

Audited Project Financial Statements

Project No. 32234-043

Loan: 2845-BAN

Period Covered: 1 July 2017 to 30 June 2018

BAN: Railway Sector Investment Program Tranche 2

Prepared by Bangladesh Railway

For the Asian Development Bank
Received on 31 December 2018

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

No. 548/FAPAD/S-1/ADB -2845/2017-2018



Date: 31-12-2018.

Secretary,
Railway division
Ministry of Railway
Rail Bhabon, Dhaka.

Sub: Audit Inspection Report on the Accounts of "Technical Assistance for Supervision Consultancy Services for Bangladesh Railway Sector Investment Project under 2nd PFR OF ADB" financed by ADB Loan No-2845 BAN , 3169-BAN & 3376-BAN for the year 2017-2018.

The Auditor's report along with management letter containing audit observations on the accounts of the above mentioned project is enclosed for your kind information and necessary action.

Enclosure:

1. Draft Auditor's Report.
2. Financial Statement and its Notes.
3. Management Letter.

Sd/-
(*Mohammad Amimul Ehsan Kabir*)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate
Tel: 9331027.

No. 548/FAPAD/S-1/ADB -2845/2017-2018/1102

Date: 31-12-2018.

Copy forwarded for kind information and necessary action to:-

1. Secretary, Economic Relations Divisions (ERD), Ministry of Finance, Sher-e-Banglanagar, Dhaka.
2. Country Director, Asian Development Bank (ADB), E-31, Agargaon Sher-E-Bangla Nagar, Dhaka.
3. Project Director, "Technical Assistance for Supervision Consultancy Services for Bangladesh Railway Sector Investment Project under 2nd PFR OF ADB" Rail Bhaban, Bangladesh Railway, 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-A (SFI) should be responded to through the Ministry concerned.

4. Office Copy.

A. Amimul Ehsan Kabir
(*Mohammad Amimul Ehsan Kabir*)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate
Tel: 9331027.

Audit Inspection Report

On

The Accounts of
*“Technical Assistance for Supervision Consultancy
Services for Bangladesh Railway Sector Investment Project
under 2nd PFR OF ADB”*
financed by ADB Loan No-2845 BAN , 3169-BAN &
3376-BAN for the year 2017-2018.

Part-1 Executive Summary & Audit Findings

Foreign Aided Projects Audit Directorate,
Segunbagicha, Dhaka.

Information relating to Audit:

Name of the Audit Unit	: <i>“Technical Assistance for Supervision Consultancy Services for Bangladesh Railway Sector Investment Project under 2nd PFR OF ADB</i>
Nature of Audit	: Financial Audit.
Year of Audit	: 2017-2018
Duration of audit	: 15-10-2018 to 16-10-2018
Name of Audit Team:	: Touhidur Rahman, Audit & Account Officer
No.05 , Sector-1.	: Md. Abdur Rashid, SAS Super
Audit Methodology	: Test check of vouchers. Verification of F/S.
Scope of Audit	: Certification of Annual Financial statement. Review of Financial Management, Internal Control systems.
Project Profile	:
Duration	: 6 years (July, 2012 to June, 2018)
Commencement	: July'2012
Completion	: June' 2018
Estimated cost	: Total=BDT2794.94 lakh. GOB= BDT. 360.44 lakh PA=BDT.2437.50 lakh
Revised Estimated Cost	: Total=BDT.3238.70 lakh GOB=BDT1011.00 lakh PA= BDT.2227.70 lakh
Current Year Expenditure	: Total=BDT.630.52 lakh, GOB = BDT 174.75 lakh, DPA = BDT.455.77 lakh,
Status of Audit Year	: 5 th Year.
Executing Ministry	: Ministry of Railways.
Implementing Agency	: Bangladesh Railway.
Funding Agencies	: ADB & GOB <u>GOB Fund:</u> GOB Fund was released by the Ministry of Railways on the basis of ADP & RADP allocation and was spent by submitting bills to F.A & CAO/Project, Dhaka Bangladesh Railway.
Funding Procedure	: DPA Fund: DPA fund was directly disbursed by ADB on the basis of Project Director's withdrawal application after scrutiny by the FA & CAO Bangladesh Railway.
Project Objectives	: The objective of the TA project is to provide construction supervision consultancy services for the following subjects projects- <ol style="list-style-type: none">1. Rehabilitation of yards and extension of loops at different stations in Darshana-Ishurdi- Sirajganj Bazar section2. Upgrading signalling system at 11 stations in between Darsana and Ishurdi.

Summary of Audit Findings:

	Title	Remarks	
	Status of Financial Statement	Unqualified	
	Summary of Management Letter	Financial management should be strengthened.	
Para No.	Title	Involved (BDT)	Nature of Irregularities & Risk Category
	Part- A Nil		
	Part-B		
01	Nil	-	

Causes of Irregularity and Loss

- Non-compliance of Government Rules & Regulations.

Audit Recommendation

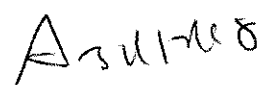
- Due care should be given for compliance of the Government Rules & Regulations.

AUDITOR'S REPORT

Audit completion date: 16-10-2018

Secretary
Ministry of Railways,
Rail Bhabon, Dhaka.

- I. We have audited the accompanying Financial Statement of the *“Technical Assistance for Supervision Consultancy Services for Bangladesh Railway Sector Investment Project under 2nd PFR OF ADB”* as of 30th June 2018 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 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, on a test basis, evidences 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 of the financial position of *“Technical Assistance for Supervision Consultancy Services for Bangladesh Railway Sector Investment Project under 2nd PFR OF ADB”* as of 30th June 2018 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.**
Date:


(*Mohammad Amimul Ehsan Kabir*)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate
Tel: 9331027.

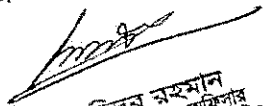
**"Technical Assistance for Supervision Consultancy Services for Bangladesh Railway Sector Investment
Project under 2ND PFR OF ADB"**
Project Financial Statement
(Statement of Cash Receipts & Payments and Changes in Cash Balances)
For the year ended 30 June, 2018.


(Fig. in lakh Taka.)

Receipts	Notes	Current Period (2017-2018)	Previous Period (2016-2017)	Cumulative (upto June 2018)
1 Contribution from GOB	3	174.75	441.55	616.30
2 Loan/Grant from lender/ donor	4	455.77	1111.94	1567.71
3 Other Receipts	5			
Total Receipts for the year		630.52	1553.49	2184.01
Payment (According to PP)				
1 Consultancy Services.		455.77	1111.94	1567.71
2 Income Tax, duties & others for Consultancy Services.		174.75	441.55	616.30
3 Office Stationeries & consumables		0.00	0.00	0.00
4 Contingencies.		0.00	0.00	0.00
Total Payment for year		630.52	1553.49	2184.01
Excess of Receipts over payments/ (Payment over receipts) for the year			Not applicable	
Cash Opening Balance				
Cash Closing Balance				

Note: The heads of cash receipts and payments shall be in conformity with the Project Documents.

Verified


 তে. হোসেন মুহাম্মাদ
 অডিট এন্ড একাউন্টস অফিসার
 বৈদেশিক সাহায্য পুঁজি প্রকল্প অডিট অফিসরত
 সিসিটি কমপ্লেক্স (৭ম তলা)
 সেগুনবাগিচা, ঢাকা-১০০০।


 25.09.18
 (Najnin Ara Keya)
 Project Director

**Technical Assistance for Supervision Consultancy Services for Bangladesh Railway Sector
Investment Project under 2ND PFR OF ADB"**

**NOTES OF FINANCIAL STATEMENTS
as on 30th June 2018**

1 GOVERNMENT OF BANGLADESH.

Funds 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 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 are as follows (In Lakh Taka).

	Inception to 30th June 2017	For the year 2017-18	Inception to 30th June 2018
Disbursement by GOB	528.82	180.00	708.82
Less: Refund to GOB	87.27	5.25	92.52
Total :	441.55	174.75	801.34

2 LOAN FROM DEVELOPMENT PARTNER

The ADB has provided funds to the project to cover it's share of eligible project expenditures These funds , which must be repaid to ADB 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 30th June 2017	For the year 2017-18	Inception to 30th June 2018
Initial Deposit (Advance)	---	---	---
DPA (Direct Payment)	1111.94	455.77	1567.71
RPA (SOE Procedure)	---	---	---
RPA (Non SOE Procedure)	---	---	---
Others	---	---	---
Total :	1111.94	455.77	1567.71

3 OTHER RESOURCES: NOT APPLICABLE

Other resources consist of the following:-

	Inception to 30th June 2017	For the year 2017-18	Inception to 30th June 2018
Project Revenues	---	---	---
Exchange gains/losses	---	---	---
Total :	---	---	---

4 CASH : NOT APPLICABLE

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, 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 30th June 2017	For the year 2017-18	Inception to 30th June 2018
Imprest Account	---	---	---
Operating Account (RPA)	---	---	---
Operating Account (GOB)	---	---	---
Total :	---	---	---


(Najnin Ara Keya)
Project Director

Management letter

Project Director

Technical Assistance for Supervision Consultancy Services
for Bangladesh Railway Sector Investment Project
under 2nd PFR OF ADB.
Rail Bhaban, Dhaka.

We have audited the Financial Statement of *“Technical Assistance for Supervision Consultancy Services for Bangladesh Railway Sector Investment Project under 2nd PFR OF ADB.”* Financed under ADB as at 30 June, 2018 and for the year then ended and we have issued our report thereon dated: 31-12-2018. During the course of our audit examination, we made a number of observations that are presented in this audit report for your consideration & action. All of these matters were considered by us when formulating the audit opinion expressed in our report.

Section-ONE

I. INTRODUCTION:

In terms of the scope of work identified in the Loan Agreement executed by the ADB and GOB, we carried out an audit pertaining to the project *“Technical Assistance for Supervision Consultancy Services for Bangladesh Railway Sector Investment Project under 2nd PFR OF ADB.”* for the period ending 30th June 2018.

II. BACKGROUND:

The agreement was signed on 27/08/2012 between ADB & GOB, the total resources of the project as per RTPP were as under:

Sl. no.	Source of fund	Original Cost	Revised Cost	Remarks
(a)	GOB	BDT.360.44 lakh	BDT. 1011.00 lakh	
(b)	PA	BDT. 2437.50 lakh	BDT. 2227.70 lakh	
	Total	BDT. 2794.94 lakh	BDT. 3238.70 lakh	

The project commenced its operations from July'2012 with an estimated duration of 03(Three) years with specific objectives and targets against which outputs /achievements are to be made visible. Further project period was extended up to 30.6.2018 as memo No.54.00.0000.003.014.30.2013-201 dated 09-04-2014.

III. Scope of Audit:

The audit was conducted following International Standards on Auditing (ISA) and practices of International Organizations of Supreme Audit Institution (INTOSAI/SAI) and also as per procedures prescribed by GOB and Development Partner. The audit accordingly included such test of accounting records Internal controls and other procedures as were considered essential for due performance of this audit. Discussion on management, audit observations and accountability was held with Najnin Ara Keya, Additional Cheaf Engineer on 16/10/2018.

The audit opinion is limited to the funds received and expenditure incurred by the development partners directly.

IV. Overall Opinion On:

(a) Financial Operation & Control:

PA Fund:

DPA fund was directly disbursed by ADB on the basis of submitting bills made by Project authority through FA & CAO/Project, Bangladesh Railway. No Special Accounts (Imprest Account) and Operating Account were maintained by the project authority and no expenditure was incurred on the basis of SOE procedures.

(b) Comments on Financial Management:

Project financial management and operating systems were reviewed in terms of budget control, cash management, certification and approving authority, management of receipts and disbursements of funds, recording of all financial transactions, preparation of expenditure reports, bank reconciliation, etc. Overall accounting and financial operations including reporting were satisfactory. Disbursement amount of Loan Financial Information Services (LFIS) were accounted for properly .

(c) Adequacy of the Management Structure:

There was no provision for Manpower against this Project.

(d). Equipment Use and Control:

There was no provision for Equipment against this Project.

(e) Monitoring, Evaluation and Reporting:

Reports on Monitoring and Evaluation were done and progress reports are being sent to Administrative Ministry and development partner.

V. Summary of Audit observations:

Part-A

Nil

Part-B

Nil

Section-Two

VI. Audit observations Findings and Recommendations:

Part-A

Nil

Part-B

Nil

VII. Overall Audit Results:

The result of our audit disclosed the following material aspects in the overall operation and transactions of the project which deserves attention:

- (a) The project financial statement presents a fair view.
- (b) The rate of project delivery was as per R T.P.P.
- (c) The disbursements are valid and supported by adequate documentation.
- (d) The disbursement has been made in accordance with project financial rules, regulations, practices and procedure both Govt. of Bangladesh and Development Partners except as started in section two of this report.

SECTION THREE

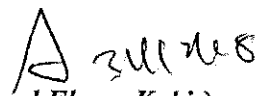
VII. FOLLOW-UP ACTION:

The position of previous audit statuses is shown below:

Year of Audit	No of Para issued	Financial Involvement	observation settle	Financial Involvement	Outstanding Para
1	2	3	4	5	6
2013-2014	Nil	Nil	Nil	Nil	Nil
2014-2015	02	32.74 lakh	Nil	Nil	02
2015-2016	01	02.95 lakh	Nil	Nil	01
2016-2017	Nil	Nil	Nil	Nil	Nil
Total =	03	35.69			

It is evident that 03 Nos. observations remain outstanding. Appropriate action should be taken to settle the outstanding observations.

We would be pleased to discuss any of above observation and recommendations there on.


(*Mohammad Amimul Ehsan Kabir*)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate
Ph: 9331027

Auditor's Report on Special Account:

- ✓ No Special Account is maintained for the project.

Audit opinion on SOE:

- ✓ No disbursement was made on the basis of SOE.



(*Mohammad Amimul Ehsan Kabir*)

Deputy Director

For Director General

Foreign Aided Projects Audit Directorate

Ph: 9331027.