

**Auditor-General of Pakistan**Special Sector Audit Wing
Constitution Avenue

Islamabad

P084302

No.PA/FAP/Sindh/SSA/F-14/101

Dated: 30 -12-2016

To,

1. The Secretary
Economic Affairs Division, Government of Pakistan
Pak Secretariat Block-C
Islamabad
2. The Country Director,
World Bank, Resident Mission
20A, Shahrah-e-Jamhuriat
G-5/1, Islamabad

Subject:- **FOREIGN AIDED PROJECTS (FAPs) AUDIT REPORTS**

Financial Attest Audits of the following FAP Audit Report has been conducted by this office:

S.No	Name of Projects	Name of Development Partners
1. ✓	Sindh Water Sector Improvement Project	WB
2.	Sindh Global Partnership for Education	WB
3.	Sindh Barrages Improvement Phase-I Project	WB
4.	Sindh Public Sector Management Reform Project	WB
5.	2 nd Sindh Education Sector Reform Program	WB
6.	Sindh Irrigated Agriculture Productivity Enhancement Project	WB
7.	Enhanced Nutrition for Mothers and Children	WB
8.	Sindh Agriculture Growth Project (Agriculture)	WB
9.	Sindh Agriculture Growth Project (Livestock)	WB
10.	Sindh Skills Development Project (BBSYDP)	WB
11.	Sindh Skills Development Project (STEVTA)	WB



P084302



Financial Attest Audit Report on the
Accounts of Sindh Water Sector Improvement Project
Sponsored by the World Bank
for the Financial Year 2015-16
Credit Account No.IDA-5556 PAK
(Additional Financing)



AUDITOR-GENERAL OF PAKISTAN

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PREFACE

The Auditor General conducts audit subject to Article 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 Conditions of Service) Ordinance 2001. The audit of Sindh Water Sector Improvement Project (Irrigation Component) was carried out accordingly.

The Directorate, General Audit Sindh conducted audit of the Sindh Water Sector Improvement Project (Irrigation Component) from 10th October 2016 for the year 2015-16 with a view to reporting significant findings to stakeholders. Audit examined the economy, efficiency and effectiveness aspects of the Sindh Water Sector Improvement Project (Irrigation Component). In addition, audit also assessed, on test check basis whether the management complied with applicable laws, rules and regulations in managing the Sindh Water Sector Improvement Project (Irrigation Component). The audit report indicates specific actions that, if taken, will help the management to realize the objectives of the Sindh Water Sector Improvement Project (Irrigation Component). The observations included in this report have been finalized in the light of discussion in the exit meeting.

The Audit 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 Audit Report has been prepared for submission to the International Development Association (IDA) in terms of Loan Agreement / Development Credit between International Development Association & Islamic Republic of Pakistan.

Dated: 29-12-2016
Place: Karachi


(Azhar Hameed)
Director General

Abbreviations and Acronyms

ADB	Asian Development Bank
BP	Business Plan
CCA	Culturable Command Area
CR	Customers Relations
DBG	Drainage Beneficiary Group
DO	Direct Outlet
FMIS	Financial Management Information System
FO	Farmers' Organization
GCA	Gross Command Area
GIS	Geographical Information System
GM	General Manager
GMF	General Manager Finance
GoS	Government of Sindh
HR	Human Resources
I&D	Irrigation and Drainage
IDMT(A)	Irrigation and Drainage Management Transfer (Agreement)
I(P)D	Irrigation (and Power) Department
ICT	Information and Communication Technology
IRC	Institutional Reform Consultants
LBOD	Left Bank Outfall Drain
M&E	Monitoring and Evaluation
MD	Managing Director
MIS	Management Information System
NAWB	Nara Canal Area Water Board

PART-I

1. Project Overview
2. Auditor's Report to the Management
3. Financial Statements

Project Overview

Name of Project:	Sindh Water Sector Improvement Project
Sponsoring Authority:	Secretary Irrigation Department, Government of Sindh and World Bank (IDA Donor)
Executive Authority:	<ol style="list-style-type: none">1. Irrigation & Power Department Govt. of Sindh,2. Sindh Irrigation & Drainage Authority3. Area Water Boards of Ghotki Feeder, Nara Canal & Left Bank Canals & Farmers Organizations (FOs)
Loan No:	IDA 5556-PAK
PC-I Cost:	US\$ 175.0 Million equivalent to Rs 10.7 billion (IDA Share US\$ 150.2 million and Government of Sindh share US\$ 24.8 Million)
Revised PC-I	US\$322.0 Million equivalent Rs30.353 billion (IDA Share US\$ 297.20 million and Government of Sindh share US\$24.80 million)
Date of Commencement:	1 st July, 2007
Actual Date of Commencement:	1 st July, 2007
Date of Completion (as per Bank Credit):	31 st December, 2017
Date of Approval by ECNEC:	19-09-2007
Loan Utilization Status in FY 2015-16:	Rs 1436.594 million
Progressive Expenditure upto last FY:	Rs 1468.760 million

Auditor's Report on the Sindh Water Sector Improvement Project (Irrigation Component) Financial Statements

We have audited the accompanying Financial Statements of Sindh Water Sector Improvement Project (Irrigation component) financed through loan/credit of World Bank (IDA) that comprises of Statement of Receipts & Payments, Statement of Comparison of Budget & Actual together with the notes forming part thereof for the year ended June 30, 2016.

Management Responsibility

It is the responsibility of the project management to establish and maintain a system of internal control and prepare and present the Statement of Receipts & Payments in conformity with the requirements of Cash basis IPSAS, Financial Reporting under the Cash Basis of Accounting Standards.

Auditor's responsibility

The responsibility of the auditor is to express an opinion on the financial statement based on the audit conducted. We conducted our audit in accordance with the International Standards of the 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 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 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 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 30 June 2016 in accordance with Cash basis IPSAS, Financial Reporting under the Cash Basis of Accounting Standards.
- b) The expenditure has been incurred in accordance with the requirements of the legal agreements.

Dated 29-12-2016
Place: Karachi


(AZHAR HAMEED)
Director General

ADDITIONAL FINANCING
SINDH WATER SECTOR IMPROVEMENT PHASE-I PROJECT
IDA Credit No. 5556-PAK

For the Year ended June 30, 2016

Notes to the Financial Statements

1. Background and Rationale for Additional Financing

The overarching project objective is to improve the efficiency and effectiveness of irrigation water distribution in three AWBs (Ghotki, Nara and Left Bank), particularly with respect to measures of reliability, equity and user satisfaction. This would be achieved by: (a) deepening and broadening the institutional reforms that are already underway in Sindh; (b) improving the irrigation system in a systematic way covering key hydraulic infrastructure, main and branch canals, and distributaries and minors; and (c) enhancing long-term sustainability of irrigation system through participatory irrigation management and developing institutions for improving operation and maintenance of the system and cost recovery. The improved water management would lead to increased agricultural production, employment and incomes over some about 1.8 million ha or more than 30 percent of the irrigated area in Sindh, and one of the poorest regions of the country. The project was originally estimated at US\$175 million, with IDA financing of US\$150million and with balance funded by the GOS.

The project original financing arrangement was insufficient to complete the planned activities. The PDO is expected to be fully achieved by the closing of the project with additional financing. The additional funding would ensure that the scope of work planned under the original project is completed by the closing date for the additional financing.

The World Bank has agreed to provide an additional credit for an amount of US\$ 138 Million for the WSIP under IDA credit No. 5556 which would help to finance the costs associated with increased volume of works and cost over-runs to allow the original project targets to be met.

Under additional financing PDO remains valid and unchanged. The project key performance indicators (KPIs) will also remain same. The component wise details of the activities proposed under additional financing are summarized below:

Component-A: Community Development and Capacity Building. Provide continued support to strengthen the capacity of SIDA, AWBs and FOs to enable them to carry out operation and maintenance of the irrigation and drainage system

Component-B: Rehabilitation and Improvement of Irrigation and Drainage System.

The additional funding will be used to carry out the remaining works on the Nara, Ghotki and Fululi canals under three major civil works contract packages i-e, WSIP /B1/LB/01, WSIP/B1/GF/01 and WSIP/B1/NC/03 which covers the mainly the rehabilitation of structures, replacement of gates, strengthening of embankments and modified the hydraulic profile of canals. On the basis of performance of Project Implementation Consultants (PICs) contract services will be continue for the supervision of future B1 and B2 contracts under WSIP.

Component C: Management Plan for major I&D infrastructure

Additional finance will continue to support the preparation of feasibility studies and detailed design for rehabilitation of the Sindh barrages.

Component-D: Monitoring and Evaluation of the Project Impact and supervision of the Environment Management Plan (EMP) and Social Action Plan (SAP).

The consulting services for Monitoring and Evaluation will be continuing for the supervision of project activities.

Component-E: Project Coordination, Monitoring, Technical Assistance and Trainings:

The project coordination, monitoring of implementation activities, management and supervision of procurement by independent project management consultant will continue under additional funding.

2. **The project is consistent with the government's 'Pakistan's Vision 2025',** which aims at transforming Pakistan into a developed and export-led economy with strong social values through the promotion of inclusiveness, peace and security and greater inter-provincial harmony. The project contributes to the following 'pillars' of Vision 2025: sustained and inclusive higher growth, and private sector-led growth and modernization of existing infrastructure.

Pakistan also adopted a National Climate Change Policy in 2012, with the overall goals to promote climate-resilient development, and to mainstream climate change issues within Various sectors of the economy through the implementation of adaptation and mitigation measures which will ensure water and food security.

The Additional Financing is **fully aligned with the Country Partnership Strategy (CPS)**. The overarching goal of the CPS is to help Pakistan accelerate poverty reduction and shared prosperity. The Additional Financing will contribute to "Increased Productivity of Farms" (Results Area 2 of the CPS).

The project aims to improve the currently unreliable irrigation water delivery, especially to the tail end farmers (generally the poorest farmers). The project includes structural and nonstructural irrigation management activities which promote equitable distribution of irrigation water and therefore provide a boost to shared prosperity. The project will not only increase the farmers' income, but also reduce their vulnerability to future droughts.

3. Expected Outcome

Project Development Objective. This PDO remains valid and unchanged. It is expected to be achieved by the closing of the project with additional financing.

Key Performance Indicator (KPIs). As neither the PDO nor the scope of the project is proposed to be changed, the KPIs will also remain unchanged. However, the original targets have been adjusted based on implementation progress so far. In addition, the following "core sector" indicators have been added:

- Area provided with improved irrigation and drainage services (ha).
- Number of female and male water users provided with new/improved irrigation and drainage services: (i) Number of female water users; (ii) Number of male water users.
- Number of operational water user associations created and/or strengthened.

Details of the activities proposed to be financed under each component through the Additional Financing are summarized below.

Component A: Community Development and Capacity Building (US\$6.6 million).

Provide continued support to strengthen the capacity of SIDA, AWBs and FOs to enable them to perform their responsibilities according to the Sindh Water Management Ordinance of 2002. Among other things, the Additional Financing will continue to strengthen the capacity of FOs to carry out operation and maintenance of the irrigation and drainage systems.

Component B: Rehabilitation and Improvement of the Irrigation and Drainage System (US\$123.2 million).

The additional resources will be used to carry out the works for improvement of the main canal systems of Ghotki and Left Bank and for completing the remaining works on the Nara Canal through three large civil works contracts. Rehabilitation of the main canals will include the following works: (a) Rehabilitation or replacement of regulating structures including rehabilitation or replacement of gates including provision of hydraulic control gates; (b) Establishing a modified hydraulic profile of the three main canals; (c) Erosion protection works and canal embankment strengthening; (d) Rehabilitation of inspection and non-inspection canal roads; and (e) Rehabilitation or replacement of road bridges crossing the canals.

Component C: Management Plan for major Irrigation and Drainage Infrastructure (US\$0.5 million).

The Additional Financing will continue to support the preparation of feasibility studies and detailed designs for rehabilitation of the Sindh barrages by extending the current consulting services contracts.

Component D: Monitoring and Evaluation of Project Impact and Environmental Management Plan (US\$0.7 million).

The Additional Financing would continue to support monitoring and evaluation and supervision of the environment management plan and the social action plan. The current consulting services contract will be extended for the duration of the Additional Financing.

Component E: Project Coordination, Monitoring, Technical Assistance and Training (US\$7 million).

The Additional Financing would continue to support the project coordination, monitoring of implementation activities, management and supervision of procurement by an independent project management consultant, and technical assistance and training during the extended project duration. The current Project Management Consultant/Procurement Agent contract will be extended for the duration of the Additional Financing.

Table 1 below indicates the costs and financing, by component, of the original project and the additional financing:

Table 1: Project Cost and IDA Credit Allocations (US\$ Million)

Project Components	Original Cost		Additional Financing		Total IDA Financing
	Total	IDA Share	Total	IDA Share	
A. Community Development & Capacity Building	10.0	10.0	6.6	6.6	16.6
B. Improvement of the Irrigation & Drainage System	139.8	115.0	123.2	123.2	238.2
C. Management Plan for Major Irrigation Drainage Infrastructure	12.0	12.0	0.5	0.5	12.5
D. Monitoring & Evaluation and Environmental Management Plan	4.2	4.2	0.7	0.7	4.9
E. Project Coordination, Monitoring, Technical Assistance & Training	9.0	9.0	7.0	7.0	16.0
Total:	175.0	150.2	138.0	138.0	288.2

4. Project Life

- i) Project Implementation Period: 3 Years 10 Months
- ii) Effective date: March 01, 2015
- iii) Closing date: Dec 31, 2018.

5. Receipts from IDA (the World Bank Financing):

During FY 2015-16 total 22 withdrawal applications have been replenished by the Bank.

S.No	WITHDRAWAL Reference	Amount Replenished		Comments
		PKR Amount	US\$	
1	WSIP REIMBURSEMENT-2	20,482,490.00	196207.47	Reimbursement
2	WSIP-01	3,837,288.53	36,775.00	Direct Payment
3	WSIP-02	250,363.42	2,399.15	Direct Payment
4	WSIP-03	1,299,979.33	12,325.90	Direct Payment
5	WSIP-04	527,204,500	5,000,000.00	Advance
6	WSIP-05	115,721,150.67	1,103,157.00	Direct Payment
7	WSIP-06	523,192,500	5,000,000.00	Advance
8	WSIP-07	927,435.75	8,850.00	Direct Payment
9	WSIP-08	42,905,415.31	409,618.00	Direct Payment
10	WSIP-09	265,950,900.00	2,540,877.95	Direct Payment
11	WSIP-10	19,524,942.00	186,440.16	Direct Payment
12	WSIP-11	6,326,321.14	59,998.74	Direct Payment
13	WSIP-12	1,321,653.30	12,613.00	Direct Payment
14	WSIP-13	13,475,872.58	128,764.79	Direct Payment
15	WSIP-14	46,429,103.00	443,598.92	Direct Payment
16	WSIP-15	8,427,183.94	80,485.00	Direct Payment
17	WSIP-16	332,845,780.00	3,180,984.19	Direct Payment
18	WSIP-18	1,051,480.70	10,050.00	Direct Payment
19	WSIP-19	54,243,149.00	518,847.78	Direct Payment
20	WSIP-20	9,045,611.42	86,432.72	Direct Payment
21	WSIP-21	1,443,824.25	13,800.00	Direct Payment
22	WSIP-22	4,836,752.31	46,172.02	Direct Payment
		2,000,743,696.65	19,078,397.79	

6. Community Development & Capacity Building:

	(2015-16)	(2014-15)	Cumulative
1. Capacity Building of SIDA	48.135	13.265	61.400
2. Capacity Building of AWB			0.000
Capacity Building of AWB Ghotki	11.883	1.962	13.845
Capacity Building of AWB Nara	12.156	3.801	15.957
Capacity Building of AWB LB Badin	11.295	2.992	14.287
Capacity Building of Farmer Organization	2.965	1.143	4.108
	86.434	23.163	109.597

7. Improvement of Irrigation & Drainage System:

	<i>(2015-16)</i>	<i>Cumulative</i>
1. Improvement of Main and Branch Canals		-
Improvement of Main and Branch Canals Ghotki	370.100	370.100
Improvement of Main and Branch Canals Nara	357.900	357.900
Improvement of Main and Branch Canals Left Bank Badin	356.110	356.110
Improvement of Distributaries		-
Improvement of Branch Canal		-
4.Preparation of Design, Engineering and Consutruction supervision	113.448	113.448
	1197.558	1197.558

8. Assets Management of IPD Infrastructure:

	<i>(2015-16)</i>	<i>Cumulative</i>
1.Strengthening for Secty & IPD Department	0.41	0.410
2.Feasibility Study & Design for Rehabilitation of Barrages		0.000
3.Prepration of Master Plan for Irrigation & Drainage System		0.000
	0.410	0.410

9. Project Management, Coordination and Tech, Assistance:

	<i>(2015-16)</i>	<i>(2014-15)</i>	<i>Cumulative</i>
Project Coordination, Management & Supervision	18.705	6.777	25.482
Project Consultancy Sevices FAO	117.165		117.165
Future Project Preparation in Water Sector including WSIP-II	1.322	1.18	2.502
Technical Assistance, Training and Strategic studies	15	1.046	16.046
	152.892	9.003	161.895

10. Cash & Bank:

Cash in Hand	-
Cash at Bank	544.828
Total	544.828

11. General:

Figures have been rounded off to the nearest rupee.

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

Handwritten notes in blue ink:
%
Fick Hussain
Asst. Director
%
Asst. Smith Karachi

Handwritten signature: D. A. Khan
General Manager Finance
Sindh Irrigation & Drainage Authority
Hyderabad

Additional Financing
Sindh Water Sector Improvement Phase-I Project
 Credit Account No. IDA- 5556-PAK
Statements of Cash Receipts and Payments

For the Year ended June 30, 2016

Note No.	2015-16	2014-15	Cumulative
	20.483	32.166	52.645
	1050.40		1050.395
	3.837		3.837
	1.55		1.550
	117.165		117.165
	0.927		0.927
5	97.762		97.762
	320.194		320.194
	332.845		332.845
	53.209		53.209
	1.322		1.322
	1.052		1.052
Total Receipts	2,000.745	32.166	2032.911

RECEIPTS

Reimbursed from World Bank
 A Funds (the World Bank)
 A Direct Payment By World Bank
 C Direct Payment By World Bank
 O Direct Payment By World Bank
 Centre of Research Mgt Direct Payment By World Bank
 ESCON Direct Payment By World Bank
 Marco Direct Payment By World Bank
 MAD Shahrukh Direct Payment By World Bank
 ML Direct Payment By World Bank
 Hafiqul Islam Direct Payment By World Bank
 CONCENSUS Building Institute Direct Payment By World Bank
Total Receipts

PAYMENTS (by components)

Community Development & Capacity Building	6	86.434	23.163	109.597
Improvement of Irrigation & Drainage System	7	1197.558	0	1197.558
Assets Management of IPD Infrastructure	8	0.410	0	0.410
Project Monitoring, Evaluation & Supervision of EMP			0	0
Project Management, Coordination and Tech, Assistance.	9	152.192	9.003	161.195
Total Payments		1,436.594	32.166	1468.760
Increase/Decrease in Cash		564.151	0.000	

Cash at the beginning of the Year

Increase/Decrease in Cash

Closing Balance as per Cash Book as on 30th June-16 SIDA 542.815
 Closing Balance as per Cash Book as on 30th June-16 GPCAWB 0.794
 Closing Balance as per Cash Book as on 30th June-16 NCAWB 0.645
 Closing Balance as per Cash Book as on 30th June-16 LBCAWB 0.602
 Closing Balance as per Cash Book as on 30th June-16 PCMU: 19.295
Total Closing Balance at the end of FY 2015-16 564.151

	0	0	0
	564.151	0.000	564.151
	564.151	0.000	564.151

General Manager Finance
 Sindh Irrigation & Drainage Authority

Yc off
Fridy Hasan
Asst. Director
of Dy Audit Smith Karachi



Sindh Irrigation & Drainage Authority

Left Bank Barrage Colony Hyderabad, Sindh

Phone: 022-910083

Fax: 022-9210080

Email: gmfin@sida.org.pk

Dated: -10-2016

No. MD/SIDA/GMF/

Sindh Water Sector Improvement Project

Credit Account No. IDA- 5556 PAK

Balance Reconciliation Statement

For the month ended 30th June-2016

Description	Pak Rupees
	Bank Statement
Closing Balance at SIDA 30 June-16 as per Bank Statement	544,828,029.00
Closing Balance at PCMU 30th June-2016 as per Cash Book	19,294,995.00
Closing Balance as per Cash Book as on 30th June-16 GFCAWB	794,465.00
Closing Balance as per Cash Book as on 30th June-16 NCAWB	644,361.00
Closing Balance as per Cash Book as on 30th June-16 LBCAWB	601,925.00
SIDA Out standing / Un-presented Cheques as on 30th June-16	(2,013,306.00)
Balance as per Cash Books	564,150,469.00

PCMU as per Cash Book Balance as on 30th June-2016.	Rs.	19,294,995.00
Closing Balance as per Cash Book as on 30th June-16 GFCAWB	Rs.	794,465.00
Closing Balance as per Cash Book as on 30th June-16 NCAWB	Rs.	644,361.00
Closing Balance as per Cash Book as on 30th June-16 LBCAWB	Rs.	601,925.00
SIDA as per Cash Book Balance as on 30th June-2016.	Rs.	542,814,723.00
		<u>564,150,469.00</u>


General Manager Finance
Sindh Irrigation & Drainage Authority



Sindh Irrigation & Drainage Authority

Left Bank Barrage Colony Hyderabad, Sindh

Phone: 022-910083

Fax: 022-9210080

Email: gmfin@sida.org.pk

Dated: -10-2016

No. MD/SIDA/GMF/

Sindh Water Sector Improvement Project

Credit Account No. IDA- 5556 PAK

Balance Confirmation Statement

For the FY ended 2015-2016

	US\$
Opening Balance	0.00
Receipts (IDA Funds)	1,000,000.00
Total Financing	1,000,000.00
Expenditures	(4,205,191.04)
Closing Balance 30th June-16 as per Bank Statement	5,205,191.04


General Manager Finance
Sindh Irrigation & Drainage Authority