

Audited Project Financial Statements

Project No. 42378-017

Loan: 3350-BAN

Period Covered: 1 July 2017 to 30 June 2018

BAN: Power System Expansion and Efficiency Improvement Investment Program – Tranche 3

Prepared by Power Grid Company of Bangladesh Ltd

For the Asian Development Bank
Received on 31 December 2018

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**Foreign-Aided Projects Audit Directorate
Audit Complex (6th & 11th Floor)
Segunbagicha, Dhaka.**



No. 1095/FAPAD/S-5/ADB/2017-2018/241

Dated: 31-12-2018.

Sub: Audit Inspection Report on the accounts of “400/230/132 KV Grid Network Development Project” (Tranche-II) Financed by ADB Loan no. 3087BAN&3350 BAN and IDB Loan no.BD-0172 for the year 2017-2018.

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

Enclosure:

1. Auditor's Report.
2. Financial Statements & notes to FS.
3. Management letter.
4. Report on internal control & other issues.
5. Audit opinion on Statement of Expenditure (SOE).
6. Auditor's Report on Special Accounts.

-SD-

(Sarkar Mohammad Khairul Alam)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate
Phone: 88-02-8391548

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

No. 1095/FAPAD/S-5/ADB/2017-2018/241

Dated: 31-12-2018.

Copy for information and necessary action to:

1. The 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-1207.
3. Project Director, 400/230/132 KV Grid Network Development Project (Tranche-II) PGCB Bhaban, 7th floor, Aftabnagar, Dhaka

(a) Replies/comments on the Audit 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 and observations in Part-B (Ordinary) should be responded to FAPAD directly.

31.12.18

(Sarkar Mohammad Khairul Alam)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate
Phone: 88-02-8391548

Audit Inspection Report

On

**THE ACCOUNTS OF
“400/230/132 KV Grid Network Development Project”(Tranche-II)
Financed by ADB Loan no 3087BNA&3350BAN and IDB Loan no BD-0172
for the year 2017-2018.**

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

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Part-I

- Auditor's Report &
- Management Letter

AUDITOR'S REPORT

Audit Completion Date: 04.12.2018

The Secretary

Power Division

Ministry of Power, Energy and Mineral Resources

Bangladesh Secretariat, Dhaka

We have audited the accompanying Financial Statement FY 2017-2018 of the **400/230/132 KV Grid Network Development Project" (Tranche-II) Financed by ADB Loan no. 3087BAN&3350 BAN and IDB Loan no.BD-0172** as on 30 June 2018 and for the years then ended. According to ISSAI 1570 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.

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 management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion and according to the statement of ISSAI 1705, the financial statement gives a true and fair view in all material respects of the financial position of **400/230/132 KV Grid Network Development Project" (Tranche-II)** as of 30th June 2018 and the result of its operation and cash flows for the year ended in accordance with the cash basis of accounting followed by the Government of Bangladesh.

During the collection of audit information, there was no closing balance in the financial statements. In response to the raising of the objection, the project authorities amended and show closing balance in the financial statements and sent a reply.

The project accounts properly presents the expenditure and receipts for the year ended at 30.06.2018

Opinion Status: Modified Unqualified.

(Sarkar Mohammad Khairul Alam)

Deputy Director

For Director General

Foreign Aided Projects Audit Directorate

Phone: 88-02-8391548

[Ref: Project Audit Manual, FAPAD. Page: 4.7.1]

Financial Statement

Figure in Lakh Taka

Resources	Notes	Cumulative Actual up to 30th June, 2017	Actual Current Period (FY July 2017- June 18)	Total
(a)	(b)	(c)	(d)	(c+d)
A. Source of Fund				
Government of Bangladesh	1	2,100.00	3,000.00	5,100.00
ADB:	2			-
RPA				-
DPA		13,689.64	23,044.28	36,733.92
Other Resources (PGCB Own Fund)	3	6,063.40	1,525.26	7,588.66
Cash Opening Balance	4		415.14	-
Total Resources (A)		21,853.04	27,984.68	49,422.58
B. Usages of Fund				
B.1 Expenditure				
Salary & Allowances		911.02	637.97	1,548.99
Land Acquisition		4,519.98	11.50	4,531.48
Office Furniture		14.00	0.27	14.27
Office Equipment		10.26	9.84	20.10
Vehicles		403.31	-	403.31
Substation Construction	5	13,689.64	13,636.66	27,326.30
Transmission Line Construction	5	-	9,407.62	9,407.62
Route/Site/IEE Survey		35.13	-	35.13
Feasibility Study		15.58	-	15.58
Right of Way & Compensation		-	5.26	5.26
Environmental Assessment		5.00	-	5.00
Consultancy		-	-	-
IDC		-	684.29	684.29
CDVAT		1,536.42	3,210.54	4,746.96
Tax & Vat		297.56	226.52	524.08
Total Expenditure		21,437.90	27,830.47	49,268.37
B.2 Cash Closing Balance				
Government of Bangladesh (CDVAT)		363.58	153.04	153.04
ADB (Imprest Account)		-	-	-
Other Resources (PGCB Own Fund)		51.56	1.17	1.17
Total Cash Closing Balance		415.14	154.21	154.21
Total Usages of Fund (B)		21,853.04	27,984.68	49,422.58

e-mail : ce-gndp@pgcb.org.bd

[Signature]
29/11/2018
Jr. Assl. Manager - Accounts
400/230/132 KV GND Project
PGCB, Dhaka

[Signature]
29.11.18
Manager - Accounts
400/230/132 KV GND Project
PGCB, Dhaka

[Signature]
29/11/2018
Project Director & Chief Engineer
400/230/132 KV GND Project
PGCB, Dhaka

[Signature]
29/12/2018
Verified
Md. Rezaul Karim
Audit & Accounts Officer
Foreign Aided Projects Audit Directorate
Audit Complex (9th & 11th Floor)
Sagorbari, Dhaka.

Note 1: Government of Bangladesh:

in Lac Taka

	Inception to 30 th June,2017	For the year 30 th June,2018	Inception to 30 th June,2018
Disbursements by GOB	2100	3000	5100
Less: Refund to GOB	-	-	-
Total	2100	1900	5100

Note 2: Loan from Development Partner/Donor:

	Inception to 30 th June,2017	For the year 30 th June,2018	Inception to 30 th June,2018
Initial Advance			
Direct Payments (DPA)	13,689.64	23,044.28	36,733.92
SOE Procedures (RPA)			
Non SOE Procedure (RPA)			
Total	13,689.64	23,044.28	36,733.92

Note 3: Other Resources:

	Inception to 30 th June,2017	For the year 30 th June,2018	Inception to 30 th June,2018
Project Revenues (PGCB Own Fund)	6063.40	1,372.22	7,435.62
Exchange gain/losses	-	-	-
Total	6063.40	1,372.22	7,435.62

Note 4: Cash:

	Inception to 30 th June,2017	For the year 30 th June,2018	Inception to 30 th June,2018
Cash on hand			
Special Account			
Project Operating Account (RPA)			
Project Operating Account (GOB)	363.58	153.04	153.04
Project Operating Account of Field Station (PGCB)	51.56	1.17	1.17
Total	415.14	154.21	154.21

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29/11/2018

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29.11/2018

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20/11/18

Verified
[Signature]
5/12/2018

Md. Rezaul Karim
Audit & Accounts Officer
Foreign Aided Projects / Audit Directorate
Audit Complex (6th & 11th Floor)
Sagorbar, Jharkhand, India

AUDIT OPINION ON SOE

No fund was received on the basis of SOE claim. So, Audit Opinion on SOE is not required.



(Sarkar Mohammad Khairul Alam)
Deputy Director
For Director General
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Phone: 88-02-8391548

AUDITOR'S REPORTS ON SPECIAL ACCOUNT

There is no Special Accounts maintained for the project. So, auditor's reports on Special Accounts in not required.



(Sarkar Mohammad Khairul Alam)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate
Phone: 88-02-8391548

AUDITOR'S REPORT ON IMPREST ACCOUNT

There is no Imprest Accounts maintained for the project. So, auditor's report on Imprest Accounts is not required.



(Sarkar Mohammad Khairul Alam)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate
Phone: 88-02-8391548

Summary of Audit observations

Subject	Amount Involved	Risk Assessment	Remarks
Status of Financial Statement			Modified Unqualified <i>Internal control is in place. Fund management is satisfactory.</i>
Summary of Management Letter			<i>Government orders should be maintained properly.</i>

PART-A

Para no.	Title	Amount Involved (Tk.)	Risk Assessment	Remarks
01.	Income Tax & VAT amounting to Tk. 4,53,80,055/- was not realized at source from the Contractors bills.	4,53,80,055/-	High Risk	

PART-B

Para no.	Title	Amount Involved	Risk Assessment	Remarks
02.	All receipt and expenditure statement of the project has not been reconciled to the IBAS++.	-	Low Risk	
03.	Irregular purchase of land amounting to Tk. 7,30,002/ without land acquisition under DC.	7,30,002/	Medium Risk	

Overall Comments on Observations

Causes of irregularities & loss

- Non compliance of financial rules & regulations

Audit Recommendations

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