



# Capacity Development and Resource Center

## Pakistan Resident Mission

Financial Management

1<sup>st</sup> May 2023 | Lahore, Pakistan

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ADB

# Agenda – Day 1



A. FM in Project Implementation

B. Overview of APFS

C. Common Issues in APFS

# Agenda – Day 1



A. ADB FM in Project Implementation

B. Overview of APFS

C. Common Issues in APFS

# FM in ADB Sovereign Operations

## ADB's Financial Management Mandate and Function

ADB's FM mandate derives from Article 14 of the Agreement Establishing ADB (the Charter)



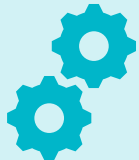
Borrower able to meet obligations under loan (*Article 14 (vi)*)



Loan proceeds used for purposes intended (*Article 14 (xi)*)



Attention to economy and efficiency (*Article 14 (xi)*)



Guided by sound banking principles in operations (*Article 14 (xiv)*)

**Fiduciary  
Responsibilities**

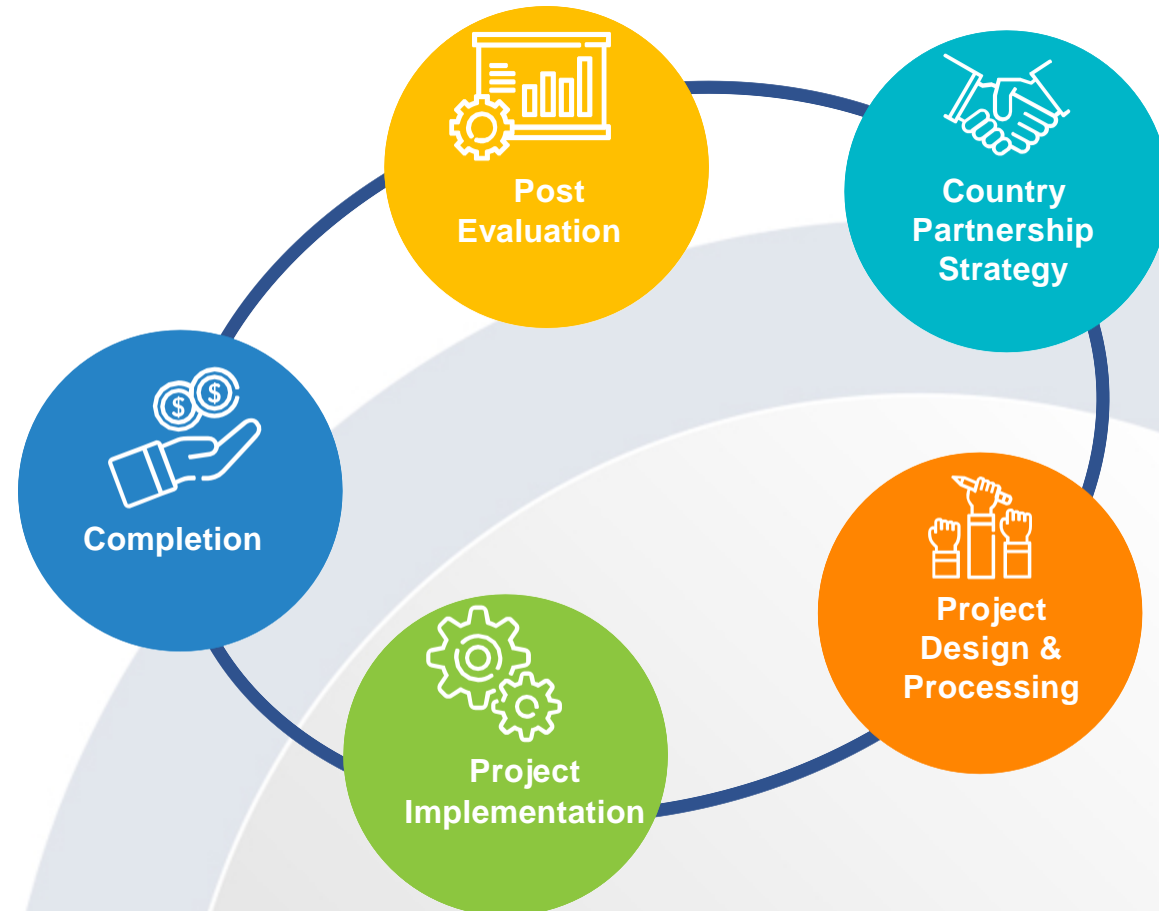
**Financial Due  
Diligence**

at project design and  
processing stage

# FM in Project Implementation



- *Review APFS/AEFS and quarterly progress report submissions*
- *Monitor issues raised by the auditor in the management letter*
- *Monitor compliance with financial covenants*
- *Monitor implementation of FM arrangements and FM action plans*







# Legal Basis – where to find the specific requirements?

- Legal Agreements:
  - Loan or Grant Agreement
  - Project Agreement
  - Schedule attached to the agreements – Financial Covenants / matters
- Project Administration Manual or Facility Administration Manual
- Addendum or Amendment to the above documents (if any)

# Legal Basis – where to find the specific requirements?

Section 4.03. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

Section 2.09. (a) shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

## C. Accounting

42. will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project. Turkmenenergo will prepare project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

## D. Auditing and Public Disclosure

43. will cause the detailed project financial statements to be audited in accordance with International Standards on Auditing and with the Government's audit regulations, by an independent auditor acceptable to ADB. The audited project financial statements will be submitted in the English language to ADB within six months of the end of the fiscal year by Turkmenenergo.

44. will also submit the entity-level financial statements which is audited by independent auditor. The entity-level financial statements will be submitted to ADB within one month after their approval by the relevant authority.

45. The annual audit report for the project accounts will include an audit management letter and audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan and grant proceeds were used only for the purposes of the project or not; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project.

Loan Agreement

Project Agreement

Project Administration Manual

# FM Reporting and Performance Management



Project Implementation => **Implement Agreed Arrangements**

**Audited Project Financial Statements**

**Annually, 6 months after fiscal year end**

**Auditor's Opinion on use of loan proceeds**

**Annually, 6 months after fiscal year end**

**Management Letter**

**Annually, 6 months after fiscal year end**

Audited Entity Financial Statements

**12 months after fiscal year end or within 1 month of their approval by the relevant authority, whichever is earlier**

**Auditor's Opinion on compliance with financial covenants**

**Annually**

Financial information in project progress report

**Monthly/quarterly/semi-annually, as indicated in PAM**



# Non-submission of Audited Project Financial Statements

If APFS are not received within 6 months after the due date

If APFS are not received within 12 months after the due date

- **Withhold immediately disbursements (advances, replenishments, reimbursements, commitment letters)**
- Withhold approval of new contract awards;
- Delay negotiation or board presentation of new loan proceeds where the defaulted agency is a participant; and
- Deny extension of closing date for the agency

- **Suspend or cancel the loan**



## Reference from ADB Guidelines

### FINANCIAL REPORTING AND AUDITING IN SOVEREIGN OPERATIONS TECHNICAL GUIDANCE NOTE

NOVEMBER 2022

ADB

## F. Actions in the Case of Noncompliance

- 5.10 **Delay in audited project financial statement submission.** If the APFS is delayed by more than 6 months after the due date stipulated in the legal agreement(s), ADB will (i) withhold, with immediate effect, advances and replenishments to the advance fund, the processing of new reimbursement claims, and the issuance of new commitment letters; (ii) withhold, with immediate effect, approval of new contract awards for the agency in default; (iii) delay the negotiation or Board presentation of new loans where the agency in default is a participant; and (iv) deny extensions of the closing date for the agency in default.<sup>38</sup> Continued non-submission for 12 months after the due date may lead to suspension of the loan for the agency in default.

# Agenda – Day 1



A. ADB FM in Project Implementation

**B. Overview of APFS**

C. Common Issues in APFS

# Basic Requirements - APFS



## Audited

- Independent auditor whose qualifications, experience are acceptable to ADB



## Accurate and Complete Submission

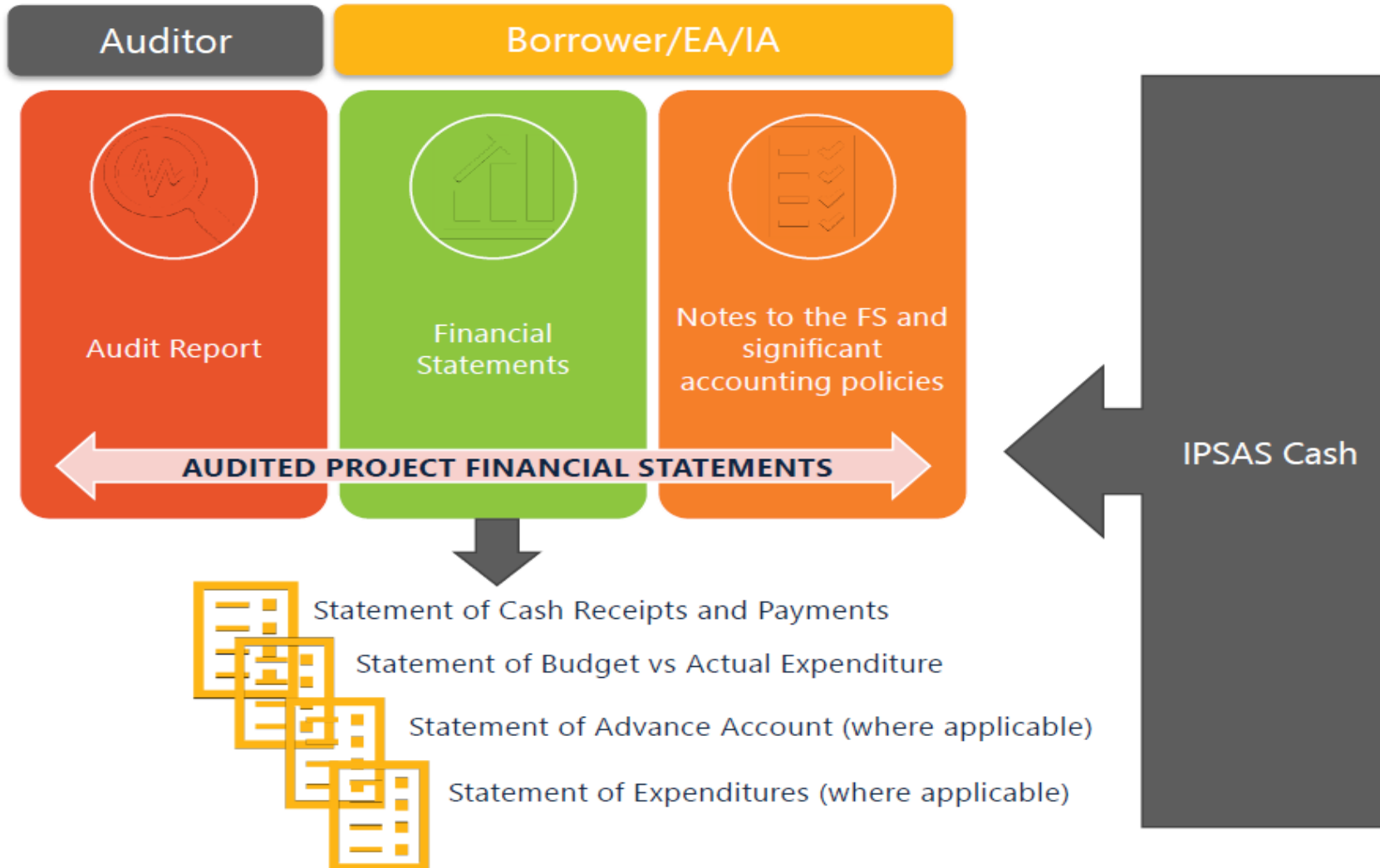
- Auditor's Opinions on
  - Use of Loan Proceeds
  - Compliance with financial covenants
- Financial Statements
- Management Letter



## Form and Timeliness

- In English
- Compliance with acceptable accounting and audit framework
- Timely submitted

# Basic Structure



# Why Audited Financial Statements?

Accountability for use  
of public funds

Funds are used for the  
purposes intended

Due attention to  
economy  
and efficiency

To verify compliance  
with covenants

Reliable financial  
information

ADB's Access to  
Information Policy



# Acceptable Financial Reporting Standards



**National Standards**

**Setters**

# Requirements for Project Financial Statements



## Clear Presentation

- Summary of funds received by **all** sources (e.g., OCR, government, cofinanciers)
- Expenditure categorization and analysis
- Opening and closing cash balances (including increases/decreases)
- Current year, previous year, and cumulative figures (from second year of reporting until financial closing date)



## Complete with all key components

- Project financial statements
- Notes to the financial statements, including significant accounting policies
- Signed and dated

# Complete FS Presentation

## Financing Sources and Expenditure Categories

### C. Detailed Cost Estimate by Financier (\$ million)

Item	ADB				EDB Loan		Government		Total Cost
	ADF Loan		ADF Grant		Amount	% of Cost	Amount	% of Cost	
	Amount	% of Cost	Amount	% of Cost					
<b>A. Investment Costs<sup>a</sup></b>									
1 Turbine-generator units 1 and 3 replacement	38.88	40.00%	25.66	26.40%	32.65	33.59%	-	0.00%	97.19
2 Civil structure refurbishment	4.50	60.00%	3.00	40.00%	-	0.00%	-	0.00%	7.50
3 Dam Monitoring System	-	0.00%	1.70	100.00%	-	0.00%	-	0.00%	1.70
4 Consulting Services									
a. Business process assessment and management modernization	-	0.00%	5.00	100.00%	-	0.00%	-	0.00%	5.00
b. Project management and individual consultants	-	0.00%	4.00	100.00%	-	0.00%	-	0.00%	4.00
c. Public information program	-	0.00%	0.40	100.00%	-	0.00%	-	0.00%	0.40
d. Corporate financial audit for eight power and heat companies	-	0.00%	1.20	100.00%	-	0.00%	-	0.00%	1.20
e. Project financial statement audit for EPP and MOE	-	0.00%	0.13	100.00%	-	0.00%	-	0.00%	0.13
<b>Subtotal (A)</b>	<b>43.38</b>	<b>37.04%</b>	<b>41.09</b>	<b>35.08%</b>	<b>32.65</b>	<b>27.88%</b>	<b>-</b>	<b>0.00%</b>	<b>117.12</b>
<b>B. Taxes and Duties<sup>b</sup></b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>	<b>23.90</b>	<b>100.00%</b>	<b>23.90</b>
<b>Total Base Costs (A+B)</b>	<b>43.38</b>	<b>30.76%</b>	<b>41.09</b>	<b>29.14%</b>	<b>32.65</b>	<b>23.15%</b>	<b>23.90</b>	<b>16.95%</b>	<b>141.02</b>
<b>C. Contingencies<sup>c</sup></b>									
Physical Contingency	10.41	48.44%	6.08	28.29%	5.01	23.31%	-	0.00%	21.49
Price Contingency	4.86	48.36%	2.83	28.16%	2.34	23.28%	-	0.00%	10.05
<b>Subtotal (C)</b>	<b>15.27</b>	<b>48.41%</b>	<b>8.91</b>	<b>28.25%</b>	<b>7.35</b>	<b>23.30%</b>	<b>-</b>	<b>0.00%</b>	<b>31.54</b>
<b>D. Financial Charges During Implementation<sup>d</sup></b>	1.35	55.33%	-	0.00%	-	0.00%	1.10	44.92%	2.44
<b>Total (A+B+C+D)</b>	<b>60.00</b>	<b>34.29%</b>	<b>50.00</b>	<b>28.57%</b>	<b>40.00</b>	<b>22.86%</b>	<b>25.00</b>	<b>14.28%</b>	<b>175.00</b>
<b>% of Total Project Cost</b>		<b>34.29%</b>		<b>28.57%</b>		<b>22.86%</b>		<b>14.28%</b>	

ADB = Asian Development Bank, ADF= Asian Development Fund, EDB = Eurasian Development Bank

Source: Consultant and Asian Development Bank estimates.

<sup>a</sup> In 2015 prices.

<sup>b</sup> Include taxes and duties (10% custom duties and 12% value added tax) to be financed or waived

<sup>c</sup> Physical contingencies computed at 16% for turnkey contracts and at 5% for all other cost categories. Price contingencies computed following the ADB's cost escalation factors, a power purchase parity assumption has been made to compute exchange rate adjustments.

<sup>d</sup> Includes financial charges during construction on ADB loan at 1% per annum; and at 1% per annum of EDB loan, and 0.5% upfront commission on EDB loan.

# Project Financial Statements

[PROJECT TITLE]

SPECIAL PURPOSE PROJECT STATEMENT OF SOURCES AND USES OF FUNDS  
AS AT 31 DECEMBER 2021  
(Expressed in US dollars)

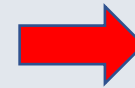
	2021	2020	Cumulative
<b>ADD: FUNDS RECEIVED BY SOURCES</b>			
ADB Grant No.	4,291,462	992,500	9,822,554
ADB Loan No.	7,579,924	2,210,421	14,635,685
EDB Loan No.	12,194,793	3,687,950	24,100,092
<b>TOTAL FUNDS RECEIVED</b>	<b>24,066,179</b>	<b>6,890,871</b>	<b>48,558,331</b>



By source of funds

**LESS: PROJECT EXPENDITURE**

<b>ADB Grant No.</b>			
Turnkey contract for Rehabilitation	2,964,971	893,514	5,764,538
Consulting Services	1,326,491	98,986	4,058,016
	<b>4,291,462</b>	<b>992,500</b>	<b>9,822,554</b>
<b>ADB Loan No.</b>			
Turnkey contract for Rehabilitation	7,496,873	2,161,927	14,448,026
Interest charges during implementation	83,051	48,494	187,659
	<b>7,579,924</b>	<b>2,210,421</b>	<b>14,635,685</b>
<b>EDB Loan No. :</b>			
Powerhouse TC as per Part 1 (a) and (d) of the project	10,924,746	2,707,470	20,222,122
	1,270,047	980,480	3,877,970
	<b>12,194,793</b>	<b>3,687,950</b>	<b>24,100,092</b>
<b>TOTAL EXPENDITURE</b>	<b>24,066,179</b>	<b>6,890,871</b>	<b>48,558,331</b>



By expenditure category

[Signature over printed name]	[Signature over printed name]
[Name of the Approver]	[Name of the Approver]
[Name of the Ministry]	[Name of the Ministry]
[Date]	[Date]



Approved

- Cash basis
- Comparative years
- Financial Statement signed

**Note:** Selected project for purposes of discussion only, this is NOT meant to be a guide or template for projects. Each project is unique and project facts should be assessed.

# Statement of Budget vs. Actual Expenditure

[PROJECT TITLE]

STATEMENT OF BUDGETED VERSUS ACTUAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(in US dollars)

	Budgeted Total	Use of funds for the year ended December 31, 2021	Variance (Budget - Actual)
<b>Grant No.</b>			
1. Goods and Vehicles	3,202,000	2,529,490	672,510
2. Project Management	-	137,956	(137,956)
<b>Loan No.</b>			
1. Goods and Consulting Services	-	-	-
2. Transfer to the	1,000,000	944,240	55,760
3. Interest charge during implementation	6,000	10,479	(4,479)
	<u>4,208,000</u>	<u>3,622,165</u>	<u>585,835</u>

Budgeted expenditure

Actual expenditure

By expenditure category

[Signature over printed name]

[Name of the Approver]  
[Name of the Ministry]  
[Date]

[Signature over printed name]

[Name of the Approver]  
[Name of the Ministry]  
[Date]

**Note:** Selected project for purposes of discussion only, this is NOT meant to be a guide or template for projects. Each project is unique and project facts should be assessed.



# Statement of Advance Account

**STATEMENT OF ADVANCE ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 2021**  
*(in US dollars)*

Advance account	Grant No.	Loan No.
Currency	US dollar	US dollar
Bank account		
Bank		
Bank's location		
Balance as at August 26, 2020	-	-
Initial advance	400,000	-
The amount of eligible expenses paid	31,982	-
<b>Balance as at December 31, 2020</b>	<b>368,018</b>	<b>-</b>
Initial advance	-	1,000,000
The amount of eligible expenses paid	137,956	944,240
<b>Balance as at December 31, 2021</b>	<b>230,062</b>	<b>55,760</b>

Separate advance accounts for loan and grant funds

[Signature over printed name]

[Name of the Approver]  
[Name of the Ministry]  
[Date]

[Signature over printed name]

[Name of the Approver]  
[Name of the Ministry]  
[Date]

# Statement of Expenses and Withdrawal Schedule

STATEMENT OF EXPENDITURES AND WITHDRAWAL SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
*(in US dollars)*

Sources of financing	Application	Dates	Direct payments	Total
Grant No.	No. 00038	January 28, 2021	664	664
	No. 00039	January 28, 2021	1,058	1,058
	No. 00040	February 26, 2021	665	665
	No. 00041	February 26, 2021	1,060	1,060
	No. 00042	March 24, 2021	663	663
	No. 00043	March 24, 2021	129	129
	No. 00044	March 25, 2021	1,034	1,034
	No. 00045	April 19, 2021	30,013	30,013
	No. 00046	April 29, 2021	1,058	1,058
	No. 00047	April 29, 2021	663	663
	No. 00048	May 24, 2021	127,950	127,950
	No. 00049	May 19, 2021	665	665
	No. 00050	May 19, 2021	1,061	1,061
	No. 00051	June 22, 2021	665	665
	No. 00052	June 23, 2021	1,060	1,060
	No. 00053	July 1, 2021	205,201	205,201
	No. 00054	July 28, 2021	1,063	1,063
	No. 00055	July 28, 2021	666	666
	No. 00056	August 20, 2021	665	665
	No. 00057	August 25, 2021	1,061	1,061
	No. 00058	November 23, 2021	1,990	1,990
	No. 00059	November 23, 2021	3,176	3,176
	No. 00060	November 26, 2021	235,789	235,789
	No. 00061	December 13, 2021	663	663
	No. 00062	December 14, 2021	1,059	1,059
			<u>619,741</u>	<u>619,741</u>

[Signature over printed name]

[Name of the Approver]

[Name of the Ministry]

[Date]

[Signature over printed name]

[Name of the Approver]

[Name of the Ministry]

[Date]



# Notes to Financial Statements

General Information

Summary of Accounting Policies

More information about the accounts in the FS

# Notes to Financial Statements

[NAME OF THE COUNTRY/IMPLEMENTING AND EXECUTING AGENCY]  
[NAME OF THE ENTITY/PROJECT]  
[ADB LOAN REFERENCE]  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED [YEAR END DATE]

1 Project Nature and Activities

1.1 *Description of the Project, the nature of activities, commencement and expected completion dates. Mention location, domicile, legal form, controlling IA/ EA, brief nature of the project outputs,*

Project description and activities

1.2 Give legislative framework

*Insert as relevant*

2.1 **Statement of compliance**

2 maintains separate books and records by funding source for all expenditures incurred on the project following International Public Sector Accounting Standards (IPSAS).

These special purpose project financial statements have been presented in accordance with the cash basis of accounting and the Financial agreements, to the extent applicable to these special purpose project financial statements and as agreed by the Project Executing Agency, the Government of Kyrgyz Republic, Asian Development Bank and Eurasian Development Bank.

Accounting framework

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial Statements

This comprises of the Statement of Receipts and Payments, the Statements of Expenditure by Category and Financier, the Statement of Disbursement and related notes and appendices to the financial statements

Significant accounting policies

3.2 Basis of measurement

Financial statements have been prepared under the historical cost convention and on *[cash/ accrual]* basis of accounting

3.3 Changes in Accounting policies

*Describe changes in accounting policies, if any*



# APFS Reconciliation with Loan and Grant Financial Information System – Annual Disbursements



GRANT NO.                      LOAN NO.

**STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE YEAR ENDED DECEMBER 31, 2021**  
(in US dollars)

	Notes	For the year ended December 31, 2021	For the period from August 26, 2020 to December 30, 2020	Cumulative
Opening balance	4	369,507	-	-
<b>Funding sources</b>				
Grant No.	5	2,529,490	3,469,124	5,998,614
Loan No.	5	1,010,479	862,753	1,874,232
<b>Total financing</b>		<b>3,539,969</b>	<b>4,332,877</b>	<b>7,872,846</b>
Other income		9,664	1,614	11,278
<b>Total receipts</b>		<b>3,549,633</b>	<b>4,334,491</b>	<b>7,884,124</b>
<b>Expenses</b>				
<b>Grant No.</b>				
1. Goods and Vehicles	6	2,529,490	3,069,124	5,598,614
2. Project Management	6	137,956	31,982	169,938
<b>Loan No.</b>				
1. Goods and Consulting Services	6	-	862,268	862,268
2. Transfer to the	6	944,240	-	944,240
3. Interest charge during Project implementation	6	10,479	1,485	11,964
<b>Total expenses</b>		<b>3,622,165</b>	<b>3,964,859</b>	<b>7,587,024</b>
Other expenses		506	125	631
<b>Closing balance</b>	4	<b>296,469</b>	<b>369,507</b>	<b>296,469</b>

GRANT NO.

**LOAN ID**

Loan Number:		Loan Type:	Project
Original Amount:	USD 10,000,000.00	Loan Status:	Effective
Net Amount:	USD 10,000,000.00	Project Number:	
		Fund Source:	CONCESSIONAL OCR
		Fully/Partially Administered Indicator:	
		Delegated Disbursement Indicator:	N

Executing Agency: All Executing Agencies

Category: All Categories

Disbursement Type: All Disbursement Type

Disbursement Sub Type: ----

From: 1 January 2021

To: 31 December 2021

As of 26 Aug 2022

W/Appl. No.	CP Trans. No.	Appl. Amount	Amount Disbursed	USD Equivalent	Value Date	Acctg Month
921A		USD 4,318.77	USD 4,318.77	4,318.77	01 Jun 2021	202106
CAP1		USD 6,159,711.53			30 Dec 2021	202112
<b>TOTAL</b>				<b>10,428.56</b>		

**Advances**

Category Ref.	Category No.	W/Appl. No.	CP Trans. No.	USD Equivalent	Value Date	Acctg Month
99	9901	CR001	52963	500,000.00	04 Aug 2021	202108
99	9901	CR002	57069	500,000.00	17 Nov 2021	202111
<b>TOTAL</b>				<b>1,000,000.00</b>		

**GRANT ID**

Grant Number:		Country:	
Grant Title:		Related Loan:	
Original Total Amount:	USD 10,000,000.00	Grant Status:	Effective
Revised Total Amount:	USD 10,000,000.00	Project Number:	
Grant Type:	Project	Related IAs:	
		Delegated Disbursement Indicator:	N

Executing Agency: All Executing Agency

Category: All Categories

Fund: All Funds

From: 1 January 2021

To: 31 December 2021

As of 26 Aug 2022

W/Appl. No.	CP Transaction No.	Appl. Amount	Amount Paid	USD Equivalent	Fund	Value Date
GD002	57215	USD 1,722,985.00	USD 1,722,985.00	1,722,985.00	03	11 Mar 2021
GD003	50549	USD 469,905.00	USD 469,905.00	469,905.00	03	24 May 2021
GD004	59748	USD 336,600.00	USD 336,600.00	336,600.00	03	13 Dec 2021
<b>TOTAL</b>				<b>2,529,490.00</b>		

**ADB**

Contract No.	Contract Amount	Amount Paid	USD Equivalent	Fund	Value Date
No record exists.					

**Advances**

Category Code	Withdrawal Appl. No.	CP Transaction No.	Amount Paid/(Liquidated)	USD Equivalent	Fund	Value Date
No record exists.						
<b>GRAND TOTAL</b>				<b>2,529,490.00</b>		



# APFS Reconciliation with Loan and Grant Financial Information System – Annual Disbursements



GRANT NO. | LOAN NO.

## STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in US dollars)

	Notes	For the year ended December 31, 2021	For the period from August 26, 2020 to December 30, 2020	Cumulative
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Expenses				
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Other expenses		506	125	631
Closing balance	4	296,469	369,507	296,469

LOAN ID	
Loan Number:	
Loan Title:	Project
Original Amount:	USD 10,000,000.00
Loan Status:	Effective
Net Amount:	USD 10,000,000.00
Project Number:	
Fund Source:	CONCESSIONAL OCR
Fully/Partially Administered Indicator:	
Delegated Disbursement Indicator:	N

Executing Agency: All Executing Agencies

Category: All Categories

Disbursement Type: All Disbursement Type

Disbursement Sub Type: ----

Value Date

From: 26 August 2020 To: 31 December 2021

EA	W/App. No.	CP Trans. No.	Appl. Amount	Amount Disbursed	USD Equivalent	Value Date	Acctg Month
	9200		USD 1,485.02	USD 1,485.02	1,485.02	01 Dec 2020	202012
	921A		USD 4,318.77	USD 4,318.77	4,318.77	01 Jun 2021	202106
	CAP1		USD 6,159.79	USD 6,159.79	6,159.79	01 Dec 2021	202112
	L-R01	40172	USD 16,351,921.14	KGS 15,691,860.00	202,207.13	29 Sep 2020	202009
		40172		USD 660,061.14	660,061.14	29 Sep 2020	202009
				<b>TOTAL</b>	<b>874,231.85</b>		

Advances							
Category Ref.	Category No.	W/App. No.	CP Trans. No.	USD Equivalent	Value Date	Acctg Month	
99	9901	CR001	52963	500,000.00	04 Aug 2021	202108	
99	9901	CR002	57069	500,000.00	17 Nov 2021	202111	
				<b>TOTAL</b>	<b>1,000,000.00</b>		

GRANT ID	
Grant Number:	
Grant Title:	Project
Original Total Amount:	USD 10,000,000.00
Loan Status:	Effective
Revised Total Amount:	USD 10,000,000.00
Project Number:	
Fund Source:	CONCESSIONAL OCR
Fully/Partially Administered Indicator:	
Delegated Disbursement Indicator:	N

Executing Agency: All Executing Agency

Category: All Categories

Fund: All Funds

Value Date

From: 26 August 2020 To: 31 December 2021

W/App. No.	CP Transaction No.	Appl. Amount	Amount Paid	USD Equivalent	Fund	Value Date
ID001	43013	USD 939,810.00	USD 939,810.00	939,810.00	03	27 Nov 2020
ID002	47215	USD 1,722,985.00	USD 1,722,985.00	1,722,985.00	03	11 Mar 2021
ID003	50349	USD 469,905.00	USD 469,905.00	469,905.00	03	24 May 2021
ID004	59748	USD 336,600.00	USD 336,600.00	336,600.00	03	13 Dec 2021
R001	41111	USD 912,739.80	USD 912,739.80	912,739.80	03	28 Oct 2020
R002	41859	USD 520,085.82	USD 520,085.82	520,085.82	03	19 Nov 2020
R003	44337	KGS 54,049,474.56	KGS 54,049,474.56	696,487.82	03	17 Dec 2020
			<b>TOTAL</b>	<b>5,598,613.44</b>		

DB	Contract No.	Contract Amount	Amount Paid	USD Equivalent	Fund	Value Date
						No record exists.

Advances						
Category Code	Withdrawal Appl. No.	CP Transaction No.	Amount Paid/(Liquidated)	USD Equivalent	Fund	Value Date
901	GA001	40624	USD 400,000.00	400,000.00	03	30 Sep 2020
			<b>TOTAL</b>	<b>400,000.00</b>		
			<b>GRAND TOTAL</b>	<b>5,998,613.44</b>		



Cumulative disbursements (from start of project) reconcile with LFIS/GFIS

# Presentation of In-Kind Contributions



Office space



Utilities



Cash Basis:  
Disclose in the notes to financial statements



Salaries of project staff



Taxes and duties



Accrual:  
Quantifiable amount is presented as Source and Use of funds in the APFS

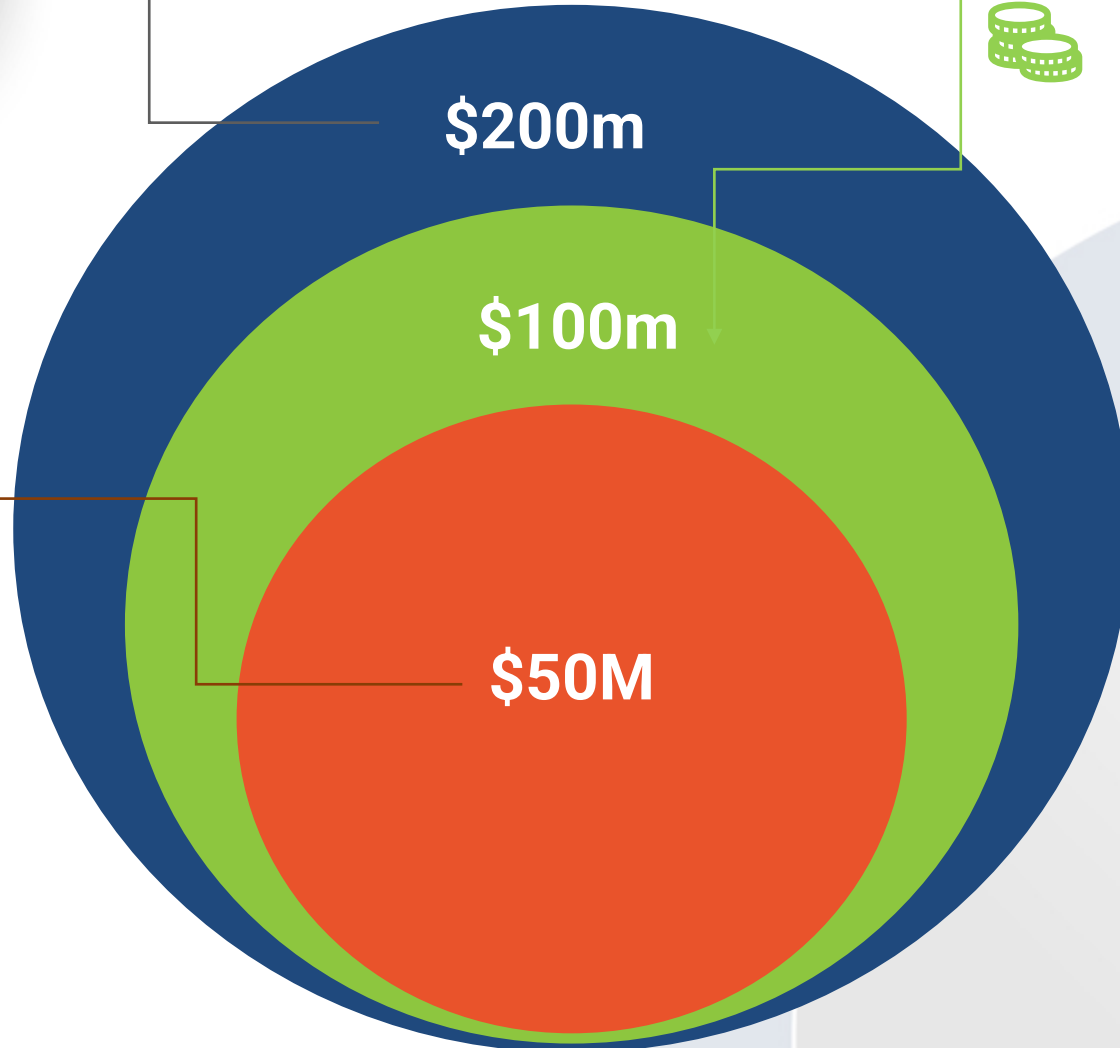
# Reporting "Project data"



ADB LOAN

COFINANCING

COUNTERPART FUNDS



How much should be reported in the project financial statements?

- A. \$200 Million
- B. \$300 Million
- C. \$350 Million

# Presentation and Disclosure Requirements

- ✓ Language of Presentation
- ✓ Currency of presentation
- ✓ Period covered - comparative information
- ✓ Harmonized reporting
- ✓ Public Disclosure
- ✓ Timelines

# Public Disclosure



What is disclosed?

- Audited project financial statements
- Auditor's opinion on the project financial statements

What is not disclosed?

- Addition auditor's opinion (if provided separately)
- Audited entity financial statements
- Management letter

When?

- Within 14 days of acceptance by ADB

How?

- On ADB website



# Agenda – Day 1



A. ADB FM in Project Implementation

B. Overview of APFS

C. Common Issues in APFS

# Bare minimum requirements

**Table 1: Content of Project Financial Statements**

<b>For Cash-Based Financial Statements</b>	<b>For Accrual-Based Financial Statements</b>
A statement of cash receipts and payments	A statement of financial position (balance sheet)
A statement of budgeted versus actual expenditures	A statement of financial performance (income statement)
A statement of imprest account (where applicable)	A statement of cash flows
A summary statement of expenditures (where applicable)	A statement of changes in net assets/equity (where applicable)
Significant accounting policies and explanatory notes	A statement of imprest account (where applicable)
Any additional schedules agreed (e.g., a summary of assets)	Summary statement of expenditures (where applicable)
	Statement of budgeted versus actual expenditures
	Significant accounting policies and explanatory notes
	Any additional schedules agreed

The final APFS will include all eligible expenditures incurred up to the loan closing date.

# Common Issues in Project Financial Statements

Date of authorization /  
Signatures of  
management missing

Inception-to-  
date/Cumulative balance  
not reported

Amounts not presented is  
USD, and only given in  
local currency (*in the  
Notes to the financial  
statements*)

Expenditures not  
reported as per category  
defined in loan or grant

Timing  
differences/unaccounted  
transactions after  
reporting period

Final APFS reconciliation  
not provided

Variance not presented  
and justified between  
budget and expenditure

List of Withdrawal  
Applications missing

Amounts in receipt and  
payments not segregated  
by funding source and  
disbursement type

# Test Case

Only advance/imprest accounts, no direct payments or reimbursements shown

Not as per loan / grant categories

Cash reconciliation missing

Note	2020-21	2019-20
	Receipts(Payments) Controlled by Project	Receipts(Payments) Controlled by Project

## Receipts

External Assistance (ADB)	7	6,194,146,123	3,654,025,884
Counterpart Funds (GoP)	8	850,000,000	465,354,000

## Total Receipts

	7,044,146,123	4,119,379,884
--	---------------	---------------

## Payments

### Foreign Component

Consultancy Services	9.1	245,973,357	178,374,215
Civil Work (Office Building)	9.2	5,948,172,766	3,475,651,669

### Local Component

Operating Expenses	10	117,981,824	124,580,938
Supplies and Consumables		-	
Purchase of Plant and Equipment Transport	12	98,865	94,800
Purchase of Land and Building	13	-	72,025,566
Civil Work (Office Building)	14	729,153,458	268,202,576

## Total Payments

	7,041,380,270	4,118,929,764
--	---------------	---------------

Increase (Decrease) in Cash		
Cash at Beginning of the Year		
Cash lapsed / refund of the year	2,765,853	450,120
Cash at End of the Year	-	-

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

[Signature over printed name]

[Name of the Approver]  
[Name of the Ministry]  
[Date]

[Signature over printed name]

[Name of the Approver]  
[Name of the Ministry]  
[Date]

# Test Case

## Statement of Cash Receipts and Payments

For the Period from July 1, 2020 to June 30, 2021

No cumulative  
information shown

2020-21 (PKR "in Million")		2019-20 (PKR "in Million")	
Receipts / Payments controlled by the Project	Payments by Third Parties	Receipts / Payments controlled by the Project	Payments by Third Parties

Note

### RECEIPTS

Loan adjustment - Interest on loan	7	258.910	12.356
Loan Instalment - received by Project	8	-	11,281.259
Loan Instalment - received by Government of Pakistan (GoP)	9	-	10,917.594
<b>TOTAL RECEIPTS</b>		<b>258.910</b>	<b>22,211.209</b>

### PAYMENTS

*Program Related Payments:*

Consulting Services	10	-	-
Unconditional Cash Transfer- Biometric Verification System (BVS)	14	2,619.750	7,856.593
<b>Sub-total - Program Related Payments</b>		<b>2,619.750</b>	<b>7,856.593</b>





# Test Case

*The APFS are dated as per the note 'Authorization for Issue', which is usually given at the end of the notes to the financial statements.*

## DATE OF AUTHORIZATION

These financial statements have been authorized for issue on  by the management of the Project.

# Test Case

*Equivalent disbursement amount should be presented in foreign currency (currency of the loan such as USD, EUR, JPY etc.) should also be presented in the Notes to the Financial Statements*

Asian Development Bank		FY 2020-21 (PKR in Million)		FY 2019-20 (PKR in Million)	
		US\$	PKR	US\$	PKR
Direct Payment		0.511	56.560	6.898	914.345
Direct Payment	4.1	-	-	19.673	2,331.782
<b>Total</b>		<b>0.511</b>	<b>56.560</b>	<b>26.571</b>	<b>3,246.127</b>

**Asian Development Bank  
TABLE OF DISBURSEMENTS  
For the Year ended 30 June, 2021  
ADB Loan No.**

W/App. No.	Appl. Amount	Amount Disbursed	US\$ Equivalent	PKR Equivalent	Value Date
NH299	US\$ 12,670.95	US\$ 12,670.95	12,670.95	2,104,645	07-Oct-20
NH300	PKR 6,613,385.00	PKR 6,613,385.00	40,370.02	6,613,385	08-Oct-20
NH301	PKR 1,904,692.00	PKR 1,904,692.00	11,626.79	1,904,692	08-Oct-20
NH302	PKR 934,666.00	PKR 934,666.00	5,705.48	934,666	08-Oct-20
NH303	PKR 104,170.00	PKR 104,170.00	635.88	104,170	08-Oct-20
NH307	US\$ 440,141.00	US\$ 440,141.00	440,141.00	44,898,557	17-Dec-20
<b>TOTAL</b>			<b>511,150.12</b>	<b>56,560,115</b>	



# THANK YOU!

Questions:

Musaddiq I. Shaikh  
mishaikh@adb.org

ADB

# Agenda – Day 2



A. Auditor's Report

B. Common Issues in Auditor's Report

# Agenda – Day 2



A. Auditor's Report

B. Common Issues in Auditor's Report

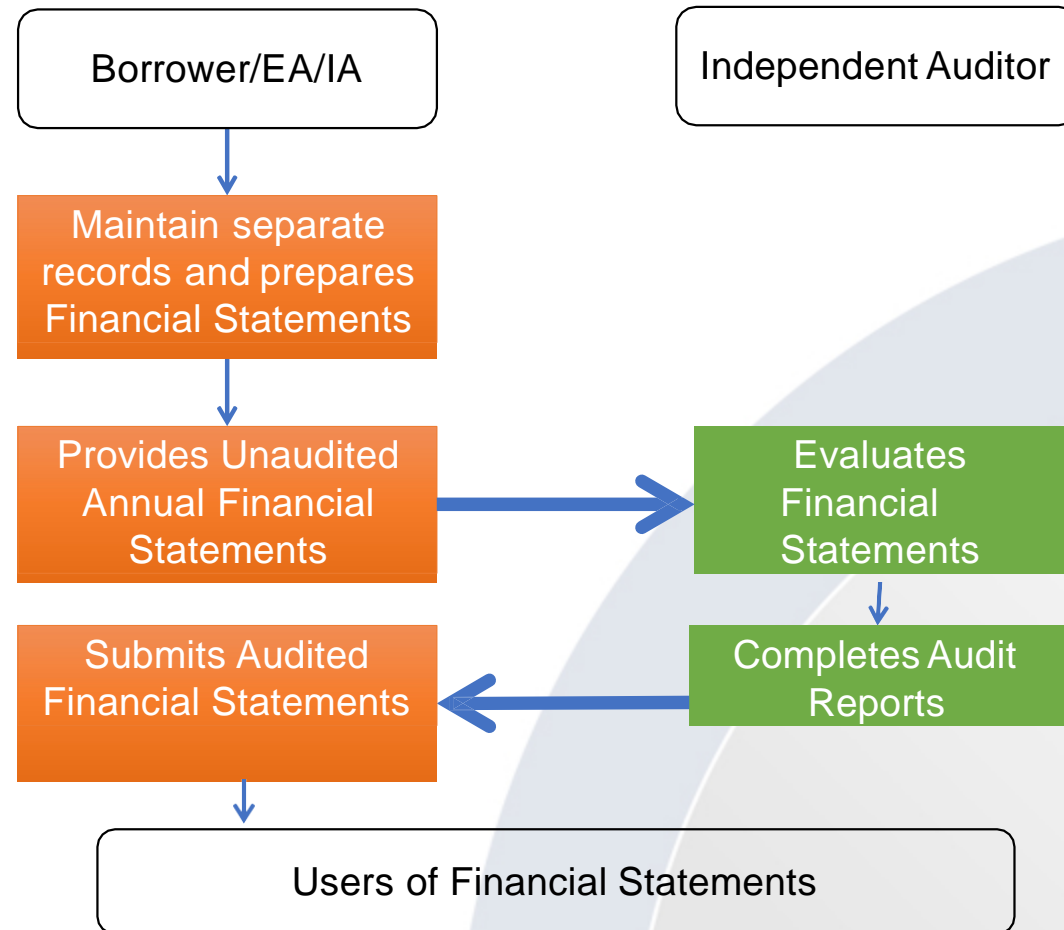


# Requirements for Audit Report

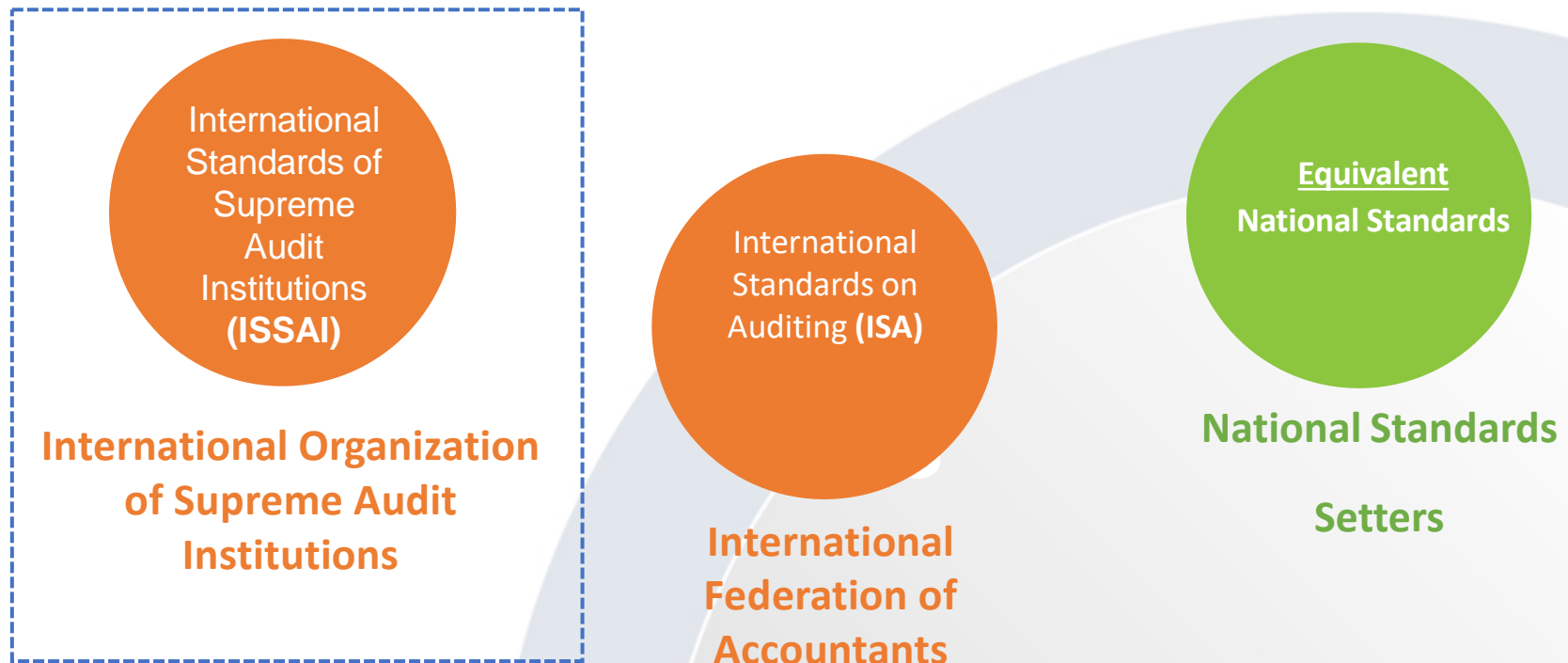
- Title and addressee (executing agency and/or borrower)
- Opinion - identifying the entity and financial information
- Basis of opinion
- Going concern
- Key Audit Matters (KAM)
- Description of the management's and of the auditor's responsibility
- Auditor's signature, date of the auditor's report, and the auditor's address.



# Responsibilities of the Borrower/EA/IA and the Auditor



# Acceptable Auditing Standards





# Specific Audit Opinion

What are the **specific audit opinions** required on a set of **project financial statements** submitted to **ADB**?

# Required Audit Opinions

## Auditor's opinion on financial statements

- Whether the financial statements were **fairly presented**, or **give a true and fair view** of the project's financial position, financial performance and cash flows (fair presentation framework)

In our opinion, the accompanying project financial statements present fairly, in all material respects, the statement of cash receipts and payments, the statement of budgeted versus actual expenses, the statement of advance account and the statement of expenses and withdrawal schedule for the year ended December 31, 2021 in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants and "Guidelines for the Financial Governance and Management of Investment Projects Financed by the Asian Development Bank" (the "ADB Guidelines").



In our opinion, the accompanied financial statements of [Name of the Project]

[Name of the Project]

"within the framework of the [Name of the Project]

[Name of the Project]

; present fairly, in all material respects, view of receipts and payments for the year ended on December 31, 2021 in accordance with the International Public Sector Accounting Standards under the cash basis of accounting (IPSAS).



# Required Additional Auditor's Opinion

## Additional auditor's opinion

- Auditor's opinion on the use of loan/grant proceeds
- Auditor's opinion on compliance with advance account procedures\*
- Auditor's opinion on compliance with statement of expenditure procedures\*
- Auditor's opinion on compliance with financial covenants , if any

All proceeds of the grant and loan withdrawn from the Asian Development Bank have been utilized only for purposes of the Project in accordance with the Grant and Loan agreements and no proceeds of the grant and loan have been utilized for other purposes. Procurement of goods and services were made in compliance with Grant and Loan agreements.

Opinion on the use of loan and grant proceeds

In addition:

i) (a) With respect to the statement of expenses and withdrawal applications, adequate supporting documentation has been maintained to support claims to the Asian Development Bank on the direct payment procedure; and (b) which expenses are eligible for financing under the Grant and Loan agreements.

Opinion on compliance with statement of expenditure procedures

ii) (a) The advance accounts in the statement of advance account give a true and fair view of the receipts collected and payments made for the year ended December 31, 2021; and (b) these receipts and payments support advance accounts liquidations/replenishments for the year ended December 31, 2021.

Opinion on compliance with advance account procedures



# Requirements for Management Letter



- any weaknesses in the accounting and internal control systems
- recommendations to rectify identified weaknesses
- management's comments on the audit recommendations
- the status of significant matters raised in previous management letters
- details of any ineligible expenditure identified during the audit (as per the professional judgement of the Auditor)

## Common Issues with Management Letter (Status Sheet)

- Unresolved or recurring internal control issues
- No update on implementation of audit recommendations for previous year's internal control issues
- No Management's response on internal control issues raised

# Agenda – Day 2



A. Auditor's Report

B. Common Issues in Auditor's Report

# Minimum requirements of an auditor's report

Title of the audit report

Addressee (executing agency and/or borrower)

Identification of financial information audited

Management's responsibility

Auditor's responsibility

Expression of audit opinion (qualified, unqualified, disclaimer, adverse)

Auditor's signature

Date of audit report

Auditor's address



# Test Case

Missing  
EA  
addressee

Audit report should  
be issued each year

International Standards of Supreme  
Audit Institutions (ISSAI) are  
applicable

Should mention IPSAS

Audit report is not dated;  
Complete address not given

## AUDITOR'S REPORT

We have audited the accompanying Financial Statements of the Project (

for the financial years 2019-20- and 2020-21.

These Financial Statements are the responsibility of the management of the Project Management.

Our responsibility is to express an opinion on the accompanying statements based on our audit.

We conducted our examination in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free of 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 Project's policy is to prepare the accompanying statements in the format agreed between the Asian Development Bank and the Government of Punjab as noted in the Minutes of Negotiations for the Loan, on a cash receipts and disbursement basis in which cash is recognized when received and expenses are recognized when paid, rather than when incurred.

In our opinion, (A) the aforementioned Financial Statements and appended notes fairly present in all material respects the financial position of the Project as on 30-06-2021 and the results of its operations for the Financial Years 2019-20 and 2020-21 in conformity with IPSAS, applied on a basis consistent in all material respects with that of the previous year; (B) the project has utilized all proceeds of the loan of the ADB only for purposes of the Project as agreed between the Asian Development Bank and Government of the Punjab in accordance with the Loan Agreement; and no proceeds of the loan have been utilized for other purposes; and (C) the Project was in compliance as at the date of closing of the Financial Year with all financial covenants of the Loan Agreement.

Auditor Name

Auditor Address

Date of Audit Report

Signature of Auditor

Dated:  
Place: Lahore





# Test Case

Project number  
missing

Should clearly  
mention financial  
covenants  
compliance, if  
applicable

ADB

## AUDITOR'S REPORT TO THE MANAGEMENT

To  
The Management  
Designation  
Address

Auditor's Report on the \_\_\_\_\_ i Project

We have audited the accompanying Financial Statements of \_\_\_\_\_ Development  
\_\_\_\_\_ Ltd., Loan No. : \_\_\_\_\_ that comprise  
Statement of Receipts and Payments together with the Notes forming part thereof for the year  
ended 30<sup>th</sup> June, 2021.

### 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 misstatement. The audit process includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall statement presentation. We believe that the audit evidence, we have obtained is sufficient and appropriate to provide a basis for audit opinion.

### Opinion

In our opinion

- a) The Financial Statements present fairly, in all material respects, the cash receipts and payments made by the project for the year ended 30<sup>th</sup> June, 2021 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.

Auditor Name  
Auditor Address  
Date of Audit Report  
Signature of Auditor



# Test Case

Missing  
EA  
addressee

Management  
responsibility para  
repeated

## AUDITOR'S REPORT TO THE MANAGEMENT

The Directorate General Audit Works (Federal), Islamabad has audited the accompanying Financial Statements, as of 30<sup>th</sup> June 2021, of the Project

financed through Asian Development Bank Loans No.

The preparation of Financial Statements is the responsibility of the Management of the Project. The responsibility of Audit is to express an opinion on the accompanying Statements based on the Financial Attest.

The audit was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAI). The standards require the Audit to obtain reasonable assurance that the Financial Statements are free of material misstatements. This audit is based on a test check basis and includes findings, evidence supporting the amounts and disclosures in the Financial Statements. It also includes assessing the Accounting Principles used by the Management in preparing Financial Statements and significant estimates made by the Management. We believe that our audit provides a reasonable basis for our opinion.

The Management's responsibility is to prepare the accompanying statements on the format agreed between Asian Development Bank and the Government of Pakistan, on a cash receipts and disbursement basis in which revenue is recognized when received and expenses are recognized when paid.

In our opinion:

A. The aforementioned Financial Statements that were subject to audit, fairly present in all material respects the financial position of the Project Asia Regional Economic Cooperation Regional Improving Border Services

for the period ended 30<sup>th</sup> June, 2021, in conformity with Cash Basis International Public Sector Accounting Standard.

B. The management of the Project has utilized all proceeds of the loan withdrawn from the Asian Development Bank only for the purposes of the Project as agreed between the Asian Development Bank and Government of Pakistan in accordance with the Loan Agreement; and no proceeds of the loan have been utilized for any other purposes.

Dated: 16<sup>th</sup> December, 2021  
Islamabad

Missing auditor address

Auditor Name  
Auditor Address  
Date of Audit Report  
Signature of Auditor



# THANK YOU!

Questions:

Musaddiq I. Shaikh  
mishaikh@adb.org

ADB

# Final APFS Reconciliation

## Preparation of the Final Audited Project Financial Statements under the Cash Basis of Accounting Sample Note to the Audited Project Financial Statements<sup>27</sup>

### Note xx: Other Information: Total Estimated Expenditures at Loan Closing Date

The total estimated project expenditures as of 30-September-2014 (**reporting date**) amounts to **LCU xxx**. Of this amount, **LCU xxx** refers to amounts specified in the invoices, contracts, and other documents that are paid after the reporting date, and which amounts relate to funding of the expenditures incurred and committed as of 30-September-2014 (**loan closing date**).

**Table 1: Schedule of Total Estimated Project Expenditures  
In LCU millions**

	Expenditures Recorded and Paid to 30-Sep- 2014 <sup>a</sup> (a)	Estimated Expenditures Paid Subsequent to 30-Sep-2014 <sup>b</sup> (b)				Total Estimated Expenditures Incurred to 30-Sep- 2014 <sup>c</sup> (c) = (a) + (b)
		ADB	Government	Cofinancier 1	Cofinancier n	
Audit fees	0.0	10.0	0.0	0.0	0.0	10.0
Civil works	100.0	20.0	30.0	0.0	0.0	150.0
Consulting services	100.0	20.0	10.0	0.0	0.0	130.0
Project management	50.0	0.0	10.0	0.0	0.0	60.0
.	.	.	.	.	.	.
Total	300.0	40.0	40.0	0.0	0.0	380.0