

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Water and Sanitation Services Peshawar

Review Report on the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Water and Sanitation Services Peshawar for the year ended 30 June, 2023.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Rules.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Rules requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended 30 June, 2023.

Zahid Jamil & Co
Chartered Accountants
Peshawar
Date:
UDIN:



Local Government Complex, Khyber Pakhtunkhwa
Plot No: 33, Street No. 13, Sector E-8, Phase-VII, Hayatabad, Peshawar

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of company **Water and Sanitation Services Peshawar (WSSP)**

Name of the line ministry **Local Government, Election and Rural Development, Khyber Pakhtunkhwa**

For the year ended **June 30, 2023 (Reporting date)**

- I. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called “the Rules”) issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.
- II. The company has complied with the provisions of the Rules in the following manner:
- III.

Sr. No.	Provision of the Rules	Rule no.	Y	N	Remarks																																
			Tick the relevant																																		
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓		On 20-06-2023 just 10 days before the Closure of Financial year 2023, the Caretaker Govt. of KP removed all the Independent Directors.																																
2.	<div> The Board has at least one-third of its total members as independent directors. At present the Board includes: </div> <table> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> <tr> <td rowspan="8">Independent Directors</td> <td>1.Mr. Muhammad Rizwan Khan,</td> <td>24-01-2022</td> </tr> <tr> <td>2.Mr. Gul Badshah</td> <td>24-01-2022</td> </tr> <tr> <td>3.Mr. Asif Khan</td> <td>24-01-2022</td> </tr> <tr> <td>4.Dr. Humaira Gillani</td> <td>24-01-2022</td> </tr> <tr> <td>5.Gul Zada Khan</td> <td>24-01-2022</td> </tr> <tr> <td>6.Mr. Zarak Khan</td> <td>24-01-2022</td> </tr> <tr> <td>7.Muhammad Sabur Sethi</td> <td>24-01-2022</td> </tr> <tr> <td>8.Syed Shah Hussain</td> <td>24-01-2022</td> </tr> <tr> <td>Executive Director</td> <td>Mr. Hassan Nasir</td> <td>07-01-2021</td> </tr> <tr> <td rowspan="4">Non-Executive Directors (Ex-Officio Positions)</td> <td>1. Muhammad Ayaz Secretary Finance Department</td> <td>13-01-2023</td> </tr> <tr> <td>2.Mr. Aamer Afaq Secretary LGE & RD Department</td> <td>31-03-2023</td> </tr> <tr> <td>3. Mr. Shah Fahad DC Peshawar</td> <td>16-02-2023</td> </tr> <tr> <td>4. Mr. Hamid Mansoor RMO Peshawar</td> <td>31-10-2022</td> </tr> </table>	Category	Names	Date of appointment	Independent Directors	1.Mr. Muhammad Rizwan Khan,	24-01-2022	2.Mr. Gul Badshah	24-01-2022	3.Mr. Asif Khan	24-01-2022	4.Dr. Humaira Gillani	24-01-2022	5.Gul Zada Khan	24-01-2022	6.Mr. Zarak Khan	24-01-2022	7.Muhammad Sabur Sethi	24-01-2022	8.Syed Shah Hussain	24-01-2022	Executive Director	Mr. Hassan Nasir	07-01-2021	Non-Executive Directors (Ex-Officio Positions)	1. Muhammad Ayaz Secretary Finance Department	13-01-2023	2.Mr. Aamer Afaq Secretary LGE & RD Department	31-03-2023	3. Mr. Shah Fahad DC Peshawar	16-02-2023	4. Mr. Hamid Mansoor RMO Peshawar	31-10-2022	3(2)	✓		On 20-06-2023 just 10 days before the Closure of Financial year 2023, the Govt. of KP removed all the Independent Directors.
Category	Names	Date of appointment																																			
Independent Directors	1.Mr. Muhammad Rizwan Khan,	24-01-2022																																			
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3	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(4)	✓		
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.	3(6)	✓		
5.	The Chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓		
6.	The chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government.	4(4)	✓		Appointed by the Government of KP.
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the chief executive has been nominated by the Government)	5(2)	✓		No Appointment of the Chief Executive was made during the year.
8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (Address of website to be indicated www.wssp.gkp.pk) (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓		
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓		
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5) (b) (ii)	✓		
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b) (vi)	✓		
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c) (ii)	✓		
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c) (iii)	✓		
14.	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓		
15.	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✓		

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16.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	✓	No matter of action was reported in the year..
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✓	
18.	(a) The Board has met at least four times during the year. (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓	Only 2 Board Meeting were conducted during the year. The Caretaker Govt. of KP banned the scheduling of the Board and Committee Meetings on 02-05-2023 and removed all the Independent Directors on 20-06-2023
19.	The Board has monitored and assessed the performance of senior management on annual/ half-yearly/ quarterly basis* and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8 (2)	✓	Performance appraisals of only the CEO was carried out during the year. While that of all the remaining Senior Management was not undertaken due to removal all the Independent Directors by the Caretaker Govt. of KP.
20.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓	No related party transactions have taken place during the prescribed period.

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21.	(a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end. (b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors. (c) The Board has placed the annual financial statements on the company's website.	10		✓	Due to backlog in the adoption of yearly Financial Statements by the Members of the Board of Directors in its General Meetings as per time frame mentioned in the Companies Act 2017 as well as removal all the Independent Directors and ban of holding Board / Committee meetings by the Caretaker Govt. of KP the quarterly Financial Statements of the year 2023 was not approved by the Board.																		
22.	All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11		✓	4 out of 8 Directors underwent Directors Training program through the LUMS Lahore during the year.																		
23.	(a) The Board has formed the requisite committees, as specified in the Rules. (b) The committees were provided with written term of reference defining their duties, authority and composition. (c) The minutes of the meetings of the committees were circulated to all the Board members. (d) The committees were chaired by the following non-executive directors: <table border="1"><thead><tr><th>Committee</th><th>Number of Members</th><th>Name of Chair</th></tr></thead><tbody><tr><td>Audit Committee</td><td>5</td><td>Mr. Aasif Khan</td></tr><tr><td>Finance Committee</td><td>6</td><td>Mr. Gul Zada Khan</td></tr><tr><td>Human Resources Committee</td><td>7</td><td>Mr. Gul Badshah</td></tr><tr><td>Procurement Committee</td><td>5</td><td>Dr. Humaira Gilani</td></tr><tr><td>Nomination Committee</td><td>4</td><td>Mohammad Sabur Sethi</td></tr></tbody></table>	Committee	Number of Members	Name of Chair	Audit Committee	5	Mr. Aasif Khan	Finance Committee	6	Mr. Gul Zada Khan	Human Resources Committee	7	Mr. Gul Badshah	Procurement Committee	5	Dr. Humaira Gilani	Nomination Committee	4	Mohammad Sabur Sethi	12		✓	On 20-06-2023 just 10 days before the Closure of Financial year 2023, the Govt. of KP removed all the Independent Directors. All the members of the Committees served till 19-06-2023. To get all the members of the Audit Committee being financial literate, the matter will be taken up with the nominating body through the Board.
Committee	Number of Members	Name of Chair																					
Audit Committee	5	Mr. Aasif Khan																					
Finance Committee	6	Mr. Gul Zada Khan																					
Human Resources Committee	7	Mr. Gul Badshah																					
Procurement Committee	5	Dr. Humaira Gilani																					
Nomination Committee	4	Mohammad Sabur Sethi																					
24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13		✓	The mentioned officers were appointed in the preceding years by the Board																		
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14		✓																			

26.	The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓		
27.	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓		
28.	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	18	✓		Before every Board, Committee and Procurements Meeting all the participants are required to sign the No Conflict of Interest declarations.
29.	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. (b) The annual report of the company contains criteria and details of remuneration of each director.	19	✓		The directors are working without any remunerations (except reimbursement of travelling expenses and Meeting Fee for attending the Board and Committee Meetings in compliances with the regulations for Not-for-Profit Organization 2018. (Amended February 2021)
30.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.	20	✓		

Signature

Local Government Complex, Khyber Pakhtunkhwa
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31.	<p>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:</p> <table><tr><th>Name of member</th><th>Category</th><th>Professional background</th></tr><tr><td>Mr. Aasif Khan</td><td>Independent Director</td><td>Journalist</td></tr><tr><td>Syed Shah Hussein</td><td>Independent Director</td><td>Water and sanitation expert</td></tr><tr><td>Mr. Zarak Khan</td><td>Independent Director</td><td>Electrical Engineer and Entrepreneur</td></tr><tr><td>Secretary Finance Dept. KP Peshawar</td><td>Ex-Officio Director</td><td>Administration and Finance</td></tr><tr><td>DC Peshawar</td><td>Ex-Officio Director</td><td>Administration and Finance</td></tr></table>	Name of member	Category	Professional background	Mr. Aasif Khan	Independent Director	Journalist	Syed Shah Hussein	Independent Director	Water and sanitation expert	Mr. Zarak Khan	Independent Director	Electrical Engineer and Entrepreneur	Secretary Finance Dept. KP Peshawar	Ex-Officio Director	Administration and Finance	DC Peshawar	Ex-Officio Director	Administration and Finance	21 (1) and 21(2)		✓	All the Members of the Committee are not financial literate. On 20-06-2023 just 10 days before the Closure of Financial year 2023, the Caretaker Govt. of KP removed all the Independent Directors. All the members of the Audit Committee served till 19-06-2023
Name of member	Category	Professional background																					
Mr. Aasif Khan	Independent Director	Journalist																					
Syed Shah Hussein	Independent Director	Water and sanitation expert																					
Mr. Zarak Khan	Independent Director	Electrical Engineer and Entrepreneur																					
Secretary Finance Dept. KP Peshawar	Ex-Officio Director	Administration and Finance																					
DC Peshawar	Ex-Officio Director	Administration and Finance																					
32.	<p>(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.</p> <p>(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.</p>	21(3)	✓																				
33.	<p>(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.</p> <p>(b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.</p> <p>(c) The internal audit reports have been provided to the external auditors for their review.</p>	22	✓																				
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan	23(4)	✓																				
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓																				

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On behalf of the Board of Directors

Chief Executive Officer
Water and Sanitation Services Peshawar

Director
Water and Sanitation Services Peshawar

Dated:

Local Government Complex, Khyber Pakhtunkhwa
Plot No: 33, Street No. 13, Sector E-8, Phase-VII, Hayatabad, Peshawar

SCHEDULE II

Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with (except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year):

S. No	Rule / Sub Rule no.	Reasons for non-compliance	Future course of action
1	6(1) 6(2) 6(3)	Only 2 Board Meeting were conducted during the year. The Caretaker Govt. of KP banned the scheduling of the Board and Committee Meetings on 02-05-2023 and removed all the Independent Directors on 20-06-2023.	All the Directors are nominated by the Govt. of KP under 165 of the Companies Act 2017. It's the responsibility of the Govt. of ensure availability of the Directors throughout the year. The Govt. Administrative Department of the Company has been duly informed in this regard.
2	8 (2)	Performance appraisals of only the CEO was carried out during the Financial Year 2023, While that of all the remaining Senior Management was not undertaken due to removal all the Independent Directors by the Caretaker Govt. of KP.	In the following financial year i.e. 2024, all the performance appraisals of the Senior Management staff have been carried by the Board
3	10	Due to backlog in the adoption of yearly Financial Statements by the Members of the Board of Directors in its General Meetings as per time frame mentioned in the Companies Act 2017, as well as removal all the Independent Directors and ban of holding Board / Committee meetings by the Caretaker Govt. of KP the quarterly Financial Statements of the year 2023 was not approved by the Board.	The new independent Directors are nominated by the Govt. of KP in December 2023, the compliance of the rule will be ensured in the financial year 2024.
4.	21(1) & 21(2)	On 20-06-2023 just 10 days before the Closure of Financial year 2023, the Caretaker Govt. of KP removed all the Independent Directors. All the members of the Audit Committee served till 19-06-2023. To get all the members of the Audit Committee being financial literate, the matter will be taken up with the nominating body through the Board.	All the members of the Audit Committee constituted under the nomination of new independent Directors in December 2023 by the Caretaker Govt. of KP are financial literate.

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On behalf of the Board of Directors

Chief Executive Officer

Chairman / Independent Director