	813.18
	674.90
571.56	
478.02	
277.46	
207.83	
<b>1,534.866</b>	<b>4,050.615</b>

11.1 Cash Transfer was made to beneficiaries through Benazir Debit Card (BDC) and Biometric Verification System 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 No Cash Transfer was made to beneficiaries through Mobile Banking in FY 2018-19

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

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

	2018-19	2017-18
13.1	-	1,845.82
13.2	-	-
	<b>-</b>	<b>1,845.82</b>

13.1 This represents reimbursement made to GoP for the ADB marked beneficiaries paid through Pakistan Post on A/c of UCT.

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)

	2018-19	2017-18
14.1	445.195	2,311.955
14.2	1,089.671	1,738.660
	<b>1,534.866</b>	<b>4,050.615</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

**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]*

*[Signature]*

*[Signature]*  
**AEDUL RAHIM**  
 Audit Officer  
 Directorate General Audit (SSNs)  
 Dept. of the Auditor-General of Pakistan  
 Islamabad

# Social Protection Development Project (SPDP)

## Notes to the Financial Statements

For the Period from July 1, 2018 to June 30, 2019

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%.

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

16.3 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)

2018-19	2017-18
4,046.94	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.

##### 21 UCT No. Beneficiaries paid from ADB fund

2018-19	2017-18	Change
303,703	824,370	(520,667)

In accordance with financing agreement with Asian Development, after 10th Quarterly installment, ADB marked beneficiaries exit and paid onwards from GoP Fund.

FMS  
(BISP)

ABDUL RAHIM  
Audit Officer  
Directorate General Audit (SSNs)  
Deptt. of the Auditor-General of Pakistan  
Islamabad

Director (F.A)  
(BISP)




**Social Protection Development Project (SPDP)**  
**Statement of Withdrawal**  
**For the Period from July 1, 2018 to June 30, 2019**

S. No.	Date of WA	ADB	Loan No	Application No	Account Credited	Type of Disbursement	Amount	
							US Dollar	PKR
1	26- Nov -2018	3049-PAK (SF)		00048	NBP-007814-3	Replenishment	7,761,680.00	1,039,155,451
2	26- Nov -2018	3049-PAK (SF)		00049	NBP-007814-3	Replenishment	6,263,312.00	838,549,748
<b>Total</b>							<b>14,024,992.000</b>	<b>1,877,705,199</b>

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

  
FMS

  
Director (F.A)

  
**ABDUL RAHIM**  
 Audit Officer  
 Directorate General Audit (SSNs)  
 Deptt. of the Auditor-General of Pakistan  
 Islamabad

# Social Protection Development Project (SPDP)

## Statement of Expenditure

For the Period from July 1, 2018 to June 30, 2019

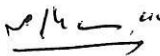
### EXPENDITURE

		2019	2018
Note		PKR "in Million"	PKR "in Million"
Consulting Services	10		1.781
Unconditional Cash Transfer (UCT) through BDC	14	445	2,311.955
Unconditional Cash Transfer (UCT) through BVS	14	1,089.67	1,738.660
		<u>1,534.866</u>	<u>4,052.395</u>

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

  
FMS

  
Director (F.A)

  
AEDUL RAHEEM  
Audit Officer  
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**BUDGET VS ACTUAL (FY 2018-19)**  
**ADB Social Protection Development Project (SPDP)**

Rs. In millions

Sl. #	NAM Code of Account	Account Description	Budget for FY 2018-19	Actual Expenditure	Over/Under Utilization of Budget in %
1	A06601	Unconditional Cash transfers (UCT)	4,682.53	1,534.87	-67.22%
2	A06603	Graduation Programme	196.93	-	-100.00%
<b>Total</b>			<b>4,879.46</b>	<b>1,534.87</b>	

Brief Justification for under/over utilization of Budget

- 1 In accordance with financing agreement with Asian Development, after 10th Quarterly installment, ADB marked beneficiaries exit and paid onwards from GoP Fund.
- 2 Graduation Program could not start in this FY



Mr. 14 →  
**ABDUL RAHIM**  
Audit Officer  
Directorate General Audit (SSNs)  
Deptt. of the Auditor-General of Pakistan  
Islamabad

## **PART-II**

COVER LETTER TO THE MANAGEMENT LETTER

EXECUTIVE SUMMARY

MANAGEMENT LETTER

1. Introduction
2. Audit Objectives
3. Audit Scope and Methodology
4. AUDIT FINDINGS AND RECOMMENDATIONS
  - 4.1 Financial Management
  - 4.2 Sustainability
  - 4.3 Overall Assessment
5. CONCLUSION

ACKNOWLEDGEMENT

## EXECUTIVE SUMMARY

The Director General Audit (SSN), Islamabad conducted Financial Attest Audit of “Social Protection Development Project (SPDP) under ADB Loan No.3049-PAK”, under the BenazirIncomeSupport Programme in October, 2019. The objectives of the audit were to express an opinion on the financial statements of the project, to assess whether the project was managed with due regard to its objectives 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).

The finding of audit is as under:

1. Non reconciliation of accounts with EAD
2. Under-utilization of budget

Based on the audit finding, it is recommended that:

1. The account may be reconciled with EAD.
2. Un utilized funds may be justified.

## **ACKNOWLEDGEMENT**

We wish to express our appreciation to the management and staff of Benazir Income Support Programme for the assistance and cooperation extended to the auditors during this assignment.