

**MUZAFFARABAD PHYSICAL
REHABILITATION CENTRE**

**AUDITED FINANCIAL
STATEMENTS**

YEAR END JUNE 30, 2017



NASIR JAVAID MAQSOOD IMRAN
Chartered Accountants

Islamabad Office:
Office # 12 & 13 3rd Floor
Fazal Arcade,
F-11 Markaz, Islamabad.
Tel: 051-2228138
Fax: 051-2228139
E-mail:
njmiconsultants@gmail.com
islamabadoffice@njmi.net

AUDITOR'S REPORT

We have audited the annexed balance sheet of **Muzaffarabad Physical Rehabilitation Center** as at **June 30, 2017** and the related income and expenditure account and Cash Flow Statement together with the notes forming part thereof for the period then ended. These financial statements are the responsibility of the management. Our responsibility is to express our opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, together with the notes forming part thereof give a true and fair view of the financial position of **Muzaffarabad Physical Rehabilitation Centre** as at **June 30, 2017** and of the results of its operations for the year then ended, in accordance with the Generally Accepted Accounting Principles.

Place: Islamabad

Date: 30.03.2018


Nasir Javaid Maqsood Imran
Chartered Accountants

Imran ul Haq, FCA

**MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
BALANCE SHEET
AS AT JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4	79,020	111,584
CURRENT ASSETS			
Inventory		24,615,033	17,855,676
Cash and bank	5	72,412,727	57,287,019
		97,027,760	75,142,695
TOTAL ASSETS		97,106,780	75,254,278
RESERVES AND LIABILITIES			
RESERVES			
Accumulated surplus		94,219,075	73,176,407
LONG TERM LIABILITIES			
Contributory provident fund		2,798,571	1,989,871
CURRENT LIABILITIES			
Audit fee payable		68,000	68,000
Security deposit and other payables		21,134	20,000
		89,134	88,000
TOTAL RESERVES AND LIABILITIES		97,106,780	75,254,278

The annexed notes from 1 to 10 form an integral part of these financial statements.



CHAIRMAN
(Board of Directors)




DIRECTOR

**MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
INCOME			
Receipts from International Committee of the Red Cross	6	52,548,844	52,776,212
Receipts from Government of AJK		12,910,736	14,907,639
Receipts from AJK Government Zakat Fund		50,420	100,000
Profit on bank deposit		2,268,439	1,839,632
Other income		874,731	463,763
		68,653,170	70,087,246
EXPENDITURE			
Personnel cost	7	19,106,434	19,754,696
Project cost	8	26,406,147	23,658,053
Operational cost	9	2,097,922	2,104,020
		47,610,502	45,516,769
		21,042,668	24,570,477
SURPLUS FOR THE PERIOD			
ACCUMULATED SURPLUS BROUGHT FORWARD		73,176,407	48,605,930
ACCUMULATED SURPLUS CARRIED FORWARD		94,219,075	73,176,407

The annexed notes from 1 to 13 form an integral part of these financial statements.



CHAIRMAN
(Board of Directors)



DIRECTOR

MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the period		21,042,668	24,570,478
Adjustments:			
Inventory		(6,759,357)	(1,350,770)
Fixed assets		-	-
Depreciation		32,563	46,519
Finance charges		-	(3,206)
		(6,726,794)	(1,307,457)
Cash flows before working capital changes		14,315,874	23,263,021
Changes in Working Capital:			
Increase/(decrease) in payables		809,835	775,419
Cash generated from operations		<u>15,125,708</u>	<u>24,038,440</u>
Finance charges reimbursed		-	3,206
Net cash generated from operating activities		<u>15,125,708</u>	<u>24,041,646</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property Plant & Equipment		-	-
Net cash used in Investing activities		<u>-</u>	<u>-</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash flows from / (used in) financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents during the year		15,125,708	24,041,646
Cash and cash equivalents at the beginning of the year		57,287,019	33,245,373
Cash and cash equivalents at the end of the year	5	<u>72,412,727</u>	<u>57,287,019</u>

The annexed notes from 1 to 13 form an integral part of these financial statements.


CHAIRMAN
 (Board of Directors)


DIRECTOR

**MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1 The center and its operations

Muzaffarabad Physical rehabilitation Centre (the "Centre") was established by Memorandum of Undertaking (MoU) signed by International committee of the Red Cross (ICRC) and Department of Health, Azad Jammu and Kashmir (AJK) Government in April 2006 for construction of building for rehabilitation centre. On completion of construction of building in October 2007 both parties signed a cooperation agreement concerning physical rehabilitation services in AJK territory. It was also agreed that the centre will be handed over to the Department of Health, AJK Government at completion of the agreement.

In January 2013, AJK Government passed Muzaffarabad Physical Rehabilitation Centre Ordinance establishing the Centre as an autonomous body. Later this ordinance was replaced by Muzaffarabad Physical Rehabilitation Centre Act, 2014 (Act XVII of 2014) passed by the Legislative Assembly of the AJK. Department of Health, AJK Government has deputed a permanent representative to serve as Director and member on the Board of Directors of the Centre. On June 20, 2013 Board Members were accepted and an advisory committee was formed to guide and advise on the hand over process, and list of assets to be handed over to the centre by ICRC was tabled and approved.

The main objective of the Centre is to provide treatment and rehabilitation services/ appliances to patient needing orthotic and prosthetic devices. The Centre is located at C.M.H Road, Muzaffarabad.

The Centre was operated as a component of ICRC from April 2006 to December 31, 2013. All the assets and liabilities were handed over to the management of the Centre as on December 31, 2013.

2 Statement of Compliance

These financial statements have been prepared in accordance with the Accounting and Financial reporting standard for Small Sized Entities as applicable in Pakistan and guidelines for NGOs and NPOs issued by ICAP.

3 Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of these accounts are as follows:

3.1 Accounting convention and basis of preparation

These accounts have been prepared under the historical cost convention except as otherwise stated in relevant policies.



MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

3.2 Significant accounting estimates and judgments

The preparation of financial statements in conformity with the International Accounting and Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets and slow moving inventory. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3.3 Property and equipment


Property and equipment are stated at cost less accumulated depreciation. Cost in relation to Property and equipment includes the costs incurred initially to acquire or construct the item, and costs incurred subsequently to add or replace part of the item. Costs of servicing the item are charged to expenses.

Depreciation is charged on written down value method at rates given in Note 6 to the accounts. Depreciation is charged on additions from the month the asset becomes available for use and is ceased to be charged in the month the asset is disposed off.

Gains and losses on disposal of assets, if any, are included in current income.

3.4 Inventory

These are valued at cost, determined on first in first out basis, or net realizable value, whichever, is lower, less allowance for obsolete and slow moving items. For items which are slow moving and/or identified as surplus to the Centre's requirement, a provision is made for excess of book value over estimated net realizable value. The management reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.



MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

3.5 Grants

Revenue grants are recognized over the periods necessary to match these grants with the related costs. Such grants for which related costs are to be incurred subsequent to the financial statement date are carried as deferred grants. However, if no basis exists for allocating a grant to more than one accounting period then such grant is recognized as income on receipt basis.

Capital grants utilized for fixed assets are reflected in the balance sheet as deferred grant, which is amortized over useful life of the related depreciable assets equivalent to related depreciation charge.

Donations are recognized as and when received.

Donations in kind are recognized at fair market values if ascertainable and if not ascertainable, it will be recognized at Rupee 1 per asset.

3.6 Interest income

Revenue from interest income is recognized when right to receive is established.

3.7 Taxation

Income tax expense represents current tax expense. Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates, if any.


3.8 Provisions

Provisions are recognized when the Centre has a present legal or constructive obligation as a result of past events, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.9 Employee benefits

3.9.1 Provident fund

Defined contributory provident fund for all eligible employees for which contributions are charged to income and expenditure account.



**MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

4 Property and equipment

PARTICULARS	Building	Office Equipment	Vehicle	Furniture and Fixture	Crockery Items	It Equipment	TOTAL
	(R u p e e s)						
Year ended 30 June 2016							
Opening net book value	1	508	1	736	1,793	155,064	158,103
Addition during the year							-
Depreciation	-	-	-	-	-	(46,519)	(46,519)
Closing net book value	<u>1</u>	<u>508</u>	<u>1</u>	<u>736</u>	<u>1,793</u>	<u>108,545</u>	<u>111,584</u>
At 30 June 2016							
Cost	1	508	1	736	1,793	182,417	185,456
Accumulated depreciation	-	-	-	-	-	(73,872)	(73,872)
Net book value	<u>1</u>	<u>508</u>	<u>1</u>	<u>736</u>	<u>1,793</u>	<u>108,545</u>	<u>111,584</u>
Year ended 30 June 2017							
Opening net book value	1	508	1	736	1,793	108,545	111,584
Addition during the year							-
Depreciation	-	-	-	-	-	(32,563)	(32,563)
Closing net book value	<u>1</u>	<u>508</u>	<u>1</u>	<u>736</u>	<u>1,793</u>	<u>75,981</u>	<u>79,020</u>
At 30 June 2017							
Cost	1	508	1	736	1,793	182,417	185,456
Accumulated depreciation	-	-	-	-	-	(106,436)	(106,436)
Net book value	<u>1</u>	<u>508</u>	<u>1</u>	<u>736</u>	<u>1,793</u>	<u>75,981</u>	<u>79,020</u>

4.1 Operating fixed assets donated by ICRC to MPRC as follows:

- Building for MPRC office
- Toyota Hiace
- Diesel generators
- Water pump
- IT equipment
- Furniture and fixtures
- Office equipment

Committee of Red Cross while handing over the centre to MPRC. Total of these assets are 3,080 which includes 1 building, 1 toyota hiace, office equipment items 516, furniture & fixture items 730, crockery items 1,793 and IT equipment items 39. All of these assets and liabilities were handed over to the management of the Centre as on December 31, 2013.

MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
5 Cash and Bank			
Cash in hand		70,526	109,321
Cash at bank - saving accounts		72,342,201	57,177,697
		<u>72,412,727</u>	<u>57,287,019</u>
6 Donations from ICRC			
Donation in cash	6.1	21,000,000	29,400,000
Donation in kind	6.1 & 8.1	31,548,844	23,376,212
		<u>52,548,844</u>	<u>52,776,212</u>

6.1 Receipts from International Committee of the Red Cross (ICRC)

ICRC will provide total funding to MPRC from the year 2014 to 2018 amounting to cash Rs. 126,000,000/- and in kind Rs. 138,600,000/- as per the Cooperative Agreement between the Muzaffarabad Physical Rehabilitation Centre (MPRC) and International Committee of the Red Cross (ICRC)

	Note	2017 Rupees	2016 Rupees
7 Personnel Cost			
Salaries & benefits		19,069,979	19,542,608
Tea items for employees		-	133,128
Medical cost		36,455	60,400
Technical Employees Dress		-	18,560
		<u>19,106,434</u>	<u>19,754,696</u>
8 Project Cost			
Patient cost		1,377,063	1,425,691
Inventory - Local purchase		160,359	178,800
Inventory received from ICRC	8.1	24,789,487	22,025,442
Medical items		1,348	5,800
Patient transportation		77,890	22,320
		<u>26,406,147</u>	<u>23,658,053</u>

MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
8.1 Inventory received from ICRC			
Opening inventory		17,855,676	16,504,906
Received during the year		31,548,844	23,376,212
Closing inventory		(24,615,033)	(17,855,676)
Consumed during the year		<u>24,789,487</u>	<u>22,025,442</u>

8.1.1 The inventory has been recorded at cost as recognising it on NRV doesnot depict true financial position of the the financial statements.

	Note	2017 Rupees	2016 Rupees
9 Operational cost			
Fuel		641,720	487,700
Electricity expense		525,893	523,438
Gas expenses		140,240	214,920
Water charges		48,000	48,000
Housing and cleaning materials		192,668	211,115
Printing and stationary		81,459	80,303
Postage and communication expenses		66,861	81,661
Repairs and maintenance-Building		70,282	83,106
Repairs and maintenance-Machines		33,264	9,910
Repairs and maintenance-Vehicles		995	1,170
Spares-Vehicle and generator		70,721	52,785
Advertisement		2,756	45,420
MPRC Website Development		4,400	-
Travelling, boarding and lodging		33,882	83,775
Bank charges		(4,857)	(3,206)
Gardner services		699	-
Refilling of fire extinguishers		18,670	-
Newspaper subscription		5,464	16,027
Goods transportation		10,630	7,050
Refreshment expenses		17,769	3,797
Audit fee		68,000	68,000
Depreciation		32,563	46,519
IT material		33,344	42,530
Training		2,500	-
		<u>2,097,922</u>	<u>2,104,020</u>

Signature

**MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

10 General

The financial statements were authorized for issue on 04.04.2018 by the Board of Directors of the Centre.

All the figures have been rounded off to the nearest rupee.

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CHAIRMAN
(Board of Directors)

[Handwritten signature]

DIRECTOR



NASIR JAVAID MAQSOOD IMRAN
Chartered Accountants

Islamabad Office:
Office # 12 & 13 3rd Floor
Fazal Arcade,
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Tel: 051-2228138
Fax: 051-2228139
E-mail:
njmiconsultants@gmail.com
islamabadoffice@njmi.net

Mr. Bilal Zafar
Director,
MPRC,
Muzaffarabad

Ref: AUDIT/MPRC/2017

March 15th, 2018

Respected Sir,

As a part of our audit of the financial statements of Muzaffarabad Physical Rehabilitation Centre herein referred as "organization" for the period from July 01, 2016 to June 30, 2017; we enclose **management letter** which highlights certain issues/observations and weaknesses in the internal controls, which we believe, require your attention.

RESPONSIBILITIES OF THE AUDITORS AND THE MANAGEMENT IN RELATION TO THE FINANCIAL STATEMENTS

The responsibilities of the independent auditors in a usual examination of financial statements are explained in International Standard on Auditing. While the auditor is responsible for forming and expressing his opinion on the financial statements, the responsibility to establish internal control, and prepare and present financial statements in conformity with identified financial reporting framework is that of the Management. The Management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies and safeguarding of the assets of the organization. The audit of the financial statements does not relieve the Management of its responsibilities. Accordingly, our examination of the books of account and records should not be relied upon to disclose all the errors or irregularities, which are not material in relation to the financial statements.

We must point out that, as auditors of the organization, we are not required to carry out an examination and report on the adequacy and effectiveness of the internal control system and make recommendations thereon. Therefore, our ensuing observations and comments are being submitted as a part of our client service in order to provide you with our insights into certain important aspects of accounting system related matters of the organization.

Finally, we wish to place on record our appreciation for the courtesy and cooperation extended to us by the operational management and staff of the organization at all levels during the course of our audit.

Sincerely,


Imran-ul-Haq

(Partner)

Karachi Office:

904, 9th Floor, Q.M. House, Plot No. 11/2, Ellander Road, Opp. Shaheen Complex, Off. I.I Chundrigar Road, Karachi Pakistan
Tel: 021-32212382, 32212383, 32211516, Fax: 021-32211515

Lahore Office:

Office # 1102, Al-Hafeez Heights, 66-D/1, Ghalib Road, Gulberg-III, Lahore
Tel: 042-35754821-22, Fax: 042-36317513, E-mail: nasirg@wol.net.pk

Observation # 1

It was observed that the store keeper manually inputs data into the inventory system from store sheets at the end of each day.

Consequences / Risk

Manual data entry is not time efficient and is prone to high risk of human error.

Recommendation

Organization should invest in a computerized inventory system which will result in time savings, increased efficiency and reduced error risk in inventory processes.

Management Response

Development of new software is in under process at national level under Rehab Initiative and is planned to be piloted at MPRC. All store entries are made in excel based software with monthly and yearly closing in hard copies. Inventory is also verified end of year . MPRC consumption of materials to the ICRC is also reported with each new demand. Store checks are also carried out during ICRC monitoring and evaluation visits.

Observation # 2

The organization uses an excel based inventory management system to record its inventory.

Consequences / Risk

Using an excel based system has the following disadvantages:

- Accuracy is difficult and tedious to maintain
- No real time asset tracking
- Unnecessary time wastage updating the excel sheets and keeping track of items
- Limited user access (Only one user can access the system at a given time)
- Unauthorized user can access and edit the data with no way to identify the changes that have been made.

Recommendation

Organization should invest in a custom inventory management system and provide appropriate training to the staff.

Management comments

MPRC keeps inventory record both in soft data and printed hard copies bearing signatures of responsible persons. All the inventory items have been attributed with hard copy record. List of all donated items record is also annex of the MoU between ICRC and MPRC and copies exists with the donor organization as well . All inventory items have been also tagged with allotted code for traceability.

Auditors comments

We are of the view that managing inventory in an excel based system is inefficient, time consuming and lacks important features of an inventory management system.