STATUTORY AUDIT REPORT

(Statement of Sources and Application of funds and Reconciliation of Claims to Total Application of Funds for BISPS (Bihar Integrated Social Protection Strengthening Project) PROJECT

STATE SOCIETY FOR ULTRA POOR & SOCIAL WELFARE (SSUPSW), Bihar For Financial Year 2018-19

As submitted by

Thakur, Vaidyanath Aiyar & Co. Chartered Accountants

14, Adarsh Colony, Kidwaipuri, Patna, Bihar 800001
Tel: 0612-2224720, Mob: 9835218770
E-mail: dchoudharyca68@gmail.com
Independent Auditor's Report

To
The Chief Executive Officer (CEO) /PD (BISPS)
STATE SOCIETY FOR ULTRA POOR & SOCIAL WELFARE, (SSUPSW)
PATNA, BIHAR

Report on the Financial Statements

Opinion

We have audited the accompanying special purpose financial statements of Bihar Integrated Social Protection Strengthening Project (BISPS), financed under International Development Association (IDA) under credit No 5349-IN and implemented by State Society for Ultra Poor & Social Welfare, Bihar (brand name SAKSHAM) for the year ended on 31 March 2019 in which are incorporated the project transactions incurred by Bihar State Building Construction Corporation Limited (BSBCCL). These financial statements comprise of Statement of Sources and Uses of Funds, Statement of Expenses by Project Components/Sub-Components, Statement of reconciliation of claims, and Receipts and Payments account, and notes to these financial statements, including a summary of significant accounting policies.

In our opinion, the aforesaid special purpose Project Financial Statements give a true and fair view of the receipts and disbursements of the Project for the year ended on March 31, 2019 and the expenditure of the Project for the year ended on March 31, 2019, in accordance with the financial reporting provisions of Section 5.09 of the General Conditions of the World Bank read with the Loan Agreement and Project Agreement dated November 07, 2013 described in Note 5.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing issued by Institute of Chartered Accountants of India (ICAI). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the implementing agency in accordance with the ICAI’s Code of Ethics for undertaking this assignment, and we have fulfilled our ethical responsibilities in accordance with ICAI’s Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the PFS describing the basis of accounting. The PFS is prepared to assist the State Society for Ultra Poor & Social Welfare, Bihar (brand name SAKSHAM) to meet the financial reporting requirements of the Project’s Loan Agreements for Investment Project Financing dated March 31 2019 in respect of preparation of the Project Financial Statements in a manner to reflect the operations, resources and expenditures related to the
Project. As a result, these special purposes financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and those charged with Governance for the Project Financial Statements

The Management of the implementing agency is responsible for the preparation and fair presentation of the Project Financial Statements in accordance with the financial reporting framework described in significant policies and notes to account to these financial statements, and for such internal control as management determines is necessary to enable the preparation of Project Financial Statements that are free from material misstatement, whether due to fraud or error.

The Management and those charged with governance are responsible for overseeing the implementing agency's financial reporting process.

Auditor's Responsibilities for the Audit of the Project Financial Statements

Our objectives are to obtain reasonable assurance about whether the Project Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Standards of Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standard of Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Project Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the Project Financial Statements, including the disclosures and whether these financial statements present the Project's operations and underlying transactions and events in a manner that
achieves fair presentation in accordance with the financial reporting provisions described in Notes to accounts to the Project Financial Statements.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Further to our opinion on the Project Financial Statements we further report that:

a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

b) In our opinion, proper books of accounts have been kept by the implementing agency for Project purposes so far as appears from our examination of those books;

c) The Project Financial Statements dealt with by this report are in agreement with the books of accounts;

d) The Project funds were utilized for the purposes for which they were provided;

e) Expenditures shown in the PFS are eligible for financing under the relevant financing agreement and these were exclusively financed through the project funds and no other sources of funds have been received for incurring such expenditures;

f) The IUFR submitted during the period under audit are supported by adequate detailed documentation maintained at SSUPSW offices/ BSBCCl's divisions/ DPMU's to support claims to the World Bank for reimbursement of expenditure incurred;

g) Procurement done by SSUPSW/BSBCCI under the project had been undertaken in accordance with the agreed procedure; and

h) The Project has an adequate internal financial control system (including IT controls) and such controls were operating effectively as at March 31, 2019 and the Project complies with the provisions on financial management contained in the Operations Manual/ Project Implementation Plan/ Financial Management Manual, in all material aspects.
Name of the project: Bihar Integrated Social Protection Strengthening project
IDA Credit No.- 5349-IN
Reconciliation of claims to Total Applications of funds
Report for the year ended 31st March '2019

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount(Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project till previous year ended 31.03.2018</td>
<td></td>
</tr>
<tr>
<td>Project to Date</td>
<td></td>
</tr>
<tr>
<td>Banks Fund Claimed during the year</td>
<td></td>
</tr>
<tr>
<td>_IUFR 1</td>
<td>10,52,97,657.00</td>
</tr>
<tr>
<td>_IUFR 2</td>
<td>18,13,32,176.00</td>
</tr>
<tr>
<td>_IUFR 3</td>
<td>16,09,72,333.00</td>
</tr>
<tr>
<td>_IUFR 4</td>
<td>24,24,61,204.00</td>
</tr>
<tr>
<td>Total Bank Funds Claimed(A)</td>
<td>69,00,63,370.00</td>
</tr>
<tr>
<td>Total Expenditure made during the year (B)</td>
<td>98,58,04,814.00</td>
</tr>
<tr>
<td>Less: Outstanding AC bills (C)</td>
<td>1,51,33,85,366.00</td>
</tr>
<tr>
<td>Ineligible Expenditures (D)</td>
<td></td>
</tr>
<tr>
<td>Add:-Expenditures not claimed ( E )</td>
<td></td>
</tr>
<tr>
<td>Total Eligible expenditure Claimed ( F )</td>
<td>98,58,04,814.00</td>
</tr>
<tr>
<td>World Bank Share 70% of (F) above ( G )</td>
<td>69,00,63,370.00</td>
</tr>
<tr>
<td>Amount to be claimed / refunded (H)</td>
<td></td>
</tr>
</tbody>
</table>

For THAKUR VAIYANATH AYAR & CO.  
(Chartered Accountants)  
Firm Reg No: 000038N

For State Society for Ultra Poor & Social Welfare

CA D.Choudhary  
M.No: 009302  
Place: Patna  
Date: 28/10/2019
**Annexure on sources and application of funds**

Name of the Project : Bihar Integrated Social Protection Strengthening project  
IDA Credit No.- 5349-IN

Statement of Sources and Application of Funds  
Report for the year ended 31st March 2019

<table>
<thead>
<tr>
<th>Particulars</th>
<th>current year (2018-19)</th>
<th>Project till previous year end 31.03.2018</th>
<th>Project to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>769298075</td>
<td>25846758</td>
<td>25846758</td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds from Government through budget (These will include external assistance received by Government for the project)</td>
<td>680000000</td>
<td>2212274194</td>
<td>2892274194</td>
</tr>
<tr>
<td>Others (Sale of Bid Document, Bank interest etc)</td>
<td>20611997</td>
<td>44562459</td>
<td>65174456</td>
</tr>
<tr>
<td>Total Receipts (A)</td>
<td>700611997</td>
<td>2256836653</td>
<td>2957448650</td>
</tr>
<tr>
<td>Expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Component 1 strengthening social protection capacity and systems</td>
<td>72292556</td>
<td>188675953</td>
<td>260968509</td>
</tr>
<tr>
<td>B. Component 2 strengthening outreach and social services</td>
<td>913512258</td>
<td>1324709383</td>
<td>2238221641</td>
</tr>
<tr>
<td>C. Project Management</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Expenditures (B)</td>
<td>985804814</td>
<td>1513385336</td>
<td>2499191050</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>484105258</td>
<td>769298075</td>
<td>484105258</td>
</tr>
</tbody>
</table>

For THAKUR VAIDYANATH AIYAR & CO.  
(Chartered Accountants)  
Firm Reg No: 000038N

For State Society for Ultra Poor & Social Welfare

Financial Management Specialist  
Sr.Administrative officer  
Chief Executive Officer

CA D.Choudhary  
M.No: 009302  
Place: Patna  
Date: 28/10/2019
## Annexure on sources and application of funds

**Name of the project:** Bihar Integrated Social Protection Strengthening

**Project**
IDA Credit No.- 5349-IN

**Annexure-3**

**Component Wise Expenditure Statement**

Report for the year ended 31st March 2019

<table>
<thead>
<tr>
<th>Component/ Activity</th>
<th>Expenditure Incurred till previous year</th>
<th>Expenditure for the year</th>
<th>Cumulative expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(A)</td>
<td>(B)</td>
<td>(A)+(B)</td>
</tr>
<tr>
<td><strong>1 Component 1 strengthening social protection</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>capacity and systems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods</td>
<td>8,30,93,106.00</td>
<td>1,92,241.00</td>
<td>8,32,85,347.00</td>
</tr>
<tr>
<td>Consulting Services</td>
<td>3,87,90,772.00</td>
<td>4,37,88,633.00</td>
<td>8,25,79,405.00</td>
</tr>
<tr>
<td>Non Consulting Services</td>
<td>1,88,878.00</td>
<td></td>
<td>1,88,878.00</td>
</tr>
<tr>
<td>Salaries</td>
<td>2,95,81,069.00</td>
<td>1,02,32,812.00</td>
<td>3,98,13,881.00</td>
</tr>
<tr>
<td>Other operating Cost</td>
<td>3,70,22,128.00</td>
<td>1,80,78,870.00</td>
<td>5,51,00,998.00</td>
</tr>
<tr>
<td>Total</td>
<td>18,86,75,953.00</td>
<td>7,22,92,556.00</td>
<td>26,09,68,509.00</td>
</tr>
<tr>
<td><strong>2 Component 2 piloting innovation in social protection delivery</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establishment &amp; strengthening of social care services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>sub component</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a Civil works</td>
<td>1,01,50,50,548.00</td>
<td>54,14,67,278.00</td>
<td>1,55,65,17,826.00</td>
</tr>
<tr>
<td>b Consulting services</td>
<td>1,54,72,428.00</td>
<td>69,93,951.00</td>
<td>2,24,66,379.00</td>
</tr>
<tr>
<td>c Non consulting services</td>
<td>10,16,353.00</td>
<td></td>
<td>10,16,353.00</td>
</tr>
<tr>
<td>d Goods</td>
<td>3,57,12,774.00</td>
<td>1,35,64,389.00</td>
<td>4,92,77,163.00</td>
</tr>
<tr>
<td>e Operating cost</td>
<td>7,21,41,788.00</td>
<td>19,38,75,834.00</td>
<td>26,60,17,622.00</td>
</tr>
<tr>
<td><strong>Pilot Models in social protection Delivery</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a Goods</td>
<td>18,34,44,363.00</td>
<td>15,41,63,873.00</td>
<td>33,76,08,236.00</td>
</tr>
<tr>
<td>b Operating cost (Vans)</td>
<td>18,71,129.00</td>
<td>34,46,933.00</td>
<td>53,18,062.00</td>
</tr>
<tr>
<td>Total</td>
<td>1,32,47,09,383.00</td>
<td>91,35,12,258.00</td>
<td>2,23,82,21,641.00</td>
</tr>
<tr>
<td>Total (1+2)</td>
<td>1,51,33,85,336.00</td>
<td>98,58,04,814.00</td>
<td>2,49,91,90,150.00</td>
</tr>
</tbody>
</table>

For THAKUR VAIDYANATH AIYAR & CO.  
(Chartered Accountants)  
Firm Reg No: 000038N

**CA D.Choudhary**  
M.No: 009302  
Place: Patna  
Date: 28/10/2019

**For State Society for Ultra Poor & Social Welfare**

**Financial Management Specialist**  
**Sr. Administrative Officer**  
**Chief Executive Officer**

**For THAKUR VAIDYANATH AIYAR & CO.**  
(Chartered Accountants)  
Firm Reg No: 000038N

**CA D.Choudhary**  
M.No: 009302  
Place: Patna  
Date: 28/10/2019

**Notes:**

1. The expenditure as mentioned above should match with expenditure reported in Annexure 2.
Significant Accounting Policies and Explanatory Notes to Accounts

A. Significant Accounting Policies

1. Basis of Accounting:

(a) The Financial Statements have been prepared as of a going concern on historical cost convention and under cash basis of accounting.

(b) The accounting policies have been consistently applied under the society.

2. Revenue/Expenditure Recognition:

(a) All grants received from State government financed by International Development Association (IDA) under credit No 5349-IN is accounted on receipt basis.

(b) Expenditures incurred during the year are accounted on receipt basis, based on Utilization certificate received from different districts.

(c) Sale proceeds of Bid Documents and Miscellaneous Receipts have been recognized on receipt basis.

(d) Bank interest amount has been recognized on receipt basis.

3. Fixed Assets

(a) Fixed assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses relating to acquisition and installation of such assets.

4. Employee Benefit

The society provides following benefits to its employees as per the terms of employments with them namely:

(a) Employee Provident Fund: Contributions to the Employees’ Provident Fund is as per statute and is recognized as expenses during the period. Liability towards the fund is paid or provided on monthly basis.
THAKUR, VAIDYANATH AIYAR & CO.
CHARTERED ACCOUNTANTS

NEW DELHI, PATNA, KOLKATA, MUMBAI, CHENNAI AND CHANDIGARH

5. Tax deducted source
Society's TAN number is PTNS05144G. Further, it has complied with all the filling in the timely manner.

6. Goods and Service Tax (GST)
GST was effected from July 01, 2017 in India. Society has obtained its GST number 10PTNS05144G1D5 dated 26.09.2018. Further, it has complied with all the filling in the timely manner.

B. Notes to Accounts

1. The Society is registered with the Income Tax Authorities under section 12AA of the Income Tax Act 1961, vide registered application number AAHAS6808A/13/14-15/A-0055 dated June 01, 2015, vide letter no. AA-A.A. (Exemption)/Patna/Technical/12AA/Application/04{101}/2014-15/805-08and hence the income of the society is exempt under section 11 of the Act, subject to compliance of relevant provision of section 11 read with section 12 and 13 of the Act. The permanent Account no. (PAN) of the Society is AAHAS6808A.

2. The society does not have share capital. Hence disclosure of Earning per Share as per AS-20 Earning per Share is not applicable to the society.

3. The Society has not entered into any related party transaction, as defined in Accounting Standard 18- Related Party Transactions, during the year. Hence disclosures required under the Standards are not applicable to the society.

4. Prior year line items have been regrouped and reclassified where ever necessary to confirm to current year's classification.

5. As per memorandum of Understanding dated 7th November 2013 with the Bihar State Building Construction Corporation Limited (BSBCCL) will carry the contract management against funds issued by the SSUPSW. Based on statement of Sources and Uses of Fund for the activities of BISPS as provided by the BSBCCL, expenditure is reported and adjustment to advances is made by SSUPSW.

6. Physical verification of assets under construction or constructed and fixed assets was made on sample basis and was found to be reconciled with the records. Expenditure has been booked based on utilization certificates as provided by BSBCCL to SSUPSW.
7. Security deposit deducted by Bihar State Building Construction Corporation limited from the payments made from the fund received has been shown under Receipt of Fund in the Statement of Sources and Uses of Funds.

8. We have visited 38 districts of BISPS and 7 divisions of BSBCCL. Further through examination of all the books and accounts were conducted, thus giving a true and fair view of the receipts and disbursements.

For and on behalf of

Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants
Firm's registration number: 000038N

D. Choudhary
Partner
Membership Number: 009302
Place: Patna
Date: 28.10.2019