

Audited Project Financial Statements

Project Number: 44192
Loan/Grant Number: 2661/3031
Period covered: 2013-2014

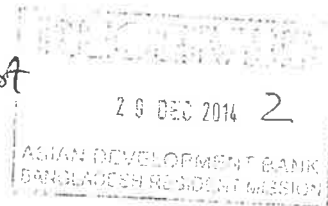
BAN: Bangladesh-India Electrical Grid Interconnection Project

Prepared by Ministry of Power, Energy and Mineral Resources

For the Asian Development Bank
Date received by ADB: 29 December 2014

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 Power, Energy and Mineral Resources

Tony
Pls. keep record
& distribute to PO/Analyst
Foreign Aided Projects Audit Directorate
Audit Complex (6th Floor)
Segunbagicha, Dhaka.



No. 450/FAPAD/S-I/ADB/2013-14/

Date: - 12-2014

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

Sub: Audit Inspection Report on the accounts of 'Grid Interconnection Between Bangladesh (Bheramara) and India (Baharampur) Project' Financed under ADB Loan No.2661-BAN(SF) & 3031 BAN (SF) for the year 2013-2014.

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 Statement
3. Management letter
4. Auditor's Opinion on Imprest Account

Sd.
(Md. Abul Kalam)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate
Tel: 9356303.

No. 450 /FAPAD/S-I/ADB/2013-14/ 764

Date: 28 - 12-2014

Copy for information and necessary action to:

1. **Secretary**, Economic Relations Division, Ministry of Finance, Sher-e-Bangla Nagar, Dhaka.
2. **Country Director**, Asian Development Bank, Plot No.E-31, Agargaon, Sher-e-Bangla Nagar, Dhaka-1207.
3. **The Project Director**, 'Grid Interconnection Between Bangladesh (Bheramara) and India (Baharampur) Project' Concord Tower (6th Floor), PGCB, 17, Mohakhali, C/A, 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.

- a) *Observation in part-A through Ministry concerned and*
- b) *Observations in Part-B should be responded to FAPAD directly.*

(Md. Abul Kalam)
Deputy Director
for Director General
Foreign Aided Projects Audit Directorate
Tel: 9356303.

Audit Inspection Report

On

The Accounts of
***“Grid Interconnection Between Bangladesh (Bheramara)
and India (Baharampur) Project”***

financed under ADB Loan No.2661-BAN(SF) &
3031 BAN (SF) for the year 2013-2014.

PART-I (Executive Summary & Audit Findings)

Foreign Aided Projects Audit Directorate
Segunbagicha, Dhaka.

Information Regarding Audit

- **Name of Audit Unit** : *Grid Interconnection Between Bangladesh (Bheramara) and India (Baharampur) Project.*
- **Nature of Audit** : Financial Audit
- **Year of Audit** : 2013-2014
- **Duration of Audit** : 17.11.2014 – 30.11.2014
- **Audit Team No-05** : Md. Azizur Rahma, Audit & Accounts Officer.
Md. Ziaur Rahman, Auditor.
- **Audit Methodology** : ✓ Verification of Financial Statements.
✓ Test Check of Vouchers.
✓ Certification of Financial Statement.
- **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 received and expenditure incurred by the project authority.
✓ Review of Financial Management and Internal Control System.
- **Name of Programme** : Grid Interconnection Between Bangladesh (Bheramara) and India (Baharampur) Project.
- **Duration** : 4 Years (Revised)
- **Total Cost** : Tk: 157982.97 lakh.
- **Audit Status (2013-14)** : 4th & Final Year Audit.
- **Current Year Cost** : Tk. 34415.10193 lakh
(GoB=1670.00 + ADB= 18350.75799 + PGCB=13353.24877)
- **Commencement** : July, 2010.
- **Completion** : June, 2014.
- **Executing Ministry** : Power Division, Ministry of Power, Energy and Mineral Resources.
- **Implementing Agency** : Power Grid Company of Bangladesh Limited.
- **Funding Agency** : ADB Loan

➤ **Fund Management System**

: GOB fund:

The fund for GOB was released by the administrative Ministry as per ADP allocation through Government orders from time to time drawn from concerned CAO and own resources fund was disbursed by PGCB to the project in accordance with the condition of the subsidiary Loan agreement (SLA)..

PA Fund:

PA (fund) expenditure was directly made by ADB on the basis of Payment Certificate issued by the Authorized Person, Ministry of Energy.

➤ **Programme Objectives**

- :**
- ✓ To establish a Grid Interconnection Between Bangladesh and India for facilitation exchange of electricity as and when it is possible & feasible.
 - ✓ To meet-up the ever increasing demand of electricity for socio economic development in both the countries.

Summary of Audit Findings

| SL. No. | Subject | Comments |
|----------|--|--|
| 1. | Status of Financial Statement | Unqualified |
| 2. | Summary of Management Letter | <ul style="list-style-type: none"> ▪ Non Compliance of financial rules, regulations and conditions of contract documents ▪ Annual physical verification of assets should be conducted. |
| Title | | Amount Involved (Tk) |
| Para No. | Part-A | |
| 01 | Reimbursement made as VAT & Tax in violation of condition of contractor's contract. | Tk.2,76,21,515.62 |
| 02 | Payments were made in excess as item wise without revising the estimate or showing any justification. | Tk. 6,01,30,917.80 =(LC =1,60,66,685.00 + FC=4,40,64,232.80) |
| | Part-B | |
| 03 | Unspent balance lying in the Account current not deposited in to Govt. account after end of the project activities. | Tk.140138039.00 |
| 04 | Irregular payment made to the contractor after the closing of the project permission not obtained from the competent authority. | Tk.51,60,84,068.00 |
| 05 | Amount as IDC not deposited into Govt. treasury as Terms and Conditions of SLA and GOB allocation. | TK. 8,39,87,178.08 |
| 06 | Payment made in advance to Khustia Rural Electrification Shamity for depositing work not yet adjusted even after the closing of the project. | TK. 2,02,62,515.79 |
| 07 | Unspent balance not deposited into Govt. treasury in spite of expired the project period. | Tk. 76,38,477.00 |
| 08 | Payment made in excess over the contract price. | Euro. 10,09,950.16 |

Causes of Irregularity and Loss

- Non Compliance of financial rules, regulations and conditions of contract documents.

Audit Recommendations

- Due care should be given for compliance of the government financial rules, regulations and conditions of contract documents.

Auditor's Report

Audit Completion Date: 30.11.2014


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

I. We have audited the Financial Statement of ***"Grid Interconnection Between Bangladesh (Bheramara) and India (Bahurampur) Project"*** as at 30th June, 2014 and for the year then ended. Preparation of the 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 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 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.

IV. In our opinion, except as stated in the preceding paragraphs, the Financial Statement gives a fair view in all material aspect of the financial position ***"Grid Interconnection Between Bangladesh (Bheramara) and India (Bahurampur) Project"*** as at 30th June 2014 and the result of its operations and cash flows for the year then ended in accordance with the cash and accrual basis of accounting followed by the Government of Bangladesh.

V. Opinion Status: ***Unqualified.***


(Md. Abul Kalam)
Deputy Director
for Director General
Foreign Aided Projects Audit Directorate

Grid Interconnection between Bangladesh (Bheramara) & India (Baharampur) Project.
Financial Statement
30th June, 2014.

(Figure in Lakh Taka)

| Resources | Notes | Cumulative Prior Period | Current Period | Cumulative Current Period |
|-------------------------------|-------|----------------------------|-------------------|------------------------------|
| Government of Bangladesh | 1 | 41,396.00000 | 1,670.00000 | 43,066.00000 |
| Loan from Development Partner | 2 | 65,958.36563 | 18,350.75799 | 84,309.12362 |
| Other resources(PGCB) | | 4,492.60555 | 13,353.24877 | 17,845.85432 |
| Cash opening balance | | - | 2,442.47556 | - |
| Total Resources | | 111,846.97118 | 35,816.48232 | 145,220.97794 |

| | | | | |
|---|--|---------------|--------------|---------------|
| Expenditure and Cash | | | | |
| Pay of Officers(4500) | | 97.71936 | 51.33696 | 149.05632 |
| Pay of Staff(4600) | | 24.09488 | 12.36121 | 36.45609 |
| Allowances(4700) | | 107.54859 | 66.91140 | 174.45999 |
| Supplies & Services(4800) | | 2,975.97343 | 3,127.33027 | 6,103.30370 |
| Compensation(4849) | | 75.76314 | - | 75.76314 |
| Acquisition of Assets(6800) | | 65,958.36563 | 16,289.92799 | 82,248.29362 |
| Acquisition of Assets(6800) | | 57.61284 | 0.07000 | 57.68284 |
| Acquisition/Purchase of Land & Landed Properties Assets(6900) | | 761.53925 | - | 761.53925 |
| Construction Works(7000) | | - | - | - |
| Land Development(7001) | | 4,340.22594 | - | 4,340.22594 |
| Building (7016) | | 91.70093 | 5,538.37732 | 5,630.07825 |
| Installation/Electrical installation(7056) | | 11,880.01093 | 3,730.83000 | 15,610.84093 |
| Development Import Duty & VAT (CD-VAT)(7901) | | 22,657.52443 | 1,041.09518 | 23,698.61961 |
| IDC(7981) | | 376.41627 | 4,556.86160 | 4,933.27787 |
| Total Expenditure | | 109,404.49562 | 34,415.10193 | 143,819.59755 |

| | | | | |
|----------------------------|--|---------------|--------------|---------------|
| Cash Closing Balance | | | | |
| Imprest Account | | | | - |
| Opening Account (RPA) | | | | - |
| Operating Account (GOB) | | 2,442.47556 | 1,401.38039 | 1,401.38039 |
| Total Expenditure and Cash | | 111,846.97118 | 35,816.48232 | 145,220.97794 |

Note: Unexpended Amount Taka 1401.38039 Lakh (CD-VAT Fund).

Sum
Ahmed
 30/06/14
 IMJ AZIZUR RAHMAN
 Audit & Accounts Officer (Admin)
 Foreign Audit Project Audit Directorate
 Audit Complex (6th Floor)
 Bagicha, Dhaka

Kazi Istiaque Hasan
 30/06/14
 Kazi Istiaque Hasan
 Project Director
 Grid Interconnection Project (GIP)
 PGCB, Dhaka

Grid Interconnection between Bangladesh (Bheramara) & India (Baharampur) Project.

NOTES OF FINANCIAL STATEMENT

30th June, 2014

1. GOVERNMENT OF BANGLADESH

Fund 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 contributions to the project since inception are as follows (In Lakh Taka).

| | Inception to 30 th June 2013 | For the year 2013-2014 | Inception to 30 th June 2014 |
|---------------------|--|---------------------------|--|
| Disbursement by GOB | 42,701.75 | 1,670.00 | 44,371.75 |
| Less: Refund to GOB | 1,305.75 | - | 1,305.75 |
| Total: | 41,396.00 | 1,670.00 | 43,066.00 |

2. LOAN FROM DEVELOPMENT PARTNER:

| | Inception to 30 th June 2013 | For the year 2013-2014 | Inception to 30 th June 2014 |
|---------------------------|--|---------------------------|--|
| Initial Deposit (Advance) | - | - | - |
| DPA (Direct Payment) | 65,958.36563 | 18,350.75799 | 84,309.12362 |
| RPA (SOE Procedure) | - | - | - |
| RPA (Non SOE Procedure) | - | - | - |
| Others | - | - | - |
| Total | 65,958.36563 | 18,350.75799 | 84,309.12362 |

3. OTHER RESOURCES:

Other resources consist of the following:

| | Inception to 30 th June 2013 | For the year 2013-2014 | Inception to 30 th June 2014 |
|-------------------------|--|---------------------------|--|
| Project Revenues (PGCB) | 4,492.60555 | 13,353.24877 | 17,845.85432 |
| Exchange gains/losses | - | - | - |
| Total: | 4,492.60555 | 13,353.24877 | 17,845.85432 |

4. CASH:

The Project maintains two Bank account, an imprest bank account, or revolving fund, which is kept Bangladesh Bank to hold funds advanced by ADB, and an operating accounting, which is kept at commercial bank to hold funds advanced by GOB as well as funds transferred from the imprest bar account. Year end cash balances were as follows (In Lakh Taka)

| | Inception to 30 th June 2013 | For the year 2013-2014 | Inception to 30 th June 2014 |
|-------------------------|--|---------------------------|--|
| Imprest Account | - | - | - |
| Operating Account (RPA) | - | - | - |
| Operating Account (GOB) | 2,442.47556 | 1,401.38039 | 1,401.38039 |
| Total: | 2,442.47556 | 1,401.38039 | 1,401.38039 |

Note: Unexpended Amount Taka 1401.38039 Lakh (CD-VAT Fund).

[Signature]
 (MD. AZIZUR RAHMAN)
 Audit & Accounts Officer (Admin)
 Foreign Aid/Project Audit Directorate
 2nd Floor, Complex 10th Floor
 Dhaka

[Signature]
 Kazi Istiaque Hasan
 Project Director
 Grid Interconnection Project (GIP)
 PGCB, Dhaka.