

Audited Project Financial Statements

Project Number: 42378-016

Loan 3087

Period covered: 01 July 2015 to 30 June 2016

Bangladesh: Power System Expansion and Efficiency Improvement Program – Tranche 2

Prepared by the Ministry of Energy, Power, and Mineral Resources and Dhaka Electric Supply
Company Ltd

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 Energy, Power, and Mineral Resources.

Foreign-Aided Projects Audit Directorate

Audit Complex (6th Floor)
Segunbagicha, Dhaka.

NO: 993/FAPAD/S-5/ADB/2015-2016/ 13/5 Date: 29-12-2016.

Secretary,
Power Division
Ministry of Power, Energy and Mineral Resources
Bangladesh Secretariat, Dhaka.



Sub: Audit Inspection Report on the Accounts of "Augmentation and Rehabilitation of Distribution system in DESCO area (Under power system Tranch-2) Project" Financed by ADB Loan No. 3087 BAN -BAN(SF) for the year 2015-16.

The Audit Report along with a Management Letter containing audit observation 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 Project Audit Directorate.
Phone: 9356303

NO: 993/FAPAD/S-5/ADB/2015-2016/ 13/5 Date: 29-12-2016.

Copy for information and necessary action to

1. **Secretary**, Economic Relations Division (ERD), Ministry of Finance, Sher-e-Bangla Nagar, Dhaka.
- ✓ 2. **Country Director**, Asian Development Bank (ADB), E-31, Sher-e-Bangla Nagar, Agargaon, Dhaka.
3. **Project Director**, "Augmentation and Rehabilitation of Distribution system in DESCO area (Under power system Tranch-2) Project" ,House No.22/B, Faruk Sarani, Nikunja-2, Dhaka.


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

Audit Inspection Report

On

The Accounts of
*“Augmentation and Rehabilitation of Distribution system in
DESCO area (Under power system Tranch-2)Project”*
Financed by ADB Under Loan No. 3087-BAN
for the year 2015-2016.

Part-I
Executive Summary
&
Audit Findings

Foreign Aided Projects Audit Directorate
Segunbagicha, Dhaka.

INFORMATION REGARDING AUDIT

- Name of the Audit Unit : *“Augmentation and Rehabilitation of Distribution system in DESCO area (Under power system Tranch-2) Project”*
- Nature of Audit : Financial Audit.
- Audit Year : 2015-2016
- Duration of Audit : 16-09-2016 to 02-10-2016.
- Audit Team : Party No. 34
Md. Aminul Hoque, A&AO.
Md. Ruqunul Hasan, Auditor.
- Audit Methodology : ✓ Verification of Financial Statement.
✓ Test check of vouchers.
- Scope of Audit :
 - Certification of Annual Financial Statement.
 - The audit was conducted following International standards on auditing (ISA) and practices of INTOSAI/SAI and also as per procedures prescribed by OB 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.
- Project Duration : 4 (Four) years.
- Commencement : July, 2013
- Completion : June, 2017
- Total Estimated Cost : **Total: Tk.198915.77 lakh**
(GOB: Tk.34298.49 lakh
DESCO: Tk. 53976.99 lakh
PA(ADB): 110640.29 lakh)
- Expenditure in 2015-2016 : **Total: 50691.55 lakh**
(GOB: Tk.19200 lakh + Direct payment Tk.31160.04 lakh + DESCO Tk.331.51 lakh)
- Executive Ministry : Ministry of Power Energy and Mineral Resources
- Implementing Agency : Dhaka Electric Supply Company Ltd (DESCO).
- Funding Agencies : ADB ,GOB & DESCO.

- Project Objectives : (i) Design, Supply & Installation and commissioning 14 nos. of 33/11KV (New) Substations (3x20/28MVA) on Turnkey basis at Kazipara, Mazar Road, Kalshi, DOHS-2 Mirpur, Lakecity Concord, Aftabnagar-2, Satarkul, Barua, Gulshan-3, Bashundhara Block-G, Solahati, Banani-3, Dakshinkhan-2 and Tongi-27.
- (ii) Design, Supply & Installation and commissioning 06 nos. of 33/11KV substations on turnkey basis (Augmentation) at Agargaon, DOHS (Mirpur), Tongi-1, Tongi-2 and CAAB by adding 01 no of 33/11KV Transformer for each.
- (iii) Design, Supply & Installation and commissioning 06 nos. of 33/11KV substations on turnkey basis (Rehabilitation) at ADA, Tongi-3, and Tongi (BSCIC) and Baunia replacing existing 2x10/MVA transformer by 3x20/28 MVA Transformer.
- (iv) Create additional facility for connection of 450000 nos new consumers.
- (v) Better Customer Service.
- (vi) Reduction of System loss from 8.5% to 7.5%
- (vii) To overcome the load-shedding of DESCO area and also it's surrounding.
- (viii) To meet the rapidly increasing demand of electricity in DESCO Area and electrify the new areas where electricity does not exist.
- (ix) To overcome the low voltage problem in the system due to overloading.
- (x) To replace the old 10/14 MVA overloaded transformers by 20/28 MVA Transformer.
- (xi) Minimize the technical losses of the distribution system
- (xii) Create the facility to enhance industrialization and urbanization.

SUMMARY OF AUDIT FINDINGS

Sl. no.	Subject	Remarks
1.	Status of Financial Statement	<i>Unqualified</i>
2.	Summary of Management Letter:	Non compliance of Govt. order, PPR-2008 and contract agreement.
Para no.	Title	Amount involved (Tk.)
	Part-A	
	Nil	
	Part-B	
01	Excess payment made to the contractors and loss of Govt. revenue due to non providing insurance coverage for works.	Tk.15,42,733.00 & Tk. 2,31,410.00
02	Performance security not taken as per PPR-2008.	-
03	Irregular opening of LC.	-

CAUSES OF IRREGULARITY AND LOSS

- Non-compliance of financial rules/regulations and Govt. order
- Non-adherence to/with condition of contract document.

Audit Recommendations

- Due care should be given for compliance of the Govt. financial rules and condition of contract documents.

AUDITOR'S REPORT


Secretary,
Ministry of Power, Energy & Mineral Resources
Bangladesh Secretariat, Dhaka.

I. We have audited the accompanying financial statement of the *“Augmentation and Rehabilitation of Distribution system in DESCO area (under power system program-Tranch-2)”* financed under ADB Loan No. 3087-BAN as of 30th June, 2016. 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 have 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 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, in all material aspects of the financial position of *“Augmentation and Rehabilitation of Distribution system in DESCO area (under power system program-Tranch-2)”* as at 30 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.*


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

**Project Name: Augmentation & Rehabilitation of Distribution System in DESCO Area
(Under Power System Expansion & Efficiency Improvement Investment Program Tranche-II,
ADB Loan No. 3087-BAN)
Project Financial Statement
30th June, 2016**

(Figure in Lakh Taka)

Resources	Notes	Total Budget up to 30 th June 2016 (As per DPP & loan)	Cumulative actual up to 30 th June 2016	Actual Current period (FY July 2015-June 2016)	Actual Prior Period (FY July 2014- June 15)	Unspent Budget
Government of Bangladesh	1	32583.56	19500.00	19500.00	-	13083.56
Loan from Development Partner	2	105618.27	34831.59	31042.15	3789.44	70786.68
Other Resources (DESCO Fund)	3	40869.01	635.24	449.40	185.84	40233.77
Cash Opening Balance	4	0	0	-	-	0
Total Resources		179070.84	54966.83	50991.55	3975.28	124104.01
Expenditure and Cash						
<u>Loan from Development Partner ADB (DPA):</u>						
1	(i) Equipment & Material Purchase	105618.27	34831.59	31042.15	3789.44	
2	(ii) Equipment & Material Purchase (Exchnage loss)		117.89	117.89		
<u>Government of Bangladesh (GoB):</u>						
3	(i) CD/VAT	32583.56	19200.00	19200.00		
4	(ii) Bank Charges					
<u>DESCO Fund:</u>						
5	(i) CD/VAT		106.26	106.26		
6	(ii) Field Establishment including salary of Manpower	40016.43	249.03	221.09	27.94	
7	(iii) Furniture & Equipment	125.08	4.79	1.53	3.26	
8	(iv) Vehicles (01 nos. Jeep & 02 nos. Pick-up)	727.50	157.27	2.63	154.64	
Total Expenditure		179070.84	54666.83	50691.55	3975.28	
Cash Closing Balance						
Imprest Account						
Operating Account (RPA)						
Operating Account (GOB)						
Total Expenditure and Cash			54966.83	50991.55	3975.28	

Aminul Hoque
Accounts Officer
Audit Directorate

Engr. Jyotish Chandra Roy
Project Director
Augmentation of Distribution System in DESCO Area.

**Project Name: Augmentation & Rehabilitation of Distribution System in DESCO Area
(Under Power System Expansion & Efficiency Improvement Investment Program Tranche-II,
ADB Loan No. 3087-BAN)**

**Notes to Financial Statement
30th June, 2016**

1. GOVERNMENT OF BANGLADESH

Fund are allocated by the Government of Bangladesh to Bangladesh to cover GOB's share of eligible project expenditures , as specified in the Project Pro-forma and in the Annual Development Programme 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 is as follows (In Lakh Taka)

	Inception to 30 th June, 2015	For the year 2015-2016	Inception to 30 th June, 2016
Disbursement by GOB	-	19500.00	19500.00
Less : Refund to GOB	-	-	-
Total	-	19500.00	19500.00

2. LOAN FROM DEVELOPMENT PARTNER

The (name of the Development Partner) has provided funds to the project to cover it's share of eligible project expenditures. These funds, which must be repaid to (name lender/donor) 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 30 th June, 2016
Initial Deposit (Advance)	-	-	-
DP (Direct Payment)	3789.44	31042.15	34831.59
RPA (SOE Procedure)	-	-	-
RPA (Non SOE Procedure)	-	-	-
Others	-	-	-
Total	3789.44	31042.15	34831.59

3. OTHER RESOURCES

Other resources consist of the following :

	Inception to 30 th June, 2015	For the year 2015-2016	Inception to 30 th June, 2016
Project Revenues (DESCO Fund)	-	-	-
DESCO own Contribution	185.84	331.51	517.35
Exchange gains/losses	-	117.89	117.89
Total	185.84	449.40	635.24

4. CASH

The project maintains bank account, an imprest bank account, or revolving fund, which is kept at Bangladesh Bank to hold funds advanced by ADB and an operating accounting, which is kept at a commercial bank to hold funds advanced by GOB 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 30 th June, 2016
Imprest Account	-	-	-
Operating Account (RPA)	-	-	-
Operating Account (GOB)	-	300.00	300.00
Total	-	300.00	300.00

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



No. 975/FAPAD/S-5/ADB/2015-2016/309

Date: 29-12-2016.

Secretary
Power Division
Ministry of Power, Energy and Mineral Resources
Bangladesh Secretariat, Dhaka.

Sub: Audit Inspection Report on the accounts of "Construction of 132/33/11 KV Grid Substations in DESCO Area" financed by ADB under Loan No. 3087 BAN for the year 2015-2016.

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

Enclosure:

1. Auditor's Report.
2. Financial Statement & its Note.
3. Management letter.

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

No. 975/FAPAD/S-5/ADB/2015-2016/309

Date: 29-12-2016.

Copy for kind information and necessary action to:

1. **Secretary**, Economic Relations Division, Ministry of Finance, Sher-e-Bangla Nagar, Dhaka.
2. **Country Director**, Asian Development Bank (ADB), E-31, Sher-e-Bangla Nagar, Agargaon, Dhaka-1207.
3. **Project Director**, "Construction of 132/33/11 KV Grid Substations in DESCO Area, House No.22/B Faruk Sarani, Nikunja-2 Dhaka.
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. Observations in Part-B (Ordinary) should be responded to FAPAD directly.
4. **Office Copy.**

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

Audit Inspection Report

On

**The Accounts of
“Construction of 132/33/11 KV Grid Substations in
DESCO Area” financed by ADB under Loan No. 3087
BAN for the fiscal year 2015-16**

PART-I

**(Executive Summary
&
Audit Finding)**

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

INFORMATION REGARDING AUDIT

- **Name of the Audit Unit** : *“Construction of 132/33/11 KV Grid Substations in DESCO Area”*
- **Nature of Audit** : Financial Audit.
- **Year of the Audit** : 2015-2016
- **Duration of Audit** : 11-08-2016 to 16-08-2016(3 days).
- **Audit Team** : Team No. 35
Md. Alamgir, A&AO.
Md. Iqbal Hossan, Auditor.
- **Audit Methodology** : ❖ Verification of F/S
❖ Test checking of relevant vouchers.
- **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.
- **Project Duration** : 4 years
- **Commencement Date of Project** : July 2013
- **Project Completion Date** : June/2017.
- **Estimated Project Cost** : PA = BDT 54353.72 Lakh
GOB = BDT 16047.29 Lakh
DESCO = BDT 24212.70 Lakh
Total = BDT 94613.71 lakh
- **Execution Ministry** : Ministry of Power, Energy and Mineral Resources.
- **Implementing Agency** : Dhaka Electric Supply Company Limited (DESCO)
- **Funding Agency** : ADB

- **Fund Disbursement Procedure** : **GOB funding:** GOB fund is released by the Ministry of Power, Mineral & Energy Resources and is drawn by submitting bills to Chief Accounts Officer.

PA Fund: ADB provides fund directly to the project as per request of the project authority.
- Current Year Budget** : PA = Tk.3905.04 lakh
 GOB = Tk.00.00 lakh
 DESCO = Tk.1636.97 lakh
Total = Tk.5542.01 lakh
- Current Year Expenditure** : PA = Tk.3905.004 lakh
 GOB = Tk.00.00 lakh
 DESCO = Tk.1636.97 lakh
Total = Tk.5542.01 lakh
- Project Operation Area** : Ultra 3rd phase, Purbachal, Dumni, Gulshan/ Banani and Aftabnagar.
- Project Objectives** :

 - ❖ To meet the increasing demand of electricity in DESCO area by installing 05 (five) new 132/33/11 KV Grid substation at Ultra 3rd phase, Purbachal, Dumni, Gulshan/ Banani and Aftabnagar;
 - ❖ To overcome the load-shedding problem in DESCO area;
 - ❖ To reduce the sufferings of the people from load shedding;
 - ❖ To overcome the low voltage problem of the system due to overloading by installing new substations and replacing existing substations;
 - ❖ Minimize the technical losses of the system;
 - ❖ To facilitate new connection to the overcoming customers and eventually to meet the growing demand of the system which correlates to the Govt. vision of Bangladesh.

SUMMARY OF AUDIT FINDINGS

Sl. no.	Subject	Comments
01.	Status of Financial Statement	<i>Unqualified</i>
02.	Summary of Management Letter:	
Para no.	TITLE	Amount involved (Tk.)
	PART-A NIL	
	PART-B	
01	Target of the project could not be achieved and progress of the project hampered drastically.	-----
02	Required manpower was not deputed in the Project as the provision of DPP.	-----

AUDITOR'S REPORT

Audit Completion Date: 16-08-2016

Secretary
Power Division,
Ministry of Power, Energy and Mineral Resources,
Bangladesh Secretariat,
Dhaka.

- I. We have audited the accompanying financial statement of “**Construction of 132/33/111 KV Grid substations in DESCO area**” financed by ADB under Loan No. 3087 BAN as at 30th June, 2016 and for the year then ended. Preparation of the Financial Statement is the responsibility of management. Our responsibility is to express an opinion on the financial statement based on our audit.
- II. We have conducted our audit following 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 in the 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 the 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 in all material aspects of financial position of “**Construction of 132/33/11 KV Grid Substations in DESCO Area**” financed by ADB under **Loan No. 3087 BAN** as at 30th June, 2016 and the results of its operation 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.**



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

**Project Name: Construction of 132/33/11 KV Grid Substation in DESCO Area
(Under Power System Program Tranche-2, ADB Loan No. 3087-BAN)**

Project Financial Statement

30th June, 2016

(Figure in Lakh Taka)

Resouces	Notes	Cumulative Prior Period	Current Period	Cumulative Current Period
Government of Bangladesh	1	-	-	-
Loan from Development Partner	2	-	3905.04	3905.04
Other Resources (DESCO Fund)	3	201.30	1636.97	1838.27
Cash Opening Balance	4	-	-	-
Total Resources		201.30	5542.01	5743.31

Expenditure and Cash				
	<u>Loan from Development Partner ADB (DPA):</u>			
1	(i) Equipment & Material Purchase	-	3905.04	3905.04
	<u>Government of Bangladesh (GoB):</u>			
2	(i) CD/VAT	-	-	-
3	(ii) Bank Charges	-	-	-
	<u>DESCO Fund:</u>			
4	(i) CD/VAT	-	-	-
5	(ii) Field Establishment including salary of Manpower	43.51	1630.48	1673.99
6	(iii) Furniture & Equipment	3.15	6.49	9.64
7	(iv) Vehicles (01 nos. Jeep & 02 nos. Pick-up)	154.64	-	154.64
8	GoB unspent balance deposited to Govt. treasury			
Total Expenditure		201.30	5542.01	5743.31

Cash Closing Balance				
Special Account		-	-	-
Project Operating Account		-	-	-
Operating Account of field offices		-	-	-
Total Expenditure and Cash		201.30	5542.01	5743.31

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**Project Name: Construction of 132/33/11 KV Grid Substation in DESCO Area
(Under Power System Program Tranche-II, ADB Loan No. 3087-BAN)**

**Notes to Financial Statement
30th June, 2016**

1. GOVERNMENT OF BANGLADESH

(In Lakh Taka)

	Inception to 30 th June, 2015	For the year 2015-2016	Inception to 30 th June, 2016
Disbursement by GOB	-	-	-
Less : Refund to GOB	-	-	-
Total	-	-	-

2. LOAN FROM DEVELOPMENT PARTNER

	Inception to 30 th June, 2015	For the year 2015-2016	Inception to 30 th June, 2016
Initial Deposit (Advance)	-	-	-
DPA (Direct Payment)	-	3905.04	3905.04
RPA (SOE Procedure)	-	-	-
RPA (Non SOE Procedure)	-	-	-
Others	-	-	-
Total	-	39.05.04	3905.04

3. OTHER RESOURCES:

	Inception to 30 th June, 2015	For the year 2015-2016	Inception to 30 th June, 2016
Project Revenues (DESCO Fund)	-	-	-
DESCO Own Contribution	201.30	1636.97	1838.27
Exchange gains/losses	-	-	-
Total	201.30	1636.97	1838.27

4. CASH

(In Lakh Taka)

	Inception to 30 th June, 2015	For the year 2015-2016	Inception to 30 th June, 2016
Cash on hand			
Special Account	-	-	-
Project Operating Account	-	-	-
Operating Account of field offices	-	-	-
Total	-	-	-

Rm

31-7-16
Engr. Md. Rashidur Rahman
Project Director
Construction of 132/33/11 KV Grid Substation in DESCO area
Dhaka Electric Supply Co. Ltd. (DESCO).