

# Audited Project Financial Statements

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Project Number: 44167  
Loan 3138(SF)/Grant 0357(EF)  
Period covered: 1 July 2015 to 30 June 2016

## BAN: Flood and Riverbank Erosion Risk Management Investment Program – Project 1

Prepared by the Bangladesh Water Development Board  
for the Asian Development Bank  
Received on 29 December 2016

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 the Ministry of Water Resources.

**Foreign Aided Projects Audit Directorate**  
 Audit Complex (6<sup>th</sup> floor)  
 Segunbagicha, Dhaka.



No:985/FAPAD/S-5/ADB Loan & Netherlands Grant /2015-16/ ১১১

Date:29/12/2016

**The Secretary,**  
 Ministry of Water Resources,  
 Bangladesh Secretariat, Dhaka.

**Sub: Audit Inspection Report on the Accounts of "Flood and Riverbank Erosion Risk Management Investment Program (Tranche-1) Project" Financed under ADB Loan No.3138-BAN (SF) & Netherlands Grant No.0396-BAN (EF) 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 Statement.
3. Management Letter.

*Sd/-*  
 (A K M Jubaer)  
 Deputy Director  
 For Director General  
 Foreign Aided Projects Audit Directorate.  
 Phone: 9356303.


No:985/FAPAD/S-5/ADB Loan & Netherlands Grant /2015-16/ ১১১

Date:29/12/2016

Copy for kind information and necessary action to: -

1. The Secretary, Economic Relations Division (ERD), Ministry of Finance, Sher-e-Bangla Nagar, Dhaka.
2. The Country Director, Asian Development Bank, Bangladesh Resident Mission, Plot No E-31, Sher-E-Banglanagor, Dhaka.
3. **The Project** Director, *Flood and Riverbank Erosion Risk Management Investment Program (Tranche-1) Project*, 152/3/B Bir uttam Nuruzzaman Road Green Road, Feroz Tower (12<sup>th</sup> floor), Dhaka-1205.

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

  
 (A K M Jubaer)  
 Deputy Director  
 For Director General  
 Foreign Aided Projects Audit Directorate.  
 Phone: 9356303.

# **Audit Inspection Report**

**On**

**The Accounts of  
"Flood and Riverbank Erosion Risk Management Investment  
Program (Tranche-1) Project" Financed under ADB Loan  
No.3138-BAN (SF) & Netherlands Grant No.0396-BAN (EF) for  
the Year 2015-2016**

**Part – I**

**Executive Summary  
&  
Audit Findings.**

**Foreign Aided Projects Audit Directorate  
Segunbagicha, Dhaka.**

## Information Regarding Audit

1. **Name of the Audit Unit** : *Flood and Riverbank Erosion Risk Management Investment Program (Tranche-1) Project.*
2. **Nature of Audit** : Financial Audit.
3. **Year of Audit** : 2015-2016.
4. **Duration of audit** : 21.08.2016 to 01.09.16
5. **Name of the Team** : Md: Noman Mahmud, Audit & Accounts Officer  
Md. Zohirul Haque. Super
6. **Audit Methodology** :
  - Test check of vouchers.
  - Verification of F.S.
7. **Scope of Audit** :
  - The Audit was conducted following International standard on Auditing (ISA) and practices of INTOSAI/SAI, Bangladesh and also as per procedures prescribed by GoB and Development Partner.
  - Audit opinion is limited to the fund receipts and expenditure incurred by the project authority.
  - Review of Financial Management, Internal Control Systems.
  - Equipment Management.
8. **Project Duration** : 04 (Four) Years & 09 Months
9. **Commencement of Project** : April, 2014
10. **Completion of project** : December, 2018
11. **Total Estimated Cost** : Tk.82856.00 lakh
12. **Audit status** : 2<sup>nd</sup> year
13. **Current Year Expenditure** : Tk. 20743.41 Lakh  
(GOB= 5800.29 Lac + RPA = 14943.12 LAC)
14. **Sponsoring Ministry** : Ministry of Water Resources
15. **Executing Agencies** : Bangladesh Water Development Board (BWDB).
16. **Funding Agency** : ADB Loan, Netherland grant & GoB.
17. **Fund Management System** :
  - i) **GOB:** GOB fund was released by the Ministry of Water Resources by issuing GO to CAO against ADP allocation and was withdrawn by the respective authority through submitting bills to respective Chief Accounts Office.
  - ii) **PA fund:** According to the Procurement plan project office send withdrawal application along with SOE to the donor. After it, Donor deposits the fund in to the imprest account kept in Bangladesh Bank. Then project authority sent a demand letter to BB as per authorization issued by the Ministry of Finance and BB transfer money to the PD's operating bank A/C. Then project authority incurred expenditure according to the procurement plan. For Imprest account ADB loan No 3138-BAN (SF) was maintained with Bangladesh Bank, Motijheel Dhaka for ADB fund respectively. For PD's operating bank A/C. STD No. 0200003218235 maintained in the Agrani Bank, B. WAPDA, CORP. BRANCH, Dhaka.
18. **Objectives of the project** : The objectives of the program are-

- ❖ To sustain economic growth, poverty reduction and livelihoods of people, living in the areas threatened by riverbank erosion.
- ❖ To enhance resilience to flood and riverbank erosion risks through strengthening the flood and river bank erosion management system, including the knowledge base and underlying institutions;
- ❖ To establish integrated non-structural and structural risk management measures at priority erosion sites and addressing sustainability.

### Audit Observations.

SL No	Subject	Comment
	<b>Status of Financial Statement</b>	<i>Unqualified</i>
	<b>Comments on Management Letter:</b>	❖ Non compliance of financial rules
Para No.	Title	Amount Involve
	<b>Part-A</b>	
01.	Expenditure less shown in the Financial Statement which is under stated	Tk. 93,45,078.00
02	Loss of Govt. Revenue due to non deduction of IT from consultant payment	Tk. 1,00,01,310.53
03	Loss of Govt. Revenue due to less deduction of IT.	Tk. 9,94,294.65
	<b>Part-B</b>	
04.	Non compliance of condition of contract due to non coverage of insurance.	-----
05.	Advanced payment made but not yet adjusted.	Tk. 6364.99 Lakh

### **Causes of irregularity & loss:**

- Non- compliance of financial rules and regulations.

### **Audit Recommendations:**

- Due care should be given for compliance of the Govt. financial rules and regulations.

## AUDITOR'S REPORT

Audit Completion Date: 01-09-2016

**The Secretary,**  
Ministry of Water Resources,  
Bangladesh Secretariat, Dhaka.

I. We have audited the accompanying financial statement of the "*Flood and Riverbank Erosion Risk Management Investment Program (Tranche-1) Project*" Financed under ADB Loan No-3138-BAN (SF) & Netherlands Grant No.0396-BAN (EF) as of 30 June, 2016 and for the year then ended. The 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 in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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.

III. The results of our audit disclosed the following material aspects which affects the financial statement:

i). Expenditure less shown Tk. 93,45,078.00 in the Financial Statement which is under stated.( Para-01). Result: FS is under stated.

ii) Excess shown Tk.3,89,500.00 then actual expenditure. (para-06) Result: FS is over stated.

iv. In our opinion, Financial Statement except as stated in the preceding paragraph gives a fair view, in all material aspects of the financial position of "*Flood and Riverbank Erosion Risk Management Investment Program (Tranche-1) Project*" as of 30<sup>th</sup> June, 2016, and the results of its operations and its cash flows for the year then ended in accordance with the cash basis of accounting followed by the Government of Bangladesh.

V. Opinion Status: **Unqualified.**



(A.K.M. Jubaer)  
Deputy Director  
For Director General  
Foreign Aided Projects Audit Directorate.  
Phone: 9356303



## (Flood &amp; Riverbank Erosion Risk Mangement Investment Program Project-1.)

Project Financial Statement

Audit Year:

30<sup>th</sup> June, 2016

(Figure in lakh Taka)

ADB Loan No.3138 BAN(SF), Grant No.0396 BAN(EF)

Recourses	Notes	Cumulative Prior Period	Current period (Fy 2015-16)	Cumulative (Upto June/16)
Government of Bangladesh	1	2104.56	5800.29	7904.85
Lender/ Donor (ADB)	2	78.59	8410.51	8489.10
Lender/ Donor (Netherland Grants)			299.72	299.72
Other resources (Direct Payment)	3	0	6238.16	6238.16
Operating A/C Opening Balance			5.36	5.36
Cash opening balance	4	0	0	0
<b>Total resources</b>		<b>2183.15</b>	<b>20754.04</b>	<b>22937.19</b>
<b>EXPENDITURE</b>				
<b>Expenditure</b>	5			
Interest & Service charge for droner			100.00	100.00
BWDB Capacity Development			147.02	147.02
Consultant (ISPMC & Resettlement)			1540.16	1540.16
POM- Operational exp (Supply & Services)		9.12	49.36	58.48
Land/River Survey		4.79	19.92	24.71
Survey & Investigation		46.02	69.15	115.17
Vehicles (Jeep & Motor)		212.17	137.30	349.47
Computer Equipment		21.88	21.76	43.64
Survey Equipment			67.47	67.47
Protective Works			14110.07	14110.07
Land Acquisition		1883.80	4481.19	6364.99
<b>Total Expenditure</b>		<b>2177.78</b>	<b>20743.40</b>	<b>22921.18</b>
Cash Closing Balance :				
Project Operating Account		4.85	0.02	4.87
Operating Account of Field Offices		0.52	10.62	11.14
<b>Total Cash</b>		<b>5.37</b>	<b>10.64</b>	<b>16.01</b>
<b>Total Expenditure and Cash</b>		<b>2183.15</b>	<b>20754.04</b>	<b>22937.19</b>


  
31.08.16

Gopal Chandra Biswas  
Accounts Officer  
PMO-FREMIP,  
BWDB, Dhaka


  
31.08.16

A.M. Aminul Haque  
Project Director  
PMO-FRERMIP  
BWDB, Dhaka.

(Flood & Riverbank Erosion Risk Mangement Investment Program Project-1)

Notes to the Financial Statement

30<sup>th</sup> June, 2016

1. GOVERNMENT OF BANGLADESH (Figure in lakh Taka)

	Inception to 30 <sup>th</sup> June,2015	For the year 30 <sup>th</sup> June,2016	Inception to 30 <sup>th</sup> June,2016
Disbursements by GOB	2163.50	5900.00	8063.50
Less: Refund to GOB	58.93	99.71	158.64
Total:	2104.56	5800.29	7904.85

2. LOAN FROM LENDER/DONOR

	Inception to 30 <sup>th</sup> June,2015	For the year 30 <sup>th</sup> June,2016	Inception to 30 <sup>th</sup> June,2016
Initial Advance			
Others (Direct Payments)		6238.16	6238.16
SOE Procedures	78.59	8704.96	8788.82
Non SOE Procedures			
Total:	78.59	14943.12	15026.98

3. OTHER RESOURCES

	Inception to 30 <sup>th</sup> June,2015	For the year 30 <sup>th</sup> June,2016	Inception to 30 <sup>th</sup> June,2016
Project Revenues			
Exchange gain/ losses			
Total:			

4. CASH

	Inception to 30 <sup>th</sup> June,2015	For the year 30 <sup>th</sup> June,2016	Inception to 30 <sup>th</sup> June,2016
Cash in hand			
Project Operating Account No	4.85	0.02	4.87
Field Office	0.52	10.62	11.14
<b>Total Cash</b>	<b>5.37</b>	<b>10.64</b>	<b>16.01</b>

## AUDITOR'S REPORT ON IMPREST ACCOUNT

1. We have audited the Special Account (Imprest Account with Bangladesh Bank) Statement of the "*Flood and Riverbank Erosion Risk Management Investment Program (Tranche-1) Project*" for the year 2015-16 under ADB Loan No-3138-BAN (SF) & Netherlands Grant No.0396-BAN (EF) .
2. Our audit was carried out in accordance with International Auditing Guidelines. Accordingly, our audit included such review of system of Internal Control tests of the accounting records and supporting documentation, verification of account balances and other auditing procedures that are considered necessary under the circumstance.
3. The accompanying Imprest Account Statement was prepared on the basis of cash deposits and withdrawals for the purpose of complying with above loan covenant.
4. In our opinion the receipts are properly accounted for and withdrawals are made for the purpose of the project in accordance with the loan agreement and above imprest account statement gives a fair view of the beginning and ending balance and the account activity for the year 30<sup>th</sup> June, 2016 on the basis of cash deposits and withdrawals.



(A K M Jubaer)  
Deputy Director  
For Director General  
Foreign Aided Projects Audit Directorate  
Phone: 9356303.

# **Audit Inspection Report**

**On**

**The Accounts of  
*"Flood and Riverbank Erosion Risk Management Investment Program  
(Tranche-1) Project"* Financed under ADB Loan No.3138-BAN (SF) &  
Netherlands Grant No.0396-BAN (EF) for the Year 2015-2016.**

**Part- II**

**Annexure**

**Foreign Aided Projects Audit Directorate  
Segunbagicha, Dhaka.**

Annexure-A

Statement showing on the Expenditure less shown in the Financial Statement which is under stated.

Name of the Consultant & Contract no	Invoice no & dt.	Bill Amount including VAT	
VDRS & HCL Jv H#918, R#14, Asabor, Dhaka. cion.S-02, 16.03.16	10% Advance	BDT. 16,20,000.00	
Jv- Northwest Hydraulic Consultants – Euroconsult Mott MacDonald, H# 45 (2 <sup>nd</sup> Floor) R#27, Banani, Dhaka. Contract. S-01, 8.9.15	1 <sup>st</sup> Invoice 2.2.16	BDT. 45,97,309.00	
do	2 <sup>nd</sup> invoice 16.2.16	BDT. 97,48,256.00	
do	3 <sup>rd</sup> invoice 15.5.16	BDT. 1,22,60,308.00	
do	4 <sup>th</sup> invoice 26.6.16	BDT. 1,41,33,465.00	
Do- Foreign Portion	1 <sup>st</sup> Invoice 2.2.16	US\$ 234,649.45x77.575 = Tk. 1,82,02,931.00	
do	2 <sup>nd</sup> Invoice 25.2.16	US\$ 3,87,367.12x77.575 = Tk. 3,00,50,004.00	
do	3 <sup>rd</sup> Invoice 31.5.16	US\$ 4,77,640.90x77.575 = Tk. 3,70,52,993.00	
do	4 <sup>th</sup> Invoice 28.6.16	US\$ 3,90,729.13x77.575 = Tk. 3,03,10,812.00	
IT paid from project fund		53,85,000.00	
		<b>BDT. 16,33,61,078.00</b>	

Audit could not certified the genuineness of the expenditure and FS.

## Annexure B

Statement showing the Loss of Govt. Revenue due to non deduction of IT from consultant payment.

Name of the Consultant & Contract no	Invoice no & dt.	Bill Amount	BDT @ 77.575	IT to be Recoverable @10%
Jv- Northwest Hydraulic Consultants – Euroconsult Mott MacDonald, H# 45 (2 <sup>nd</sup> Floor) R#27, Banani, Dhaka. Contract. S-01, 8.9.15	1 <sup>st</sup> Invoice 2.2.16	US\$ 204043.00	1,58,28,635.73	15,82,863.57
	2 <sup>nd</sup> Invoice 25.2.16	US\$ 336456.00	2,61,00,574.20	26,10,057.40
do	3 <sup>rd</sup> Invoice 31.5.16	US\$ 414519.57	3,21,56,355.64	32,15,635.56
do	4 <sup>th</sup> Invoice 28.6.16	US\$ 334225.46	2,59,27,540.05	25,92,754.00
			10,00,13,105.62	1,00,01,310.53

## Annexure- C

Statement showing the Loss of Govt. Revenue due to less deduction of IT.

Name of the Contractors	Bill Amount	Deductable IT	Deducted IT	Less Deduction
CEGIS, H# 6 R#23/C, Gulshan, Dhaka. Survey works.	43,01,803.00 <u>+26,98,197.00</u> 70,00,000.00	@10% 7,00,000.00	5,60,000.00	1,40,000.00
Creative Survey. East Kazipara, Mirpur for Survey works.	8,95,900.	@10% 89,590.00	22,397.00	67,193.00
DFL-DCTL Jv Supply of Geo-Textile Bags	10,00,13,493.00	50,00,674.65	39,99,642.00 Pay order & 2,13,931.00 from bill = 42,13,573.00	7,87,101.65
			Total	9,94,294.65