FINANCIAL ATTEST AUDIT REPORT ON THE ACCOUNTS OF

PUNJAB HUMAN CAPITAL INVESTMENT PROJECT (PHCIP) FINANCED BY THE WORLD BANK (WB-IDA CREDIT NO 6548-PK)

PLANNING AND DEVELOPMENT BOARD GOVERNMENT OF THE PUNJAB

FOR THE FINANCIAL YEAR 2021-22

AUDITOR GENERAL OF PAKISTAN ISLAMABAD

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ABBREVIATIONS AND ACRONYMS

BOQ	Bill of Quantity
DAC	Departmental Accounts Committee
DLI	Disbursement Linked Indicator
DOH	Department of Health
DOPW	Department of Population Welfare
ECE	Early Childhood Education
EMR	Electronic Medical Record
FM	Financial Management
GOPb	Government of Punjab
HR	Human Resource
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMR	Infant Mortality Rate
IPF	Investment Policy Financing
IPV	Inactivated Poliovirus Vaccine
IT	Information Technology
LHV	Lady Health Visitor
LHW	Lady Health Worker
M&E	Monitoring and Evaluation
MP	Management Professional
P&DD	Planning and Development Department
PDO	Project Development Objective
PESP	Punjab Education Sector Reform Project
PHCIP	Punjuab Human Capital Investment Project
PHSRP	Punjab Health Sector Reform Project
PKR	Pakistan Rupees
PMIU	Programme Monitoring & Implementation Unit
PSC	Project Steering Committee
PSHCD	Primary and Secondary Health Care Department
PSPA	Punjab Social Protection Authority
QCS	Quality Control Selection
SED	School Education Department

TOR	Terms of Reference
TSE	technical Sanction Estimate
US	United States
WB	World Bank

PREFACE

The Department of Auditor General of Pakistan conducts audit in terms of Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 7, 8 & 12 of the Auditor General's (Functions, Powers and Terms & Conditions of Service) Ordinance, 2001. This audit of Financial Statements of the Punjab Human Capital Investment Project (PHCIP) financed by World Bank for the Financial Year 2021-22 was carried out accordingly.

The Directorate General Audit, Punjab conducted audit of the Punjab Human Capital Investment Project (PHCIP) in September, 2022 for the Financial Year 2021-22 with a view to report significant findings to stakeholders i.e. World Bank and Govt. of Punjab through management of Punjab Human Capital Investment Project (PHCIP). Audit examined the economy, efficiency and effectiveness aspects of the Punjab Human Capital Investment Project (PHCIP). 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 to realize the intended objectives i.e. to increase the access to quality health services, and economic and social inclusion programs, among poor and vulnerable households in selected districts in Punjab. The report was discussed with the Punjab Human Capital Investment Project (PHCIP) Management in October, 2022. However, no DAC meeting was convened despite adequate notice.

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 along with management response incorporated in audit observations.

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

(Muhammad Ejaz-ul-Haq)
Director General Audit Punjab

Dated: 15/12/22
Place: Lahore

FINANCIAL STATEMENTS

FOR THE YEAR ENDED ON 30th JUNE, 2022

Punjab Human Capital Investment Project (PHCIP) - Consolidated
WB-IDA Credit No. 6548-PK
STATEMENT OF RECEIPTS AND PAYMENTS
AS ON JUNE 30, 2022

DESCRIPTION	Note	2021-22		2020-21	
		Controlled by Project	Third Party Paymnets	Controlled by Project	Third Party Paymnets
		Pak Rupees		Pak Rupees	
RECEIPTS					
External Assistance	5	3,829,264,100	-	1,682,817,400	-
Counterpart Funds		-	-	-	-
Total Receipts		**3,829,264,100**	**-**	**1,682,817,400**	**-**
PAYMENTS	6				
Goods	6.i	122,615,135	-	-	-
Works	6.ii	265,234,886	-	-	-
Non-consultancy Services	6.iii	276,457,378	-	2,197,273	-
Consultancy Services	6.iv	147,385,709	-	34,182,298	-
Incremental Operating Cost	6.V	166,992,126	-	48,673,745	-
Training & Workshops	6.VII	821,185	-	8,079,884	-
Conditional Cash Grants	6.VII	56,354,000	-	-	-
Productive Assets	6.VIII	291,570,876	-	-	-
Advances (BOP-H&N CCT)	6.IX	33,646,000	-	5,000,000	-
Total Payments		**1,361,077,295**	**-**	**98,133,200**	**-**
Increase /(Decrease) in cash					
Opening Balance		1,584,684,200	-		-
Closing Balance		4,052,871,005	-	1,584,684,200	-
Contingencies and Commitments					

Note: There is an un-utilized amount in assignemnt accounts Rs. 4,052,871,005/- in FY 2021-22, which will be revalidated for next year use.

Addl. Dir. (FM&P)
PHCIP-PSPA

Project Director
~~PHCIP-PSPA~~
22.9.22

Audit Officer
DG Audit Civil

Punjab Human Capital Investment Project (PHCIP) - Consolidated
WB-IDA Credit No. 6548-PK
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED ON JUNE 30, 2022

DESCRIPTION	Note	2021-22		2020-21	
		Budget Amounts	Actual Amounts	Budget Amounts	Actual Amounts
		Pak Rupees		Pak Rupees	
RECEIPTS					
External Assistance	5	3,829,264,100	3,829,264,100	1,682,817,400	1,682,817,400
TOTAL RECEIPTS		3,829,264,100	**3,829,264,100**	**1,682,817,400**	**1,682,817,400**
PAYMENTS	6				
Goods	6.i	382,782,700	122,615,135	-	-
Works	6.ii	1,302,531,964	265,234,886	-	-
Non-consultancy Services	6.iii	639,225,853	276,457,378	41,874,143	2,197,273
Consultancy Services	6.iv	566,936,153	147,385,709	360,586,179	34,182,299
Incremental Operating Cost	6.V	366,027,400	166,992,126	468,776,115	48,673,745
Training & Workshops	6.VI	3,837,603	821,185	153,980,964	8,079,884
Conditional Cash Grants	6.VII	83,876,161	56,354,000	57,600,000	-
Productive Assets	6.VIII	433,968,234	291,570,876	600,000,000	-
Advances (BOP-H&N CCT)	6.IX	50,078,030	33,646,000	-	5,000,000
Total Payments		**3,829,264,100**	**1,361,077,295**	**1,682,817,400**	**98,133,201**

Note: (1) There is an un-utilized amount in assignment account **Rs. 4,052,871,005/-** in FY 2021-22, which will be revalidated for next year use.

(2) Since PHCIP having a one Liner budget therefore, Budgted figures have been established on Estimation/prorata basis.

Addl. Dir. (FM&P)
PHCIP-PSPA

Project Director
PHCIP-PSPA

Audit Officer
DG Audit (Civil)

22.9.22

Punjab Human Capital Investment Project (PHCIP)
WB-IDA Credit No. 6548-PK
Government of the Punjab

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2022

1. The Project

1.1 Project Description

Punjab Human Capital Investment Project (PHCIP) is operational and effective since 18th May 2020 under Planning & Development Board, Govt. of the Punjab. Project is funded through an IDA credit No. 6548 of JPY 21.713 billion equivalent to US$ 200 million through its existing development and recurrent budget for health, education and PSPA interventions in complementary activities.

The Project is based on 03 components (i) Punjab Primary & Secondary Healthcare Department (PSHD) (ii) Punjab School Education Department (PSED) and (iii) Punjab Social Protection Authority (PSPA).

The spread of Punjab Human Capital Investment Project (PHCIP) is over 11 Districts of Punjab including Muzaffargarh, Bahawalpur, Rajanpur, DG Khan, Rahimyar Khan, Bahkkar, Mianwali, Bahawalnagar, Lodhran, Layyah, Khushab.

1.2 Project Objectives

The objective of the Project is to increase the utilization of quality health services, economic and social inclusion Programs among poor and vulnerable households in the selected Districts of Punjab. Project Development Sector directly contribute to the Govt. of the Punjab Social Sector and Poverty reduction priorities.

1.3 Scope of the Project

i) Health & Nutrition Conditional Cash Transfer (**H & N CCT**) to 564,000 beneficiaries.

ii) Training to 100,000 beneficiaries and transfer of assets 75,000 under PSPA.

iii) Improvement in quality of health services to 2,408,400 beneficiaries.

iv) Early Child education after 2 years of child to 1,077,000 beneficiaries.

1.4 Estimated Cost

Partners	**US $ Million**	**JPY Billion**
IDA Credit 6548	200.00	21.713
Counterpart funding	130.00	
Total	**330.00**	

2. Significant Accounting Policies

2.1 Basis of Presentation

These Financial Statements have been prepared on cash Basis IPSAS which recognizes transactions and events only when cash is received or paid by the entity.

2.2 Accounting Conventions

The financial statements have prepared in accordance with International Public Sector Accounting Standards (IPSAS) under the Cash Basis Accounting Standards.

2.3 Foreign Currency Transactions

Cash receipts and payments arising from transactions in foreign currencies are recorded in Pak Rupees 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 realized.

2.4 Fixed Assets

Fixed Assets of PHCIP are disclosed on Historical Cost Basis.

2.5 Provisions

Due to Cash Basis of Accounting, No provision is recognized in the Financial Statements, However, if there were any event which may have legal or other obligation with contingent Financial implication then it would have been identified by separate disclosure in the Notes to the Financial Statements.

2.6 Offsetting

Neither asset-liabilities nor fund flow and expenditure have been offset in the financial Statements.

2.7 Recognition of Receipts

Receipts are recognized when the required amounts are credited to the Punjab Government Consolidated Account No. 1 (Non Food) held with Sate Bank of Pakistan.

2.8 Recognition of Expenditure

Expenditure is recognized on the date when payment cheque is issued. Financial year to which the payments pertain is determined by the date on which a cheque or payment advice is issued.

2.9 Cash & Cash Equivalents

For the purpose of Cash Flow Statement, Cash & Cash Equivalent comprise cash in Punjab Government Consolidated Account No. 1 (Non Food) maintained with State Bank of Pakistan related to IDA Credit.

2.10 Project Implementation & Closing Period

Date of commencement is 18th May 2020 and closing date is 30th June, 2025.

3. Reporting Entity

The financial statements are for PUNJAB HUMAN CAPITAL INVESTMENT PROJECT (PHCIP) of Implementing Agency (IA) Punjab Social Protection Authority (PSPA), under

Planning & Development Board, Government of the Punjab as a Project Implementing Entity (IE) / Executing Agency (EA).

The financial statement encompasses the reporting entity as defined in the Financing Agreement between the Islamic Republic of Pakistan and the World Bank (WB) through the International Development Association (IDA).

The financial Agreement was signed on May 18, 2020 for an amount of JPY 21,713,100,000 equivalent to US$ 200.00 Million. The Loan became effective from 18-05-2020 with the closing date of 30-06-2025.

3.1 Financing

The financing is made in the form of Credit based on WB-IDA terms through the signed Financing Agreement Credit No. 6548-PK, with a maturity of 25 years.

3.2 Responsible Agency

A primary responsibility for overall progress and management of the Financing has been entrusted to Planning & Development Board, Government of the Punjab.

3.3 Certification by Project Management on Application of Funds

The Punjab Human Capital Investment Project (PHCIP) management certified that the funds have been applied and expenditure have been incurred for the purpose intended in the financing agreement.

4. Significant Accounting Policies

4.1 Reporting Currency

All amounts in the financial statements are in Pak Rupee.

4.2 Revenue Recognition

Revenue in 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.

4.3 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.

4.4 Payments by Third Party

The payments made by third parties do not constitute cash receipts or payments controlled by the Project but do benefit the Project as the Project does not receive cash (including cash equivalents) directly from, or gain control of the bank accounts or similar facility established for its benefit by, the third parties. Payments by third parties, if any, are disclosed in the Payments by third parties column on the face of Statement of Cash Receipts and Payments and notes to the financial statements.

5. **External Assistance**

[WB-financed projects in Pakistan are normally funded by two different sources. One is called IDA Credits and one is WB Loans] External assistance was received in the form of Credit from the World Bank through IDA under Financing Agreement dated 18-05-2020 (WB-IDA Credit no. 6548-PK) between the International Development Association and Government of Pakistan (GOP) for the purpose of Punjab Human Capital Investment Project (PHCIP). The following amounts were received by the Project during the period.

RECEIPTS: External Assistance

5.1) Assignment Account WB-IDACredit No. 6548-PK

Pak Rupees

Particulars	Assignment A/c No.	2020-21	2021-22
PSPA	22-221117-3	772,102,324	1,225,440,000
SED	22-221119-1	444,294,475	1,531,800,000
PSHD	22-221118-2	466,420,601	1,072,024,100
Total Assignment Account		**1,682,817,400**	**3,829,264,100**

5.1 This represents funds transferred to the Punjab Human Capital Investment Project's Designated JPY Bank Account by the World Bank on the basis of Withdrawal Applications 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 Asian Development Bank and GoP and Asian Development Bank has closed the Loan account.

Punjab Human Capital Investment Project (PHCIP) - Consolidated
WB-IDA Credit No. 6548-PK
NOTES TO ACCOUNTS FOR FINANCIAL YEAR 2021-22
AS ON JUNE 30, 2022

Note No. **Description**

5.) RECEIPTS: External Assistance

5.1) Assignment Account WB-IDACredit No. 6548-PK **Pak Rupees**

Particulars	Assignment A/c No.	2020-21	2021-22
PSPA	22-221117-3	772,102,324	1,225,440,000
SED	22-221119-1	444,294,475	1,531,800,000
PSHD	22-221118-2	466,420,601	1,072,024,100
Total Assignment Account		**1,682,817,400**	**3,829,264,100**

		2020-21	2021-22
6.	**PAYMENTS**	**Pak Rupees**	**Pak Rupees**
6.i	**Goods**		
	PHCIP-PSPA	-	59,728,801
	PHCIP-PSHD	-	62,886,334
	PHCIP-SED	-	-
	Total Goods	**-**	**122,615,135**
6.ii	**Works**		
	PHCIP-PSPA	-	-
	PHCIP-PSHD	-	51,300,000
	PHCIP-SED	-	213,934,886
	Total Works	-	**265,234,886**
6.iii	**Non-consultancy Services**		
	An amount of Rs. 276,457,378 was spent against Non-Consultancy Services for Financial Year 2021-22 as detailed below		
	PHCIP-PSPA	-	204,946,689
	PHCIP-PSHD	2,197,273	71,510,689
	PHCIP-SED	-	-
	Total Non-Consultancy Services	**2,197,273**	**276,457,378**
6.IV	**CONSULTANCY SERVICES**		
	An amount of Rs. 147,385,709 was spent against Consultancy Services for Financial Year 2021-22 as detailed below		
	Individual Consultants		
	PHCIP-PSPA		
	Project Director-HCIP	5,341,469	8,285,448
	Addl. Dir. FM & P	2,450,000	6,664,000
	Communication Specialist	2,450,000	6,664,000
	Addl. Dir. Procurement	2,137,500	6,108,750
	Environmental & Social Safeguard Specialist		5,880,000
	Monitoring Specialist-Internal		3,335,161
	Monitoring Specialist-External		-

Punjab Human Capital Investment Project (PHCIP) - Consolidated
WB-IDA Credit No. 6548-PK
NOTES TO ACCOUNTS FOR FINANCIAL YEAR 2021-22
AS ON JUNE 30, 2022

Note No.	Description		
	Sub Total PHCIP-PSPA	12,378,969	36,937,359
	PHCIP-PSHD		
	Financial Management Specialist (Ansar Ali Noor)	1,261,302	-
	Procurement Specialist (Iftikhar Hussain)	1,124,632	-
	M&E Specialist (Javaid Iqbal)	1,127,667	-
	M&E Specialist (Ishaq Bin Zeigham)	825,864	-
	EMR & Technology Specialist (Abid Ghaffar)	944,633	-
	Sub Total PHCIP-PSHD	5,284,098	36,332,843
	PHCIP-SED		
	Programm Manager	1,366,941	4,733,763
	Financial Management Specialist	2,445,156	4,631,821
	Contract Management Specialist	2,582,524	4,706,450
	Procurment Management Specialist	2,582,524	-
	Education Specialist	2,087,928	5,690,370
	Curriculum Specialist	1,899,126	5,673,527
	Planning Specialist	2,110,140	5,482,583
	Monitoring and Evalution Specialist	1,444,893	5,262,056
	Social Mobilization Specialist		4,974,316
	Additional Planning Officer		2,930,823
	Sub Total PHCIP-SED	16,519,232	44,085,708
	Total Individual Consultants	**34,182,299**	**117,355,910**
	Other Consultancy Services	-	
	PHCIP-PSPA		
	Internal Audit		**4,352,019**
	M/S RSM Avais Haider Liaquat Noman, Chartered Accountants		4,352,019
	Communication Strategy(Organizational & Programmatic)		**3,128,191**
	M/S Spectrum Communication (Pvt.) Ltd.		3,128,191
	Sub Total PHCIP-PSPA		**7,480,210**
	PHCIP-SED		
	Sub Total PHCIP-SED		**22,549,589**
	Total Other Consultancy Services	-	**30,029,799**
	TOTAL CONSULTANCY SERVICES	**34,182,299**	**147,385,709**
6.V	**Incremental Operating Cost**		

An amount of Rs. 166,992,126 was spent against Incremental Operating Cost for Financial Year 2021-22 as detailed below

PHCIP-PSPA		
Office Space	5,145,000	7,225,555
Office Space-Field Office	-	3,232,668
MIS	-	3,425,552
Communication Strategy(Organizational & Programmatic)	722,914	2,342,035
Salaries Officers	14,752,871	58,897,057
Salaries Staff	-	2,808,460
Salaries Field Officers	-	42,043,413
	-	-
POL (PMIU)	14,837	1,032,476
TA/DA (PMU Only)	386,482	1,387,247
Rental Services	80,298	3,290,518
Office Supplies & Consumables	1,677,128	6,989,260
Sub Total PHCIP-PSPA	**22,779,530**	**132,674,241**
PHCIP-PSHD		
Travelling Allowance	248,320	1,409,735
Advertisement	191,370	441,645
Stationary	903,724	142,809
IT Equipment	1,454,600	978,635

Punjab Human Capital Investment Project (PHCIP) - Consolidated
WB-IDA Credit No. 6548-PK
NOTES TO ACCOUNTS FOR FINANCIAL YEAR 2021-22
AS ON JUNE 30, 2022

Note No.	Description		
	WHT	2,370,729	-
	PST	2,517,201	-
	Collector Sale T	108,321	-
	Entertainment Expense	2,085	-
	Office Furniture	1,117,008	582,185
	Workshops, Seminars	-	255,506
	Car Service	-	1,368,618
	Internet Connectivity	-	726,082
	POL	-	343,167
	Petty Expenses	-	296,411
	Sub Total PHCIP-PSHD	8,913,358	6,544,793
	PHCIP-SED		
	Communication Strategy(Organizational & Programmatic)	811,520	
	Advertiment and Publication	454,031	290,029
	Salaries Field Officers	-	3,171,544
	Salaries Officers	-	1,206,552
	Salaries Staff	-	5,638,318
	POL Field	-	891,861
	Rental Services	-	753,953
	TA/DA (PMU Only)	335,829	
	Office Supplies & Consumables	409,231	2,458,712
	Foundation Learning Cell	10,395,816	13,362,123
	Contingent Budget	4,574,430	
	Sub Total PHCIP-SED	16,980,857	27,773,092
	Total Incremental Operating Cost	**48,673,745**	**166,992,126**
6.VI	**Training & Workshops**		
	An amount of Rs. 821,185was spent against Training & Workshop for Financial Year 2021-22 as detailed below		
	PHCIP-PSPA	-	-
	PHCIP-PSHD	-	-
	Market Readiness Training	8,079,884	-
	Mentors Training	-	-
	Mentors Allowance	-	-
	Sub Total PHCIP-PSHD	8,079,884	821,185
	PHCIP-SED	-	-
	Total Training & Workshops	**8,079,884**	**821,185**
6.VII	**Conditional Cash Grants**		
	CCT Payments		56,354,000
	Total Conditional Cash Grants	-	**56,354,000**
6.VIII	**Productive Assets**		
	Productive Assets		291,570,876
	Total Productive Assets	-	**291,570,876**
6.IX	**Advances**		
	An amount of Rs. 33,646,000 was spent against Advances for Financial Year 2021-22 as detailed below		
	Advances (BOP-H&N CCT)	5,000,000	33,646,000
	Total Advances	**5,000,000**	**33,646,000**
	Grand Total Payments	**98,133,201**	**1,361,077,295**

Punjab Human Capital Investment Project (PHCIP) - Consolidated
WB-IDA Credit No. 6548-PK
NOTES TO ACCOUNTS FOR FINANCIAL YEAR 2021-22
AS ON JUNE 30, 2022

Note No.	Description