

# Audited Project Financial Statements

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Project Number: 48078-003

Loan Numbers: 3419 /3420

Period covered: 01 July 2021 to 30 June 2022

## Pakistan: Second Power Transmission Enhancement Investment Program – Tranche 1

Prepared by National Transmission & Despatch Company Limited

For the Asian Development Bank

Date received by ADB: 27 December 2022

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 National Transmission and Despatch Company Limited.



**Financial Attest Audit Report  
on  
the Accounts of Second Power Transmission  
Enhancement Investment Program, Tranche-I,  
National Transmission & Despatch Company  
Limited (NTDCL) Lahore  
for the Financial Year 2021-22**

**Asian Development Bank (ADB)  
Loan No. 3419-PK (ADB)**



**Auditor General of Pakistan Islamabad**

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## Abbreviations and Acronyms

BOD	Board of Directors
DAC	Departmental Accounts Committee
ECNEC	Executive Committee of National Economic Council
EIA	Environmental Impact Assessment
EPC	Engineering Procurement and Construction
FY	Financial Year
GCC	General Conditions of Contract
GOP	Government of Pakistan
IFRS	International Financial Reporting Standards.
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
MTF	Multi Tranche Financing Facility
MW	Mega Watt
MP&M	Material Procurement & Management
NTDCL	National Transmission and Despatch Company
NTM	National Transmission Modernization
OCR	Ordinary Capital Resources
O&M	Operation and Maintenance
PC-I	Planning Commission Pro-forma-I
PEPCO	Pakistan Electric Power Company
PIC	Project Implementation Consultant
PMU	Project Management Unit
SCC	Special Conditions of Contract
WAPDA	Water and Power Development Authority

## PREFACE

The Auditor General of Pakistan conducts audit in terms of 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 Second Power Transmission Enhancement Investment Project, ADB Loan-3419-PK NTDCL was carried out accordingly.

The Directorate General Audit Power conducted audit of the Second Power Transmission Enhancement Investment Project Tranche-I, ADB Loan-3419-PK NTDCL for the financial years 2021-22, during October, 2022 with a view to report significant findings to the stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of the Second Power Transmission Enhancement Investment Project Tranche-I, ADB Loan-3419-PK NTDCL. In addition, Audit also assessed, on test check basis, whether the management complied with applicable laws, rules, and regulations in managing the Second Power Transmission Enhancement Investment Project Tranche-I, ADB Loan-3419-PK NTDCL. The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the Second Power Transmission Enhancement Investment Project Tranche-I, ADB Loan-3419-PK NTDCL.

The Report consists of two parts: Part-I contains Auditor's Report and Financial Statements. Part-II contains Management Letter, Executive Summary and Audit Finding.

The Report has been prepared for submission to the Asian Development Bank (ADB) in terms of Loan Agreement-3419-PK.

**SHEIKH MUHAMMAD NADEEM AMJAD**  
**DIRECTOR GENERAL**  
**Audit Power, Lahore**

Dated: 15<sup>th</sup> December, 2022  
Place: Lahore

## **PART-I**

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

## PROJECT OVERVIEW

Name of Project	Second Power Transmission Enhancement Investment Project Tranche-I
Sponsoring Agency	Asian Development Bank (ADB)
Executing Agency	National Transmission & Despatch Company Limited (NTDCL)
Loan No.	3419-PAK
Loan Amount	US \$115.00 million
Loan Amount (Revised)	US \$70.90 million
Date of Commencement	February 24 <sup>th</sup> 2017
Loan Closing Date	December 31 <sup>st</sup> 2020
Loan Closing Date (Revised)	June 30 <sup>th</sup> 2023
Loan Utilization Status in F.Y 2021-22	US \$ 4.641 million
Progressive Expenditure up to F.Y 2020-21	US \$ 47.434 million
Un-utilized Loan Amount	US \$ 23.466 million

## AUDITOR'S REPORT TO THE MANAGEMENT

We have audited the accompanying financial statements of the Second Power Transmission Enhancement Investment Project financed by the Asian Development Bank under Loan No.3419-PAK for the financial year ended June 30<sup>th</sup> 2022.

These financial statements are the responsibility of the management of the NTDCL. Our responsibility is to express an opinion on the accompanying statements based on our audit.

We conducted our examination in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether, the financial statements are free of any material misstatement. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audit also includes assessing the accounting principles and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The NTDCL's policy is to prepare the accompanying financial statements in the format agreed between the Asian Development Bank and the Government, on a cash receipts and disbursements basis in which cash is recognized when received and expenses are recognized when paid, rather than when incurred. Since, no imprest account is being maintained in NTDCL hence, no bank reconciliation statements is being prepared by management.

In our opinion:

- a) The aforementioned financial statements and appended notes that were also the subject of the audit, fairly present in all material respects the financial position of the Second Power Transmission Enhancement Investment Project as on June 30<sup>th</sup> 2022 and the results of its operations for the year ended at June 30<sup>th</sup> 2022 in conformity with International Public Sector Accounting Standards, applied on a basis consistent in all material respects with that of the previous years
- b) The NTDCL has utilized all proceeds of the loan withdrawn from the Asian Development Bank only for purposes of the Project as agreed between the Asian Development Bank and NTDCL in accordance with the Loan Agreement; and no proceeds of the loan have been utilized for other purposes.



**SHEIKH MUHAMMAD NADEEM AMJAD**  
**DIRECTOR GENERAL**

**Audit Power, Lahore**

**Dated: 15<sup>th</sup> December, 2022**



## **FINANCIAL STATEMENTS**

**NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED**  
**POWER TRANSMISSION ENHANCEMENT PROJECT ADB LOAN NO.3419-PAK**  
**TRANCHE-I**

**Statement of Comparison of Budget and Actual Amounts**  
**For the Year ended 30.06.2022**

		2021-22		2020-21		
		Budgeted Amount		Budgeted Amount		Actual Amount
		Original Amount	* Revised Amount	Original Amount	* Revised Amount	
		( RUPEES IN MILLION )		( RUPEES IN MILLION )		
Receipts	Note					
External Assistance	5	-	242.940	837.806	862.000	662.669
Counterpart Funds	6	155.000	119.952	43.552	250.000	300.750
<u>Total Receipts</u>		155.000	362.892	881.358	1,112.000	963.419
Payments						
Civil Works	7	-	-	235.573	-	628.020
Purchase of Plant and Equipment	8	-	-	645.785	-	335.399
Interest During Construction	9	-	-	-	-	-
Operating Expenses	10	-	-	-	-	-
Consultancy Services	11	-	-	-	-	-
<u>Total Payments</u>		155.000	362.892	881.358	1,112.000	963.419

The accompanying notes form an integral part of these financial statements and are to be read therewith.

  
**Deputy Manager (MP&M) NTDC**  
 O/o Chief Engineer (MP&M) NTDC  
 8th Floor, Shaheen Complex, Lahore

  
**Chief Engineer (MP&M) NTDC**  
 8th Floor, Shaheen Complex, Lahore

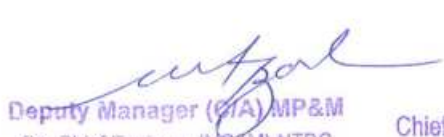
NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED  
POWER TRANSMISSION ENHANCEMENT PROJECT  
ADB LOAN NO.3419-PAK(TRANCHE-I)

Statement of Receipts and Payments

For the Year ended 30.06.2022

		2021-22		2020-21	
		Receipts (Payments) Controlled by Project	Payment by Third Parties	Receipts (Payments) Controlled by Project	Payment by Third Parties
<b>Receipts</b>	Note	(RUPEES IN MILLION)		(RUPEES IN MILLION)	
External Assistance	5	-	837.806	-	662.669
Counterpart Funds	6	43.552		300.750	
<b>Total Receipts</b>		<b>43.552</b>	<b>837.806</b>	<b>300.750</b>	<b>662.669</b>
<b>Payments</b>					
Civil Works	7	43.552	192.021	300.750	327.270
Purchase of Plant and Equipment	8		645.785		335.399
Interest During Construction	9				
Operating Expenses	10				
Mark Up					
Consultancy Services	11				
<b>Total Payments</b>		<b>43.552</b>	<b>837.806</b>	<b>300.750</b>	<b>662.669</b>
Increase (Decrease) in Cash		-	-	-	-
Cash at Beginning of Year		-	-	-	-
Cash at End of Year	13	-	-	-	-
<b>Contingencies and Commitments</b>	14				

The accompanying notes form an integral part of these financial statements and are to be read therewith.

  
Deputy Manager (GIA) MP&M  
Ors Chief Engineer (MP&M) NTDC  
8th Floor, Shaheen Complex, Lahore

  
Chief Engineer (MP&M) NTDC  
8th Floor, Shaheen Complex, Lahore

**NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED**  
**POWER TRANSMISSION ENHANCEMENT PROJECT(TRANCHE-I) under ADB LOAN NO.3419-PAK**

**Notes to the Financial Statements**  
For the Year ended 30.06.2022

**1 Reporting Entity**

- 1.1 The Financial Statements are for National Transmission and Despatch Company Limited (NTDCL) in respect of Asian Development Bank (ADB) Loan Agreement No 3419-Pak. The Financial Statement encompasses the reporting entity as defined in the Financing Agreement between Islamic Republic of Pakistan & Asian Development Bank. The Financing Agreement was signed on December 29.11.2016 for an amount of US\$ 115.000 Million. The Project became effective from 24.02.2017 with the closing date of 30.06.2023.
- 1.2 The main objective of the project is enhancement & extension of NTDC's existing system to provide appropriate facilities for dispersal of power proposed to be generated from southern part of the country to the load centers to meet the power demand of country.

**2 Certification by Project Management on Application Funds**

The Office of Chief Engineer MP&M NTDCL project management certified that the funds have been applied/expenditures have been incurred for the purpose intended in the Financing Agreement.

**3 Accounting Convention and Statement of Compliance**

The financial statements have been prepared in accordance with Cash Basis IPSAS Financial Reporting under the Cash Basis of Accounting. The accounting policies have been applied consistently throughout the period.

**4 Significant Accounting Policies**

- 4.1 Cash receipts and payments arising from transactions in foreign currencies are recorded in Pak Rupee by applying to the foreign currency amount, the exchange rate between the Pak Rupee and the Foreign Currency at the date of the receipts and payments. Exchange difference arising on settlement of these transactions are recognized in the Statement of Receipts and Payments.
- 4.2 **Reporting Currency**  
All amounts in the financial statements are in Pak Rupee.
- 4.3 **Revenue Recognition**  
Revenue is recognized on the date of receipt of money by bank or clearance of cheque. Revenue is recognized on gross basis and any related costs are recorded separately.
- 4.4 **Recognition of Expenditure**  
Expenditure is recognized on the date when payment is made or cheque is issued. Financial year to which the payment pertains is determined by the date on which cheque or payment advice is issued.
- 4.5 **Employee Terminal Benefits**  
Service benefits of government deputation employees are accounted for in their respective departments while no service terminal benefits are paid to the contractual employees.
- 4.6 **Payments by Third Party**  
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 benefits 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.

NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED  
POWER TRANSMISSION ENHANCEMENT PROJECT ADB LOAN NO.3419-PAK  
TRANCHE-1

Notes to the Financial  
For the Year ended 30.06.2022

5 External Assistance

External Assistance was received in the form of Credit from the Asian Development Bank (ADB) under financing agreement dated 29/11/2016 between the Asian Development Bank (ADB) and Government of Pakistan (GOP) for the purpose of the NTDC Projects.

The following amounts were received by the Project during the period

		2021-22	
		US\$	Pak Rupees
		Figures in Million	
SOE Procedures			
Direct Payment (Detail attached)		837.806	
TOTAL		837.806	

W/Impl. No.	CP Trans. No.	Appl. Amount	W/Auth. No.	Amount Disbursed	US\$ Equivalent	Value Date	Accg. Month	Exchange Rate	Disbursement (PKR)
10003		USD 652,722.73		USD 652,722.73	652,722.73	17 Nov 2021	202111	174.3557	113,805,928
10004		USD 652,722.73		USD 652,722.73	652,722.73	17 Nov 2021	202111	174.3557	113,805,928
60006		EUR 23,504.00		EUR 23,504.00	27,832.03	06 Jul 2021	202107	158.3111	4,406,118
714-G		USD 862.00		USD 862.00	862.00	20 Jan 2022	202201	176.3988	152,056
CAP1		USD 183,835.06		USD 183,835.06	183,835.06	01 Dec 2021	202112	175.2235	32,212,223
CAP2		USD 205,648.11		USD 205,648.11	205,648.11	01 Jan 2022	202206	197.7662	40,670,245
W0092	55576	PKR 14,013,046.00		PKR 14,013,046.00	82,772.55	16 Sep 2021	202109	169.2958	14,013,046
W0093	56491	PKR 26,279,769.00		PKR 26,279,769.00	154,099.02	06 Oct 2021	202110	170.5382	26,279,769
W0094	56492	PKR 14,851,001.00		PKR 14,851,001.00	87,015.07	07 Oct 2021	202110	170.6716	14,851,001
W0095	57939	PKR 36,101,550.00		PKR 36,101,550.00	212,347.32	09 Nov 2021	202111	170.0118	36,101,550
W0096	60752	PKR 28,813,975.00		PKR 28,813,975.00	162,090.26	16 Dec 2021	202112	177.765	28,813,975
W0097	60753	PKR 18,186,447.00		PKR 18,186,447.00	102,284.08	17 Dec 2021	202112	177.8033	18,186,447
W0098	62605	PKR 26,939,999.80		PKR 26,939,999.80	152,607.84	01 Feb 2022	202202	176.5309	26,940,000
W0101	64272	CNY 1,298,580.00		CNY 1,298,580.00	204,558.77	31 Mar 2022	202203	185.5146	37,530,521
W0103	64718	USD 430,758.80		USD 430,759.00	430,758.80	11 Apr 2022	202204	183.3683	78,987,509
W0104	64719	EUR 234,504.40		EUR 234,504.40	251,529.42	27 Apr 2022	202204	185.7145	46,717,691
W0105	64721	EUR 126,063.20		EUR 126,063.20	135,215.39	27 Apr 2022	202204	185.7345	25,114,163
W0106	64722	CNY 1,483,825.84		CNY 1,483,825.84	233,089.72	07 Apr 2022	202204	187.9381	43,806,439

		2020-21	
		US\$	Pak Rupees
		Figures in Million	
SOE Procedures			
Direct Payment (Detail attached)		662.669	
TOTAL		662.669	

W/Impl. No.	CP Trans. No.	Appl. Amount	W/Auth. No.	Amount Disbursed	US\$ Equivalent	Value Date	Accg. Month	Exchange Rate	Disbursement (PKR)
019-G		USD 55376		USD 55376	55376	12 Mar 2021	202103	157.1035	8,699,763
02583		PKR 630790		PKR 630790	4077.88	08 Jan 2021	202106	154.6858	630,790
028-G		USD 6036		USD 6036	6036	12 Mar 2021	202103	157.1035	946,277
481-G		USD 24351.5		USD 24351.5	24351.5	04 Nov 2020	202011	159.6927	3,886,757
489-G		USD 186291		USD 186291	186291	04 Nov 2020	202011	159.6927	29,779,313
498-G		USD 105856.6		USD 105856.6	105856.6	27 Oct 2020	202010	161.6665	17,049,952
504-G		USD 22239.5		USD 22239.5	22239.5	04 Nov 2020	202011	159.6927	3,551,486
6887G		EUR 120081		EUR 120081	145033.83	04 Dec 2020	202012	159.9868	23,203,498
6896G		EUR 128988		EUR 128988	153740.32	17 Sep 2020	202009	164.3593	25,492,952
86244		PKR 26329484		PKR 26329484	158384.7	16 Sep 2020	202009	166.0279	26,329,484
86253		PKR 10608172		PKR 10608172	64893.91	16 Sep 2020	202009	166.0279	10,608,172
86912		PKR 3792991		PKR 3792991	23066.29	05 Oct 2020	202010	164.4387	3,792,991
90211		PKR 15000000		PKR 15000000	93366.79	23 Nov 2020	202011	160.6567	15,000,000
903-G		USD 28274		USD 28274	28274	15 Sep 2020	202009	166.2152	4,699,569
91470		PKR 4568837		PKR 4568837	28578.75	04 Nov 2020	202011	159.8683	4,568,837
9200		USD 245655.41		USD 245655.41	245655.41	01 Dec 2020	202012	159.4771	39,176,412
921A		USD 203702.42		USD 203702.42	203702.42	01 Jan 2021	202106	154.4231	31,450,349
94342		PKR 4835863		PKR 4835863	30248.68	21 Dec 2020	202012	159.8702	4,835,863

W0107	65128	CNY	1,895,400.00		CNY	1,895,400.00	297,457.63	19 Apr 2022	202204	183.4912	54,580.843
W0108	64822	USD	101,774.90		USD	101,774.90	101,774.90	11 Apr 2022	202204	183.3683	18,662.290
111	65180	USD	19,384.85		USD	19,384.85	19,384.85	21 Apr 2022	202204	187.039	3,625.723
W0114	65503	USD	76,718.40		USD	76,718.40	76,718.40	28 Apr 2022	202204	185.9023	14,362.127
W0117	67890	PKR	26,834,987.00		PKR	26,834,987.00	129,726.11	28 Jun 2022	202206	266.8588	26,834.987
W0118	67057	CNY	214,715.00		CNY	214,715.00	32,118.44	21 Jun 2022	202206	211.3992	6,789.813
W0121	68270	USD	52,092.20		USD	52,092.20	52,092.20	30 Jun 2022	202206	204.3784	10,646.520
							<b>4,641,263.43</b>				<b>837,805.912</b>

95467			PKR	19370274		PKR	19370274	123530.9	11 Mar 2021	202103	156.8051	19,370,274
95760			PKR	1018086		PKR	1018086	6472.68	11 Mar 2021	202103	156.8052	1,018,086
W0073	37190		PKR	61368327		PKR	61368327	368218.28	06 Jul 2020	202007	166.4629	61,368,327
W0074	37722		PKR	84167486		PKR	84167486	505227.62	17 Jul 2020	202007	166.5932	84,167,486
W0075	39172		PKR	33502260		PKR	33502260	203670.6	03 Sep 2020	202009	165.3040	33,502,260
W0076	39174	USD	USD	144900		USD	144900		03 Sep 2020	202009	165.4913	22,979,689
W0078	39357	PKR	602969		PKR	602969	3882.85		27 Aug 2020	202008	168.2931	602,969
W0079	39615	USD	USD	216610.4		USD	216610.4		03 Sep 2020	202009	165.5282	35,941,774
W0080	39467	PKR	15511015		PKR	15511015	93310.51		01 Sep 2020	202009	166.2301	15,511,015
W0081	39903	PKR	8563178		PKR	8563178	51581.12		11 Sep 2020	202009	166.3717	8,563,178
W0082	40993	PKR	1830229		PKR	1830229	11014.66		18 Sep 2020	202009	166.1721	1,830,229
W0084	41163	PKR	10648650		PKR	10648650	65095.4		13 Oct 2020	202010	163.5853	10,648,650
W0085	41635	PKR	33810830		PKR	33810830	210155.53		28 Oct 2020	202010	160.8848	33,810,830
W0086	44548	PKR	401987		PKR	401987	2513.49		14 Dec 2020	202012	159.9318	401,987
W0087	44544	PKR	401987		PKR	401987	2513.5		14 Dec 2020	202012	159.9312	401,987
W0088	45928	PKR	11155879		PKR	11155879	69657.2		29 Jan 2021	202101	160.1540	11,155,879
W0089	47669	PKR	27877000		PKR	27877000	177367.9		04 Mar 2021	202103	157.1705	27,877,000
W0090	48143	PKR	3441831		PKR	3441831	22075.25		24 Mar 2021	202103	155.9136	3,441,831
W0091	48961	PKR	35393676		PKR	35393676	231719.99		13 Apr 2021	202104	152.7433	35,393,676
							<b>4,086,330.86</b>					<b>662,669,592</b>

Closing Balance					
<b>6 Counterpart Funds</b>					
Government of Pakistan (GOP)					
NTDC own sources					
<b>Total</b>					
<b>6.1 Government of Pakistan (GOP)</b>					
This represents funding to the NTDC projects of the total Project Cost by the Government of Pakistan as agreed between the ADB and GOP.					
<b>6.2 NTDC own sources</b>					
It includes: Duties, Taxes, Interest Charges, Escalations and Civil Works.					
<b>7 Civil Work</b>					
Opening Work					
Duties & Taxes					
Closing Balance					
<b>8 Purchase of Plant &amp; Equipment</b>					
Opening					
Purchase of Plant & Equipment during the year					
Closing Balance					
<b>9 Interest Charged During Construction</b>					
Interest Paid to GOP by NTDC during the year					
<b>9.1 Interest Paid;</b>					
According to Section 2.02 of the Loan Agreement signed between Asian Development Bank and Islamic Republic of Pakistan, the borrow shall pay to ADB interest on the principal amount of					
the loan withdrawn and outstanding from time to time at rate for each interest period equal to the sum of LIBOR and 0.60%. Government of Pakistan has relented the loan amount to National					
Transmission and Despatch Company (NTDC) at 11.00% Interest Rate plus 06.00% Exchange Rate Risk Cover.					
<b>10 Net Operating Expenses</b>					
Operating Expenses					
Staff Salaries & other benefits					
Travelling & conveyance expenses					
Vehicle fuel, repair & maintenance					
postage, telephone and internet					
Printing & Stationery					
Legal & professional fees					
Electricity & other utilities					
Depreciation & amortization					
Interest charges					
Miscellaneous expenses					
<b>Total Operating Expenses</b>					
Less: Other Income					
<b>Net Operating Expenses</b>					
<b>11 Consultancy Services</b>					
Individuals					
Firms					
<b>Total</b>					
<b>12 Unrealized Exchange Gain(Loss)</b>					
Balance as per Books of Project as at Year end					
Closing Balance before Conversion at Year end					
Closing Balance after Conversion as at the Year end					
Exchange (Loss)/Gain					
Exchange (Loss)/Gain does not apply to the NTDC as ADB loan is relented to NTDC by Government of Pakistan in Pak Rupees.					

**13 Cash and Bank**

Cash in Hand  
Cash in Bank

2021-22		2020-21	
Pak Rupees		Pak Rupees	
	-		-
	-		-

*Payments are directly made by Asian Development Bank on behalf of the project/NTDC in respect of goods & services procured/imported by the Project/NTDC.*

**14 Commitments**

	2021-22		2020-21	
	Payment by Third Parties	Receipts (Payments) Controlled by Project	Payment by Third Parties	Receipts (Payments) Controlled by Project
Contractor Liabilities	-	-	-	-
Obligation under Contract	-	-	-	-
Pending Litigation and Claims	-	-	-	-

**14 Authorizatin for Issue**

These financial statements have been authorized for issue by the Project Director on 30 June 2022

**15 General**

Figures have been rounded off to Million rupees upto three decimal places.  
Comparative figures have been rearranged where necessary for the purpose of comparison.

  
Deputy Manager (S/A) MP&M  
O/o Chief Engineer (MP&M) NTDC  
8th Floor, Shaheen Complex, Lahore

  
Chief Engineer (MP&M) NTDC  
8th Floor, Shaheen Complex, Lahore





**Financial Attest Audit Report**  
**on**  
**the Accounts of Second Power Transmission**  
**Enhancement Investment Project, Tranche-I,**  
**National Transmission & Despatch Company**  
**Limited (NTDCL) Lahore,**  
**for the Financial Year 2021-22**

**Asian Development Bank (ADB)**  
**Loan No. 3420 PAK (COL)**



**Auditor General of Pakistan Islamabad**

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## Abbreviations and Acronyms

BOD	Board of Directors
DAC	Departmental Accounts Committee
ECNEC	Executive Committee of National Economic Council
EIA	Environmental Impact Assessment
EPC	Engineering Procurement and Construction
FY	Financial Year
GCC	General Conditions of Contract
GOP	Government of Pakistan
IFRS	International Financial Reporting Standards.
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
MFF	Multi Tranche Financing Facility
MW	Mega Watt
MP&M	Material Procurement & Management
NTDCL	National Transmission and Despatch Company
NTM	National Transmission Modernization
OCR	Ordinary Capital Resources
O&M	Operation and Maintenance
PC-I	Planning Commission Pro-forma-I
PEPCO	Pakistan Electric Power Company
PIC	Project Implementation Consultant
PMU	Project Management Unit
SCC	Special Conditions of Contract
WAPDA	Water and Power Development Authority

## PREFACE


The Auditor General of Pakistan conducts audit in terms of 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 Second Power Transmission Enhancement Investment Project Tranche-I, ADB Loan-3420-PAK NTDC was carried out accordingly.

The Directorate General Audit Power conducted audit of the Second Power Transmission Enhancement Investment Project, ADB Loan-3420-PAK Tranche-I, NTDC for the financial years 2021-22, during October, 2022 with a view to report significant findings to the stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of the Second Power Transmission Enhancement Investment Project, ADB Loan-3420-PAK. In addition, Audit also assessed, on test check basis, whether the management complied with applicable laws, rules, and regulations in managing the Second Power Transmission Enhancement Investment Project, ADB Loan-3420-PAK. The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the Second Power Transmission Enhancement Investment Project, ADB Loan-3420-PAK, NTDC.

The Report consists of two parts: Part-I contains Auditor's Report (Audit opinion) and Financial Statements. Part-II contains Management Letter, Executive Summary and Audit Finding.

The Report has been prepared for submission to the Asian Development Bank (ADB) in terms of Loan Agreement 3420-PAK.

Dated: 15<sup>th</sup> December, 2022  
Place: Lahore

  
**SHEIKH MUHAMMAD NADEEM AMJAD**  
**DIRECTOR GENERAL**  
**Audit Power, Lahore**

## **PART-I**

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

## PROJECT OVERVIEW

Name of Project	Second Power Transmission Enhancement Investment Project
Sponsoring Agency	Asian Development Bank (ADB)
Executing Agency	National Transmission & Despatch Company Limited (NTDCL)
Loan No.	3420-PAK
Loan Amount	US \$ 10.00 million
Date of Commencement	February 24 <sup>th</sup> 2017
Loan Closing Date	August 26 <sup>th</sup> 2026
Loan Utilization Status in F.Y 2021-22	US \$ 0.867 million
Progressive Expenditure upto F.Y 2021-22	US \$ 3.853 million
Un-utilized Loan Amount	US \$ 6.147 million

## AUDITOR'S REPORT TO THE MANAGEMENT

We have audited the accompanying financial statements of the Second Power Transmission Enhancement Investment Project financed by the Asian Development Bank under Loan No.3420-PAK for the financial year ended June 30<sup>th</sup> 2022.

These financial statements are the responsibility of the management of the NTDCL. Our responsibility is to express an opinion on the accompanying statements based on our audit.

We conducted our examination in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether, the financial statements are free of any material misstatement. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audit also includes assessing the accounting principles and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The NTDCL's policy is to prepare the accompanying financial statements in the format agreed between the Asian Development Bank and the Government, on a cash receipts and disbursements basis in which cash is recognized when received and expenses are recognized when paid, rather than when incurred. Since, no imprest account is being maintained in NTDCL hence, no bank reconciliation statement is being prepared by management.

In our opinion:

- a) The aforementioned financial statements and appended notes that were also the subject of the audit, fairly present in all material respects the financial position of the Second Power Transmission Enhancement Investment Project as on June 30<sup>th</sup> 2022 and the results of its operations for the year ended at June 30<sup>th</sup> 2022 in conformity with International Public Sector Accounting Standards, applied on a basis consistent in all material respects with that of the previous years
- b) The NTDCL has utilized all proceeds of the loan withdrawn from the Asian Development Bank only for purposes. of the Project as agreed between the Asian Development Bank and NTDCL in accordance with the Loan Agreement; and no proceeds of the loan have been utilized for other purposes.

**SHEIKH MUHAMMAD NADEEM AMJAD**  
**DIRECTOR GENERAL**

**Audit Power, Lahore**

**Dated: 15<sup>th</sup> December, 2022**

## **FINANCIAL STATEMENTS**



**NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED**  
**POWER TRANSMISSION ENHANCEMENT PROJECT ADB LOAN NO.3420-PAK**  
**(TRANCHE-I)**

**Statement of Comparison of Budget and Actual Amounts**  
*For the Year ended 30.06.2022*

		2021-22		2020-21	
	Note	Budgeted Amount		Budgeted Amount	
		Original Amount	* Revised Amount	Original Amount	* Revised Amount
		( RUPEES IN MILLION )		( RUPEES IN MILLION )	
<u>Receipts</u>					
External Assistance	5	-	-	-	-
Counterpart Funds	6	-	-	-	-
<u>Total Receipts</u>		-	-	-	-
<u>Payments</u>					
Civil Works	7	-	-	-	-
Purchase of Plant and Equipment	8	-	-	-	-
Interest During Construction	9	-	-	-	-
Operating Expenses	10	-	-	-	-
Consultancy Services	11	-	-	-	-
<u>Total Payments</u>		-	-	-	-
			157,399		189,294
			157,399		189,294

The accompanying notes form an integral part of these financial statements and are to be read therewith.

  
 Deputy Manager (MP&M) NTDC  
 8th Floor, Shaheen Complex, Lahore

  
 Chief Engineer (MP&M) NTDC  
 8th Floor, Shaheen Complex, Lahore


**POWER TRANSMISSION ENHANCEMENT PROJECT**  
**ADB LOAN NO.3420-PAK(TRANCHE-I)**

**Statement of Receipts and Payments**

For the Year ended 30.06.2022

	Note	2021-22		2020-21	
		Receipts (Payments) Controlled by Project	Payment by Third Parties	Receipts (Payments) Controlled by Project	Payment by Third Parties
<b><u>Receipts</u></b>		<b>(RUPEES IN MILLION)</b>		<b>(RUPEES IN MILLION)</b>	
External Assistance	5	-	157.399	-	189.294
Counterpart Funds	6	-	-	-	-
<b><u>Total Receipts</u></b>		-	157.399	-	189.294
<b><u>Payments</u></b>					
Civil Works	7	-	-	-	-
Purchase of Plant and Equipment	8	-	-	-	-
Interest During Construction	9	-	-	-	-
Operating Expenses	10	-	-	-	-
Mark Up		-	-	-	-
Consultancy Services	11	-	157.399	-	189.294
<b><u>Total Payments</u></b>		-	157.399	-	189.294
Increase (Decrease) in Cash		-	-	-	-
Cash at Beginning of Year		-	-	-	-
Cash at End of Year	13	-	-	-	-
<b><u>Contingencies and Commitments</u></b>	14				

The accompanying notes form an integral part of these financial statements and are to be read therewith.

  
Deputy Manager (MP&M)  
O/o Chief Engineer (MP&M) NTDC  
8th Floor, Shaheen Complex, Lahore

  
Chief Engineer (MP&M) NTDC  
8th Floor, Shaheen Complex, Lahore

**NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED**  
**POWER TRANSMISSION ENHANCEMENT PROJECT(TRANCHE-I) under ADB LOAN NO.3420-PAK**

**Notes to the Financial Statements**  
For the Year ended 30.06.2022

**1 Reporting Entity**

- 1.1 The Financial Statements are for National Transmission and Despatch Company Limited (NTDCL) in respect of Asian Development Bank (ADB) Loan Agreement No 3420-Pak. The Financial Statement encompasses the reporting entity as defined in the Financing Agreement between Islamic Republic of Pakistan & Asian Development Bank. The Financing Agreement was signed on 29.11.2016 for an amount of US\$ 10.000 Million. The Project became effective from 24.02.2017 with the closing date of 26.08.2026
- 1.2 The main objective of the project is enhancement & extension of NTDC's existing system to provide appropriate facilities for dispersal of power proposed to be generated from southern part of the country to the load centers to meet the power demand of country.

**2 Certification by Project Management on Application Funds**

The Office of Chief Engineer MP&M NTDCL project management certified that the funds have been applied/expenditures have been incurred for the purpose intended in the Financing Agreement.

**3 Accounting Convention and Statement of Compliance**

The financial statements have been prepared in accordance with Cash Basis IPSAS Financial Reporting under the Cash Basis of Accounting. The accounting policies have been applied consistently throughout the period.

**4 Significant Accounting Policies**

- 4.1 Cash receipts and payments arising from transactions in foreign currencies are recorded in Pak Rupee by applying to the foreign currency amount, the exchange rate between the Pak Rupee and the Foreign Currency at the date of the receipts and payments. Exchange difference arising on settlement of these transactions are recognized in the Statement of Receipts and Payments.
- 4.2 **Reporting Currency**  
All amounts in the financial statements are in Pak Rupee.
- 4.3 **Revenue Recognition**  
Revenue is recognized on the date of receipt of money by bank or clearance of cheque. Revenue is recognized on gross basis and any related costs are recorded separately.
- 4.4 **Recognition of Expenditure**  
Expenditure is recognized on the date when payment is made or cheque is issued. Financial year to which the payment pertains is determined by the date on which cheque or payment advice is issued.
- 4.5 **Employee Terminal Benefits**  
Service benefits of government deputation employees are accounted for in their respective departments while no service terminal benefits are paid to the contractual employees.
- 4.6 **Payments by Third Party**  
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 benefits 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.



		2021-22		2020-21	
	Closing Balance	Amount in US\$		Amount in US\$	
		-		-	
<b>6 Counterpart Funds</b>		2021-22		2020-21	
		US\$	Pak Rupees	US\$	Pak Rupees
Government of Pakistan (GOP)	6.1				
NTDC own sources	6.2	-	-	-	-
<b>Total</b>		-	-	-	-
		2021-22		2020-21	
		US\$	Pak Rupees	US\$	Pak Rupees
<b>6.1 Government of Pakistan (GOP)</b>		-	-	-	-
This represents funding to the NTDC projects of the total Project Cost by the Government of Pakistan as agreed between the ADB and GOP.					
		2021-22		2020-21	
		US\$	Pak Rupees	US\$	Pak Rupees
<b>6.2 NTDC own sources</b>		-	-	-	-
It includes; Duties, Taxes, Interest Charges, Escalations and Civil Works.					
<b>7 Civil Work</b>		2021-22		2020-21	
		US\$	Pak Rupees	US\$	Pak Rupees
Opening		-	-	-	-
Addition during the year		-	-	-	-
Closing Balance		-	-	-	-
<b>8 Purchase of Plant &amp; Equipment</b>		2021-22		2020-21	
		US\$	Pak Rupees	US\$	Pak Rupees
Opening		-	-	-	-
Purchase of Plant & Equipment during the year		-	-	-	-
Closing Balance		-	-	-	-
<b>9 Interest Charged During Construction</b>		2021-22		2020-21	
		Pak Rupees		Pak Rupees	
Interest Paid to GOP by NTDC during the year		-	-	-	-
<b>9.1 Interest Paid;</b>		-	-	-	-
According to Section 2.02 of the Loan Agreement signed between Asian Development Bank and Islamic Republic of Pakistan, the borrow shall pay to ADB interest on the principal amount of the loan withdrawn and outstanding from time to time at rate for each interest period equal to the sum of LIBOR and 0.60%. Government of Pakistan has relnt the loan amount to National Transmission and Despatch Company (NTDC) at 11.00% Interest Rate plus 06.00% Exchange Rate Risk Cover.					
<b>10 Net Operating Expenses</b>		2021-22		2020-21	
		US\$	Pak Rupees	US\$	Pak Rupees
<b>Operating Expenses</b>					
Staff Salaries & other benefits		-	-	-	-
Travelling & conveyance expenses		-	-	-	-
Vehicle fuel, repair & maintenance		-	-	-	-
postage, telephone and internet		-	-	-	-
Printing & Satationery		-	-	-	-
Legal & professional fees		-	-	-	-
Electricity & other utilities		-	-	-	-
Depreciation & amortization		-	-	-	-
Interest charges		-	-	-	-
Miscellaneous expenses		-	-	-	-
<b>Total Operating Expenses</b>		-	-	-	-
Less: Other Income		-	-	-	-
<b>Net Operating Expenses</b>		-	-	-	-
<b>11 Consultancy Services</b>		2021-22		2020-21	
		Amount in Pak Rupees		Amount in Pak Rupees	
Individuals		-	-	-	-
Firms		157,399	157,399	189,294	189,294
<b>Total</b>		157,399	157,399	189,294	189,294
<b>12 Unrealized Exchange Gain(Loss)</b>		2021-22		2020-21	
		Pak Rupees		Pak Rupees	

Balance as per Books of Project as at Year end

Closing Balance before Conversion at Year end

Closing Balance after Conversion as at the Yea end

Exchange (Loss)/Gain

Exchange (Loss)/Gain does not apply to the NTDC as ADB loan is relent to NTDC by Government of Pakistan in Pak Rupees

### 13 Cash and Bank

	2021-22	2020-21
	Pak Rupees	Pak Rupees
Cash in Hand	-	-
Cash in Bank	-	-

Payments are directly made by Asian Development Bank on behalf of the project/NTDC in respect of goods & services procured/imported by the Project/NTDC

### 14 Commitments

	2021-22	2020-21
	Payment by Third Parties	Receipts (Payments) Controlled by Project
Contractor Liabilities	-	-
Obligation under Contract	-	-
Pending Litigation and Claims	-	-


### 14 Authorizatin for Issue

These financial statements have been authorized for issue by the Project Director on 30 June 2022

### 15 General

Figures have been rounded off to Million rupees upto three decimal places.

Comparative figures have been rearranged where necessary for the purpose of comparison.

  
Deputy Manager (C/A) MP&M  
O/o Chief Engineer (MP&M) NTDC  
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