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FINANCIAL ATTEST AUDIT REPORT

ON THE ACCOUNTS OF

PUNJAB HEALTH SECTOR REFORMS PROGRAM

WORLD BANK CREDIT NO. 5258-PK
HEALTH DEPARTMENT, GOVERNMENT OF THE PUNJAB

FOR THE FINANCIAL YEAR 2014-15

AUDITOR GENERAL OF PAKISTAN ISLAMABAD

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Abbreviations and Acronyms

AG	Accountant General
DDO	Drawing and Disbursing Officer
DG	Director General
DFID	Department For International Development
EA	Executing Agency
ECNEC	Executive Committee of the National Economic Council
EEP	Eligible Expenditure Program
FC	Foreign Currency
FoR	Freight on Receipt
GoPb	Government of the Punjab
HRITF	Health Result Innovation Trust Funds
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
IRMNCH	Integrated Reproductive Maternal Newborn and Child Health
LC	Local Currency
LHW	Lady Health Worker
ML	Management Letter
OM	Office Memorandum
PAD	Project Appraisal Document
PFR	Punjab Financial Rules
PHSRP	Punjab Health Sector Reform program
PHNP	Punjab Health Nutrition Program
PITB	Punjab Information Technology Board
POL	Petroleum Oil and Lubricants
PPRA	Punjab Procurement Regularity Authority
PSDP	Public Sector Development Program
PSPU	Policy and Strategic Planning Unit
SDR	Special Drawing Rights
SoE	Statement of Expenditure
TORs	Terms of Reference

PREFACE

The Auditor General of Pakistan conducts audit, subject to articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973, read with Sections 7, 8 & 12 of the Auditor General's (Functions, Powers and Terms & Conditions of Service) Ordinance, 2001. This audit of Financial Statements of the PSPU, PHSRP financed by Government of the Punjab and World Bank for the financial year 2014-15 was carried out accordingly.

The Directorate General Audit, Punjab Lahore conducted audit of the PSPU, PHSRP during August and September, 2015 for the financial year 2014-15 with a view to report significant findings to stakeholders. Audit examined the economy, efficiency and effectiveness aspects of the PSPU, PHSRP. In addition, audit also assessed, on test check basis, whether the management complied with applicable laws, rules and regulations in managing the entity. The audit report indicates specific actions that, if taken, will help the management realize the intended objectives of the Program. The report has been discussed with the PSPU, PHSRP Management in September, 2015.

The report consists of two parts i.e. Part-I contains Auditor's Report (Audit Opinion) and Financial Statements and Part-II consists of Executive Summary, Management Letter and Audit Findings.

The report has been prepared for submission to the World Bank in terms of Loan Agreement.

(Dr.Muhammad Jamil Afaqi)
Director General
Audit, Punjab

Dated:
Place: Lahore.

PART-I

1- PROJECT OVERVIEW

2- AUDITOR'S REPORT TO THE MANAGEMENT

3- FINANCIAL STATEMENTS

PROJECT OVERVIEW

Name of the Program	Punjab Health Sector Reforms Program
Sponsoring Authority	Government of Punjab, World Bank, DFID, HRITF
Cost of Program	121million $ (World Bank) 90 million POUNDS (DFID) 156.3 million Rs. (PSPU)
Date of Commencement	30-06-2013
Actual Date of Commencement:	01-07-2013
Date of Completion (as per PAD)	31-12-2017
EEPs Status:	

EEPs incurred during 2014-15
Rs. 23,496.841million

AUDITOR'S REPORT

Auditor's Report on PHSRP Financial Statements

We have audited the accompanying Financial Statements of Punjab Health Sector Reform Program that comprises of Statement of Receipts and Payments, Statement of Comparison of Budget and Actual together with the notes forming part thereof for the year ended 30th June, 2015.

Management Responsibility

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

Auditor's Responsibility

The responsibility of the auditor is to express an opinion on the Financial Statements based on the audit conducted. We conducted our audit in accordance with International Standards of Supreme Audit Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance that 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 management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In the light of above, in case of present project, the responsibility of auditor translates into the following:

To express an overall opinion on the Financial Statements with respect to the fact that the figures of Receipts and Payments reflected in the Financial Statements pertaining to the portion of budget of Health Department, Government of Punjab, designated as EEP in the Project Appraisal Document.

Opinion:

In our opinion:

(a) The Financial Statements present fairly, in all material respects, the Cash receipts and payments pertaining to the EEP (Eligible Expenditure Program) i.e. the employee related expenditure of Health Department, Government of Punjab, for the year ended 30th June, 2015 and are in conformity with cash basis IPSAS – Financial Reporting under the Cash Basis of Accounting Standard.

(b) Review of the Annual Appropriation Accounts of the Government of the Punjab for the year 2014-15 conducted during Certification Audit by this office, provides a reasonable assurance that the Provincial Health Institutions of Department of Health, Government of the Punjab have utilized their proceeds for the salary related cost for the intended purpose i.e. payment of employee related expenses of provincial health institutions (EEPs).

(DR. MUHAMMAD JAMIL AFAQI)
Director General Audit Punjab

Place: Lahore
Date:

FINANCIAL STATEMENTS

FOR THE YEAR ENDED ON 30th JUNE, 2015

Punjab Health Sector Reforms Project
IDA Credit No. 52580-PK, DFID PHNP 202488 Grant 2013-17& HRITF Grant No. 15283-PK
Statement of Cash Receipts and Payments
For the Year Ended June 30, 2015

		2014-2015		2013-2014	
		Receipts (Payments) Controlled by Project	Payment by Third Parties	Receipts (Payments) Controlled by Project	Payment by Third Parties
	Note	*Amount in Pak Rupees*		*Amount in Pak Rupees*	
RECEIPTS					
Government of the Punjab (GoPb) - DOH EPP	5	-	23,496,841,093	-	21,888,562,229
External Assistance:					
DFID	6.1	1,924,730,523	-	39,417,000	-
World Bank	6.2	101,662,100	-	-	-
HRITF (Grant)	6.2	-	-	-	-
Total		**2,026,392,623**	**23,496,841,093**	**39,417,000**	**21,888,562,229**
PAYMENTS					
Government of the Punjab (GoPb) - DOH EPP	7	-	23,496,841,093	-	21,888,562,229
External Assistance:					
DFID		1,924,730,523	-	39,417,000	-
World Bank		708,012	-	-	-
HRITF (Grant)		-	-	-	-
Total		**1,925,438,535**	**23,496,841,093**	**39,417,000**	**21,888,562,229**
Petty Cash		-	-	-	-
Increase/ (Decrease) in Cash		100,954,088	-	-	-
Cash at Beginning of Year		-	-	-	-
Cash at End of Year		100,954,088	-	-	-

The accompanying notes form an integral part of these financial statements.

Audit Officer
Directorate General Audit

Project Director
Punjab Health Sector Reforms Project
Program Director
Policy & Strategic Planning Unit
Lahore

Punjab Health Sector Reforms Project
IDA Credit No. 52580-PK, DFID PHNP 202488 Grant 2013-17& HRITF Grant No. 15283-PK
Statement of Comparison of Budget and Actual Amounts
For the Year Ended June 30, 2015

Amount in Pak Rupees

		Budgeted Amount	*Actual Amount	Difference Budget and Actual
CASH INFLOWS				
Government of the Punjab	5	29,863,256,000	24,789,697,258	5,073,558,742
External Assistance:				
DFID **	6	1,831,130,530	2,731,130,530	(900,000,000)
World Bank	6.1	101,662,100	101,662,100	-
HRTIF	6.1	-	-	-
Total Receipts		**31,796,048,630**	**27,622,489,888**	**4,173,558,742**
CASH OUTFLOWS				
HoD Employee Related Expenses	7	29,863,256,000	23,496,841,093	6,366,414,907
External Assistance:				
DFID	6.1	1,831,130,530	1,924,730,523	(93,599,993)
World Bank		101,662,100	708,012	100,954,088
HRTIF	6	-	-	-
Total Payments		**31,796,048,630**	**25,422,279,628**	**6,373,769,002**
NET CASH FLOWS		-	**2,200,210,260**	**(2,200,210,260)**

* Actual amounts encompass both cash and third party settlements.
** Actual amount from DFID includes Rs. 900M already released by FD to IRMNCH in Jan. 2015

Audit Officer
Directorate General Audit

Project Director
Punjab Health Sector Reforms Project
Program Director
Policy & Strategic Planning Unit
Lahore

Punjab Health Sector Reforms Project
IDA Credit No. 52580-PK & HRITF Grant No. 15283-PK
Notes to the Financial Statements
For the Year Ended June 30, 2015

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1 Reporting Entity

The Financial Statements are for Punjab Health Sector Reform Project (PHSRP). The financial statements encompasses the reporting entity as defined in the Financing and Grant Agreements between the Islamic Republic of Pakistan and the World Bank for the project. The Financing agreement of US$ 100 million (IDA Credit No. 52580-PK) was signed on December 02, 2013 and the Grant agreement of US$ 20 million (HRITF Grant No. 15283-PK) was signed on July 09, 2014.

The Project (PHSRP) started on 01 July, 2013 to support the implementation of the Punjab Health Sector Strategy, by focusing on the improvement of the coverage and utilization of quality essential health services, particularly in the Low Performing Districts of Punjab. Policy and Strategic Planning Unit (PSPU) of the Health Department is the responsible for project coordination and the Program Director PSPU is the Project Director of PHSRP.

For the purpose of these financial statements, the reporting entity comprises EEP and expenditure incurred for the project purposes defined in the credit agreement. "Eligible Expenditure Program" and the acronym "EEP" mean the reasonable costs of salaries, allowances, and related costs of health sector staff of Punjab's health facilities and institutions, which are defined expenditures incurred by Punjab under Budget Grant/Fund Number PC 21016 - Health Services, Function Codes 07 - Health Services and 09 - Education Affairs & Services, and Object Code: A 01 - Employee Related Expenses.

Accountant General Punjab makes payments and maintain accounting records of EEPs using the government financial management information system/PIFRA System. PSPU maintains manual accounting records for payments made from the Designated/Assignment Accounts for the project purposes.

2 Certification by Project Management on Application of Funds

It is certified that funds against Credit No. 52580-PK and Grant No. 15283-PK have only been utilized for the project purposes as defined in the financing agreements.

3 Accounting Convention and Statement of Compliance

The Financial Statements of PHSRP have been prepared in accordance with Cash Basis International Public Sector Accounting Standards (IPSAS), Financial Reporting under the Cash Basis of Accounting.

The accounting policies have been applied consistently throughout the period.

4 Significant Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out below.

4.1 ***Foreign Currency Transaction***

Cash receipts and payments arising from transactions in foreign currency are recorded in Pak Rupees by applying exchange rate applied by the State Bank of Pakistan for converting foreign currency into Pak Rupees for that tranche at the time of receipt of funds in the SBP from the Donor in accordance with the revised accounting procedure for revolving fund accounts (foreign aid assignment account) notified by the Finance Division (Budget Wing).

4.2 ***Reporting Currency***

All amounts in the financial statements are in Pak Rupees.

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 payments pertain is determined by the date on which a cheque or payment advice is issued.

4.5 ***Employee Terminal Benefits***

Service benefits of employees deputed from the government departments are accounted for in their respective departments, whereas the contractual employees are paid lump sum pay in accordance with their contracts.

5 Receipts - Government of the Punjab

This represents the funds provided by Government of the Punjab to Health Department (Provincial) to pay for EEPs for the financial year 2014-15.

Program Director
Policy & Strategic Planning Unit
Lahore

6 External Assistance

6.1 PHNP grant of £14 Million Pounds or approximately Rs. 2.150 Billion was released by DFID to GoPb, Finance Department and an amount of Rs. 1,831M was released to various programmes through "First Business Plan 2014" during financial year 2013-14. While an additional amount of approximately Rs. 900 million was released to IRMNCH by Finance Department. The programmes, in turn, spent an amount of Rs. 1,925 Million during financial year 2014-15 and a balance of Rs. 806 Million remained unspent. This unspent balance, however, includes committed expenditure of Rs 546 Million and remaining unspent balance of Rs. 260 Million has been included and reallocated through Second Business Plan.

6.2 An amount of Rs. 2,247 Million of external assistance was received from World Bank which includes Technical Assistance of Rs. 101,662 Million, whereas no amount was received from HRITF during financial year 2014-15.

6.3 There has been no instance of non compliance with the terms and conditions of the financing agreement between the DFID, World Bank, HRITF and GoP which have resulted in the cancellation of grant.

6.4 Undrawn External Assistance

Undrawn Credit at reporting date represent amounts specified in the financing and grant agreements between the World Bank/DFID and GOP that the World Bank/DFID will disburse for the project purposes.

	Amounts in US$	
	2014-15	**2013-14**
IDA Credit No. 52580-PK	77,929,000	100,000,000
HRITF Grant No. 15283-PK	20,000,000	20,000,000
DFID	110,302,500	0
	208,231,500	**120,000,000**

6.4.1 DFID's Undrawn credit of £60.165 Million is being translated at an exchange rate used in World Bank's PAD for conversion of UK Pound (£) to US Dollar ($).

7 Employee Related Expenses

This represents the salaries, allowances and other related costs of health sector staff (DOH Provincial) of Punjab's health facilities and institutions (referred as EEPs) for the financial year 2014-15, against the following:

Budget Grant: PC21016
Object Code: A01 - Employee Related Expenses
Function Code: 07 - Health Services & 09 - Education Affairs & Services

The payments were made by the Accountant General using the government financial management information system.

8 Cash And Bank

		Amounts in Pak Rupees	
		2014-15	**2013-14**
Cash at Bank	8.1	100,954,088	
Cash in Hand		-	-
		100,954,088	-

8.1 Cash at Bank:

This represents bank book balances as at June 30, 2015 of the World Bank designated account of Rs. 100,954,088 and HRITF of Rs. Nil respectively.

9 Authorization for Issue

These financial statements have been authorized for issue by the Project Director on _____.

10 General

Figures have been rounded off to the nearest rupee.

Audit Officer
Directorate General Audit

Project Director
Punjab Health Sector Reforms Project

Program Director
Policy & Strategic Planning Unit
Lahore

Health Department (Provincial), Government of the Punjab
Eligible Expenditure Program (EEP)
For the FY 2014-15

Major Object A01-EMPLOYEES RELATED EXPENSES.

Row Labels	Sum of Budget Grant	Sum of Releases	Sum of Actual Expenditure on date	Sum of QUATER1_EXP	Sum of QUATER2_EXP	Sum of QUATER3_EXP	Sum of QUATER4_EXP
AG ATTOCK	14,765,000	6,089,000	6,365,048	1,456,181	1,449,015	1,603,848	2,231,234
AG BHAWAL NAGUR	14,006,000	12,093,000	12,189,853	2,954,689	2,927,857	3,102,367	4,247,804
AG BHAWALPUR	2,207,499,000	1,759,057,012	1,661,808,160	351,921,840	464,714,971	409,566,720	525,861,605
AG CHAKWAL	8,554,000	4,784,000	3,850,350	940,994	919,048	933,770	1,348,584
AG D.G. KHAN	549,965,000	396,573,000	367,170,991	71,030,948	125,976,916	95,845,741	102,172,209
AG FAISALABAD	2,685,116,000	2,368,223,136	2,251,074,167	525,182,879	550,805,985	554,269,844	603,239,306
AG GUJRANWALA	775,287,000	624,713,900	569,531,888	115,382,492	144,221,322	139,055,280	147,523,360
AG GUJRAT	0	209,586,000	195,222,549	17,453,795	79,180,860	46,921,190	52,139,452
AG JHANG	15,693,000	13,741,000	13,467,324	3,160,437	3,236,933	3,550,148	4,739,551
AG LAHORE	15,232,927,000	12,383,915,043	11,688,243,099	2,256,572,763	3,406,118,773	2,746,098,597	3,611,468,854
AG MULTAN	2,495,534,000	2,211,270,400	1,994,971,013	487,793,919	484,693,819	470,240,166	549,257,039
AG OKARA	13,153,000	7,795,000	6,402,061	1,339,677	1,509,803	1,612,822	2,333,918
AG RAHIM YAR KHAN	1,212,147,000	1,108,931,582	1,038,498,462	257,909,811	262,946,283	253,865,638	300,554,133
AG RAWAL PINDI	2,872,381,000	2,296,128,149	2,059,994,175	490,433,399	505,226,429	523,899,823	577,141,526
AG SARGODHA	408,973,000	327,144,000	320,758,252	75,364,649	76,084,223	81,939,569	113,575,196
AG SHEIKHUPURA	8,487,000	3,897,000	1,843,540	0	0	565,217	1,172,767
AG SHIWAL	539,968,000	431,878,436	340,113,184	54,513,483	105,755,297	84,432,259	117,340,062
AG SIALKOT	808,801,000	623,877,600	410,431,114	91,504,769	94,719,344	100,142,397	147,445,494
Grand Total	**29,863,256,000**	**24,789,697,258**	**22,941,935,230**	**4,804,916,725**	**6,310,486,878**	**5,517,645,396**	**6,863,792,094**

23,496,841,093

Program Director
Policy & Strategic Planning Unit
Lahore