Financial Attest Audit Report on the Accounts of
FATA Temporarily Displaced Persons Emergency
Recovery Project
Credit No: 5719-PAK
Economic Affairs Division
For the Financial Year 2016-17

Auditor General of Pakistan Islamabad
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Abbreviations and Acronyms

AGP    Auditor General of Pakistan
AGPR   Accountant General Pakistan Revenues
CWG    Child Wellness Grant
EAD    Economic Affairs Division
FDMA   FATA Disaster Management Authority
FATA   Federally Administered Tribal Areas
GOP    Government of Pakistan
IDA    International Development Association
IDF    Institutional Development Fund
IFR    Interim Financial Reports
IPSAS  International Public Sector Accounting Standards
ISSAI  International Standards of Supreme Audit Institutions
KP     Khyber Pakhtunkhwa
LSG    Livelihood Support Grant
MIS    Management Information System
NADRA  National Database and Registration Authority
NBP    National Bank of Pakistan
NOL    No Objection Letter
OSS    One Stop Shop(s)
PMU    Project Management Unit
PSP    Payment Service Provider
Rs.    Rupees
SDR    Special Drawing Rights
TDP    Temporarily Displaced Persons
USD    United States Dollar
WB     World Bank
PREFACE

The Auditor General of Pakistan conducts audits under authority provided in 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 “FATA Temporarily Displaced Persons Emergency Recovery Project” under Economic Affairs Division for the financial year 2016-17 funded by the International Development Association (IDA) was carried out accordingly.

The Directorate General Audit (Federal Government), Islamabad conducted audit of the “FATA Temporarily Displaced Persons Emergency Recovery Project” in October, 2017 for the period 2016-17 with a view to report significant findings to stakeholders. The primary focus of the audit was to express an opinion on the Financial Statements of the project. We also examined the economy, efficiency, and effectiveness aspects of the “FATA Temporarily Displaced Persons Emergency Recovery Project”. In addition, audit also assessed, on test check basis, whether the management complied with applicable laws, rules and regulations in managing the “FATA Temporarily Displaced Persons Emergency Recovery Project”. The Audit Report indicates specific actions that, if taken, will help the management to realize the objectives of the “FATA Temporarily Displaced Persons Emergency Recovery Project” more effectively.

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 International Development Association (IDA) in terms of Credit Number 5719-PAK.

Dated: 29.12.2017
Place: Islamabad

(MUHAMMAD AZHAR)
DIRECTOR GENERAL
PART-I

1. PROJECT OVERVIEW

2. AUDITOR'S REPORT TO THE MANAGEMENT

3. FINANCIAL STATEMENTS
## PROJECT OVERVIEW

<table>
<thead>
<tr>
<th>Name of Project:</th>
<th>Temporarily Displaced Persons Emergency Recovery Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsoring Authority:</td>
<td>World Bank (International Development Association)</td>
</tr>
<tr>
<td>Executing Authority:</td>
<td>Economic Affairs Division (EAD)</td>
</tr>
<tr>
<td>Credit No:</td>
<td>IDA-5719-PAK</td>
</tr>
<tr>
<td>Project Cost:</td>
<td>SDR 53.400 million</td>
</tr>
<tr>
<td>Date of effectiveness:</td>
<td>22.12.2015</td>
</tr>
<tr>
<td>Date of Completion:</td>
<td>31.08.2018</td>
</tr>
<tr>
<td>Date of Approval:</td>
<td>23.09.2015</td>
</tr>
<tr>
<td>Credit Closing Date:</td>
<td>31.08.2018</td>
</tr>
<tr>
<td>Expenditure upto 30.06.2017:</td>
<td>Rs. 6,151.104 million</td>
</tr>
</tbody>
</table>
AUDITOR'S REPORT TO THE MANAGEMENT

Mr. Waseem Sherazi
Programme Manager
FATA Temporarily Displaced Persons Emergency Recovery Project
Economic Affairs Division
Islamabad

Auditor’s Report on the FATA Temporarily Displaced Persons Emergency Recovery Project Financial Statements

We have audited the accompanying financial statements of “FATA Temporarily Displaced Persons Emergency Recovery Project” under the Economic Affairs Division (Credit No.5719-PAK) that comprises Statement of Receipts and Payments together with the Notes forming part thereof for the year ended 30th June, 2017.

Management’s Responsibility

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

Auditor’s Responsibility

The responsibility of the auditor is to express an opinion on the financial statements based on the audit conducted. We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). These standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free of material misstatements. The audit process includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. It also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our unqualified 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 30th June, 2017 in accordance with Cash Basis IPSAS, Financial Reporting under the Cash Basis of Accounting Standard.

b) The expenditure has been incurred in accordance with the requirements of legal agreement.

(MUHAMMAD AZHAR)
DIRECTOR GENERAL
Directorate General Audit (Federal Government),
Benevolent Fund Building, Zero Point, Islamabad
Dated: 29.12.2017
FATA TEMPORARILY DISPLACED PERSONS EMERGENCY RECOVERY PROJECT
CREDIT NO: 5719-PAK
ECONOMIC AFFAIRS DIVISION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2017
ECONOMIC AFFAIRS DIVISION
PROJECT MANAGEMENT UNIT - TEMPORARILY DISPLACED PERSONS
EMERGENCY RECOVERY PROJECT (IDA - 5719)

Statement of Financial Position
As at June 30, 2017

<table>
<thead>
<tr>
<th></th>
<th>2016-17</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td>Rupees</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China Grant Assignment Account</td>
<td>107,945,000</td>
<td>1,009,004,000</td>
</tr>
<tr>
<td>World Bank Assignment Account</td>
<td>651,616,362</td>
<td>320,795,647</td>
</tr>
<tr>
<td></td>
<td>759,561,362</td>
<td>1,329,799,647</td>
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<tr>
<td><strong>Equity &amp; Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated reserves</td>
<td>175,767,067</td>
<td>1,329,799,647</td>
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<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payable to MoF against ERG</td>
<td>583,794,295</td>
<td></td>
</tr>
<tr>
<td></td>
<td>759,561,362</td>
<td>1,329,799,647</td>
</tr>
</tbody>
</table>

Accountant
TDP ERP

Program Manager
TDP ERP

(WASEEM SHERAZI)
Operations Coordinator TDP-ERP
Economic Affairs Division
Government of Pakistan
ECONOMIC AFFAIRS DIVISION
PROJECT MANAGEMENT UNIT - TEMPORARILY DISPLACED PERSONS
EMERGENCY RECOVERY PROJECT (IDA - 5719)

Statement of Financial Performance
For the Period ended on June 30, 2017

Receipts

<table>
<thead>
<tr>
<th></th>
<th>2016-17 Rupees</th>
<th>2015-16 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Grant Receipts</td>
<td></td>
<td>1,032,486,500</td>
</tr>
<tr>
<td>World Bank Receipts</td>
<td>4,973,588,920</td>
<td>320,795,647</td>
</tr>
<tr>
<td></td>
<td>4,973,588,920</td>
<td>1,353,282,147</td>
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</tbody>
</table>

Less: Expenditures

Expenditures from China Grant

<table>
<thead>
<tr>
<th>Grants Payments</th>
<th>2016-17</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livelihood Support Grant</td>
<td>873,304,000</td>
<td>23,140,000</td>
</tr>
<tr>
<td>Child Wellness Grant</td>
<td>27,755,000</td>
<td>342,500</td>
</tr>
<tr>
<td>Early Recovery Grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>901,059,000</td>
<td>23,482,500</td>
</tr>
</tbody>
</table>

Expenditures from World Bank

<table>
<thead>
<tr>
<th>Grants Payments</th>
<th>2016-17</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livelihood Support Grant</td>
<td>1,744,376,000</td>
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<tr>
<td>Child Wellness Grant</td>
<td>164,627,500</td>
<td></td>
</tr>
<tr>
<td>Early Recovery Grant</td>
<td>3,317,559,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,226,562,500</td>
<td></td>
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</tbody>
</table>

Net Surplus/(Deficit)

<table>
<thead>
<tr>
<th></th>
<th>2016-17</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1,154,032,580)</td>
<td>1,329,799,647</td>
</tr>
</tbody>
</table>

Accountant
TDP ERP

Program Manager
TDP ERP

(WASEEM SHERAZI)
Operations Coordinator TDP-ERP
Economic Affairs Division
Government of Pakistan
ECONOMIC AFFAIRS DIVISION
PROJECT MANAGEMENT UNIT - TEMPORARILY DISPLACED PERSONS
EMERGENCY RECOVERY PROJECT (IDA - 5719)

Statement of Changes in Equity
For the Period ended on June 30, 2017

Balance as on 1 July 2016
1,329,799,647

Net Surplus/(Deficit) for the year
(1,154,032,580)

Balance as on 30 June 2017
175,767,067

Accountant
TDP ERP

Program Manager
TDP ERP

(WASEEM SHEHZADI)
Operations Coordinator TDP ERP
Economic Affairs Division
Government of Pakistan
ECONOMIC AFFAIRS DIVISION
PROJECT MANAGEMENT UNIT - TEMPORARILY DISPLACED PERSONS
EMERGENCY RECOVERY PROJECT (IDA - 5719)

Cash Flow Statement
For the Period ended on June 30, 2017

<table>
<thead>
<tr>
<th></th>
<th>2016-17 Rupees</th>
<th>2015-16 Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Surplus/(Deficit) for the year</td>
<td>(1,154,032,580)</td>
<td>1,329,799,647</td>
</tr>
<tr>
<td>Adjustment for non cash items</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(Nil)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Increase in cash and cash equivalent</td>
<td>(1,154,032,580)</td>
<td>1,329,799,647</td>
</tr>
<tr>
<td>Cash and cash equivalent at beginning of the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash &amp; cash equivalent at the end of the year</td>
<td>(1,154,032,580)</td>
<td>1,329,799,647</td>
</tr>
</tbody>
</table>

Accountant
TDP ERP

Program Manager
TDP ERP
(WASEEM SHERAZI)
Operations Coordinator TDP-ERP
Economic Affairs Division
Government of Pakistan
1 Legal Status and Operations

Establishment of Project Management Unit (PMU) Temporarily Displaced Person Emergency Recovery Project (TDP ERP) was approved at the time of signing of the Minute of negation by Federal Government with World Bank on 31 July 2015. Financing Agreement with World Bank was signed on September 23, 2015. Operations of PMU TDP ERP are governed under approved Operational Manual of the project.

2 Basis of Preparation

Financial Statements have been prepared on Cash Basis of Accounting. Receipts are recognized in period when received and expenditure is recorded upon issuance of cheque to Payment service providers against reimbursement claims.

3 Basis of Preparation

3.1 Basis of Measurement

Financial Statements have been prepared on Cash Basis of Accounting. Receipts are recognized in period when received and expenditure is recorded upon issuance of cheque to Payment service providers against reimbursement claims.

3.2 Functional and Presentation currency

Financial Statements have been prepared in Pakistani Rupees (PKR) which is functional currency of this project.

3.3 Statement of Compliance

These Financial Statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS).

4 Types of Grants

4.1 Early Recovery Grant (ERG)

A one-time resettlement grant of Rs. 35,000 has already been provided to the families for returning to their homes by FDMA. The grant covers basic transportation and immediate subsistence needs of the families. Expenditure against this grant is recorded to extent of amount reimbursed to Federal Government.

4.2 Livelihood Support Grant (LSG)

These are Unconditional Cash Transfers (UCT) amounting to Rs. 4,000 per month, provided to support immediate safety net recovery support for a period of 4 months. These LSGs shall cover basic and subsistence needs of the families after they return to their homes, to ensure consumption smoothing and provision of support for the affected beneficiaries, till they are able to restore their livelihoods.

4.3 Child Wellness Grant (CWG)

These are Conditional Cash Transfers (CC1) linked to a comprehensive child wellness package of Rs. 7,500 (in three instalments), to encourage long-term improvements in children's health and support overall human development outcomes for the affected region.

5 Period of Financial Statements

Period of Financial Statements is from July 01, 2016 till 30th June 2017.
ECONOMIC AFFAIRS DIVISION
PROJECT MANAGEMENT UNIT - TEMPORARILY DISPLACED PERSONS
EMERGENCY RECOVERY PROJECT (IDA - 5719)
Notes to the Financial Statements
For the Period ended on 30th June 2017

6 Procedures Detail

6.1. Early Recovery Grant (ERG)
ERG funds are claimed from World Bank as reimbursement to Federal Government against expenditure already incurred on Temporarily Displaced Persons (TDPs).
As per program design, World Bank will reimburse the amount of those beneficiaries who are biometrically verified for LSG Grant and have received ERG payment from FDMA through partner banks.
FDMA will upload list of those beneficiaries who have received ERG grant from partner banks in MIS Portal.
The list of LSG biometrically verified beneficiaries will be matched with FDMA uploaded list of ERG Grant.
Based on matched records, withdrawal application is submitted to World Bank for reimbursement of expenditure already incurred by Government of Pakistan on FATA beneficiaries.
Upon receipt of amount from World Bank against Withdrawal Application in Non Food Account No. 1 (through State Bank of Pakistan), Economic Affairs Division (EAD) formally intimates Finance Division about receipt of funds so that Finance Division may take further necessary steps for utilization of these funds.

6.2. Livelihood Support Grant (LSG)
The potential beneficiary approaches One Stop Shop (OSS) and proceed to information counter. If the name is found on the list and the CNIC is authentic (genuine), the beneficiary will be given a quick overview of the project and the conditions surrounding the LSG and/or CGW payments. Afterwards, the beneficiary will be asked to proceed to the NADRA Biometric Counter for LSG Processing. If the name is not found on the list, he/she can lodge appeal at NADRA CR counter established at all OSS.
The beneficiary will approach the NADRA Biometric Counter. If beneficiary is verified, NADRA official will guide the beneficiary to approach Payment Service Provider Counter(s), established within the OSS.
The beneficiary will move to the Payment Service Provider (PSP) counter(s). At PSP counter NBP has established real time integration with NADRA server to receive electronic intimation of biometrically verified cases. Upon receipt of electronic trigger from NADRA, PSP opens level zero (0) account of each beneficiary and disburses benefit amount to respective accounts. The beneficiary will then exit the OSS premises.

6.3. Child Wellness Grant (CWG)
The potential beneficiary will approach the One Stop Shop (OSS) with his family (including at least one child aged 0-24 months) and proceed to information counter. If the name is found on the list and the CNIC is authentic, the beneficiary will be given a quick overview of the project and the conditions surrounding the CWG payment(s) by NADRA information counter official. Afterwards, the beneficiary will be asked to proceed to the NADRA CCT Counter for CWG Processing.
The biometrics of the Hes will be verified from NADRA CNIC database. Once verified, the beneficiary family shall be guided to attend Child Awareness Session.
The Child Awareness Sessions will be delivered by DoH staff to the group of beneficiaries. Once the session is concluded, DoH HATA staff will collect CWG certificates and approach NADRA CCT counter. The DoH staff will authenticate this list through biometric verification.
The beneficiary will then move to the Payment Service Provider (PSP) counter(s). At PSP counter NBP has established real time integration with NADRA server to receive electronic intimation of biometrically verified cases. Upon receipt of electronic trigger from NADRA, PSP opens level zero (0) account of each beneficiary and disburses benefit amount to respective accounts. The beneficiary will then exit the OSS premises.

6.4. Payment to National Bank of Pakistan
According to Agency Agreement, National Bank of Pakistan (PSP) will make upfront payments to biometrically verified beneficiaries. Afterwards PSP generates invoices in which total disbursement along with beneficiary name, CNIC No., Account No. & Amount transferred is mentioned.
PMU EAD reconciles actual payments made by NBP with NADRA trigger report. If all payments are reconciled, PMU EAD will get approval from competent authority and issue cheque to PSP.

Accounting
TDP ERP

Program Manager
TDP ERP

(WASEEM SHERAZI)
Operations Coordinator TDP-ERP
Economic Affairs Division
Government of Pakistan