Independent Auditor's Report

To,
Project Director
BISPS-BRDS
Rural Development Department
Patna

Report on the Audit of the Project Financial Statements

Opinion

We have audited the accompanying special purpose financial statements of BIHAR INTEGRATED SOCIAL PROTECTION STRENGTHENING (BISPS) PROJECT (the Project) financed by the International Development Association (IDA) under Credit/Loan No. 5349- IN/IDA and implemented by BIHAR RURAL DEVELOPMENT SOCIETY (BRDS). These financial statements comprise of the statement of Sources and Application of Fund and the Reconciliation of claims to total Application of fund for the year ended 31st March 2019, and notes to these financial statements, including a summary of significant accounting policies (collectively referred to as the “Project Financial Statements”).

In our opinion, the aforesaid special purpose Project Financial Statements give a true and fair view of the financial position of the Project as at March 31, 2019, 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 both dated 07 August 2014 described in Note.

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 Note 1 to the PFS describing the basis of accounting. The PFS is prepared to assist the Bihar Rural Development Society to meet the financial reporting requirements of the Project's Loan Agreements Financing for Investment Project Financing dated 7th August 2014 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 purpose 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 Note 1 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, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control

- 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 Note 1 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.
Report on Other Legal and Regulatory Requirements

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 is in agreement with the books of accounts;

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

e) expenditures, including assets created under the Project, shown in the PFS are eligible for financing under the Project Financing Agreements;

f) Interim Financial Reports (IFR) submitted by the Project management can be relied upon to support applications for withdrawal of the Loan, and adequate supporting documentation has been maintained to support these claims;

g) Procurement has been carried out in line with the agreed procedures as detailed in the Operations Manual/Procurement Manual/Project Implementation Plan/Legal Agreements; 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.

For Thakur Bhuwanesh & Associates
Chartered Accountants

019690N

CA. Rajesh Kumar Jha
Partner
(Membership No. 412318)

Place of Signature: Patna
Date: 04-10-2019
UDIN: 19412318AAAACE4274

H.O. L1/58, Ground Floor, Near Shiv Mandir Sri Krishnapuri, Boring Road, Patna-800001 (Bihar).
Ph.: 0612-2541729, 9771497729 Email: thaca.bih@gmail.com
HYDERABAD*NEW DELHI*KOLKATA*
GUWAHATI*GURGAON*MUMBAI*RANCHI*BHUWANESHWAR*LUCKNOW*RAIPUR

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Annexure on Sources and Application of funds

Name of the Project: BISPS- BRDS
Loan/Credit/Grant No: IDA 5349-IN

Annexure-1

Statement of Sources and Applications of Funds Report for the year ended 31 March, 2019

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Current Year</th>
<th>Previous Year 2017-18</th>
<th>Project to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>11.38</td>
<td>37.91</td>
<td>-</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>159.47</td>
<td>80.00</td>
<td>296.48</td>
</tr>
<tr>
<td>Others-Loan (Transferred from BRDS-MGNREGA)</td>
<td>(5.10)</td>
<td>8.20</td>
<td>4.63</td>
</tr>
<tr>
<td>Other (Interest from bank &amp; Others)</td>
<td>1.66</td>
<td>1.21</td>
<td>3.58</td>
</tr>
<tr>
<td>Total Receipts (A)</td>
<td>167.41</td>
<td>127.32</td>
<td>304.69</td>
</tr>
<tr>
<td>Expenditures by Component (B)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Component 1 Strengthening social Protection capacity and system</td>
<td>110.63</td>
<td>115.93</td>
<td>247.91</td>
</tr>
<tr>
<td>B Piloting innovation in social Protection Delivery</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Expenditures (A+B)</td>
<td>110.63</td>
<td>115.93</td>
<td>247.91</td>
</tr>
<tr>
<td>Closing balance</td>
<td>56.77</td>
<td>11.38</td>
<td>56.77</td>
</tr>
</tbody>
</table>

In term of our report even data
For Thakur Bhuvanesh & Associates
Chartered Accountant
FRN - 019690N

CA. Rajesh Kumar Jha
Partner
MN - 412318
Place: Patna
UDIN: 19412318AAAACE4274
Date- 04-10-2019

Controller Finance
BISPS-BRDS,Patna

Dy. Project Director
BISPS-BRDS,Patna
Annexure-1A


<table>
<thead>
<tr>
<th>Component/ Activity</th>
<th>Expenditure incurred till previous year (A)</th>
<th>Expenditure for the year 2018-19 (B)</th>
<th>Cumulative expenditure (A+B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Component 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengthening social protection capacity and system</td>
<td>137.28</td>
<td>110.63</td>
<td>247.91</td>
</tr>
<tr>
<td>A</td>
<td>Training and Capacity Building</td>
<td>4.18</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>Internet Expenses</td>
<td>0.26</td>
<td>0.26</td>
</tr>
<tr>
<td>C</td>
<td>Office Expenses</td>
<td>0.54</td>
<td>0.77</td>
</tr>
<tr>
<td>D</td>
<td>Rent</td>
<td>6.86</td>
<td>2.68</td>
</tr>
<tr>
<td>E</td>
<td>Salary</td>
<td>46.00</td>
<td>86.00</td>
</tr>
<tr>
<td>F</td>
<td>Telephone and mobile Expenses</td>
<td>0.10</td>
<td>0.10</td>
</tr>
<tr>
<td>G</td>
<td>Traveling Expenses</td>
<td>0.24</td>
<td>0.73</td>
</tr>
<tr>
<td>H</td>
<td>Security Guard Expenses</td>
<td>0.80</td>
<td>0.55</td>
</tr>
<tr>
<td>I</td>
<td>Recruitment &amp; Counseling Expenses</td>
<td>0.84</td>
<td></td>
</tr>
<tr>
<td>J</td>
<td>Printing &amp; Stationery Expenses</td>
<td>0.05</td>
<td></td>
</tr>
<tr>
<td>K</td>
<td>Electricity</td>
<td>0.45</td>
<td>0.27</td>
</tr>
<tr>
<td>L</td>
<td>Audit fee</td>
<td>0.11</td>
<td>0.02</td>
</tr>
<tr>
<td>M</td>
<td>Consultancy Service Exp.</td>
<td>0.72</td>
<td>3.68</td>
</tr>
<tr>
<td>N</td>
<td>Computer Software &amp; Accessories,Godrej and Generator</td>
<td>75.99</td>
<td>15.76</td>
</tr>
<tr>
<td>O</td>
<td>Repair &amp; Maintenance</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>P</td>
<td>Meeting &amp; Seminar Exp.</td>
<td>0.14</td>
<td>0.05</td>
</tr>
<tr>
<td>2</td>
<td>Pilotling innovation in Social protection Delivery</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total (1+2)</strong></td>
<td></td>
<td>137.28</td>
<td>110.63</td>
</tr>
</tbody>
</table>

In term of our report even data
For Thakur Bhuwanesh & Associates
Chartered Accountant
FRN - 019690N

CA. Rajesh Kumar Jha
Partner
MN - 412318
Place: Patna
UDIN: 19412318AAAAACE4274
Date- 04-10-2019
Note: The expenditure as mentioned above should match with the expenditure reported in Annexure-1

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Reconciliation of Claims to Total Applications of Funds

Name of the Project BISPS
Loan / Credit/Grant No IDA 5349-IN
Reconciliation of Claims to Total Applications of fund Report for the year ended 31 March 2019

<table>
<thead>
<tr>
<th>Schedules</th>
<th>Current Year</th>
<th>Previous Year 2017-18</th>
<th>Project to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>22.37</td>
<td>2.21</td>
<td>26.44</td>
</tr>
<tr>
<td></td>
<td>25.32</td>
<td>9.14</td>
<td>37.91</td>
</tr>
<tr>
<td></td>
<td>14.16</td>
<td>5.58</td>
<td>24.37</td>
</tr>
<tr>
<td></td>
<td>15.60</td>
<td>64.23</td>
<td>84.81</td>
</tr>
<tr>
<td></td>
<td>77.44</td>
<td>81.15</td>
<td>173.53</td>
</tr>
<tr>
<td>II</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>III</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV</td>
<td></td>
<td>110.63</td>
<td>247.91</td>
</tr>
<tr>
<td></td>
<td></td>
<td>115.93</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>247.91</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>77.44</td>
<td>173.53</td>
</tr>
</tbody>
</table>

Total Bank Fund claimed (A)

Total Expenditure made during the year (B)
Less; Outstanding AC bill (C)
Ineligible expenditures (D)
Expenditures not claimed (E)
Total Eligible Expenditures claimed (F)=(B)-(C)-(D)-(E)

World Bank Share @ 70% of (F) above (G)
Amount to be claimed/refunded (H)=(A-G)

In term of our report even data
For Thakur Bhuwanesh & Associates
Chartered Accountant
FRN - 019690N

CA. Rajesh Kumar Jha
Partner
MN - 412318
Place: Patna
UDIN: 19412318AAAAACE4274
Date: 04-10-2019

Dy. Project Director
BISPS-BRDS, Patna
GOVERNMENT OF BIHAR
RURAL DEVELOPMENT DEPARTMENT
(BIHAR RURAL DEVELOPMENT SOCIETY)

Letter No. - 12

Date: 04-01-2020

To,
M/s Thakur Bhuwanesh & Associates
Chartered Accountants,
L1/58, Ground Floor
Near Shiv Mandir
Sri Krishnapuri,
Boring Road, Patna.

Dear Sir,

Re: Audit of the annual Project Financial Statements of BISPS

This representation letter is provided in connection with your audit of the Project Financial Statements of BISPS, for the year ended March 31, 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the state of affairs of the said Scheme as of March 31, 2019 and of the results of operations for the year then ended. We acknowledge our responsibility for preparation of financial statements in accordance with the requirements of the World Bank and recognised accounting policies and practices, including the Accounting and Auditing Standards issued by the Institute of Chartered Accountants of India (ICAI); as also with the Circulars issued pursuant thereto and in line therewith from time to time and as applicable to the project.

We confirm, to the best of our knowledge and belief, the following representations:

1. Accounting Policies

The accounting policies, which are material or critical in determining the results of operations for the year or state of affairs as applicable to the Project and there are no changes in the accounting policies/practices followed by the branch during the current year.

The financial statements are prepared on cash basis.

BRDS is running government project of Rural Development Department i.e.; MGNREGA, PMAY(G) etc. and accounting is done on CASH BASIS and there is no changes in the Accounting Policies/practices, as have a bearing on the financial statements of the Project for the year under audit.
2. **Previous Reports – Compliance**

We have made available to you the following latest reports on the accounts of the Project, and compliance by the office on the observations contained therein:

a) Previous Year audit Report
b) Compliance report

3. **Books maintained in the EDP environment**

The books of the accounts are computerized and maintained on Tally ERP.

4. **Other**

Any other records or data will be made available on demand

For Bihar Rural Development Society

(Manoj Kumar Sinha)

Controller Finance