

Audited Project Financial Statements

Project Number: 39295
Loan/Grant Number: 3142-BAN(SF)
Period covered: FY 2015-2016

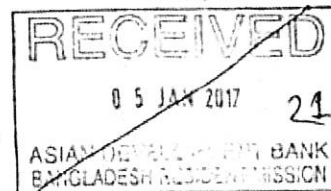
BAN: Third Urban Governance and Infrastructure Improvement (Sector) Project (UGIIP III)

Prepared by the Local Government Engineering Department (LGED),
Ministry of Local Government, Rural Development and Cooperatives

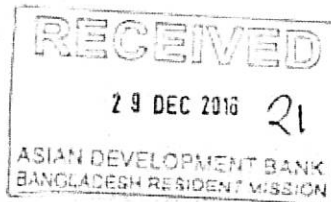
For the Asian Development Bank
Date received by ADB: 29 December 2016

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Foreign-Aided Projects Audit Directorate
Audit Complex (6th Floor)
Segunbagicha, Dhaka.



NO: 453 /FAPAD/S-3/ADB/2015-2016/



Date: - 12 -2016.

Secretary,
Local Government Division
Ministry of LGRD and Co-operatives
Bangladesh Secretariat, Dhaka.

Sub: Audit Inspection Report (AIR) on the Accounts of "Third Urban Governance and Infrastructure Improvement (Sector) Project (UGIIP-III)" financed by ADB Loan No. 3142 BAN (SF) & OFID Loan No 1626-P for the year 2015-2016.

The Auditor's Report along with a Management Letter containing audit observations on the accounts of the above mentioned project is enclosed for your kind information and necessary action.

Enclosure:

1. Auditor's Report
2. Financial Statements
3. Management letter
4. Audit opinion on Special Account Statement
5. Audit opinion on SOE

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(Md. Abul Kalam Azad)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate
Tel: 9362478

NO: 453 /FAPAD/S-3/ADB/2015-2016/ 72

Date: 29-12 -2016.

Copy for information and necessary action to :-

1. Country Director, Asian Development Bank (ADB), E-31, Agargaon, Sher-e-Bangla Nagar, Dhaka.
2. Chief Engineers, Local Government Engineering Department, LGED Bhaban, Agargaon, Dhaka.
3. Project Director, "Third Urban Governance and Infrastructure Improvement (Sector) Project (UGIIP-III)", Local Government Engineering Department, Level-12, LGED Bhaban, Agargaon, Dhaka.

- a) Replies/comments on the Auditor's Report and Management Letter may please be sent to the undersigned within 35(thirty five) days of receipt of this letter in your office.
b) Observations in Part-B (Ordinary) should be responded to FAPAD directly.

4. Office Copy.

(Md. Abul Kalam Azad)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate
Tel: 9362478.

Audit Inspection Report

On

The Accounts of
*"Third Urban Governance and Infrastructure Improvement
(Sector) Project (UGIIP-III)"*

Financed by
ADB Loan No. 3142 BAN (SF)
&
OFID Loan No.1626-P

For the year 2015-2016.

Part-I

Executive Summary
&
Audit Finding

Foreign Aided Project Audit Directorate
Segunbagicha, Dhaka.

INFORMATION REGARDING AUDIT

- Name of the Audit Unit : *"Third Urban Governance and Infrastructure Improvement (Sector) Project (UGHP-III)"*
- Nature of Audit : Financial Audit.
- Year of Audit : 2015-2016
- Duration of Audit : 05-09-2016 to 06-12-2016.
- Audit Team : Party No.-19 (Reporting Team)

✓ Md. Mofizur Rahman, Audit & Accounts Officer.

✓ Abdul Wahab, Auditor.

Team No-17

✓ Touhidur Rahman, Audit & Accounts Officer

✓ G.M Johurul Siddique, Auditor

Team No-21

✓ Golam Mohammad Sarkar, Audit & Accounts Officer

✓ Anuj Chandra Paul, Auditor

- Audit Methodology : ❖ Verification of F/S
- ❖ Test checking of relevant vouchers.
- Scope of Audit : ❖ Certification of Annual Financial Statement.
- ❖ Audit opinion is limited to the fund receipts and expenditure incurred by the project authority.
- ❖ Review of Financial Management & Internal Control Systems.
- ❖ Equipment management.

- Project Duration : 6 (Six) Years.
- Commencement : 01-07-2014.
- Completion : 30-06-2020.
- Total Estimated Cost : Tk.260048.42 lakh (GOB-72,847.95, PA-187,200.47).
- Current cost : TotalTk.20810.93 lakh
- GOB-Tk.8346.14 lakh
- PA-Tk.12464.79 lakh.(ADB 10290.06 + OFID 2174.73)

- **Fund management system**

: **GOB fund:** Funds are allocated by Government of Bangladesh to cover GoB's share of eligible project expenditures. The Ministry of LGRD & Co-Operatives released GOB fund with the concurrence of the Ministry of Finance. The Project Director's office withdrew the fund submitting bills to the Chief Accounts officer, M/O LGRD & Co-operatives.

Donor Fund (RPA): Imprest Account was maintained with the Bangladesh Bank for ADB Loan No.3142-BAN (SF) and another Imprest account for OFID Loan No- 1626 P. The project authority maintained for ADB operating accounts with Agrani Bank Limited, Green Road Corporate Branch, Dhaka having STD account No-0200003925719 and for OFID operating accounts with Agrani Bank Limited, Jatiya Press Club Branch, Dhaka having STD account No-0200005208175.

DPA Fund: DPA fund was disbursed by the Donor during the year.

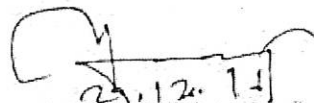
- **Executing Ministry** : Ministry of LGRD and Co-operatives.
- **Implementing Agency** : Local Government Engineering Department (LGED)
- **Funding Agency** : Asian Development Bank (ADB)
- **Project Objective** :
 - I. Strengthen pro-poor and gender-responsive urban governance and service delivery in 31 Pourashavas of Bangladesh.
 - II. Develop these Pourashavas in an integrated and holistic way both in terms of governance and infrastructure featured by improve municipal service delivery, financial sustainability, citizen participation, accountability, inclusiveness, transparency and urban development control.
 - III. out application of governance criteria linked with budget allocation to all class Pourashavas of country.

AUDITOR'S REPORT

Audit completion date.

Secretary
Local Government Division,
Ministry of Local Government, Rural Development
and Co-operatives,
Bangladesh Secretariat, Dhaka.

- I. We have audited the accompanying financial statement of "*Third Urban Governance and Infrastructure Improvement (Sector) Project (UGIIP-III)*" financed by ADB Loan No. BAN (SF) 3142 & OFID Loan No 1626-P as at 30th June, 2016 and for the year then ended. Preparation of financial statement is the responsibility of management. Our responsibility is to express an opinion on the financial statement based on our audit.
- II. We conducted our audit to accordance with International Standers on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of materials misstatement. An audit includes examining on a test basis, evidences supporting the amounts and disclosures made in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- III. In our opinion, the Financial Statement gives a fair view of the financial position of "*Third Urban Governance and Infrastructure Improvement (Sector) Project (UGIIP-III)*" as at 30th June, 2016 and the results of its operations and cash flows for the year then ended in accordance with the cash basis of accounting followed by the Government of Bangladesh.
- IV. Opinion status: *Unqualified.*



(Md. Abul Kalam Azad)

Deputy Director

For Director General

Foreign Aided Projects Audit Directorate

Tel: 9362478

Third Urban Governance and Infrastructure
Improvement (Sector) Project (UGIIP-III)
Financial Statement
30th June, 2016

(Figure in Lakh Taka)

Receipts	Notes	Cumulative prior Period	Current Period	Cumulative Current Period
Government of Bangladesh (GOB)	1	322.50	9,990.17	10,312.67
Sub Total (GOB) :		322.50	9,990.17	10,312.67
Loan from Development Partner	2			
ADB				
i) RPA		3,975.58	11,037.97	15,013.55
ii) DPA		-	1,393.18	1,393.18
Sub Total (ADB) :		3,975.58	12,431.15	16,406.73
OFID				
i) RPA		-	4,000.00	4,000.00
ii) DPA		-	-	-
Sub Total (OFID) :		-	4,000.00	4,000.00
Other Receipts (Bank Interest, return received)	3			
ADB		1.67	2.55	4.22
OFID		-	14.69	14.69
Sub Total (Interest) :		1.67	17.24	18.91
Cash opening balance	4			
a) GOB		-	-	-
b) RPA (ADB)		-	3,031.95	-
c) RPA (ADB)		-	-	-
d) RPA (OFID)		-	-	-
Sub Total :		-	3,031.95	-
Total Resources		6,299.75	24,470.51	30,736.31
Expenditure and Cash				
GOB				
Salary & Allowance		57.50	645.30	702.80
Contingency		37.34	178.01	215.35
CD-VAT		-	1,523.72	1,523.72
Civil Works		-	2,945.97	2,945.97
Civil Works others		-	-	-
Equipment and Assets		-	15.12	15.12
Consultancy		227.66	1,038.02	1,265.68
Land Acquisition		-	2,000.00	2,000.00
Sub Total :		322.50	8,346.14	8,668.64
ADB				
Contingency (RPA)		-	17.95	17.95
Training (RPA)		10.90	182.24	193.14
Consultancy (RPA)		934.40	1,125.16	2,059.56
Consultancy (DPA)		-	204.31	204.31
Equipment (DPA)		-	1,188.87	1,188.87

Receipts	Notes	Cumulative prior Period	Current Period	Cumulative Current Period
Equipment (RPA)		-	89.19	89.19
Civil Works (RPA)		-	7,480.67	7,480.67
Civil Works Others (RPA)		-	-	-
Sub Total :		945.30	10,288.39	11,233.69
OEID				
Civil Works (RPA)		-	2,174.73	2,174.73
Civil Works (DPA)		-	-	-
Sub Total :		-	2,174.73	2,174.73
Bank interest deposited govt A/C				
ADB		-	1.67	1.67
OFID		-	-	-
Sub Total :		-	1.67	1.67
Total Payment for the year		1,267.80	20,810.93	22,078.73
Cash Closing Balance				
GOB CD-Vat		-	-	-
Civil Works (GOB)		-	1,644.03	1,644.03
Operating Account PIU (GOB)		-	-	-
Land Acquisition		-	-	-
Sub Total :		-	1,644.03	1,644.03
ADB				
Operating Account ADB (RPA)		1,875.58	2,915.67	2,915.67
PIU Office (RPA) ADB		1,154.70	2,258.36	2,258.36
Bank interest		1.67	1.56	1.56
Sub Total :		3,031.95	5,175.59	5,175.59
OFID				
Operating Account (RPA)		-	1,100.00	1,100.00
Operating Account (PIU)		-	725.27	725.27
Bank interest		-	14.69	14.69
Sub Total :		-	1,839.96	1,839.96
Total Cash Closing Balance		3,031.95	8,659.58	8,659.58
Total Expenditure and Cash		4,299.75	29,470.51	30,738.31

Seen
 Sub-Manager
 (16/12/2016)
 Accounts Officer
 Foreign Aided Projects Audit
 Directorate, Audit Complex,
 Dhaka, Bangladesh

Md. Shafiqul Islam Akand
 Project Director

16/12/16

**Third Urban Governance and Infrastructure
Improvement (Sector) Project (UGIIP-III)
Notes to Financial Statement
30th June, 2016**

1. Government of Bangladesh

Fund are allocated by the Government of Bangladesh to cover GOB's share of eligible project expenditures, as specified in the Project Proforma and in the Annual Development Program for each of the project. Any allocated funds that have not been expended by the end of a fiscal year lapse and must be returned to GOB. GOB contribution to the project since inception are as follows (In Lakh Taka)

	Inception to 30 th June 2015	For the year 2015-2016	Inception to 30th June 2016
Disbursement by GOB	340.00	9999.72	10339.72
Less: Refund to GOB	17.50	9.55	27.05
Total =	322.50	9990.17	10312.67

2. Loan/grant from Development Partner

The ADB and OFID has provided funds to the project to cover it's share of eligible project expenditures. These funds, which must be repaid to ADB & OFID fund after the conclusion of the project, have been drawn by the project in accordance with the following withdrawal procedures (In Lakh Taka)

	Inception to 30 th June 2015	For the year 2015-2016	Inception to 30th June 2016
RPA (ADB)	3975.58	11037.97	15013.55
DPA (ADB)	-	1393.13	1393.18
RPA (OFID)	-	4000.00	4000.00
DPA (OFID)	-	-	-
Total =	3975.58	16431.15	20406.73

3. Other Resources

	Inception to 30 th June 2015	For the year 2015-2016	Inception to 30th June 2016
Project Revenues	NIL	NIL	NIL
Exchange gains/losses	NIL	NIL	NIL
Bank Interest	1.67	17.24	17.24
Total =	1.67	17.24	17.24

4. Cash

The project maintains two bank account, an imprest bank account, or revolving fund, which is kept at Bangladesh Bank to hold funds advanced by ADB, OFID and as an operating accounting which is kept at a commercial bank to hold funds advanced by donor as well as funds transferred from the imprest bank account. Year end cash balances were as follows (In Lakh Taka)

	Inception to 30 th June 2015	For the year 2015-2016	Inception to 30th June 2016
Operating Account PMO (RPA) ADB	1875.58	2915.67	2915.67
PIU office (RPA) ADB	1154.70	2258.36	2258.36
Operating Account PMO (RPA) OFID	-	1100.00	1100.00
Operating Account PIU (RPA) OFID	-	725.27	725.27
Bank Interest	1.67	16.25	16.25
Operating Account PIU (GOB) Sal	-	-	-
Operating Account PIU (GOB) Civ.	-	1644.03	1644.03
GOB-CD VAT	-	-	-
Land acquisition	-	-	-
Total =	3031.95	8659.58	8659.58

(Md. Shafiqul Islam Akand)
Project Director
UGIIP-III, LGED

(Md. Morshed Rahman)
Audit & Accounts Officer
Foreign Aided Projects Audit
Directorate, Audit Complex,
Dhaka, Bangladesh