AUDITOR’S REPORT

Audit Completion Date: 07-12-2016.

Secretary
Local Government Division
Ministry of Local Government, Rural Development & Co-operatives
Bangladesh Secretariat, Dhaka.

I. We have audited the accompanying Financial Statement of the “Rural Transport Improvement Project-II (RTIP-II)” financed by IDA credit No. 5107-BD as of 30th June 2016 and for the year then ended. The 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 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 Statements are free from materials 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, the Financial Statement gives a fair view in all material aspect of the financial position of the “Rural Transport Improvement Project-II (RTIP-II)” as of 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 Status: Unqualified.

(Md. Abul Kalam Azad)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate.
Tel: 9361788
Second Rural Transport Improvement Project (RTIP-II)  
Project Financial Statement  
30<sup>th</sup> June, 2016

(Figure in Lakh Taka)

<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>22125.29</td>
<td>7964.64</td>
<td>30089.93</td>
</tr>
<tr>
<td>Loan from Development Partner</td>
<td>2</td>
<td>48650.22</td>
<td>47009.94</td>
<td>95657.16</td>
</tr>
<tr>
<td>Other resources</td>
<td>3</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Cash opening balance</td>
<td>4</td>
<td>0.00</td>
<td>8459.52</td>
<td>0.00</td>
</tr>
<tr>
<td>Total Resources</td>
<td></td>
<td>70775.51</td>
<td>63431.10</td>
<td>125747.09</td>
</tr>
</tbody>
</table>

Expenditure and Cash

1. 4500 Pay of Officers           | 213.44 | 122.14 | 335.58 |
2. 4600 Pay of Establishment      | 155.87 | 78.89  | 234.76 |
3. 4700 Allowances                | 399.85 | 262.51 | 662.36 |
4. 4800 Supply & Services         | 6978.73| 3539.32| 10518.05|
5. 4900 Repair & Maintenance      | 273.49 | 76.52  | 350.01 |
6. 6800 Purchase of Asset         | 2214.46| 197.51 | 2393.99|
7. 6900 Land Acquisition          | 0.00   | 533.61 | 533.61 |
8. 7000 Civil Works               | 52080.13| 44371.23| 96451.36|
Total Expenditure                 | 62315.99| 49163.73| 111479.72|

Cash Closing Balance

| Imprest Account                  |       |                      |                |
| Designated Account (RPA)         |       | 8459.52              | 14267.37       | 14267.37                 |
| (CONTASA)                        |       |                      |                |
| Operating Account (GOB) (CDVAT)  |       | 0.00                 | 0.00           | 0.00                     |
| Total Expenditure and Cash       | 70775.51| 63431.10             | 125747.09      |
Second Rural Transport Improvement Project (RTIP-II)
NOTES TO 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 expenditures, as specified in the DPP and in the Annual Development Program for each year 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 lac taka).

<table>
<thead>
<tr>
<th></th>
<th>Inception to 30th June 2015</th>
<th>For the year 2015-2016</th>
<th>Inception to 30th June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursement by GOB</td>
<td>22310.00</td>
<td>8000.00</td>
<td>30310.00</td>
</tr>
<tr>
<td>Less: Refund to GOB</td>
<td>184.71</td>
<td>35.36</td>
<td>220.07</td>
</tr>
<tr>
<td>Total:</td>
<td>22125.29</td>
<td>7964.64</td>
<td>30089.93</td>
</tr>
</tbody>
</table>

2. LOAN/GRANT FROM DEVELOPMENT PARTNER:
The World Bank has provided funds to the project to cover it’s share of eligible project expenditures. These funds, which must be repaid to WB after the conclusion of the project, have been drawn by the project in accordance with the following withdrawal procedures (in lac taka)

<table>
<thead>
<tr>
<th></th>
<th>Inception to 30th June 2015</th>
<th>For the year 2015-2016</th>
<th>Inception to 30th June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Deposit (Advance)</td>
<td>12000.00</td>
<td>12000.00</td>
<td>24000.00</td>
</tr>
<tr>
<td>DPA (Direct Payment)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>RPA (SOE Procedure)</td>
<td>36650.22</td>
<td>35006.94</td>
<td>71657.16</td>
</tr>
<tr>
<td>RPA (Non SOE Procedure)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Others</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total:</td>
<td>48650.22</td>
<td>47006.94</td>
<td>95657.16</td>
</tr>
</tbody>
</table>

3. OTHER RESOURCES:

<table>
<thead>
<tr>
<th></th>
<th>Inception to 30th June 2015</th>
<th>For the year 2015-2016</th>
<th>Inception to 30th June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Revenues</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Exchange gains/losses</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total:</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

4. CASH:
The project maintains one designated CONTASA (STD) bank account, which is kept at Janata Bank Ltd. to hold imprest fund or revolving funds advanced by WB. Other side GOB (CD/VAT) fund of the project was released by CAO on the basis of GO which was issued by the concerned Ministry. Year end cash balances were as follows (in lac taka).

<table>
<thead>
<tr>
<th></th>
<th>Inception to 30th June 2015</th>
<th>For the year 2015-2016</th>
<th>Inception to 30th June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imprest Account</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Operating Account (RPA)</td>
<td>$459.52</td>
<td>14267.37</td>
<td>14267.37</td>
</tr>
<tr>
<td>Operating Account (GOB)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total:</td>
<td>$459.52</td>
<td>14267.37</td>
<td>14267.37</td>
</tr>
</tbody>
</table>
AUDIT OPINION ON SOE

We have audited the Statement of Expenditure (SOE) of "Rural Transport Improvement Project-II (RTIP-II)" for the year ended on 30th June, 2015 submitted to the International Development Association (IDA) for reimbursement of expenditure in accordance with the IDA credit Agreement (No 5107-BD) dated 23 October, 2012.

The audit was conducted following International Standards on Auditing. Accordingly, it included such tests of the accounting records and supporting documentation, verification of assets, review of systems of internal control, so far exists and adopting necessary auditing procedures that we considered essential under the circumstances.

WITHDRAWAL/SOE PARTICULARS

The particulars of withdrawal on the basis of Statement of Expenditure (SOE) as submitted to the audit party are shown in a statement enclosed herewith (Detail at Annexed-Y)

INTERNAL CONTROL

01. The project is being implemented by the officials of LGED who were deputed and appointed by the project authority as per DPP.
02. The project activities were executed as per PPR-2008, Delegation of Financial Power and IDA Procurement guideline.
03. Expenditures were incurred by the project authority after obtaining sanction for the competent authority and following rules and regulations both GOB and IDA. Except some lapses which are mentioned in the section-II of this report.
04. There is no internal auditing system in this project.
05. As per DPP office equipments and other assets were procured for the project activities.

OPINION:

In our opinion, except as discussed in the Management Letter, the SOE can be relied upon to support the applications for Loan disbursement by the IDA for the expenditure incurred for the purposes of the project as specified in the particulars of withdrawal applications.

Opinion Status: Unqualified.

(Md. Abul Kalam Azad)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate.
Tel: 9361788
## Statement of Expenditure (SOE)

**Name of the Project:** Second Rural Transport Improvement Project (RTIP-II)

**Name of Development Partner:** JICA, Credit No. 1107-BD

**Financial Year:** 2015-2016

<table>
<thead>
<tr>
<th>Application No. &amp; Date</th>
<th>Category of Expenditure</th>
<th>Amount Claimed</th>
<th>Amount Replenished</th>
<th>Difference</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>LGED-19, Dt. 28/07/2015</td>
<td>1, 2 &amp; 3</td>
<td>344,773.51</td>
<td>344,773.51</td>
<td>0.00</td>
<td>-</td>
</tr>
<tr>
<td>LGED-20, Dt. 30/09/2015</td>
<td>1, 2 &amp; 3</td>
<td>621,934.58</td>
<td>621,934.58</td>
<td>0.00</td>
<td>-</td>
</tr>
<tr>
<td>LGED-21, Dt. 29/11/2015</td>
<td>1, 2 &amp; 3</td>
<td>322,724,834.36</td>
<td>322,724,834.36</td>
<td>0.00</td>
<td>-</td>
</tr>
<tr>
<td>LGED-22, Dt. 03/01/2016</td>
<td>1, 2 &amp; 3</td>
<td>265,364,941.44</td>
<td>265,364,941.44</td>
<td>0.00</td>
<td>-</td>
</tr>
<tr>
<td>LGED-23, Dt. 01/03/2017</td>
<td>1, 2 &amp; 3</td>
<td>531,684,442.30</td>
<td>531,684,442.30</td>
<td>0.00</td>
<td>-</td>
</tr>
<tr>
<td>LGED-24, Dt. 24/03/2015</td>
<td>1, 2 &amp; 3</td>
<td>1,200,00,000.00</td>
<td>1,200,00,000.00</td>
<td>0.00</td>
<td>-</td>
</tr>
<tr>
<td>LGED-25, Dt. 24/03/2015</td>
<td>1, 2 &amp; 3</td>
<td>492,836,746.50</td>
<td>492,836,746.50</td>
<td>0.00</td>
<td>-</td>
</tr>
<tr>
<td>LGED-26, Dt. 12/05/2016</td>
<td>1, 2 &amp; 3</td>
<td>507,702,781.00</td>
<td>507,702,781.00</td>
<td>0.00</td>
<td>-</td>
</tr>
<tr>
<td>LGED-27, Dt. 29/05/2017</td>
<td>1, 2 &amp; 3</td>
<td>419,524,171.20</td>
<td>419,524,171.20</td>
<td>0.00</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total**

| Total | 4,705,593,886.50 | 4,700,694,568.98 | 4,899,267.52 |

*The difference amount of Tk. 4,899,267.52 has been reclaimed in the next application and replenished.*
Auditor's Report on Special Account (CONTASA)

I. We have audited the special account statement of the “Rural Transport Improvement Project-II (RTIP-II)” for the year ended 30th June 2015 under provision of IDA credit no. 5107-BD dated 23 October, 2012.

II. Our audit was carried out following International Auditing Guidelines. Accordingly, our audit included such review of system of Internal Control, test of the accounting records & supporting documentation, verification of accounts balances and other auditing procedures that we considered necessary under the circumstances.

III. The accompanying Special Account Statement was prepared on the basis of cash deposits & withdrawals for purpose of complying with the above Credit Agreement. (Annexure-Z).

IV. In our opinion, the receipts are properly accounted for and withdrawals were made for the purpose of the project in accordance with the credit agreement and the above Special Account Statement gives a true and fair view of the beginning & ending balances and the account activity for the year ended 30th June, 2016 on the basis of cash deposits & withdrawals.

V. Opinion Status: Unqualified.

(Md. Abul Kalam Azid)
Deputy Director
For Director General
Foreign Aided Projects Audit Directorate.
Tel: 9361788
Second Rural Transport Improvement Project (RTiP-II)

SPECIAL ACCOUNT STATEMENT (CONTASA)

For the year ending

Account No

Depository Bank

Address

Related Loan/Credit Agreement No.

Currency

PART-A: ACCOUNT ACTIVITY

Beginning balance as on 01/07/2015

8,459.52 lakh

Acid:

Total amount deposited by the IDA

47,006.94 lakh

Total interest earnings if deposited in account

0.00 lakh

Total amount refunded to cover ineligible expenditure

0.00 lakh

Deduct:

Total amount withdrawn

41,199.09 lakh

Total service charges if not included above in amount withdrawn

0.00 lakh

Ending balance on 30/06/2016

14,267.37 lakh

PART-B: ACCOUNT RECONCILIATION

1. Amount advanced by IDA

5,000.00 lakh

0.00 lakh

2. Less: Total amount recovered by

24,000.00 lakh

3. Equal: Present outstanding amount advanced to the Special Account at fiscal year ended 30/06/2016

14,267.37 lakh

4. Ending balance of Special Account at fiscal year ended 30/06/2016

5,740.30 lakh

5. Plus: Amount claimed and not yet credited at fiscal year end 30/06/2016

0.00 lakh

6. Plus: Amount withdrawn and not yet claimed

7.57 lakh

7. Less: Excess Payment Which has been Refunded

0.00 lakh

8. Plus: Service charges (in not included in lines 5 and 6 above)

24,000.00 lakh

9. Equal: Total advance to Special Account accounted for at fiscal year ended 30/06/2016

13,740.30 lakh
1. Amount advanced on World Bank 26-03-2016:  

   1,200,000,000.00

2. Amount advanced by World Bank (24-03-2016):  

   1,200,000,000.00

3. Minus total amount recovered by World Bank (normally begins towards the end of the project):  

   0.00

EQUALS PRESENT OUTSTANDING AMOUNT ADVANCED TO THE SPECIAL ACCOUNT:  

   2,400,000,000.00

4. Amount in Special Account as on 30-06-2016 (as per bank statement, copy attached):  

   1,682,511,237.29

5. Plus amount of eligible expenditures documented in attached application (LGED-28):  

   (+) 974,019,963.25

Plus Loan, Duty, Tax and Transfer Charge which will be realized and claim

6. Plus Training Advance which has been refunded:  

   (+)

Plus Total amount withdrawn and not yet claimed

7. Plus amounts claimed in previous application(s) not yet credited at date of Bank statement:  

   (+)

   Application No.  
   0.00
   LGED-28

8. Less: Outstanding Cheques (Cheques issued but yet to be cleared within 30-06-2016):  

   (-) 239,283,736.00

9. Less: Interest will be deposited to the Bangladesh Bank:  

   (-) 28,439,521.70

10. Less: Excess Payment which has been refunded

   (-) 758,892.64

EQUALS TOTAL ADVANCE ACCOUNTED FOR:  

   2,400,000.00

DATE: 30-06-2016

Prepared by: Md. Reazul Islam  
Checked by: Md. Shamsuddin  
Authorization Signature: 

Md. Masudur Rahman  
Project Chairperson