AUDITOR’S REPORT

Senior Secretary
Local Govt. Division
Ministry of LGRD & Co-operatives
Bangladesh Secretariat, Dhaka.

Audit completion date: 08-12-2016.

I. We have audited the accompanying Financial Statement of the “Second Local Governance Support Project (LGSP-II)” financed by IDA under Financing Agreement No. 5019-BD as on 30th June, 2016 and for the year then ended. 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. 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. In our opinion, except non-compliance of financial rules and regulations in subsequent observations along with the management letter following the Financial Statement gives a fair view in all material aspects of the financial position of “Second Local Governance Support Project (LGSP-II)” as at 30th June, 2016 and the results of its operations and cash flows for the year then ended in accordance with the cash basis of accounting followed by the Government of Bangladesh.

IV. Opinion: Unqualified.

Date: ____________________

(Mohammad Animul Ehsan Kabir)
Deputy Director
For Director General
Foreign-Aided project Audit Directorate
Tel: 9362478
# Second Local Governance Support Project (LGSP-II)
## Project Financial Statement
### As on 30 June, 2016

<table>
<thead>
<tr>
<th>Resources</th>
<th>Notes</th>
<th>Cumulative Prior Period</th>
<th>Current Period</th>
<th>Cumulative Current Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government of Bangladesh</td>
<td>1</td>
<td>133,820.01</td>
<td>47,615.02</td>
<td>181,435.03</td>
</tr>
<tr>
<td>Loan From Development Partner:</td>
<td>2</td>
<td>152,209.62</td>
<td>55,321.65</td>
<td>207,531.27</td>
</tr>
<tr>
<td>Cash Opening Balance</td>
<td></td>
<td></td>
<td>2,923.18</td>
<td></td>
</tr>
<tr>
<td>Foreign Exchange Conversion Gain/(Loss)</td>
<td>3</td>
<td>(15.70)</td>
<td>167.37</td>
<td>151.67</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td></td>
<td><strong>286,013.93</strong></td>
<td><strong>106,027.22</strong></td>
<td><strong>389,117.97</strong></td>
</tr>
</tbody>
</table>

**Expenditure**

1. Basic Block Grant & Performance-based Grant  
   - 263,907.12  
   - 97,799.47  
   - 361,706.59

2. Training, Workshop and Study Tour  
   - 5,613.54  
   - 350.29  
   - 5,963.83

3. Technical Know-how Fee and Pay of DF  
   - 2,376.56  
   - 943.69  
   - 3,320.25

4. Audit Fees and IEC  
   - 2,842.92  
   - 1,946.12  
   - 4,789.04

5. Salary & Allowances  
   - 150.95  
   - 166.14  
   - 317.09

6. Operating expenses  
   - 937.34  
   - 443.50  
   - 1,380.84

7. Furniture, Electrical goods etc  
   - 167.04  
   - 77.70  
   - 244.74

8. Vehicles  
   - 1,302.66  
   - -  
   - 1,302.66

9. Photocopier, MIS, Computer etc  
   - 218.66  
   - 78.55  
   - 297.20

10. CD/VAT  
    - 5,573.97  
    - -  
    - 5,573.97

**Total Expenditure**  
- 283,090.75  
- 101,805.46  
- 384,896.21

**Cash Closing Balance**

- CONTASA  
  - 1,661.54  
  - 2,777.71  
  - 2,777.71

- DOSA  
  - 941.44  
  - 271.67  
  - 271.67

- Operating Account (SBL, Ramna) for DOSA  
  - 215.45  
  - 137.61  
  - 137.61

- Operating Account (SBL, LO) for DOSA  
  - -  
  - -  
  - -

- Operating Account: DDLGs  
  - 101.79  
  - 1,026.84  
  - 1,026.84

- Advance (PMU)  
  - 2.96  
  - 7.93  
  - 7.93

- Account Current: CD/VAT  
  - -  
  - -  
  - -

**Total Cash Closing Balance**  
- 2,923.18  
- 4,221.76  
- 4,221.76

**Total Expenditure and Cash**  
- 286,013.93  
- 106,027.22  
- 389,117.97

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*Signature of Audit and Accounts Officer*

*Signature of Accounts Officer*
SECOND LOCAL GOVERNANCE SUPPORT PROJECT (LGSP-II)
NOTES TO THE FINANCIAL STATEMENT
30th June, 2016

1 GOVERNMENT OF BANGLADESH

Funds are allocated by the Government of Bangladesh to cover GOB's share of eligible project expenditure, as specified in the Development 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 contribution to the project since inception are as follows (In Lakh Taka).

<table>
<thead>
<tr>
<th>Inception to 30th June, 2015</th>
<th>For the year 30th June, 2016</th>
<th>Inception to 30th June, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursements by GOB</td>
<td>137,329.00</td>
<td>47,676.00</td>
</tr>
<tr>
<td>Less : Refunds to GOB</td>
<td>410.96</td>
<td>60.98</td>
</tr>
<tr>
<td>Less : Refunds to GOB (CD/VAT)</td>
<td>3,098.03</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>133,820.01</td>
<td>47,615.02</td>
</tr>
</tbody>
</table>

2 LOAN FROM DEVELOPMENT PARTNER

The World Bank has provided funds to the project to cover its share of eligible project expenditure. These funds, which must be repaid to the World bank after conclusion of the project, have been drawn by the project in accordance with the withdrawal procedures (In Lakh Taka).

<table>
<thead>
<tr>
<th>Inception to 30th June, 2015</th>
<th>For the year 30th June, 2016</th>
<th>Inception to 30th June, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPA (Report Based)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscal Transfer to UPs (DOSA)</td>
<td>136,984.62</td>
<td>49,435.61</td>
</tr>
<tr>
<td>Other Activities (CONTASA)</td>
<td>15,225.00</td>
<td>5,886.04</td>
</tr>
<tr>
<td>Total</td>
<td>152,209.62</td>
<td>55,321.65</td>
</tr>
</tbody>
</table>

3 OTHER RESOURCES

Other resources consists of the following

<table>
<thead>
<tr>
<th>Inception to 30th June, 2015</th>
<th>For the year 30th June, 2016</th>
<th>Inception to 30th June, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange Gains / Losses</td>
<td>(15.70)</td>
<td>167.37</td>
</tr>
<tr>
<td>Total</td>
<td>(15.70)</td>
<td>167.37</td>
</tr>
</tbody>
</table>
CASH:

The project maintains two special account namely: DOSA and CONTASA. The DOSA has been maintaining at Bangladesh Bank for Union Parishad Grant (BBG and PBG) fund advanced by IDA and the CONTASA has been maintaining at commercial bank to deal with funds for remaining project activities other than BBG and PBG. In addition, the project has been operating bank account against DOSA in commercial bank. Year end cash balance were as follows (In Lakh Taka).

<table>
<thead>
<tr>
<th></th>
<th>Inception to 30th June, 2015</th>
<th>For the year 30th June, 2016</th>
<th>Inception to 30th June, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTASA</td>
<td>1,661.54</td>
<td>2,777.71</td>
<td>2,777.71</td>
</tr>
<tr>
<td>DOSA</td>
<td>941.44</td>
<td>271.67</td>
<td>271.67</td>
</tr>
<tr>
<td>Operating Account for DOSA (Sonali, Ranna Br)</td>
<td>215.45</td>
<td>137.61</td>
<td>137.61</td>
</tr>
<tr>
<td>Operating Account for DOSA (Sonali, Local Office)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating Account: DDLGs</td>
<td>101.79</td>
<td>1,026.84</td>
<td>1,026.84</td>
</tr>
<tr>
<td>Advance for Workshop, Study Tour etc (PMU)</td>
<td>2.96</td>
<td>7.93</td>
<td>7.93</td>
</tr>
<tr>
<td>Account Current: CD/VAT</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>2,923.18</td>
<td>4,221.76</td>
<td>4,221.76</td>
</tr>
</tbody>
</table>

(Md. Erakul Islam)
Audit and Accounts Officer
Foreign Aid Projects Audit Directorate
Audit Complex 6th Floor
Sadarghat, Dhaka.

Forign Ada J'1
SPECIAL ACCOUNT STATEMENT

For the year ending 30th June, 2016
Account No. SND-442636000894 (CONTASA)

Depository Bank Sonali Bank Limited
Address Ramna Corporate Br
Related Financing Agreement No. 5019-BD

PART- A ACCOUNT ACTIVITY

<table>
<thead>
<tr>
<th>Description</th>
<th>BDT in Lac</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance as on 07-01-2015</td>
<td>1,661.54</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Total amount deposited by the IDA</td>
<td>5,886.04</td>
</tr>
<tr>
<td>Total interest earnings if deposited in account</td>
<td>-</td>
</tr>
<tr>
<td>Total amount refunded to cover ineligible expenditure</td>
<td>-</td>
</tr>
<tr>
<td>Deduct :</td>
<td></td>
</tr>
<tr>
<td>Total amount withdrawn</td>
<td>4,769.87</td>
</tr>
<tr>
<td>Total service charges if not included above in amount withdrawn</td>
<td></td>
</tr>
<tr>
<td>Ending balance as on 06-30-2016</td>
<td>2,777.71</td>
</tr>
</tbody>
</table>

Special Account Activity & Recon -Gain

Page 1
## PART- B ACCOUNT RECONCILIATION

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount (BDT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Amount advanced by IDA</td>
<td>21,111.04</td>
</tr>
<tr>
<td>2</td>
<td>Less: Expenditure documentation accepted by IDA</td>
<td>14,166.25</td>
</tr>
<tr>
<td></td>
<td>Equal: Present outstanding amount advanced to the Special Account at fiscal year ended 06.30.16</td>
<td>6,944.79</td>
</tr>
<tr>
<td>4</td>
<td>Ending balance of Special Account at fiscal year ended 06.30.16</td>
<td>2,777.71</td>
</tr>
<tr>
<td>5</td>
<td>Plus: Amount claimed and not yet credited at fiscal year end 06.30.16</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Application no. LGSP-CON-17</td>
<td>664.00</td>
</tr>
<tr>
<td></td>
<td>(IUFR for January-March, 2016)</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Plus: Amount withdrawn and not yet claimed.</td>
<td>3,503.08</td>
</tr>
<tr>
<td>7</td>
<td>Less: Interest earning (if included in special account)</td>
<td>-</td>
</tr>
<tr>
<td>8</td>
<td>Plus: Service charges</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Equal: Total advance to Special Account accounted for at fiscal year ended 06.30.16</td>
<td>6,944.79</td>
</tr>
</tbody>
</table>
Auditor's Report on Special Account
(CONTASA for all the activities other than fiscal transfers)

1. We have audited the Special Account Statements of "Second Local Governance Support Project (LGSP-II)" for the year ended 30th June, 2016 under the provision of IDA Financing Agreement No. 5019-BD dated 17th January, 2012.

2. Our audit was carried out following International Auditing Guidelines. Accordingly our audit included such review of systems of internal control, tests of accounting records and supporting documentation, verification of accounts balances and other auditing procedures that we considered necessary under the circumstances.

3. The accompanying Special Account Statement was prepared on the basis of cash deposits and withdrawals for the purpose of complying with the above Financing Agreement.

4. In our opinion, reimbursements made by IDA are properly accounted for and withdrawals were made for the purpose of the project in accordance with the Financing Agreement.

Date. .............

(Mohammad Aminul Ehsan Kabir)
Deputy Director
For Director General
Foreign-Aided project Audit Directorate
Tel: 9362478
Audit opinion on SOE

No claim was submitted by the project authority to IDA on the basis of SOE for the fiscal year 2015-2016.

So, comments cannot be formed on SOE.

Date: .................

(Mohammad Aminul Ehsan Kabir)
Deputy Director
For Director General
Foreign-Aided project Audit Directorate
Tel: 9362478