

Audited Project Financial Statements

Project Number: 47341

Loan Number: 3118

Period covered: 2015-16 (combined from 2014 to 2016)

IND: South Asia Subregional Economic Cooperation Road Connectivity Investment Program - Tranche 1

Prepared by: Ministry of Roads Transport and Highways (MoRTH) and West Bengal Public Works Department

For the Asian Development Bank
Date received by ADB: 1 June 2017

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy (2011) and as agreed between ADB and Public Works Department, Government of Chhattisgarh.

**REVISED AUDITED PROJECT FINANCIAL STATEMENTS (APFS)
STANDARD REVIEW CHECKLIST**

Project Number/Title: 3118-IND: South Asia Sub-regional Economic Co-operation (SASEC)
Road Connectivity Investment Program—Tranche 1

Executing Agency: Ministry of Road Transport and Highways (MORTH) and West Bengal
Public Works Department
***(Note: Separate APFS of Manipur for components B & C and
MoRTH for component A still to be received)***

Implementing Agency(ies): Ministry of Road Transport and Highways and West Bengal Public
Works Department

Name of Auditor: Deputy Director (Inspection), Principal Director of Audit Central,
Kolkata

For Fiscal Year Ended: 2015-16 (combined from 2014 to 2016)

Date APFS Received: 1 June 2017
(Note: Two Audit certificates submitted for a) AH 48 project and b) AH
02 Corridor)

Item	Yes	No	n/a	Remarks
A. BASIC REQUIREMENTS				
1. Auditor is acceptable (an independent auditor whose qualifications, experience, and terms of reference are acceptable to ADB)	√			Principal Director of Audit Central, Kolkata
2. Submission of complete requirements:				
2.1. Auditor's opinion on the project financial statements	√			
2.2. Management letter			√	No separate management letter although audit observations formed part of the report.
2.3. Audited project financial statements, including notes thereto		x		Only a basic statement of SOE provided in lieu of APFS. Email received from Mr. Nirmal Mandal, PD AH-2 assuring that APFS in ToR format will be prepared for FY 2016-17

Item	Yes	No	n/a	Remarks
2.4. Specific auditor's opinions on: (i) use of proceeds for purpose(s) intended, (ii) compliance with financial covenants, where applicable, (iii) compliance with statement of expenditure (SOE) procedures*, and (iv) compliance with imprest fund procedures*. * These opinions are not required for all projects that commence fact-finding on or after 15 October 2015.	√		√	i) Language used 'expenditures are eligible for financing' can be understood to mean 'use of proceeds for purposes intended' iii) Language used 'adequate supporting documents...' can be understood to mean 'compliance with SOE procedures'
3. Audit report and APFS are in English language	√			
4. Audit report and APFS received within covenanted period		x		Late by 8 months. Due on 30 September 2016
B. AUDITOR'S OPINIONS				
5. Auditor's opinion format is in accordance with recognized standards (e.g., International Standards on Auditing or ISA):				
5.1. Does it clearly state the financial reporting framework applied and the auditing standards used	√			
5.2. Does it provide a definite or a clear expression/ opinion on whether the financial statements are presented fairly or give a true and fair view [if not, specialist advice should be sought]	√			
5.3. Does the auditor's opinion on the financial statements include the following elements: (i) title (ii) addressee (executing agency and/or borrower), (iii) identification of the financial information audited, (iv) management's responsibility, (v) description of the auditor's responsibility, (vi) expression of an opinion, (vii) auditor's signature, (viii) date of the audit report (ix) the auditor's address and (x) emphasis of matter paragraph (where applicable).	√			
6. Auditor's opinion on APFS: Did the auditor use one of these phrases to express their (unqualified) opinion in accordance with ISA: (i) The financial statements present fairly, in all material respects, ... in accordance with [the applicable financial reporting framework]; or (ii) The financial statements give a true and fair view of ... in accordance with [the applicable financial reporting framework] [If not, specialist advice should be sought].	√			
C. AUDITED PROJECT FINANCIAL STATEMENTS				


Item		Yes	No	n/a	Remarks
7.	Project financial statements are clear and cover key items of receipts and expenditures:				APFS not submitted. Only details of SOE amounts given. Email received from Mr. Nirmal Mandal, PD AH-2 assuring that APFS in ToR format will be prepared for FY 2016-17
	7.1 Summary of funds received by all sources (e.g., OCR, ADF, government, cofinanciers)		x		
	7.2 Expenditure categorization and analysis are representative of project activities and are consistent with the categories in the loan/grant agreement and the cost estimates		x		
	7.3 Opening and closing cash balances (and increases and decreases, where applicable) are presented		x		
8.	Project financial statements are complete and contain all key components e.g., statement of cash receipts and payments, statement of budgeted versus actual expenditure, imprest account statement (where applicable), summary statement of expenditures (where applicable)		x		
9.	Project financial statements include figures for the current year, previous year, and cumulative to date		x		First submission
10.	Notes to the financial statements are provided which include significant accounting policies and explanatory notes including a description of the project and financial reporting framework applied		x		Audit observations contain some project information
11.	Financial statements are signed and dated	√			
12.	Analytical review:				
	12.1 Is the financial information consistent with ADB's own records (e.g., LFIS/GFIS Statement of Loans and Statement of Disbursements)		x		As per Audit certificate: AH 48 sources of funds: Rs.149.64 crore AH-2 sources of funds: RS.186.49 crore As per ADB: Total: Rs.45.38 crores Reconciliation requested

Item		Yes	No	n/a	Remarks
12.2	Are there any expenditures that appear unusual or ineligible? Project Team must consult CTL where ineligible or unusual expenditures are noted, for appropriate treatment and approach.			x	Not enough information provided to conclude on this
12.3	Are there trends or comparisons that should be clarified			x	As in 12.2
12.4	Are reported expenditures within budget and consistent with the cost estimates and loan/grant allocations, and eligible ADB financing percentages			x	As in 12.2
12.5	Are there significant computational errors and/or inconsistencies in the information presented			x	As in 12.2
12.6	Are there any indications of fraud and corruption noted in the review? Project Team may consult OAI where the review might indicate any cases of fraud and corruption, for further evaluation.		√		
12.7	Any other observations		√		
D.	MANAGEMENT LETTER				
13.	Management letter provided includes:			√	Separate ML not provided. Audit certificate includes 'Audit Observations' including matters of financial and non-financial nature
13.1	Any weaknesses in the accounting and internal control systems that were identified during the audit, including any irregularity in the use of the imprest fund and SOE procedures (where applicable)	x			
13.2	Any identified internal control weaknesses related to the procurement process such as, over the bidding, evaluation and contract management domains		√		
13.3	Details of any ineligible expenditure identified during the audit including identifying the financier to whom the ineligible expenditure relates to. Expenditure is considered ineligible if it refers to expenditures incurred for purposes other than the ones intended under the legal agreement(s); expenditures not allowed under the terms of the legal/financing agreements; and expenditures incurred in violation of applicable government regulations. Project Team must consult CTL where ineligible or unusual expenditures are noted, for appropriate treatment and approach.	x			Clarify on the irregular payment.
13.4	Recommendations to rectify identified weaknesses			√	
13.5	Management's comments on the audit recommendations along with the timeframe for implementation		x		
13.6	The status of significant matters raised in previous management letters			√	First APFS under this loan

Item	Yes	No	n/a	Remarks
13.7 Details on any findings relating to fraud and/or corruption. Project Team must consult OAI where fraud and corruption are noted by auditors, for appropriate treatment and approach.		√		
13.7 Any other matters that the auditor considers should be brought to the attention of the project's management		√		
E. CONCLUSION, PUBLIC DISCLOSURE, AND FOLLOW-ON ACTIONS (if any)				
14. Conclusion: The reviewer should conclude whether or not the submission is acceptable to ADB in substance and form.				
Acceptability	Yes	No		Remarks
14.1. Completeness and quality of the audited project financial statements and the audit report		x		APFS as per ToR not submitted. Only a basic statement of expenditures under SOE provided
14.2. Received within covenanted period (timeliness)		x		
14.3. Any audit modifications or significant issues requiring follow-up action	√			
1. APFS not submitted. Only a basic statement of expenditure provided. Email received on 9.6 2017 from Mr. Nirmal Mandal, PD AH-2 assuring that APFS in ToR format will be prepared for FY 2016-17. 2. Reconciliation between ADB's LFIS (Rs. 45.38 crore) and Audit certificate (AH 48:Rs. 149.64 crore and AH2: Rs.186.49 crore) requested. 3. Explanation requested for Audit Observations, especially of financial nature.				
15. Public Disclosure	Yes	No		Remarks
15.1. Are the APFS subject to public disclosure (indicate date of issuance of invitation to negotiate in the remarks)	√			As per 2.09 (b) of the Project Agreement
15.2. The APFS and the auditor's opinion thereon have been separated from the management letter and other documents (e.g., audited entity financial statements) and uploaded to eOps and submitted for disclosure				No management letter submitted
15.3. Record the following dates: (i) date of uploading in eOps _____ (ii) latest date for disclosure _____				
15.4. The APFS and the auditor's opinion thereon do not contain references to disputed territories or geographic areas, or any other issues which may have reputational impact to the DMC or to ADB (if no, DER, OSFM and OGC guidance must be sought)		√		
15.5. The APFS and the auditor's opinion can be publicly disclosed (if no, DER, OSFM and OGC guidance must be sought)	√			

Item	Yes	No	n/a	Remarks
16. Follow-on actions needed				
				<ol style="list-style-type: none"> 1. Please reconcile amounts between ADB's LFIS (Rs. 45.38 crore) and Audit certificate (AH 48:Rs. 149.64 crore and AH2: Rs.186.49 crore). 2. Please provide explanations to audit observations especially regarding irregular payments in AH 02. 3. Please ensure APFS is prepared in ToR format from FY 2016-17 and onwards. Please be guided by CAG-approved ToR for APFS format. 4. Please ensure submission within due date of 30 September following the financial year end from FY 2016-17 and onwards. 5. Submit for disclosure. <p>See letter to EA/IA.</p> <p>Please follow up APFS for Manipur and MoRTH components for FY 2015-16.</p>

The review and endorsement process, and the contents of the box below, will vary by regional department.

Prepared by: Kshama V Kaushik	Endorsed by: 
Date: 9 June 2017	Yoshinobu Tatewaki Principal Portfolio Management Specialist Unit Head, Portfolio Management, INRM, ADB
	Date: _____
	CHECKED JUN 30 2017

Please note: This review checklist is not exhaustive and does not apply to all situations. It should be used in conjunction with the *Guidance Note on Using the APFS Standard Review Checklist*. Its use requires due care and judgment. Please seek specialist advice where more technical input is required.