

Audited Project Financial Statements

Project Number: 40423-023
Loan/Grant Number: Loan 2881-IND
Period covered: 1 April 2018 to 31 March 2019

IND: Rural Connectivity Investment Program-- Tranche 1

Prepared by: Madhya Pradesh Rural Road Development Agency

For the Asian Development Bank
Date received by ADB: 19 February 2020

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 Access to Information Policy and as agreed between ADB and the Madhya Pradesh Rural Road Development Agency.

Borkar & Muzumdar

Chartered Accountants

21/168, Anand Nagar, OMCHS.,
Anand Nagar Lane, off. Nehru Road,
Vakola, Santacruz (E) Mumbai
E-Mail:- muzumdarborkar2@gmail.com

INDEPENDENT AUDITORS REPORT

To,
The Members
Madhya Pradesh Rural Road Development Authority
Bhopal (M.P.)

Report on the Financial Statements

We have audited the accompanying Financial Statements of the **Project- Rural Connectivity Investment Programme (SRCIP) Project –I** financed under Asian Development Bank Loan No 2881 -IND, which comprise the Statement of Receipt and Payment, the Statement of Expenditure by category and Financier, the Statement of Disbursement and related notes for the year ended 31 March 2019.

These Financial Statements are the responsibility of project's Management. Our responsibility is to express an opinion on the accompanying financial statement based on our audit.

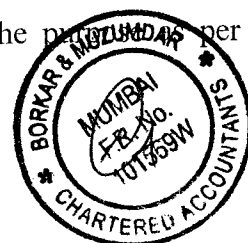
We conducted our audit in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. Our audit examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion the financial statements present fairly, in all material respect, the source and applications of funds of project for the year ended 31 March 2019 in accordance with Government of India accounting standards.

In addition in our opinion:

- (a) Proceeds of the Loan from ADB have been utilized for the purpose of the project per ADB Loan/project agreement.



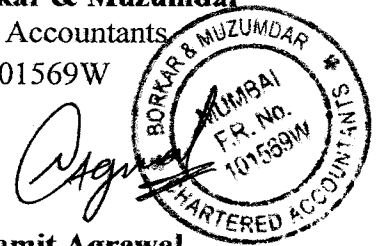
- (b) Financial covenants in the loan agreement number 2881 dated 6th November 2015 have been complied with.
- (c) With respect to SOEs, adequate supporting documentation has been maintained to support claims to the Asian Development Bank for reimbursements of expenditures incurred ;

This report is issued without prejudice to CAG's right to incorporate the audit observations in the report of CAG of India for being laid before State legislature.

For: Borkar & Muzumdar

Chartered Accountants

FRN: 101569W



CA Namit Agrawal

M.No. 533747

(Partner)

UDIN 19533747AAAAAL7931

Place: Bhopal

Date: 28 SEP 2019

Executing Agency - Govt. Of Madhya Pradesh & Madhya Pradesh Rural Road Development Authority
Implementing Agency- Madhya Pradesh Rural Road Development Authority
Rural Connectivity Investment Programme - Project 1
Loan No.2881-IND

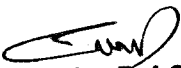
STATEMENT OF RECEIPTS AND PAYMENTS
REPORT FOR THE YEAR ENDED 31 ST MARCH, 2019

In (INR)'000

Particulars	Note Reference	During the Current Year	During the Previous Year	Cumulative Project to Date
		For 12 Month Period 2018-19	For 12 Month Period 2017-18	As at (end of Current year)
Opening Balance (A)		0	0	
Receipts				
Funds received from Government (for ADB)	Note -4 of Annexure -4	0	0	42,21,800
Other Funds received from Government as State Share	Annexure -8	0	2,56,120	24,17,353
ADB Loan				
ADB Grant				
Co-Financier 1				
Co-Financier 2				
Beneficiary contribution (If any)				
Other receipts such as , interest Income, sale from disposal of fixed assets, etc				
Total Receipts (B)		0	2,56,120	66,39,153
Total (C=A+B)		0	2,56,120	66,39,153
Payments				
Investment Costs				
Civil works		0	2,56,120	60,17,657
Mechanical and Equipment				
Environment and Social Mitigation				
Consultants				
a. Project Management				
b. Capacity Development				
Others				
Refund of Funds to the Government, received on returnable basis	Annexure -8	0	0	6,21,496
Subtotal (D)		0	2,56,120	66,39,153
Recurrent Costs				
Salaries				
Accommodation				
Subtotal (E)				0
Total Payments				
Financing Charges During Implementation (F)				
Total Project Cost (G=D+E+F)		0	2,56,120	66,39,153
Closing Balance (C-G)		0	0	0

NOTE : MPRRDA had not incurred any expenses in current year.


Chief Executive Officer
MPRRDA
 Rural Development Department


Mahendra Pal Singh Niranjana
Chief General Manager (Fin.)
M.P. Rural Road Development Authority
BHOPAL



Executing Agency - Govt. Of Madhya Pradesh & Madhya Pradesh Rural Road Development Authority

Implementing Agency- Madhya Pradesh Rural Road Development Authority

Rural Connectivity Investment Programme - Project 1

Loan No. 2881-IND

Statement of Expenditure by Category & Financier

Report for the year ended 31 st march, 2019

In (INR)'000

Particular	Percentage of Financing 1	ADB		Co-Financier		Government		Total Expenditure 8
		Actual Expenditure Amount 2	% 3	Actual Amount 4	% 5	Actual Amount 6	% 7	
Investment Costs	80%	0	80%			0	20%	0
Civil works								
Mechanical and Equipment								
Environment and Social Mitigation								
Consultants								
a. Project Management								
b. Capacity Development								
c. Other (Service Tax & Project Development Expenses)								
Subtotal (A)		0				0		0
Recurrent Costs								
Salaries								
Accommodation								
Equipment Operation and Maintenance								
Others								
Subtotal (B)		0				0		0
Total Project Cost (C=A+B)		0				0		0
% Total Project Cost								
Total Project Cost for (Insert prev. Year period)		2,04,896				51,224		2,56,120



Executing Agency - Govt. Of Madhya Pradesh & Madhya Pradesh Rural Road Development Authority
Implementing Agency- Madhya Pradesh Rural Road Development Authority
Rural Connectivity Investment Programme - Project 1
Loan No. 2881-IND

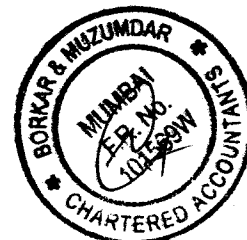
STATEMENT OF DISBURSEMENT
Report for the year ended 31 st march, 2019

Details of the disbursement by reimbursement method are given below:

In (INR)'000

Statement of Disbursement	Note	Current Year	Previous Year	Cumulative Project to Date
ADB Fund Claimed during the Year				
Reimbursement Method				
SOE		0	3,51,453	45,57,499
DOC		0	7,069	1,55,202
Imprest Fund				
Direct Fund				
Commitment Letter				
Subtotal	(A)	0	3,58,521	47,12,701
Total Expenditure made during the year	(B)	0	2,56,120	60,17,657
Less:				
Expenditure not yet Claimed	(C)	0	-1,53,626	1,01,425
Borrower's Share (20%)	(D)	0	51,224	12,03,531
Total Eligible Expenditure claimed (B-C-D=E=A)	(E)	0	3,58,521	47,12,701

* Claim Submitted during the year



Name of Country / Implementing and Executing Agency :India, Govt. Of Madhya Pradesh & Madhya Pradesh Rural Road Development Authority

Project: RCIP Project-I

ADB Loan Reference :2881- IND

Notes to the Financial Statement

For the year ended 31 March 2019

1 PROJECT NATURE AND ACTIVITY

1.1 The primary objective of PMGSY is to provide Connectivity, by way of an All-weather Road (with necessary culverts and cross-drainage structures, which is operable throughout the year), to the eligible unconnected Habitations in the rural areas with a population of 500 persons and above in Plain areas. In respect of the Hill States (North-East, Sikkim, Himachal Pradesh, Jammu & Kashmir and Uttarakhand), the Desert Areas (as identified in the Desert Development Programme), the Tribal areas (Schedule V) and Selected Tribal and Backward Districts (as identified by the Ministry of Home Affairs and Planning Commission)* the objective would be to connect eligible unconnected Habitations with a population of 250 persons and above.

1.2 Give legislative Framework

The Project is being implemented in the state of Madhya Pradesh by the Government of Madhya Pradesh through the department of Panchayat and Rural Development . MPRRDA is the executing agency and it is registered under Madhya Pradesh society registration act 1973.

2. STATEMENT OF COMPLIANCE

These Financial statements have been prepared in accordance with terms of reference (TOR) conveyed by government of india / Ministry of Finance / Department of Economic Affairs vide their letter number P-17024/08/2012-RC dated 30.07.2013 . This refers to the cash basis of accounting applied with due regards to the General Financial Rules, PWD Codes , Treasury Codes and similar rules and codes are in the effect and applicable to the operation of the project

3. SIGNIFICANT ACCOUNTING POLICIES

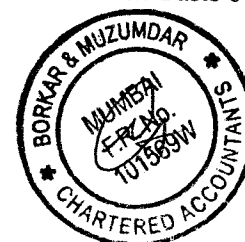
Significant accounting policies adopted in the presentation of accounts are as under:-

3.1 Financial statement

This Comprises of the statement of receipts and payments and the statement of expenditure by category and financier, the statement of disbursement and related notes and appendices to the financial statement.

3.2 Basis of measurement

Financial statement has been prepared under the historical cost convention and on cash Basis of accounting.



3.3 Change in accounting Policies

During the period of annual financial statement there is no change in accounting policies in the reported financial year.

3.4 Fund flow Mechanism

MPRRDA gets the Grants from the Government of India through the Annual Budgeted support for the Project. Funds are disbursed from the Government treasury. The total Cost of the project is funded by Grants from Government of India and ADB. Fund flow mechanism is controlled by EA and all Payments are done by Project Implementation Units (PIUs) of MPRRDA (EA).

3.5 Advance and other Receivables

The advance paid to civil contractor and consultants are treated as project expenditure and recoveries are affected through interim payment certificates/ Bills . ADB disburses the loan as per reimbursement procedures on such advances as eligible expenditure.

3.6 Cash and Cash equivalents

The project does not handle cash and cash equivalents.

3.7 Accrued and other Liabilities

Since project accounts are maintained on Cash basis accounting, no provision has been made for accruals and liabilities.

3.8 Income

MPRRDA is Non- Earning Government Society registered under the society act 1973 and comes under the Département of Panchayat and rural development of government of Madhya Pradesh. It's only source of Revenue is Grants received from the Government of India and Government of Madhya Pradesh . Hence there is no income to be recognized .

3.9 Foreign currency transactions and translation

1) Functional and presentation currency

Items included in the financial statement of the project are measured using the currency of the primary economic environment in which the entity operates (the functional currency) which is the Indian Rupees.

2) Transactions and balances

No transactions in foreign currency have been effected .

3.10 Allocation of Common Costs

No Common Cost is allocated to different output/ activities.

3.11 Interest Expenses & Financial Charges

No financial Charges & interest have been allocated to the Project by MPRRDA.



4. **FUNDS RECEIVED FROM THE GOVERNMENT FOR ADB PROJECT**

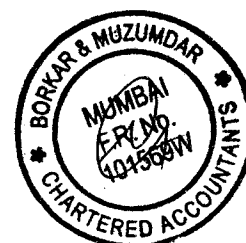
IN (INR) 000			
Particulars	Current Year 2018-19	Prior Year 2017-18	Cumulative Project to date
Funds received from Government (for ADB)	-		4221800
Total	-		4221800

5. MPRRDA Submitted claims to ADB through NRRDA and NRRDA submitted these claims to ADB. The difference between the amount claimed by MPRRDA and the amount disbursed by ADB will be reconciled with NRRDA.
6. Other funds received from Government on returnable basis are not specific budgetary allocations for this purpose but these funds are used out of Government funds available with MPRRDA. If ADB funds are available these funds are shown as returned. In case ADB funds are not available then Government funds are utilized.
7. **Date of Authorization**

These Financial statement have been authorized for issue by the management of Madhya Pradesh Rural Road Development authority on

For

M.P.R.R.D.A.



Annexure - 5

Executing Agency - Govt. Of Madhya Pradesh & Madhya Pradesh Rural Road Development Authority

Implementing Agency- Madhya Pradesh Rural Road Development Authority

Rural Connectivity Investment Programme - Project 1

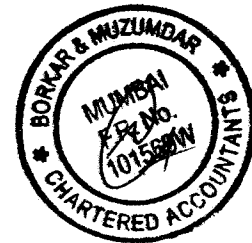
Loan No.2881-IND

Funds Received from ADB

Report for the year ended 31 st march, 2019

ADB Source of Funds- Method of withdrawal	Note Reference	During the current Year	During the Previous Year	Cumulative Project to Date
ADB Loan				
-By Reimbursement Method		62,812	4,05,634	46,70,903
-By Imprest Account		-	-	-
-By Direct Payment		-	-	-
-By Commitment Procedure		-	-	-
-By Commitment Procedure		-	-	-
ADB Loan Total		62,812	4,05,634	46,70,903
ADB Grant				
ADB Loan and Grant Total				

Note: The above are amounts disbursed by ADB during the year.



Executing Agency - Govt. Of Madhya Pradesh & Madhya Pradesh Rural Road Development Authority

Implementing Agency- Madhya Pradesh Rural Road Development Authority

Rural Connectivity Investment Programme - Project 1

Loan No.2881-IND

Report for the year ended 31 st march, 2019

6.2 Reconciliation of the Imprest Account and the bank Statement is given below

Statement of Imprest Account		
	In (INR)'000	
	Prior Year	Current Year
Balance brought forward from previous period		
Add:		
Advance		
Replenishment received during the year/period		
Interest Earned		
Subtotal (A)		
Deduct:		
Payments made during the year/period		
Replenishment/Liquidation		
Expenditure yet to be claimed		
Amount refunded during the year/period		
Closing balance		
As per Bank Statement		

Note - This Statement is not applicable.



Executing Agency - Govt. Of Madhya Pradesh & Madhya Pradesh Rural Road Development Authority

Implementing Agency- Madhya Pradesh Rural Road Development Authority

Rural Connectivity Investment Programme - Project I

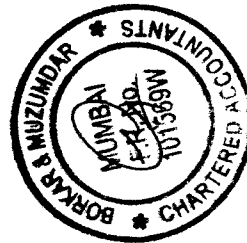
Loan No.2881-IND

Disbursement claimed under statement of expenditure (SOE) Procedure for the year ending 31.03.2019

6.6 Details of disbursement claimed under the statement of expenditure (SOE) Procedure are Given Below

W/A No	SOE Sheet No	Note reference	Category	Total Amount Paid	ADB Financing %	Net Eligible Expenses	Amount Reimbursed	Imprest Fund Replenish	In (INR), 000	
									Total Disbursement using SOE	10=8+9
1	2	3	4	5	6	7	8	9		
WA382		Civil Work		14576682.5	80%	11661346	11661346	0	1,16,61,346	
WA387		Civil Work		13760952.5	80%	11008762	11008762	0	1,10,08,762	
WA393		Civil Work		10357181.25	80%	8285745	8285745	0	82,85,745	
WA394		Civil Work		18087448.75	80%	14469959	14469959	0	1,44,69,959	
WA399		Civil Work		10818168.75	80%	8654535	8654535	0	86,54,535	
WA400		Civil Work		10914838.75	80%	8731871	8731871	0	87,31,871	
Total				7,85,15,273		6,28,12,218	6,28,12,218	-	6,28,12,218	
Total for (Prior Year)				11,85,723		9,48,578	1,49,030	-	1,49,030	

Particulars	Amount in INR
Total Disbursement Received in 18-19 of previous years	62812218



Annexure-8

Executing Agency - Govt. Of Madhya Pradesh & Madhya Pradesh Rural Road Development Authority

Implementing Agency- Madhya Pradesh Rural Road Development Authority

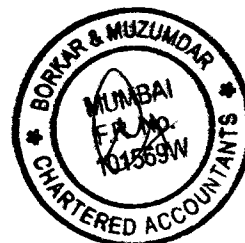
Rural Connectivity Investment Programme - Project 1

Loan No.2881 -IND

Counterpart fund Received from Government of India for the year ending 31.03.2019

IN (INR) 000

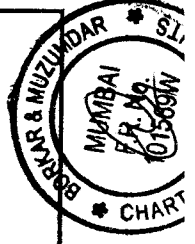
Particulares	Current Year 2018-19	Prior Year 2017-18	Cumulative Project to date	Refund of Tempor fund received from Government during the year	Cumulative Refund of Temporary Fund received from Government	Net Amount Returnable to Government
	1	2	3	4	5	6
Other funds received from Government on returnable	0	2,56,120	24,17,353	-	6,21,496	17,95,857
	0	2,56,120	24,17,353		6,21,496	17,95,857



Executing Agency - Govt. Of Madhya Pradesh & Madhya Pradesh Rural Road Development Authority
Implementing Agency- Madhya Pradesh Rural Road Development Authority
Rural Connectivity Investment Programme - Project 1
Loan No.2881-IND

STATEMENT OF APPROPRIATION VS ACTUAL FOR THE YEAR ENDED 31st march 2019

COST CATEGORIES	For the current year ended 2018-19				For the Prior year ended 2017-18				Cumulative from (beginning of project) to year to date			
	BUDGETED EXPENDITURE		ACTUAL EXPENDITURE		BUDGETED EXPENDITURE		ACTUAL EXPENDITURE		BUDGETED EXPENDITURE		ACTUAL EXPENDITURE	
	PERCENTAGE	UTILIZATION	PERCENTAGE	VARIANCE	PERCENTAGE	UTILIZATION	PERCENTAGE	VARIANCE	PERCENTAGE	UTILIZATION	PERCENTAGE	VARIANCE
Investments Costs												
Civil works	-	100	-		2,56,120	2,56,120	100	-	60,17,657	60,17,657	100	-
Equipment												
Land acquisition and Resettlement												
Utility Shifting and Miscellaneous works												
Blackspot program												
Consulting services												
a. Construction supervision consultants												
b. Road planning and asset management support												
SUBTOTAL	-	100	-		2,56,120	2,56,120	100	-	60,17,657	60,17,657	100	-
Recurrent Costs												
Project Management												
SUBTOTAL	-	-	-		-	-	-		-	-	-	
TOTAL PAYMENTS	-	100	-		2,56,120	2,56,120	100	-	60,17,657	60,17,657	100	-
Financing Charges During Implementation												
Total Project Cost	-	-	-		2,56,120	2,56,120	100	-	60,17,657	60,17,657	100	-
Grand total of expenditure in USD	-	-	-		2,56,120	2,56,120	100	-	60,17,657	60,17,657	100	-



Annexure-10

Executing Agency - Govt. Of Madhya Pradesh & Madhya Pradesh Rural Road Development Authority
Implementing Agency- Madhya Pradesh Rural Road Development Authority
Rural Connectivity Investment Programme - Project 1
Loan No.2881-IND

Expenditure of Output components for the period 31.03.2019

IN (INR) 000

COST CATEGORIES	OUTPUT 1			TOTAL EXPENDITURE		
	PRIOR YEAR	CURRENT YEAR	CUM TO DATE	PRIOR YEAR	CURRENT YEAR	CUM TO DATE
Investments Costs						
Civil works	2,56,120	-	60,17,657	2,56,120	-	60,17,657
Equipment						
Land acquisition and Resettlement						
Utility Shifting and Miscellaneous						
Blackspot program						
Consulting services						
a. Construction supervision						
b. Road planning and asset						
SUBTOTAL	2,56,120	-	60,17,657	2,56,120	-	60,17,657
Recurrent Costs						
Project Management						
SUBTOTAL	-	-	-	-	-	-
TOTAL PAYMENTS	2,56,120	-	60,17,657	2,56,120	-	60,17,657
Financing Charges During						
Total Project Cost	2,56,120	-	60,17,657	2,56,120	-	60,17,657
Grand total of expenditure in USD						



To,
The Chief Executive Officer,
Madhya Pradesh State Rural Development Authority
Block No. II, 5th Floor,
Bhopal -462001

Dear Sir,

Management Letter

Statutory Audit of ADB Loan No.- 2881-IND for the year ended 31st March 2019

We audited the accompanying standalone Financial Statements of **Project- Rural Connectivity Investment Programme (RCIP) Project -I** financed under Asian Development Bank Loan No. 2881-IND of Pradhan Mantri Gram Sadak Yojana under **Madhya Pradesh State Rural Development Authority**, which comprise the Statement of Receipts & Payment for the year ended 31st March 2019 along with the annexure. We familiarised ourselves with available Project Documents, the internal guidelines and circulars provided to us applicable during the year ended 31st March, 2019 under review. We also reviewed the activities of the project and evaluated the accounting systems and related controls of the project in order to plan and perform our audit.

We conducted our audit in accordance with the standards on auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examination of accounts on test basis and evidences supporting the amounts and disclosures in the financial statements. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Financial Statement.

The responsibility of the management, inter alia, includes the maintenance of adequate accounting records and internal controls for safeguarding of the assets of the organization and for preventing and detecting fraud and other irregularities.

In terms of Standard on Auditing SA 265- "Communicating deficiencies in internal control to those charged with governance and management" issued by the Institute of Chartered Accountants of India, the purpose of this letter is to communicate appropriately with those charged with governance and management deficiencies in internal control that we have identified during our audit and that in our professional judgement are of sufficient importance and merit attention.



Our Audit observations

1. During our audit we observed that the authority maintains accounts in OMMAS, designed by MORD. Apart from this, the authority developed a separate software for preparation of statements of Total Expenditure, Eligible Expenditure & Amount claimed. MPRRDA is also maintaining separate expenditure ledger for ADB funded works through OMMAS.
2. The authority usually gets the funds against ADB Loans along with the MORD contributions from MORD. So, there is no segregation of Loan wise funds received from the ADB. They assume that the total amount claimed is equal to the funds received from MORD.
3. During the course of audit we observe that, the agency usually gets funds against ADB loans along with the MORD contributions from MORD. So, there is no segregation of loan wise funds receive from the ADB they assume that the total amount claimed is equal to the fund received as MORD loan.
4. During the course of audit, we found that the authority never booked finance Charges against the Loan No. – 2881 -IND. The management said that they will collect the information from the MORD, who will give proper information on this, so from the Financial Year 2019-20 onwards, the same may be charged to the cost of Project.

We wish to take this opportunity to thank your organisation and your Project Management Units for the cooperation extended to our audit teams during the audit period.

Date: **12.8 SEP 2019**
Place: Bhopal

For: **Borkar & Mazumdar**
Chartered Accountants
FRN: 101569W

CA Namit Agrawal
(Partner)
MRN: 533747

