

# WATER AND POWER DEVELOPMENT AUTHORITY

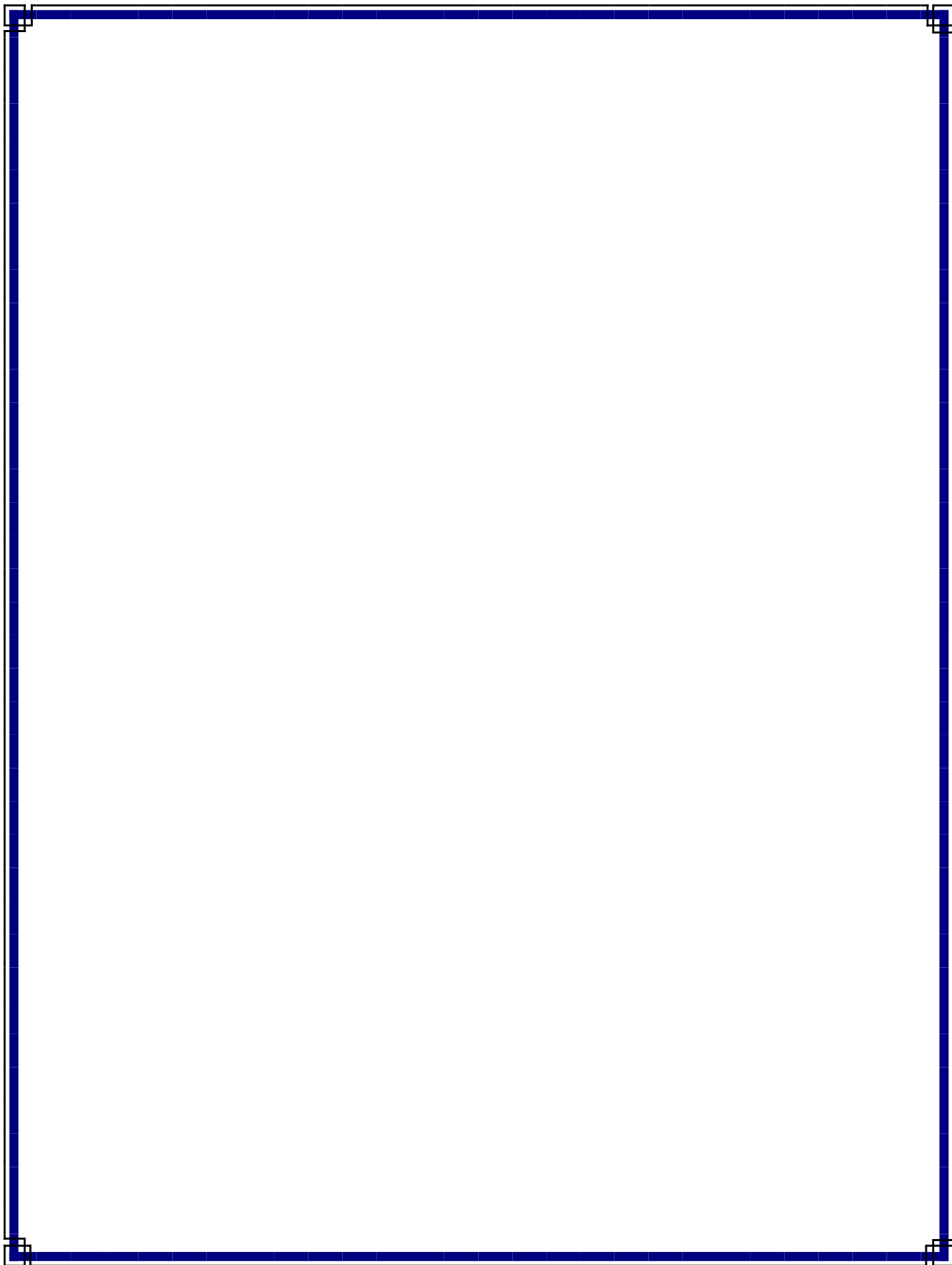


## ACCOUNTING AND FINANCIAL REPORTING MANUAL

Version 6

**Deloitte.**

M. YOUSUF ADIL SALEEM & CO.  
Chartered Accountants  
Member of Deloitte Touche Tohmatsu  
Limited  
66-E-FCC, Syed Maratab Ali Road,  
Gulberg IV, Lahore - Pakistan  
Tel: +92 (0) 42 35757188  
Fax: +92 (0) 42 35763091





## TABLE OF CONTENTS

1	INTRODUCTION .....	1
1.1	GENERAL INFORMATION .....	1
1.2	VISION STATEMENT AND VALUES .....	1
1.3	OBJECTIVES.....	1
1.4	SCOPE.....	2
1.5	TERMS USED IN THE MANUAL .....	2
2	CUSTODY AND REVISION .....	10
2.1	CUSTODY AND CONTROL .....	10
2.2	REVIEW PROCESS .....	10
3	ROLES & RESPONSIBILITIES.....	11
3.1	FISCAL ROLES.....	11
3.2	FISCAL RESPONSIBILITIES .....	11
4	ACCOUNTING STANDARDS AND SIGNIFICANT ACCOUNTING POLICIES & PRINCIPLES.....	13
4.1	INTERNATIONAL ACCOUNTING STANDARDS .....	13
4.2	ACCOUNTING POLICIES .....	14
4.2.1	Reserve for Development Works .....	14
4.2.2	Ijarah .....	15
4.2.3	Grants .....	15
4.2.4	Property, Plant and Equipment.....	15
4.2.5	Capital Work in Progress.....	16
4.2.6	Investment in Associated Undertakings .....	16
4.2.7	Investment in Subsidiary.....	16
4.2.8	Stores, Spare Parts and Loose Tools .....	16
4.2.9	Trade Debts.....	17
4.2.10	Cash and Cash Equivalents .....	17
4.2.11	Revenue Recognition .....	17
4.2.12	Hydel Levies .....	17
4.2.13	Taxation .....	17
4.2.14	Staff Retirement Benefits .....	17
4.2.15	General Provident Fund and WAPDA Welfare Fund. ....	17
4.2.16	Foreign Currencies.....	18
4.2.17	Financial Assets .....	18
4.2.17.1	Initial Recognition .....	18
4.2.17.2	Subsequent Measurement .....	18
4.2.17.3	Financial Assets at Fair Value Through Profit or Loss .....	18
4.2.17.4	Loans and Receivables .....	18
4.2.17.5	Held-to-Maturity Investments.....	18
4.2.17.6	Available-for-Sale Financial Assets.....	19
4.2.18	Financial Liabilities.....	19
4.2.18.1	Initial Recognition and Measurement.....	19
4.2.18.2	Subsequent Measurement .....	19
4.2.18.3	Financial Liabilities at Fair Value Through Profit or Loss.....	19
4.2.18.4	Financial Liabilities at Amortised Cost .....	20
4.2.18.5	Derecognition .....	20
4.2.18.6	Offsetting of Financial Assets and Financial Liabilities .....	20
4.3	ACCOUNTING PRINCIPLES .....	20
4.3.1	Historical Cost Principle .....	20
4.3.2	Matching Principle .....	20
4.3.3	Full Disclosure Principle .....	20
4.3.4	Accrual Basis.....	20



4.3.5	Going Concern.....	21
<b>4.4</b>	<b>QUALITATIVE CHARACTERISTICS OF FINANCIAL STATEMENTS OF WAPDA .....</b>	<b>21</b>
4.4.1	Understandability.....	21
4.4.2	Relevance .....	21
4.4.3	Materiality .....	21
4.4.4	Reliability .....	21
4.4.5	Faithful Representation.....	21
4.4.6	Substance Over Form.....	21
4.4.7	Neutrality .....	22
4.4.8	Prudence .....	22
4.4.9	Completeness .....	22
4.4.10	Comparability .....	22
4.4.11	Timeliness.....	22
<b>5</b>	<b>CHART OF ACCOUNTS.....</b>	<b>23</b>
5.1	GENERAL .....	23
5.2	RESPONSIBILITY .....	23
5.3	ELEMENTS OF CHART OF ACCOUNTS .....	24
5.3.1	Group Level.....	24
5.3.2	Control Level .....	25
5.3.3	Sub Control Level Code .....	25
5.3.4	Subsidiary-Account Code .....	25
5.4	DISTRIBUTION OF CHART OF ACCOUNTS .....	26
5.5	DETAILED SUBSIDIARY GL ACCOUNT .....	26
<b>6</b>	<b>ACCOUNTING RECORDS .....</b>	<b>27</b>
6.1	INTRODUCTION.....	27
6.2	RESPONSIBILITY .....	27
6.3	PROCEDURE.....	27
6.3.1	Proper Book Keeping .....	27
6.3.2	Double-Entry Book Keeping .....	27
6.3.3	Prevention of Unauthorized Access .....	28
6.3.4	Disaster Recovery and Planning .....	28
6.3.5	Retention Period.....	28
6.3.6	Disposition .....	30
<b>7</b>	<b>ACCOUNTING FOR FIXED ASSETS.....</b>	<b>31</b>
7.1	TANGIBLE AND INTANGIBLE ASSETS.....	31
7.1.1	Responsibility.....	31
7.1.2	Procedures .....	32
7.1.3	Fixed Assets Acquisition and Capitalization .....	33
7.1.4	Recording of Fixed Assets on Acquisition .....	33
7.1.5	Trade in of Fixed Assets .....	34
7.1.6	Measuring the Fixed Asset After Acquisition .....	34
7.1.7	Capitalization of Expenditure.....	34
7.1.7.1	Land.....	35
7.1.7.2	Buildings and Civil Works .....	36
7.1.7.3	Machinery/ Equipment.....	36
7.1.7.4	Computers .....	37
7.1.7.5	Furniture and Fixtures .....	38
7.1.7.6	Vehicles .....	38
7.1.7.7	Office & Electric Equipment .....	39
7.1.8	Accounting of T&P.....	39
7.1.9	Donated Assets .....	41
7.1.10	Repairs and Improvements .....	41
7.1.11	Fixed Assets Register.....	41
7.1.11.1	Contents of Fixed Assets Register.....	42



7.1.11.2	Recording of Fixed Assets in Register .....	43
7.1.11.3	Updating the Fixed Asset Register .....	43
7.1.11.4	Safe keeping of Assets .....	44
7.1.11.5	Identification of Fixed Assets .....	44
7.1.11.6	Effect of Errors or Inaccurate Changes in Register .....	44
7.1.12	Leased Assets .....	45
7.1.12.1	Approval of Lease .....	45
7.1.12.2	Initial Recognition of Finance Leases .....	46
7.1.12.3	Subsequent Measurement of Finance Leases .....	46
7.1.12.4	Operating Leases .....	47
7.1.12.5	Ijarah Rentals .....	47
7.1.12.6	Lease Amendment Procedure .....	48
7.1.13	Depreciation of Fixed Assets .....	48
7.1.13.1	Depreciation Amount and Depreciation Method .....	48
7.1.13.2	Factors to be Considered in Determining Useful Life of an Asset .....	49
7.1.13.3	Depreciation Rates .....	49
7.1.13.4	Depreciation Entries .....	50
7.1.14	Impairment of Assets .....	50
7.1.14.1	Impairment Indicators .....	51
7.1.14.2	Assessment of Impairment .....	51
7.1.14.3	Measuring Recoverable Amount .....	51
7.1.14.4	Recognizing and Measuring Impairment Losses .....	52
7.1.14.5	Accounting Treatment of an Impairment Loss .....	52
7.1.14.6	Reversing an Impairment Loss .....	52
7.1.14.7	Accounting Treatment of a Reversal of Impairment Loss .....	53
7.1.14.8	Verification of Assets Criteria .....	53
7.1.14.9	Controls .....	53
7.1.14.10	Reconciliation .....	54
7.1.14.11	Lost or Stolen Property .....	54
7.1.14.12	Retaining the Physical Verification Record .....	55
7.1.15	Insurance of Fixed Assets .....	55
7.1.15.1	Insurance of Other Assets .....	56
7.1.15.2	Reporting of Property Related Losses .....	56
7.1.15.3	Record Keeping .....	56
7.1.15.4	Procedure for Reporting Damage or Loss .....	57
7.1.15.5	Movement of WAPDA Equipment from one Location to Another Location .....	58
7.1.15.6	Compensation for Loss by Theft of WAPDA Owned Moveable Assets .....	58
7.1.15.7	Physical Verification .....	58
<b>8</b>	<b>CAPITAL WORK IN PROGRESS .....</b>	<b>60</b>
8.1	GENERAL .....	60
8.2	CAPITAL WORKS IN PROGRESS- FEASIBILITY STUDY PHASE .....	61
8.2.1	Pre-Feasibility Stage .....	61
8.2.2	Feasibility Stage .....	61
8.3	CAPITAL WORKS IN PROGRESS- NEW PROJECTS .....	61
8.3.1	Capital Works In Progress- New Hydel Power Projects .....	61
8.3.2	Capital Works In Progress- New Water Projects .....	62
8.4	PRELIMINARY CIVIL WORKS .....	63
8.5	CAPITALISATION ON COMPLETION .....	63
8.6	APPORTIONMENT OF COMMON COSTS .....	64
8.7	COMPLETION OF PROJECT .....	64
8.7.1	Final Bills from Contractor .....	64
8.7.2	Final Certificate by PD .....	64
8.8	CAPITAL WORK IN PROGRESS-ADDITIONAL CIVIL WORKS ON EXISTING HYDEL POWER PROJECTS .....	65
8.9	DEPOSIT WORKS IN PROGRESS FOR WAPDA FORMATIONS .....	66
<b>9</b>	<b>RECEIVABLE, ADVANCES &amp; DEPOSITS .....</b>	<b>67</b>
9.1	RECEIVABLE MANAGEMENT .....	67



9.1.1	Responsibility.....	67
9.1.2	General Instructions.....	67
9.1.3	Internal Control.....	67
9.1.4	Accounting for Receivables Written Off.....	68
9.1.5	Aging of Accounts Receivable.....	68
9.1.6	Reconciliation and Review.....	68
9.1.7	Division of Responsibility.....	69
9.1.8	Minimum Prescribed Information.....	69
9.2	<b>ADVANCES.....</b>	<b>70</b>
9.2.1	Scope.....	70
9.2.2	Responsibility.....	70
9.2.3	Basic Procedure and Guidelines.....	70
9.2.4	Travel Advances.....	71
9.2.5	Monitoring Advances.....	71
9.2.6	Miscellaneous Advances.....	71
9.2.7	Review.....	72
9.3	<b>DEPOSITS.....</b>	<b>72</b>
10	<b>TRADE DEBTORS.....</b>	<b>74</b>
10.1	<b>GENERAL.....</b>	<b>74</b>
10.2	<b>PROVISION FOR DOUBTFUL DEBTS.....</b>	<b>74</b>
10.3	<b>WRITE OFF OF UNCOLLECTIBLE ACCOUNTS.....</b>	<b>74</b>
10.4	<b>CORRECTION OF ERRORS.....</b>	<b>74</b>
10.5	<b>AGING OF TRADE DEBTORS.....</b>	<b>74</b>
11	<b>STORES &amp; STOCKS INVENTORY.....</b>	<b>76</b>
11.1	<b>STORES INVENTORIES.....</b>	<b>76</b>
11.2	<b>STOCK CODING.....</b>	<b>76</b>
11.3	<b>STOCK CODES.....</b>	<b>77</b>
11.3.1	Group Level.....	77
11.3.2	Control Level.....	77
11.3.3	Sub Control Level.....	78
11.3.4	Subsidiary Account Level.....	78
11.3.5	Responsibility.....	78
11.4	<b>STORE PROCUREMENT.....</b>	<b>78</b>
11.5	<b>STORE KEEPING.....</b>	<b>79</b>
11.6	<b>STORE ACCOUNTING.....</b>	<b>79</b>
11.7	<b>ACCOUNTING/PRICING OF MATERIAL PURCHASED/ACQUIRED.....</b>	<b>79</b>
11.7.1	Local Purchases Through Tender / Quotation.....	79
11.7.2	Purchase Through Purchase Committee or Petty Advances.....	80
11.7.3	Material Indented from other WAPDA Formations.....	80
11.7.4	Foreign Material Purchase.....	80
11.8	<b>PRICING OF STORE RETURNED BY MAINTENANCE SECTIONS.....</b>	<b>80</b>
11.8.1	Un-Used Material.....	81
11.8.2	Defective/ Damaged Material.....	81
11.8.3	Scrap for Disposal.....	81
11.9	<b>RECORDING OF INVENTORY.....</b>	<b>82</b>
11.10	<b>ISSUE OF MATERIAL FROM STORE.....</b>	<b>82</b>
11.10.1	Issue of Consumable Material.....	82
11.10.2	Issue of Spare Parts.....	83
11.10.3	Issue of T&P.....	83
11.10.4	Issue of Store to other WAPDA Formations.....	83
11.10.5	Issue of Scrap for Disposal.....	83
11.10.6	Issued Material Account.....	84
11.11	<b>PHYSICAL VERIFICATION OF STORE INVENTORY.....</b>	<b>84</b>
11.12	<b>FUNDING, PRICING AND ACCOUNTING OF FOREIGN PURCHASED MATERIAL.....</b>	<b>84</b>



<b>12</b>	<b>TREASURY MANAGEMENT</b>	<b>87</b>
12.1	CASH COLLECTION, DEPOSIT AND RECONCILIATION	87
12.2	SCOPE	87
12.3	RESPONSIBILITY	87
12.4	COLLECTION	87
12.5	DEPARTMENTS AUTHORIZED TO COLLECT MONEY	88
12.6	MAINTAINING CASH COLLECTION RECORDS	88
12.7	TRAINING AND ASSISTANCE FOR DEPARTMENTS	89
12.8	SAFEKEEPING OF CASH	89
12.9	SEGREGATION OF DUTIES	89
12.10	RECONCILIATION AND REVIEW	90
12.11	CASH BOOK	90
12.12	CASH DISBURSEMENT	92
12.12.1	Authorization and Processing of Disbursement	92
12.12.2	Demand for Funds	92
12.12.3	Accounting Entries to be Passed	93
12.12.4	Payment to Employees	94
12.12.5	Payment to Other Parties	94
12.12.6	Payee's Acknowledgement	95
12.12.7	Travel Reimbursement	95
12.12.8	Cash Disbursements Internal Control	95
12.12.9	Review	95
12.13	PETTY CASH MANAGEMENT	96
12.13.1	Responsibility	96
12.13.2	Appointment of Petty Cash Custodian	96
12.13.3	Responsibilities	96
12.13.4	Safekeeping	97
12.13.5	Documentation	97
12.13.6	Reconciliation	97
12.13.7	Reimbursement Petty Cash Fund	97
12.13.8	Cash Disbursements From Petty Cash	98
12.13.9	Reporting Stolen or Lost Petty Cash	98
12.13.10	Closing a Petty Cash Account	98
12.14	BANK ACCOUNT OPENING, MAINTENANCE AND CLOSING	99
12.14.1	Responsibility	99
12.14.2	Bank accounts for Federal/ Provincial Water/Power Projects	99
12.14.3	Bank accounts for Common Services and Authority Secretariat	100
12.14.4	Bank accounts for Revenue and Projects	100
12.14.5	Recording Bank Accounts and Related Activity in the General Ledger	101
12.14.6	Administration and Oversight of WAPDA Bank Accounts	101
12.14.7	Cheque Books	102
12.14.8	Cheque Books Custody	102
12.14.9	Cheques Writing Procedure	102
12.14.10	Expired Cheque Cancellation Procedure	103
12.15	CHEQUES RECEIVED BY WAPDA	103
12.15.1	Foreign Cheques	105
12.15.2	Cheque Encashment	105
12.15.3	Security	106
12.16	BANK RECONCILIATION STATEMENT	106
12.16.1	Responsibility	106
12.16.2	Guidelines for Bank Reconciliations	106
12.16.3	Report Preparation	107
12.16.4	Bank Reconciliation Record	108
<b>13</b>	<b>PAYABLES, ACCRUALS AND DEPOSITS</b>	<b>109</b>





## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

13.1	ACCOUNTS PAYABLES .....	109
13.2	RESPONSIBILITY .....	109
13.3	RECORDING OF ACCOUNTS PAYABLE .....	109
13.4	AUTHORIZATION .....	110
13.5	ACCOUNTING FOR SUPPLIER BILLS.....	110
13.6	ESTABLISHMENT OF CONTROL DEVICES.....	110
13.7	PAYMENTS UNDER THE CONTRACTS FOR CIVIL WORKS .....	111
13.7.1	Advance Payments.....	111
13.7.2	Progress Payments.....	111
13.7.3	Retention Moneys.....	111
13.7.4	Currency of Payment.....	111
13.7.5	Payments.....	111
13.8	CONTRACTORS' LEDGER FOR WORKS .....	112
13.9	ACCOUNTING FOR PAYROLL EXPENSES .....	114
13.9.1	Responsibility.....	114
13.9.2	Payroll Preparation.....	114
13.9.3	Payroll Administration .....	115
13.9.4	Changes in Payroll Data.....	115
13.9.5	Payroll Deductions and Reductions .....	116
13.9.6	Payroll Taxes .....	116
13.9.7	Review of Payroll .....	116
13.9.8	Special Payments To Employees.....	116
13.9.9	Payment Through Bank .....	116
13.9.10	Filing of Tax Returns .....	117
13.10	RECONCILIATIONS.....	117
13.11	ESTABLISHMENT RETURN.....	118
13.12	ACCRUAL OF OTHER EXPENSES.....	119
13.12.1	Responsibility.....	119
13.12.2	Methods for Determining Amounts .....	119
13.12.3	Reimbursement.....	119
14	PRE - AUDIT .....	121
14.1	GENERAL.....	121
14.2	RESPONSIBILITY .....	121
14.3	PROCEDURE FOR PRE-AUDIT .....	121
14.4	PRE-AUDIT OF WORKS BILLS .....	122
14.4.1	Contractor's Bills for Works.....	122
14.4.2	Suppliers Bill.....	124
14.4.3	Bills for Refund of Security Deposit of Contractors for Works:.....	124
14.5	CONSULTANT'S EXPENDITURE.....	125
14.6	MAIN CONTRACTOR'S EXPENDITURE .....	125
14.7	RE-IMBURSEMENT APPLICATIONS .....	126
14.8	RECOUPMENT OF IMPREST ACCOUNT .....	126
14.9	PRE- AUDIT OF ESTABLISHMENT BILLS .....	127
14.9.1	Pay and Allowances of Regular Establishment .....	127
14.9.2	Audit of Pay Bills of Officers and Regular Establishment.....	128
14.10	WORK CHARGED ESTABLISHMENT .....	132
14.10.1	General .....	132
14.10.2	Audit of Pay Bills of Work-Charged Establishment.....	133
14.11	CONTINGENT EXPENDITURE.....	134
14.11.1	General .....	134
14.11.2	Contingent Establishment .....	134
14.11.3	Audit of Pay Bill of Contingent Establishment.....	134
14.12	TRAVELLING ALLOWANCE BILLS. ....	135
14.12.1	General .....	135
14.12.2	Audit of T.A Claims .....	135





14.13	MAINTENANCE OF AUDIT REGISTER.....	136
15	FOREIGN LOANS, GRANTS AND AIDS.....	137
15.1	INTRODUCTION.....	137
15.2	PROCEDURE FOR AWARDING AND UTILIZATION.....	137
15.3	FOREIGN LOANS/AIDS DISBURSMENT.....	137
15.3.1	Accounting of Loan Disbursement and Loan Liability.....	138
15.4	FOREIGN LOANS REPAYMENTS.....	138
16	FOREIGN EXCHANGE PAYMENTS FROM SELF SOURCE.....	140
16.1	ACCOUNTING OF FOREIGN PAYMENTS FROM SELF SOURCE.....	140
16.2	FOREIGN EXCHANGE PAYMENTS FOR OPERATIONS AND MAINTENANCE.....	140
16.3	OPENING OF LETTERS OF CREDITS.....	140
16.4	PROCEDURE FOR OPENING OF LETTERS OF CREDITS.....	141
16.5	PAYMENT OF INVOICES OF EXPATRIATES FOR SERVICES.....	142
16.6	DOWN PAYMENTS.....	143
17	ACCOUNTING FOR REVENUE.....	144
17.1	RESPONSIBILITY.....	144
17.2	SALE OF ELECTRICITY.....	144
17.3	MISCELLANEOUS INCOME.....	145
18	INVESTMENT ACCOUNTING FUNCTION.....	146
18.1	INVESTMENT OF SURPLUS FUNDS.....	146
18.2	INVESTMENT COMMITTEE.....	146
18.3	WORKING BALANCES.....	146
18.4	SURPLUS FUNDS.....	147
18.5	OTHER INVESTMENTS BY WAPDA.....	147
18.6	CLASSIFICATION OF INVESTMENTS.....	148
18.6.1	Held to Maturity Securities.....	148
18.6.2	Available for Sale Securities.....	148
18.6.3	Held for Trading Securities.....	148
18.7	VALUATION OF INVESTMENT.....	148
18.8	REVALUATION SURPLUS/DEFICIT.....	148
19	INTERWING/INTEROFFICE TRANSACTIONS.....	150
19.1	INTRODUCTION.....	150
19.2	SERVICES WHERE DEBIT/CREDIT ADVICES ARE RAISED.....	150
19.3	PREPARATION AND DISTRIBUTION OF DEBIT ADVICES.....	151
19.3.1	Head Office Debit Advices.....	151
19.3.2	Field Office Debit Advices.....	151
19.3.3	Supporting Documents of Debit/Credit Advices.....	152
19.3.4	Numbering of Debit Advices.....	152
19.3.5	Cancellation or Modification of Debit Advices.....	152
19.4	PREPARATION AND DISTRIBUTION OF CREDIT ADVICES.....	152
19.4.1	Head Office Credit Advices.....	152
19.4.2	Field Office Credit Advices.....	152
19.4.3	Supporting Documents of Credit Advices.....	152
19.4.4	Numbering of Credit Advices.....	153
19.4.5	Cancellation or Modification of Credit Advices.....	153
19.4.6	Change of Serial Numbers.....	153
19.4.7	Field Office Debit Advice Register.....	153
19.5	ACCOUNTING OF DEBIT/CREDIT ADVICES.....	154
19.6	CURRENT ACCOUNT WITH HEAD OFFICE.....	154
19.7	FIELD OFFICE/PROJECT CURRENT ACCOUNTS IN HEAD OFFICE.....	155
19.8	MONTHLY STATEMENT OF CURRENT ACCOUNT.....	155



19.9	ANNUAL CLOSING .....	155
20	TRANSACTIONS THROUGH SUPERSCRIBED CHEQUES .....	157
21	RAISING FUNDS THROUGH BONDS/SUKUK/TFC ETC .....	160
22	ACCOUNTING OF SELF FINANCING UNITS/WAPDA FUNDS .....	162
22.1	ACCOUNTING OF SELF FINANCING UNIT .....	162
22.2	SELF-FINANCING UNITS OF POWER WING.....	162
22.3	SELF-FINANCING UNITS WATER WING .....	162
22.4	PROCEDURE FOR SETTING SERVICE RATES .....	163
22.5	FINANCIAL REPORTING.....	163
22.6	ACCOUNTING OF FUNDS .....	164
22.7	ACCOUNTING OF SPECIAL PURPOSE VEHICLE COMPANIES.....	164
23	TAX RETURNS .....	165
23.1	WITH-HOLDING INCOME TAX RETURNS.....	165
23.2	GENERAL SALES TAX RETURNS .....	165
23.3	PROVINCIAL SALES TAX RETURNS.....	165
24	REPORTING .....	166
24.1	CONTROL OVER EXPENDITURE THROUGH BUDGET CONTROL REGISTER.....	166
24.2	ANNUAL REPORT OF WAPDA .....	170
24.3	DONOR SPECIFIC REPORTS .....	170
24.4	RESPONSIBILITY .....	170
24.5	WAPDA HYDROELECTRIC REGULATED BUSINESS .....	171
24.6	GENERAL GUIDELINES .....	171
	APPENDICES .....	173
	ANNEXURE - 1 - ABBREVIATIONS .....	174
	ANNEXURE - 2 - CHART OF ACCOUNTS.....	176
	ANNEXURE - 3 - SUBSIDIARY GENERAL LEDGER ACCOUNT .....	178
	ANNEXURE - 4 - FIXED ASSETS REGISTER .....	179
	ANNEXURE - 5 - CONTRACTOR LEDGER .....	180
	ANNEXURE - 6 - GOODS RECEIVED NOTE.....	181
	ANNEXURE - 7 - GOODS RECEIVED NOTE REGISTER.....	182
	ANNEXURE - 8 - SMB REGISTER .....	183
	ANNEXURE - 9 - MRS REGISTER .....	184
	ANNEXURE - 10 - STOCK REGISTER .....	185
	ANNEXURE - 11 - BIN CARD.....	186
	ANNEXURE - 12 - STORE VALUE LEDGER.....	187
	ANNEXURE - 13 - MATERIAL REQUISITION SLIP (MRS) .....	188
	ANNEXURE - 14 - STOCK MEASUREMENT BOOK (LOCAL PURCHASE)/ VALUATION SHEET .....	189
	ANNEXURE - 15 - MATERIAL INDENT FOR OTHER FORMATION STORE .....	190
	ANNEXURE - 16 - STOCK MEASUREMENT BOOK (FOREIGN PURCHASES) / VALUATION SHEET .....	191
	ANNEXURE - 17 - STORE RETURN WARRANT .....	192
	ANNEXURE - 18 - STORE RETURN WARRANT REGISTER.....	193



## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

ANNEXURE - 19 - SURVEY REPORT OF STORE.....	194
ANNEXURE - 20 - STOCK VERIFICATION .....	195
ANNEXURE - 21 - CASH BOOK .....	196
ANNEXURE - 22 - IMPREST CASH BOOK.....	197
ANNEXURE - 23 - CHEST INCOMING/OUTGOING REGISTER .....	198
ANNEXURE - 24 - FUNDS DEMAND FORMAT HYDEL POWER DEV PART-I .....	199
ANNEXURE - 25 - FUNDS DEMAND FORMAT HYDEL POWER DEV PART-II .....	200
ANNEXURE - 26 - FUNDS DEMAND FORMAT WATER DEV PART-I .....	201
ANNEXURE - 27 - FUNDS DEMAND FORMAT WATER DEV PART-II.....	202
ANNEXURE - 28 - FUNDS DEMAND FORMAT WATER DEV PART-III .....	203
ANNEXURE - 29 - FUNDS DEMAND FORMAT HYDEL OPERATIONS .....	204
ANNEXURE - 30 - BANK CHEQUE BOOK REGISTER.....	205
ANNEXURE - 31 - BANK RECONCILIATION STATEMENT .....	206
ANNEXURE - 32 - RETIREMENT OF CONSIGNMENT .....	207
ANNEXURE - 33 - L.C UTILIZATION REGISTER.....	208
ANNEXURE - 34 - DEBIT ADVICE REGISTER .....	209
ANNEXURE - 35 - CREDIT ADVICE REGISTER.....	210
ANNEXURE - 36 - S.S CHEQUE BOOK REGISTER.....	211
ANNEXURE - 37 - S.S CHEQUES ISSUED/RECEIPT REGISTER .....	212
ANNEXURE - 38 - GST RETURNS FORMAT .....	213
ANNEXURE - 39 - BUDGET CONTROL REPORT .....	214





## **1 INTRODUCTION**

### **1.1 GENERAL INFORMATION**

Pakistan Water and Power Development Authority (WAPDA) is an autonomous Federal institution governed by the Provisions of WAPDA Act 1958. WAPDA Authority comprises of Chairman and Members Water, Power and Finance. Its statutory mandate is development and utilization of the water and power resources of the country on a unified and multi-purpose basis. WAPDA is empowered through the Act to frame program for the generation of Hydel and Thermal Power, Transmission and distribution lines and Grids etc. The Power Wing of the Authority has been restructured whereby the thermal power generation, power distribution and power transmission has been transferred to independent generation companies, distribution companies and a transmission and dispatch company. The Power Wing of WAPDA now only undertakes generation and sale of electricity from Hydel Power Generation. The registered office of the Authority is situated at WAPDA House, Shahrah-e-Quaid-e- Azam, Lahore, PAKISTAN.

This Accounting and Financial Reporting Manual has been compiled to provide guidance to the employees of the Water and Power Development Authority (WAPDA) on all major areas of the accounting and financial reporting process. This manual lays down comprehensive policies and procedures to be followed by the Finance and Accounts WAPDA and the Accounting Units within the formations. It includes the relevant portions/recitals from the existing Accounting Manual being used by the Authority, as well as, some new chapters to bring it in-line with latest best practices. The policies stated herein are minimum requirements under normal conditions and are intended to assist the accounting personnel in the preparation of accurate and reliable financial information and its reporting to the management.

### **1.2 VISION STATEMENT AND VALUES**

The Accounts and Finance function within WAPDA is characterized by:

- i. Providing centralized services of accounting and fund management to WAPDA.
- ii. Providing valued service and response to WAPDA's financial needs.
- iii. Remaining updated with finance and accounting rules and regulations and interpreting them for the benefit of all users of accounting services.
- iv. Using latest technologies in the implementation of best accounting and fund management practices.
- v. Recognizing change as an essential process critical to the financial development of WAPDA, and facilitating financial change for the effective utilization of resources in the accomplishment of WAPDA mission and vision.

### **1.3 OBJECTIVES**

The purpose of this manual is to establish self-acting standards, providing a clear understanding of responsibilities of staff in the Finance and Accounts Department of WAPDA and of the Accounting Units at the projects who are entrusted with the book-keeping duties. The policies and procedures stated in this manual will ensure



## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

better understanding amongst the staff members with regard to the performance of their duties.

The main objective of this manual is to provide the Budget and Accounts staff with a ready reference guide that helps the users of this manual with understanding standard policies and procedures for efficient and effective performance of their accounting and finance duties.

After the implementation of this manual, the Budget and Accounts staff shall become fully conversant with all aspects of the accounting and financial reporting function of WAPDA.

### 1.4 SCOPE

This manual shall be reviewed and approved by WAPDA Authority from time to time or as and when need arises.

The policies and procedures prescribed in this manual shall apply to all accounting and finance related matters of WAPDA.

### 1.5 TERMS USED IN THE MANUAL

Terms	Description
Accounting records	The manual and computerized records of assets and liabilities, monetary transactions; various journals, ledgers, and supporting documents (such as agreements, cheques, invoices, vouchers) and books of accounts, which WAPDA is required to keep in pursuance of legal obligations and in the transactions of business.
Accounting Unit	<p>A primary unit of the Authority (Office, Project, Division) which is headed by a Drawing and Disbursing Officer designated as such by the Authority.</p> <p>Each accounting unit is allocated a separate location/numeric code for identification and reporting to the Head Office.</p> <p>Each accounting unit shall prepare its monthly accounts, store accounts, Assets register and other related records for reporting to Head Office</p>
Accounts payables	The obligation to pay off a short term debt obligations arising from the ongoing operations including the acquisition of supplies and services.
Accounts receivable	The money owed to WAPDA as a result of



## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

Terms	Description
	various types of financial transactions, including, but not limited to Sale of power, deposit works, and services rendered.
<b>Accounts Written Off</b>	Accounts receivables which in the opinion of the DDO/relevant authority have no chance of recovery and are considered as uncollectible.
<b>Acquisition Cost</b>	The invoice price of fixed assets including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to bring the asset in usable condition. Other charges such as the cost of installation, transportation, taxes, duty or protective in-transit insurance, shall be included in the acquisition cost.
<b>Allowance for Doubtful Debts</b>	The estimate of the portion of gross receivables which shall be or seem to be uncollectible.
<b>Asset</b>	Something valuable that an entity owns, benefits from, or has right to use of, in generating income. It is a resource: <ol style="list-style-type: none"><li>i. Controlled by WAPDA as a result of past events; and</li><li>ii. From which future economic benefits are expected to flow to WAPDA.</li></ol>
<b>Authority</b>	WAPDA Authority comprising of a Chairman, Members Water, Power and Finance.
<b>Bank Reconciliation</b>	Process of matching and comparing figures from accounting records against those presented on a bank statement. After adjusting any item which has no relation to the bank statement, the balance of the accounting ledger shall reconcile to the balance of the bank statement.
<b>Bank Reconciliation Statement</b>	Statement showing the comparison of cash book balance with the bank statement balance.
<b>Bank Statement</b>	A copy issued by a bank to a customer showing the customer's account maintained





## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

Terms	Description
	at the bank.
<b>Budget</b>	A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them.
<b>Capitalized Fixed Assets</b>	Capitalized fixed assets are those which have a useful life of more than one year and have to be capitalized as per policy of WAPDA.
<b>Cash</b>	Refers to money in the physical form of currency, such as bank notes and coins.
<b>Cash Advance Request Form</b>	A form specifically designed for acquiring cash advances along with an estimate/details of expenses.
<b>Cash Book-Imprest</b>	A book used in accounting units to record details of cash (or through cheque) for making payments of the formations out of funds provided by the GM Finance.
<b>Chart of Accounts</b>	It is a framework for the general ledger system and basis for accounting. The chart of accounts consists of account titles and account codes assigned against each description.
<b>Custodian of Cash</b>	An individual responsible for safeguarding cash.
<b>Demand Draft</b>	Demand draft (also called DD) is a written bank document for making payments outside the city limits. The person making payments is called drawee and the recipient is called payee. The bank providing the service is called drawer.
<b>Deposit (Paid)</b>	The sum that WAPDA shall pay in advance as per the terms of the contract/agreement as a security and shall be refundable at the completion of the contract/ agreement.
<b>Deposit Slip</b>	A form specifically designed for the depositing the cash and cheques in bank accounts.
<b>Disbursement Request Form</b>	A form specifically designed for the



## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

Terms	Description
	cash/cheque disbursement purpose.
<b>Disbursement Vouchers</b>	The vouchers used to request payments for any goods, services, or other miscellaneous payments that are not covered by a purchase order.
<b>Dishonored Cheque</b>	A cheque which is returned unpaid by the bank on which it is drawn alongwith the reason of such non-payment.
<b>Drawing &amp; Disbursing Officer(DDO)</b>	The person incharge of an office, project, unit or other formation, designated by the Authority who is responsible for the accounting unit under his jurisdiction, and is entrusted with the drawing and disbursement of funds, and is responsible for the maintenance of records and reporting to supervising office.
<b>Expense</b>	Expense which is general in nature including WAPDA supplies, office repair, vehicle running and maintenance, postage, utilities, reimbursement of travel, salaries and wages of staff, and other operational expenses related to the operations of WAPDA.
<b>Fair Value</b>	The amount for which an asset could be exchanged and a liability be settled between knowledgeable, willing parties in an arm's length transaction.
<b>Finance Lease</b>	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The title of the asset is eventually transferred to the lessee on completion of the lease.
<b>Financial Statements</b>	Comprising of trial balance, profit and loss account, balance sheet, cash flow and other statements which are derived from the accounting records of WAPDA.
<b>Fiscal Year</b>	A twelve months period over which the Authority budgets its spending. Fiscal year of WAPDA is established for the period ending on 30th June of each calendar year.



## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

Terms	Description
<b>Fittings</b>	The fittings are additions etc., which are attached or installed in a building and can be removed and re-installed without costly or extensive alterations to the area in which it is affixed
<b>Fixed Asset</b>	Fixed Asset (also known as a non-current asset) may be land, land improvement, building, infrastructure, equipment, furniture & fixtures, vehicles and computers which has a life expectancy (i.e. usage period) of more than one year. Items with a life expectancy of one year or less are considered to be consumable items.
<b>Fixed Assets Register</b>	A register maintained by all accounting units which contains complete record of tangible fixed assets relating to and in custody of the formation. The information contained in fixed assets register includes description of the asset, asset's location, cost, depreciation charged and other particulars relating to a fixed asset.
<b>Fixture</b>	The equipment that is attached or permanently fastened to a building and cannot be removed without costly or extensive alterations to the building or area in which it is affixed.
<b>Forgery</b>	The crime of falsely or fraudulently making or altering a document.
<b>Fraud</b>	The intentional deception or misrepresentation in order to obtain something of value.
<b>Fund Management</b>	Management of cash flow and security of all cash collected and disbursed.
<b>General Ledger</b>	A group of accounts that supports the information shown in the financial statements. The general ledger is used to accumulate all financial transactions of WAPDA, and is supported by subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

Terms	Description
<b>Imprest</b>	Fixed sum of money advanced / provided to a person/office for a particular purpose which is recouped on submission of periodical expense statements.
<b>Initial Cost</b>	The asset's purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of use in the manner intended. Directly attributable costs could include, but are not limited to, site preparation costs, initial delivery and handling costs, installation and assembly costs, asset testing costs, and professional fees. Initial cost does not include costs of advertising, conducting business and administration (e.g. staff training), other general overheads, or cost of relocating or reorganizing.
<b>Intangible Asset</b>	An identifiable non-monetary asset without physical substance.
<b>Inventories</b>	Inventories in the context of WAPDA supplies and stores means: <ul style="list-style-type: none"><li>▪ Consumables used in laboratories.</li><li>▪ Consumables used in workshops.</li><li>▪ Computer supplies.</li><li>▪ Materials or supplies of general use to be consumed in WAPDA and its departments (e.g. Stationeries).</li><li>▪ Consumables for repair and maintenance of plant and machinery</li></ul>
<b>Miscellaneous Collections- Cash book</b>	A book used to record details of miscellaneous receipts / income of a formation
<b>Online Transfer</b>	A method of immediate/instant transferring of money between bank accounts.
<b>Operating Lease</b>	A lease contract which allows the use of an asset over an agreed period of time but does not convey the rights of ownership. The ownership of the asset remains with the lessor.
<b>Other Liabilities</b>	Represents miscellaneous obligations to outside parties (other than accounts



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

Terms	Description
	payable) who have furnished resources/services to WAPDA.
<b>Pay Order</b>	A payment instrument which is used to settle payment obligations. This instrument is guaranteed by the bank for its full value (similar to a demand draft). In practice, these instruments are payable at the branch of issue and are used for payment within the local clearing jurisdiction.
<b>Payroll and Benefits</b>	<p>Include items such as:</p> <ul style="list-style-type: none"> <li>▪ Pay and Allowance</li> <li>▪ Wages of Construction Labour</li> <li>▪ Daily Wages Labour</li> <li>▪ Employee Benefits</li> <li>▪ Employers Share in Fund Contributions</li> </ul>
<b>Petty Cash</b>	A small amount of funds in the form of cash used for petty expenditures where it is not practical to make the disbursement by cheque.
<b>Pre-Audit</b>	Pre-Audit is a process of internal control by which all payments processed by the Budget and Accounts Office are counter checked by the senior person for accuracy, authority and other approvals etc., before the cheque is finally signed by the concerned officers.
<b>Project Director</b>	A person incharge of a formation/project designated as such by the Authority to perform the function of DDO.
<b>Standing Order</b>	An order by the customers to their banker to pay a specified amount usually on or around a particular day of the month regularly to another bank account.
<b>Tag</b>	A distinct control number of all assets /equipment/ property belonging to WAPDA.
<b>Timing Difference</b>	A difference that clears over a period of time.
<b>Un-Presented Cheque</b>	A cheque issued which is passing through the bank clearing system, but has not yet been



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

Terms	Description
	presented to the bank where the account is maintained.
<b>Useful Life</b>	The period over which an asset is expected to be available for use by WAPDA. It is determined in relation to an entire asset category, as opposed to an individual asset and after considering the factors such as expected usage, physical wear and tear, technical or commercial obsolescence, legal or other limits.
<b>Weighted Average</b>	An average in which each quantity to be measured is assigned a weight. These weightages determine the relative importance of each quantity on the average. This average takes into account the proportional relevance of each component, rather than treating each component individually.



## 2 CUSTODY AND REVISION

### 2.1 CUSTODY AND CONTROL

This manual contains policy statement of WAPDA. Changes in statutes, WAPDA's legal form & other conditions and practices may require periodic modifications of these policies and procedures. The overall responsibility for maintaining and updating this manual, therefore, rests with the Authority.

On behalf of the Authority the General Manager Finance (Co-ordination) shall be responsible for its custody and circulation. Copies of this manual may not be provided to any external party except with the prior approval of concerned general manager. However, access to this Manual shall not be restricted for such external parties who are entitled to it in accordance with the provisions of any law for the time being in force or in accordance with their terms of engagement.

### 2.2 REVIEW PROCESS

Feedbacks, comments, corrections and improvement suggestions on this policy manual (including any areas that are not sufficiently or well covered) can be received at all times from users and others who may be tasked with the review. All suggestions/recommendations shall be forwarded to the respective General Manager Finance for consideration. Once these are approved the same shall be forwarded to the General Manager Finance (coordination) for adoption and circularization as an amendment

The manual as a whole shall be reviewed after every five years and a fresh edition shall be issued incorporating all changes and modifications proposed/implemented since the previous version. The task shall be carried out by review committees at all levels of formations.





### 3 ROLES & RESPONSIBILITIES

#### 3.1 FISCAL ROLES

The Authority is the principal administrative body of WAPDA. The Member (Finance) shall be responsible for compliance of all fiscal matters of WAPDA with applicable laws, policies and regulations as may be devised by the Authority.

The Member concerned shall be overall responsible for the management of the respective wing of WAPDA. The role and functions of the Members are as defined in the WAPDA Act. However, in respect of financial management, the Members may nominate other officers of the Authority to represent them on various committees of WAPDA.

The employee of a WAPDA formation shall be responsible for performing fiscal activities in WAPDA in accordance with their designations, roles and responsibilities as prescribed in the Book of Financial Powers for WAPDA.

#### 3.2 FISCAL RESPONSIBILITIES

The following fiscal responsibilities are set forth to facilitate financial management with the recognition that a financial management system is sound in design. Therefore, it is important to recognize that WAPDA management shall carry out these financial management responsibilities in order to prevent fiscal misconduct and other errors, and where prevention is not achieved despite the Employees reasonable efforts, to provide for timely detection and reporting:

- i. WAPDA, through its training unit, shall provide training and development support to fiscal roles and responsibilities.
- ii. All Fiscal Employees are entrusted with the responsibility of preserving WAPDA resources and using those resources in a prudent manner for their designated purposes, as provided by policies, laws, regulations, rules, contracts, grants, and donor agreements wherever applicable.
- iii. Fiscal Employees who personally participate in a fiscal transaction have the following fiscal responsibilities as appropriate to their level of involvement:
  - a) Personal participation is required by at least two individuals in every transaction.
  - b) Personal participation is evidenced and certified on each transaction by a signature on the fiscal transaction.
  - c) Ensuring that the fiscal transaction:
    1. Has proper authorization, including requisite supervisory checks.
    2. Results in no violation of the applicable conflict of interest policy or law.
    3. Has adequate availability of budget allocated or otherwise available within regularly approved budgets to cover it (specific to expenditures).
    4. Occurs after reasonable consideration of the effect/impact on



WAPDA.

5. Is in accordance with all WAPDA and other applicable policies, laws, regulations, and rules, and contracts, grants and donor agreements.
- iv. Ensuring that the fiscal transaction is recorded in WAPDA's accounting system:
    - a) In a timely manner.
    - b) In the accounting period to which it relates.
    - c) Using adequate descriptions of transactions and correct account code.
    - d) In accordance with all other WAPDA accounting policies.



## 4 ACCOUNTING STANDARDS AND SIGNIFICANT ACCOUNTING POLICIES & PRINCIPLES

### 4.1 INTERNATIONAL ACCOUNTING STANDARDS

1. International Federation of Accountants (IFAC) a global organisation for accountancy profession formed in 1977 is an apex body which undertakes standardization of accounting policies for preparation of financial statements in a manner that these are understandable globally.
2. International Accounting Standards Board (IASB) an independent board within the IFAC has been tasked with the development and issuance of the standards known as International Financial Reporting Standards (IFRS) (previously IAS) for the commercial entities. The purpose of the standardization is that financial statement of all entities applying these standards, reflect a true and fair view of the business affairs of the organization in a manner which is comparable and understandable by various constituents of the society / regulators.
3. IFAC has also initiated the standardisation of reporting of financial statements of Government and public sector organisations. **International Public Sector Accounting Standards (IPSAS)** are a set of accounting standards issued by the IPSAS Board, another independent organ of IFAC, for use by public sector entities around the world in the preparation of financial statements. These standards are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). IPSASB adapts IFRS to a public sector context when appropriate. In undertaking that process, the IPSASB attempts, wherever possible, to maintain the accounting treatment and original text of the IFRS unless there is a significant public sector issue which warrants a departure.
4. The Government of Pakistan is in the process of adopting IPSAS. The Federal Government, Provincial Governments and District Governments are presenting their financial statements on Cash Basis IPSAS, as a first step. This is a transition step where, in the second phase the accrual based IPSAS will be adopted. IPSAS does not apply to entities which fall under the Government Business Enterprise (GBE) definition.
5. WAPDA prepares its financial statements on accrual basis. The water and coordination wings are not engaged in any commercial activity as main line of business. The power wing (Hydroelectric) is engaged in generation and sale of electricity from hydel sources on purely commercial basis. WAPDA Hydroelectric falls under the definition of Government Business Enterprise (GBE), as defined in IPSAS 1. However whenever Authority decides to consolidate its financial statements the issue of applications of the IPSAS will be addressed accordingly.



6. WAPDA Hydroelectric has adopted IFRS for preparation of its financial statements as it meets all the requirements of the Government Business Enterprise as defined in IPSAS-1 which are:
- a. All Hydel Power Projects are constructed, on Build, Own & Operate (BOO) basis in the name and title of WAPDA. The projects after completion are transferred to Power Wing (Hydro Electric) for their operation and maintenance.
  - b. According to the clause 8 of the WAPDA Act 1958, it has been assigned the financial and operational authority to carry out business of Hydro Power generation. WAPDA for its Hydro Electric Stations holds Generation License # GL (Hydel) / 05 /2004 issued by NEPRA under section 30 of NEPRA Act 1997.
  - c. As per Power Purchase Agreement (PPA) dated 24 January 2011 signed with NTDC, WAPDA Hydroelectric sells electricity produced to NTDC at the bulk supply Tariff determined by NEPRA under Tariff Standards and Procedure Rules 1998, which is determined on cost plus basis to earn return on investments. Therefore WAPDA (Hydroelectric) sells product in the normal course of its operation.
  - d. The Tariff of WAPDA Hydroelectric has been determined on the basis of its annual revenue requirement, similar to the commercial entities on cost plus margin basis. Power development projects appear in Annual PSDP budget on notional basis, the funding of which is met by WAPDA (Hydroelectric) from various sources i.e. through sale of power as well as local and foreign loans obtained through various mode of financing. WAPDA (Hydroelectric) repays/services project loans from the revenues earned through sale of power.
  - e. WAPDA Hydroelectric is owned by Government of Pakistan and is controlled by the WAPDA Authority in accordance with provisions of the WAPDA Act 1958. Further as per section 26 of NEPRA Act, 1997 WAPDA Hydroelectric is being treated as a company registered under the Companies Ordinance 1984 and therefore prepares its financial statements like a corporate business entity and gets the same audited from a firm of Chartered Accountants.

#### **4.2 ACCOUNTING POLICIES**

Accounting policies are the specific principles, basis, conventions, rules and practices applied by an entity in preparing and presenting its financial statements.

Some of the significant accounting policies which are applied in the preparation and presentation of financial statements are given hereunder:

##### **4.2.1 Reserve for Development Works**

Reserve for development works refers to specific reserves created from retained earnings by WAPDA. This reserve is used for the construction of new/ongoing hydel power development projects through Annual Development Plans of the GoP.



#### **4.2.2 Ijarah**

The Ijarah refers to an arrangement where payments made on agreed time as rent. Ijarah payments for Ijarah agreements are recognized as an expense in the income statement on a straight line basis spread over the term of the Ijarah in line with the provision of IFAS 2 -Ijarah.

#### **4.2.3 Grants**

Grants may be of two types: against specific expenses or for specific assets. When the grant relates to an expense item, it is recognised as income over the period necessary to match the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and charged to income in equal amounts over the expected useful life of the related asset.

In case of non-monetary grants (grants in kind), the asset and the grant are recorded at nominal amounts and recorded in the income statement over the expected useful life of the relevant asset by equal annual installments.

#### **4.2.4 Property, Plant and Equipment**

1. Property, plant and equipment except freehold land and certain assets disposed off and leased back during previous years are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Hydroelectric and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.
3. Depreciation is charged to profit and loss account on straight-line method so as to write off the cost of property, plant and equipment and other assets over their estimated remaining useful lives. However, depreciation charged on assets that directly relates to construction and acquisition of other assets is included in the cost of such assets. Depreciation on addition to property, plant and equipment is charged from the month in which the asset is available for use and continued till the month of disposal.
4. An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the profit and loss account in the year the asset is de-recognized.
5. The carrying amounts of the assets are reviewed on regular basis to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized as loss in profit and loss account. A



previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized in which case the carrying amount of the asset is increased to its assessed recoverable amount. However increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. The reversal in the impairment loss is recognised as a profit in profit and loss account.

6. Depreciation for the year is based on economic useful life of individual assets. Depreciation at full rate is charged in the month of purchase/completion and no depreciation is charged in the month of disposal. No depreciation is to be charged when an asset is fully depreciated.

#### **4.2.5 Capital Work in Progress**

Capital work in progress is stated at cost less accumulated impairment losses, if any. Projects are transferred to operational formations, when 100% progress/completion is certified by the consultants and verified by the respective formation's own engineers.

#### **4.2.6 Investment in Associated Undertakings**

Investments in associated undertakings are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as an expense. When impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of the initial cost of investments. A reversal of impairment loss is recognised in the profit and loss.

#### **4.2.7 Investment in Subsidiary**

Investment in subsidiary company is measured initially at cost as per the requirements of IAS-27 "Consolidated and Separate Financial Statements". At subsequent reporting dates, the carrying amounts of the investments and its recoverability are reviewed to determine whether there is an indication that such investments have suffered an impairment loss. In case of impairment, the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense in the current period.

#### **4.2.8 Stores, Spare Parts and Loose Tools**

Stores are valued at moving average cost method, except items in transit which are stated at cost comprising invoice value plus incidental charges thereon.

Stores in transit are valued at invoice value plus other charges incurred thereon.



#### **4.2.9 Trade Debts**

Trade debts and other receivables are carried at original invoice amount less an estimate for doubtful trade debts and other receivable based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

#### **4.2.10 Cash and Cash Equivalents**

For the purpose of cash flow statement cash and cash equivalents comprise of cash in hand, cash at bank and short term highly liquid investment, that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

#### **4.2.11 Revenue Recognition**

Revenue from the sale of electricity is recognized on transmission of electricity to the National Transmission and Despatch Company Limited.

Profit on bank deposit is recognized using effective interest method.

Dividend on equity investment is recognized when right to receive the dividend is established.

#### **4.2.12 Hydel Levies**

Hydel levies include net hydel profit payable to the provinces as per instructions of the Federal Government; water charges payable to Governments of Azad Jammu & Kashmir and Gilgit Baltistan; and IRSA charges, levied by GoP. These levies are recognized in the profit and loss account as operational expense.

#### **4.2.13 Taxation**

Any income of the Pakistan Water & Power Development Authority (WAPDA) established under the Pakistan Water & Power Development Authority Act 1958 is exempt from income tax under clause-66(xvi) of the Second Schedule of (Part-I) to the Income Tax Ordinance 2001.

#### **4.2.14 Staff Retirement Benefits**

WAPDA operates its own post retirement, pension, free electricity and medical benefits scheme for its employees. The liabilities in NEPRA regulated business for current and retired employees are determined by consulting the actuaries on the basis of actuarial valuation. Contributions towards these funds are made on the basis of actuarial valuation and are presently charged to income.

#### **4.2.15 General Provident Fund and WAPDA Welfare Fund.**

WAPDA operates self contributed General Provident Fund and WAPDA Welfare Fund for its employees. Deductions are made from the salaries of the employees and remitted to the funds.





#### **4.2.16 Foreign Currencies**

Foreign currency transactions are recorded using the rate of conversion applicable on the date of transaction. All monetary assets and liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date except in the case of foreign currency loans covered by the State Bank of Pakistan's Exchange Risk Coverage Scheme which are translated at the rates provided under the scheme, exchange differences for the period up to the date of commissioning of assets financed out of foreign currency loans are capitalized to the extent they are eligible for capitalisation. All other exchange differences are charged to income statement.

#### **4.2.17 Financial Assets**

##### **4.2.17.1 Initial Recognition**

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, as appropriate.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value, through profit or loss, directly attributable transaction costs.

##### **4.2.17.2 Subsequent Measurement**

The subsequent measurement of financial assets depends on their classification as follows:

##### **4.2.17.3 Financial Assets at Fair Value Through Profit or Loss**

Financial assets at fair value through profit or loss include, financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with gains or losses recognized in the income statement.

##### **4.2.17.4 Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

##### **4.2.17.5 Held-to-Maturity Investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Hydroelectric has the positive intention and ability to hold it to maturity. After initial measurement held-



to-maturity investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

#### **4.2.17.6 Available-for-Sale Financial Assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value except the investment in unquoted equity shares which are carried at cost with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the income statement.

#### **4.2.18 Financial Liabilities**

##### **4.2.18.1 Initial Recognition and Measurement**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

##### **4.2.18.2 Subsequent Measurement**

The measurement of financial liabilities depends on their classification as follows:

##### **4.2.18.3 Financial Liabilities at Fair Value Through Profit or Loss**

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by WAPDA that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.



#### **4.2.18.4 Financial Liabilities at Amortised Cost**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised.

#### **4.2.18.5 Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

#### **4.2.18.6 Offsetting of Financial Assets and Financial Liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if WAPDA has legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously. Corresponding income on assets and charge on liability are reported at net amount.

### **4.3 ACCOUNTING PRINCIPLES**

Some of the accounting principles that may be applied in the preparation and presentation of WAPDA's financial statements are depicted in the following diagram:

#### **4.3.1 Historical Cost Principle**

The value of WAPDA assets shall reflect the original cost of those assets under the historical cost principles, less applicable depreciation or amortization. Historical cost provides the actual cost of the asset at the time of its acquisition.

#### **4.3.2 Matching Principle**

The WAPDA shall recognize the revenue earned and expenditure incurred in the income and expenditure statement on the basis of a direct association between the income earned and the costs incurred to earn that income.

#### **4.3.3 Full Disclosure Principle**

Any information, whether or not strictly financial, that is relevant to the business and may have a future impact, must be disclosed.

#### **4.3.4 Accrual Basis**

Financial statements of WAPDA are prepared on accrual basis of accounting. Under this Principle, the effects of transactions and other events are recognized when they occur (and not as cash or its equivalent are received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.



#### 4.3.5 Going Concern

The financial statements are prepared on the assumption that WAPDA is a going concern and will continue in operation for a foreseeable future.

#### 4.4 QUALITATIVE CHARACTERISTICS OF FINANCIAL STATEMENTS OF WAPDA

The financial statements of WAPDA shall contain the qualitative characteristics depicted in the chart below to make the financial statements more presentable and understandable to the users:

##### 4.4.1 Understandability

The information reflected in the financial statements of WAPDA should be easily understandable by users of those financial statements.

##### 4.4.2 Relevance

The Information presented in the financial statements should be relevant to its components, be precise, and fulfill the decision-making needs of the users. Information is relevant when it influences the economic decisions of the users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations.

##### 4.4.3 Materiality

The financial statements should present all information which is material within the context of the financial information reflected in the financial statements for the benefit of the users.

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

##### 4.4.4 Reliability

The financial statements should present the information which is reliable. Information has the quality of reliability when it is free from material error and bias, and can be depended upon by the users.

##### 4.4.5 Faithful Representation

The information reflected in the financial statements must represent faithfully the transactions and other events, it either purports to represent or could reasonably be expected to represent.

##### 4.4.6 Substance Over Form

The financial statements should faithfully present the transactions and other events relating to the business activities in accordance with their substance and economic reality and not merely their legal form.



#### 4.4.7 Neutrality

The information contained in the financial statements must be neutral.

#### 4.4.8 Prudence

Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Uncertainties such as the collectability of doubtful receivables, are recognized by the disclosure of their nature and extent and by the exercise of prudence in the preparation of the financial statements.

#### 4.4.9 Completeness

To be reliable, the information presented in the financial statements must be complete within the bounds of materiality and cost. An omission can cause information to be false or misleading and thus unreliable and deficient in terms of its relevance.

#### 4.4.10 Comparability

The financial statements should be prepared in a manner that the financial results of one year can be easily compared with the results of the previous years. The users must be able to compare the financial statements of WAPDA in order to identify trends in its financial position and performance over a number of years.

#### 4.4.11 Timeliness

The financial statements should be presented to the users in a timely manner to facilitate the decision making process. In case of WAPDA the timelines defined in the WAPDA Act have to be followed. If there is undue delay in the reporting of information it may lose its relevance. The Management may need to balance the relative merits of timely reporting and the provision of reliable information. To provide information on a timely basis it may often be necessary to report the financial information before all aspects of a transaction or other events are known, thus impairing reliability. Conversely, if reporting is delayed until all aspects are known, the information may be highly reliable but of little use to the decision makers who have had to make decisions in the interim. In achieving a balance between relevance and reliability, the overriding consideration should be how best to satisfy the economic decision-making needs of the users.



## 5 CHART OF ACCOUNTS

### 5.1 GENERAL

The chart of accounts includes account codes for general ledger activity and account codes for subsidiary ledger entries with a purpose to accumulate all financial transactions of WAPDA.

The Office of the General Manager (Finance) shall develop and maintain the Chart of Accounts of the respective wing of WAPDA. Initially chart of accounts are to be maintained by accounting units at the subsidiary account level which accumulates them into consolidated chart of accounts which are then eventually sent to respective GM Finance. The account codes in the chart of account will allow the respective accounting unit to track the revenues and expenses.

All payments/receipts and journal vouchers, cheque requisitions, inter-formation transfers, purchase orders, invoices, and other accounting paperwork must be properly coded with the proper Account code, and Sub-Account code, so that transactions can be properly tracked and communicated/recorded.

The account coding system:

- i. Provides uniformity in the coding of accounts in group level and control level in all wings of WAPDA.
- ii. Provides greater capability for generating financial information for management reports, cost analysis, etc.
- iii. Provides a method to meet the record keeping requirements of the funding & granting agencies as well as to generate more meaningful information for improved budget and expenditure reporting.
- iv. Creates a sound base for WAPDA accounting systems and the development of an effective program by utilizing electronic data processing equipment.

The account code shall appear on all financial reports produced by the automated accounting system of WAPDA and will also be used on personnel and payroll forms, procurement requests, purchase orders, funds advance, and other documents of a financial or budgetary nature affecting WAPDA's accounts. The account codes provide a means of interpreting and classifying data into an abbreviated and condensed form.

The chart of account is attached as Annexure-2

### 5.2 RESPONSIBILITY

The General Ledger of each wing of WAPDA is fiscally maintained by respective GM Finance. The GM Finance (Power, Water & Co-ordination) shall be responsible to follow up financial concerns relative to accounting unit management in a timely manner.

All new codes up to sub control level in the chart of account shall be opened only after the approval of the respective GM Finance and subsidiary account level at accounting units by their respective account head. All requests for opening of new accounts may be made in writing, giving the following particulars:



- i. Description of transaction
- ii. Head of Account
- iii. Proposed code

Any change or amendment in accounting codes shall be made only after the approval of respective GM Finance who ensures that the chart of accounts is consistent with the coding structure of respective wing of WAPDA.

All opening of new codes or amendments once approved by respective GM Finance shall be processed in the Automated Accounting Software and an updated chart of account generated.

WAPDA shall be using automated accounting software to record accounting transactions. The software shall provide for separate, self-balancing sets of accounts in accordance with provisions of the applicable laws.

All accounting information shall be organized in respective wings of WAPDA's financial system by using the standard Chart of Accounts.

### **5.3 ELEMENTS OF CHART OF ACCOUNTS**

The elements of chart of accounts shall form the basis for the recording, organizing and reporting of financial information. These elements shall appear on the various reports and forms generated in the respective accounting unit.

The account code comprises of ten (10) digits divided into four parts or elements:

- i. Group level (first 2 digits)
- ii. Control level (next 2 digit)
- iii. Sub Control level (next 2 digits)
- iv. Subsidiary Account level (last 4 digits).

The following diagram illustrates the account code structure: (a-b-c-d)

Sr. No.	Account Title	Range of Codes
1	ASSETS	01 to 29
2	CAPITAL AND RESERVES	30 to 31
3	LIABILITIES	32 to 48
4	INCOME	52 to 55
5	EXPENSES	60 to 98

#### **5.3.1 Group Level**

Group level account code shall be a two digits code describing transactions affecting assets, liabilities, capital & reserves and income & expenditures.

The following are some of the examples of group level code:





Group Level Code	Account Title
01	OPERATING FIXED ASSETS/ COST
02	ACC. DEPRECIATION - OPERATING FIXED ASSETS
03	ASSETS UNDER IJARAH FINANCE

### 5.3.2 Control Level

The control level account code shall be assigned two digits code to indicate transactions affecting long term liabilities, current liabilities, fixed assets, operational expenditures etc.

Following are examples of codes to be used to describe control level account code:

Control Level Code	Account Title
0105	LAND
0126	OFFICE EQUIPMENT
0127	FURNITURE AND FIXTURES

### 5.3.3 Sub Control Level Code

The sub-account code shall be assigned two digits code by the related wing to indicate transactions affecting accrued expenses, revenues current portion of non-current liabilities, land, vehicles etc.

Following are examples of codes to be used to describe sub control level account code:

Sub Control Level Code	Account Title
010510	FREEHOLD LAND
010520	LEASEHOLD LAND
012610	OFFICE EQUIPMENT

### 5.3.4 Subsidiary-Account Code

The subsidiary-account level code shall be assigned a four digit code by the respective accounting unit to indicate occurrences of transactions.

Following are examples of codes to be used to describe subsidiary account code:

Subsidiary-Account Level Code	Account Title
0225450000	ACC. DEPR. G/P ASSETS-COMMUNICATION EQUIPMENT
0225450010	ACC. DEPR. C EQUIPMENT-AUDIO VIDEO EQUIPMENT
0225450020	ACC. DEPR. C EQUIPMENT OTHERS



#### 5.4 DISTRIBUTION OF CHART OF ACCOUNTS

All employees of WAPDA who are responsible for coding of accounts, preparation of vouchers and data entry in the automated system or have been assigned budget preparation responsibilities shall be issued a current chart of accounts. An updated copy of chart of accounts shall be distributed to these individuals as and when it is revised.

The following detailed procedures shall be implemented to ensure complete adoption of Chart of Accounts:

- i. Documented Financial Work Plan that includes all the relevant documents required for the adoption of chart of accounts shall be completed and delivered to the GM Finance as and when required (for example on launch of a new project or introduction of a levy by the Federal or Provincial Government) .
- ii. Regular data and chart of accounts integrity checks via a compliance database shall be performed.
- iii. Annual review of all transactions occurred during the year shall be performed.
- iv. End year financial budgetary procedures shall be followed.
- v. The institutional procedures regarding appropriate accounting transactions shall be followed.

#### 5.5 DETAILED SUBSIDIARY GL ACCOUNT

Each transaction under double entry accounting system will be recorded in the detailed subsidiary GL account (last 4 digits of the 10 digit account code). The format of which is provided at Annexure 3.



## 6 ACCOUNTING RECORDS

### 6.1 INTRODUCTION

The maintenance of accounting records is the responsibility of the respective Accounting unit/Department. It has following objectives:

- i. The creation and recording of authentic and reliable records to demonstrate evidence of accountability and information about the decisions and activities carried out.
- ii. Secure the maintenance and preservation of access to the accounting records, as long as they are required to support the operations.
- iii. Secure the identification and archiving of accounting records considered worthy of permanent preservation.
- iv. Bringing administrative and financial benefits to WAPDA.
- v. Adherence to all legal obligations.

### 6.2 RESPONSIBILITY

Accounting unit head shall be responsible for maintenance of accounting records and shall be accountable to Respective GM Finance. The accounting records and supporting documents shall be retained in custody for a period as mentioned in 6.3.5 below.

### 6.3 PROCEDURE

#### 6.3.1 Proper Book Keeping

The respective Accounting Unit shall properly retain active financial records which are required to ensure the completeness and accuracy of required information in proper way for easy access and retrieval of accounting records.

#### 6.3.2 Double-Entry Book Keeping

1. Double-entry book-keeping is based on certain fairly simple principles (a) every transaction which can be expressed in terms of money can be recorded in books of account; (b) for every transaction which can be expressed in terms of money there is an account which receives the benefit and there is a corresponding account which gives the benefit; (c) The account which receives the benefit is debited and the account which gives the benefit is credited.
2. Recording of a transaction in the books of account requires two steps; first to record in a register or a book or a voucher the name of the account which is to be debited and the name of the account which is to be credited, and, secondly to group together all debits and all credits which relate to one particular account.



3. Cash Book, however, records all items relating to each both debits and credits. In fact, a Cash Book combined the functions of both a Journal and Ledger Account. When a Cash Book is used for recording both types of transactions separate columns are used for cash and for bank, and ledger accounts for both cash and bank are maintained in the Cash Book.

### 6.3.3 Prevention of Unauthorized Access

WAPDA has installed an Automated Accounting Software as an automated ledger account maintenance system that provides up-to-the minute balances in all ledger accounts whenever data relating to a completed transaction is entered. This system is based on the double entry book-keeping concept. Access to the Accounting Software and data shall be controlled by issuing user password to authorized personnel of the Budget and Accounts Office to prevent unauthorized alterations to financial data. Cross-referencing and indexing of ledger accounts, transactions, and control records has been provided in the system to ensure a high degree of resistance to unauthorized alteration of the data files and to provide for traceability of all entries and postings.

### 6.3.4 Disaster Recovery and Planning

The following shall be a list of the most common strategies adopted by WAPDA and its projects/formations for data protection.

- i. Backups shall be made on Compact Discs and sent off-site at regular intervals.
- ii. Replication of data to an off-site location, which overcomes the need to restore the data.

### 6.3.5 Retention Period

The retaining period of vouchers and supporting documents ledgers, audited accounts and other supporting financial records shall be as under:

Category -A Maintained Permanently		
Sr. #	Type of Records	Form of Record
1	Cash Vouchers	Files
2	Cash Books	Register
3	Bank Business Files	Files
4	General Ledger	Register
5	Financial Statements	Reports
6	Audit Reports	Reports
7	Project Reports	Reports

Category - B Maintained for 10 Years		
Sr. #	Type of Records	Form of Record
1	Bank Statements	Files
2	Receipt Files	Files
3	Release Register	Register
4	Trial Balances	Files



## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

5	Misc. Receipt Register	Register
6	Loan & Advances	Register
7	Release Files (Loan & Advances)	Files

Apart from the specifically described records the following shall be the retention period for various records as prescribed by the Federal Government in concurrence with the Auditor General, Pakistan:

DESCRIPTION OF RECORDS	PERIOD OF PRESERVATION NUMBER OF YEARS
Register of contingent expenditure	5
Detailed budget estimates of an office	5
Travelling allowance bills and acquaintance rolls relating there to	3
Service Books	5 years after death or retirement whichever is earlier
Leave account of non-gazette Government servants	5 years after death or retirement whichever is earlier
Cases in which invalid pensions have been sanctioned	2 or 3 years after the death of the pensioner.
Other pension cases	5 years after retirement.
Statement of monthly progressive expenditure and correspondence relating to discrepancy in the figures	2
Pay-bills, and acquaintance rolls where these are maintained separately, of Government servants for whom service books or service rolls are maintained.	2
Pay-bills or other classes of Government servants and acquaintance rolls for pay and allowances (other than travelling allowance) when maintained separately.	6



Muster rolls	Such period as may be prescribed in this behalf in the departmental regulations subject to a minimum of <b>three accounting years</b> excluding the year of payment
--------------	---

### 6.3.6 Disposition

The purpose of disposal or destruction is to permanently remove unnecessary records from active use. The destruction of such records is executed to avoid the possibility that information could be reconstructed to have an unfair advantage. All the unnecessary records shall be disposed off after the retention period has expired.

The following steps shall be involved in disposal of records:

- i. Identify the records - specifically, their location and content. For example, correspondence files, financial records, etc.
- ii. Scan the records before disposal.
- iii. Examine the records - this may involve reading or scanning the contents of a file or a sample of forms to determine what the record or file is all about. The file title is not always an accurate reflection of a file's contents as it may have changed over time or may contain papers on a variety of unrelated subjects.
- iv. Ensure that the records have been properly checked to make it certain that only those records are disposed off that are no longer required or are considered to be inactive.
- v. Write the disposal date on the outside front cover of files and folders. For example, RP for Retain Permanently or DE 2015, for Destroy end of 2015.
- vi. Create an itemized list of all records for proposed destruction. This list should be forwarded to GM Finance for approval. A copy should be kept in Budget and Accounts Office as record.

When the disposal date for records is reached, appropriate arrangements for their destruction must be made. Records containing any personal details about individuals, information given in confidence or considered commercial, legal or financial in confidence should be shredded or placed into confidential waste bins. Routine records can be destroyed using usual methods of recycling or waste disposal.



## 7 ACCOUNTING FOR FIXED ASSETS

### 7.1 TANGIBLE AND INTANGIBLE ASSETS

WAPDA shall have fixed assets accounting procedures to ensure:

- i. All fixed assets are recorded in the books of WAPDA.
  - ii. All fixed assets are valued correctly.
  - iii. Depreciation is charged correctly as per WAPDA policy on all fixed assets.
  - iv. All fixed assets are insured against all known risks.
  - v. All fixed assets are legally and physically in the possession of WAPDA.
- a) The following chart depicts the flow of capital expenditure. Purpose of this policy is to ensure that capital expenditure by WAPDA is planned, evaluated, authorized, implemented, monitored, reported and recorded in a systematic manner to meet the objectives of best practices.
  - b) This Policy on fixed assets has been designed to ensure proper accountability and recording of WAPDA fixed assets, their acquisition and capitalization in accordance with approved accounting standards as applicable in Pakistan.
  - c) The tangible fixed assets acquired, capitalized or being used by WAPDA may include the following categories of assets:
    1. Land
    2. Buildings and civil works
    3. Generation Plant and Equipment
    4. Dams and reservoirs
    5. General/plant assets
    6. Machine and Allied Equipment
    7. Office Equipment
    8. Furniture and Fixtures
    9. Transportation Equipment/Vehicles
    10. Computers
  - d) The intangible fixed assets acquired, capitalized or being used by WAPDA may include:
    1. Computer software
    2. Intellectual Property - where WAPDA provides funding, background information, product samples, or confidential proprietary data for a project.

#### 7.1.1 Responsibility

1. The respective GM in coordination with respective GM Finance shall have the overall responsibility for the establishment of effective internal controls





- for the recording, safe guarding and proper management of fixed assets under their Administrative Control.
2. The respective GM Finance alongwith the GMs concerned under whose usage the assets are, shall implement, monitor and maintain controls over the recording of fixed assets to ensure:
    - i. Accuracy of the records
    - ii. Safeguarding of assets
    - iii. Improper disposal is avoided
  3. The respective DDO shall be responsible for proper accounting, recording and capitalization of fixed assets at the projects/formations
  4. The DDO shall be responsible for proper physical management of fixed assets.

#### **7.1.2 Procedures**

The respective GM Finance shall prepare, update and monitor procedures for the effective and accurate accounting and recording of fixed assets and its implementation shall be ensured by the responsible DDO. The following procedures are made part of this manual:

- i. There shall be a fixed assets accounting, recording and management system for WAPDA and all its formations.
- ii. There shall be common policies and procedures for acquisition and capitalization of fixed assets of WAPDA including standard useful life, depreciation methods, amortization, impairment losses, etc.
- iii. All fixed assets accounting and recording of transactions shall be automated to minimize manual journal entries and to support the overall monthly closing.
- iv. Fixed assets ledgers shall be integrated with financial accounting for summary level acquisition, depreciation, amortization, improvements and disposal data.
- v. Periodic reconciliation of the underlying record of fixed assets with the accounting records (general ledger) shall be made at regular intervals.
- vi. Periodic reconciliation of physical inventory of fixed assets with the fixed assets records shall be made properly in a timely manner.
- vii. Owned fixed assets including all acquisitions- past, present and future- shall be recorded at an amount equal to the cost or at its fair value, which ever is lower.
- viii. Depreciation, amortization and impairment losses shall be calculated in accordance with the approved depreciation, amortization and impairment methods and rates applicable to the fixed asset.



- ix. Normal repairs and maintenance shall be charged to expenses, as and when incurred. Major renewals and improvements shall be capitalized as per the capitalization policy.

### **7.1.3 Fixed Assets Acquisition and Capitalization**

1. It is the policy of WAPDA that the cost of an item of fixed and tangible asset shall be recognized as an asset if:
  - i. It is probable that future economic benefits associated with the item will flow to the entity.
  - ii. The cost of the item can be measured reliably.
2. An asset shall be classified as a fixed asset and required to be recorded in the fixed asset register when it meets all of the following additional criteria:
  - i. The asset has an estimated useful life of greater than 1 year.
  - ii. The asset has not been purchased with the intention of resale or donating for charitable purposes.
3. Expenditure may be capitalized if it is expenditure on an existing asset and the expenditure was incurred to improve the asset's functionality, not merely to reinstate its future economic benefits (e.g. repairs and maintenance).
4. Spare parts may be capitalized where they meet the capitalization threshold and they are expected to be used over more than one year.
5. Once it has been established that an asset meets the criteria for recognition, it shall be recorded in the fixed assets register at cost price (or cash price equivalent if purchased using deferred payment and/or foreign currency).

### **7.1.4 Recording of Fixed Assets on Acquisition**

1. Fixed assets shall be recorded at cost initially on acquisition. Cost includes all costs necessary to bring the asset to working condition for its intended use which includes the following costs:
  - i. Purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates.
  - ii. Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by WAPDA management.
  - iii. Examples of directly attributable costs are:
    - a) Costs of site preparation.
    - b) Initial delivery and handling costs.
    - c) Installation and handling costs.
    - d) Costs of testing whether the asset is functioning properly.



e) Professional fees.

2. Costs of day-to-day servicing of the fixed assets are not recognized in its carrying amount or fair value. These costs are expensed out as incurred. Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts. The purpose of these expenditures is the repair and maintenance of fixed assets.
3. The cost of a fixed asset is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment shall be recognized as interest expense proportionately over the period of credit.

**7.1.5 Trade in of Fixed Assets**

1. If fixed assets are acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets, the cost of such an asset shall be measured at fair value unless:
  - i. The exchange transaction lacks commercial substance or
  - ii. The fair value of neither the asset received nor the asset given up is reliably measurable.
2. The acquired asset shall be measured in this way even if the asset given is not derecognized immediately. If the acquired asset is not measured at fair value, its cost shall be measured at the carrying amount of the asset given up plus / minus any cash given / received.

**7.1.6 Measuring the Fixed Asset After Acquisition**

After recognition as an asset, the fixed asset shall be recognized at cost less any accumulated depreciation and any accumulated impairment losses.

**7.1.7 Capitalization of Expenditure**

All tangible fixed assets having estimated useful life of at least one year or more shall be capitalized and shall include but not limited to:

- i. Land
- ii. Buildings and Civil Works
- iii. Machinery/Equipment
- iv. Computers
- v. Furniture & fixture
- vi. Vehicles
- vii. Office Equipment and Electric Equipment
- viii. Tools and Plants



The DDO shall maintain information regarding the fixed assets and shall ensure that all additions and disposals are timely transmitted to the B&AO for proper accounting and updating of fixed assets records.

#### 7.1.7.1 Land

1. The land acquired by WAPDA through outright purchase, transfer or donation shall be capitalized at cost or fair value depending upon mode of acquisition. The cost of land shall include all costs connected with acquisition or its fair value and costs incurred to prepare the land for its intended purpose.
2. Costs to be capitalized shall include:
  - i. The purchase price of land or its fair value in case of donations. Additional professional costs such as legal, registration and title fees, surveying fees, appraisal fees, real estate commissions, escrow fees, and damage payments.
  - ii. Payment of non-refundable taxes accrued on the land at the date of purchase if payable by the purchaser.
3. Expenditures for demolishing any buildings which were acquired with the land to make the land available for new construction or other use. Any salvage values resulting from the sale of building material and related building facilities shall be credited to miscellaneous income.
4. The cost of perpetual easements or rights of way.
5. Fees for surveys, title searches, geological testing, legal, and other expert services incidental to the acquisition of land.
6. The following costs shall not be capitalized:
  - i. Expenditures relating to the disposal.
  - ii. Fees for surveys, title searches, etc., applicable to land which was not acquired for any reason what so ever.
  - iii. The cost of easements or rights of way which are limited as to time.
7. All acquisition of land shall be accounted and recorded in a new account code generated in chart of accounts.

#### Accounting Entries:

- i. When land is acquired on credit:

Entry 1

Account Title	G/Ledger code
Dr. Land	Relevant code
Cr. Account payable	Relevant code

Entry 2

Account Title	G/Ledger code
Dr. Account Payable	Relevant code



Cr. Cash / Bank

Relevant code

For more details of account codes please see Appendix-1.

#### **7.1.7.2 Buildings and Civil Works**

1. Buildings that are permanent in nature and have a useful life of greater than one year shall be capitalized.
2. Buildings shall be charged with the initial cost of basic building structures including building foundations, outside walls (or siding), sub-flooring, rough ceilings, interior walls of a load-bearing character, roofs (excluding coverings), elevator shafts, stairs and railings, and other such integral or structural components.
3. Other costs to be capitalized as part of a building shall include:
  - i. Cost of building permits.
  - ii. Architectural, engineering, drafting, and other expert services attributable to the construction of the building.
  - iii. Extraordinary costs which are inherent construction risk, such as rock blasting, piling, or relocation of the channel of an underground stream.
  - iv. Interest paid to an external entity on funds used to finance construction during the construction period.
  - v. Insurance premiums connected with acquisition.
4. The following costs shall not be capitalized:
  - i. Extraordinary costs incidental to the erection of a building, such as those due to strike, flood, fire or other calamity.
  - ii. Cost of incomplete construction that is subsequently abandoned, including the cost of demolition of such partially completed construction and related clean up costs.
5. When building is under construction, all expenses incidental to the construction of building shall be debited to account code Capital Work in Progress given in the chart of accounts. All buildings acquired shall be debited to the relevant building account code. Construction costs after completion of Buildings shall be transferred from Capital Work in Progress account and their costs shall be debited to the relevant Building account code.

#### **7.1.7.3 Machinery/ Equipment**

1. The purchase/acquisition cost of Machinery/Equipment having a useful life of greater than one year shall be capitalized.
2. Costs to be capitalized shall include:
  - i. Original contract or invoice price
  - ii. Freight charges



- iii. Professional services
  - iv. Import duties
  - v. Handling and storage charges
  - vi. In-transit insurance charges
  - vii. Sales, use, and other non-refundable taxes imposed on the acquisition
  - viii. Installation charges
  - ix. Charges for testing and preparation for use
  - x. Costs of reconditioning used items when purchased
  - xi. Parts and labor associated with the construction / installation of equipment
3. All repairs & minor improvements on owned machinery and equipment will be debited to expense account.

#### 7.1.7.4 Computers

1. All costs incidental to the purchase/acquisition of computers and its peripherals shall be capitalized. These shall include Servers, Desktops, Laptops, printers, scanners, multimedia projectors, barcode readers, networking equipments etc.

##### Accounting Entries:

1. When Computers are acquired on credit:

##### Entry 1

Account Title	G/Ledger code
Dr. Computers	Relevant code
Cr. Account payable	Relevant code

##### Entry 2

Account Title	G/Ledger code
Dr. Account Payable	Relevant code
Cr. Cash / Bank	Relevant code

2. When Computers are acquired on cash:

Account Title	G/Ledger code
Dr. Computers	Relevant code
Cr. Cash / Bank	Relevant code

3. When Computers are acquired through fixed assets fund:



- |                       |               |
|-----------------------|---------------|
|                       | G/Ledger code |
| Account Title         |               |
| Dr. Computers         | Relevant code |
| Cr. Fixed Assets Fund | Relevant code |
2. Hard disks, tape drives, CD's, fax modems, RAM's and other such items when purchased independently are not to be capitalized and shall be expensed in the year of purchase.
  3. Furthermore, if any part of the computer is replaced, it will not be capitalized but charged to the expense account.
  4. All repairs & minor improvements on owned computers shall be expensed out.

#### **7.1.7.5 Furniture and Fixtures**

1. All costs incurred on purchase/acquisition of Furniture and fixtures shall be capitalized. The items included in this head are; office tables, chairs, sofas, file racks, file cabinets, partitions, almirahs, safes, chests, beds, dressing tables, dining tables and chairs, center and side tables, air conditioners, fans, room-coolers, electric water coolers and dispensers, refrigerators and deep freezers, microwave ovens, cooking range, and televisions, blinds, curtains, carpets.

All other furniture and fixture items shall be expensed out in the year of purchase.

#### **Accounting Entries:**

1. When furniture & fixtures are acquired on credit:

Entry 1

	G/Ledger code
Account Title	
Dr. Furniture & Fixture	Relevant code
Cr. Account payable	Relevant code

Entry 2

	G/Ledger code
Account Title	
Dr. Account Payable	Relevant code
Cr. Cash / Bank	Relevant code

2. All repairs & minor improvements on owned furniture & fixtures shall be expensed out.

#### **7.1.7.6 Vehicles**

1. Purchase/ acquisition costs of all transport and operational/utility vehicles shall be capitalized. These may include motorcycles, cycles etc.
2. The costs incidental to the acquisition of vehicles shall include:
  - i. Purchase price





- ii. Transportation
  - iii. Registration Charges
  - iv. Non-refundable taxes & duties
3. All repairs & minor improvements on vehicles shall also be expensed out.

#### 7.1.7.7 Office & Electric Equipment

1. Purchase/ acquisition costs of Office & Electric Equipment shall be capitalized. The criteria mentioned in Fixed Assets Acquisition and Capitalizations shall be fulfilled. The items under this head shall include photocopy machines, facsimile machines, typewriters, cyclostyling machine, reproduction machines, shredders, UPS, stabilizers and telephone exchanges.
2. Costs to be capitalized shall include:
  - i. Original contract or invoice price
  - ii. Freight charges
  - iii. Import duties
  - iv. Handling and storage charges
  - v. In-transit insurance charges
  - vi. Sales, use, and other non-refundable taxes imposed on the acquisition
  - vii. Installation charges
  - viii. Charges for testing and preparation for use
  - ix. Costs of reconditioning used items when purchased
  - x. Parts and labor associated with the construction / installation of equipment.
3. However calculators, heaters, telephone sets, UPS batteries and other such items shall not be capitalized. These items will be charged to expense account (Office Supplies).
4. All repairs & minor improvements on office & electric equipment will be debited to expense account.

#### 7.1.8 Accounting of T&P

1. In construction projects the Tools and Plant purchases for different works will be treated to have been made for the project as a whole. The cost of such T & P will be booked by the Budget and Accounts Officer under a separate distinct Head "Project T & P" in the General Ledger. For purposes of Control Division-wise priced subsidiary ledger will be maintained by the Budget and Accounts Officer in the prescribed formats under the following sub-heads:-
  - i. C. Camp Equipment
  - ii. E. Electrical Equipment (Air-conditioners, refrigerators etc.)



## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

- iii. F. Furniture and Fixture
  - iv. H. Hospital Equipment
  - v. L. Library
  - vi. N. Navigation Plant
  - vii. O. Office Machine and Equipment
  - viii. P. Plant and Machinery
  - ix. Ph. Photographic Equipment
  - x. S. Scientific and Drawing Instruments
  - xi. T. Tools
  - xii. V. Vehicles
  - xiii. M. Miscellaneous T & P
2. The cost of repairs and carriage of T & P will be charged to a separate head in the General Ledger called "Repairs and Carriage of T & P". A subsidiary ledger of the expenditure incurred may also be maintained under the sub-heads 1 to 13 enumerated above. However, charges like custom duty, sales tax, ocean and railway freight which often involve substantial amounts should be added to the cost of individual items and charged to the head "Project T & P".
  3. The Budget and Accounts Officer will be responsible for maintaining quantity as well as value account of T & P. The DDO or the caretaker or storekeeper will however, only be required to keep the numerical account of T & P articles in the manner as explained in the subsequent paragraphs. In order to delineate the responsibility of DDO/Project Director concerned will through an administrative order establish specific units in his organization for preparation and submission of T & P Accounts. Such units will be called accounting unit for the purposes of accounting. The Store Division which is normally the recipient of T & P in the first instance will keep a separate account of T & P and will not in any way mix it up with the stores account. The GRN prepared by the Store Division for T & P will be distinctly marked as "T & P" so that it may be charged to "Head of Account" "Project T & P" in the books of the Project.
  4. Numerical accounts of articles should be kept in accordance with the following rules, a separate set of account being maintained in each Sub-Division and one in the DDO except when otherwise ordered by the Project Director.
  5. The rules relating to numerical accounts of tools and plant apply also to imperishable articles, e.g. typewriters, furniture of rest houses etc., whether acquired against payment or free of cost.
  6. The accounts of tools and plant issued for use by subordinate of the Sub-Division, or temporarily lent to contractors, as well as, those lent to local bodies and others, under orders of competent authority, should be specially reviewed periodically, and it should be seen that the articles are returned without unnecessary delay and in good condition.



Note: This paragraph also applies to tools and plant sent out for repairs.

#### 7.1.9 Donated Assets

Donations of all assets shall be reported to the GM Co-ordination/respective GM Finance who will maintain donor records so that there is complete and accurate cumulative history of such assets. Donations when received shall be recorded at their fair market values. Fair value equals the amount at which an asset could be exchanged in a current transaction between knowledgeable willing parties.

#### 7.1.10 Repairs and Improvements

All costs of repairs / improvements shall be expensed in the year of undertaking the activities.

Major overhauling and replacement

The cost of faulty parts and equipments replaced during the process of major overhauls and refurbishments shall be capitalized and will be depreciated at the rate of 15% per annum. The value of the replaced part shall be treated as miscellaneous income in the year of disposal.

Ammortisation of grant

If faulty parts and equipment has been replaced by using the grant from GoP or other agencies, the grant will be amortised at the rate of 15% per annum.

#### 7.1.11 Fixed Assets Register

1. WAPDA shall maintain a central and formation wise record of fixed assets in the respective accounting formation. The central and formation wise record of fixed assets shall be referred to as the Fixed Assets Register (Annexure-4) which shall list down the following details:
  - i. Description of the asset
  - ii. Location of the asset
  - iii. Cost
  - iv. Current depreciated amount
  - v. Depreciation written off to date
  - vi. Estimated useful life of asset
  - vii. Asset's residual value
  - viii. Mode of acquisition - purchase, lease or donation
  - ix. Date of acquisition
2. Any addition or deletion in the fixed assets register shall be made after



- approval of the respective DDO.
3. A record of fixed assets and their values shall be kept in order to:
    - i. Provide information to WAPDA management about the assets under its use & control.
    - ii. Provide information for management decision-making purposes.
    - iii. Provide information for external reporting purposes.
    - iv. Enable WAPDA to calculate annual depreciation and losses/gains on the sale of assets.
  4. The respective Budget & Accounts Officer shall maintain the fixed assets register as inventory record. The respective DDO shall be responsible to ensure that fixed assets register of WAPDA is properly maintained and updated.
  5. The WAPDA will also maintain fixed asset record centrally, to control the location wise assets. Separate fixed assets memorandum records will also be maintained at different locations like projects, formations, stores etc., so that at any time the information regarding the asset can be verified during physical verification and cross referred with the main Fixed Assets Register.

#### **7.1.11.1 Contents of Fixed Assets Register**

The Fixed Assets Register shall contain information and details of fixed assets that are brief and meaningful like:

- i. The date on which the asset was acquired or brought into use
- ii. The location of the asset
- iii. The title deed number, in the case of fixed property
- iv. The stand number, in the case of fixed property
- v. Where applicable, the identification number, model number
- vi. The original cost, or the revalued amount or the fair value if no costs are available
- vii. The (last) revaluation date of the fixed assets subject to revaluation
- viii. Who did the (last) revaluation
- ix. Accumulated depreciation to date
- x. The depreciation charge for the current financial year
- xi. The carrying value of the asset
- xii. The method and rate of depreciation
- xiii. Impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
- xiv. The source of financing
- xv. The current insurance arrangements



- xvi. What kind of services are being performed by the asset
- xvii. Whether the asset has been used to secure any debt, and if so, the nature and duration of such security arrangements.
- xviii. The date on which the asset is disposed off
- xix. The disposal price
- xx. The date on which the asset is retired from use, if not disposed off.

#### **7.1.11.2 Recording of Fixed Assets in Register**

1. All DDO under whose control any fixed asset falls shall promptly inform the relevant GM Finance about the change or acquisition of fixed asset and provide the relevant GM Finance in writing with any information required to compile the fixed asset register, and shall promptly advise him in writing of any material change which may occur in respect of such information.
2. A fixed asset shall be capitalized, that is, recorded in the fixed assets register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately capitalized as a fixed asset.
3. A fixed asset shall remain in the fixed assets register for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing-off such an asset.
4. If leased assets are obtained by WAPDA only assets which are subject to a Finance Lease are entered into the Assets Register. Assets which are subject to operating leases are not entered into the Assets Register. The leased assets should be recorded separately of owned assets of WAPDA.
5. Assets received as a donation shall also be recorded in the Fixed Assets register at the time, the asset is received.
6. In case of part payments for assets purchased these assets for which advance has been paid shall not be recorded in assets register until full payment has been made and the asset is installed and ready for use.
7. In case of any heritage assets for which no original costs or fair values are available and it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, such asset or assets shall be recorded in the fixed assets register at a notional value of Rupee one.

#### **7.1.11.3 Updating the Fixed Asset Register**

1. The DDO shall be responsible for maintaining and updating the fixed assets register.
2. All changes in the particulars, composition or class of any fixed asset shall be communicated to the Budget & Accounts Officer by the Custodian of Assets, in writing.
3. The B&AO shall incorporate these changes in the fixed assets register as and when these are communicated by the Custodian of Assets.



4. The DDO shall keep the fixed assets register in custody and nobody shall be allowed to make changes in the register except with approval from the relevant GM Finance.
5. Physical count of fixed assets shall be carried out on annually basis and the physical inventory shall be reconciled with the fixed assets register and adjusted accordingly.

**7.1.11.4 Safe keeping of Assets**

1. Every DDO shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the respective DDO.
2. In exercising this responsibility, every DDO shall adhere to any written directives issued by the respective GM Finance to the DDO in question, or generally to all DDO, in regard to the control of or safekeeping of the fixed assets.

**7.1.11.5 Identification of Fixed Assets**

1. The respective GM Finance shall design, develop and implement a fixed assets identification system in consultation with the DDO.
2. The respective GM Finance shall ensure that the fixed asset identification system that has been implemented complies with the requirements of the computerized / manual fixed asset register.
3. The fixed assets identification system shall comply with any legal requirements, as well as any recommendations of the internal / external auditors and shall be decided upon within the context of the budgetary and human resources.
4. Every head of department shall ensure that the asset identification system is scrupulously applied in respect of all fixed assets controlled or used by the relevant formations, Projects etc.

**7.1.11.6 Effect of Errors or Inaccurate Changes in Register**

1. The respective DDO shall be responsible for accurate recording of assets in the fixed assets register and any change therein.
2. Inaccurate addition or changes to the fixed asset register may result in the following errors:
  - i. An unclear fixed asset description may cause an incorrect classification of assets, resulting in incorrect calculations in depreciation.
  - ii. An unclear fixed asset location may result in the fixed asset being lost or misplaced.
  - iii. An incorrect purchase price or an invalid date of acquisition may result in an incorrect calculation or recording of depreciation.
  - iv. An invalid depreciation rate may result in an incorrect calculation of depreciation.
  - v. Fixed assets register will be rectified by the respective DDO only and



he will be responsible for all errors in the register.

#### 7.1.12 Leased Assets

1. WAPDA shall acquire assets or any property on lease only for purposes that contribute to its objectives.
2. All departments & officials shall be responsible for overseeing the proper use of leased property assigned to them.
3. The person authorized by the Authority shall form a Leased Assets Committee to oversee the selection, approval and administration of lease. The Leased Assets Committee shall be accountable to the Authority.
4. The following shall be the members of the Leased Assets Committee:
  - i. The General Manager Finance(concerned)
  - ii. The GM (CCC)
  - iii. The Project Director
  - iv. Manager Administration
  - v. Director Legal
5. The Authority may nominate any person as the signing authority for all lease agreements and related documentation.
6. A written lease or license or other appropriate agreement shall be entered into regardless of duration of use or amount of lease rental to be paid. The lease shall be recorded in accordance with the rules applicable to WAPDA.
7. The Budget & Account Officer shall be responsible for proper accounting and recording of leased assets.

##### 7.1.12.1 Approval of Lease

1. The Leased Assets Committee shall evaluate the proposal prepared by the Chief Engineer to lease or buy an asset.
2. The Committee shall take into consideration the following criteria to identify the type of lease that is most appropriate:
  - i. Technical and operational useful life of the leased assets.
  - ii. Likelihood of continued use beyond the lease term.
  - iii. Budgeting issues.
  - iv. Financing terms (term of lease, cost of borrowing).
  - v. Type of lease (Operating vs. Finance) and its financial impact.
3. Once the proposal is evaluated by the Leased Assets Committee it shall be presented to the Authority for approval.
4. The PD/DDO/Chief Engineer concerned shall complete the documentation of lease and negotiations with the financial institution on behalf of WAPDA.





### 7.1.12.2 Initial Recognition of Finance Leases

1. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership and a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.
2. Following are the situations that individually or in combination would normally lead to a lease being classified as a finance lease:
  - i. The lease transfers ownership of the asset to WAPDA by the end of the lease term;
  - ii. WAPDA has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
  - iii. The lease term is for the major part of the economic life of the asset even if title is not transferred;
  - iv. At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
  - v. The leased assets are of such a specialized nature that only WAPDA can use them without major modifications.
  - vi. The finance lease shall be recorded as an asset and a liability in the books of accounts at cost and principal liability of the leased asset. Any initial direct costs incurred by WAPDA are added to the amount recognized as an asset.

#### Accounting Entries:

- i. When leased asset is acquired:

Account Title	G/Ledger code
Dr. Leased Asset	Relevant code
Cr. Leased Liability	Relevant code

When payment is made to the lessor:

Account Title	G/Ledger code
Dr. Leased Liability	Relevant code
Dr. Finance Charge	Relevant code
Cr. Bank	Relevant code

### 7.1.12.3 Subsequent Measurement of Finance Leases

1. Minimum lease payments made to the financial institution shall be apportioned between the finance charge and the reduction of the outstanding principal liability in accordance with the lease payment schedule. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of mark-up on the



remaining balance of the liability. Rent is charged as expense in the period in which it is incurred.

2. A finance lease gives rise to depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with that of depreciable assets that are owned.

#### 7.1.12.4 Operating Leases

1. Lease payments under an operating lease shall be recorded as an expense on a straight-line basis over the lease term or any other systematic basis if it is more representative of the time pattern of the benefits.
2. The operating leases shall not be recorded as an asset in the books of accounts like the finance leases.

##### Accounting Entries:

When lease rental is due:

Account Title	G/Ledger code
Dr. Lease Rentals	Relevant code
Cr. Lease Rentals Payable	Relevant code

When lease rental is paid to the lessor:

Account Title	G/Ledger code
Dr. Lease Rental Payable	Relevant code
Cr. Bank	Relevant code

#### 7.1.12.5 Ijarah Rentals

1. Ijarah payments are recorded as an expense on a straight-line basis over the term of the agreement.
2. The Ijarah asset is not to be recorded as an asset in the books of accounts.

##### Accounting Entries:

When Ijarah rental is due:

Account Title	G/Ledger code
Dr. Ijarah Rental	Relevant code
Cr. Ijarah Rentals Payable	Relevant code

When Ijarah rental is paid:

Account Title	G/Ledger code
Dr. Ijarah Rentals Payable	Relevant code
Cr. Bank	Relevant code



#### **7.1.12.6 Lease Amendment Procedure**

Existing leases can be amended only with the recommendation of Leased Assets Committee and only if:

- i. New arrangement demonstrates an economically feasible program to WAPDA over the remaining term of the lease;
- ii. There is a change in the asset specification or a new asset has been added to the assets already under lease arrangement.

#### **7.1.13 Depreciation of Fixed Assets**

1. All fixed assets of WAPDA shall be depreciated on straight line method over their estimated useful life at the rates given in the following paragraphs to reflect their accurate net asset value.
2. Fixed assets shall be depreciated over their estimated useful lives unless they are inexhaustible. Depreciation on additions to operating fixed assets shall be charged from the month in which the asset is acquired or capitalized, while no depreciation shall be charged for the month in which the asset is disposed off.
3. The respective DDO shall be responsible for proper calculation, accounting and recording of depreciation.

##### **7.1.13.1 Depreciation Amount and Depreciation Method**

1. The depreciable amount of an asset is allocated on a systematic basis over its useful life and is depreciated using straight line method.
2. The depreciation expense for each period shall be charged to income unless it is included in the carrying amount of another asset. Sometimes, the future economic benefits embodied in an asset are absorbed in producing other assets. In this case, the depreciation charge constitutes part of the cost of the other asset and is included in its carrying amount.
3. Each part of fixed asset with a cost that is significant in relation to the total cost of the fixed asset shall be depreciated separately.
4. The residual value and the useful life of an asset shall be reviewed at each financial year-end and, if expectations differ from previous estimates, the change shall be incorporated in the fixed assets register.
5. Depreciation of an asset shall begin when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by WAPDA management.
6. Depreciation of an asset shall cease when the asset is derecognized i.e. disposed of, destroyed, scraped or become obsolete. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated.



**7.1.13.2 Factors to be Considered in Determining Useful Life of an Asset**

1. Expected usage of the asset. Usage shall be assessed by reference to the asset's expected capacity or physical output or that is provided in suppliers' manual.
2. Expected physical wear and tear, which will depend on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance program, and the care and maintenance of the asset while idle.
3. Technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset.
4. Legal or similar limits on the use of the asset, such as the expiry dates of related leases.
5. Land and buildings are separable assets and shall be accounted for separately. Land has an unlimited useful life and therefore shall not be depreciated while buildings have a limited useful life and therefore are depreciable assets.

**7.1.13.3 Depreciation Rates**

Following depreciation rates shall be used by WAPDA to depreciate its fixed assets:

S. No.	Description of Assets	Years	Residual Value (percentage)	Depreciation Rate (percentage)
1	Civil Works/buildings	50	2	2
	Dams & Reservoirs	50	2	2
2	Generation Plant & Equipment			
	a. Turbines	35	5-20	2.285
	b. Generators (Class F insulation)	35	1	2.82
	c. Generators (Class B insulation)	30	1	3.3
	d. GIS Switch Gear	50	0.5	1.99
	e. Switchyard Equipment (Transformer etc.)	25	1	3.96
	f. MV/LV Switch gear control and production equipment	25	1	3.96
	g. Telecommunication & SCADA	20	0.25	4.987
	h. Cranes	30	1	3.3
	i. Trash Rack and Cleaning Machines	30	1	3.3
	j. Truck trailer	20	1	4.95
	k. HV circuit breaker-air blast type	25	1	3.96
	l. HV circuit breaker-SF -6 type	30	1	3.3
	m. Transmission Line Equipment	25	1	3.96



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

S. No.	Description of Assets	Years	Residual Value (percentage)	Depreciation Rate (percentage)
3	Mobile Plant & Equipment	5	1	20
4	Other Equipment (All others except computer accessories)	10	1	10
5	Computers and Accessories	4	1	25
6	Vehicles	5	5	20
7	Assets subject to Ijarah	14	2	7

**7.1.13.4 Depreciation Entries**

Name of Item	G/L Code	Dr/Cr	Title of Account
Buildings	Relevant code	Dr.	Depreciation
Furniture	Relevant code	Dr.	Depreciation
Computers	Relevant code	Dr.	Depreciation
Machinery/Equipment	Relevant code	Dr.	Depreciation
Vehicles	Relevant code	Dr.	Depreciation
Office & Electric Equipment	Relevant code	Dr.	Depreciation
Buildings	Relevant code	Cr.	Accumulated Depreciation-Building
Furniture	Relevant code	Cr.	Accumulated Depreciation-Furniture
Machinery /Equipment	Relevant code	Cr.	Accumulated Depreciation- Machinery /Equipment
Computers	Relevant code	Cr.	Accumulated Depreciation-Computers
Vehicles	Relevant code	Cr.	Accumulated Depreciation-Vehicles
Office & Electric Equipment	Relevant code	Cr.	Accumulated Depreciation- Office & Electric Equipment
Transformers	Relevant code	Cr.	Accumulated Depreciation-Transformers

**7.1.14 Impairment of Assets**

1. It is the policy of WAPDA to assess annually, as to whether there is any indication that an asset (or a class of assets) is 'impaired'. If any such indication exists, the DDO shall estimate the recoverable amount of the asset in line with approved accounting standards as applicable in Pakistan. An asset is impaired when its carrying amount exceeds its recoverable amount.
2. The respective DDO shall document and record the impairment of assets in the fixed assets register and its documentation shall be made available, for



review by the external auditors of WAPDA for inclusion in the annual financial statements.

#### **7.1.14.1 Impairment Indicators**

1. At the end of each year the DDO shall make assessment to identify appropriate impairment indicators for each class of asset. These impairment indicators will then be used to determine if there is an ‘indication of impairment’. There are usually two groups of indicators which may be external or internal. External indicators are:
  - i. A significant decline in an asset’s market value as a result of the passage of time or normal use.
  - ii. Significant changes with an adverse effect in the technological, market, economic or legal environment of the relevant asset.
  - iii. An increase in market interest rates or other market rates of return on investments that are likely to increase the discount rate included in the cash flow calculation when determining value in use.
2. Internal indicators are:
  - i. Evidence of obsolescence or physical damage to an asset.
  - ii. Significant changes regarding the way an asset is used or is expected to be used.
  - iii. Evidence from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

#### **7.1.14.2 Assessment of Impairment**

At the end of every financial year the DDO in consultation with respective GM Finance shall determine whether there is any known evidence that an asset or group of assets is impaired based on the impairment indicators. It is not expected that each asset would be examined every year to determine if there is an indication of impairment. For example, the respective DDO will not need to assess each building but where it is evident that the building was affected by fire during the financial year then that building would need to be tested for impairment. An indicator is only relevant if the recoverable amount of the asset or group of assets is sensitive to the indicator indicating impairment. If there is no evidence of impairment there is no need to make a formal estimate of recoverable amount.

#### **7.1.14.3 Measuring Recoverable Amount**

1. Where there will be an indication of impairment, the DDO shall determine the recoverable amount. However, the concept of materiality applies in identifying whether the recoverable amount needs to be estimated. For example, if previous calculations show that an asset’s recoverable amount is significantly greater than its carrying amount, there is no need to re-estimate the asset’s recoverable amount if no events have occurred that would eliminate that difference.
2. Recoverable amount shall be the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use.



#### 7.1.14.4 Recognizing and Measuring Impairment Losses

##### 1. Individual Asset

An impairment loss for an individual asset shall be recorded when the recoverable amount is less than the carrying amount. The amount of the impairment loss is the difference between the recoverable amount and the carrying amount.

##### 2. Cash-Generating Unit (CGU)

An impairment loss shall be recorded for a CGU when the recoverable amount of the unit is less than the unit's combined carrying amount, the difference between the two being the amount of the impairment loss. The DDO will need to reduce the carrying amount of each asset in a CGU on a pro rata basis, based on the carrying amount of each asset in the unit. However assets in the unit cannot be reduced below the higher of the asset's 'fair value less cost to sell' (where determinable), 'value in use' (where determinable) or zero.

#### 7.1.14.5 Accounting Treatment of an Impairment Loss

1. An impairment loss for an individual asset and for each asset in a CGU shall be recorded in the fixed assets register in the year in which the loss occurs.
2. After the recording of the impairment loss the DDO must also adjust the depreciation relating to the asset, by reallocating the new carrying amount in a systematic manner over the remaining useful life of the asset.

##### Journal Entry:

When asset will be impaired:

Account Title	G/Ledger code
Dr. Impairment loss	Relevant code
Cr. Accumulated Impairment loss	Relevant code

#### 7.1.14.6 Reversing an Impairment Loss

1. At the end of every reporting period, the DDO shall assess whether impairment losses previously recorded need to be reversed. The DDO will first determine the indicators to be used in assessing whether a reversal of impairment has occurred. There are a number of indicators that should be used when determining whether a reversal of an impairment loss is required. These indicators are similar to the impairment indicators mentioned above.
2. The DDO shall consider whether there is an indication of a reversal of an impairment loss by using the indicators. Where these indicators will provide evidence that a reversal has occurred, an estimate of the recoverable amount will be made. Where it will be determined that the recoverable amount has increased, the impairment loss need to be reversed. However, reversal of an impairment loss will not be allowed when the change in recoverable amount merely will result from the unwinding of the cash flow discounting due to the passage of time.





- i. Individual Asset**
  - a) A reversal of an impairment loss for an individual asset cannot exceed the amount at which that asset would have been recorded had the asset not been initially impaired and written down.
  - b) After the reversal of an impairment loss, the DDO will also adjust the depreciation relating to the asset by reallocating the new carrying amount in a systematic manner over the remaining useful life of the asset.
- ii. Cash-Generating Unit (CGU)**
  - a) The reversal of an impairment loss relating to a CGU shall be allocated to each individual asset on a pro rata basis, based on the carrying amounts of those assets.
  - b) The amount allocated to each asset cannot be increased above the lower of:
    - 1. The carrying amount had no impairment loss been recognized in the prior period; and
    - 2. It's recoverable amount (if determinable).

#### **7.1.14.7 Accounting Treatment of a Reversal of Impairment Loss**

A reversal of an impairment loss for an individual asset and for each asset in a CGU shall be recorded in the fixed assets register in the year in which the reversal occurs.

#### **7.1.14.8 Verification of Assets Criteria**

DDO shall determine the dates of the inventory taking and the criteria that will be used to document that a property item has been accounted for during the inventory taking. The steps to be followed will be as follows:

- i. Establishing starting and ending dates for the inventory.
- ii. Producing the list of items for verification.
- iii. Establishing the criteria for determining that an item in the inventory base has been accounted for.
- iv. Establishing the reconciliation schedule.
- v. Defining the method used to perform the audit of the physical inventory.
- vi. Establishing the inventory status-reporting schedule.
- vii. A physical inventory of equipment will be taken annually.

#### **7.1.14.9 Controls**

- 1. A control system shall be established by the respective GM Finance/General Manager concerned/Head Office ensuring adequate safeguards of assets to prevent loss, damage, or theft. Any loss, damage, or theft will be investigated and fully documented.



2. In order to ensure objective reporting of inventory items, a physical verification shall be performed by personnel having no direct responsibility (custody and receipt/issue authority) for assets subject to the inventory count. If it is not feasible to use such personnel for any part of the inventory, then those portions are, at least, tested and verified by a person with neither direct responsibility for that portion of the inventory nor supervised by the person directly responsible.
3. Written physical verification instructions shall be documented and distributed to each person participating in the verification process. The instructions will describe:
  - i. How and where to inspect each item.
  - ii. What information to record.
  - iii. What to do when they have a question.
  - iv. What procedures to follow when they finish their assignments.
  - v. What procedures to follow when equipment is located but not listed.
  - vi. The procedure by which the person counting the assets attests to the accuracy of the count, such as by signing his or her name at the bottom of each inventory page, or signing a cover page for a group of pages sorted by another method (batches, location, equipment type, etc.).
  - vii. How to record assets not being used or in an obviously unserviceable condition. Such information will be used to schedule repair or disposition of such assets.

#### **7.1.14.10 Reconciliation**

After the physical inventory count is completed, results will be reconciled with the accounting records. Any differences between quantities determined by the physical inspection and accounting records will be investigated to determine the causes of the difference.

The following steps will be followed during the reconciliation process:

- i. Search the inventory lists to determine whether inventory noted during the count as unrecorded is, in fact, listed on another portion of the inventory.
- ii. Enter unrecorded assets into the inventory system as soon as possible after discovery.
- iii. If a significant number of unrecorded assets are located, indicating a major problem with the asset recording procedures, the problem will be identified and corrected in a timely manner.

#### **7.1.14.11 Lost or Stolen Property**

1. In the event of suspected loss or theft, the concerned person or department shall notify the event immediately to the respective DDO. The respective DDO will take necessary action as appropriate and initiate an insurance claim for lost or stolen item in order to:



- i. Minimize the loss.
  - ii. Ensure that investigations are not hampered.
  - iii. Ensure that improvident settlements are not made.
  - iv. Ensure that incorrect personnel actions are not taken.
  - v. Remove the lost or stolen property from the agency's inventory and accounting records where applicable.
  - vi. Maintain records for losses of assets in accordance with approved records retention schedules.
2. After the inventory is reconciled, the respective DDO will certify the reconciliation. If the certification cannot be made, the respective DDO will disclose that fact and shall determine the appropriate course of action.

#### **7.1.14.12 Retaining the Physical Verification Record**

The certification, together with the reconciliation and the inventory listing, will serve as the support for the inventory balance and for accounting adjustments, if any, and will be retained. The retention of this documentation will be in accordance with the approved records retention schedules.

#### **7.1.15 Insurance of Fixed Assets**

1. WAPDA has adopted a policy which ensures maximize benefits and minimize the costs of insurance cover for assets serving in best interest to provide effective safeguards against uncertain events resulting in loss or damage to the assets. This is known as **WAPDA Equipment Protection Scheme (WEPS)**. This WEPS is an out-come of WAPDA's adverse claims experience from N.I.C. in respect of Thermal/Hydel Power Houses and Grid Stations during previous years. WEPS is controlled by a Board of Management which is responsible for the operation of this Scheme. WEPS is a managed under a Special Protection Cell which acts as a self finance unit with Director General Insurance WAPDA as its head. The Scheme generates funds from the premium it charges from various WAPDA formations which are invested at the discretion of the Board of Management.
2. All WAPDA Equipment of Grid Stations and Power Houses are protected under WAPDA Equipment Protection Scheme (WEPS). The functions of this Cell are as under:
  - i. It will provide protection to the losses arising out of fire and damage to the equipment's of Power Houses, Grid Stations, WAPDA House, WAPDA Printing Press, Reclamation Workshops and Research & Test Laboratories.
  - ii. The scheme does not cover catastrophic losses such as losses arising out of natural disaster like Earthquakes, Volcanic eruptions, floods, Terrorism etc. as defined in the Scheme.



#### **7.1.15.1 Insurance of Other Assets**

1. WAPDA shall ensure that procedures exist to establish and maintain program that will underwrite damage to its assets other than those covered by WEPS to minimize its exposure and that of its officers and employees to a wide range of liabilities and protects its reputation.
2. The program shall cover all risks of physical loss or damage. Examples of the risks covered are as follows:
  - i. Loss, destruction or damage caused by fire, lightning, storm or storm water
  - ii. Earthquake / Landslip / Subsidence
  - iii. Spoilage
  - iv. Burglary or theft
  - v. Accidental damage
3. The DDO through the office of Director General Insurance shall be responsible for proper management of insurance coverage and dealing with day to day queries relating to insurance including organizing additional covers, ensuring whether WAPDA has insurance cover for all assets and the processing of claims.
4. The DDO shall be responsible for proper accounting and recording of insurance cost.

#### **7.1.15.2 Reporting of Property Related Losses**

1. The loss, suspected loss, or damage to WAPDA property shall be reported as soon as possible to the WEPS-Cell by the respective DDO with copy to the respective General Manager Finance.
2. In the event of a theft the WEPS-Cell shall be notified by the DDO to take appropriate measures for initiation of insurance claim.
3. The DDO shall initiate investigation and will call and inform the Insurer about the loss or theft. The DDO will prepare documentation for onward submission to WEPS.

#### **7.1.15.3 Record Keeping**

1. A concise, easily referenced schedule of insurance coverage will include, at a minimum the following:
  - i. The coverage provided, detailing major exclusions.
  - ii. The underwriter.
  - iii. The deductible amount.
  - iv. The upper limit.
  - v. The term of the policy.
  - vi. The date premium(s) is/are due.



- vii. The premium amount.
2. Records of losses shall also be maintained. This information will be helpful in indicating the areas where internal controls may need to be improved and will be useful in measuring the level of risk exposure in a particular area.

#### 7.1.15.4 Procedure for Reporting Damage or Loss

1. If any WAPDA asset is damaged, lost or stolen then a report will be filed by the respective DDO to the GM concerned and DG Insurance.
2. WAPDA's insurance policy will also cover any asset owned by or in the use of an employee while the asset is being used in connection with WAPDA's business and with WAPDA's consent. (E.g. Vehicle).
3. In case of negligence the person in whose charge the asset was at the time the damage or loss was sustained will be responsible for paying the repair costs.
4. Any correspondence (also third party correspondence) regarding loss or damage will be forwarded to the respective GM and DG Insurance.

#### Accounting Entries:

Following accounting entries shall be passed for insurance premium:

- i. When Insurance premium is accrued:

Account Title	G/Ledger code
Dr. Insurance premium	Relevant code
Cr. Insurance payable	Relevant code

- ii. When Insurance premium is paid:

Account Title	G/Ledger code
Dr. Insurance payable	Relevant code
Cr. Bank	Relevant code

Following accounting entries shall be passed for claims lodged:

- iii. When asset is damaged/lost :

Account Title	G/Ledger code
Dr. Asset Loss Account	Relevant code
Dr. Accumulated Depreciation	Relevant code
Cr. Asset Account	Relevant code

- i. When the claim is lodged:

Account Title	G/Ledger code
Dr. WEPS	Relevant code
Cr. Insurance Claims-Lodged	Relevant code

- ii. When Insurance amount is received:



Account Title	G/Ledger code
Dr. Bank	Relevant code
Cr. WEPS	Relevant code

ii. When claim is settled :

Account Title	G/Ledger code
Dr. Insurance Claims-Lodged	Relevant code
Cr. Assets loss account	Relevant code

**7.1.15.5 Movement of WAPDA Equipment from one Location to Another Location**

To protect WAPDA equipment and ensure insurance coverage the following steps shall be taken before relocating equipment from one location to another location:

- i. The respective DDO under intimation to the accounting incharge concerned will authorize the use of such equipment from one location to another location.
- ii. The equipment will be identified as WAPDA property and marked with a special number.
- iii. The security officers will require written authorization for removing equipment from one location to another location. The staff transporting equipment from one location to another location will present suitable identification such as I.D. card or a written authorization from the respective DDO or a person designated by him.

**7.1.15.6 Compensation for Loss by Theft of WAPDA Owned Moveable Assets**

1. Compensation for losses suffered due to theft of moveable assets shall be paid out of WAPDA's general funds, when the following conditions are met:
  - i. The missing asset is listed on the departmental records (e.g. Cash register in case of theft of cash or equipment inventory records in case of loss of equipment).
  - ii. The missing equipment is marked with an identification number.
  - iii. There is evidence of forcible entry or forcible removal.
  - iv. The property is replaced with an identical or equivalent item.
2. The concerned person shall notify the administration department regarding theft of WAPDA asset. The respective DDO will initiate investigation and will perform all the procedures given above.

**7.1.15.7 Physical Verification**

1. It is the policy of WAPDA that a proper system of fixed assets control be introduced to validate the existence, location, and custodianship of fixed assets in order to investigate and take corrective action to resolve the discrepancy and avoid future problems.



2. The respective GM Finance shall establish guidelines and procedures for efficient conduct of physical verification process ensuring that the assets are properly safeguarded and maintained.





## 8 CAPITAL WORK IN PROGRESS

### 8.1 GENERAL

1. The primary purpose of accounting for capital work in progress is to record accurately the actual cost of work done. While for a project as a whole it may be sufficient to ascertain the total cost for purposes of classification it is necessary to keep separate account for each separately identification work. A further analysis of these costs, over convenient parts of each separate work is required for a study of comparative costs, for effective control and economy, for comparing physical progress of construction with cost figures and for relating such figures to estimates.
2. The Authority is mandated as per clause 8 (1) of the Act to prepare, for the approval of the Government, a comprehensive plan for the development and utilization of the water and power resources of Pakistan on a unified and multi-purpose basis. In furtherance of this objective it is allowed, as per clause 10 of the Act, to (cause studies, surveys, experiments or technical research to be made or contribute towards the cost of any such studies, surveys, experiments or technical research made by any other agency.
3. On the commencement of construction of a component an account will be opened in the subsidiary ledger; and description and location of the component as given in the approved estimate, the code number, the estimated time required for construction, and the date on which construction starts will be written on the ledger sheet. (Annexure-5). The approved, estimated cost and its composition under the subheads, materials, direct salaries and wages, contracts rental of equipment and description, and other expenses will then be recorded. For the purpose of analysis, a contract for the supply of materials only, or for supply of labour only, or purely for the use or rental of equipment will be taken under the sub-heads materials, labour, or rental of equipment; as the case may be, and not under the sub-head contracts. Expenditure is to be analysed under the sub-head contracts only where the contract documents or work-order places on the contractor the responsibility for the actual construction, installation, repair, maintenance or working of a physical assets, however large or small that asset or part of an asset may be irrespective of the fact as to who supplies the materials for that contract.
4. The amount for which sanction has been received in the budget for the financial year in which construction starts will then be noted on the ledger sheet. If the construction of that particular job spreads over more than one financial period then at the beginning of every financial period after the first, the amount for which sanction has been received in the budget will be entered in the space provided for the purpose.
5. Capital Work in Progress within WAPDA is either of the under mentioned categories, depending on the nature of the expense:
  - i. Capital Work In progress- Feasibility Study Phase
  - ii. Capital Work In Progress- New Development Projects



- iii. Capital Work In Progress-Additional Civil Works On Existing Hydel Power Projects
- iv. Deposit Works In Progress

## **8.2 CAPITAL WORKS IN PROGRESS- FEASIBILITY STUDY PHASE**

### **8.2.1 Pre-Feasibility Stage**

The Water and Power wings each has separate survey and development department to identify probable sites for development of water related projects and power related projects, respectively. These surveys and investigation are a continuous process. All expenses on preliminary surveys, investigations and testing, and all other related expenses on such surveys are separately booked and are expensed out yearly against the power sale revenue by Power Wing and GoP current expenditure budget by Water Wing. Separate accounts are opened in the sub-ledgers for all ongoing surveys/sites. This account forms the basis, for development of PC-II.

### **8.2.2 Feasibility Stage**

Feasibility studies of the projects are carried out through preparation of PC-II and are executed in accordance with financing arrangement stated in PC-II.

On the completion of the feasibility study and finalization of the results, the Authority decides on the viability or otherwise of the project. The expenses incurred on these surveys and investigations are treated in the following manner:

- i. In case the proposed project is confirmed as viable and approved by the Authority the expenses on survey etc., incurred on the particular project are transferred to the main Capital Work in Progress (PC-I phase) account of the project and booked under Preliminary Expenses.
- ii. In case the project is not considered as feasible by the Authority for any reason all expenses incurred on surveys and investigation on a particular site/project shall be amortised over a period of five years.
- iii. In case the Authority is approached by another agency/organisation to obtain the feasibility report of such an abandoned project, the same is sold out to the agency/organisation at value equivalent to the cost incurred by WAPDA on the said study.

## **8.3 CAPITAL WORKS IN PROGRESS- NEW PROJECTS**

### **8.3.1 Capital Works In Progress- New Hydel Power Projects**

- 1. Hydel Power Development schemes, undertaken by the WAPDA Power Wing, fall under two main categories depending on the nature of available water sources. One is based on Dams/reservoirs where the water is taken to turbines through tunnel. In the other case the mere flow of river water is either taken over a specific gradient (run of river) or another case where special channels are used to provide the flow required to run the turbines.



2. The development projects for new Hydel Power Generation fall under this category. These projects are undertaken on the basis of approved PC-1. The capital expenditure during the construction period of a project incurred in line with the approved PC-1 and ADP/PSDP of the project will be recorded in the below mentioned components:
  - i. Land Acquisition and settlement
  - ii. Operational building and Civil Works
  - iii. Power Generation Plant
  - iv. Transmission and transformation equipment
  - v. Tunnels, Weir, Head/Tail Race
  - vi. Residential and Non-residential Buildings
  - vii. General Plant Assets including Utility Vehicles
  - viii. Project Management Expenses
  - ix. Interest on loans during construction
  - x. Consultancy and Engineering Fees
  - xi. Preliminary Civil works

#### **8.3.2 Capital Works In Progress- New Water Projects**

1. The Schemes/Programmes which are undertaken by the WAPDA Water wing are as under:
  - i. Tube well
  - ii. Canals/Water Distribution Works
  - iii. Surface Drains, Pumping Stations, Tubewell Electrification
  - iv. Water Reservoirs and Dams
  - v. Irrigation and Drainage programmes
  - vi. Flood Damage works
  - vii. Research, Investigation and monitoring and Engineering studies
2. These projects are undertaken on the basis of approved PC-1. The capital expenditure during the construction period of a project incurred in line with the approved PC-1 and ADP/PSDP of the project will be recorded in the below mentioned components:
  - i. Land Acquisition and re-settlement
  - ii. Physical Assets
  - iii. Civil works-Camps, Colonies and Roads
  - iv. Dams Construction
  - v. Canals and other distributaries
  - vi. Electrical and Mechanical Works



- vii. Project Management Expenses
- viii. Interest on loans during construction
- ix. Consultancy and Engineering Fees
- x. Preliminary Civil works

#### **8.4 PRELIMINARY CIVIL WORKS**

1. The cost of temporary facilities acquired for the construction of permanent works should be shown as a separate item in the accounts of a project. When such temporary facilities are demolished or disposed of either during the period of construction or on the completion of construction, the receipts and recoveries from the disposal of such temporary facilities should be credited to the cost of such facilities and the residual balances should be charged to the direct cost of that particular work. On the other hand, if a temporary facility was built or acquired for use on many works then on disposal, the residual balance should form a part of the indirect cost to be allocated, in an equitable manner, over the various permanent works.
2. When the cost of a temporary facility has been ascertained, the amount will be transferred, in the General Ledger, from the account control for construction works in progress and debited to the appropriate head of account. In the subsidiary work in progress ledger after taking the credit arising from the transfer, the separate account for that work will be closed, and the relevant ledger sheets will be taken out of the subsidiary ledger and placed on separate binder for purpose of audit and future reference and as a permanent record of the composition of the cost of that facility.

#### **8.5 CAPITALISATION ON COMPLETION**

1. Each project will have separate code for accounting purposes. Some physical assets are purchased for the project at the very start of the project and are put into use from the date of purchase. These assets are:
  - i. Transport Vehicles
  - ii. Computers, Printers and other allied equipment
  - iii. Office equipment
  - iv. Arms & Ammunition
  - v. Furniture & Fixtures
2. The treatment of these physical assets in Water Wing projects and Power Wing Projects differs. In case of Power Wing Projects the assets shall be directly capitalized based on the acquisition cost of each. Depreciation will be charged on these assets at the prevailing rates from the date of purchase and use. Depreciation charge will be recorded as part of the Project Management Component.
3. In case of Water Wing Projects the above mentioned assets are not capitalized and are charged to the Capital Work in Progress account. The reason for such a treatment is that these assets are not the property of the



WAPDA Water Wing and are transferred to the Owner/Designated Organisation on completion of the project.

4. In the case of Water Wing projects, the completed works/projects do not form part of the WAPDA assets. The funds received against these works are credited to the relevant Fund Account and treated as a liability till the completion of the project. The Capital work in progress is debited with all expenses on the project. When the project is complete and handed over to the concerned organisation, the Capital WIP account is adjusted against the Funds received and the two accounts balance out.

#### **8.6 APPORTIONMENT OF COMMON COSTS**

On completion of the project, when the final costs direct and indirect have been ascertained, the indirect charges will be apportioned over the facilities in an equitable basis. Below mentioned types of indirect expenses shall be apportioned to the Project Assets on the basis mentioned against each head as on the date of completion:

- i. **Project Management Expenses**  
These expenses will be apportioned on all assets on the basis of cost of each direct asset.
- ii. **Interest on loans during construction**  
The interest on loans during the construction period will be apportioned on the specific direct assets for which the loan was obtained. In case of a general loan it will be apportioned on all related direct assets equitably.
- iii. **Custom duties, Taxes and Insurance**  
Custom Duties, taxes and insurance are levied on imported items. These will be carried separately till the completion of the project and finally apportioned to the Electrical & Mechanical Equipment (E&M).
- iv. **Consultancy and Engineering Fees**  
These expenses are apportioned to the civil works and E&M Equipment in equitable manner.

#### **8.7 COMPLETION OF PROJECT**

##### **8.7.1 Final Bills from Contractor**

On completion of the project the Contractor will submit along with his final bill and other relevant documents, a Completion Certificate indicating that the project/Job has been completed in accordance with the Agreement of award of the Job/Work.

##### **8.7.2 Final Certificate by PD**

1. The Project Director shall process the case and issue the Defects Liability, Taking Over Certificate and a Final Completion Certificate in accordance with the terms of the agreement/contract of particular project.



2. The Project Director shall convey the total liability as on the date of completion of the project, within two months of the issue of TOC, to the Budget and Accounts Officer.
3. On the completion of construction of a component, the Budget and Accounts Officer will satisfy himself that all liabilities in respect of that job have either been paid or provided for and that all credits relating to that job have been taken into account. If for any reason, liability in respect of work done or materials supplied remains unpaid and un-provided for, he will estimate such liability on the basis of the information contained in the relevant contract or tender document or work-order, and debit the amount to the job. Conversely, where he finds that, in terms of the contract or tender document or work-order, a claim is to be made on the contractor or the suppliers, he will make a reasonable estimate of such a claim, and credit the amount to the job account in consultation with the DDO/PD. After making the provision, if any, he will close the separate account for that component, and transfer the cost to the subsidiary ledger account for the work of which that component forms a part.
4. When the construction of all components of a work is completed, and the cost transferred to the subsidiary ledger account for the work, this account will show the total direct cost of the work without taking into consideration the indirect cost of administration and consultancy.
5. Once the project is complete, the concerned accounting head under the DDO/PD shall prepare the Journal Voucher based on the final determined costs (i.e., after appropriation of Management Expenses) for transfer of the project from the WIP to Asset account. Also included in the information to be provided by the DDO/PD, will be entries for the Fixed Assets Register, the cost allocation sheet and other information.
6. The concerned GMF shall review and vet the final transfer documents before affecting final transfer and recording in the books of accounts. In case of transfer of completed projects from one wing to another the same shall be approved by the concerned Members.
7. The projects undertaken and completed on behalf of outside agencies shall be transferred to the awarding Agency as per the terms of agreement.

**8.8 CAPITAL WORK IN PROGRESS-ADDITIONAL CIVIL WORKS ON EXISTING HYDEL POWER PROJECTS**

1. The additional civil works like new residential houses or construction of school or hospital fall under this category. Depending on the size and nature of the works these may also be spread over more than a year. These works are normally funded from internal resources of WAPDA.
2. In all type of projects all expenditure on works under construction will be debited to a Construction Work-in-Progress Account which will be a control account in the General Ledger. The record of expenditure on every work and on each of the components thereof will be maintained in subsidiary ledger which will have a separate account for the work and for each of the components. The separate account will give the description and location of





the work or the component, code number, estimated construction time, dates of commencement and completion of the work or the component estimated cost and the budget sanctions for the different periods over which construction is spread; and will have columns for Date, Particulars, Folio, Total: Debit/Credit, Analysis of Expenditure (Materials, Direct Salaries and Wages, Contracts, Rental of Equipment and Depreciation, Other Expenses), and Material( Description and Quantity).

3. The amount for which sanction has been received in the budget for the financial year in which construction starts will then be noted on the ledger sheet. If the construction of that particular job spreads over more than one financial period then at the beginning of every financial period after the first, the amount for which sanction has been received in the budget will be entered in the space provided for the purpose.
4. A breakdown into convenient parts or components will, however depend on the nature of work, or the agency through which the work is to be executed, and on the terms of the contract, if any. For a work constructed departmentally i.e. through the Authority's own task forces, the breakdown will be in components of smaller size than may be necessary in a case where the work is to be done by a contractor on a turn-key basis.

#### **8.9 DEPOSIT WORKS IN PROGRESS FOR WAPDA FORMATIONS**

1. The deposit work in progress within WAPDA relate to specific work/project undertaken by one wing for another and when completed transferred to the formation on whose account it has been carried out. The formation to whom task has been assigned will submit cost estimates to the job assigning formation to provide funds as per given time lines. The formation undertaking the task will keep the advance amount received in a separate liability account and record expenses of the related job in a separate deposit work account. The Deposit work in progress when completed is transferred to the related formation on whose account it has been carried out and the net result is profit margin charged to the related formation as services charges of the work carrying out formation..
2. Departmental charges in respect of works performed by one formation on behalf of another should not be levied on inter-wing works because various projects of WAPDA whether belonging to Water Wing or Power Wing do not constitute separate Departments/Organisation for purpose of accounting. However, to work out the correct cost of work done by one formation on behalf of another, care should be taken to ensure that various components of the cost, including pay charge of the staff whose time is booked against the work and hire charges of the machinery deployed according to the machine hours devoted are duly included as direct cost, while analyzing the total cost of the job.





## 9 RECEIVABLE, ADVANCES & DEPOSITS

### 9.1 RECEIVABLE MANAGEMENT

The objective of the policy is to prescribe guidelines on accounting, reporting, recording, collecting, and writing off accounts receivable, to be used for improving the management over receivable owed to WAPDA.

#### 9.1.1 Responsibility

The GM Finance (Co-ordination)/DGF (Co-ordination) shall be responsible for:

- i. Prescribing accounts receivable policies, procedures, and guidelines.
- ii. Providing technical assistance to WAPDA regarding the accounting for receivables.
- iii. Monitoring and analyzing the receivables of WAPDA.
- iv. Developing systems that are adequate to properly account for and report their receivables.
- v. Reporting receivables, their age, collection status and funding source.

The DDO shall be reportable to the relevant GM Finance for ensuring implementation of policy and procedures regarding WAPDA receivables.

#### 9.1.2 General Instructions

Receivable master records and billing codes shall be maintained by the relevant Budget & Accounts Department and access to those records shall be granted to only those employees who need it for performing their assigned tasks.

To assure proper and accurate billing, the employees shall make it certain that the charges billed are proper, clearly and correctly computed and stated, and charged against receivable to which they relate.

#### 9.1.3 Internal Control

To promote the accuracy of WAPDA's accounts receivable records and to discourage fraudulent manipulation of the accounting records, the B&AO shall incorporate the following internal control measures for accounts receivable:

- i. Aging information shall be collected, maintained, reported, and acted upon in a standardized and consistent manner and a review of past due accounts shall be performed periodically.
- ii. The cashier will not handle cases of disputed dues.
- iii. A reconciliation of individual account balances to the control balance shall be performed periodically.
- iv. Invoices shall be pre-numbered and all numbers accounted for periodically.
- v. An appropriate employee who does not handle cash receipts shall approve payment of credit balances and credit adjustments to the account balance.



- vi. A diligent effort shall be made to collect all outstanding accounts in general, invoices shall be collected as expeditiously as possible, but the cost of collection shall not be allowed to exceed the expected revenue. Accounting data gathering systems shall recognize and preclude situations in which collection effort and potential benefits become imbalanced.
- vii. Regular recovery notices shall be sent to all account receivables.
- viii. Where possible, the duties of the accounts receivable bookkeeper and the cashier shall be separated.
- ix. Accounts receivable write offs shall be recorded by an employee who does not handle cash receipts.
- x. Routine collection procedures shall be documented in writing.

#### **9.1.4 Accounting for Receivables Written Off**

1. Uncollectible accounts may be written off in WAPDA's financial accounting records and no longer recognized as collectible receivables for financial reporting purposes.
2. Writing off an accounts receivable is sensitive and shall therefore be subject to strong internal accounting controls. All write-offs of uncollectible accounts receivable shall require the approval of Authority.
3. A debt shall be considered to be uncollectible when it meets one of the following criteria:
  - i. All reasonable collection efforts have been exhausted.
  - ii. The cost of further collection action shall exceed the amount recovered.
  - iii. The debt is legally without merit or cannot be substantiated by evidence.
  - iv. The debtor cannot be located.
  - v. The debt was discharged in bankruptcy.
  - vi. The debt has been compromised, in the best interests of WAPDA.
  - vii. No audit para/litigation or court case is pending against receivables.

#### **9.1.5 Aging of Accounts Receivable**

When using an aging of accounts receivable, individual receivable account balances are categorized according to the length of time they have been outstanding.

The management estimates the relative uncollectible part for each category based on past experience. The estimated uncollectible amounts in each category are totaled to determine the total allowance.

#### **9.1.6 Reconciliation and Review**

Aged listing of individual receivable balances shall be prepared on monthly basis and shall reflect the results of billing and collection follow-up activity. The respective GM Finance shall review old balances.



### 9.1.7 Division of Responsibility

The following tasks should be segregated/handled by different persons as a prudent internal control:

- i. Establishment/Allowing credit facility.
- ii. Recording of charges against credit lines.
- iii. Recording of cash collections from debtors.

The respective Account Head/DDO shall approve the transactions before these are entered in the computer system. The respective GM Finance shall review the operations. The Accounts Staff shall enter approved transactions / data into the computer system.

A memorandum record of balances written off as uncollectible shall be maintained. All transactions, whether manual or automated, shall have the Authority's approval.

A clear distinction shall be made between cancelling accounts receivable and writing off accounts receivable. Accounts receivable can be cancelled or adjusted when WAPDA is not entitled to collect the money. Accounts receivable shall not be cancelled to avoid write off procedures.

### 9.1.8 Minimum Prescribed Information

WAPDA shall obtain the following minimum prescribed information on debtors:

- i. Full name of the Firm/ Company/ Contractor, and any previous name(s) if applicable.
- ii. Full address of the Firm/ Company/ Contractor along with complete address.
- iii. Full address of the Firm/ Company/ Contractor along with complete Telephone numbers, Fax numbers.
- iv. Copy of registration certificate.
- v. Copy of National Tax Numbers and Sales Tax Numbers.
- vi. Copy of Computerized National Identity Card Number.

#### Accounting Entries:

- When income is accrued:

Account Title	G/Ledger code
Dr. Accounts Receivable	Relevant code
Cr. Deferred Income	Relevant code

- When payment is received:

Account Title	G/Ledger code
Dr. Cash/Bank	Relevant code
Cr. Accounts Receivable	Relevant code



- When income is recognized:

Account Title	G/Ledger code
Dr. Deferred Income	Relevant code
Cr. Income	Relevant code

## **9.2 ADVANCES**

### **9.2.1 Scope**

This policy shall cover all types of advances made to employees for specific purposes and deposits made by WAPDA. Employees with any type of cash handling function shall be required to be familiar with the requirements of this policy.

### **9.2.2 Responsibility**

The GM Finance of each wing shall be responsible for the enforcement of procedures governing the cash management, maintenance of the records, appropriate usage, accounting for advances and deposits and performing periodic reviews of procedures being followed.

### **9.2.3 Basic Procedure and Guidelines**

1. Requests for temporary advances shall be submitted by the person seeking advance on the Temporary Advance Request Form. The following information shall be provided:
  - i. The amount requested.
  - ii. Purpose of the advance.
  - iii. Name of the individual who shall be using the advance.
  - iv. Length of time the advance shall be needed.
  - v. Signatures of the Account Head and the DDO/PD concerned.
2. The advances shall be issued for WAPDA related business activities.
3. All advances shall be initially charged to WAPDA receivable account.
4. The individual receiving the advance shall personally be liable for any loss of a cash advance.
5. Unused advances shall be returned to WAPDA immediately after the activity completion.
6. Advances for approved purchases shall be given to authorized personnel, accounting of which shall be completed within two weeks.
7. In case the actual amount spent is excess, it will be reimbursed subject to approval of the DDO.



#### **9.2.4 Travel Advances**

1. Cash advances for travelling, upto a maximum of 80%, of the estimated cost, shall be given for the approved journey.
2. Travel can be for any number of days without return to employee's site or WAPDA location during those days.
3. All travel advances must be approved by the employee's concerned DDO.
4. The employee will submit TA adjustment account as early as possible after performing journey but not later than six months of advance in which case the amount shall be adjusted from his salary.
5. All unutilized cash advances shall be repaid in full within 15 calendar days following completion of the trip. Failure to repay a cash advance within this period shall result in the amount being deducted from payroll earnings.
6. WAPDA shall retain the right to deny travel advances to any individual who has not submitted documentation in a timely manner for a previous advance.

#### **9.2.5 Monitoring Advances**

Employees taking advance shall complete the employee expense worksheet to document their expenses within 15 days of the scheduled advance end date. Employee shall sign the worksheet. Receipts and other support documentation shall be attached to this worksheet and submitted to the respective immediate head of accounting unit for processing.

To ensure proper monitoring of a cash advance, the monitor shall:

- i. Process an expense report in the financial system using the information supplied on the employee expense worksheet and receipts.
- ii. Verify that the expenses meet WAPDA policy.
- iii. Attach all original-supporting documents for itemized expenditures, number the documents.
- iv. Check the total of amounts on the itemized expenditures to ensure these agree with the total posted on the Temporary Advance Request Form.
- v. Indicate the balance remaining on the original Advance after taking into account the previous expenses on the Advance line.
- vi. Complete required columns of the form and submit to approver.
- vii. Print expense report, attach worksheet, receipts etc., and forward to approver.

#### **9.2.6 Miscellaneous Advances**

Advances may be requested to cover anticipated cash expenditures to be incurred on behalf of WAPDA for a sponsored event, prior to the event taking place. Advances made to outside parties like advances made to building contractors shall be adjusted against the running bills as per the terms and conditions of the



agreement/contract. For events that require cash payments such as freight charges, meal charges on trips, etc., departments shall submit requests for advances in writing on the Cash Advance Request Form to the Accounts and Finance Department. Each request shall provide an explanation of the need for the cash advance.

The following steps shall be followed:

- i. When cash payments are required as a consequence of contractual arrangements, a copy of the contract shall be presented with the request for an advance.
- ii. Departments delaying return of advances shall not be allowed further advances without either the clearing of those in question or the approval of the respective DDO.
- iii. When the need for the advance is complete, the department shall return the unused cash, to the Accounts and Finance Department.
- iv. All receipts shall be verified on advances being cleared. Any questionable receipts shall be referred to the Budget and Account Officer.
- v. The expenditures must conform to the approved budget categories, and the expenditures must not result in excess costs beyond flexibility limits of the budget categories.

#### **9.2.7 Review**

The Accounting unit shall prepare monthly summary and detailed reports by formations of outstanding cash advances. These reports shall be sent to the respective GM Finance for review and any necessary action on outstanding cash advances and amount expensed against original Cash Advance Request.

##### **Accounting Entries:**

1. When payment is made:

Account Title	G/Ledger code
Dr. Advances	Relevant code
Cr. Cash/Bank	Relevant code

2. When advance is adjusted:

Account Title	G/Ledger code
Dr. Relevant head	Relevant code
Cr. Advances	Relevant code

#### **9.3 DEPOSITS**

1. WAPDA deposits shall be made in guidance of the directions issued by the Authority that shall best describe the way consistent with the carefully crafted strategies designed for the accomplishment of the strategic financial management.



2. The deposits shall be made only if they are in line with the terms of agreement and/or for valid purposes.
3. The approving authority for making deposits shall be WAPDA Authority or powers vested to the respective GM Finance by WAPDA Authority. Before approving, the respective GM Finance shall assure that deposit is being made keeping in view the considerations of the relevant agreement or in accordance with the issued guidelines.
4. The respective GM Finance shall be responsible for the management including the accounting and maintenance of records etc., and vital administration of matters with the oversight of the respective GM Finance who shall assist him in carrying out the duties, and shall oversee the whole process of deposit management.

**Accounting Entries:**

- 1 When payment is made:

Account Title	G/Ledger code
Dr. Deposit	Relevant code
Cr. Cash/Bank	Relevant code

2. When payment is received:

Account Title	G/Ledger code
Dr. Cash/Bank	Relevant code
Cr. Deposit	Relevant code





## 10 TRADE DEBTORS

### 10.1 GENERAL

The business of power generation and sale is regulated by NEPRA which has granted a generation licence to WAPDA. WAPDA identifies this business as “Hydroelectric-NEPRA Regulated Business”. The accounting for Hydroelectric-NEPRA Regulated Business is carried out in conformation with the NEPRA (uniform system of accounts) Rules 2009.

The electricity generated by WAPDA is sold directly to the National Transmission and Despatch Company Limited under a Power Purchase Agreement (PPA) dated March 1, 1999, as amended on January 24, 2011. The PPA provides for procedures and timings for taking measurements of the electricity passed on to NTDC at the agreed transfer points and the measurement and billing procedures, the raising of invoices for electricity and other charges.

The invoices are raised to NTDC on monthly basis and are payable within 25 days from the date of invoice.

### 10.2 PROVISION FOR DOUBTFUL DEBTS

Management shall establish an allowance for doubtful debts to reflect the amount that is estimated as uncollectible. The establishment of an allowance on regular basis ensures that WAPDA’s receivables are not overstated for financial reporting purposes.

### 10.3 WRITE OFF OF UNCOLLECTIBLE ACCOUNTS

Trade debts shall be written off when all collection procedures have been conducted without result and management considers the balances as bad and uncollectible. All write-offs of uncollectible accounts shall require the approval of Authority.

### 10.4 CORRECTION OF ERRORS

When an error has been made in an original invoice or it becomes necessary to adjust a receivable account, the error shall be corrected upon the approval of the competent authority and a record shall be maintained indicating the nature and amount of the adjustment that has been made to a receivable account.

### 10.5 AGING OF TRADE DEBTORS

Aged listing of receivable balances on the basis of invoices raised and collections received shall be matched on monthly basis. The amounts shall be categorized in terms of outstanding since say one month, three months, six months and so on. The GM Finance (Power) shall review old balances.

### ACCOUNTING ENTRIES



The respective Account Head/DDO shall approve all transactions before these are entered in the computer system. The respective GM Finance shall review the operations. The Accounts Staff shall enter approved transactions / data into the computer system.

**The following entries shall be made for recording of Trade Debtors:**

**1. On raising of invoice for sale of electricity**

Account Title	G/Ledger code
Dr. Trade Debtors-NTDC	Relevant code
Cr. Sales of Electricity	Relevant code

**2. When payment is received:**

Account Title	G/Ledger code
Dr. Bank	Relevant code
Cr. Trade Debtors-NTDC	Relevant code

**3. When adjustment is made on account of any reason:**

Account Title	G/Ledger code
Dr. Sales of Electricity	Relevant code
Cr. Trade Debtors-NTDC	Relevant code

**4. When a provision for doubtful debts is made:**

Account Title	G/Ledger code
Dr. Doubtful debts	Relevant code
Cr. Provision for Doubtful debts	Relevant code

The entry would be reversed in case of any reversal/adjustment of the provision.

**5. When a debt is written of:**

Account Title	G/Ledger code
Dr. Bad debt written-off	Relevant code
Cr. Trade Debtors-NTDC	Relevant code



## 11 STORES & STOCKS INVENTORY

### 11.1 STORES INVENTORIES

The objective of the policy is to provide guidance and direction in relation to the management of inventories and to ensure that recorded inventory is accurate and maintained properly. WAPDA has computerized the inventory recording process and the same has been deployed at all accounting units.

Following kinds of material shall be routed through store of respective operation & maintenance formations:

- i. Maintenance material
- ii. Spare parts
- iii. Tools & Plants
- iv. Plant fuel, Oil, lubricants & Chemicals
- v. Scrap material

The capital assets like plant & machinery, equipment, vehicles, computers and furniture & fixture etc. received, are recorded in the fixed asset register and not routed through the store. Similarly the POL of transport vehicles is monitored through vehicle log book and receipt and consumption of the same is not routed through the store. Also office supplies including stationery etc., shall not be routed through stores. All other material (petty or bulk) purchased including POL for operational vehicles i.e. tractor, truck, dumper, fork lifter etc., is to be routed through the store.

### 11.2 STOCK CODING

1. The Hydel power stations have plants and machines of different make and brand names installed from time to time therefore, spare parts of related plants, machinery and equipment need to be grouped differently for their easy identification in the store. The office of GM Hydel operation Lahore will be responsible to develop and maintain the unique group level and main control level stock codes to keep uniformity in stock coding throughout WAPDA Hydroelectric formations. The designated Store Officer of the respective Hydroelectric formation will be responsible to develop a unique stock code to sub control and subsidiary stock level within the logical sequence of group and main control level stock codes developed by the office of GM Hydel operation.
2. The subsidiary stock codes for local as well as foreign material purchases will be allotted by the respective purchase office in consultation of Maintenance Engineer at the time of placing of purchase order and the same will also be indicated in the purchase order against each material item ordered to be purchased to facilitate identification thereof at the time of receipt of said material in store. On supply of ordered material, the Purchase section will write the stock code on SMB against each received item by referring the one mentioned in the purchase order. While indenting the material for



withdrawal/issue, the Maintenance Engineer will initiate MRS by indicating the stock code as has been shown in the purchase order. The respective Store Keeper and Value Ledger Keeper (Accounts Assistant) will post the receipt or withdrawal in the respective individual stock code as has been indicated in the SMB or MRS basing from purchase order. When the material of same nomenclature, size and design is replenished afterwards through further purchases, the same will be indicated in the subsequent purchase orders. The designated Purchase Officer will ensure that no duplicate stock code is allotted to a single particular type of material even though being consumed by different maintenance sections. If designated Purchase Officer feels that some new purchase item does not logically fit in the existing main control level code, he will propose new main control level code to the office of GM Hydel Operation Lahore, which will examine the same and notify to all Hydel power stations after the approval of GM Hydel operation.

### **11.3 STOCK CODES**

A 10 digit stock code shall form the basis for the recording, organizing and reporting of financial information relating to value of store inventory. These elements shall appear on the various reports and forms generated in the respective accounting unit. The code shall cover the following identification levels:

- i. Group level (first 2 digits)
- ii. Control level (next 1 digit)
- iii. Sub control level (next 3 digits)
- iv. Subsidiary account level (next 4 digits)

#### **11.3.1 Group Level**

Group level stock codes shall be of two digits and shall describe the transaction affecting the broader category of following store stocks:

- |    |                     |
|----|---------------------|
| 05 | Consumable material |
| 10 | Spare parts         |
| 25 | Loose Tools         |
| 30 | Tools & Plants      |
| 35 | Scrap material      |

#### **11.3.2 Control Level**

Each group level has different control levels falling in the logical nature of said category of material. The example of control level codes of spare parts will be as under:

- |      |                        |
|------|------------------------|
| 10-1 | Electrical spare parts |
| 10-2 | Mechanical spare parts |
| 10-3 | P&I spare parts        |



- 10-4 C&I spare parts
- 10-5 Switch yard spare parts
- 10-6 General spare parts

### 11.3.3 Sub Control Level

The store/ procurement section of each hydroelectric formation will be responsible to develop sub control level stock code in next 3 digits within the ambit of control level developed by the office of GM Hydel operation. Following are some of the examples of sub Control level codes of control level stock code of 10-1 of Hydel power station Tarbela.

- 10-1001 Control Panel
- 10-1002 Generator fiber cards
- 10-1003 Generator stator core

### 11.3.4 Subsidiary Account Level

The subsidiary account level code will be of 4 digits to be developed by the Store/ Purchase Officer of the respective hydroelectric formation. Following are some of the examples of subsidiary accounts level codes of sub control level stock code of 10-1001 of Hydel power station Tarbela.

- 10-1001-0001 G-fire control panel c/module KE-6351-136A
- 10-1001-0002 G-fire control panel c/module KE-6351-136B
- 10-1001-0003 G-fire control panel c/module KE-6351-136C
- 10-1001-0004 G-fire control panel module MG-6351-124
- 10-1001-0005 G-fire control panel mount module NB-6351-102

### 11.3.5 Responsibility

Following store functions will be supervised by different persons and may not be done by a single person.

- i. Store Procurement
- ii. Store Keeping
- iii. Store Accounting.

## 11.4 STORE PROCUREMENT

The procurement of stores involves the following steps before the items/goods reach the stores.

- i. Tendering, approvals and issuing of Purchase Orders
- ii. Inspection of material
- iii. Recording Store Measurement Book (SMB)
- iv. Issuing Goods Receipt Note (GRN) (Annexure-6).



- v. Periodic Physical verification of Store

### 11.5 STORE KEEPING

Once the items/goods reach the stores the task of the store incharge revolves around the following:

- i. Maintain Stock Receipt (GRN) Register (Annexure-7)
- ii. Maintain Stock Measurement Book Register (Annexure-8)
- iii. Maintain Store issue (MRS) Register (Annexure-9)
- iv. Maintain Stock Register (Annexure-10)
- v. Handling of stocked material by updating bin cards (Annexure-11) and tagging, safe custody and protecting from environmental affect.
- vi. Prepare monthly store receipt, issue and closing stock reports.

### 11.6 STORE ACCOUNTING

The Accounts section will perform below mentioned activities through the use of store inventory module:

- i. Maintain Store Value Ledger of each individual item of material on the format at **Annexure-12**.
- ii. Pricing of Material Requisition Slip (MRS) (Annexure-13)
- iii. Issuing monthly closing stock value report
- iv. Preparing Ledger Posting Summary (LPS) for General Ledger:

On receipt of stores:

Account Title	G/Ledger code
Dr. Main Control	Relevant code
Cr. Supplier-wise report	Relevant code

On issue of stores:

Account Title	G/Ledger code
Dr. R&M expense head of a/c report	Relevant code
Cr. Main control level report	Relevant code

### 11.7 ACCOUNTING/PRICING OF MATERIAL PURCHASED/ACQUIRED

#### 11.7.1 Local Purchases Through Tender / Quotation.

1. The Procurement Section will receive material in accordance with delivery challan provided by the Supplier.
2. Procurement section will record inspection certificate on the back of delivery challan.



3. Procurement Section will record SMB (**Annexure-14**) basing upon GST / commercial invoice provided by the supplier and inspection certificate.

#### **11.7.2 Purchase Through Purchase Committee or Petty Advances**

Procurement Section will record SMB basing upon GST/ commercial Invoice issued by the vendor.

#### **11.7.3 Material Indented from other WAPDA Formations**

Procurement Section will record SMB basing upon material Indent (**Annexure-15**) duly filled and priced material supplying formation.

#### **11.7.4 Foreign Material Purchase**

1. On receipt of Interim adjustment Accounts from CRRK as per **Annexure-16** , the procurement section of Hydel Power Station/Project will carry out inspection and issue Goods Receipt Note (GRN) to CRRK immediately. For doing material pricing, procurement section will work out currency conversion factor by dividing total actual/provisional payments including duties, transportation and other charges but excluding sales tax, with total invoiced amount in foreign currency.
2. The procurement section will write the description of material, measuring unit, quantity, unit rate (in foreign currency) on the Store Measurement Book (SMB) truly as has been written in the supplier's invoice. The Currency Conversion Factor rounding in four decimals will be written against unit rate of each material item in foreign currency. The unit rate in foreign currency will then be multiplied with currency conversion factor to work out unit rate in Pak Rupees. After that the quantity of material item will be multiplied to the unit rate in Pak Rupees to work out value of the material in Pak Rupees as usual. The duties, Taxes and other charges will be allocated to the amount of each class of article in proportion of their composition in the total converted amount of invoice in the Pak Rupees. The sales tax will be claimed as input tax through monthly GST Return however, will be added to the total value of the material at the bottom to tally the total actual/provisional cost of the material incurred by CRRK. The format of SMB of foreign material is at **Annexure-16** The stock code as has been indicated in the Purchase Order will be shown in SMB against each item purchased.

#### **11.8 PRICING OF STORE RETURNED BY MAINTENANCE SECTIONS.**

Maintenance sections will keep material at site only for immediate usages for the ongoing specific jobs and must return the following nature of material to Store section at month end through Store Return Warrant (SRW) (**Annexure-17**) and maintain Store Return Warrant Register (**Annexure-18**) for recording all such returns.

- i. un-used ( not needed now to be used in future )
- ii. Defective / damaged (to be used after repair).





- iii. Scrap for disposal.

#### 11.8.1 Un-Used Material

Procurement section will price the SRW for un-used material at the unit rate applied to Material Requisition Slip (MRS) against which said material was initially drawn from the Store.

#### 11.8.2 Defective/ Damaged Material

In case material drawn from store and trialed at work place is found damaged during installation and requires reshaping to make it usable, it must be sent to workshop through SRW. The Procurement section will price SRW at the unit rate applied to MRS against which said material was initially drawn from the Store. Such damaged material will be shown as material at site on General Ledger (GL) and not as regular/ unused material. Workshop in-charge will place Work order for its repair/treatment and after completion of work, intimate to the concerned section for its job completion. Repair cost of said work will be charged directly to the plant maintenance expenses. Concerned maintenance section will prepare a material consumption sheet in duplicate and get it signed by ARE/ RE(M). A copy of said consumption sheet will be sent to accounts section to charge the maintenance expense account by deleting the cost of material from material at site accounts in the month the material is actually used.

#### 11.8.3 Scrap for Disposal.

The Scrap for disposal returned by maintenance sections may include the following:

- i. Wood/Packing material.
- ii. Plastic (Bottle, drum, Cans).
- iii. Steel-I (Strips, Bar, Nuts, Bolts).
- iv. Steel-II (irreparable parts, T&P, & machines).
- v. Steel-III ( Drum, Bottle, Canes)
- vi. Copper (damaged wires, strips Nut & Bolts).
- vii. Aluminum (damaged wire strips etc).
- viii. Rubber (Tyre, tube & batteries).
- ix. Others

Scrap for disposal will be priced at a notional price which will be @ 25% of last auction rate of said category of scrap and credited to the deferred income.

Scrap for disposal will be shown in the GL at notional price and any difference between actual disposal value and token price will be credited to the Misc. Income account at the time of disposal by adjusting it with deferred income balance on this account.



## **11.9 RECORDING OF INVENTORY**

1. The Procurement section will attach 1<sup>st</sup> copy of SMB page with the commercial invoice and process the same for making payment by the Accounts section.
2. The Procurement Section will send 2<sup>nd</sup> copy of relevant SMB page(s) for each purchase order immediately to the Accounts section along with GST invoice for posting in the Stock Value Ledger and compiling GST input claim of the formation.
3. The Procurement section will send 3<sup>rd</sup> copy of relevant of SMB page(s) for each purchase order simultaneously to Store section for posting of receipt of material in the Stock Register along with following documents for their record.
  - i. Purchase Order.
  - ii. Invoice.
  - iii. Bill of entry.
  - iv. Inspection Certificate.
4. Based upon 4<sup>th</sup> copy of SMB pages, the Procurement Section will prepare list of all the SMBs recorded during the month and send to the Accounts section and Store section. The Accounts section will cross examine the said details of material receipts by comparing the same from the similar report generated from Store Inventory Module.

## **11.10 ISSUE OF MATERIAL FROM STORE.**

### **11.10.1 Issue of Consumable Material**

The process of withdrawal of material from store by the maintenance sections will be followed as under:

- i. The Foreman of concerned Maintenance section will initiate withdrawal of Store items of recurring/consumable nature from store on weekly estimate basis through Material Requisition Slip (MRS).
- ii. The in-charge of requisitioning Maintenance section will endorse the material requisition.
- iii. The store officer will confirm the availability of the material in stock.
- iv. The authorized officer will approve the issue of material to the maintenance section keeping in view the availability in stock and need for consumption.
- v. The Value Ledger Keeper (VLK)/Accounts Assistant will price the MRS at moving average rate of the material item requisitioned by operating Store Inventory Module.
- vi. Store section will then issue the material to the Foreman of maintenance section.



- vii. The Store Keeper and VLK/Accounts Assistant will make posting in their Ledgers immediately on issue of material from the store.
- viii. The Foreman will retain 1<sup>st</sup> copy of the MRS, 2<sup>nd</sup> copy will be retained by Store Keeper and 3<sup>rd</sup> copy will remain with VLK/Accounts Assistant.

The withdrawal of store through chits may be allowed only in emergency in off-timings. However, the respective store keeper will get signature of the Foreman on emergency chit Register while issuing the material on chit. The Foreman will record the material drawn on chit in the site register to have a track of consumption of material in emergency. The concerned maintenance section will invariably provide MRS of that withdrawn material to the store section on next working day by fulfilling the above laid down formalities. The store will mention the MRS number in the chit register against the material issued on chit previously.

#### **11.10.2 Issue of Spare Parts**

The maintenance section will withdraw spare parts through MRS for immediate replacement and not for stock purpose at site. Proper record for parts replacement will be maintained at the site for T&P in use.

#### **11.10.3 Issue of T&P**

All new T&P purchased will first be taken on stock by the Store Section. The Foreman will withdraw new T&P items from Store through MRS on need basis and maintain a T&P register at site.

#### **11.10.4 Issue of Store to other WAPDA Formations.**

The authorized officer may approve issue of material from the Store to other WAPDA formations against indent keeping in view the stock requirement of the formation. Material will be priced at moving average value ledger rate and no store handling charges will be added.

#### **11.10.5 Issue of Scrap for Disposal.**

1. In order to dispose-off the Scrap, survey report (**Annexure-19**) will be prepared as per prescribed disposal procedure. Survey Committee will determine the reserve price of each item to arrange Auction.
2. After completion of Auction process, Invoice for sale of scrap material will be issued to the bidder at the rates approved by adding GST if applicable.
3. The issue of scrap from store will be priced at the notional rate which was applied on receipt of said material in store. While posting the issue voucher of Scrap material in the Store Inventory Module, the notional value of said material will be debited to the deferred income account.
4. On receipt of sale proceeds in bank, Accounts section will credit the Misc income account.



#### **11.10.6 Issued Material Account**

Based upon 4<sup>th</sup> copy of the MRS, the Store Officer will prepare list of MRS against which material has been issued to the maintenance sections during the month and send to the Accounts section for making posting in the General Ledger. Similarly the respective store office will also render account of issue of T&P, spare parts, Scrap material on disposal and material to other WAPDA formations, to the Accounts section at the end of each month. The Accounts section will cross examine the said details of material issued by comparing the same from the similar reports generated from Store Inventory Module.

#### **11.11 PHYSICAL VERIFICATION OF STORE INVENTORY**

1. The Procurement section and Accounts section will jointly carry out physical verification of the store items by classifying the material in the following categories under ABC plan:
  - i. The stock item having unit price of Rs 50,001 and above will be physically verified 100% in the month of June of each financial year as first preference,
  - ii. The stock item having unit price of Rs 5,000 to Rs 50,000 will be physically verified 100% in 2<sup>nd</sup> preference in June of each financial year,
  - iii. In 3<sup>rd</sup> preference the store items having unit price less than Rs 5,000 will be physically verified at random basis during January to May of each financial year.
2. The difference identified by the physical verification committee must be investigated by the authorized officer and adjustment (recovery or write-off) must be made at the end of financial year with the approval of competent authority as per WAPDA Rules and Procedures. Stock verification format is at **(Annexure-20)**.

#### **11.12 FUNDING, PRICING AND ACCOUNTING OF FOREIGN PURCHASED MATERIAL**

The procedure to regulate funding, pricing and accounting of Foreign Purchased Material at the office of CRRK will be as follows:

- i. The concerned Chief / Resident Engineer and Project Director will issue the purchase order and simultaneously purchase office will allot Unique Code to each item. The procurement department while issuing purchase order will also obtain approval of competent authority on an office note for pre-payment of Rs. 10,000/- to CRRK on the basis of which, B & A O of that office will issue crossed cheque, out of Imprest fund. The B & A O of the concerned accounting unit will record this advance under sub control level account code 22 described as "Prepayment foreign material CRRK" , against the particular purchase order.
- ii. On receipt of PO and cheque of Rs. 10,000 CRRK the Budget & Accounts Officer (B & A.O.) of CRRK will credit the amount in "Consignment Credits" group level code 42. CRRK will open Letter of Credit (L/C) in favour of supplier and allot a file number to the said purchase order. CRRK will record



- L/C opening charges and other expenses in the “Consignment prepayment” account group level 23, for the PO relating to the related consignee/formation.
- iii. Immediately after opening the L/C, the B & A.O. (CRRK) will prepare estimates for 100% payments to be made for that particular purchase order and raise demands for supply of funds to the respective consignee indicating the tentative date of shipment and custom clearance thereof. Where L/C is opened by the concerned formation, the B&AO CRRK will raise demands for funds covering custom duties, taxes and for other charges, to the concerned formation.
  - iv. On receipt of such estimates from CRRK, the concerned consignee will raise demands for funds immediately to the relevant General Manager Finance through General Manager of executive side, clearly specifying the due date of demand (i.e. one month before the tentative date of shipment arrival). The General Manager Finance concerned will ensure that funds to CRRK are released on due date and will raise Debit Advice to concerned formation after releasing the funds.
  - v. On receipt of Debit Advice, the B&AO of concerned formation / Project will debit the Account “Pre-payment foreign material-CRRK”, whereas on receipt of funds, the CRRK will credit the concerned formation/Project against particular Purchase Order in Account “Consignment Credits”.
  - vi. The Incharge of Accounts section o/o CRRK will make payments for foreign purchases by debiting the concerned purchase order in its books of account under code “Consignment pre-payments” concurrently.
  - vii. On receipt of monthly report from the Custom Clearance Agent for the shipments cleared and transported, the Incharge Account section of CRRK will pay all pending bills related to shipment and record accruals for the outstanding claims to be received pertaining to the shipment.
  - viii. CRRK will make arrangements for the inland shipping of the goods to the formation.
  - ix. The Incharge of Accounts section will prepare and submit an interim funds disbursement account to the consignee up to 10<sup>th</sup> of the following month showing expense details supported with relevant documents i.e. invoices / paid vouchers etc. and will prepare a Journal Voucher (JV) to transfer the incurred /accrued cost of the particular shipment from Consignment Prepayment account code 23 to Consignment Credit account code 42 of the related consignee.
  - x. On receipt of Shipment adjustment account from CRRK, the accounts section of the consignee will record the same by preparing a JV debiting the material transit account and crediting to the Prepayment Foreign Purchases Account 42 and pass on the adjustment account to the purchase officer for preparing valuation sheet.
  - xi. Consignee’s purchase office will write foreign material SMB and the Accounts Section of concerned formation/Project will post the SMB by debiting Store Control Account in General Ledger as well as make posting in



the value ledger against each particular stock item by crediting the “Material in Transit Account” under group level account 14.

- xii. On receipt of GRN from the consignee, the Incharge of Accounts section (CRRK) will make payment of outstanding claims (Accrued) and submit the final Adjustment Account immediately after making 100% payments for particular purchase order. If actual payments for the consignment are more than the advance amount received on estimated basis, accounts section CRRK will ask the consignee formation to pay through bank cheque the difference and if the actual payment is less than advance amount he will remit back the unspent balance amount through crossed bank cheque of the advance funds received for consignment clearance.
- xiii. The B & A.O. of the concerned formation/project will credit the “Prepayment Foreign Purchase” on receipts of cheque for unspent balance. If the actual paid amount by CRRK is more than the estimated amount already paid in advance the difference will be paid to CRRK through bank cheque and the difference amount is charged directly to related Repair and Maintenance expense account.
- xiv. The B & AO of the Consignee office will maintain PO Wise Consignment A/C with CRRK in subsidiary level last 4 digits accounts head and reconcile the outstanding balance with CRRK at each quarter end. The respective P.O. advance account will be closed with zero balance on receipt of final adjustment account from CRRK.



## 12 TREASURY MANAGEMENT

### 12.1 CASH COLLECTION, DEPOSIT AND RECONCILIATION

This section of the manual provides guidelines for the appropriate establishment, use, and accountability of cash, to safeguard cash and to ensure the timely and proper posting of accounts. Procedures have been established to encourage effective administration and internal control of cash handling operations throughout WAPDA that shall strengthen quality control, management and systems for financial control.

### 12.2 SCOPE

This policy shall apply to all personnel involved in handling any WAPDA cash. Employees with any type of cash handling function shall be required to be familiar with the requirements of this policy.

### 12.3 RESPONSIBILITY

Every employee of the Authority is personally responsible for the money which passes through his hands and for maintaining prompt and correct record of receipts and payments in the prescribed forms. The personal cash or accounts of employees of the Authority should not be mixed up with cash or accounts of the Authority.

The G.M. Finance concerned on behalf of the Member concerned shall be responsible for monitoring & implementing of cash handling activities.

The DDO is the primary disbursing officer of a project and all receipt and payment on account of Authority made by his subordinates, are made on his behalf and on his responsibility.

His responsibility also includes:

- i. Enforcing policies and procedure governing the cash collection, handling, custody and cash deposit.
- ii. Maintenance of records, accounting for cash received and paid by WAPDA.
- iii. Periodic review of procedure to ensure that sound internal controls are in place for the safeguarding of assets.

### 12.4 COLLECTION

1. All moneys received by an employee of the Authority should be deposited not later than the next bank working day into the bank accounts of the concerned formation/office.
2. All money received shall be brought into account immediately on double entry system in the prescribed cash book.





3. The cash book shall be balanced daily and receipts and expenditure shall be reconciled with bank balances every month.
4. All collected monies should be deposited in the designated bank account of the concerned formation/office.
5. The DDO shall be responsible to ensure the security and safe-keeping of the money.
6. Where money is received by a cheque or a bank draft then either the acknowledgement should be qualified by the words 'subject to realization of cheque' or a formal acknowledgement should not be given to the payer until the cheque or draft has been cleared.
7. WAPDA acknowledgement receipt books are obtainable from the Manager Central Stationery Store for use in the Development Projects/Offices and hydel formations.
8. Receipts in the prescribed form can be issued only by the person authorised by the DDO.
9. Before an authorized person signs a receipt in the prescribed form he should see that the receipt of the money is recorded in the Cash Book.

#### **12.5 DEPARTMENTS AUTHORIZED TO COLLECT MONEY**

DDO/PD of all WAPDA formations shall be authorized to collect or receive money for WAPDA.

It shall be the responsibility of concerned GM to designate employees who shall be authorized to handle money, and to ensure that they are properly instructed in the procedures to be followed.

#### **12.6 MAINTAINING CASH COLLECTION RECORDS**

The records shall provide clear documentation of cash receipts from the time of collection to the time of deposit. This information shall always be readily available for audits.

Computer generated receipts, or pre-numbered receipt books shall be acceptable forms of documentation. Summary of all receipts issued in a day shall be reviewed by the concerned officer as deputed by the respective DDO on daily basis.

As a minimum, receipt documentation shall include:

- i. Payer's name
- ii. Amount of payment
- iii. Mode of payment (cash, cheque, money order, etc.)
- iv. Purpose of payment
- v. Date of payment
- vi. Initials of WAPDA employee collecting funds

This shall apply to receipts collected directly from individuals, as well as, received through the mail.



## **12.7 TRAINING AND ASSISTANCE FOR DEPARTMENTS**

The GMF (Co-ordination) shall schedule a mandatory training for all employees authorized to receive cash receipts who have not already received the mandatory training. Training Cell shall ensure coaching of departmental record-keeping guidelines for cash receipts and provide instructions for, but not limited to, the following:

- i. Maintenance of receipt book, or other methods to record transactions
- ii. Reconciliation procedures for cash shortages and overages
- iii. Receipt of electronic payments

## **12.8 SAFEKEEPING OF CASH**

1. In those offices where for payment of construction wages, large sums of money are drawn from bank accounts, cash should be kept in strong treasure chest or safes secured by two locks of different patterns. All the keys of the same lock not be kept in the same persons' custody, and as a general rule, the keys of one lock should be kept apart from the keys of the other lock, and in a different person's custody. The chest or safe should never be opened unless both custodians of the keys are present. In an office which has a cashier, the keys of one of the locks of or the treasure chest will remain in his possession. To ensure that the DDO/PD and Cashier both are present whenever the cash safe is opened the cash safe should be installed in the room of the DDO/PD.
2. The duplicate keys of treasure chests or safes may at the discretion of the Project Director, be placed under his seal in the custody of the project's bank, in the event of this practice being adopted, a duplicate key register should be maintained and once a year, in each July, the keys should be sent for, examined and returned under fresh seal, a note being made in the register that they have been found correct.
3. Cash shall be physically protected through the use of vaults, etc. DDO shall be responsible to make whatever provisions are necessary to properly safeguard cash receipts prior to deposit with the bank.
4. When not being used for operational activities, all cash shall be kept in a safekeeping device, either a safe or locked container.

## **12.9 SEGREGATION OF DUTIES**

1. Cash handling operations shall be subject to daily supervisory review and management.
2. To minimize the potential for mistakes or misappropriation of cash, the segregation of cash handling duties shall be in effect.
3. The duties of collecting cash, maintaining documentation, preparing deposit slips, and reconciling records shall be separated among different individuals.



4. In case where the separation of duties is not feasible, strict individual accountability and thorough management supervision and review shall be maintained by the DDO.

#### **12.10 RECONCILIATION AND REVIEW**

1. The reconciliation of cash receipts (including cheques) shall be made to ensure that all cash received is properly deposited and recorded.
2. The reconciliation process shall be done in two ways, daily and monthly. Reconciliation of all funds received shall be done daily, and a reconciliation of all funds deposited and recorded shall be completed monthly.
3. Cash receipts shall be reviewed and reconciled to ledger accounts on a timely basis to ensure that they have been correctly recorded. Accounting adjustments to ledgers shall also be made on a timely basis.
4. On the day in which cash is collected, a reconciliation shall be performed at the close of the day when possible, and no later than the beginning of the next day.
5. The Cashier shall acknowledge each deposit with a written receipt and each department shall reconcile cash receipts and deposits, to WAPDA financial accounting system on a monthly basis.

##### **Accounting Entries:**

- I. When Cash is received:

Account Title	G/Ledger code
Dr. Cash	Relevant code
Cr. Relevant head	Relevant code

2. When deposit is made:

Account Title	G/Ledger code
Dr. Bank	Relevant code
Cr. Cash	Relevant code

#### **12.11 CASH BOOK**

1. Every office of the Authority handling cash or operating a bank account must record all its cash transactions in a Cash Book (Annexure-21).
2. A Cash Book which is to be used for recording the transactions of a subsidiary cash account, imprest or otherwise, maintained at some distance from the office of Budget and Accounts Officer will have sheets in duplicate, the top sheets being perforated vertically on the left hand side. When an account of the subsidiary cash is submitted monthly or at shorter intervals, the top sheets may be detached from the Cash Book and sent to the main office together with all vouchers and other supporting documents.
3. The Cash Book is one of the most important accounting records of any office and every care should be taken to keep it neat, clean and in proper order.



## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

4. The Cash Book must be balanced on the last day of every month, but in any case, during a month, running totals in pencil must be entered in the receipts and payment columns on daily basis, and the balance agreed with the actual cash in hand.
5. Arrangements should be made with banks to send to the accounting office concerned, as soon as possible, after the end of the month a statement of the bank current account. If the closing balance shown in the Cash Book differs from the balance shown in the bank statement as at that date a reconciliation of the two figures should be prepared and entered in the Cash Book.
6. An entry once made in the Cash book should in no circumstances be erased. A mistake should be corrected by reversing that entry and writing the correct one.
7. In the offices of General manager Finance (Co-ord., Water and Power) the Cashier will maintain the Imprest Cash Book (Annexure-22) and also a Chest Incoming/Outgoing Register (Annexure-23) to record the daily transactions of moneys received and paid by him respectively against the permanent advance held by him and the cheque drawn by him for other disbursements like T.A., pay etc.
8. Both the Imprest Cash Book and the Chest Book will be closed and balanced daily to show the balances at hand, which will be checked and signed by the Budget and Accounts Officer-in-charge of the Cash Section.
9. Payments made through banks and posted in the Cash Books maintained by the Managers Finance (Co-ord., Water and Power) each entry therein will be checked and attested preferably by the Budget and Accounts Officer.
10. At the close of each month the cash books will be checked by the Director, Budget and Accounts (Co-ord., Water and Power) and the summary thereof signed by him.
11. In formation/project office, the Budget and Accounts Officer and the DDO should check all the entries in his Cash Book, at least every week after the date of their occurrence and he should initial the book, dating his initials after the last entry checked. The Cash book should be signed by him at the end of month and such signature should be understood as acceptance of responsibility for all the entries of the month inclusive of the closing balance. This procedure will, however, not relieve the Project Director / Resident Representative, as Incharge of the Project / Regional Office, of his responsibility of seeing that the funds placed at his disposal are disbursed in a proper way, and under due authority.
12. The actual balance of cash in an accounting office should be counted at the close of business on the last working day of each month or before the commencement of business on the first working day of the following month and such balance agreed with the Cash Book balance. Where there is any discrepancy, an entry should be made in the Cash Book, supported by a voucher giving full particulars and duly authorized by the highest executive official in that accounting unit.
13. In addition to the monthly check of cash and the Cash Book the Heads of Offices/Disbursing Officers shall, count the cash in the chest, daily in the presence of the Cashier and record a certificate on the cash book writing the amount of the cash counted in words and figures, over their full signatures.



14. The Heads of Offices/DDO shall also make surprise checks and count cash in the safe in the presence of the Cashier.

### **12.12 CASH DISBURSEMENT**

The relevant GM Finance shall be responsible for the establishing and enforcing policies and procedures governing the cash disbursement, maintenance of the records, accounting for cash disbursed and performing periodic reviews of procedures being followed.

The DDO shall be accountable to respective GM Finance on behalf of Member concerned, for the proper execution of matters ancillary in the administration and monitoring of the cash handling activities.

#### **12.12.1 Authorization and Processing of Disbursement**

Following procedure shall be followed for authorization of cheque payments:

- i. Cheques shall be prepared by specified employees in the Budget & Accounts Section independent of those giving voucher and invoice approval. Employees preparing cheques shall verify data with vouchers for accuracy.
- ii. Cheque requests shall be approved for payment by an appropriate official before cheques shall be written by the cashier. Cheques shall only be paid to a specific payee.
- iii. A record of cheques written shall be retained in a Disbursements Journal. Supporting documentation shall be marked as "Paid" to avoid duplicate payments.
- iv. Payroll transfer letter shall be accompanied by a cheque.
- v. No authorized cheque signatories shall have the responsibility for voucher preparation, cheque preparation, cash receiving, petty cash, purchasing and receiving, or time keeping for payroll records.
- vi. All non-cheque disbursements, such as online transfers, shall be approved by the respective DDO.

#### **12.12.2 Demand for Funds**

1. At the request of Project Directors, routed through the General Manager concerned the Manager Finance (Water, Power and Co-ord.) will transfer funds from their bank accounts to the bank accounts of the Projects.
2. The Authority has to pay interest on the funds it receives from Government. It is, therefore, essential that a project should not keep in its bank accounts funds surplus to its immediate requirements. At the beginning of every month, a Project Director should normally ask for a transfer of funds, which with the amounts already in hand and in his bank account or accounts, would be sufficient to meet his estimated requirements to the tenth day of the following month.
3. All requests for disbursements shall be made on a Disbursement Request Form to be issued by the respective GMF. The demand shall be raised by the relevant



formation as per Annexure 24, 25, 26, 27 and 28 for development projects and Annexure 29 for additional demand by power wing formations (Hydel operations). The form shall be completed in its entirety and shall contain the details for which the funds are required (i.e. materials to be purchased, meetings to held and with whom etc.), alongwith copies of supporting documentation (i.e. detailed invoices or receipts for all expenses incurred/to be incurred).

4. If the form is incomplete or some pertinent supporting documentation is missing, the missing information shall be identified and the request shall be returned to the sender.
5. The disbursement shall not be made for:
  - i. Personal expenses i.e. meals, room, travel for a spouse or family, or when not on bona-fide purpose except as per terms of appointment.
  - ii. Purchase and/or maintenance of equipment located at a home or other off-site location.
  - iii. Political contributions.
  - iv. First class airline tickets, except for overseas travel, otherwise shall be pre-approved due to justifying circumstances.
  - v. Cash Payment

#### **12.12.3 Accounting Entries to be Passed**

Once the bill of the contractor is finalized and approved by the DDO, the B&AO of the accounting unit passes the following entries:

##### **1. Journal Voucher to record the liability**

- |                               |               |
|-------------------------------|---------------|
| • Account Tile                | G/Ledger code |
| • Dr. Work in Progress        | Relevant code |
| • Cr. Payable to Contractor   | Relevant code |
| • Cr. Retention Money payable | Relevant code |
| • Cr. Tax deducted at source  | Relevant code |
| • Cr. Mobilization Advance    | Relevant code |

##### **2. On receipt of funds the following entry is passed.**

- |                           |               |
|---------------------------|---------------|
| • Account Tile            | G/Ledger code |
| • Dr. Bank Account        | Relevant code |
| • Cr. Head office account | Relevant code |

##### **3. When payments are made**

- |                              |               |
|------------------------------|---------------|
| • Account Tile               | G/Ledger code |
| • Dr. Payable to Contractor  | Relevant code |
| • Dr. Tax deducted at source | Relevant code |





- Cr. Bank account Relevant code

#### **12.12.4 Payment to Employees**

The employees should be paid through their bank accounts and cash payments shall be discouraged at all levels. Cash payment shall be made only in special cases.

#### **12.12.5 Payment to Other Parties**

1. All payments to outside parties should be made by cheques. Disbursements may, however, be made in cash for meeting petty charges for traveling, motor vehicle maintenance on tour, value payable postage, purchase of minor items of stationery etc. Such petty expenses should be met from the Petty Cash Imprest.
2. As a rule, no cheque should be drawn until it is intended to be paid away and cheques drawn in favor of contractors, suppliers of materials and services and others should be made over to them by the disbursing officer or his Budget and Accounts Officer, direct or by a cashier, if there is one in the Project Office.
3. GM Finance concerned may designate a cashier where the cash transactions of the project are sufficiently extensive to require one.
4. It is a serious irregularity to draw cheques and not send these to the payee or to deposit those in the cash chest or to draw cash from the bank and to deposit it in the cash chest. Any such window-dressing will be evident in the accounting procedure adopted by the Authority and disciplinary action will be taken against any officer/official who resorts to such practice.
5. Payment due to contractors or suppliers of goods and services may, if so desired by them, be made to their banks instead of direct to contractors or suppliers provided that:
  - i. Instructions in writing are given by the contractor or supplier under his own signature that payment of the bill, be made to his designated bank.
  - ii. Project Officer obtains an authorization from the contractor or supplier in the form of a legally valid document such as a power of attorney conferring authority on the bank to receive payment.
  - iii. Project officer obtains the contractor's or the supplier's own acceptance of the account made out as being due to him by the Authority, or his signature on the bill or other claim preferred against the Authority before settlement of the account of the claim by payment to the bank.
  - iv. The bills are submitted to the project office through the bank. In such a case the receipt given by the bank shall constitute a full and sufficient discharge for the payment.
6. Nothing contained in the preceding paragraph shall operate to create in favour of the bank any rights or equalities viz-a-viz the Authority.





#### 12.12.6 Payee's Acknowledgement

1. Every voucher should bear or have attached to it an acknowledgement of the payment signed by the person by whom or in whose behalf the claim is put forward, or by his duly constituted attorney. This acknowledgement should be taken at the time the payment is made. When the payee signs in a Pakistan script, he should be required to note the amount acknowledged in the script in his own handwriting.
2. If a disbursing officer anticipates any difficulty in obtaining from a person to whom money is due, a receipt in the proper form, it is open to the former to decline to hand over the cash or send the cheque until the acknowledgement of the payment, with all necessary particulars, has been given by the latter. Where in such a case payment is to be made by a remittance to the creditor, then the remittance should be made by a cheque, crossed and payable to "Account Payee only".
3. In the case of articles received by value-payable post, the value-payable cover with the invoice or bill showing the details of the items paid for may be accepted as a voucher. The disbursing officer should endorse a note on the cover to the effect that the payment was made through the post office and this will also cover charges for the money order commission.

#### 12.12.7 Travel Reimbursement

In order for these expenses to be reimbursed, a properly executed expense reimbursement request relating to attending a conference, a copy of the brochure with a note stating the traveler attended the event, shall be acceptable that shall be submitted with reimbursement form. All receipts shall be attached to the form and the proper authorization(s) shall be obtained.

#### 12.12.8 Cash Disbursements Internal Control

Internal control over disbursements is best maintained when the authorization, processing, cheque signing, recording, and bank reconciliation functions are clearly segregated. Persons authorized to approve expenditures shall be identified, and threshold limits established or double signature requirements defined. *In no case the authorized cheque signatories shall sign blank cheques.*

#### 12.12.9 Review

All disbursements shall be reviewed for accuracy by the DDO/PD, before the cheques are signed.

All disbursements are made by the DDO/PD through his Budget and Accounts Officer. The Project Director is the primary disbursing officer of a project, and all receipts and payments on account of the Authority made by his subordinates are made on his behalf and on his responsibility. Project director is also responsible for maintaining records of all Receipts and Payments made by his subordinates.

#### Accounting Entry:

Following entry shall be passed for recording of disbursements:



Account Title	G/Ledger code
Dr. Relevant Head	Relevant code
Cr. Bank	Relevant code

### **12.13 PETTY CASH MANAGEMENT**

#### **12.13.1 Responsibility**

The Authority has delegated the authority and responsibility for establishing policies and procedures for all cash handling activities to the respective heads of wings. The DDO of the formation/project shall be primarily responsible for custody and maintenance of effective controls over the cash/funds of WAPDA. He shall ensure that the following is strictly complied with:

- i. Enforcing policies and procedures governing the receipt, handling, custody, and disbursement of funds.
- ii. Requiring the establishment and maintenance of records, accounting for funds received and paid by WAPDA.
- iii. Performing periodic checks of the persons with cash handling operations.
- iv. Establishing and authorizing procedures for granting, maintaining, and terminating departmental petty cash funds.

#### **12.13.2 Appointment of Petty Cash Custodian**

The respective DDO shall appoint and approve the appointment of a custodian to monitor its use and replenishment. A custodian cannot appoint or approve himself/herself. In addition, there shall be limited access to the fund.

Budget & Accounts Officer shall be notified if there is a change in the petty cash custodian. In order to ensure accountability to the new custodian, Budget & Accounts Officer shall document the fund at the time of the change.

#### **12.13.3 Responsibilities**

It shall be the responsibility of the custodian to ensure that this fund shall be used to cover only those expense reimbursements for which it is not possible to use normal purchasing methods such as purchase order. In addition, the custodian shall ensure that fund use is consistent with the manner described in the documentation that initially established the fund.

An account of the imprest cash should be kept in the Imprest Cash Book. This book is in duplicate with the top sheet perforated vertically on the left side. At the end of the month or whenever further reimbursement is required, the book should be balanced and the top sheets with all the relevant vouchers should be sent to the officer who reimburses the imprest. This book will in any case be balanced and closed daily under the signatures of the Disbursing Officers throughout WAPDA provided that in case of the offices of General Manager Finance (Co-ord., Water and Power) signatures of the Budget and Accounts Officers, Incharge of the Cash Section, will suffice.



#### **12.13.4 Safekeeping**

The imprest-holder is responsible for the safe custody of imprest moneys and he must at all times be ready to produce the total amount of the imprest in vouchers or in cash. Physical security shall be emphasized to the employee involved in cash handling. The following general guidelines shall be followed to maintain the integrity of those who are handling cash:

- i. Unauthorized persons shall not be allowed in areas where cash is handled.
- ii. Safe doors shall be kept closed during working hours and locked at times when it is not necessary to be in and out of the safe.
- iii. Individuals shall keep working funds to a minimum at all times. Cash shall never be unattended. If an employee leaves his or her work station for any reason, regardless of how briefly, cash shall be appropriately secured in a locked place.
- iv. For overnight storage and during other periods when cash is not being used, it shall be kept in a safe.
- v. Under no circumstances an individual shall keep WAPDA cash with their own personal funds, deposit WAPDA funds in a personal bank account or take WAPDA funds to one's home for safekeeping.

#### **12.13.5 Documentation**

The Custodian shall properly document each transaction in the following manner:

- i. Record each transaction on the petty cash reconciliation, identifying all pertinent information (Payee, purpose, transaction detail and date of expense). Identify the department and expense code to be charged.
- ii. For reimbursement of business meals the names of the individuals in attendance, the business purpose, date, and place of meeting shall be clearly stated on either the petty cash reconciliation or the supporting documentation.
- iii. In all other cases the individual receiving the payment shall either sign the petty cash reconciliation or the documents to acknowledge the receipt of cash.
- iv. Attach all original receipts to the petty cash reconciliation statement.

#### **12.13.6 Reconciliation**

The petty cash reconciliation shall be kept indicating the amount disbursed, the purpose of the withdrawal, and the signatures of the person receiving the cash. The receipts, plus cash on hand, shall equal the total amount of the fund at all times.

#### **12.13.7 Reimbursement Petty Cash Fund**

When the petty cash cheque shall be entered into the computer system the debits shall be made to the expense accounts affected by the summarized transactions.



Once the petty cash fund is reimbursed, all petty cash vouchers and related supporting documents attached to the cheque request shall be marked "PAID" to prevent reuse.

#### **12.13.8 Cash Disbursements From Petty Cash**

Disbursements of small amounts of cash shall be made from the petty cash fund for minor expenses. A petty cash voucher shall be completed and signed by the individual requesting the funds. Vouchers shall be approved by the respective DDO for the cash disbursement. In case of Imprest accounts maintained at other offices or departments or location etc the petty cash voucher shall be approved by the head of department/managers/incharge of the office as the case may be.

Normally the following procedure shall be followed for managing the petty cash:

- i. The limit for a Petty Cash Imprest should be kept to the minimum which may be expected to be required in a period of ten to fifteen days.
- ii. The reconciliation of the account shall be prepared on a daily basis.
- iii. Cashier shall prepare a petty cash voucher with description, date, name of the person to whom cash is given, the amount, and the signature of the staff member in charge of the petty cash. This voucher shall be kept in a cash voucher file.
- iv. When a receipt of cash is being made, it shall be checked and attached with the voucher to complete the entry in the file.
- v. Cashier, who is in-charge of the imprest account shall check the petty cash for vouchers with number of supporting documents and notify the person with the cash to provide the receipts.
- vi. The petty cash shall be kept in a fire-resistant safe.
- vii. To replenish the imprest account, person in-charge of the imprest account shall prepare the imprest sheet on a daily basis which contains the details of expenses.
- viii. Periodically, the DDO shall make unannounced counts of the petty cash.
- ix. The annual closing of petty cash shall take place on June 30th.

#### **12.13.9 Reporting Stolen or Lost Petty Cash**

In the event that petty cash is stolen, the following procedures shall be followed:

- i. Inform security personnel of the theft.
- ii. Obtain a copy of the incident report and attach to the petty cash reconciliation. Submit the reconciliation and report to the DDO.
- iii. Insurance claim procedure should be followed immediately, if applicable.

#### **12.13.10 Closing a Petty Cash Account**

The petty cash fund shall be closed when the purpose for which the fund is established, has been completed, as determined by either the Department Head or



the management of WAPDA. In addition, the DDO shall reserve the right to conduct periodic usage reviews and, based on the results, shall request closure or reduction of the fund.

#### **12.14 BANK ACCOUNT OPENING, MAINTENANCE AND CLOSING**

The objective of this policy is to set out a mandatory process for opening, maintaining and closing accounts with banks and other financial institutions and to ensure that WAPDA maintains adequate control over its funds through the creation of a formal process for establishing and maintaining WAPDA bank accounts.

This policy shall apply to all accounts that shall be used for the benefit of, or in connection with, WAPDA program or activity and shall govern all bank accounts maintained for operating purposes.

##### **12.14.1 Responsibility**

1. The Member concerned shall have the power to approve the establishment of bank accounts for WAPDA purposes. No accounts in the name of WAPDA, shall be operated without the prior written consent of the Member concerned.
2. The respective DDO shall ensure compliance with WAPDA policies and procedures, timely reconciliation of bank accounts, adequate segregation of duties regarding the administration of the account, monitoring the continued need or appropriate structure for such accounts, and other oversight requirements as appropriate.
3. The respective DDO shall be accountable to respective GM Finance on behalf of the Member concerned, for the proper execution of matters ancillary to the administration of bank accounts as are necessary for the establishment and maintenance of bank accounts.

##### **12.14.2 Bank accounts for Federal/ Provincial Water/Power Projects**

1. The Head Offices of Water and Power Wings will keep the following separate bank accounts with the *National Bank of Pakistan, WAPDA House Branch, Lahore* for funds to be received from the Federal and Provincial Governments, in line with instructions issued by AGPR from time to time.
  - i. The General Manager Finance (Water/Power) will have one bank account for *Federal Water/Power Projects*. All releases obtained from Federal Government for Water Projects will be credited to this account.
  - ii. The General Manager Finance (Water/Power) will have one separate bank account for *Provincial Water/Power Projects*. All releases obtained from Provincial Government for their respective projects.
2. Separate column for each Province will be maintained for these funds in the Cash Book, in order to keep separate record of transactions relating to each Province.
3. The General Manager Finance (Water/Power) will distribute these funds to the concerned Projects according to their demand.



4. Opening and operation of Assignment Accounts shall be as per the instructions of the Controller General of Accounts.

#### **12.14.3 Bank accounts for Common Services and Authority Secretariat**

For the purpose of administrative convenience, the accounting and payments of Common Services and Authority Secretariat shall be dealt with by the GMF (Co-ord.) under the Member Finance. For this purpose he will have separate bank accounts for placing funds, to be received for utilization on Common Services. All payments relating to Common Services and the Authority Secretariat will be made out of this account by the Manager Finance (Co-ord).

In these accounts amounts representing overheads will be credited. The amount of overheads as approved in the detailed budget will be withheld by the General Manager Finance (Water) and General Manager Finance (Power) at the time of making monthly releases to the General Managers/Project Directors and transferred to the General Manager Finance (Co-ord) for credit to the bank account maintained for Common Services. Miscellaneous receipts accruing on account of Common Services will be credited to this account, if any.

#### **12.14.4 Bank accounts for Revenue and Projects**

1. The General Manager Finance (Power) under Member (Power) will have two separate bank accounts one for Electricity Revenue and the other for funds to be released by the Federal Government for Power Development Projects.
2. For this purpose the General Managers concerned will submit their monthly demands to the Member (Power) and funds will be allotted to the various Power Development Projects on the recommendations of the General Managers concerned.
3. Funds for meeting expenses on account of Customs Duty and Sales Tax for imported goods and materials will be remitted to the CRRK by the General Manager Finance concerned.
4. On instructions from the General Manager Finance concerned one or more bank accounts may be opened for a project. Normally an account will be opened with one of the designated banks at its branch nearest to the project office. A project office will normally be located near the construction site.
5. For disbursement at site, subsidiary bank accounts may be opened with the branches of designated banks. Such subsidiary bank accounts should be operated by an Executive Officer jointly with a member of the Budget and Accounts section, at site.
6. Where the need for a separate WAPDA bank account has been identified, a written request shall be made to the concerned Member. Arrangements for the maintenance of appropriate records and reconciliations shall be established and approved by the respective GM Finance.
7. Subsequently, if any such bank account becomes unnecessary, a written request for the closure of bank account shall be submitted in writing to the





respective GM Finance for authorization and final approval by the respective Member. After approval, the respective GM Finance shall contact the financial institution to close the account.

8. Existing bank accounts and related business processes shall be used to facilitate the deposit of cash receipts and disbursement of payments by WAPDA. The copies of Challan forms/Deposit Form/ Slips shall be available in the Budget & Accounts Office for deposit purposes.

#### **12.14.5 Recording Bank Accounts and Related Activity in the General Ledger**

Whenever a bank account is opened a separate code is allotted to it in Chart of Accounts. All WAPDA bank accounts shall be recorded in WAPDA's general ledger immediately upon the establishment of such accounts. Activity related to WAPDA bank accounts, including deposits, disbursements, transfers to other accounts, and other transactions shall generally be recorded in WAPDA official accounting records within twenty-four (24) hours.

#### **12.14.6 Administration and Oversight of WAPDA Bank Accounts**

1. All bank accounts of the Authority should invariably be operated by DDO / PD jointly with an officer from Budget and Accounts side. On a construction project this would require operation of bank accounts by the Project Director or by an officer on the Executive side nominated by him jointly with an officer from Budget and Accounts side.
2. This requirement of joint operation would also mean that all instructions to banks whether for opening of a letter of credit, making a remittance, online transfers or for entering into any commitment will require two signatures, one of which must be of an officer on the Executive side and the other of Budget and Accounts side. Every debit appearing in bank account other than that for bank charges must be supported by a cheque bearing the signatures of two persons authorized to operate the particular bank account.
3. Bank accounts other than those of Manager Finance (Co-ordination,) Manager Finance (Water and Power) may be maintained either with a fixed imprest or by round sum, remittance varying with estimated requirements.
4. The respective GM Finance shall be responsible for issuing and maintaining policies and procedures governing the establishment and maintenance of WAPDA bank accounts. The respective GM Finance shall also be responsible for conducting and/or reviewing the reconciliation of WAPDA bank accounts on a periodic basis. The respective GM Finance shall maintain a current list of all authorized bank accounts, including the respective bank at which the account is held, account number, account description, purpose, responsible official, authorized signers, limitations on cheque amounts, and other relevant information. The respective GM Finance shall also secure and maintain formal documentation which will set forth the authorization of bank accounts, maintenance of signature cards, and other relevant correspondence and documentation.





#### **12.14.7 Cheque Books**

On receipt of a Cheque Book from the bank, the Accounts Officers authorized to keep custody of the cheque books count the blank cheques to see that none is missing, and a receipt issued to the bank on its printed form. He should also record a certificate of count and correctness of the number of forms contained in the Cheque Book in a register to be maintained for this purpose (Annexure-30).

#### **12.14.8 Cheque Books Custody**

1. Cheque Books must be kept under lock and key but apart from cash, in the custody of an officer not lower in rank than a Grade-17 officer and must not be retained by the Cashier except for writing cheques and arranging their dispatch to the payees etc. during working hours.
2. In Project and Field Offices also the senior most Budget and Accounts Officer should act as custodian of the cheque books and they would be responsible to keep the same under lock and key.
3. In offices where Grade-19 Budget and Accounts Officers are posted, a Grade-18 or 17 (Co-ord.,) Budget and Accounts Officers will be nominated by such Grade-19 Budget and Accounts Officer to be incharge of the Cash Section for all purposes including safe custody of Cheque Books which should be kept under lock and key.
4. In WAPDA's Head Offices i.e. offices of General Managers Finance (Power), Manager Finance (Co-ordination), and Manager Finance (Water), Cheque Books should be kept in the personal custody of the Budget and Accounts Officers Incharge of Cash Section.
5. In Pension Section, Gratuity Section and Group Life Insurance Section, Cheque Books should be kept under lock and key by the respective Grade-17 Budget and Accounts Officers Incharge of the sections.
6. In the case of signatories of the Office Bank Account at Head Office, the signatory of the accounts side shall be regarded as first signatory and it shall be his duty to obtain signatures of the other co-signatories of the executive sides.
7. In Project Offices where Accounts Assistant are working as Head of Accounts/Cash Section, Cheque Books must be kept under lock and key by the concerned Project Directors, as the case may be.

#### **12.14.9 Cheques Writing Procedure**

When cheques are written out, in order to reduce the risk of fraudulent alteration spaces should not be left blank in front of or between or after the words and figures of the cheques. Unless the cheques are to obtain cash they should be crossed and made payable to order. If a cheque is in the name of a company or firm or of a person who is known to have bank account the cheques should be crossed and the words 'Accounts Payee only' be entered between the crossing lines. The counterfoil of the cheques should always show the name of the payee



and the amount in words and figures and it should be initialed by both the signatories of the cheques.

In view of the fact that cheques are to be crossed and made payable to order or to 'Account Payee only' it is important that the names of the payees are correctly written on the cheques.

Cheques may be cancelled for errors in writing or any other reason. The cancelled cheque shall be clearly marked as void. All void cheques shall be kept in a file in numerical order for audit purposes.

#### **12.14.10 Expired Cheque Cancellation Procedure**

If the currency of a cheque should expire owing to its not being presented at the bank for payment within six months after the date of its issue, it may be received back by the drawer who should cancel it by first crossing out the signature and then drawing two paralleled lines across the cheque and by writing 'cancelled' in between the line and then issuing a new cheque in lieu of it. The fact of cancellations and the number and the date of the new cheque should be noted on the counterfoil of the old cheque, and the cancelled cheque should be pinned to the counterfoil of the new cheque. The fact of the cheque having been issued should be entered on the date of issue in the particular column of the Cash Book, but the amount should not be entered in the column for payment except in a case where a fresh cheque is being issued in lieu of a cheque which had remained unpaid for six months after its issue, and the amount had been written back in accordance with the instructions. In such a case the amount of fresh cheque issued will be entered in the column for payment and debited to the account which was credited at the time of the cancellation of the original cheque.

Stop payment orders shall be issued for cheques that are lost in the mail or for other valid reasons. Stop payments shall be processed by telephone instruction and followed by written authorization to the bank by signatories.

#### **12.15 CHEQUES RECEIVED BY WAPDA**

The objective of the policy is to establish procedures and guidelines that shall be followed to identify the process that shall assist in expediting the collection of cheques when performing the cheque acceptance activities ensuring that only those cheques are accepted that are in accordance with the standards mentioned in this policy.

The compliance of following procedures shall be ensured:

- i. Cheques shall be made payable to the Water and Power Development Authority. Third party cheques shall not be acceptable. The following information must be on each cheque:
  - a) Serial No, Account No, bank address
  - b) Amount (both written and numerical)
  - c) Authorised signature (on the signature line)
  - d) Valid date



- ii. Cheques accepted for payment may be returned by the bank due to insufficient funds or some other reason. The Budget & Accounts Office shall be notified of the returned cheque, and it shall be the department's responsibility to collect the funds owed and any bank fees. A returned cheque shall be debited to the same account to which it was initially credited.
- iii. WAPDA shall accept personal cheques for payment until an individual presents a returned cheque for payment.
- iv. A cheque made payable to WAPDA but drawn on an account other than that of the person presenting the cheque for payment shall be accepted with notation of the other person's name and/or identification number.
- v. Receipt procedures shall remain in effect when payment is made by personal cheque.
- vi. Individuals shall be charged a stated amount for the handling of a returned cheque and no additional cheques shall be accepted from the individual until the said amount of the returned cheque is paid.
- vii. An individual who presents a second returned cheque shall be barred from paying by cheque in the future.
- viii. An individual who makes payment with a forged cheque shall be prosecuted under appropriate statutes.
- ix. The following steps shall be strictly followed when accepting cheques:
  - a) Verify the identity of the presenter using photo ID
  - b) Verify account of account holder
  - c) Avoid accepting cheques from a new account without verification
  - d) Ensure that the cheque is made out to WAPDA and is properly dated and signed
- x. The staff person recording payment information shall record cheque number as part of the payment record and follow approved cash receipts procedures.
- xi. The Budget & Accounts Officer shall:
  - a) Follow cash receipts procedures for deposit
  - b) If cheque is returned, shall make copy of cheque and forward original to the person that accepted cheque
  - c) Record appropriate book keeping data to adjust deposit and income figures and bank charges
  - d) Maintain listing of individuals who have presented returned cheques
  - e) Limitations on Acceptance of Cheques
    - i. The Budget & Accounts Officer shall not be authorized to return cash to a person in the event that the cheque exceeds the amount due to WAPDA. In such cases the payment shall be made through a cheque.



- ii. The formations shall not be authorized to cash personal cheques for any reason or amount.
- iii. If the bank returns a personal cheque for insufficient funds or other reasons, the amount of the returned cheque shall be charged to the payer's account. The payer who presented the cheque shall be immediately contacted. It shall be the responsibility of the Budget & Accounts Officer to collect the amount of the returned cheque and the service fee from the original payer.

#### **12.15.1 Foreign Cheques**

The Budget & Accounts Officer shall receive and accept foreign currency cheques. The cheques shall be accepted in the form of foreign currency from countries as upon the discretion of the Authority. The Budget & Accounts Officer shall retain a copy of each foreign currency cheque deposited in the bank.

The face value of the deposit shall be noted on the monthly deposit report, which shall include the foreign currency, and the amount of the foreign currency.

The Budget & Accounts Officer shall receive credit advices in order to confirm and/or match activity from WAPDA bank. Documentation shall be forwarded to the Budget & Accounts Officer where the net amount shall be posted to the monthly deposit report specifically designed for foreign cheques and the corresponding entries shall be prepared.

The credit advice shall include the following:

- i. currency, name of drawer and endorser,
- ii. WAPDA bank account number credited,
- iii. face amount of cheque,
- iv. exchange rate,
- v. Fee and a copy of the cheque.

#### **12.15.2 Cheque Encashment**

1. Anyone authorized in this behalf may en-cash cheques at the branch located in WAPDA area in accordance with the bank's usual policies. WAPDA payroll and travel / reimbursement cheques may be cashed at this branch as well.
2. Cheques shall be signed as referred in policy on Authorization and Processing of Disbursement.
3. Payroll transfer letter shall be considered a cheque and shall require two authorized signatures.
4. The Budget & Accounts Officer shall prepare cheque from authorized voucher.



### 12.15.3 Security

As cheques are forms of cash, therefore, shall be guarded with the same degree of security and deposited with the same frequency as currency. The DDO shall be responsible for secure and reliable transportation of the department deposits via armored car services, WAPDA security escort or courier, or in-person delivery to deliver the deposits to the Bank.

#### Accounting Entry

Following entry shall be passed on the receipt/deposit of cheque:

Account Title	G/Ledger code
Dr. Bank	Relevant code
Cr. Relevant Head	Relevant code

### 12.16 BANK RECONCILIATION STATEMENT

The GMF of respective wing shall ensure compliance with WAPDA policies and procedures in the timely reconciliation of bank accounts, adequate segregation of duties regarding the administration of the account, monitoring the continued need or appropriate structure for such accounts, and other oversight requirements as appropriate. The standard format for the Bank Reconciliation Statement is as per Annexure-31.

The objective of this policy is:

- i. To provide guidelines for the development of WAPDA's bank reconciliation procedures.
- ii. To ensure that only bona fide bank transactions are recorded in WAPDA's general ledger.
- iii. To ensure that WAPDA maintains adequate control over the process of comparing the accounting records to the bank's records in order to resolve any possible discrepancies which may arise due to the timing differences between when data is entered in the bank systems and when data is entered in WAPDA system, or due to any error.

#### 12.16.1 Responsibility

At the formations/projects bank reconciliations shall be prepared by the Budget & Account Officer and reviewed by the respective DDO/ PD. The DDO/ PD shall be accountable to respective GM Finance.

#### 12.16.2 Guidelines for Bank Reconciliations

1. Bank accounts shall be reconciled monthly by the respective B&AO. Bank statements shall be received unopened from banks for all accounts. The bank accounts which shall be used more frequently can be reconciled on daily basis.



2. The concerned Accounts Staff shall compare dates and amounts of daily deposits on bank statements to the cash receipts journal as well as bank transfers and any items rejected by the bank due to insufficient funds, etc.
3. Reconciliation procedures shall include the following steps:
  - i. Compare the cash receipts to the receipts shown on the bank statement (the credits on the bank statement); for each receipt that agrees, mark the item in both the cash book and the bank statement.
  - ii. Compare the cash payment to the payments shown on the bank statement (the debits on the bank statement); for each payment that agrees, mark the item in both the cashbook and the bank statement.
  - iii. Any un-marked items on the bank statement (other than rare errors made by the bank) shall be items that should have been entered into the cash books, but have been omitted for some reason; these should be entered into the cash book and then the amended balance on the cash book can be found. To find the correct cash book balance a ledger account shall be used for the bank with the original cash book balance shown as the brought forward balance and any additional payments shown as credits and receipts as debits.
  - iv. Finally, un-marked items in the cash book shall be the timing differences; un-presented cheques, these shall be used to reconcile the bank statement closing balance to the corrected cash book closing balance.
4. Cheques outstanding for six months shall be investigated by the respective DDO/ PD.
5. Upon completion of the reconciliation process, the respective DDO/ PD shall review the statements and approve adjustments to cash accounts.

### **12.16.3 Report Preparation**

Monthly reports shall be prepared to document the reconciliation of each bank account and the review of entries in the financial records. Reconciliation reports shall be completed and reviewed in a timely manner after the bank statements have been received. The persons preparing and reviewing the reconciliation report shall date and sign the report indicating the date the reconciliation report was completed and the date on which review was made. Reconciliation report shall include:

1. Verification that the entries (i.e. deposits, wire transfers, withdrawals, expenditures and revenue) on bank statements and financial reports are accurate and correspond with WAPDA financial records.
2. Identification of all reconciling items and the separation of those into timing differences and differences requiring adjustments to clear either by the bank or with an adjusting journal entry in the financial records.
3. Completion, review and approval of the reconciliation.



4. Substantiation of the preparation and timely transmittal of requests for corrections.

Documented requests for bank adjustments shall be forwarded to the person concerned. Journal entries developed for clearing other differences shall be completed and submitted to the respective DDO/ PD for review and after approval by the respective DDO/ PD the data shall be entered appropriately into the system.

#### **12.16.4 Bank Reconciliation Record**

Reconciliation reports shall be retained in a separate folder and made available to internal auditors upon request. Copies of the bank reconciliation shall be provided to the respective GM Finance for further review when demanded Reports shall be retained in accordance with records retention guidelines.





## 13 PAYABLES, ACCRUALS AND DEPOSITS

### 13.1 ACCOUNTS PAYABLES

The objective is to establish guidelines regarding the accountability of transactions related to payables ensuring that:

- i. Disbursements are properly authorized.
- ii. Invoices are processed in a timely manner.
- iii. Vendor credit terms and operating cash are managed for maximum benefits.

### 13.2 RESPONSIBILITY

The respective DDO / PD has overall responsibility for the administration of accounts payable function at the formations/projects.

### 13.3 RECORDING OF ACCOUNTS PAYABLE

All valid accounts payable transactions, properly supported with the required documentation, are recorded as accounts payable in a timely manner. Information is entered into the system from approved invoices or disbursement vouchers with necessary documentation attached. Only original invoices are processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. **No vendor statements are processed for payment.**

The following are the minimum requirements which shall be necessary for the Budget and Accounts Office to process the payables:

- i. All required parameters for the payments are covered, which are:
  - a) Proper invoice of the vendor/supplier
  - b) Proof of receipt of goods or completion of services
  - c) Proof of prior approval of the competent authority
  - d) Availability of budget limits
  - e) Purchase order or running contract or single payment
  - f) Urgent payments are being requested and carry approval of the Head of Department
  - g) Advances are being made on proper approvals and that previous if any are settled
  - h) Salaries are being processed according to the laid procedures
  - i) All regular payments on account of rents, rates and taxes are being made according to the agreements
  - j) All contractors bills are being processed according to the agreement
- ii. In case of any deficiency the accounts section will return the payment claim with remarks to the concerned section for rectification of the short coming.



- iii. In case payment being in accordance with the laid procedures, the accounts section shall process the recording of the payables and forward approved voucher etc., to the banking section/department for processing of payment.

#### **13.4 AUTHORIZATION**

Documents presented for accrual/payment are reviewed and authorized by the concerned Director Accounts/DDO/Project Director.

#### **13.5 ACCOUNTING FOR SUPPLIER BILLS**

On receipt of material order, the procurement department will write detail of material purchased in SMB as per details of supplier invoice. Following documents are attached to the supplier's invoice and sent to the accounts section:

- i. Vendor invoice (or employee expense report).
- ii. Packing slip (where appropriate).
- iii. Purchase Request or Purchase order as required by procurement policies.
- iv. Copy of GRN/SMB for receipt of material
- v. Any other supporting documentation deemed appropriate.
- vi. Inspection certificate

The accounts section will record the purchases and create liability for payment to the supplier through posting the SMB in the general ledger module.

#### **13.6 ESTABLISHMENT OF CONTROL DEVICES**

The staff at Budget and Accounts Office establishes control of invoices as soon as they are received. Vendors are instructed to mail all invoices directly to the Procurement Department. Upon receipt, each invoice is stamped and delivered to the payable desk. Any invoice out of the control of the accounting staff is copied and kept in an accounts payable follow-up file.

The following procedures are applied to each bunch of documents by the Budgets and Accounts Officer:

- i. Checking of the mathematical accuracy of the vendor invoice.
- ii. Comparing the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order/request and packing slip.
- iii. Ensuring the goods have been received/services rendered
- iv. Documenting the general ledger distribution, using WAPDA's current chart of accounts.
- v. Confirming the review and approval of the DDO / PD associated with the goods or services purchased.



## 13.7 PAYMENTS UNDER THE CONTRACTS FOR CIVIL WORKS

### 13.7.1 Advance Payments

Advance payments to be made on signing the contract (for mobilization and similar expenses) shall be related to the cost of goods, works or services covered by the contract. The advance payment whether for mobilization or other purpose shall be released only after furnishing a bank guarantee for the specified amount and from a bank of good repute. The bank guarantee shall always be verified/got confirmed from the issuing bank.

### 13.7.2 Progress Payments

Progress payments shall be made in accordance with the terms of the contract and after compliance with the conditions laid down in the contract for such payments. The application for payment submitted by the contractor shall be reviewed by a designated official to verify that:

- i. Payment is due and in accordance with the terms of the contract
- ii. All conditions laid down in the contract have been complied with
- iii. All the details of work done or goods supplied have been recorded
- iv. Rates are as agreed
- v. Quantity and quality have been verified by technical person.

### 13.7.3 Retention Moneys

The retention moneys shall be deposited in a separate bank account of the concerned GMF. These shall become payable to the contractor or supplier upon successful completion of the contract, at the end of the warranty period or on another specified date determined in accordance with normal practice.

In the event of default or non-performance under a contract, the project entity shall use funds from retention money account to complete the work or to repair defects during the maintenance or warranty period.

### 13.7.4 Currency of Payment

Payments under each contract shall normally be made in the currency or currencies in which the price has been stated in the successful bid. However, if the bidder has shown the percentage of payments to be made in other currencies, the exchange rates for a reference date specified in the contract shall be used to maintain the value of the foreign currency portions of the contract price - without loss or gain.

### 13.7.5 Payments

All payments under the contract except refund of retention moneys shall be net of retention money as specified in the contract and taxes applicable at the time of payment. All payments shall be made by crossed cheques.



### Accounting Entries

Account Title	G/Ledger code
• Accounting for Advance for Mobilization	
Dr. Mobilization Advance	Relevant code
Cr. Bank	Relevant code
• Accounting for Capital Work In Progress	
Dr. Capital Work In Progress	Relevant code
Cr. Payable to Contractor	Relevant code
Cr. Retention Money payable	Relevant code
Cr. Tax deducted at source payable	Relevant code
Cr. Mobilization Advance	Relevant code
• Accounting for Payment to Contractor/supplier	
Dr. Payable to Contractor	Relevant code
Cr. Bank	Relevant code

### 13.8 CONTRACTORS' LEDGER FOR WORKS

The objective is to establish fundamental guidelines for compliance with the provisions of approved accounting standards as applicable in Pakistan for properly accounting and reporting liabilities other than accounts payables. Major focus is the achievement of the following:

- i. All liabilities are measured and recorded as accurately as possible, given the circumstances under which the liability was created.
- ii. Liabilities recorded in the financial statements reflect invoices received and accruals for any costs incurred.
- iii. Accounts are maintained on an accrual basis. Costs and revenues are identified and recorded in the period in which they are incurred, even if receipt of the revenue or payment for the expenditure occurs in a subsequent accounting period. A balance is maintained between the effort required to measure accrued costs precisely and the added value of such precision.
- iv. A security deposit received in cash from a contractor will be credited to Contractor's Cash Deposit Account, and debited to the bank account in which the cash is lodged. Where a deposit is received otherwise than in cash the face value of the securities lodged should be certified to Contractor's Paper Deposit Received Account and debited to Contractor's Paper Securities Held (Contra) Account. No entries will be passed in the books of account for a guarantee received from a bank on behalf of a contractor, but particulars of such a document will be recorded in a register of guarantee and the document itself placed in a safe at the Project Office or in safe custody with a bank other than that which have given the guarantee.



- v. When a deposit originally received in cash is refunded, the bank account from which repayment is made will be credited and Contractor's Cash Deposit Account debited. If for any reason the whole or a part of the cash deposit is utilized in settling off a claim by the Authority against the contractor, a Journal entry will be passed through the books transferring amount from Contractor's Cash Deposit Account to the account to which credit is to be given in accordance with the agreement/decision of the Authority.
- vi. On returning a deposit received otherwise than in cash the face value of the security originally lodged and now returned will be entered in the Security Deposit Register. The return of a guarantee documents will require only an endorsement in the register of guarantees. If on default the guarantee is encashed by the Authority then on payment received cash or bank will be debited and the work, materials or the other account concerned will be credited, and the facts, recorded in the register of guarantees.
- vii. An advance given to a contractor in the form of a direct payment to the supplier of equipment will be debited to his personal account in Advance for Equipment Account. An advance for purchase of specific materials will be debited to his personal account in Advance for Materials Account. The value of any materials issued to a Contractor will be debited to the personal account of the Contractor in Material Issued Accounts. All other advances whether in cash or in the form of services rendered, e.g. rental for equipment used, charge for supply of power and similar other services will be debited to an Other Advance Account. If the same contractor has more than one contract in progress at the same time, it may be advisable to add the contract number to the name of the account.
- viii. The gross amount of a contractor's bill will be worked out as per BOQ of the contract agreement for the work done. In case some tax or other compensation relating to work in progress bill is to be reimbursed to the contractor as per provisions of the contract agreement, the contractor will submit a separate supplementary invoice on this account. **The Engineers or the Employer are not authorised to add any amount on account of tax or other charges on the bill of the contractor.**
- ix. On a contractor's bill being finally approved for payment an entry will be passed through Journal debiting the gross amount of the bill to the appropriate works in progress or other accounts and crediting to the various accounts of that particular contractor for deductions to be made from the gross amount of this bill. The net amount payable, being the difference between the gross amount and the adjustment/deductions on all advances will be credited to a Personal Account.
- x. Withholding tax shall be deducted from the gross amount of the contractor's bills at the prevailing tax rates, unless contractor provides Tax Exemption certificate issued by the relevant tax authority for the related period.
- xi. The net amount paid to contractor against his progress or final bill will be debited to his Personal Account.



- xii. All transactions covering advances, issue of materials, payment of bills and retention money will be recorded in Contractor's Control Account in the General Ledger. Detailed accounting of these transactions will be in a subsidiary ledger, in which a separate account will be opened for each contract or work order. The subsidiary ledger (**Annexure-5**) will provide the name of the contractor, the number of the contract, description of work and location, job number, dates of commencement and completion of contract, and security deposits held by the Authority and will have columns for: Date; Particulars; Folio; Total; Details column for Material Issued; Cash and other Advances; Personal Account; Retentions and Remarks.
- xiii. The Total column and each of the Details columns will have separate sub-columns for debit and credit items.
- xiv. Any adjustment between Contractors' Control Account and another account in the General Ledger between one contractor's account and another contractor's account in the subsidiary Ledger or between one Details column and another Details column in the same contract's account should never be recorded in the ledger without passing a Journal entry. In no case should a direct transfer be made from one account to another account or from one column to another column in the same account.
- xv. On the completion of a project, when the final costs both direct and indirect have been ascertained, the indirect charges will be apportioned over the facilities in an equitable basis.

### **13.9 ACCOUNTING FOR PAYROLL EXPENSES**

#### **13.9.1 Responsibility**

The responsible official for ensuring proper accounting of payroll expenditure shall be the respective DDO/PD.

The respective DDO/PD shall ensure that all payroll expenses are reasonable, allowable and allocable to budgetary units.

The important procedures related to the payroll function at WAPDA as laid in the manual shall be closely adhered to.

#### **13.9.2 Payroll Preparation**

The payroll process begins from Administration (HR) Department which hires new staff, adjust salaries and wages, establish payroll deductions, promote, transfer & terminate employees through retirement or otherwise. The Admin Department is also repository for all employment history records. A register shall be maintained for recording attendance, absence & tardiness on a daily basis as a timekeeping. At the end of each month the Budget and Accounts Office shall prepare payroll based on data obtained from the Admin department and timekeeping register.



### 13.9.3 Payroll Administration

WAPDA shall operate monthly payroll software. A personal file shall be established and maintained for all employees with current documentation by the Admin Department.

The following forms, documents and information shall be obtained and included in the personal files of all new employees:

- i. WAPDA employment application.
- ii. Applicant references (work & personal).
- iii. Interview questions and notes.
- iv. Starting date and scheduled hours.
- v. Job title and starting salary.
- vi. Authorization for direct deposit of pay-cheque.
- vii. Signed completed processing form.
- viii. The salary payment shall be authorized and approved by the respective GM Finance.

### 13.9.4 Changes in Payroll Data

The following payroll procedures shall be followed to the greatest extent possible:

- i. Changes to payroll master file data (rates of pay, adding employees, deleting employees, etc.) shall be performed by someone other than the person who processes payroll.
- ii. Changes are documented in writing and review of all changes to master payroll data shall be made by an independent person authorized by the DDO.
- iii. Payroll shall be processed by an individual who does not have the permission to make journal entries in the general ledger.
- iv. Timely review of payroll shall be made by someone independent from payroll processing and employee master file data input.
- v. All of the following changes in payroll data shall be authorized in writing:
  - a) New hires
  - b) Terminations
  - c) Changes in salaries and pay rates
  - d) Voluntary payroll deductions
  - e) Changes in income tax withholding status
  - f) Court-ordered payroll deductions
- vi. Periodically, adjustments shall be made to an employee's payroll for various reasons (salary and / or position changes during a pay period, employees





starting or terminating in the middle of the pay period, etc.).

- vii. Documentation of all changes in payroll data shall be maintained in each employee's personal file kept in the Admin Department. A copy of the employee processing form and documentation showing changes to an employee's payroll record shall be forwarded and kept within the Budget and Accounts Office's monthly payroll maintenance records.

#### **13.9.5 Payroll Deductions and Reductions**

The Budget and Accounts Section shall process mandatory deductions from an employee's pay-cheque in compliance with governmental regulations, and voluntary deductions within its scope in accordance with employee's demand. Voluntary deductions shall be made upon evidence of employee's authorization for such deductions. The Budget and Accounts Section shall ensure the timely disbursement of amounts withheld from employees' pay-cheques to government in accordance with statutory regulations.

Voluntary payroll deductions shall be authorized in writing by the individual employee. Submission to the Admin Department shall be the responsibility of the individual employee for voluntary deductions. The individual employee should check his or her payroll payments to verify such deductions have been implemented and if the deductions have not been implemented, they should immediately notify the Admin Department.

#### **13.9.6 Payroll Taxes**

The Budget and Accounts Section shall be responsible for ensuring all required tax forms have been properly completed and submitted, and that all required taxes have been withheld and paid.

#### **13.9.7 Review of Payroll**

Upon production of all payroll reports and cheques, DDO shall review payroll prior to its distribution to employees and shall sign the payroll register, indicating approval of the payroll.

#### **13.9.8 Special Payments To Employees**

All special payments shall be approved by the respective DDO in advance. Any payment request, which shall not have the appropriate approval, shall be returned to the department.

Departments considering making any special payments to employees other than those specifically covered under benefit program, should contact the Budget and Accounts Section before making the payment to determine if the payment will be considered taxable income and / or are subject to withholding tax.

#### **13.9.9 Payment Through Bank**

Making payment to employees through bank transfer shall comprise of the following steps:



- i. The Budget and Accounts Section shall prepare monthly salary sheet with gross pay, and deductions; signed by the respective DDO, and B & AO.
- ii. The Budget and Accounts Section shall give the bank letter for transfer of funds to concerned Manager Finance.
- iii. The Budget and Accounts Section shall send letter to bank with particulars such as name, bank account number, net amount of pay, alongwith a cheque, directing the bank to transfer funds from WAPDA account.
- iv. A pay slip shall be prepared for all employees with the information; bank of deposit, account number, gross pay for the month, salary deductions (provident fund, income taxes, house rent, license fee, water, electricity, staff club, advances, loan against provident fund, interest, and net pay).

#### 13.9.10 Filing of Tax Returns

The respective B&AO/DDO shall file the following tax statements for all deductions from salaries of employees, and tax deducted from payments made to contractors and suppliers:

- i. Monthly withholding tax statement
- ii. Annual withholding tax Statement

The tax deducted from salaries of staff or the payments to contractors and suppliers shall be deposited in the Government treasury within seven days of being withheld. The respective B&AO/DDO shall issue the tax deduction certificates to the employees on annual basis and to others within one month of the deduction.

#### 13.10 RECONCILIATIONS

Monthly reconciliation shall be prepared using the following procedure:

- i. The amount paid to employees who left employment during the month shall be deducted from the amount paid to employees during the last month and amount paid to new employees hired during the month shall be added.
- ii. The amount of pay advances and loans secured by the provident fund shall be reconciled with the general ledger account on a monthly basis.

##### Accounting Entries:

- When Salary expense is accrued

Account Title	G/Ledger code
Dr. Salaries	Relevant Code
Cr. Salaries payable	Relevant Code
Cr. Income Tax Deducted at Source	Relevant Code
Cr. Provident Fund Payable	Relevant Code
  
- When Salary is paid

Account Title	G/Ledger code
---------------	---------------



Dr. Salaries payable	Relevant Code
Cr. Cash / Bank	Relevant Code
• When contribution is accrued	
Account Title	G/Ledger code
Dr. Contribution	Relevant Code
Cr. Contribution payable	Relevant Code
• When contribution is paid	
Account Title	G/Ledger code
Dr. Contribution payable	Relevant Code
Cr. Cash / Bank	Relevant Code
Other Employees Benefits	
• When other employee benefits are accrued	
Account Title	G/Ledger code
Dr. Other Employee benefits	Relevant Code
Cr. G. Insurance payable	Relevant Code
Cr. Medical Fund payable	Relevant Code
Cr. B. Fund payable	Relevant Code
• When other employee benefits are paid	
Account Title	G/Ledger code
Dr. G. Insurance payable	Relevant Code
Dr. Medical Fund payable	Relevant Code
Dr. B. Fund payable	Relevant Code
Cr. Cash / Bank	Relevant Code

### 13.11 ESTABLISHMENT RETURN

The concerned DDO/PD shall generate and submit to the concerned General Manager Finance the establishment returns containing the details of employees their basic salaries date of joining, date of retirement etc. The purpose of the returns is to make provisions for pension and other allowances payable to the retiring employees and arrange for actuarial valuations and calculations for pension of the existing staff. The reports for actuarial purpose shall provide :

- i. Report containing details of the employees engaged at the unit/project who shall be retiring during the next financial year.
- ii. Report on the employees who shall continue in service during the next financial year.
- iii. Report on the replacement plan against the employees retiring as per report at 1 above.



### **13.12 ACCRUAL OF OTHER EXPENSES**

The objective is to establish practices consistent and in compliance with approved accounting standards as applicable in Pakistan ensuring that costs are properly authorized and approved and allocated to accounts in a manner that is an accurate reflection of the expenses incurred during the particular financial year. These expenses would normally accrue from the facility having received during the year but the invoice being received in the subsequent period.

#### **13.12.1 Responsibility**

The Budget and Accounts officer/DDO shall be responsible for ensuring that all expenses relating to the financial year are duly accounted for in that particular year even if the payments are made in the subsequent years. These expenses would include telephone bills, electricity bills, audit fees, travelling claims, markup payable on loans and other similar expenses.

#### **13.12.2 Methods for Determining Amounts**

The amount of accrued expenses shall be determined using the methods of specific identification. The methods used to arrive at the best estimate are consistently applied and based on supportable documentation. Expenses are recorded using accrual basis and by following matching and prudence concept of accounting. The methodology, source of information, computations, records of discussion, and assumptions shall be documented and maintained for future reference, oversight, or audits.

#### **13.12.3 Reimbursement**

The employees shall be reimbursed with the actual amount of expenses incurred necessarily in the performance of the duties of their employment. In general, reimbursement will be made only on the production of receipts or invoices.

The B&AO shall ensure that all payments under contingent expenditures are duly supported, are for the project, have been duly approved by the competent authority before being incurred and have been recorded accordingly.

In case of review of the expenditure of the contingent establishment the following shall be ensured:

- i. Pay allowed to contingent establishment does not exceed that sanctioned for regular establishment of the same category.
- ii. Budget allocation in lump sum or otherwise exists under the Sub-head 'contingencies'.

#### **Accounting Entries**

1. When expenses are accrued

Account Title	G/Ledger code
Dr. Expense	Relevant code
Cr. Accrued Expense	Relevant code



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

2. When Expense is paid

Account Title

G/Ledger code

Dr. Accrued Expense

Relevant code

Cr. Cash / Bank

Relevant code



## 14 PRE - AUDIT

### 14.1 GENERAL

The objective of the policy is to establish standards for pre-audit of all payments being processed by the Budget and Accounts Department at all projects/formations/units. The purpose of pre-audit is to ensure that all payments are in accordance with the laid rules and procedures defined by WAPDA. The pre-audit will ensure that:

- i. Proper authorizations for the expenditure are in place.
- ii. The supporting documents are attached.
- iii. The invoices or other document has been verified by the concerned department.
- iv. Proper budget allocations exist for the expenditure.

### 14.2 RESPONSIBILITY

The Accounts Staff of WAPDA in accordance with the Authority's instructions contained in General Manager Finance (Coordination) letter No.GMFP/DAC/Consold/Con/Pre-audit/566 dated February 11, 1989 shall be responsible for conducting the Pre-Audit in accordance with the rules and procedures defined in this section of the manual.

Further as already resolved by the Authority vide resolution number 396 dated June 03, 1978 all matters not covered by the Rules framed by the Authority, or where the Authority's rules are silent, the Fundamental Rules or Supplementary Rules passed by the Federal Government shall be applicable. All accounts staff conducting pre-audit shall take cognizance of this resolution.

All the projects irrespective of financial limit which are subject to pre-audit by WAPDA Audit Staff will also be subject to regular audit by the Internal Audit Division according to their procedure.

The term Auditor where-ever appearing in these procedure/guideline means any member of Accounts Staff deputed to carry out the pre-audit work and Audit Office means the office of the B &AO/Sr. B & AO or Director (B&A)/ Manager Finance as the case may be.

### 14.3 PROCEDURE FOR PRE-AUDIT

1. The project authorities will make available to the Accounts Staff deputed for pre-audit two copies of each agreement with the consultants and contractors for each project. The Accounts Office will keep book of Financial Powers upto date in order to see that sanctions are within the competency of the authorities according to such sanctions.
2. The project authorities/Accounting Head of the Project will make available to the Accounts staff deputed for pre-audit all orders and sanctions issued by the authority/Government for their study, scrutiny and references They will



follow the following procedure for the audit of bills of Suppliers, Contractors and establishment: etc.

#### **14.4 PRE-AUDIT OF WORKS BILLS**

Detail instructions for the pre-audit of Contractors/Suppliers bills, have been given in the WAPDA Accounting Manual and CPWA Code. These instructions should be strictly followed by the Auditors for the pre-audit of such bills. For general guidance the following instructions are, however, laid down to supplement the orders contained in other codes, manuals etc.

##### **14.4.1 Contractor's Bills for Works**

The following are the main checks to be exercised in respect of the works bills:-

- i. In order to avoid piecemeal objections by Audit on the bills of Contractors/Suppliers the proforma introduced by the Authority called as "Documentation and Check memorandum" should invariably be attached, duly completed in all respect with the bills.
- ii. It should be seen that the requisite Administrative approval has been obtained from the competent authority, appropriate in each case.
- iii. It should be seen that the bills have been prepared on the prescribed form.
- iv. It should be seen that a detailed estimate for the work has been sanctioned by the competent authority and necessary budget provision for the same exists.
- v. The bill should be checked with reference to the relevant agreement/contract/work order issued by the competent authority.
- vi. The quantities billed for should be checked with reference to the quantities shown in the Measurement Book. The calculations and totals worked out in the Measurement Book should be checked arithmetically hundred per cent by the Auditor, 25% by the Assistant Budget & Accounts Officer and 10% by the Budget & Accounts Officer. It should also be seen that there is an indication in the Measurement Book of the prescribed checks by SDOs/XENs having been duly carried out.
- vii. If any material has been issued to the Contractor for use on the work as per agreement, it should be seen that necessary deduction on this account has been made from the bill at the correct rate and relevant indents/store requisitions accompany the bill. The items of material, issue rates of which are known to be appreciably below the market rate should receive special attention so that practices likely to put the Authority to loss may be challenged. It should also be seen that deduction on account of security deposit has been made from the running bills in accordance with the agreement.
- viii. Rates of schedule items should be checked with reference to the relevant schedules of rates. In case of non-schedule items it should be seen that the non-schedule rates have been approved by the competent authority and are supported by the detailed analysis thereof.





- ix. In case of secured advances being allowed according to the provision of contract/agreement to the Contractor against security of material, it should be seen:
  - a) That amount of secured advances does not exceed 75% of the value of material of imperishable nature brought at the site of works by the Contractor.
  - b) That an indenture in proper form has been drawn up with the Contractor under which the Authority secures, a lien on that material and is safeguarded against losses due to the Contractor postponing the execution of the work or to the shortage or misuse of material and against the expense on their proper watch and safe custody.
  - c) That a certificate has been given by the competent Executive Officer that the quantity of material against which the advance is being made, has actually been brought to the site, that the Contractor has not previously received any advance on its security and that the material is required by the Contractor for use on items of works for which rates for finished work have been agreed upon.
  - d) Recovery of such advances should not be postponed until the whole of the work entrusted to the Contractor is completed. Recovery should be made from his bills for work done as the materials are used. The necessary deductions be made, whenever, the items of work in which they are used, are billed for.
- x. When the bill is on running account, it should be compared with the previous bill in order to verify the correctness of the memorandum of payments prepared on the bill. At the same time it should be seen that there is a certificate recorded by the Assistant Budget & Accounts Officer/Budget & Accounts Officer as the case may be to the effect that the Contractors ledger has been scrutinized and the recoveries outstanding against contractor upto the date of submission of the bill have been effected.
- xi. In addition to the above checks, the final bills should be checked to see:-
  - a) That the contractor's ledger in original duly balanced and signed by the DDO/Project Director, has been sent alongwith the bills.
  - b) That the work has been completed within the stipulated period as specified in the Agreement Contract. If the same has not been completed within the stipulated period, it should be seen whether penalty has been imposed on the contractor in accordance with the terms of the contract agreement.
  - c) That a certificate of the appropriate Executive Officer regarding satisfactory completion of work in accordance with the approved design and specifications are forthcoming with the bill..
  - d) That a certification to the effect that nothing is outstanding against the Contractor in respect of the work concerned accompanies the final bill.
  - e) That a "No Claim" certificate from the contractor is given on the bill.



#### **14.4.2 Suppliers Bill**

The bill should be checked to see that:-

- i. the same is accompanied by the following documents:
  - a) Purchase/Supply order issued by the competent authority.
  - b) Relevant page of the Stock Measurement Book.
  - c) Store balance report from the concerned formation stores.
- ii. it has been certified by the officer making the local purchase that the same has been made for incorporation in a duly sanctioned work for immediate use.
- iii. the quantities and rates of the items shown in the bill agree with those shown in the relevant Purchase order and page of the Stock Measurement Book.
- iv. other conditions such as terms of the delivery in the purchase order have been fulfilled.
- v. monetary limits laid down for individual purchases and for purchased during the financial year, have not been exceeded.
- vi. the supplies have been made within the stipulated delivery period and in case of delayed supply, penalty has been imposed on the supplier in accordance with the terms of the Purchase Order.
- vii. it has been certified by the appropriate Executive Officer that the items purchased locally are not covered by the Rate Contracts concluded by the competent Authority.
- viii. items are according to specification.

#### **14.4.3 Bills for Refund of Security Deposit of Contractors for Works:**

These bills should be checked to see:-

- i. That the credit for the amount for which refund is being claimed exists under Deposit in the contractor ledger.
- ii. That the claimant's identity and title to refund are certified by the Divisional Officer and a written request from the Contractor for the refund of Security deposit accompanies the refund bill.
- iii. That refund has been claimed after the expiry of the period stipulated in the Agreement/Contract, and after the final bill of the Contractor has been prepared and passed for payment.
- iv. That certificate has been given by the Divisional Officer/Engineer concerned that nothing is outstanding against the Contractor.
- v. At the time of pre-audit of a refund bill a reference should be made against the relevant credit entry in the schedule of deposit/Account head in order to make the entertainment of a double or erroneous claim impossible.
- vi. It should be clearly understood by the Project Director and Budget & Accounts Officer that while submitting bills for pre-audit to the appropriate Accounts Officer for all the items dealt within above paras, they are fully responsible



for ensuring that all the checks prescribed in the Codes have been carried out by them.

#### **14.5 CONSULTANT'S EXPENDITURE**

1. On receipt of Consultant's Rupees/Foreign currency invoices the Project Director/Budget & Accounts Officer or Sr. Budget and Accounts Officer will finalize the check of these invoices within a week or as per the provision of contract and forward the same for audit. Foreign currency invoices will be accompanied by the Photostat copies of the vouchers receipt from the Consultants. The Rupee invoices will be accompanied by original vouchers. Sr. Budget & Accounts officer/Audit office will complete the checks within seven days of their receipts and then return them with their observations to the Project Director/Sr. Budget & Accounts Officer or Budget & Accounts Officer concerned.
2. One copy of the Audit observation in respect of the rupees/foreign currency invoice, will be passed on by the Sr. Budget and Accounts Officer/Budget & Accounts Officer to the Consulting Engineer. The latter will furnish his reply to the Sr. Budget & Accounts Officer or Budget & Accounts Officer/ Project Director with in a period of fortnight of the receipt of these audit observation by him. Project Director/ Sr. Budget & Accounts Officer or Budget & Accounts Officer will examine consulting engineer's reply and furnish his comments on the audit observation on the basis of the information received from the consulting Engineers to the Accounts Staff deputed for audit. This reply must be issued as early as possible but in no case later than a period of two months from the date of original receipt of audit observations in the Sr. Budget & Accounts Officer/ Budget & Accounts Officer's office. It would be ensured that any disallowance pointed out/objected by the audit office, acceptable to the project authorities are to be adjusted in the subsequent month's invoice before applying for reimbursement. Further observations, if any, on Project Director's comments will be discussed in the monthly meeting in which Consultants Representative will be invited to attend and resolve such cases as far as possible. Any further deductions required to be made from the invoice as a result of these discussion along with the next month's invoices will be advised to the Project Director/ Sr. Budget & Accounts Officer or Budget & Accounts Officer. Unresolved audit observation will be referred by the Project Director with his detailed comments to the concerned General Manager and Accounts Officer representative of the respective General Manager Finance. The latter will if not satisfied with the explanation, bring up the audit observation to the notice of the Authority

#### **14.6 MAIN CONTRACTOR'S EXPENDITURE**

1. On the day Project Director, receives copies of the Contractor's monthly invoices, he will send one copy of the invoices to the Accounts Staff deputed to pre-audit for scrutiny. Within three weeks of the receipt thereof they will send observations, if any, in writing to the Sr. Budget & Accounts Officer, or the Budget & Accounts Officer of the Project. The latter will forward the observations to the Project Consultant immediately. To the extent the audit observations are acceptable to the Engineering Consultant, the latter will



make the required adjustment in the contractor's invoice in hand. In case the Engineering Consultant is not agreeable to the observation made, he will within a period of one month from their receipt, communicate his reasons for not accepting the audit observations to the Project Director who will in turn supply a copy of these together with his remarks, if any, to the General Manger Finance concerned for audit within a week. If the representative of General Manager Finance concerned feels that the explanations given by the Engineering Consultant are not to their satisfaction, they may discuss the same in the monthly meeting to be held on 10<sup>th</sup> of each month, with the Project Director, in which the Consulting Engineer's representative may also be invited to attend. Audit observations should be resolved as far as possible in these meetings. Unresolved observations will be referred by the Project Director with his detailed comments to the Chief Engineer/General Manager and by the accounts representative to the General Manager Finance. The latter will, if not satisfied with the explanation, bring up the audit observation at the monthly meeting with the General Manager in charge of the Project.

2. If the replies to the audit observations are not received within five weeks, it will be presumed that the audit observations have been admitted and necessary compliance thereof will become imperative

#### **14.7 RE- IMBURSEMENT APPLICATIONS**

To avoid delay in obtaining reimbursement from the Loan giving agencies immediately at the end of month the Sr. Budget & Accounts Officer or Budget & Accounts officer concerned will prepare the monthly re-imbusement application according to donor agency requirement. He will then submit the monthly reimbursement application and the monthly trial balance alongwith the supporting records, to the representative of General Manager Finance concerned for audit. The amount disallowed by the loan giving agencies in respect of each reimbursement application alongwith reasons of rejection will also be made available to the representative of the General Manger Finance Concerned entrusted with audit.

#### **14.8 RECOUPMENT OF IMPREST ACCOUNT**

The application for the recoupment of the imprest should be supported with the relevant cash-book page alongwith detailed classification for charging the accounts and the original receipt/supporting vouchers. The detailed audit of supporting vouchers shall be carried out by the Sr. Budget & Accounts Officer/ Budget & Accounts Officer. The irregular payment pointed out by the Sr. Budget & Accounts Officer/Budget & Accounts Officer, should be booked under a separate head "Item awaiting adjustment in imprest Accounts" as required under WAPDA Accounting Manual which should be cleared either by the removal of the objection or by the amount being made good by the imprest holder as early as possible and in any case before the finalization of accounts for the financial year.



## **14.9 PRE- AUDIT OF ESTABLISHMENT BILLS**

### **14.9.1 Pay and Allowances of Regular Establishment**

1. Pay and allowances of WAPDA employees, if not charged directly to works, as well as all personal advances sanctioned by competent authority, are drawn on bills in forms and in accordance with the procedure prescribed by Water and Power Development Authority. The sanction of competent authority to personal advances, if obtained in the form of countersignature on the bill itself, is also in order.
2. WAPDA officers draw their own bills, but the claims of establishment are prepared separately by heads of offices under whom they are employed, and the latter also makes proper arrangements for disbursing the amount so drawn. Separate establishment bills are prepared by the DDO for each of the establishment specified below:
  - a) One for establishment working in each section of the office.
  - b) One for establishment working in each Sub-Division.
  - c) One for establishment working in each Sub-Office etc.
3. To enable the Accounts Office to exercise proper check on the pay bills, copies of all orders regarding appointments, promotions, resignations, termination, transfers leave and changes in rates of pay and grades, etc and authorized deduction are communicated to them by the sanctioning authorities.
4. Orders sanctioning the creation or abolition or continuation of appointments/posts are also communicated to them.
5. In case of transfer of officers, their charge reports are also forwarded to accounts office which is responsible to issue the pay slip of the officer.
6. The pay and allowances of subordinates employed at remote places are usually remitted to them by postal money order, Bank Drafts at WAPDA expenses.
7. The deductions made from pay for the benefit of various funds, such as insurance, provident fund, welfare/compassionate fund, employees' advances, tax's etc, are remitted by the drawing and disbursing officer to the respective funds/beneficiaries promptly.
8. When pay is disbursed in cash to employees, officer or his representative at Sub Office, Sub Division or Division/Project witnesses the disbursement of pay. The pay bill is signed by all employees over the Revenue Stamps of proper denomination.
9. In respect of WAPDA Officers, a Salary Audit Register is maintained in which details of pay slip are entered. Pay and allowances claimed and deductions made during each month, are also entered therein. The Salary Audit Registers maintained by Accounts Office or Accounts Section.
10. When an employee is transferred from the audit control of one accounts office to another, the outstanding balance of any advance/loan is passed on to his pay allowance office through his Last Pay Certificate. This advance/



loan is entered in the Advance Register of the new accounts office to watch recovery of monthly installments through the pay bill of the individual concerned. The credit of the amount recovered is passed on to the Central Accounts through Bank Drafts. Similarly new advances/loans paid to the employees by Central Accounts are also entered in the Advances Register for watching recovery and passing on credits to the Central Accounts Office concerned.

#### **14.9.2 Audit of Pay Bills of Officers and Regular Establishment**

While auditing pay bills of officers and staff it will be seen that:-

- i. The appointment is covered by the sanction accorded by the competent authority. This sanction is issued by the competent authority for each financial year, separately for each office, showing the details of staff sanctioned for that office.
- ii. The individual is legally entitled to the pay and allowances drawn for him.
- iii. In case of first appointment the employees is not less than 18 years of age and not more than 25 years of age except where the relaxation has been granted by the competent authority, and the employee has produced the following certificate:
  - a) A Certificate of medical fitness form the WAPDA/Government Medical Officer, and
  - b) Character certificate, academic certificates, experience certificates and other certificates required by his letter of appointment.
- iv. Except in case of first appointment every first payment to an individual whether on account of pay and allowances or leave salary, is supported by a last pay certificate in original.
- v. During joining time the employees draws the pay which he would have drawn if he had not been transferred or the pay which he will draw on taking over the charge of his new post, whichever is less.
- vi. The annual increment in the Basic Pay Scales of pay will accrue on the first day of the December following the completion of at least 6 months of such service at the relevant stage in the scale as counts for increment under ordinary rules.
- vii. All deduction including installments of long term advances and income tax have been correctly made and also paid to respective funds/beneficiaries; and the recoveries noted in the Register of Miscellaneous Recoveries have been made in full from the individuals concerned.
- viii. Service books and leave accounts for the establishment have been maintained as required under rules and that they are posted up to date.
- ix. An employee dismissed or removed from service is not paid any pay and allowances from the date in which he is dismissed or removed from service.
- x. An employee under suspension is paid during suspension period full benefits as he was being paid on duty or as may be ordered specifically by the competent authority.





- xi. When an employee is transferred from a higher to lower grade or post, as a penalty, he will draw pay which the authority ordering his transfer has allowed him, which should not exceed the maximum of the lower grade or post.
- xii. When an employee is, on account of misconduct or inefficiency, reduced to a lower grade or post, or to a lower stage in his time scale, the authority ordering such reduction shall state the period for which it shall be effective and whether, on restoration, it shall operate to postpone future increments and if so to what extent.
- xiii. In case of promotion from a lower to a higher post, one premature increment is allowed in the higher Basic Scale if the pay increase on promotion under the normal rules is equal to, or less than, one full increment.
- xiv. The pay of person appointed to posts in higher grade before they have completed the prescribed length of service for the relevant grade, is fixed at the minimum of the scale of the post but for the purpose of drawl of increments service in that scale shall count only from the date of completion of the prescribed length of service.
- xv. The salary slip at the time of first appointment, promotions, demotions, appointments against posts carrying or not carrying special type of allowance or additional pay is issued by the General Manager Finance concerned. Revised salary slip on account of normal annual increment is issued by the Budget & Accounts Officer.
- xvi. The various allowances being paid to WAPDA employees are the same as laid down in the Basic Pay Scales of Pay and Allowances introduced by the Authority and as amended from time to time.
- xvii. Government Servants in foreign service, i.e. those who are on deputation with WAPDA, will receive the pay and allowances which have been settled in advance in consultation with the foreign employers and Government Servants, and the basic conditions for such settlement are that no Government Servant shall be permitted to receive any remuneration or enjoy any concession which is not specially settled, and that if the sanctioning order is silent as to any particular benefit, it must be assumed that it shall not be enjoyed. The deputationist is, therefore, not entitled to any increase in pay, reward or remuneration not covered by the terms of his transfer to WAPDA unless it is specially sanctioned subsequently by the authority competent to sanction his transfer to WAPDA.
- xviii. In case of a retired Government Servant re-employed in WAPDA his pay has been fixed with the following principles:
  - a) When the new post carries a fixed pay, he will be allowed the pay of that post less pension.
  - b) When a new post carries Basic Scale of Pay:
    - 1. If the substantive pay last drawn by the officer before retirement was less than the minimum of the scale of the new post, he will be allowed the minimum of the scale less pension,





2. If the substantive pay last drawn was more than the minimum of the scale of the new post, his pay will be fixed at the stage in the scale corresponding to the pay last drawn or if there will be no such stage, at the next lower in the scale. From the pay so fixed, the amount of the pension shall be deducted.
3. Where the substantive pay drawn immediately before retirement was more than the maximum of the scale of the posts in which the Officer is re-employed, his pay may be fixed at the minimum of the scale of the post in which he is re-employed and he shall be allowed to draw his pension in addition to the pay so fixed subject to the condition that the initial pay fixed plus the amount of pension does not exceed the substantive pay drawn by him immediately before retirement. Once the pay is so fixed, he shall be entitled to draw annual increment in the scale of the post provided that the amount of pay (including increments) plus pension does not, at any, stage exceed the substantive pay drawn before retirement.
  - c) The re-employed person shall earn increments in all cases where pay has been fixed in a scale at a stage lower than the maximum.
  - d) In case the re-employed pensioner is promoted to a higher post, his pay shall be fixed in such a manner as if he was a serving officer with the difference that from the pay so determined the pension will be deducted.
  - e) In a case where officiating pay is higher than the substantive pay was drawn for a continuous period of 3 years or more immediately before retirement, that may be treated as substantive pay for the purpose of these orders.
  - f) The pay of the retired Military personnel re-employed in WAPDA will also be fixed in accordance with the above principles. In their case substantive pay shall also include the following elements, provided that they were drawing before retirement/release/leave pending retirement for a continuous period of 3 years or more:
    1. Command / staff / charge pay
    2. Instructional pay
    3. Qualification pay
    4. Disturbance pay
  - g) The word 'Pension' means pension before commutation and / or surrender, (Authority's Office Order No. FO. B&C/2-III-Vol-II/312-99 dated 9.1.1974)
- xix. The pay of the retired officer of armed forces up to the rank of Lt. Col/Col re-employed on contract against equivalent post may be fixed in terms of Para-1(a) of GOP Establishment Division's O.M dated 21.08.2001 OR in terms of clarification dated 05.11.2008 referred to above, whichever is more beneficial. The option of the officers concerned may be obtained and same once exercised shall be final. (Authority's Office orders No. FO(B&F)/2-111/Vol-14/4519-22 dated 17.06.2009).



## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

- xx. Increase in pension allowed by the Federal Government to the pensioners during their re-employment/contract period will be admissible to them. The policy instructions will be effective from 1<sup>st</sup> December, 2011. No arrears prior to 1<sup>st</sup> December, 2011 will be admissible (Authority's Office order No. FO(B&F)/37-9/Vol-78/8250-69 dated 18.07.2012).
- xxi. In case of retired civil servant who is re-employed with WAPDA beyond the age of 60 years, he may, with effect from the date of appointment or of attaining the age of 60 years, as the case may be, allowed to draw his pension in addition to the pay of the post, (Authority's Office Order No. SO(E-II)/1(8-B)Admn/11248-52 dated 24.3.1976.
- xxii. With effect from 1.1.1984 the retired defence service personnel below commissioned rank re-employed in civil post will receive full military pension in addition to civil pay. On appointment their pay will be fixed at the initial stage.
- xxiii. In case of retired Government servants re-employed with WAPDA, the pay or basic pay on which the allowances are to be calculated will, in addition to actual pay drawn, also include the amount of gross pension which had been taken into account for the purpose of determination of pay during the period of re-employment (Authority's Office Order No. F.O. BF&C/2-III/Vol-III/5073-5172, dated 27.08.1977
- xxiv. The office orders pertaining to the fixation of pay in respect of re-employed Military pensioners / Civilian pensioners will be deemed quoted in the preceding paras to have been amended/revised in light of the notification /instruction issued by the Authority on the subject from time to time.
- xxv. Conveyance Allowance, Motor Cycle Maintenance Allowance and Car Maintenance are admissible to an employee while he is on tour (Authority's Office Order No. F.O. F&F/10-126/A/Vol-XIV/580-630, dated 5.7.1978),
- xxvi. House rent at the rate of 5% of the emoluments of an employee is recovered if residential WAPDA accommodation has been provided to the employee. These orders are not applicable in cases where house rent was not recoverable under orders in force prior to 1.5.1977 or may not be recoverable under any subsequent orders,
- xxvii. Time barred claims are not passed unless sanctioned by the authority competent to investigate time barred claim. G.Ms/G.M. Finance, Dy. G.M. Finance, CEs and Chief Auditor have been given full powers in respect of claims less than 3 years old, for employees to whom they are competent to employ, (A claim is time barred if it is not preferred within 6 months at pre-audit counter of its becoming due. The six months time limit is reckoned from the date the claim becomes due for payment),
- xxviii. Water charges at prescribed rates have been recovered from occupants of bungalow/quarters in WAPDA Colonies at places where water is supplied by WAPDA.
- xxix. To ensure the recovery of water charges, Register of Buildings and Register of Rent should be scrutinized.



- xxx. When accommodation has been hired for office-cum-residential purpose it will be seen that:
- a) The rent apportioned for office bears a reasonable and equitable proportion to the accommodation used by office,
  - b) Sanction of higher authority for distribution of total rent between the residential portion in occupation of the officer and the portion occupied by his office has been obtained.
  - c) Electricity and water charges for the rented building are also distributed between the officer and WAPDA on reasonable fair basis.
- xxxii. Advances register has been maintained and advances/loans recovered through monthly pay bills have been remitted to Central Accounts through Bank Drafts in case of Water Wing. In case of Power and Coordination wings the advance register is maintained at the respective formation and the loan is adjusted and recorded at the respective formation.
- xxxiii. After liquidation of advance /loan the amount of interest is calculated / ascertained from the Central Accounts and recovered from the employee.

#### **14.10 WORK CHARGED ESTABLISHMENT**

##### **14.10.1 General**

1. The term 'Work Charged Establishment' includes such establishment as is employed upon the actual execution as distinct from the general supervision of departmental labour, stores and machinery in connection with such a work or sub-work, provided that as exception to the above, mistries and mates employed in the interest of the Authority on the technical supervision of contractors' work and khalasis attached to subordinates for assisting them on works will be treated as work charged establishment. When employees borne on the temporary establishment are employed on work of this nature, their pay should, for the time being, be charged direct to the work.
2. Works establishment does not include the clerks, draftsman, subordinate or extra establishment of any kind for the divisional or sub-divisional Officers, such being properly chargeable to temporary establishment, but where Dak runners are employed solely for a particular work of a temporary nature, for a period not exceeding 6 months, they may be treated as work-charged establishment.
3. As an exception to the general rules, the cost of khalasis attached to subordinates may be charged to annual maintenance and repairs or other estimates in which provision for it has been made with the sanction of the General Manager or the Chief Engineer, as the case may be.
4. The cost of works establishment must be shown as a separate sub-head of the estimate for a work.
5. All pay bills of work charged establishment should be approved by the Division Officer/P.D pre-audited by the Accounts Officer/B&AO before payment. Before the pay of a member of the work-charged establishment, whose services have been dispensed with, is settled up, the Sub-Divisional Officer



should invariably ascertain from the Divisional Officer/P.D if there any outstanding dues against the member.

6. Other rules of work-charged establishment as may be already existing in the Government Codes or as may be introduced from time to time will be applicable to the work-charged establishment of various formations of the Authority except where there is specific exemption in any case.
7. Officer empowered in the book of Financial Powers to create posts of work-charged establishment, can do so subject to the condition that the total expenditure on work-charged posts specifically provided for in the sanctioned work estimate does not exceed 1.5 percent of the total estimated expenditure on work.
8. Ordinarily, work-charged establishment shall not be engaged for normal maintenance and repair work for which regular establishment already exists, except for works of emergency nature to be specified and reported to the next higher authority.

#### **14.10.2 Audit of Pay Bills of Work-Charged Establishment**

While auditing the pay bills of work-charged Establishment the following points will be seen:

- i. The instructions laid down regarding employment and payment of work charged establishment have been strictly followed.
- ii. Pay to work-charge establishment does not exceed that admissible to regular establishment of the same category, qualification and experience, on initial appointment.
- iii. Where higher pay has been granted, approval of the next higher administrative authority has been obtained after giving full justification therefore.
- iv. The expenditure on work-charged establishment does not exceed 1 ½ percent of the total estimated expenditure on the work and it is also not in excess than provided in the estimate.
- v. The types and grades of work-charged establishment employed are justified by the quantum and nature of work.
- vi. No work-charged establishment is engaged unless prior sanction as to the number of staff in each grade, the period for which labour is engaged and the full name (as given in the estimate) of the work is accorded by the competent authority.
- vii. When work-charged establishment is employed for more than 3 months an establishment register is maintained by each unit showing full name, parentage and complete address of the individuals employed with their clear signature or their left hand thumb impressions affixed in the said register against their names. The Officer making the attendance of said staff has signed clearly in the Attendance Register.
- viii. The Authority has decided that if record about any of the work- charged staff is found to be deficient in regard to any of the above points, it shall be



assumed that staff has not been on job physically. The expenditure incurred on such staff shall, in that case, be recoverable from the officer who may have sanctioned the establishment in question and the officer/subordinate under whom it may have been supposedly employed in the proportion of 50% each in addition to any other suitable action that may be required to be taken against them. (Authority: Director Finance letter No. 249/FD(I)36/70 dated 15.1.1966).

- ix. The attendance register has been checked by an officer not less than B.P.S. 17 at least twice a month and by the XEN once a month. If the period of engagement of the work-charged establishment on a particular work is less than one month, the two checks by the S.D.O. and one check at least by the XEN must necessarily be completed during the currency of the sanction.
- x. Identity card No. in respect of the employees borne on work-charged establishment be kept on record and mentioned on the bill every month.

#### **14.11 CONTINGENT EXPENDITURE**

##### **14.11.1 General**

1. Contingent expenditure comprises those charges which are incidental to the management of an office 'as an office' and include the cost of Stationery, Postage, Telegram, Telephone Charges, Furniture, Advertisement, Office Rent, Books and Periodicals, charges on account of Hot and Cold weather, Contingent Establishment, Liveries, repairs to Furniture, Taxi Hire on duty connected with the office and other similar petty charges.
2. Financial Powers of the officers for incurring expenditure on contingent items are given in the Books of Financial Powers. The contingent expenditure is, thereof, to be made according to these powers.
3. The articles purchased out of contingencies are accounted for in the various registers etc. as prescribed by the Authority. One of the items of contingent expenditure is contingent establishment. This is described in the succeeding paras.

##### **14.11.2 Contingent Establishment**

Financial powers for appointment of contingent establishment are also given in the Book of Financial powers. These powers are subject to the following conditions:

- i. Pay allowed to contingent establishment does not exceed that sanctioned for regular establishment of the same category.
- ii. Budget allocation in lump sum or otherwise exists therefore under the Sub-head contingencies.

##### **14.11.3 Audit of Pay Bill of Contingent Establishment**

While auditing pay bills of contingent establishment it will be seen that the conditions detailed above have been duly met in the employment of the individuals.



## 14.12 TRAVELLING ALLOWANCE BILLS.

### 14.12.1 General

Travelling allowance is a compensatory allowance i.e. an allowance granted to meet personal expenditure necessitated by the special circumstances in which duty is performed. The fundamental principle is that the compensatory allowances should be so regulated that the allowance is not on the whole a source of profit to the recipient. For example, revision, of claims of travelling allowance is not permissible in cases where an employee is promoted or reverted or is granted an increased rate of pay with retrospective effect in respect of the period intervening between the date of promotion or reverted or is grant of increased rate of pay and that on which it is notified unless it is clear that there has been an actual change of duties. To exercise the above check and others, the Authority has approved the officers who shall work as Controlling Officer for the travelling allowance of the staff working under them. No bill for travelling allowances, other than permanent travelling allowance, can be paid unless it is signed or countersigned by the Controlling Officer of the employee who presents it. The Controlling Officer can not delegate to any of his subordinate his duty of counter-signature/powers.

### 14.12.2 Audit of T.A Claims

While auditing the T.A Claims it will be seen that the following certificates have been recorded on the T.A claims:

- i. General
  - a) The journey was performed in the Authority's interest,
  - b) The kilometers claimed are the statutory kilometers (while performing journey by road),
  - c) The officer/official travelled in the class of accommodation to which he is entitled and as claimed in the bill,
  - d) The amount claimed in the bill was not claimed previously,
  - e) If the claimant has travelled by engaging full taxi, a certificate has been recorded by him on his T.A bill as per prescribed Performa,
  - f) No casual leave/earned leave was availed during the period for which TA/DA has been claimed.
- ii. The purpose of journey has been clearly indicated on the T.A claim.
- iii. The place of temporary residence has been shown in the T.A claim.
- iv. The amount claimed in the T.A bill is admissible according to the prescribed rules/regulations.
- v. T.A claim has been passed and paid strictly according to approved tour program and approved movement order.
- vi. The individual claiming mileage allowance has not used WAPDA Vehicle for the same journey.
- vii. Time barred claims are not passed unless sanctioned by the competent authority to investigate time barred claims.





- viii. A claim not preferred within 6 months of its becoming due is a time barred claim. The six months limit reckoned from the date of the individual returning to his headquarters (or from the 1st of the following month if the tour continues over that date).
- ix. The tour of the individual is supported by a tour program or movement order duly approved by the Controlling Officer. In order to ensure that wasteful expenditure on the T.A has not been incurred, the Accounts Office will see that proper movement orders, are issued by the Controlling Officer before an employee proceeds on tour and that T.A bills are passed strictly for the journeys mentioned in the movement order.
- x. It should also be seen in Accounts Office that un-necessary expenditure is not incurred on frequent changes of executive and accounts personnel.

#### **14.13 MAINTENANCE OF AUDIT REGISTER**

- 1. The Budget and Accounts Office of all formations shall maintain an Audit Register. All payments made with any observation or deficiency shall be recorded in this register.
- 2. The B&AO is expected to see that rules and orders in force are observed in respect of all transactions within a formation/project which comes within the sphere of his duties. In case of any deficiency in payment documents, the B & A O will return the payment claim with remarks to the concerned section for rectification of the short comings. However the DDO concerned may over rule the objections and order for payment. In such a case the B&AO shall record his observations in the Audit Register and present to the DDO who shall record his reasons for disagreement with the B&AO.
- 3. This Audit Register shall be provided to the team of WAPDA Internal Auditor on their visit to the formation.





## 15 FOREIGN LOANS, GRANTS AND AIDS

### 15.1 INTRODUCTION

WAPDA receives foreign currency loans from the sources mentioned below:

- i. Foreign loans, credits, grants which are negotiated by the Federal Government with the loan giving Governments and Agencies and are then passed on to WAPDA under the general relending terms. Various kinds of loans, such as IDA, KFW, CIDA, ADB, IDBP, Italian Credits, Kuwait Loans and German Counterpart Funds, etc., in different currencies are examples of such loans and credits.
- ii. WAPDA also gets foreign financing out of the Government foreign exchange resources acquired through directly negotiated loans and credits by the Federal Government with different loan giving Governments Agencies e.g. Japan, Germany, United Kingdom, France, Canada, etc. These loans are passed on to WAPDA under the general relending terms and conditions. However due to limited resources available WAPDA is some times obliged to obtain technical assistance and project assistance in the form of specialized machinery/equipment and supplies, from the countries from where loans are made available by the Government.
- iii. Foreign loans, credits, grants which are directly negotiated by the Authority with the lending Agencies and granted to WAPDA under the guaranteed loans and are in various foreign currencies.

### 15.2 PROCEDURE FOR AWARDING AND UTILIZATION

On receipts of foreign loans for WAPDA Projects on the guarantee of the Federal Government, all the relevant documents are passed on to the concerned Project Director/Chief Engineer for utilization, in accordance with the specific terms and conditions of the loan. The terms and conditions may vary from loan to loan. The Project Director/Chief Engineer after observing necessary formalities, enter into contracts for visibles as well as invisibles, place orders or execute other erection contracts etc., with the foreign firms and suppliers. The Project Directors/Chief Engineers also take action towards utilization of foreign loans by arranging opening of Letters of Credit through the Resident Representative, WAPDA Karachi, in respect of imports of materials and through the General Managers Finance (Co-ord., Water and Power), as the case may be, for contracts involving invisible payments.

### 15.3 FOREIGN LOANS/AIDS DISBURSMENT

The following are the modes of disbursement of foreign loans/aid:

- i. Opening of L/C
- ii. Direct payment to the Contractor/suppliers after verification by PD concerned
- iii. Retroactive reimbursement to the PD/GM concerned for the expenses met



through self source but payable through utilization of loan

- iv. Assignments/designated accounts disbursement against demand for projected expenses covered under loan

#### **15.3.1 Accounting of Loan Disbursement and Loan Liability**

The following shall be the procedure for recording and accounting of the loan disbursement by the Projects/accounting units:

- i. Monthly disbursement report sent by the loan giving agency to the PD/concerned GM indicating the reference of disbursement request on the date of disbursement.
- ii. Applicable rate of foreign currency conversion as appearing on the website of the State Bank of Pakistan on the disbursement date indicated in the statement provided by the lending agency.
- iii. Concerned GMF office will record loan liability based upon monthly loan disbursement statement of the lender and raise debit advice to the concerned PD for recording expenses.
- iv. On receipt of the Debit advice from concerned GMF, the concerned PD will record expenses in the same month and reconcile the current accounts with the Head Office to ensure recording of the loan liability by the GMF concerned and expenses by the PD concerned are in the same month.
- v. The concerned GMF will submit a report to the EAD on 15<sup>th</sup> of the following month for the foreign relent loan.

#### **15.4 FOREIGN LOANS REPAYMENTS**

Foreign loans are paid in periodical installments prescribed according to the terms and conditions of loan agreements or according to the relending terms of the Federal Government. The installments towards repayment as well as the payment of interest relating to loans directly negotiated by WAPDA for Power Projects, are made by WAPDA to the Government in Local currency, which they receive through adjustment from the ADP or WAPDA. In respect of foreign loans for Water Projects, WAPDA, pays interest only, to the Government, during the construction period of the Projects, whereas no repayments of loans are to be made. For repayment of the foreign loans negotiated by the Federal Government and passed on to WAPDA under the general relending terms, WAPDA repays the installments of loans and interest in local currency relating to Power Projects, into the Government Account through WAPDA Bankers out of the Authority' own resources. In this case too, interest is only paid to the Government for Water Projects, during the construction period of the Projects. The repayment of the loan in the foreign currencies to the loan giving agencies is arranged by the Federal Government.

The accounts for the receipt and repayment of foreign loans individually for the projects of Co-ord., Water and Power Wings are kept in the Book Keeping Sections of the General Manager Finance (Co-ord., Water and Power) respectively. The debt servicing liability will be discharged by the GM Finance concerned and incorporated in the books of their respective Wings.



Foreign loans granted for Water and Power Projects are identifiable with the relevant project and are recorded as such. In case a loan is granted for combined projects or various projects the same is apportioned to the respective projects on equitable basis.



## 16 FOREIGN EXCHANGE PAYMENTS FROM SELF SOURCE

1. When WAPDA is required to make payments to the contractors and /or consultants in foreign currency as part of the foreign cost component of the project cost and does not have enough cover of the foreign loan/aid to meet this cost component of the project, WAPDA purchases foreign currency in Pak Rupees, from local banks at the prevalent market rates for foreign currency.
2. Foreign Exchange budget with Rupees cover for making invisible payments is got approved from the Ministry of Finance for a year. WAPDA Authority has authorized GMF (Power) to sanction utilization of foreign exchange budget on receipt of formal request from the concerned Project Director. The GMF (Power), (Water) and (Co-ordination), as the case may be, will purchase foreign currency from local banks and make payments to the foreign contractors/consultants as per terms and conditions of the Contract.
3. As per policy of the Government no payment to local contractors or consultants can be made in foreign currency. They shall receive all payments in Pak Rupees only.

### 16.1 ACCOUNTING OF FOREIGN PAYMENTS FROM SELF SOURCE

After making the payment to the foreign contractors or consultants in foreign currency, the GMF (Power), (Water) and (Co-ordination), as the case may be, will raise debit to the concerned field office equal to Pak Rupees amount spent to purchase the foreign currency for the specific IPC/Claim.

### 16.2 FOREIGN EXCHANGE PAYMENTS FOR OPERATIONS AND MAINTENANCE

The payments for imports are made through letters of credit (L/C) opened and managed by the Chief Resident Representative Karachi, a self finance unit of WAPDA, which is providing various services to Power and Water wings as well as other outside entities. The funds for all payments are to be arranged by the respective office through GMF concerned which requires the L/C to be opened by CRRK as it is a service provider and not arranger of funds.

The payments of invoices of expatriates and for invisible accounts are made by the GMF concerned on the basis of the invoices raised.

### 16.3 OPENING OF LETTERS OF CREDITS

Whenever required under a contract and provided in a loan agreement the payment may be made for utilization of the foreign loans either directly negotiated by WAPDA or the foreign currency allocation granted by the Federal Government for WAPDA's Water and Power Projects, through opening of Letters of Credits for imports from the foreign suppliers and for services and invisibles from the foreign consultants and contractors. The opening of letter of credits will be carried out by the following offices:

- i. Where WAPDA has issued purchase order to foreign suppliers only for supply of Goods, office of CRRK will open letter of credit



- ii. Where WAPDA has signed contract for supply of goods as well as installation, testing and commissioning of said equipment with the same supplier, office of CRRK will open letter of credit for supply of goods and services to be rendered.
- iii. Where WAPDA has signed contract with foreign consultants for providing services for inspection, installation or studies and no supply of goods is involved, and WAPDA has agreed to pay for said services through letter of credit, office of GMF concerned will open the letter of credit.

#### **16.4 PROCEDURE FOR OPENING OF LETTERS OF CREDITS**

In this connection the following steps are taken:-

- i. On receiving confirmation regarding availability of foreign exchange the Chief Engineer, or the Project Director will approach the CCRK to arrange for the opening of Letters of Credit in terms of the contract executed with the foreign suppliers. The contract or the purchase order executed with the foreign suppliers will necessarily indicate the full address of the ultimate consignee and also the allocated Code of the formation which is to be debited with the cost and other expenses. The detailed accurate name of the Foreign Bank of the beneficiary through which the payment is desired to be received from the loan giving agency must also be mentioned in the Purchase Order. For the purpose of prompt accounting of the transactions of import of materials, it should be provided in the contract/Purchase Order that a copy of the valued invoice for the materials shipped, after release of the payment, should be supplied direct, by the Bankers of the loan giving agency, to the concerned CE/RE/PD, as the case may be, in addition to the release of the shipping documents to the Chief Resident Representative, Karachi, who opened the Letter of Credit. Before arranging the opening of the Letter of Credit the Resident Representative, Karachi will see that in addition to the provisions stated above, the following pre-requisites must also have fulfilled by the office requesting for the opening of the Letter of Credit:
  - a) Agreement of the loan giving agency to the grant of loan, aid exists.
  - b) Approval of the Federal Government to the above agreement and to the utilization of loan or aid has been obtained.
  - c) Budget provision has been got approved.
  - d) Name of the Pakistani Bank nominated by the State Bank of Pakistan for utilization of the loan or aid has been specified.
  - e) The Authority to arrange payment from the Letter of Credit exists.
  - f) Stipulated period for arranging payment against the Letters of Credit is prescribed.
- ii. While approaching for the opening of the Letters of Credits the Chief Engineer or Resident Engineer or Project Director concerned will send three copies of the Purchase Order containing complete details and supported with all the necessary information, pre-requisite for the opening of the



Letter of Credit to the Resident Representative, Karachi besides supplying one complete set to General Manager Finance concerned for enabling his Book Keeping Section to keep a watch over the utilization and the accounting of the particular foreign loan or aid.

- iii. After obtaining an import licence from the Ministry of Commerce, where necessary the Resident Representative, Karachi will open an irrevocable Letter of Credit with a Pakistani Bank, in favour of the suppliers and a copy of the Letter of Credit will be sent to the bank of the beneficiary. After Shipment of the material to the ultimate consignee according to the terms and conditions of the contract or the Purchase Order, payment is released to the beneficiary by the Bankers of the loan giving agency against tendering of shipping documents. The Bank on releasing payment will pass on the retired shipping documents to the Resident Representative, Karachi for arranging clearance of the goods at Karachi Port. (Annexure-32)
- iv. A copy of the valued invoice will be sent by the Bank of the loan/aid giving agency direct to the General Manager Finance (Co-ord., Water or Power) concerned for crediting the loan/ aid in his books and for raising of the debit to the formation concerned, signifying the utilization of the loan to that extent. When the shipping documents are received by the Resident Representative, Karachi, he proceeds to make arrangements for the clearance of the consignments from the customs and their transportation to the ultimate consignee. For the purpose of payment of custom duty, sale tax and other handling charges, CRRK requisitions funds from the concerned formation and maintains separate accounts for each purchase order and contract of a formation.
- v. On completion of the clearance of the consignments and the transportation thereof to the ultimate consignee the Resident Representative, Karachi issues adjustment accounts of advances for all costs for each shipment/consignment, to the concerned Project directly.

#### **16.5 PAYMENT OF INVOICES OF EXPATRIATES FOR SERVICES**

- i. Letter of Credit for invisible covering services of foreign consultants, contractors, Inspection Agents etc. are arranged by the General Managers Finance (Co-ord., Water and Power) for the projects of their wings. The concerned GMF shall follow the same procedure as is mentioned under the head Procedure for Opening of Letters of Credit.
- ii. Invoices of the beneficiaries for services/invisibles come to the Chief Engineer or Resident Engineer or Project Director concerned for their scrutiny, acceptance and approval for payment. The approved and 'passed for payment' invoices are returned to the beneficiary which he represents to the 'Bankers of the loan/aid giving agency. On presentation of the approved invoices, the payment is released and the paid invoice together with supporting vouchers are sent to the General Manager Finance (Co-ord., Water or Power), who opened the Letters of Credit, for incorporating the transaction in the books of account. The paid up invoices are entered in the registers by the section dealing with opening of Letters of Credit, for updating their records and are then immediately passed on to the Book



Keeping Section for crediting the loan/aid in his books and for raising of the debit to the formation concerned, signifying the utilization of the loan/aid to that extent.

- iii. For recording particulars of Letters of Credit, a 'Letter of Credit Utilization Register' (Annexure-33) will be maintained in the Offices of the General Manager Finance, (Co-ord., Water and Power) and all the Budget and Accounts Officers of the concerned Projects.

#### **16.6 DOWN PAYMENTS**

- i. In certain cases it may be necessary to make down payments to the beneficiary according to the terms and conditions of the contracts both in respect of visibles and invisibles. Opening of Letters of Credit for down payments are, not necessary.
- ii. The down payments for visibles are arranged by the concerned Chief Engineer or Resident Engineer or Project Director by making a disbursement/withdrawal request to the loan giving agency indicating the name, bank account details of the beneficiary. Loan giving agency, after making the payment to the beneficiary, will raise disbursement note to relevant General Manager Finance who will issue debit to the concerned Chief Engineer or Resident Engineer or Project Director.
- iii. The down payments for invisibles are arranged by the General Managers Finance, (Co-ord., Water and Power) as the case may be. The down payments are arranged by making authorizations through the Authorized Bank of the State Bank of Pakistan, by the Bankers of the loan giving agency.
- iv. In case of down payment by a self financing units concerned Head shall request the GMF(Power) to issue sanction order of allocation of foreign exchange payment. On receipt of said sanction order the concerned Head will release payment to the beneficiary from its own resources.





## 17 ACCOUNTING FOR REVENUE

The objective of this policy is to prescribe the guidance for the recognition and measurement of Revenue, establish the different classes of revenue and determine the accounting procedure for each class of revenue. The revenue function is composed of those business processes utilized to control these amounts to ensure that the money due to WAPDA shall be received, recorded, and properly applied.

This Revenue Recognition Policy has been developed by WAPDA focusing on the following categories of revenue:

- i. Sales of Electricity
- ii. Dividend Income
- iii. Interest Income
- iv. Sale of Scrap
- v. Sale of Stores
- vi. Income from Non-utility Operations
- vii. Tender fee
- viii. Others

### 17.1 RESPONSIBILITY

The respective GM Finance shall be responsible for revenue recognition and related matters. The respective GM Finance shall be responsible for providing guidance and assistance regarding revenue principles and monitor compliance with the requirements set forth in this policy.

### 17.2 SALE OF ELECTRICITY

The GM (Hydel Operation) will issue power sale invoice to the NTDC/CPA in accordance with the provision of PPA at the tariff determined by NEPRA and gazette notification by GOP. After due scrutiny of the power sale invoice and confirmation from the Manager Finance NTDC/CPA, the MF (Hydel Operations) will record sale of electricity as income and receivable from NTDC/CPA.

The power sale invoice shall comprise of payments for a fixed charge and a variable charge. Fixed charge payments shall be computed by multiplying the fixed charge rate with the installed capacity and variable charge payments shall be computed by multiplying the variable charge rate with the net electrical output in the month to which the relevant invoice relates. The fixed charge rate and the variable charge rate for each agreement year will be approved by NEPRA and notified by the Federal Government in the official Gazette.

The invoice shall state the due date for payment of invoice to be on or before 25<sup>th</sup> of the month following the delivery of invoice. In case 25<sup>th</sup> is not a business day, the following business day shall be deemed to be the due date.

The CPA treasury office will release payment against the power sale invoice to the GMF (Power) in the designated bank accounts. The GMF (Power) will issue credit advice to MF (Hydel Operation) for the payment received during the month.



### **17.3 MISCELLANEOUS INCOME**

Miscellaneous income for WAPDA comprises of commission on collection on behalf of Government, sale of scrap, sale of stores including application fees and departmental charges, sale of ashes, trees, grass, rental income of property, etc. Also grouped under this head are receipts of dividend from subsidiaries, markup on bank investments, sale of tender documents and other miscellaneous income.

Miscellaneous income is recovered by the DDO and is remitted at the end of each month to the GMF concerned.

#### **Accounting Entries:**

#### **SALE OF ELECTRICITY**

**1. On Sale of Electricity**

Dr. NTDC/CPPA            Relevant Code

Cr. Electricity Sales                          Relevant Code

**2. On Receipt of funds**

Dr. Bank    Relevant Code

Cr. NTDC/CPPA            Relevant Code

#### **MISCELLANEOUS INCOME**

Account Title                                  G//Ledger Code

**1. Sale of Tender Documents:**

Dr. Cash    Relevant Code

Cr. Tender Fee                                  Relevant Code

**2. Deposit of cash at bank**

Dr. Bank Account                              Relevant Code

Cr. Cash Account                                Relevant Code

**3. On Receipt of Interest Income**

Dr. Bank    Relevant Code

Cr. Interest Income                              Relevant Code

**4. On sale of scrap**

Dr. Bank    Relevant Code

Cr. Sale of scrap                                  Relevant Code



## 18 INVESTMENT ACCOUNTING FUNCTION

### 18.1 INVESTMENT OF SURPLUS FUNDS

The surplus funds available with WAPDA should be invested strictly in accordance with the parameters approved by the Authority in line with the policy decision of the Finance Division vide circular no.F4(1)/2002-BR11 dated 2<sup>nd</sup> July 2003. The surplus funds of the Authority shall be deposited with financial institution in the manner detailed herein after.

### 18.2 INVESTMENT COMMITTEE

As required under the policy the Authority has set up in house professional treasury management in the form of Investment Committees (IC) for approval of investments of surplus funds. Transactions above the limits of the IC will be subject to approval of Authority. The IC shall be assisted by an investment Management Unit employing qualified staff with at least 3- 5 years of experience of managing investment in debt/equity instruments. The decisions of these ICs shall be final.

### 18.3 WORKING BALANCES

The working balance required for operations may be deposited with any public or private banks subject to the following requirements:

- i. For the sake of the safety and security of deposits, the bank/ financial institutions selected for depositing of WAPDA funds, should have a minimum "A" rating as appearing on the website of the State Bank of Pakistan. This "A" rating refers to the rating scale used by Pakistan Credit Rating Agency and JCR-VIS Credit rating Company for banks incorporated in Pakistan and Moody's Fitch' and Standard & Poor's rating for the foreign banks operating in Pakistan. Rating scales of other agencies acceptable to the State Bank should be equivalent to the rating of the above mentioned companies. In case of any doubts, Information and clarification on this matter may be obtained from Banking Policy Department of the State Bank of Pakistan;
- ii. The process of selection of Banks should be transparent. Therefore, prior to placing deposit with bank under this new policy, and in case the total working balances exceed Rs. 10 million, the selection of the bank/(s) as well as the terms of deposits will be approved by the Authority on the basis of competitive bids from atleast three independent banks;
- iii. The risk associated with keeping deposits should be diversified. Therefore, in case where total working balance of an enterprise exceeds Rs. 10 Million, not more than 50% of such balance shall be kept with one bank;
- iv. In case the rating of the a particular bank with which funds have been deposited drops below "A", all new deposits shall be shifted within a period of one month and old deposits within a period of two months to the bank/(s) with at least "A", rating;



#### 18.4 SURPLUS FUNDS

The surplus funds of the Authority may be invested in non government securities/TFC's/Shares up to a maximum of 20% of the total funds under management.

The Authority has devised its own investment policies for investments of funds from working capital, pension funds, benevolent funds and insurance funds available with it under these schemes.

WAPDA has constituted independent Investment Committees/Boards for approval of investment of surplus funds which are as follows:

##### Water Wing

- |      |                    |          |
|------|--------------------|----------|
| i.   | Member (Finance)   | Chairman |
| ii.  | Member (Water)     | Member   |
| iii. | GM Finance (Water) | Member   |
| iv.  | DG Finance (B&C)   | Member   |

##### Power Wing

- |      |                    |          |
|------|--------------------|----------|
| i.   | Member (Finance)   | Chairman |
| ii.  | Member (Power)     | Member   |
| iii. | GM Finance (Power) | Member   |
| iv.  | GM Finance (Water) | Member   |

##### Insurance & Pension Funds (other than WEPS)

- |      |                          |          |
|------|--------------------------|----------|
| i.   | Member (Finance)         | Chairman |
| ii.  | Member (Water)           | Member   |
| iii. | DG (Insurance & Pension) | Member   |
| iv.  | DG Finance (B&C)         | Member   |

##### WW Funds, GP Funds and Authority Overheads

- |      |                    |          |
|------|--------------------|----------|
| i.   | Member (Finance)   | Chairman |
| ii.  | Member (Power)     | Member   |
| iii. | GM Finance (Power) | Member   |
| iv.  | DG Finance (B&C)   | Member   |

#### 18.5 OTHER INVESTMENTS BY WAPDA

The Authority holds investments in companies formed as a result of the corporatization of the Authority's Assets. As a result these investments are treated as investment in associated companies till such time the transaction is completed and the shares allotted by these companies to WAPDA are transferred in the name of the President of Pakistan. It also holds investments in special purpose companies formed as subsidiaries to undertake specific transactions.



## 18.6 CLASSIFICATION OF INVESTMENTS

The investments made by the WAPDA are classified in its financial statements as follows:

- i. Held to Maturity
- ii. Available for Sale
- iii. Held for Trading

Brief description of each type of classification is explained as under:

### 18.6.1 Held to Maturity Securities

These securities are acquired with the intention and ability to hold those up to maturity of the investment.

### 18.6.2 Available for Sale Securities

The securities which do not fall within the above category are classified under this category.

### 18.6.3 Held for Trading Securities

The securities acquired with the intention to trade by taking advantage of short-term market/interest rate movements are termed as held for trading. Such securities are to be sold within 90 days from the date of their classification as 'Held for Trading' under normal circumstances.

## 18.7 VALUATION OF INVESTMENT

The Authority will revalue the security holdings (both balance sheet as well as off-balance sheet items) on annual basis and the same shall be properly reflected in the books of accounts.

The Held to maturity Securities shall be carried at amortized cost and shall not be required to be revalued. This will, however, be subject to the condition that once a security is classified as "Held to Maturity" no subsequent reclassification/shifting to "Available for Sale" or "Held for Trading" categories will be permissible

## 18.8 REVALUATION SURPLUS/DEFICIT

The surplus/deficit arising as a result of revaluation of 'Held for Trading' securities shall be taken to the Income and Expenditure Account.

Any surplus/deficit arising on revaluation of securities will not be taken to Income and Expenditure Account except when actually realized and instead will be kept in a separate account called "Surplus/Deficit on Revaluation of Securities" which will be shown below equity and classified as under:

- i. Government Securities.
- ii. Quoted Shares.



iii. Other Securities may be given in the notes to the financial statements.

Any impairment in the value of 'Available for sale' or 'Held to Maturity' securities will be provided for by charging it to the Income and Expenditure Account/Profit and Loss Account.

The measurement of surplus/deficit shall be done on portfolio basis for each of the above three categories, separately.



## 19 INTERWING/INTEROFFICE TRANSACTIONS

### 19.1 INTRODUCTION

Whenever the Head Office of the Authority makes a payment on behalf of or transfers funds, to a Field Office, or a project the General Manager Finance (Co-ordination) the General Manager Finance (Water and Power) as the case may be, raise a debit for the amount, against the accounting unit concerned by issuing Head Office Debit Advice. Conversely for any moneys received by the Head Office on behalf of any other accounting unit within the Authority or for any reduction in an earlier debit, they issue a Head Office Credit Advice.

- i. All transactions between WAPDA projects relating to supplies from one to the other are settled through the issue of superscribed cheques and no debit/credit advices are issued. All SS cheques shall be en-cashed by the DDO.
- ii. All services provided by one project/accounting unit to another within a wing of WAPDA are settled by issuing debit/credit advices.
- iii. The inter-wing service charges/material payments by any accounting unit/formation will be settled through issuance of bank cheques.
- iv. In case of out-standing balance of long term loan of an employee transferred from a wing to another wing, the GMF of the transferring wing shall issue a debit advice to the transferee wing and net amount of said debit advice will be settled by the GMF concerned through bank cheque at the end of each year.

For accounting purposes and particularly for the issue of advices and superscribed cheques relating to Head Office and Inter-Office transactions, each accounting unit is identified by its allotted code letters.

Lists of accounting units and the code letters allotted to each, operated by the General Manager Finance (Co-ordination, Water and Power) are notified by them. When new units commence operations revised lists giving the names addresses and code letters of the new units will be issued so that the code lists are kept up-to-date by all accounting units. The office of the General Manager Finance (Co-ordination), General Managers Finance (Water and Power) will take every care to see that the lists are up-to-date and that revisions are made promptly and as soon as they are necessary.

### 19.2 SERVICES WHERE DEBIT/CREDIT ADVICES ARE RAISED

The nature of services for which debit/credit advices are raised within a Wing, are as follows:

- i. Net Hydel profit
- ii. Payment of water usage charges
- iii. Water utilization cess to IRSA
- iv. GST input/output adjustment





- v. Ijarah Rental payments
- vi. Pension fund contributions
- vii. Withholding Tax on Sale of Power
- viii. Lisence fees
- ix. Authority's overheads
- x. Supervisory Charges
- xi. Payments of WEPS contribution
- xii. Payment of 4 % return on fixed asset transferred to WAPDA
- xiii. Redemption of payment of sukuk
- xiv. Tariff petition Fee
- xv. Interest on cash development loan
- xvi. Interest and exchange risk relent loan
- xvii. Transfer of funds to RRK on behalf of lower Formations
- xviii. Foreign loans - reimbursed
- xix. Bank Charges
- xx. Payment of Outside services
- xxi. Pay & Allowance/ TA bills etc
- xxii. Employees Long term Loans
- xxiii. Payment of Advertisement Charges
- xxiv. Receipt from power purchaser
- xxv. Fixed Assets Transfer

### **19.3 PREPARATION AND DISTRIBUTION OF DEBIT ADVICES**

#### **19.3.1 Head Office Debit Advices**

Head Office Debit Advices will be prepared in duplicate. The original will be sent to the Budget and Accounts Officer of the unit which is to be debited, and the other copy retained in the concerned Budget and Accounts Head Office. A Debit Advice Register (Annexure-34) shall be maintained at the head office and all formations.

#### **19.3.2 Field Office Debit Advices**

Debit Advices issued by the Field Offices will be prepared in triplicate. The original will be sent to the Budget and Accounts Officer of the unit which is to be debited, the first copy to the Head Office concerned i.e. the General Managers Finance (Co-ord., Water and Power) as the case may be, and the second copy retained by the Budget and Accounts Officer of the issuing office.



### **19.3.3 Supporting Documents of Debit/Credit Advices**

Bills, invoices, payees' acknowledgement receipts, discharged bills of exchange, inspection reports, insurance bills and all other relevant documents in support of a debit should be enclosed with the original debit advice and forwarded to the Budget and Accounts Officer of the unit which is to be debited. All enclosures with an advice should be listed on that advice. Payee's acknowledgement will not be enclosed with those Head Office Debit which cover payments made by crossed cheques, with receipt form on the reverse. In such a case the fact that payment has been made by a paid cheque will be stated and the number of the cheque given on the debit advices.

### **19.3.4 Numbering of Debit Advices**

All Debit Advices will be numbered in a uniform manner to ensure easy identification of the issuing and receiving accounting units. The number shall start with the code letters of the issuing accounting unit, followed by the serial number of the debit advice and after a slash the code letters of the accounting unit to which being debited, followed by a serial number for that particular accounting unit.

### **19.3.5 Cancellation or Modification of Debit Advices**

A debit advice should never be cancelled or modified by writing a letter. If for any reason a debit advice is to be cancelled, or the amount of the debit is to be reduced the cancellation or reduction of debit must be effected by issuing a credit advice. Where the amount of the debit advice is to be increased, an additional debit advice must be issued for the difference.

## **19.4 PREPARATION AND DISTRIBUTION OF CREDIT ADVICES**

### **19.4.1 Head Office Credit Advices**

Head Office Credit Advices will be prepared in duplicate. The original will be sent to the Budget and Accounts Officer of the unit which is to be credited and the duplicate copy retained in the concerned Budget and Accounts Head Office. A Credit Advice Register (Annexure-35) shall be maintained at the head office and all formations.

### **19.4.2 Field Office Credit Advices**

Credit Advices issued by the Field Office will be prepared in triplicate. The original will be sent to the Budget and Accounts Officer of the unit which is to be credited, the first copy to the Head Office concerned i.e. to the General Managers Finance (Co-ord., Water and Power) as the case may be, and the second copy retained by the Budget and Accounts Officer of the issuing office.

### **19.4.3 Supporting Documents of Credit Advices**

All documents in support of the credit will be enclosed with the original credit advice and forwarded to the Budget and Accounts Officer of the unit which is to be credited. All enclosures with an advice will be listed on the advice.



#### **19.4.4 Numbering of Credit Advices**

All Credit Advices will be numbered in the same manner as the debit advices. The number shall start with the code letters of the issuing accounting unit, followed by the serial number of the credit advice and after a slash the code letters of the accounting unit to which credited, be followed by a serial number for that particular accounting unit. The series for credit advices will also start from 1.

#### **19.4.5 Cancellation or Modification of Credit Advices**

A credit advice should never be cancelled or modified by writing a letter. If for any reason a credit advice is to be cancelled or the amount of the credit is to be reduced, the cancellation or reduction of credit must be effected by issuing a debit advice. Where the amount of the credit advice is to be increased, an additional credit advice must be issued for the difference.

#### **19.4.6 Change of Serial Numbers**

1. Head Offices and Field Offices will start a fresh series of numbers of debit advices at the beginning of every financial year i.e. on the 1st of July every year. On the 1st July, a new series, beginning with No.1, will be started by them and this new series will cover all debits for the year to 30th June. On the 1st July, a fresh series beginning again with No.1 will be started and that series will be continued till 30th June.
2. A debit advice relating to a particular financial year, even when issued after the end of that financial year, will continue to have a number in the old series, if the issuing accounting unit has recorded the transaction in its books for the earlier year.
3. When instructions are received from the General Manager Finance (Co-ord., Water and Power) that the accounts for a particular financial year are to be closed on a specified date, no further debit advices with serial numbers pertaining to that financial year will be issued after that date, and that particular series of numbers will be discontinued.
4. For credit advices a similar procedure will be followed regarding the starting of a new series of numbers and discontinuing the old series. On the 1st July of every year a new series will be started. The old series, will, however, be continued in respect of all transactions of the previous period which are recorded in the books of that previous period by the issuing accounting unit. On receiving instructions from the General Manager Finance (Co-ord., Water and Power) about the closing of the accounts of a particular year on a specified date, no further credit advices for that financial year will be issued after that date, and that particular series of numbers will be discontinued.

#### **19.4.7 Field Office Debit Advice Register**

1. On receiving a debit advice from a WAPDA accounting unit, the receiving Budget and Accounts Officer will check his records to see that advices for all debits previously raised against him by that particular accounting unit have



been received by him. If he finds that one or more numbers in the series are missing he will immediately inform the accounting unit concerned.

2. The receiving Budget and Accounts Officer in a Field Office or a project will then number the debit advice serially and enter it in a Head Office/Field Office Debit Advice Register.
3. The serial number given by the receiving Budget and Accounts Officer and the number and date of the debit advice will be entered in the first three columns of the register.
4. In a case where the debit is in respect of an actual transfer of funds the amount of the debit advice will not be entered in the register and not analysed, as the debit to cash or bank and the credit to Head Office Current Account will have been passed through the Cash Book. In the column "Account(s) to be debited will be entered the words "Transfer of Cash". The entry of the serial number and of the number and date of the debit advice in the first three columns will be a memorandum entry for purposes of record only.
5. Amounts in respect of debits to all other accounts will be taken to the column marked "Other General Ledger Account".
6. At the end of a month the register will be closed, columns added and the aggregate of the monthly totals of the analysis of debit columns agreed with the monthly total of the 'Amount of Debit Advice' column.

#### **19.5 ACCOUNTING OF DEBIT/CREDIT ADVICES**

On receipt of debit advice by an accounting unit the Budget & Accounts Officer concerned will debit the asset or expense head by crediting the Head office current account. Similarly on receipt of credit advice he will credit the liability/payable or income account by debiting the Head office current account. The asset or expense account will be credited, if credit advice is issued for correcting the amount of debit advice already issued with the corresponding debit to the Head office current account.

#### **19.6 CURRENT ACCOUNT WITH HEAD OFFICE**

It will not be necessary for the Budget and Accounts Officer of a WAPDA accounting unit to keep separate ledger accounts for each of the other WAPDA accounting units. Even though all original debit and credit advices are to be sent direct to the units which are to be debited or credited, the accounting of all these transactions will be through the General Managers Finance (Co-ord., Water or Power). For this purpose, a Budget and Accounts Officer of an Accounting unit or other project there will be three accounts called 'Head Office' 'Current Accounts' representing Co-ord., Water or Power. All Field Office Debit Advices will be debited, and all Field Office Credit Advices will be credited, in the books to these Current Accounts.

All debit advices received by an accounting unit from respective the General Managers Finance (Co-ord., Water or Power) or from any other formation within the same wing, will be credited to Head Office Current Account. Similarly all credit advices received from the respective General Managers Finance (Co-ord., Water or



Power) or from any of the other formation within the wing, will be debited to this Current Account.

### **19.7 FIELD OFFICE/PROJECT CURRENT ACCOUNTS IN HEAD OFFICE**

1. The General Managers Finance (Co-ord., Water or Power) will maintain, in his General Ledger a separate account for each formation within the respective Wing and all advices will be recorded in the Current Account of that office in Head Office books. All Debit advices issued by the General Managers Finance (Co-ord., Water or Power) against a Field Office/formation will be debited to its Current Account and all credit advice issued in favour of that unit will be credited to its Current Account.
2. The General Managers Finance (Co-ord., Water or Power) will credit in his books, to the Current Accounts of a Field Office the amounts of all debit advices issued by it and debit to its Current Account the amounts of all credit Advices issued by it.
3. Every item debited or credited to the Current Account of a project in the subsidiary ledger will also be debited or credited to the Project Control Account in the General Ledger, except that whenever possible the posting to the Control Account will be in totals.
4. At the end of every month the balance of the Projects Control Accounts in the General Ledger will be agreed with the total of the balances of all the individual Current Accounts in the Subsidiary Project Ledger.

### **19.8 MONTHLY STATEMENT OF CURRENT ACCOUNT**

On 5th of the following month, the respective General Manager Finance (Co-ord., Water or Power) will send to the Budget and Accounts Officer of every accounting unit within the Wing, a transcript of the latter's Current Account for that month in Head Office Books. This statement will give the balance at the beginning of the month, details of the transactions during the month, and the balance at the end of the month.

On receiving this statement the Budget and Accounts Officer of the unit concerned will check it with the Head Office Current Account in his ledger. If the closing balance on the statement does not agree with that shown in the ledger, the Budget and Accounts Officer will prepare a reconciliation of the two balances, and send a copy of the reconciliation to the General Manager Finance (Co-ord., Water or Power).

### **19.9 ANNUAL CLOSING**

After the end of a financial year, the respective General Manager Finance (Water/ Power) will send to all projects within the respective Wing debit advices for administration charges, and where applicable, for interest expenses as well. Till such time as these debit advices for a particular year are received, the Budget and Accounts Officer will not close the books finally for that year. Simultaneously with the issue of these debit advices, the General Managers Finance (Co-ord., Water and Power) will issue instructions about the final closing of books for that particular year,



and send to every accounting unit a supplementary statement of its Current Account, in Head Office Books, for the month of June.

The closing balance shown on this supplementary statement will be the final balance for that accounting unit for that financial year. The balance of Head Office Current Account in the books of the unit must agree with the balance shown in statement received from the General Managers Finance (Water or Power or Co-ord.)





## 20 TRANSACTIONS THROUGH SUPERSCRIBED CHEQUES

1. In order to minimize outstanding balances which are accumulated under suspense heads in the Project Books, due to transaction, effected especially through book adjustments, inter project transactions shall be settled by issuing superscribed cheques, instead of raising debit/credit advices. Superscribed cheques will be issued in the following cases:
  - i. For Stores supplied by one project or office to another.
  - ii. For services provided on behalf of formations/field offices of other wing.
2. For the purpose of settlement of the store supplied by one project/formation to the other, special cheque books will be got printed by the General Manager Finance (Co-ordination) and supplied to the General Managers Finance (Water and Power) for issue to the projects of their respective Wings. In order to safeguard against any misuse, such cheques will be pre-numbered and superscribed 'Not payable in Cash' and crossed with the words "Account Payee only". Complete record of these cheque books will be maintained in all the offices (Annexure-36) i.e. the General Managers Finance (Co-ordination), (Water and Power) and the projects, in a memorandum register. For security purpose, these cheques will be treated at par with the Bank cheques, and every officer dealing with them will be accountable for the unused cheques. Special receipts will be used in the case of these cheques and in order to keep the receipts for special cheques distinct from those for cash and ordinary cheques the same form may be superscribed in red ink as "Receipt for Special Cheques". The form may also be utilized for acknowledging receipt of superscribed cheques by adding the words "received (amount) through superscribed cheques". SS cheque issue and receipt register is given in Annexure-37.
3. Issue of materials and stores to WAPDA Project will not be through book adjustments but by making payment through superscribed cheques. The Materials Requisition Slips (M.R.S.) should be prepared by the requisitioning project, in triplicate. Two foils of the M.R.S. will be sent to the supplying project in advance and indicating the availability of the material and the price to be charged. On receiving the M.R.S. the Budget and Accounts Officer will price the material to be supplied. The priced M.R.S. will be retried to the requisitioning project. The requisitioning officer should approve the M.R.S. and send two foils thereof alongwith superscribed cheques, for the amount involved, to the supplying officer. Both the requisitioning and the supplying officers who approve the M.R.S. should be of a rank not below that of an Executive Engineer. The official who should not be less than Sub-Engineer or Line Superintendent in rank should take the M.R.S. and the superscribed cheque alongwith the Measurement Book and inspect the stores and make entry in the Measurement Book on the spot. These entries should also be signed by the official supplying the stores. The material will not be removed from the stores before handling over the superscribed cheque. After completing transaction the second foil of M.R.S. should be retained by the supplying project and the other foil should be retained by the supplying project and the other foil should be taken back by the receiving officer/official.





4. The stationery stores will be indented by the various projects/offices in the proforma which is a modified form of Material Indent Form. The indent will be prepared/in quadruplicate and signed by officer incharge of project/office himself or by a staff officer authorised to do so on his behalf. The indenting officer will detail a representative from his office with the indent alongwith signed Superscribed Cheques leaving the amount to be inserted by the officer incharge Central Stationery Stores on the basis of the stores actually issued and priced which will be indicated in the relevant columns of the indent and signed by both issuing officer and representative of the indenting officer.
5. The procedure of detailing a representative alongwith the signed Superscribed Cheque will not apply to the case of Divisions/Directorates and various supervisory offices of Water and Power Wings and those of Common Services in whose case Deputy Manager Finance (Power and Water) happen to be Drawing and Disbursing Officers. In the case of these offices the transactions relating to issue of Stationery Stores will be carried out by the respective Drawing and Disbursing Officers centrally at the close of each month on receipt of monthly bills from the Central Stationery Stores. The sanctioned budgets of such Offices/ Divisions will be debited to the extent of stores received by the General Manager Finance of Water or Power Wing, as the case may be, by making necessary entries in the Head Office Books.”
6. When it is not possible or feasible to depute any officials to take delivery of the stores, personally and advance cheque of the calculated cost of the stores, to be obtained will be sent by the requisitioning project alongwith the two foils of the M.R.S. The supplying project will complete the foils of M.R.S. and send one of them back to the requisitioning project. Any variation between the amount of this cheque and the actual cost of stores will be adjusted subsequently. The subsequent adjustment should also be through superscribed cheques. Similar Adjustments will be made in respect of variations, if any, between the amount of the cheque and the actual cost of materials, in cases where the Sub-Engineer takes delivery of the stores.
7. To improve the liquidity position, outstanding liabilities between O&M accounting unit and Development Projects (Water and Power Wings) Superscribed Cheques received/issued shall be converted into cash on monthly basis.
8. A separate column will be opened in the Cash Book for Special Superscribed Cheques both on the payment and the receipt side. All special cheques issued will be entered in the special column on the payment side and all cheques received will be entered in the special column on the receipt side. The amount of the cheques issued in connection with the receipt of stores, will be accounted for by a debit to Inter Office Transfer Clearing Accounting and a credit to the store. Similarly the amount of the cheque received for the issue of stores, will be accounted for by a debit to the head of the concerned Field Office and a credit to the head “Inter Office Transfer Clearing Account.” The debit to “Inter Office Transfer Clearing Account” as a result of the issue of cheques will be cleared by the credit afforded to this account in debiting the work concerned or head stock from the GRN register, in which a reference to the number of the superscribed cheque issued will also be made. Similarly the credit to “Inter Office Transfer Clearing Account”, as a result of the receipt



of cheque will be cleared by a debit afforded to this account in crediting the work concerned or head stock from the Stores Issue Register.

9. The amount of the SS cheques issued for supplies received will be accounted for through journal voucher by a debit to the work concerned and credit to the "Payable account of respective formation". Similarly the amount of the cheque received for services rendered will be accounted for through journal voucher, by a debit to the head "Receivable from respective formation and credit to the work concerned or income account.
10. The payment to be made through bank cheques by a formation against the SS cheque issued will be arranged from concerned GMF whereas the payment received against SS cheque will be remitted to concerned GMF and transfer of such funds will be made to current accounts.



## 21 RAISING FUNDS THROUGH BONDS/SUKUK/TFC ETC

In order to finance its projects from own sources WAPDA is empowered under clause 5 (c) of Chapter-III, of WAPDA Act, to raise funds through Bonds/Sukuks/TFC, subject to approval of Government of Pakistan. These long term instruments are issued for financing of Hydel Power development Projects under the Government of Pakistan's guarantee. To proceed with the financing proposal a draft summary for the approval of the ECC is moved to Ministry of Water and Power indicating the details of the project, the requirements, the proposed mode of raising funds (TFC/SUKUK/Bonds ) repayment scheme and other details.

On receipt of the GOP approvals following steps will be taken to complete the transaction:

- i. The information memorandum is prepared and circulated to financial institutions inviting them to participate in the process.
- ii. Terms and conditions put forward by the financial institutions will be evaluated and the best offer/proposal is selected by the Authority.
- iii. The financial terms and conditions of the selected proposal is forwarded to the Finance Division through Ministry of Water and Power for approval of the Term Sheet.
- iv. After the approval from Finance Division, mandate is awarded to the selected institution to act as Advisor /Arrange of the facility.
- v. As per conditions precedent of the term sheet, the Authority appoints Legal Counsel, Trustees and Registrar for undertaking the issue.
- vi. As per term sheet, the Project or the selected part of the Project (Assets) if any are identified to structure the transaction.
- vii. A special purpose SUKUK Company is formed and registered with SECP, rating of the instrument is obtained from the Credit Rating Agency and bank accounts are opened for receipt of the funds.
- viii. After the transaction is finalized and confirmation of the Arranger, Investors and legal counsel, the legal agreements are forwarded to the Law Division, through Ministry of Water and Power and Finance Division for vetting.
- ix. Duly signed agreements and the transaction documents are furnished to Finance Division for approval and issuance of the GoP Guarantee.
- x. Once all conditions of Transaction/Facility are completed, Disbursement Notice is served on the Lead Arranger to transfer the transaction amount in the designated bank account of WAPDA.

### Accounting Entries

#### On sale of asset to Sukuk Co

Dr. Receivable from Sukuk Co	Relevant Code
Cr. Sale of Asset	Relevant Code

#### On sale of Asset



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

Dr. Accumulated Depreciation	Relevant Code
Cr. Asset	Relevant Code
Dr./Cr. Loss/profit on sale of Asset	
<b>On Ijarah becoming due</b>	
Dr. Ijarah rentals	Relevant Code
Cr. Ijarah rentals payable	Relevant Code
<b>On payment to Sukuk Co</b>	
Dr. Ijarah rentals payable	Relevant Code
Cr. Bank	Relevant Code



## 22 ACCOUNTING OF SELF FINANCING UNITS/WAPDA FUNDS

### 22.1 ACCOUNTING OF SELF FINANCING UNIT

The self financing units are the formations which work under administrative control of a particular wing but provide services additionally to the formations of other wing of WAPDA as well as Ex-WAPDA DISCOs, GENCOs and NTDC.

The self financing units presently administered by Power, Water and Common Services Wings of WAPDA have been listed as below.

### 22.2 SELF-FINANCING UNITS OF POWER WING

1. Chief Resident Representative, Karachi
2. GM(Training) for WAPDA Engineering Academy Faisalabad and WAPDA Staff College Islamabad.

### 22.3 SELF-FINANCING UNITS WATER WING

1. **Complete Self financing Unit**
  - i. Central Design Office
  - ii. Central Material Testing Laboratory
  - iii. Dam Monitoring Organization,
  - iv. International Sedimentation Research Institute (ISRIP)
  - v. Model Study Cell
2. **Partial Self financing Unit**
  - i. GM (C&M)
  - ii. GM(TS)
  - iii. GM(LA&R)
  - iv. Surface Water Hydrology (SWC)
  - v. Hydrology & Research Project (HRP)
  - vi. Water Resources Management Directorate (WRD)
3. **Common Services**
  - i. Medical Services
  - ii. Buildings Circle
  - iii. Printing & Stationery
  - iv. Public Relations
  - v. Internal Audit
  - vi. Transport



#### **22.4 PROCEDURE FOR SETTING SERVICE RATES**

1. The self financing unit recovers their actual operational and establishment cost including Supervisory overhead and Authority overhead at predetermined rate, from time to time, from the formations receiving the services on actual need basis. Any over/under applied expenses of said self financing unit are adjusted at the time of determining Service charge rate for the next financial year.
2. Purchase of physical assets of a self financing unit is financed by GM/DG Finance of respective Wing, which is repaid by the self financing units by charging depreciation and return on investment (ROI) in the service charges to the beneficiary formations. While determining the service charges rates of a self financing unit for a financial year, the ROI will be added to the operational & establishment budget estimates of the concerned self financing unit @ 15% of the written down value (net operating value) of the fixed assets financed by the GM/DG Finance of the respective wing. The written down value of assets will be taken as base of working of ROI as appearing in the Trial Balance for the month of June of last year.
3. The store inventory, employee's house building/purchases of plot and purchase of vehicle loan are also financed by the GM/DG Finance of respective Wings and self financing unit will repay the same by recovering the cost /loan from the clients and the employees as the case may be as per prescribed terms.
4. The GM/DG Finance of respective wing will fix working capital limits of each self financing unit to meet with funding needs for purchase of inventories and other cost incurred before receipt of services revenue by the self financing unit. The deficit and surplus of cash balance from the working capital limits fixed will be monitored and supported by the GM/ DG Finance of respective wing.
5. In case, certain assets of a self financing unit are purchased through obtaining loan from the commercial bank, these assets and loan will be accounted for in the books of accounts of that self financing unit. The concerned self financing unit will be responsible to repay the loan along with interest out of the funds generated through levy of the services charges. The self financing unit will retain proportionate share of depreciation and Return on investment for the assets financed through said loans to service the debt on schedule.
6. In case, certain assets of a self financing unit are acquired through non refundable Grants/ Aids, these assets and Grants/ Aids will be accounted for in the books of accounts of that particular self financing unit and amortized over the economical useful life of the said assets.

#### **22.5 FINANCIAL REPORTING**

The financial reporting by self financing unit to the GM/DG Finance of the respective Wing will be similar to those of, as has been prescribed for other formations/ Field Offices of respective Wings.



## **22.6 ACCOUNTING OF FUNDS**

WAPDA has formed a number of independent Funds to undertake investments independent of the working of the Authority. These funds are managed by the Trustees or Board of Directors depending on structure of the Fund. These Funds maintain their accounts on the same principle as outlined for Self Financing Units. The only difference is in the reporting and approval pattern, which rests with the Trustees/Board.

The Funds already formed by the Authority are:

- i. Pension Fund
- ii. Employees Provident Fund (EPF)
- iii. Employees Medical Benefits Fund (EMBF)
- iv. Workers Welfare Fund (WWF)
- v. WAPDA Equipment Protection Scheme (WEPS)
- vi. Pakistan WAPDA Foundation (PWF)
- vii. Group Life Insurance (GLI)

## **22.7 ACCOUNTING OF SPECIAL PURPOSE VEHICLE COMPANIES**

WAPDA has also formed special purpose vehicle companies (SPVs) as separate legal entities with specific objective of raising funds through issue of Sukuks. These companies are managed as independent self financing unit. The accounting is therefore done on the same pattern as for self-financing units.





## 23 TAX RETURNS

### 23.1 WITH-HOLDING INCOME TAX RETURNS

Accounting incharge of each DDO Office will be responsible to deduct income tax at the prescribed rates from the claims/bills when making payments to the contractors and suppliers. Similarly the tax shall be deducted from the salaries of the employees. The tax so deducted shall be deposited in the Government treasury within seven days of the deduction.

The accounting incharge will also be responsible to file the withholding tax returns with the FBR on the due dates.

### 23.2 GENERAL SALES TAX RETURNS

Director Tax of the office of the GMF (Power) will be responsible to file the consolidated GST Return (Annexure-38) with FBR on the given dates, based upon the input and output tax details received from the respective field offices of power, water and Co-ordination wings. The GST refund or deposit will be dealt with by the Director Tax.

The accounting incharge of each DDO office will pay the GST against GST invoice to the supplier and will also collect GST by issuing GST invoice to the purchaser on sale of power and scrap. He will send input/output GST details on 5<sup>th</sup> of the following month to the Director Tax for filing consolidated GST return with FBR alongwith the amount of the GST collected from the clients.

Based on the consolidated input/output return, the Director Tax will issue debit/credit advice to the concerned DDO office by debit/credit to FBR and settle the payable in cash, on materialising of refund claim from FBR.

### 23.3 PROVINCIAL SALES TAX RETURNS

Accounting incharge of each DDO Office will be responsible to deduct provincial sales tax at the prescribed rates from the claims/bills when making payments to the contractors and suppliers. The tax so deducted shall be deposited in the treasury of the respective province within seven days of the deduction.

The accounting incharge will also be responsible to file the sales tax returns.



## 24 REPORTING

### 24.1 CONTROL OVER EXPENDITURE THROUGH BUDGET CONTROL REGISTER

1. Under the provisions contained in Chapter VI of WAPDA Act, 1958, complete and accurate books of accounts of all Projects/Schemes and transactions relating to the Authority shall be maintained to the satisfaction of the Federal Government on whose behalf the accounts of the Authority shall be audited every year by the Auditor-General of Pakistan.
2. For the purpose of accounting, the Authority may be broadly divided in four major divisions, namely:-
  - i. Water Wing-Development Schemes
  - ii. Power Wing-Development Schemes
  - iii. Power Wing- Hydel power stations
  - iv. Common Services
3. The primary unit of accounting in the case of Development Projects/Schemes of both Water and Power Wings or the Projects where disbursement of funds actually takes place and where Budget and Accounts Officers of appropriate ranks, with teams of adequate sizes, are posted to perform two-fold duties as under:-
  - i. As Budget Officers for rendering full assistance to the Project Directors in the preparation of Annual Budget Estimates, Control of expenditure against approved Budget, preparation of various other budget statements, such as Revised Estimates and doing all exercises for obtaining re-appropriation orders where necessary, including preparation of monthly expenditure statements, according to the various sub-heads of the approved budget:
  - ii. As Accounts Officer for maintaining Cash and Stores Accounts of the Project, making disbursements after due scrutiny of all bills, doing book-keeping, preparing Trial Balances and all other accounts statements as may be required by the Project Directors and the higher authorities up to Comptroller posted with Managing Directors, for facilitating managerial decisions at all levels.
4. The accounting instruction laid down in this manual as well as those laid down in WAPDA Budget Manual will be generally kept in view by all Budget and Accounts Officers/Staff and the Project Directors employed on Development Projects/Schemes of Water and Power Wings.
5. Project expenditure will be controlled strictly according to the Annual Development Programme, Approval to the annual budget of all formations is granted by the Authority in the major and minor heads of budgets. The classification of accounts heads of expenditure, must also always correspond with the major and minor heads of budget. The monthly, as well as the periodical progressive expenditure of the Project should be controlled by the accounting units through a comparison with the periodical proportionate



budgets approved for their formations. For this purpose the Budget and Accounts Officers of the Projects will open and maintain a Budget Control Register, for their accounting units. The specimen form for this Control Register is appended as Annexure-39.

6. In this Control Register the annual approved budget under various major and minor heads of accounts will be entered. Monthly, as well as the periodical progressive expenditure till the close of the financial year should continue to be analyzed with the monthly and the periodical proportionate budget for each and every minor head, as far as possible. If in certain cases of works expenditure etc. it is not possible to control it strictly in accordance with the monthly proportionate budget then the expenditure should be controlled on the basis of quarterly proportionate budgets. The administrative expenses should, however, be controlled according to the monthly proportionate budgets. Any variations during a month should be adjusted during the next accounting month.
7. When the original budget of formation is revised during the course of the financial year, the revised budget will be incorporated in the Control Register at that stage and the expenditure during the remaining months of the financial year will be controlled according to the monthly proportion of the remaining budget.
8. At the close of the monthly accounts by **10<sup>th</sup> of the month following** that to which the expenditure relates, the Budget and Accounts Officer of a Project will prepare expenditure statement, showing the monthly, as well as the periodical progressive expenditure figures against the periodic progressive budget totals, minor-head-wise and will submit the statement to his Project Director/Chief Engineer, as the case may be with a copy to the Budget and Accounts Officer/ Director Budget and Accounts attached with the Chief Engineer/General Manager concerned. The B&AO will also prepare following statement and management reports alongwith monthly expenditure statement:
  - i. Trial Balance
  - ii. Balance Sheet statement of current month in comparison with last financial year closed on June, 30.
  - iii. Profit and Loss Account of current month in comparison with same month of previous year and Profit & Loss Account for current financial year to date in comparison of last financial to date.
  - iv. Notes to Balance Sheet and Profit and Loss Account for current month in comparison with last financial year closed.
  - v. Bank Reconciliation Statement with Bank Statements
  - vi. Inventory Movement Report
  - vii. Manpower sanctioned working /vacant position as of end of related month.
  - viii. Pending legal cases status as of end of month.
  - ix. Employee's Loan/Advances aging analysis at related month end.



- x. List of commitments at related month end.
9. On receipt of these expenditure statements in the offices of the Chief Engineers/General Managers, controlling the different Project Directors/Chief Engineers, the Budget and Accounts Officers/Directors Budget and Accounts, attached with them will consolidate the expenditure as compared with the budget and will place the consolidated result before their Chief Engineers/General Managers. The Director Budget and Accounts attached with the General Managers will also submit the consolidated statement of the monthly and periodical progressive expenditure to the Managers Finance (Water and Power) attached with the Members as the case may be, up to the **15<sup>th</sup> of the subsequent month** to which the expenditure relates. The General Managers Finance (Water and Power) will consolidate the expenditure relating to all formations received through General Managers of the two and will then reconcile the same with the figures of expenditure extracted by their book-keeping sections from the 'Project Control' of the two wings. The difference between the two sets of figures may be due to the following main factors:-
- i. Non-accounting of Regional Office debit/credit advices and of the Head Office debit/credit advices relating to remittances of funds and of services rendered or payments made on behalf of the Projects, in the books of the Projects, but accounted for by the Head office in their respective "Project Control Account".
  - ii. Un-utilised funds remaining with the Projects at the close of the month, treated by the Head Office as project expenditure, but not taken as expenditure by the Projects in the monthly accounts under report.
10. For eliminating the chances of huge variations occurring due to the above factors, in the figures of expenditure of the monthly statements rendered by the Project through their General Managers to the General Managers Finance (Water and Power) and the figures of expenditure as appearing in the "Project Control" of the two wings; the following procedure should be adopted for booking of the expenditure of a formation, both by the concerned accounting unit as well as by its Head Office.
- i. All transactions between WAPDA Projects are settled through the issue of 'Superscribed Cheque' and no Inter-Project debit/credit advices are issued. Debit/Credit advices can only be issued by the concerned Head Office or by a Regional Office, in connection with the remittance of funds or for services rendered or any payments made on behalf of the Projects. Such debit/credit advices can hardly be disputed and as such, should invariably be accounted for by the Projects in the same month, in which they are issued by the Head Office/Regional Office.
  - ii. Funds should not be allowed to remain un-utilised with the Projects, at the close of a month. It will be the personal responsibility of the Project Director and of the Budget and Accounts Officer of a Project to ensure that no funds remain un-utilised due to non-payment of the bills and invoices of the contractors, suppliers etc. for which funds were requisitioned.
  - iii. Monthly expenditure statement and Trial Balance of a unit is prepared only after reconciling the monthly current account with the Head



## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

supervisory office and recording the outstanding Debit/Credit Advices in the related month.

11. After reconciling the consolidated statements of expenditure received from the Directors, Budget and Accounts, attached with the General Managers of the two wings, the General Manager Finance (Water and Power) will put the Wing-wise figures of expenditure, compared with the proportionate budgets, to their Member concerned by the 20<sup>th</sup> of the month for their information and taking managerial decisions deemed necessary by them.
12. Copies of the monthly expenditure statements of the Water and Power Wings will also be supplied by the General Managers Finance (Water and Power) to the General Manger Finance (Coordination) for compiling statistics for the purpose of the Authority and the Federal Government.
13. The accounts of the Common Services shall be maintained by the General Manager Finance (Co-ord.) attached with the Member (Finance) in accordance with the instructions generally laid down in this manual. Before closing of the final accounts for a financial year, the annual, expenditure of the common service maintained by the Manager Finance (Co-ord.) in his books, will be distributed by him as Supervisory Expenses and Authority's Overheads, according to the approved ratios as laid down in the Annual Development Programme, directly over the expenditure of Water Development Projects and through the Manager Finance (Power) over the expenditure of Power Development Projects. The accounting books kept for the annual expenditure on common services will thus be closed.
14. Balance Sheets for the Development Projects in the Water and Power Wings after accounting for expenses relating to Overheads and Interest will be prepared by the General Manager Finance (Water and Power) from the Trial Balances received from the Projects of their respective wings.
15. Hydropower formations shall maintain their books of accounts in accordance with the instructions laid down in this Accounting Manual. Copies of monthly accounts shall be submitted by the Accounting Head to the Manager Finance posted with GM (Hydel) Operation. The Manager Finance shall render the consolidated accounts, including Statement of Revenue Receipts and Operation Expenditure, Profit and Loss Accounts and Balance Sheets, to the Director Corporate Planning posted with General Manager Finance (Power). The latter will consolidate the accounts and prepare annual Balance Sheet of the entire Hydropower formations in his office.
16. Balance Sheets prepared by the General Manager Finance (Water) for the Water Development Schemes and by the General Manager Finance (Power) for the Power Development Schemes and for the Hydropower formations will be sent to the General Manager Finance (Co-ordination) for consolidation.
17. General Manager Finance (Co-ordination) shall consolidate annual accounts of the entire Authority and prepare one Balance Sheet for submission to the Authority. General Manager Finance (Co-ordination) shall also prepare annual accounts and consolidated Annual Budget Book of the Authority from the data to be collected from General Manager Finance of Water and Power Wings.



18. The General Managers Finance (Co-ord. Water and Power) and the Manager Finance / Director (B&A) shall occasionally pay visits to the Projects/formations under their control, to ensure that books of accounts are maintained strictly in accordance with the procedure approved by the Authority and that they are always kept up to date and that suspense has not been created unnecessarily.

#### **24.2 ANNUAL REPORT OF WAPDA**

1. The Authority is required, as per section 21 of the WAPDA Act 1958, to present to the Government of Pakistan an annual report detailing the conduct of its affairs during each year ended on June 30th. This report shall cover financial and operational result of the year together with the details of the major events relating to WAPDA business. This annual report is to be submitted to the Government latest by September 30th of the following year. The office of Secretary WAPDA is responsible for compilation of this report.
2. In order to compile consolidated report at Head Office, each DDO/Project Director shall prepare monthly business report covering the financial, operational and other business related activities and provide the same to its supervisory office by 20th of next month. Each DDO/Project Director shall also submit to its respective supervisory office, following progress report on monthly basis:
  - i. Development Projects Monthly Progress Report
  - ii. Hydel Power Stations Monthly Form-E
  - iii. Self Finance Units Monthly Business Report.
3. The reports shall be examined by the respective supervisory officer before being sent to GM Finance for his review and further action.

#### **24.3 DONOR SPECIFIC REPORTS**

WAPDA shall prepare and submit all donor specific report in accordance with the terms of loan agreement. The respective GM Finance shall be responsible for ensuring that these donor specific reports are submitted in timely manner.

#### **24.4 RESPONSIBILITY**

The respective GM Finance shall be responsible for the timely consolidation, preparation, approval and submission of all required financial reports, including interim and final reports required according to approved accounting standards applicable in Pakistan. The respective GM Finance shall also be responsible for:

- i. Establishing and coordinating the annual financial closing and related audit.
- ii. Establishing all closing schedules to ensure that the financial statements are completed by September 30 of each year.
- iii. The GM Finance shall be reportable to the respective Member for ensuring implementation of policy and procedure related to financial reporting.





#### **24.5 WAPDA HYDROELECTRIC REGULATED BUSINESS**

WAPDA is engaged in power generation through use of hydel source. As a license holder for power generation it is required to present its financials on a prescribed format as required by NEPRA. These financials take into account only that part of the expenses of the Authority as directly related to power generation. The GMF (Power) shall be responsible to prepare the financial statements for the NEPRA regulated business as per the procedures issued by NEPRA for all entities engaged in generation and sale of Power. These financial statements are required to be audited by a firm of Chartered Accountants.

#### **24.6 GENERAL GUIDELINES**

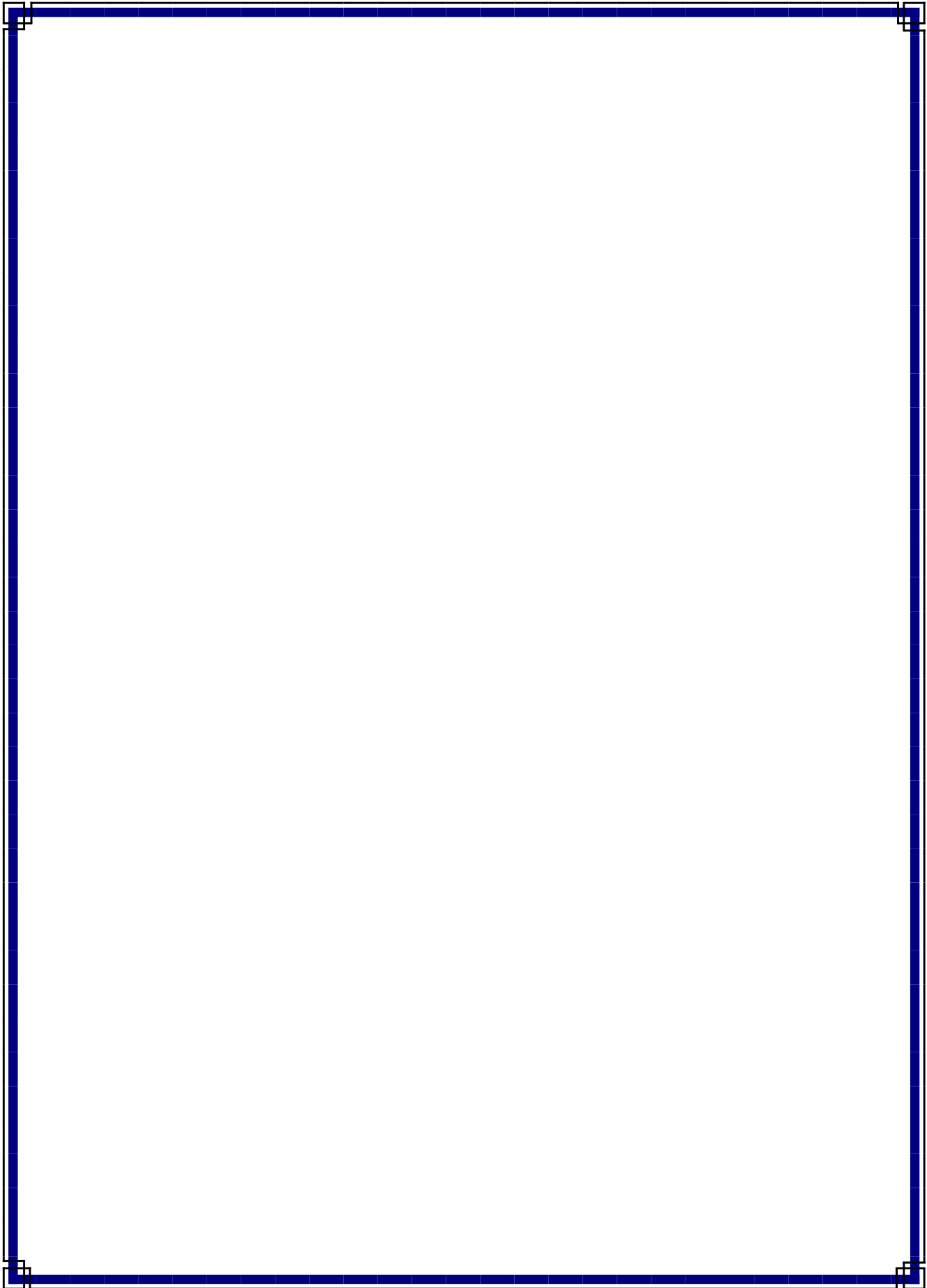
The general guidelines in respect of financial reporting are as below:

- i. The annual financial statements shall include WAPDA's operational, services, activities, and those of its subsidiaries as part of WAPDA's operations.
- ii. The annual financial statements shall be subject to annual audit.
- iii. The annual financial report shall be submitted to the Authority for approval.
- iv. All operating accounting units shall comply with the closing schedule.
- v. All WAPDA self-financing accounting units that maintain separate financial accounting system shall report the results of those operations to the supervisory office on a monthly basis.





ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY





APPENDICES



Annexure - 1 - Abbreviations

Abbreviations	
A/C	Account
ADB	Asian Development Bank
ARE	Assistant Resident Engineer
B&AO	Budget And Account Officer
BOQ	Bill Of Quantity
BPS	Basic Pay Scale
CCC	Central Contract Cell
CE	Chief Engineer
CGU	Cash Generating Unit
CIDA	Canadian International Development Agency
Co-ord	Co-ordination
CPPA	Central Power Purchasing Agency
CRRK	Chief Resident Representative Karachi
DDO	Drawing & Disbursement Officer/Office
DG	Director General
DGM	Deputy General Manger
EAD	Economic Affair Division
ECC	Economic Coordination Committee
EMBF	Employees Medical Benevolent Fund
EPF	Employee Provident Fund
GL	General Ledger
GLI	Group Life Insurance
GM	General Manager
GMF	General Manager Finance
GOP	Government Of Pakistan
GRN	Good Receive Note
GST	General Sales Tax
H/Q	Headquarter
HR	Human Resource
IAS	International Accounting Standard
IC	Investment Committees
IDA	International Development Association
IDBP	Industrial Development Bank Of Pakistan
IFRS2	International Financial Reporting Standard 2
IPC	Interim Payment Certificate
IRSA	<i>Indus River System Authority</i>
JV	Journal Voucher
L/C	Letter Of Credit
LPS	Ledger Posting Summary
MF	Manager Finance
MRS	Material Requisition Slip
NEPRA	National Electric Power Regulatory Authority
NIC	National Insurance Company
NTDC	National Transmission And Despatch Company
O&M	Operations And Maintenance



## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

Abbreviations	
PD	Project Director
PPA	Power Purchase Agreement
PWD	Public Work Department
PWF	Pakistan WAPDA Foundation
RE	Resident Engineer
ROI	Return On Investment
SE	Superintendent Engineer
SECP	Security Exchange Commission Pakistan
SMB	Store Measurement Book
SPV	Special Purpose Vehicle
SRW	Store Return Warrant
SS Cheques	Superscribed Cheque
SUKUK	Islamic TFC
T&P	Tools And Parts
TA	Travelling Allowance
TFC	Term Finance Certificate
VLK	Value Ledger Keeper
WAPDA	Water And Power Development Authority
WEPS	WAPDA Equipment Protection Scheme
WWF	Workers Welfare Fund



Annexure - 2 - Chart of Accounts

PAKISTAN WAPDA - Power Wing

General Manager Finance (Power)

Consolidated Chart Of Account List (Group Level)

A/c Code	Account Head
<b>1</b>	<b>ASSETS</b>
01	Operating Fixed Assets/Costs
02	Acc. Depreciation - Operating Fixed Assets
03	Assets under Ijarah Finance
04	Accumulated Depreciation-Assets under Ijara Finance
05	Assets Subject to Finance Lease
06	Accumulated Amortization-Assets Subject to Finance Lease
08	Capital Work in Progress
09	LONG TERM INVESTMENTS
11	Lt. Advances, Deposits & Prepayments
13	Deferred Costs
14	Stores, Spare Parts and Loose Tools
15	Accounts Receivable-Trade Debtors
16	Allowance for Bad Debts-Trade Debtors
17	Production in Progress
18	Short Term Investments & Loans
20	Notes Receivable
22	Advance, Deposits and Prepayment
23	Consignment Prepayment Account
24	Inter Office Current Account
26	Current Receivable
27	Allowance for Bad Debts-Other Receivable
29	Cash and Bank Balances
<b>2</b>	<b>CAPITAL AND RESERVES</b>
30	Capital & Reserves
31	Surplus on Revaluation of Operating Fixed Assets
<b>3</b>	<b>LIABILITIES</b>
32	Redeemable Borrowed Capital
33	Liabilities Against Assets Subject To Finance Lease
34	Grants
35	Long Term Loans, Advances & Deposits
36	Deferred Liabilities & Long Term Reserves
40	Short Term Loans/Finance/Running Finance
42	Consignment Credit Account
44	Clearing Accounts
45	Creditors, Accrued and Other Liabilites
46	Short Term Deposits



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

A/c Code	Account Head
<b>4</b>	<b>INCOME</b>
52	Power Sale
53	Services Income
54	Trading Income
55	Other Income
<b>5</b>	<b>EXPENSES</b>
60	Fuel Charges
61	Salaries, Wages and Other Employee Benefits
63	Repairs and Maintenance
65	Depreciation-Fixed Assets
66	Depreciation on Assets Under Ijarah -
67	Amortization-Assets Subject to Finance Lease
68	Taxes & Other Charges
70	Power, Light, Gas and Water
71	Communication
73	Other General Expenses
74	Insurance Plant
75	Bad Debts/Doubtful Debts
76	Travelling Expenses
77	Advertisement & Periodicals
78	Amortization of Deffered Debts
80	Survey and Feasibility Expense
82	Legal & Professional Charges
84	Outside Services Employed
88	Vehicle Expenses:
89	Sundry Expenses
90	Management Service Charges
91	4% Return on Assets
92	Hydel Levies
94	Nepra Fees
95	Ijara Rental
96	Financial & Other Charges
97	Provision for Reserves
98	Other Charges



ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY

Annexure - 3 - Subsidiary General Ledger Account

Subsidiary General Ledger Account

Name of formation-----

10 digit Accounts Code ----- Accounts Description-----

VOUCHER			Folio Reference		Remarks/nature	Amounts		
Date	Type	No.	No.			DR	CR	Balance





Annexure - 4 - Fixed Assets Register

FIXED ASSETS REGISTER

Identification Code

Description	Original Cost	Date of Acquisition	Classification of the Item	Location/ Custodian of item	Department/ Section to whom Depreciation is charged	Rate of Depreciation	Date of Revaluation (if any)	Revalued amount (if any)

Date	Reference	Depreciation		Written Down Value
		For the Year	Accumulated	



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

**Annexure - 5 - Contractor Ledger**

**CONTRACT LEDGER FOR WORK**

Name of work: \_\_\_\_\_  
 Site of work: \_\_\_\_\_  
 Name & address of contractor: \_\_\_\_\_  
 CNIC No. \_\_\_\_\_ NTN No. \_\_\_\_\_ GST No. \_\_\_\_\_  
 Admn Approval No. \_\_\_\_\_ Date: \_\_\_\_\_ Technical Sanction No. \_\_\_\_\_  
 Amount Rs. \_\_\_\_\_ Amount Rs. \_\_\_\_\_ Revised if any \_\_\_\_\_ Amount Rs. \_\_\_\_\_  
 Work Order No. \_\_\_\_\_ Dated \_\_\_\_\_ Amount Rs. \_\_\_\_\_  
 Date of Completion (Estimated) \_\_\_\_\_ Date of Completion (Actual) \_\_\_\_\_  
 Date/Period of Extension if any \_\_\_\_\_ Performance Guarantee No Rs. \_\_\_\_\_ Expiry Date \_\_\_\_\_

Date	Bill No.	Date	Gross Amount	DEDUCTIONS					Net Payable	Signature
				Mobilization Advance	Withholding Tax	Retention Money	Others	Total Deductions		



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

**Annexure - 6 - Goods Received Note**

**GOODS RECEIVED NOTE**

No.....

.....Project

Dated..... 20.....

In response of Purchase Order No.....date.....

Received from.....

of.....

against their invoice No.....dated.....

the following:-

Stock Code	Description of Goods	Unit of Measurement	Quantity

Received By.....

(Signature)

.....

(Designation)

Distribution:

Original ( ) for Budget and Accounts Officer.

First Copy ( ) for Supplier.

Second Copy ( ) to be Retained by Storekeeper.



Annexure - 7 - Goods Received Note Register

**GOODS RECEIPT NOTE (GRN) REGISTER**

Name of Store.....

Detail for the month of.....

Sr.No	GRN		Name & Designation of Receiving	Amount of GRN
	No.	Date		



Annexure - 8 - SMB Register

STORE MEASUREMENT BOOK (SMB) REGISTER

Name of Store.....

Detail for the month of.....

Sr.No	SMB		Name of Supplier/ Supplying Officer	Item Code	Supplier's Invoice		
	No.	Date			No.	Date	Amount



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

Annexure - 9 - MRS Register

**MRS REGISTER**

Name of Store.....

Detail for the month of.....

Sr.No	Material Requisition Slip		Name & Designation of Requisitioning	Amount of MRS
	No.	Date		



Annexure - 10 - Stock Register

STOCK REGISTER

(Name of Article)..... Stock Code No.....

Location in Store ..... Unit of Measurement .....

Date	Document Reference	Description of Account to be Credited/Debit	Account Code to be Credited/Debit	Quantity		
				Received	Issued	Balance





ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY

Annexure - 11 - BIN Card

BIN CARD

(Name of Article).....Stock Code No.....

Unit of Measurement .....Bin No.....

Location in Store .....

Date	Document Reference	Quantity			Initial
		Receipts	Issues	Balance	

.....  
(Godown Store Ledger/Req.)



**Annexure - 12 - Store Value Ledger**

**STORE VALUE LEDGER**

Name of Store: .....

Name of Article.....

Stock Code No.....

Unit of Measurement.....

[Rupees]

GRN SMB/MRS Reference		Name of Supplier's or Designation of Requisitionist	Receipts			Issues			Balance		
Date	No.		Qty.	Rate.	Value.	Qty.	Rate.	Value.	Qty.	Rate.	Value.



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

**Annexure - 13 - Material Requisition Slip (MRS)**

<u>MATERIAL REQUISITION SLIP (MRS)</u>						
Book No.		Page No.		Sign. Of Store Requisitionist		
Request Date :		Issue Date :		Jr.Engineer		
Department/Section		Work Area/Unit # :		Sectional In charges		
Request Purpose/Activity				ARE		
Account Head :		Warehouse/store :		RE		
Stock Code	Stock Description	M/unit	Requested Qty.	Issued Qty.	Unit rate	Amount
Designation	SSO	ASO	SSK/JSK	Recipients EM/AEM	System Operator	
Name						
Signatures						
Distribution:						
Original copy for Accounts Section		2nd copy for store Section		3rd copy for concerned Section		



**Annexure - 14 - Stock Measurement Book (Local Purchase)/ Valuation Sheet**

**STOCK MEASUREMENT BOOK (SMB)**

Store..... (Use Separate Page for Each Delivery From Supplier and for Each Superscribed Cheque from Own Formation)

SM Book No..... PAGE No..... Date.....

Source of Supply..... PO No..... PO Date.....

Delivery Challan / Store Return Warrant / Intendent No..... Date.....

ITEM DESCRIPTION			QUANTITY			Unit Rate	Amount of Article	Freight and Other Charges	Total Cost	Amount of GST	Total Amount Incl. GST
Item No.	Stock Code No	Description	Unit of Measurement	No. in Figures	No. in Words						
Total GST G.Total											

Particulars	Delivered by	Received by	Inspected and Measured by	Taken on Stock by	Valuation		Entered in.....by	
					Done by	Checked by	Stock Card/ Ledger	Value Ledger
Name								
Designation								
Signature								

Particulars of Driver and Truck Through Which Meterial Was Received

**CONTRACTORS**

Name & Address of Contractor	Signature & CNIC	Vehicle / Truck Registration No.	Name of Driver	Signature



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

**Annexure - 15 - Material Indent for Other Formation Store**

**MATERIAL INDENT FOR OTHER FORMATION STORES**

Book No.....

From .....

To.....

Indent Serial No.....

Date .....

Following Material may be Supplied to us.

Sr.No	Item Description	Unit	Item Code	Quality			Price Per Unit	Total Value	Signature of Storekeeper Issuing Stores
				Indented	Available	Issued	Rs.	Rs.	

Particular	Indent Approved and Indented	Store Receiving Officer/	Store Issuing Officer	Storekeeper Issuing Store	Material Issued on

Name in Block Letters

Letters.....

Designation.....

Superscribed Cheque

Book No..Cheque No.....Dated.....

Amount in Figures.....Amount in Words.....

Note:- Separate Superscribed Cheque for each Material Indent Should be Issued.



## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

### Annexure - 16 - Stock Measurement Book (Foreign Purchases) / Valuation Sheet

#### STOCK MEASUREMENT BOOK (Foreign Purchases)

Store----- (Use separate page for each delivery from supplier and for each superscribed cheque from own formation)

SM BOOK NO-----

PAGE NO.-----

DATE-----

Source of supply-----

PO #-----

PO date-----

Delivery Challan / Store return Warrant/ intendent #-----

DATE-----

1) Cost of documents in Pak Rs

Total duties & other charges (To be apportioned on material cost)

2) Invoice amount in foreign currency (Us\$)

Sale Tax (Not to apportioned and to be claimed as GST input)

3) Currency conversion factor[ 2/1] (Rs/\$)

ITEM DESCRIPTION			QUANTITY			Unit Rate (in foreign curr \$)	Currency Conversion Factor (Rs)	Unit Rate (in Pak Rs)	Cost of Article Rupees	Duties and Other Charges Rupees	Total Cost Rupees
Item No	stock Code No	Description	Unit of Measure ment	No in Figures	No. in Words						
1			Nos				-	-	-	-	-
2							-	-	-	-	-
3							-	-	-	-	-
4							-	-	-	-	-
								<b>Total</b>	-	-	-
								Sale Tax	-	-	-
									-	-	-

Particulars	Delivered by	Received by	Inspected and measured by	Taken on stock by	valuation		Entered in----- by	
					Done by	Checked by	Stock card/ Ledger	Value Ledger
Name								
Designation								
Signature								
Particulars of Driver and Truck through which material was received.								
<b>CONTRACTORS</b>								
Name & Address of Contractor.	Signature & National Registration Card No:	Vehicle / Truck Registration Card No.	Name of Driver.	Signature	Truck / Vehicle Registration No.			



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

**Annexure - 17 - Store Return Warrant**

Name of WAPDA Formation.....

STORE RETURN WARRANT

S.R.W. BOOK NO.	
PAGE NO.	
DATE.	

Name of Location /  
Work / Generating Unit

Store Returning Department

Condition of Store

Account Head to be Credited

Signature of Sectional Head \_\_\_\_\_

Approved By \_\_\_\_\_

TO BE FILLED BY STORE RETURNING SECTION										Reference		TO BE FILLED BY			
										Goods		STORE SECTION		System Operator	
										Previously		RETURN		Unit	Total
Sr. No.	I	T	E	M	C	O	D	E	Description of Store	M.R.S #	Date	Unit	Quantity	Price	Amount

**NOTE:-** (1) If the material is useable, apply the rate and stock code at which item is initially issued from store crediting the Accounts Head previously debited. (Action to be taken by Material Returning Section)  
 (2) If the material is disposable apply rate and stock code determined by survey Committee and credit be given to misc: In( Action to be taken by Accounts Section)

Particulars	Store Returning Officer	Store Returning Official	Store Receiving Officer	Store Receiving Store Keeper	Valuation / Coding By
Name:.					
Designation					
Signature					

Original Copy for Account Section  
 2nd Copy for Store Section  
 3rd Copy for Sectional Head





ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY

Annexure - 18 - Store Return Warrant Register

STORE RETURN WARRANT REGISTER

Sr. No.	ITEM CODE	Description of Store	REFERENCE		RETURN		
			M.R.S #	Date	Quantity	Rate	Amount

Particulars	Store Returning Officer	Store Returning Official	Store Receiving Officer	Store Receiving Store Keeper	
Name:.					
Designation					
Signature					



**Annexure - 19 - Survey Report of Store**

**SURVEY REPORT OF STORES**

**Survey Report of Store Items, Which Have Become Unserviceable**

Description of Articles	Value of the Books			Date of Receipt	Remarks by the officer incharge explaining the cause of the article becoming unserviceable	Date	Initial of Proposer	Initial of Approver
	Quantity	Rate	Amount					
	No.	RS.	RS.	RS.				

Particulars	Indent Approved and Indented by	Store Receiving Officer/Official	Store Issuing Officer	Storekeeper Issuing Store	Material Issued on

No.....Dated the.....20

No..... Dated the .....20

Submitted to the Chief Engineer/Superintending Engineer, for Orders

.....  
Divisional Officer

.....  
Chief Engineer



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

**Annexure - 20 - Stock Verification**

**STOCK VERIFICATION REPORT**

Formation-----

Date of verification. \_\_\_\_\_

NAME OF STORE

NAME OF STORE KEEPER :

S.NO	STOCK CODE	NOMENCLATURE	Unit Nos/kg/ltr	Balance as on	Store movement		Stocks on physical count date		(Short)/ Excess Qty	Last purchase date	Condition of stock Servicable/Damaged/ Obsolete
				-----	Store receipts from -----	Store issued from -----	As per stock card	Ac atually counted/measur ed,weighed			
				Qty	to count date	to count date	8=(5+6-7)	9			
1	2	3	4	5	6	7	8=(5+6-7)	9	10(8-9)	12	13

Signatures of

SSK

Stock verifiers

Supervisor/ Convener



ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY

Annexure - 21 - Cash Book

CASH BOOK

Name of Bank .....

Month.....

Date	Documents		Accounts Head	Particulars	Amount Received		Amount Paid		Intials		
	Type	No			In Cash	In Bank	in Cash	throu Bank	Cashier	B&AO	DDO



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

**Annexure - 22 - Imprest Cash Book**

**IMPREST CASH BOOK**

Name of Bank .....

Month.....

Date	Vr.No	J.V No.	Cheque No.	Account Head	Amount		Nomenclature	Amount		Signature		
					Cash	Bank		Cash	Bank	Cashier	B&AO	DDO



Annexure - 23 - Chest Incoming/Outgoing Register

CHEST INCOMING/OUTGOING REGISTER

Particulars	Incoming				Out going			Initial	
	Reference	Date	Quantity	Value	Date	Quantity	Value	Cashier	B&AO



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

**Annexure - 24 - Funds Demand Format Hydel power Dev Part-I  
Part-I  
(HYDEL POWER)**

STATEMENT OF FUNDS FOR THE  
NAME OF PROJECT  
NAME OF BANK  
BANK ACCOUNT NO.

Demand No. \_\_\_\_\_  
Month \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

		(Rs. in Million)		
		LCC	FCC	TOTAL
1	PSDP Allocation (Approved)			
2	Proportionate Budget up to month of demand			
3	Total expenditure to the date of demand			
4	Balance of Proportionate Budget (2-3)			
5	Previous Demands outstanding (if any)			
6	Current Demand			
7	<b>Total Demand (5+6)</b>			
8	Less Bank Balance of undisbursed demands			
9	<b>Net Demand (7-8)</b>			
<b>Details of Current Demand</b>				
	<b>Account Head</b>	<b>A/c Code</b>		
1	Land	010510		
2	B&CW on Free hold Land - Offices	011010		
3	Arms & Ammunition	012560		
4	Misc. Equipment (Tents & Boats)	012585		
5	Office Equipment	012610		
6	Computer & Ancillary Equipment	012620		
7	Furniture & Fixtures	012710		
8	Transportation Equipment	012810		
9	Oper. Building & Civil Works on Free Hold Land	08xx10		
10	Power Generation Plant Assets	08xx20		
11	Transmission & Transformation Equipments	08xx21		
12	Dams & Reservoir Assets	08xx23		
13	Tunnels, Weir, Head / Tail Race	08xx24		
14	General / Plant Assets	08xx25		
15	Other Buildings Residential / Non Residential	08xx30		
16	Consultancy & Engineering	08xx35		
17	Interest During Construction	08xx40		
18	Custom duties, Taxes & Insurance	08xx45		
19	Preliminary Expenses	08xx50		
20	Project Management Expenses	08xx55		
21	Project Supervisory Expenses	902500		
	<b>Total Demand</b>			

Certified that the above expenditure on the project / schemes for which funds have been requisitioned carries the approval of the Competent Authority and the provision for the same exists in the PC-I , II and also in PSDP for the year \_\_\_\_\_ and that the total Actual Expenditures are within budget after applying the cuts if any for the year.

Sr.B&AO/B&AO WAPDA

CE/GM/PD WAPDA





## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

### Annexure - 25 - Funds Demand Format Hydel power Dev Part-II

Part-II

PROFORMA FOR REQUIREMENT OF FUNDS FOR (PROJECT NAME) DEMAND FOR THE YEAR _____ CODE _____											
Demand No. _____											
(Fig. in Million)											
Nature of payment and Name of Work											
Sr. No.	A/c Code	Account Head	Token No. & Date of bill presented to Audit	Date of passing by Audit	Total Budget for the year	already paid amount drawn claimed now (against this demand item of expenditure)	Amount Now Demanded	Progressive total (7+8)	Up-date of payment remarks	Whether interest bearing or not	Remarks / Due date
1	2	3	4	5	6	7	8	9	10	11	12
<b>Details of Current Demand</b>											
<b>Capital Expenditure</b>											
1	010510	Land									
2	011010	B&CW on Free hold Land - Offices									
3	012560	Arms & Ammunition									
4	012585	Misc. Equipments (Tents & Boats)									
5	012610	Office Equipment									
6	012620	Computer & Ancillary Equipment									
7	012710	Furniture & Fixtures									
8	012810	Transportation Equipment									
<b>Sub. Total (A)</b>											
<b>Capital Work in Progress</b>											
9	08xx10	Oper. Building & Civil Works on Free Hold Land									
10	08xx20	Power Generation Plant Assets									
11	08xx21	Transmission & Transformation Equipments									
12	08xx23	Dams & Reservoir Assets									
13	08xx24	Tunnels, Weir, Head / Tail Race									
14	08xx25	General / Plant Assets									
15	08xx30	Other Buildings Residential / Non Residential									
16	08xx35	Consultancy & Engineering									
17	08xx40	Interest During Construction									
18	08xx45	Custom duties, Taxes & Insurance									
19	08xx50	Preliminary Expenses									
20	08xx55	Project Management Expenses									
21	902500	Project Supervisory Expenses									
<b>Sub. Total (B)</b>											
<b>Grand Total (A+B)</b>											

Certificate:-

- 1 It is certified that the demand is based on approved / passed and Pre-audited bills according to Authority rules.
- 2 Certified that the funds demand against this requisition have not been demanded before and the payment against this demand has not already been made.
- 3 Certified that funds being demanded against this demand would not be utilized for any other purpose.

Sr. B&AO/B&AO WAPDA

CE/GM/PD WAPDA



## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

### Annexure - 26 - Funds Demand Format Water Dev Part-I

PART-I  
WATER WING WAPDA

( PSDP )

DEMAND OF FUNDS FOR THE MONTH OF .....

DEMAND NO.  
(Water Development)

Rs. in Million

1. Name of Project (Code) .....
2. Banker & Account No. ....
3. PSDP / Budget Allocation Rs. ....
4. Opening Balance as on Rs. ....
5. Funds Released to date Rs. ....
6. Funds Utilized to date Rs. ....
7. Balance Available on Submission Date Rs. ....
8. Current Month Demand Rs. .... Less: Bank Balance | Net Demand Rs. ....

Description	Year		Cash	of			
	Final	Funds Released Upto date		IPCs /	Passed	Expected	Total (6 + 7)
1	2	3	4	5	6	7	8
1. Consultants							
2. Land Compensation							
3. Assets							
4. <u>Works:</u>							
5. <u>Administrative Expenses:</u>							
Pay & Allowance							
House Acquisition							
Travelling Expenses							
Transport Cost							
Daily Staff Wages							
Other Admn. Expenses <i>(Detail attached)</i>							
<u>Non Releasable Provisions</u>							
Over Head Charges							
Central Payments							
<b>Total:-</b>							

Note:- Certified that the expenditure for which the funds have been demanded as detailed above carries the approval of the competent authority and provision exists under PSDP - Allocation for the Current Financial Year as well as is covered under cost and scope of work as reflected in approved PC-I / PC-II.

HEAD OF ACCOUNTS DEPTT:

PROJECT | PROJECT DIRECTOR



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

**Annexure - 27 - Funds Demand Format Water Dev Part-II**

PART-II

WATER WING WAPDA (Physical Progress)

DEMAND OF FUNDS FOR THE MONTH OF .....

DEMAND No.....

Rs. in Million

Name of Project -----Code

Approved PC-I Rs. ....

Revised PC-I / PC-II Rs. ....

Progressive Rs. ....

Progressive Physical -----%

(On June last)

**Physical Progress Review / Plan**

Description of Work Items	Unit	Scope as per PC-I / II	Progressive Achievement on June-20xx	20xx-xx	
				Targets	Physical Achievement
Land	Acres				
Earth Work	Mcft.				
Concrete Lining	Mcft.				
Stone Pitching / Stone Apron	Cft.				
Steel Works	Cft.				
Structure	Nos.				

Updated progress (%age) .....%.

Certificate:-

It is certified that the funds have been utilized and approved Physical Scope of the Project has been satisfactorily implemented.

HEAD OF ACCOUNTS DEPTT:

PROJECT DIRECTOR



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

**Annexure - 28 - Funds Demand Format Water Dev Part-III**

Part III

WATER WING WAPDA

ATTACHMENT TO DEMAND No.....

FOR THE MONTH OF .....

(Contracts)

Rs. in Million

Description of Contract	Rs.in million					Invoice/ I.P.C No.	Physical Quantities in Absolute Terms				
	Approved value	Payment made upto preceding Financial Year	Budget Allocation for 2013-14	Utilization updated during 2013-14	Current month demand		Physical Scope	Achievement upto preceding year	Targets for 2013-14	Progress during 2013-14	Work done against current demand
1	2	3	4	5	6	7	8	9	10	11	12

Certificate:-

It is certified that value and scope of contracts are duly approved by the competent authority.

HEAD OF ACCOUNTS DEPTT:

PROJECT DIRECTOR



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

**Annexure - 29 - Funds Demand Format Hydel Operations**

**Funds Demands Format Hydel Operations**

The following imprest holder has requested for the transfer of additional funds: -

Sr. No	Name of Imprest Holder	Name of Bank	Demand No. & Dated & Code.	Demand received in this office	Due Date of Payment	Budget Allocation for the year 20xx-xx	Expen: including this demand	Amount to be released.	Remarks
1	2	3	4	5	6	7	8	9	10
1									
2									
								Total	

Rupees: -

The Budget Grant for the year ----- is available. The **General Manager (Hydel)** may kindly be requested to approve and forward the demand to **General Manager Finance (Power)** for the approval of release of funds to **Manager Finance (Hydel)'s Power, Wapda, Napier Road, Lahore, General Imprest Account No.....with ..... through M.F (H.Q).**



**Annexure - 30 - Bank Cheque Book Register**

REGISTER OF BANK CHEQUE BOOKS

Date	Bank Name	Bank A/c	Who Received	Receipts of Cheque Books				Issue of Cheque Book				Balance			Initial		
				Quantity (Leaf)	Serial No.		Indent Reference	Date of Issue	Quantity (Leaf)	Serial No.		Issue to	Code	Quantity	A/c Asstt:	B&AO	
					From	To				From	To						



Annexure - 31 - Bank Reconciliation Statement

**BANK RECONCILIATION STATEMENT**

as on ..... 20

IMPREST CASH BOOK OFFICE OF THE .....

Name of Bank: ..... Bank Account No.....

Balance as per Cash Book	.....
Add: Unpresented/Uncleared cheques	_____
Less: Uncredited/Uncollected cheques	_____
Add: Profit on Bank Balance	
Amounts directly paid into Bank	
Others	_____
Less: Bank Charges not taken	
Collection Charges not received yet	
Others	_____
Balance as per Bank Statement	=====

Cashier

B&AO

DDO





## ACCOUNTING AND FINANCIAL REPORTING MANUAL WATER AND POWER DEVELOPMENT AUTHORITY

### Annexure - 32 - Retirement of Consignment

CRRK

PROVISIONAL ADJUSTMENT ACCOUNT OF THE CONSIGNMENT/SHIPMENT

Purchase Order No. \_\_\_\_\_ dated \_\_\_\_\_  
 Consignee / Formation \_\_\_\_\_  
 CRRK Clearance File No. \_\_\_\_\_  
 Letter of Credit No. \_\_\_\_\_ dated \_\_\_\_\_  
 Name of Supplier \_\_\_\_\_  
 Date of Arrival of Shipment at Sea Port / Airport \_\_\_\_\_  
 Date of Clearance of Shipment from Sea Port / Airport \_\_\_\_\_  
 Status of Shipment Full / Partial \_\_\_\_\_  
 No. of Shipment \_\_\_\_\_  
 Import Value in PKR as per bill of entry \_\_\_\_\_

**Funds Received\***

(Rupees)

- 1 Demand No. \_\_\_\_\_ dated \_\_\_\_\_  
 2 Demand No. \_\_\_\_\_ dated \_\_\_\_\_  
 3 Demand No. \_\_\_\_\_ dated \_\_\_\_\_

Total Funds (A)

Disbursement	Actual payments made 1	Payments to be made 2	Total 3 = 1 + 2
L/C opening charges			
90% L/C disbursement (or actual as per PO/LC)			
Shipping Guarantee (To be recorded as advance)			
Shipping Guarantee recovered			
Custom duty			
Sales tax (To be recorded as advance)			
Income tax			
Excise & Taxation			
Stamp duty / fee			
Civil Aviation (CAA) charges			
Godown rent			
Sea / Air freight			
Delivery order (D/O) Charges			
Shipping charges			
Container Security (To be recorded as advance)			
Advance container detention charges			
Refund of container security			
Port charges (Wharfage & Demurrage)			
Additional demurrage charges			
Recovery of demurrage (if any)			
Transportation charges			
Clearing agent service charges			
Surveyor charges			
Other Misc. expenses			
Service charges of CRRK (@ 0.5% of import value)			
10% balance L/C disbursement			
<b>Total Payments (B)</b>			

<b>Net Balance Payable / (Receivable)** (A-B)</b>	
---	--

\* Balance B/F in case of partial shipment

\*\* Balance C/F in case of partial shipment

Note: This format is for guidance purpose. Amendments can be made as per situations whenever necessary at the time of issuance of provisional adjustment accounts.



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

**Annexure - 33 - L.C Utilization Register**

**LC UTILIZATION REGISTER**

Purchase Order No. \_\_\_\_\_ Dated \_\_\_\_\_ Formation/Cosignee \_\_\_\_\_  
 RRK No. \_\_\_\_\_ LC File No. \_\_\_\_\_  
 Letter of Credit No. \_\_\_\_\_ Dated \_\_\_\_\_ Date & Place of Expiry \_\_\_\_\_  
 Expiry Extended up to \_\_\_\_\_  
 Expiry Extended up to \_\_\_\_\_  
 Amount in Foreign Currency \_\_\_\_\_ Enhanced/Reduced by \_\_\_\_\_ on \_\_\_\_\_ making total \_\_\_\_\_  
 (FOB / C&F) Enhanced/Reduced by \_\_\_\_\_ on \_\_\_\_\_ making total \_\_\_\_\_  
 Enhanced/Reduced by \_\_\_\_\_ on \_\_\_\_\_ making total \_\_\_\_\_  
 Source of Financing \_\_\_\_\_ Name of Beneficiary/Supplier \_\_\_\_\_  
 Shipment through WAPDA Shipping Agent or Beneficiary/Supplier \_\_\_\_\_

S. No & Date	Particulars of Payments		Amount Paid		Balance Payment		Rate of Exchange	Clearance File No.	Remarks
	Bill/Invoice No.	Date	Foreign Currency	Pakistan Currency	Foreign Currency	Pakistan Currency			
1	2	3	4	5	6	7	8	9	10



Annexure - 34 - Debit Advice Register

DEBIT ADVICE REGISTER

DEBIT ADVICE ISSUED

Sr. No.	Debit Advice		Description	Receiving Unit/Office Code	Amount	CV No.	Date	Initial	Remarks
	No.	Date							

DEBIT ADVICE RECEIVED

Sr. No.	Debit Advice		Description	Issuing Unit/Office Code	Amount	JV No.	Date	Initial	Remarks
	No.	Date							



Annexure - 35 - Credit Advice Register

CREDIT ADVICE REGISTER

CREDIT ADVICE ISSUED

Sr. No.	Credit Advice		Description	Receiving Unit/Office Code	Amount	Receipt No.	Date	Initial	Remarks
	No.	Date							

CREDIT ADVICE RECEIVED

Sr. No.	Credit Advice		Description	Issuing Unit/Office Code	Amount	JV. No.	Date	Initial	Remarks
	No.	Date							



Annexure - 36 - S.S Cheque Book Register

SUPERSCRIBED CHEQUE BOOKS REGISTER

Date	Receipts of Cheque Books				Issue to Cheque Books				Balance			Initial		
	Quantity	Serial No.		Indent Reference	To Whom Issued	Date	Quantity	Serial No.		Issue to	Code	Quantity	A/c Asstt:	B&AO
		From	To					From	To					



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

**Annexure - 37 - S.S Cheques Issued/Receipt Register**

REGISTER OF SUPERSCRIBED CHEQUES ISSUED/RECEIPT

Received/Issued During.....20

Sr.No	Cheque No.	Date	Indent No.	Indent Date	Project by Whom Issued			Project to Whom Issued		
					Name	Code	Amount	Name	Code	Amount

Dealing Assistant

B&AO

Accounting Head

.....

.....

.....

Project/Office.....

Code No.....



**ACCOUNTING AND FINANCIAL REPORTING MANUAL  
WATER AND POWER DEVELOPMENT AUTHORITY**

**Annexure - 38 - GST Returns Format**

STATEMENT SHOWING DETAIL OF GST PAID & CLAIM FOR INPUT TAX

NAME OF FORMATION: \_\_\_\_\_

FOR THE MONTH OF \_\_\_\_\_.

SR.NO	SUPPLIER NAME	SUPPLIER GST #	SUPPLIER NTN	SUPPLIER TYPE	SUPPLIER PROVINCE	DOCUME NT TYPE	GST INVOICE NUMBER	GST INVOICE DATE	HS CODE	PURCHAS E TYPE	RATE	QUANTITY	UOM	VALUE EXCLUDI NG SALES TAX	SALES TAX	Indent CREDIT NO	EXTRA TAX	ST With held as WH		
1																				
2																				
3																				
4																				
5																				
6																				
							TOTAL													

Sr./Budget & Accounts Officer



**Annexure - 39 - Budget Control Report**

**BUDGET CONTROL REPORT**

Name of the Formation .....

Budget and Accounts Heads		Approved Budget for the year		Proportionate Budget		Actual Expenditure for the month		Actual Expenditures Year to date		Balance		Initial	
Code	Budget Account Head	Local	Foreign	Local	Foreign	Local	Foreign	Local	Foreign	Local	Foreign	A/c Asstt:	B&AO
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		