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FINANCIAL ATTEST AUDIT REPORT

ON THE ACCOUNTS OF

REVITALIZATION AND STRENGHTENING THE HEALTH SERVICES DELIVERY AND NUTRITION SERVICES IN CRISIS AFFECTED DISTRICTS OF KHYBER PAKHTUNKHWA

GRANT NO. TF 11062 PK

FINANCED BY MULTI DONOR TRUST FUND

HEALTH DEPARTMENT GOVERNMENT OF KHYBER PAKHTUNKHWA

FOR THE FINANCIAL YEAR 2014-15

AUDITOR GENERAL OF PAKISTAN ISLAMABAD

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Abbreviations and Acronyms

ADP	Annual Development Program
BOQ	Bill of Quantity
BHU	Basic Health Unit
CTR	Central Treasury Rules
DHIS	District Health Information System
DHQ	District Head Quarter
DHO	District Health Officer
ECNEC	Executive Committee of National Economic Council
FMM	Financial Management Manual
GCC	General Conditions of Contract
GFR	General Financial Rules
HSRU	Health Sector Reform Unit
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IHS	Integrated Health Services
INTOSAI	International Organization for Supreme Audit Institutions
KP	Khyber Pakhtunkhwa
LFA	Logical Framework Analysis
MDTF	Multi Donor Trust Fund
M&E	Monitoring & Evaluation
NGO	Non-Government Organization
PC-1	Planning Commission Proforma-1
PCNA	Post Crisis Need Assessment
PDWP	Provincial Development Working Party
PPHI	People Public Health Initiative
PMU	Project Management Unit
CoA	Chart of Accounts
PSC	Project Steering Committee
ISSAI	International Standards of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
TOR	Terms of Reference

PREFACE

The Auditor General conducts audit under 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 Directorate General, Audit, Khyber Pakhtunkhwa conducted Financial Attest Audit of the project "Revitalization and Strengthening the Health Services Delivery and Nutrition Services in Crisis Affected Districts of Khyber Pakhtunkhwa" World Bank/MDTF Grant No. TF 11062 PK for the financial year 2014-15, in November, 2015 with a view to reporting significant findings to stakeholders.

The audit examined the economy, efficiency, and effectiveness aspects of the project. In addition, audit also assessed, on a 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 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 donor in terms of its grant agreement with the Government of Islamic Republic of Pakistan.

Dated: 15 /12/2015
Peshawar

(Javed Iqbal)
Director General Audit,
Khyber Pakhtunkhwa

PART-I

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

PROJECT OVERVIEW

Name of the Project:	Revitalization and Strengthening the Health Services Delivery and Nutrition Services in Crisis Affected Districts of Khyber Pakhtunkhwa under Public Private Partnership
Sponsoring Agency:	MDTF through World Bank
Executing Authority:	Health Department Government of Khyber Pakhtunkhwa
Grant No.:	TF 11062 PK
PC-I Cost	Rs.2125 million
Revised PC-I Cost (1st)	Rs.1520 million
Revised PC-I Cost: (2nd)	Rs.968.95 million
Date of Commencement:	August, 2012
Actual Date of Commencement:	August, 2012
Date of Completion (as per PC-I):	August, 2015
Date of Approval by ECNEC:	16th August, 2012
Loan Closing Date:	July, 2015
Grant utilization status in 2014-15:	Rs. 390.762 million
Progressive expenditure upto June 2015:	Rs. 421.853 million

OFFICE OF THE
DIRECTOR GENERAL AUDIT
KHYBER PAKHTUNKHWA
PESHAWAR

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AUDITOR'S REPORT

We have audited the accompanying Financial Statements of project "Revitalization and Strengthening the Health Services Delivery and Nutrition Services in Crisis Affected Districts of Khyber Pakhtunkhwa" World Bank/MDTF Grant No. TF 11062 PK 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 June, 2015.

Management Responsibility

It is the responsibility of Project Management to establish and maintain a system of internal control, and prepare and present the Statements 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 Audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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.

Opinion

In our opinion:

a) The Financial Statements present fairly, in all material respects, the cash receipts and payments by the project for the year ended June 2015 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.

Dated: 15 /12/2015
Peshawar

(Javed Iqbal)
Director General Audit,
Khyber Pakhtunkhwa

FINANCIAL STATEMENTS

"REVITALIZATION AND STRENGTHENING THE HEALTH SERVICES DELIVERY AND NUTRITION SERVICES IN CRISIS AFFECTED DISTRICTS OF KHYBER PAKHTUNKHWA"

WORLD BANK/MDTF GRANT NO. TF 11062 PK

FOR THE YEAR ENDED 30th JUNE, 2015

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Revitalizing Health and Nutrition Services in Crises Affected Districts of KP
Statement of Cash Receipts and Payments
For the year ended June 30, 2015

	Note	2014-15		2013-14	
		Receipts(Payments) Controlled by Project	Payment by Third Parties	Receipts(Payments) Controlled by Project	Payment by Third Parties
		Rupees			
Receipts					
External Assistance	5	171,405,768	-	-	-
Total Receipts		171,405,768	-	-	-
Payments					
Consultancy Services	6	363,886,768	-	21,943,333	-
Operating Expenses	7	8,608,857	-	4,462,832	-
Goods	8	14,895,203	-	346,356	-
Trainings	9	3,371,932	-	-	-
Total Payments		390,762,760	-	26,752,521	-
Increase (Decrease) in Cash		(219,356,992)	-	(26,752,521)	-
Cash at Beginning of Year		252,529,667	-	279,282,188	-
Cash at End of Year	10	33,172,675	-	252,529,667	-

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

FINANCE MANAGEMENT SPECIALIST
Revitalizing Health Care Services
Health Deptt: Govt. of Khyber Pakhtunkhwa

Project Coordinator

PROJECT COORDINATOR
Revitalizing Health Care Services
Health Deptt: Govt. of Khyber Pakhtunkhwa

AO (1)
Audit Officer (Admn:)
o/o the D.G. A.
N.W.F.P.

Revitalizing Health and Nutrition Services in Crises Affected Districts of KP
Statement of Comparison of Budget and Actual Amounts
For the year ended June 30, 2015

	Note	2014-15		2013-14	
		Budgeted Amount	Actual Amount	Budgeted Amount	Actual Amount
		Rupees			
Receipts					
External Assistance	5	171,405,768	171,405,768	-	-
Total Receipts		171,405,768	171,405,768	-	-
Payments					
Consultancy Services	6	364,000,000	363,886,768	22,460,000	21,943,333
Operating Expenses	7	8,650,000	8,608,857	4,974,442	4,462,832
Goods	8	16,400,000	14,895,203	350,000	346,356
Trainings	9	4,880,000	3,371,932	-	-
Total Payments		393,930,000	390,762,760	27,784,442	26,752,521

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

/Project Coordinator

PROJECT COORDINATOR
Revitalizing Health Care Services
Health Deptt: Govt. of Khyber Pakhtunkhwa

FINANCE MANAGEMENT SPECIALIST
Revitalizing Health Care Services
Health Deptt: Govt. of Khyber Pakhtunkhwa

AO (I)
Audit Officer (Admn)
o/o the D.G. Audit
A.G.P.Peshawar

Revitalizing Health and Nutrition Services in Crises Affected Districts of KP

Notes to the Financial Statements
For the year ended June 30, 2015

1 Reporting Entity

The financial statements are for "Revitalizing/Strengthening Health and Nutrition Services in Crises Affected Districts of KP" Project. The financial statement encompasses the reporting entity as defined in the Financing Agreement between the Islamic Republic of Pakistan and the World Bank. The Financing Agreement was signed on April 12, 2012 for an amount of US $16(M). The project became effective from April 12, 2012 with the closing date of October 31, 2015.

US$ 5.8 million has been cancelled in June 2014 at the request of the Borrower and total grant available to project isUS$ 10.2 million.

The objective of "Revitalizing/Strengthening Health and Nutrition Services in Crises Affected Districts of KP" Project is to: 1 Improve availability, accessibility and quality of health care services at the districts level. 2. Strengthen management of health services in the districts through a public private partnership model. 3. Institutionalize an effective monitoring and evaluation system to facilitate learning and evidence based decision making.
During the year 2014-15, the project has been restructured in November 2014 to delete component II and drop District D I Khan from contract out scope till 30th of June 2015. The Project is implemented through Health Department GoKP.

Financing

The financing is made in the form of Grant based on Standard World Bank terms. The Financing Agreement No is TF-11062-PAK.

2 Certification by Project Management on Application of Funds

The "Revitalizing/Strenghtning Health and Nutrition Services in Crises Affected Districts of KP" project management certified that the funds have been applied/expenditure have been incurred for the purposes 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' standard.
The accounting policies have been applied consistently throughout the period.

4 Significant Accounting Policies

4.1 ***Foreign Currency Transaction***

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 differences 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 Rupees.

4.3 ***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.

4.4 ***Employee Terminal Benefits***

Service benefits of government deputations employees are accounted for in their respective departments while no service terminal benefits are paid to the contractual employees.

FINANCE MANAGEMENT SPECIALIST
Revitalizing Health Care Services
Health Deptt: Govt. of Khyber Pakhtunkhwa

Project Coordinator

PROJECT COORDINATOR
Revitalizing Health Care Services
Health Deptt: Govt. of Khyber Pakhtunkhwa

AO(1)

Revitalizing Health and Nutrition Services in Crises Affected Districts of KP
Notes to the Financial Statements
For the year ended June 30, 2015

5 External Assistance

External assistance was received in the form of Grant from the World Bank under financing agreement dated April 12, 2012 between the World Bank and Government of Pakistan (GOP) for the purpose of the Revitalizing Health and Nutrition Services in Crises Affected Districts of KP Project. The following amounts were received by the Project during the period.

		2014-15		2013-14	
		US $	Pak Rupees	US $	Pak Rupees
SOE Procedures	5.1	1,669,489	171,405,768	-	-
		1,669,489	171,405,768	-	-

5.1 This represents funds transferred to the Revitalizing Health and Nutrition Services in Crises Affected Districts of KP Project's Designated US Dollar Bank Account by the World Bank on the basis of Withdrawal Application(s) submitted by the Project.

5.2 There has been no instance of non compliance with the terms and conditions of the financing agreement between the World Bank and GoP which have resulted in cancellation of Credit.

5.3 **Undrawn External Assistance**

Undrawn Credit at reporting date represent amounts specified in the financing agreement between the World Bank and GOP that the World Bank will disburse for Revitalizing Health and Nutrition Services in Crises Affected Districts of KP project purposes.

	Note	2014-15	2013-14
		Amounts in US $	
Closing Balance		5,530,511	7,200,000
		5,530,511	**7,200,000**

The redcued closing balance is due to cancellation of US$ 5.8 million from the total signed amount.

6 Consultancy Services

	Note	2014-15	2012-13
		Amounts in Pak Rupees	
Individuals	6.1	5,590,666	5,059,333
Firms	6.2		
Consultancy		26,355,303	16,884,000
Goods		331,940,799	0.00
		358,296,102	16,884,000
		363,886,768	**21,943,333**

6.1 This represents the long term consultants hired for the purposes of financial management arrangements at the project, monitoring project activities, development of MIS/GRM , Procurement documentation system for the Project, validation of progress of service delivery at districts by Implementing Partners etc.

6.2 This represents payment to Implementing partners as per contract agreement with them for management of health facilities in the target districts under the Project.

7 Operating Expenses

		Note	2014-15	2013-14
			Amounts in Pak Rupees	
7.1	Remuneration and Salaries	7.1	4,999,160	2,732,760
7.2	General Operating Expenditures	7.2	3,609,697	1,730,072
			8,608,857	**4,462,832**

7.1

		2014-15	2013-14
		Amounts in Pak Rupees	
7.1.1	Salaries- Officers	3,007,377	1,993,679
7.1.2	Salaries- Staff	1,991,783	739,081
		4,999,160	**2,732,760**

7.2

		2014-15	2013-14
		Amounts in Pak Rupees	
7.2.1	Communications	5,810.000	8,070.00
7.2.2	Utilities	242,007.000	10,527.00
7.2.3	Rent of Building	1,424,023.000	513,965.00
7.2.4	TA/DA	424,665.000	422,265.00
7.2.5	POL Charges	444,883.000	9,750.00
7.2.6	Conveyance Charges	4,990.000	
7.2.7	Stationery Charges	144,223.000	111,070.00
7.2.8	Printing Charges	18,608.000	10,530.00
7.2.9	Newspapers	4,712.000	4,758.00
7.2.10	Advertisement	149,203.000	295,320.00
7.2.11	Law Charges	2,122.000	
7.2.12	Payment to Others for Services Rendered	28,000.000	
7.2.13	Others	107,076.000	64,782.00
7.2.14	Pension Contribution	85,366.000	199,419.00
7.2.15	Entertainment	289,536.000	67,758.00
7.2.16	Repair of Transport	183,294.000	
7.2.17	Repair of Plant & Mechinary	14,020.000	
7.2.18	Repair of Furniture	26,459.000	11,858.00
7.2.19	Repair of Computers	10,700.000	
		3,609,697	**1,730,072**

8 Goods

		2014-15	2013-14
		Amounts in Pak Rupees	
8.1	Transport	11,501,034	-
8.2	Plant & machinary	723,158	346,356
8.3	Furniture & Fixtures	1,306,136	-
8.4	Computer Equipment	1,364,875	-
		14,895,203	**346,356**

9 Trainings

		2014-15	2013-14
		Amounts in Pak Rupees	
9.1	Trainings/Workshops	3,043,666.00	
9.2	Workshops/Conferences	328,266.00	-
		3,371,932	**-**

10 Cash And Bank

		2014-15	2013-14
		Amounts in Pak Rupees	
	Cash at Bank	33,172,675	252,529,667
		33,172,675	**252,529,667**

11 Authorization for Issue

These financial statements have been authorized for issue by the Project Coordinator on October 27, 2015

12 General

Figures have been rounded off to the nearest rupee.

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

Project Coordinator

PROJECT COORDINATOR
Revitalizing Health Care Services
Health Deptt: Govt. of Khyber Pakhtunkhwa

FINANCE MANAGEMENT SPECIALIST
Revitalizing Health Care Services
Health Deptt: Govt. of Khyber Pakhtunkhwa

AO(1)
Audit Officer (Admin)
o/o the D.G. Audit
N.W.F.P.Peshawar

Balance as per Bank Statement as on June 30, 2015		Rs105,202,900.83		$ 1,026,825.02
CHEQUE ISSUED BUT NOT YET PRESENTED				
Less:				
Cheque Dated	**Cheque No**	**Amount in Rs**	**Conversion Rate**	**Amount in USD**
26-May-15	31193300	93,453	94.5403	988.50
27-May-15	31193329	7,850	94.5403	83.03
28-May-15	31193330	99,714	94.5403	1,054.72
15-Jun-15	31193345	1,900,000	102.6696	18,505.96
22-Jun-15	8520051	4,180	102.6696	40.71
22-Jun-15	8520053	9,234,807	102.6696	89,946.85
22-Jun-15	8520054	42,574,006	102.6696	414,670.03
22-Jun-15	8520056	8,790,000	102.6696	85,614.44
22-Jun-15	8520059	22,165,000	102.6696	215,886.69
23-Jun-15	8520061	1,025	102.6696	9.98
23-Jun-15	8520062	5,025	102.6696	48.94
23-Jun-15	8520074	15,000	102.6696	146.10
23-Jun-15	8520081	117,000	102.6696	1,139.58
23-Jun-15	8520088	174,796	102.6696	1,702.51
23-Jun-15	8520094	7,946	102.6696	77.39
23-Jun-15	8520092	36,000	102.6696	350.64
Total		**85,225,802.00**		**830,266.09**
Add:				
08-Jan-15	6545472	13,004,760	94.5403	137558.00
04-Feb-15	6545474	49,491	94.5403	523.74
27-Mar-15	19591888	12,000	94.5403	126.93
30-Apr-15	31193274	117,000	94.5403	1237.57
30-Apr-15	31193286	2,400	102.6696	23.38
30-Apr-15	31193285	9,925	102.6696	96.67
Total		**13,195,576**		**139,566**
Balance as per Bank Book, as on 30th June, 2015		**Rs33,172,674.83**		**$ 336,125.21**

FINANCE MANAGEMENT SPECIALIST
Revitalizing Health Care Services
Health Deptt: Govt. of Khyber Pakhtunkhwa