

Audited Project Financial Statements

Project No. 40540-014

Loan: 2949-BAN

Period Covered: 1 July 2019 to 30 June 2020

Bangladesh: South Asia Subregional Economic Cooperation Road Connectivity Project Roads and Highways Department Component

Prepared by Roads and Highways Department
For the Asian Development Bank
Date received by ADB: 31 December 2020

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**Office of the Director General
Foreign Aided Projects Audit Directorate
Audit Complex (6th & 11th Floor)
Segunbagicha, Dhaka.**



No: 82.08.0000.101.35.027.20.1547

Date: 31/12/2020

Subject: Audit Inspection Report on the Accounts of 'South Asia Sub-regional Economic Co-operation Road Connectivity Project- Improvement of Joydevpur Chandra-Tangail-Elenga Road (N-4) to a-4 Lane Highway' Financed under ADB, OFID & ADFD Loan No-2949 BAN (SF), 3592-BAN, 1520P, 13205P & ADFD Project No. 1194 for the year 2019-2020.

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

Enclosures:

1. Auditor's Report.
2. Financial Statements & notes to FS.
3. Management letter.

(Mohammad Jahangir Alam)

Deputy Director
For Director General
Foreign Aided Projects Audit Directorate
Phone: 88-02-48310247

**The Secretary
Road Transport and Highways Division
Ministry of Road Transport & Bridges
Bangladesh Secretariat, Dhaka.**

No: 82.08.0000.101.35.027.20.1547

Date: 31/12/2020

Copy for kind information and necessary action to:

1. **The Secretary**, Economic Relations Division, Ministry of Finance, Sher-E-Bangla Nagar, Dhaka.
2. **The Country Director**, Asian Development Bank, E-31, Agargaon, Sher-E-Bangla Nagar, Dhaka.
3. **The Project Director**, 'South Asia Sub-regional Economic Co-operation Road Connectivity Project- Improvement of Joydevpur Chandra-Tangail-Elenga Road (N-4) to a-4 Lane Highway' House-127, Road-02, Block-A, Niketan, Gulsan-1, Dhaka-1212.

- a) Replies/Comments on the Auditor's Report and Management Letter may please be sent to the Undersigned within 30 (thirty) days of receipt of this letter in your office.
- b) Observations in Part-A (SFI) should be responded to through the Ministry concerned and observation in Part-B (Ordinary) should be responded to FAPAD directly.

4. Office copy.



(Mohammad Jahangir Alam)

Deputy Director
For Director General
Foreign Aided Projects Audit Directorate
Phone: 88-02-48310247

Audit Inspection Report

On

The Accounts of

‘South Asia Sub-regional Economic Co-operation Road
Connectivity Project- Improvement of Joydevpur Chandra-
Tangail-Elenga Road (N-4) to a-4 Lane Highway Financed
under ADB, OFID & ADFD Loan No-2949 BAN (SF), 3592-
BAN, 1520P, 13205P & ADFD Project No. 1194 for the
Financial Year 2019-20

Foreign Aided Projects Audit Directorate,
Segunbagicha, Dhaka.

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Information regarding the Audit

Name of the Project	:	“South Asia Sub-regional Economic Co-operation Road Connectivity Project” Improvement of Joydevpur Chandra-Tangail-Elenga Road (N-4) to a-4 Lane Highway	
Nature of Audit	:	Financial Audit and Compliance Audit	
Loan Agreement Number	:	Loan Agreement no- Credit No_2949 BAN (SF), 3592-BAN, 1520P, 13205P	
Development Partner	:	ADB, OFID & ADFD	
Project Duration	:	01 April, 2013 to June-2022.	
Present status	:	7 th Audit	
Project starting year	:	2013-2014	
Project completion year	:	June 2022	
Audit year	:	2019-2020	
Audit Team	:	Team No.3 (i) Ajoy Debnath, Audit & Accounts Officer. (ii) Shafiul Azam Ahmed, SAS Superintendent	
Audit Duration	:	30-10-2020 to 05-11-2020	
Total Project Cost (Revised)	:	Total = 621,441.22 Lakh GoB = 279,378.36 Lakh ADB loan= 342,062,86 Lakh	
Total Expenditure	:	Amount in Lac.	
		Resources	2019-20
		GOB	50,000.00
		DPA (Credit)	39929.96
		Grand Total	89,929.96
Executive Agency	:	Road Transport and Highways Division	
Name of Ministry	:	Ministry of Road Transport & Bridges	
Location of PD Office	:	Office of the Project Director, ‘South Asia Sub-regional Economic Co-operation Road Connectivity Project- Improvement of Joydevpur Chandra-Tangail-Elenga Road (N-4) to a-4 Lane Highway’ Flat # 4-A, House # 127, Road #2, Block # A, Niketan, Gulshan-1, Dhaka-1212.	

Name, Contract and Mail of PD	:	MD. ISHAQUE , PD Cell #: 01730354226, 01713176477 E-mail: pdsasec@gmail.com
Fund Disbursement Procedure:	:	<p>GOB fund:</p> <p>GOB fund for the project was provided in the Budget that allocated by Ministry of Finance. It was released by the Ministry of Road Transport & Bridges through PD and was withdrawn by submitting regular bills to the Chief Accounts and Finance Office (CAFO) of Ministry of Road Transport & Bridges. Chief Accounts and Finance Office kept the Accounts through the iBAS++ and generating all types of accounting record by the iBAS++.</p> <p>DPA fund:</p> <p>Donors (33929.97 Lac) fund was provided directly by the donor (ADB) to the Project Authority nominated Bank Account after getting Withdrawal Applications from the Project Director.</p>
Project Objectives	:	<p>The main objectives of the project is to: (a) Upgrade about 70 km of the Joydevpur-Chandra-Tangail-Elenga Road, Which part of Asian Highway N0.2 And South Asian Association for Regional Cooperation (SAARC) Highway Corridor Nos.4 and 8, to a 4-lane highway With Safety Features including separate lane for slow moving traffic and construction of flyovers at the busiest junctions. (b) Modernization of the RHD headquarters office & (c) Provide equipment and consulting services in line with RHD's institutional development action plan.</p>

Part-I

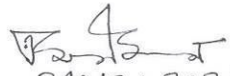
- Auditor's Report &
- Management Letter

Auditor's Report

Audit Completion Date: 05-11-2020

The Secretary
Road Transport and Highways Division
Ministry of Road Transport & Bridges
Bangladesh Secretariat, Dhaka.

- I. We have audited the accompanying Financial Statement of the "South Asia Sub-regional Economic Co-operation Road Connectivity Project" Improvement of Joydevpur Chandra-Tangail-Elenga Road (N-4) to a-4 Lane Highway as on 30 June, 2020 and for the year ended. According to ISSAI 1570 the preparation of Financial Statement is the responsibility of the management. Our responsibility is to express an opinion on the Financial Statement based on our audit.
- II. We conducted our audit following International Standards of Auditing and best practices of INTOSAI and SAI of Bangladesh. 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. As such in our opinion the financial statement presents a fair view of financial position of 'South Asia Sub-regional Economic Co-operation Road Connectivity Project Improvement of Joydevpur Chandra-Tangail-Elenga Road (N-4) to a-4 Lane Highway' as at 30 June, 2020 and the results of its operations and cash flows for the year then ended were in accordance with the cash basis of accounting followed by the Government of Bangladesh.
- IV. Opinion Status: **Unqualified.**


31.12.2020
(Mohammad Jahangir Alam)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate
Phone: 88-02-48310247

SASEC Road Connectivity Project
Project Financial Statement
As on 30th June 2020

(Amount in Lakh Taka)

Resources	Notes	Cumulative up to Prior Period (upto June 2019)	Current Period (FY 2019 -2020)	Cumulative up to Current period (up to 30 June 2020)
(a)	(b)	(d)	(e)	(f)=(d+e)
A. Source of Fund				
Government of Bangladesh	5.00	152,015.29	50,000.00	202,015.29
Loan from Development Partner	6.00	194,502.48	39,929.97	234,432.45
Other Resources	7.00	-	-	-
Cash Opening Balance	8.00	-	-	-
Total Resources		346,517.77	89,929.97	436,447.74
B. Usages of Fund				
B.1 Expenditure				
Code No	Code wise Description			
(i) Revenue Expenditure				
3111101-	Salary and allowances	645.01	123.36	768.37
3111338				
3211103-	Supply and Services	8,818.79	1,825.63	10,644.42
3211133				
(ii) Capital Expenditure				
4112101-	Acquisition of Assets	2,962.25	-	2,962.25
4112316				
4141101	Land Acquisition	108,231.37	39,571.63	147,803.00
4111201	Civil works for RHD Headquarters Building	10,173.19	2,631.76	12,804.95
4111302 & 4111303	Civil works for Roads & Highways	87,546.13	17,915.09	105,461.22
4111303				
4111303	Bridge & Flyover	123,548.19	26,872.64	150,420.83
7981	Relocation of Utility	4,592.76	989.85	5,582.61
Total Expenditure		346,517.69	89,929.96	436,447.65
B.2 Cash Closing Balance		-	-	-
Government of Bangladesh		-	-	-
ADB (Imprest Account)		-	-	-
Total Expenditure and Cash (B1+B2)		346,517.69	89,929.96	436,447.65

Verified
31.12.2020
(Md. Abdul Ahad)
 ID No. 602315
 Assistant Project Director (SDE) RHD
 Attached to Project Director
 SASEC Road Connectivity Project
Ajoy Debnath
 Audit & Accounts Officer
 Foreign Aided Projects Audit Directorate
 Audit Complex (6th & 11th Floor)
 Segunbagicha, Dhaka.

S.R.
K.B.M Sertajur Rahman
 ID No. 601969
 Deputy Project Director (EE), RHD
 SASEC Road Connectivity Project
 House-127, Road-02, Block-A
 Dhaka, Guleshan-1 Dhaka-1212

Ishtiaque
Md. Ishtiaque
 ID No. 006002
 Project Director (ACE), RHD
 SASEC Road Connectivity Project

1.00 Reporting entity:

These financial statements relates to SASEC Road Connectivity Project which is executed and implemented by the Government of Bangladesh, and is funded by Asian Development Bank (ADB), OPEC Fund for International Development and Abudhabi Fund for Development under the Financing Agreement (the Agreement) dated 05 June 2013, 11 July 2013 and 13 August 2013 respectively. The closing date of SASEC Road Connectivity Project is 20th June 2022. The administrative closing date is 30 June 2020.

The designated representative of SASEC Road Connectivity Project for Government of Bangladesh is Ministry of Road Transport and Bridges, People's Republic of Bangladesh. Project Management Units (PMU) for SASEC Road Connectivity Project is Roads and Highways Department under the Ministry of Road Transport and Bridges.

The objectives of SASEC Road Connectivity Project are: (a) upgrade about 70 km of the Joydevpur-Chandra-Tangail-Elenga Road, which is part of Asian Highway No. 2 & 41 South Asia Sub regional Economic Cooperation (SASEC) Road Corridor Nos. 4 and 9, to a 4-lane Highway with safety features including separate lanes for slow moving traffic and construction of flyovers at the busiest junctions, (b) modernization of the RHD Headquarters office, and (c) provide equipment for Highway Development and Management (HDM) circle and consulting services in line with RHD's institutional development action plan.

(b) The main component of the Project is to upgrade the Joydevpur-Chandra-Tangail-Elenga Road (JCTE) to a 4-Lane Highway with safety features including separate lanes for Slow Moving Vehicular Traffic (SMVT). The proposed JCTE Road is one of the vital links in the National Highway network. The existing road, which is a two-lane highway having no divider between two opposite direction traffic and no separate lane for slow moving vehicles, often gets severely congested also poses significant threats to road safety. Given that the capacity of this 2-lane Highway is constrained due to rapid traffic growth, the upgrading of this Highway to a 4-lane Highway having continuous median, flyover at busy sections & intersections, underpasses and both sides separate SMVT lanes will significantly increase the capacity and safety of this important Highway section.

(c) The Institutional Development component which includes modernization of RHD Headquarters and provision of RHD equipment will enhance RHD's capacity in terms of carrying out its responsibilities in an effective and efficient way.

2.00 Financial Statements

These Financial Statements have been presented in Bangladeshi Taka. The financial statements comprises of the Statement of Receipts and Payments, Statements of SoE and Reconciliation statements.

3.00 Financial Reporting Framework

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles, as applicable in Bangladesh. This refers to the cash basis accounting applied with due regard to the General Financial Rules and similar financial rules and account codes as are in effect and applicable to the operation of the project. The financial statements have been prepared to ensure maximum alignment with the principles of the cash basis of International Public Sector Standards (IPSAS).

4.00 Reporting period

The financial statements apply to the financial period ended from 1 July 2018 to 30 June 2019 (the Period). The principal accounting policies applied in the preparation of these financial statements are set out below:

4.01 Basis of preparation

The financial statements are prepared in accordance with ADB's Handbook for Borrowers on the Financial Management and Analysis of Projects. The financial statements are prepared on cash basis of accounting in which revenue is recognized when received and expenses are recognized when paid.

4.02 Measurement basis

The financial statements have been prepared using cash basis of accounting.

4.03 Changes in accounting policies

There have been no material changes in accounting policies during the Period.

4.04 Foreign currency translation

Foreign currency transactions are translated at the exchange rates prevailing at the date of the bidding period (Fixed rate).

4.05 Cash and cash equivalents

Cash and cash equivalents comprise of balances in the bank, which pertain to funds received from ADB which is restricted to the implementation of (project name).

4.06 Inventories

Inventory comprising of stationery and office equipment are not capitalized, but treated as expenditure during the year of purchase. Therefore, financial value of stock balances at year-end is not shown as assets in the financial statements.

Verified
31/12/2020
Ajoy Debnath
Audit & Accounts Officer
Foreign Aided Projects Audit Directorate
Audit Complex (6th & 7th Floor)
Seminboghata, Dhaka
Md. Abdul Ahad
ID No. 602315
Assistant Project Director (SDE) RHD
Attached to Project Director
SASEC Road Connectivity Project

S.D.M. Bertajur Rahman
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Md. Ishaque
ID No. 006002
Project Director (ACE), RHD
SASEC Road Connectivity Project

4.07 Receipts and disbursements

Receipts:

Receipts are accounted in the period in which such receipts are received. Receipts consist of external assistance received of loan and grant proceeds from ADB, ADFD and OFID.

Direct payments by ADB, ADFD and OFID for contractors of SASEC-I have been included in receipts in the year of such disbursements.

Payments:

Payments are accounted in the period in which such disbursements are made. Payments consist of expenses towards stipulated components of (project Name)

4.08 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the reporting period.

4.09 Compliance with Laws, Regulations and others:

The project has complied with relevant Government laws and regulations such as Public Procurement ACT 2006 and Public Procurement Rules-2008, General Financial Rules, Income Tax Ordinance 1984, Finance Act'19, VAT Act -2012 and other applicable laws and regulations. In Addition,

(A) The project has utilized all proceeds of the Loan withdrawn from the Loan account only for the purposes of the projects in accordance with the Loan Agreement and no proceeds of the Loan have been utilized for other purposes; and

(B) The Project was in compliance as at the end of reporting period with all financial covenants of the Loan agreement.

5.00 GOVERNMENT OF BANGLADESH

Funds are allocated by the Government of Bangladesh to cover GoB's share of eligible project expenditures, as specified in the Technical Assistance Project Pro-forma (TPP) and in the Annual Development Programme (ADP) for each of the project. Any allocated funds that have not been expended by the end of a fiscal year lapse and must be surrender to GOB. GOB contributions to the project since inception are as follows (In Lakh Taka)

	Inception to 30th June 2019	For the year 2019-2020	Inception to 30th June 2020
Disbursement by GOB	152015.29	50000	202015.29
Less : Refund /Surrender	0	0	0
Total :	152015.29	50000	202015.29

6.00 LOAN FROM DEVELOPMENT PARTNER

SASEC Road Connectivity Project has been financed by three (3) development partners namely Asian Development Bank, Opec Fund for International Development (OFID) and Abudhabi Fund for Development (ADFD). The development partners have been provided funds to the project to cover it's share of eligible project expenditures. These funds, which needs to be repaid to ADB, have been drawn by the project in accordance with the following withdrawal procedures (In Lakh Taka).

Particulars	Inception to 30th June 2019	For the year 2019-2020	Inception to 30th June 2020
Asian Development Bank (ADB)	143,518.74	33,950.43	177,469.17
Opec Fund for International Development (OFID)	27,764.84	5,979.54	33,744.38
Abudhabi Fund for Development (ADFD)	23,218.89	-	23,218.89
Total :	194,502.47	39,929.97	234,432.44

6.01 Loan from Asian Development Bank

The Asian Development Bank (ADB) has provided funds to the project to cover it's share of eligible project expenditures. These funds, which needs to be repaid to ADB, have been drawn by the project in accordance with the following withdrawal procedures (In Lakh Taka)

ADB Loan No	Inception to 30th June 2019	For the year 2019-2020	Inception to 30th June 2020
2949-BAN (COL)	116,796.59	3,862.07	120,658.66
3592-BAN	26,722.15	30,088.46	56,810.61
Total :	143,518.74	33,950.53	177,469.27

6.02 Loan from Opec Fund for International Development (OFID)

Opec fund for International Development (OFID) has provided funds to the project to cover it's share of eligible project expenditures. These funds, which needs to be repaid to OFID, have been drawn by the project in accordance with the following withdrawal procedures (In Lakh Taka)

Verified
31/12/2020
Ajoy Debnath
Audit & Accounts Officer
Foreign Aided Projects Audit Directorate
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Segunbagicha, Dhaka

Mr. Abdul Ahad
ID No. 602315
Assistant Project Director (SDE) RHE
(Attached to Project Director)
SASEC Road Connectivity Project

Mr. M. Sertajur Rahman
ID No. 601969
Assistant Project Director (EE), RHE
SASEC Road Connectivity Project

Mr. Ishaque
ID No. 006002
Project Director (ACE), RHD
SASEC Road Connectivity Project

OFID Loan No	Inception to 30th June 2019	For the year 2019-2020	Inception to 30th June 2020
OFID Loan No-1520P and 13205P	27,764.84	5,979.54	33,744.38
Total :	27,764.84	5,979.54	33,744.38

6.03 Loan from Abudhabi Fund for Development (ADFD)
Abudhabi Fund for Development (ADFD) has provided funds to the project to cover it's share of eligible project expenditures. These funds, which needs to be repaid to ADFD, have been drawn by the project in accordance with the following withdrawal procedures (in Lakh Taka)

ADFD Loan No	Inception to 30th June 2019	For the year 2019-2020	Inception to 30th June 2020
ADFD Loan No 1104	23,218.89	-	23,218.89
Total :	23,218.89	-	23,218.89

7.00 OTHER RESOURCES - N/A

Other resources consist of the following:

	Inception to 30th June 2019	For the year 2019-2020	Inception to 30th June 2020
Project Revenues	-	-	-
Exchange gains/losses	-	-	-
Total :	-	-	-

8.00 CASH

The project does not maintain any bank accounts for project aid from ADB, OFID and ADFD as the project uses the Direct Payment Methods. Bank account is maintained for GoB funded expenditure as the nature of fund. Year-end cash balances were as follows

(In Lakh Taka)			
	Inception to 30th June 2019	For the year 2019-2020	Inception to 30th June 2020
Imprest Account (Beginning Balance)	-	-	-
Operating Account (GoB)	-	-	-
Operating Account Sub-Account	-	-	-
Total	-	-	-

Verified
2020/3/12/2020
Ajoy Debnath
Audit & Accounts Officer
Foreign Aided Projects Audit Directorate
Audit Complex (6th & 7th Floor)
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(Md. Abdul Ahad)
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Md. Ishaque
ID No. 006002
Project Director (ACE), RHD
SASEC Road Connectivity Project

Summary of Audit Observations

Subject	Remarks
Status of Financial Statement	Unqualified
Summary of Management Letter	Government orders should be followed properly.

PART-A

Para no.	Title	Amount Involved Tk.	Risk Assessment	Remarks
01	Loss of Government money for procuring same item at different rates.	8,49,07,337.00 Eight Crore Forty Nine Lac Seven Thousand Three Hundred Thirty Seven	High	

PART-B

02	Loss of Government Revenue for less deduction of IT.	135,345.00 (One Lac Thirty Five Thousand Three Hundred and Forty Five).	High	
03	Loss of Government revenue from mobilization advance for less deduction of VAT & IT	11,30,772.00 Eleven Lac Thirty Thousand Seven Hundred Seventy Two	High	
04	Contract Validity period has been increased without increasing the period of bank guarantee and insurance policy.	-	low	
	Sub Total	12,66,117.00		
	Grand Total	8,61,73,454.00		

Causes of irregularities

- Non-compliance of financial rules & regulations.
- Violation of DPP provision
- Non –compliance of PPR, Delegation of Financial Power & Development Project Fund Release & Utilization Guideline.

Audit Recommendations

- Due care should be given for compliance of the Govt. financial rules and regulations.
- Should follow RDPP provision & annual procurement plan.
- Should Comply the Delegation of Financial Power (DFP) , Development Project Fund Release, PPR & Utilization Guidelines.