

**Foreign-Aided Projects Audit Directorate**

Audit Complex (6<sup>th</sup> & 11<sup>th</sup> Floor)

Segunbagicha, Dhaka.

**NO: FAPAD/S-3/DWASA/AFD/2017-2018/File no.-01/**

**Date: -09-2019.**

The Secretary  
Ministry of LGRD and Co-operatives,  
Bangladesh Secretariat, Dhaka.

Subject: Audit Inspection Report on the Accounts of "Development of Dhaka WASA Activities in LIC localities including Capacity Building and Financial Modeling Under the framework of Saidabad Phase-III Project" Financed under AFD Agreement No. CBD 100801 W for the year 2017-2018.

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 & Notes
3. Management Letter

Sd/-  
(Nazma Parvin)

Deputy Director

For Director General

Foreign Aided Projects Audit Directorate  
Tel: 9331545.

**NO: FAPAD/S-3/DWASA/AFD/2017-2018/File no.-01/ 171**

**Date: 25-09-2019.**

- Copy for information and necessary action to: -
1. **Secretary**, Economic Relations Division, Ministry of Finance, Sher-e-Bangla Nagar, Dhaka.
  2. **Country Director**, AFD Bangladesh office, The Tree House, House-50, Road-23, Block-B, Banani, Dhaka-1213
  3. **Project Director**, Development of Dhaka WASA Activities in LIC localities including Capacity Building and Financial Modeling Under the framework of Saidabad Phase-III Project, WASA Bhaban, 8<sup>th</sup> floor, Kawran Bazar, Dhaka.

a) 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.  
b) Reply of the observation in part-A should be sent through Ministry concerned and part-B directly to FAPAD.

4. Office copy

**AFD Dhaka**

Courrier arrivé le : 07/10/19  
Enregistrement n° : 2019/104  
Classement : CBD 1008

(Nazma Parvin)

Deputy Director

For Director General

Foreign Aided Projects Audit Directorate  
Tel: 9331545.

# Audit Inspection Report

On

the accounts of  
**“Development of Dhaka WASA Activities in LIC localities  
including Capacity Building and Financial Modeling Under  
the framework of Saidabad Phase-III Project.”**

financed under AFD AGREEMENT NO. CBD 100801 W  
for the year 2017-2018.

## PART-I

Executive Summary  
&  
Audit Findings

Foreign Aided Projects Audit Directorate  
Segunbagicha, Dhaka.

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### INFORMATION REGARDING AUDIT

<input type="checkbox"/> <b>Name of the audit unit</b>	:	Development of Dhaka WASA Activities in LIC localities including Capacity Building and Financial Modeling Under the framework of Saidabad Phase-III Project.
<input type="checkbox"/> <b>Nature of Audit</b>	:	Financial Audit.
<input type="checkbox"/> <b>Audit Years</b>	:	2017-2018
<input type="checkbox"/> <b>Duration of Audit</b>	:	16-06-2019 to 24-06-2019
<input type="checkbox"/> <b>Audit Team</b>	:	<b>Team No-16</b> <input checked="" type="checkbox"/> Md. Noman Mahmud, Audit & Accounts Officer <input checked="" type="checkbox"/> Mr. Md. Enamul Haque, Auditor <input checked="" type="checkbox"/> Md. Karimul Mostafa, Auditor
<input type="checkbox"/> <b>Audit Methodology</b>	:	<input type="checkbox"/> Test check of vouchers. <input type="checkbox"/> Verification of FS.
<input type="checkbox"/> <b>Scope of Audit</b>	:	<input checked="" type="checkbox"/> Certification of Annual Financial Statement. <input checked="" type="checkbox"/> Audit was conducted following International Standard on Auditing and practices of INTOSAI/SAI Bangladesh and also as per procedures Prescribed by GOB and Development Partner. <input checked="" type="checkbox"/> Audit Opinion is limited to the fund receipts and expenditure incurred by the Program authority. <input checked="" type="checkbox"/> Review of Financial Management, Internal Control Systems.
<input type="checkbox"/> <b>Program Duration</b>	:	03 years.
<input type="checkbox"/> <b>Commencement</b>	:	May 2016.
<input type="checkbox"/> <b>Completion</b>	:	June 2019 (Revised).
<input type="checkbox"/> <b>Total estimated cost</b>	:	Total =TK.6000.00lakh GOB = 1600.00 lakh PA = 4400.00 lakh
<input type="checkbox"/> <b>Expenditure of the audited year</b>	:	Total = TK.1844.48 lakh GOB = TK.331.77 lakh RPA = TK.1512.71 lakh (as per FS).
<input type="checkbox"/> <b>Executing Ministry</b>	:	Ministry of LGRD and Co-operatives.
<input type="checkbox"/> <b>Implementing Agency</b>	:	Dhaka WASA.
<input type="checkbox"/> <b>Funding Agencies</b>	:	AFD and GOB.
<input type="checkbox"/> <b>Funding System</b>	:	<b>GOB fund:</b> Funds are allocated by Government of Bangladesh to cover GoB's share of eligible project expenditures. The Ministry of Ministry of Local Government, Rural

	<p>Development and Co-operatives releases GOB fund with the concurrence of the Ministry of Finance. The Project Director's office withdrew the fund submitting bills to the Chief Accounts officer, Ministry of Local Government, Rural Development and Co-operatives.</p> <p><b>Donor Fund (RPA):</b> Special account (Imprest) was opened for the project with Bangladesh Bank and the donor AFD deposits eligible fund in the amount. The imprest fund was withdrawn with the concurrence of fund authorization from MoF. In the Sonali Bank Limited, Kawran Bazar, Branch, Dhaka, SND account No-0117203000219 is maintaining as project operating amount and account no. 0117203000231 is maintaining for GoB transaction.</p>
□ Program objectives	<p>: A. To improve the living standard of the low income communities of Dhaka city specifically:</p> <ul style="list-style-type: none"> <li>• To establish more or less 3300 legal water points at a number of slums in Dhaka city.</li> <li>• To build the capacity of the slum communities to operate and maintain the water points by themselves.</li> <li>• To provide hygiene education to the slum dwellers for healthy living.</li> <li>• To establish an appropriate and efficient financial model for DWASA.</li> </ul> <p>B. To build capacity of DWASA engineers and officials through improving their knowledge and skill.</p>

### SUMMARY OF AUDIT FINDINGS

Sl. no.	Subject	Comments
01.	Status of Financial Statement:	<i>Qualified</i>
02.	Summary of Management Letter:	Non-compliance of financial rules & regulation.
Para no.	Title	Amount
<b>Part-A</b>		
1	Loss of Govt. Revenue due to non-deduction of VAT and IT from contractor's bill.	Tk.52,27,128.72
2	Received cash from LIC instead of free installation of Water Systems beyond the project objectives, TAPP, Contract agreement and donor.	-----
3	Advanced payment made but not yet adjusted.	Tk.1,03,59,736.00
4	Accrued Bank interest amount was not deposited in to Govt. treasury.	TK. 7,86,687.00
<b>Part-B</b>		
5	Irregular payment 3 <sup>rd</sup> advance without adjustment 1 <sup>st</sup> & 2 <sup>nd</sup> advance.	Tk.90,00,000.00
6	Loss as Insurance premium VAT due to non execution of insurance against civil works.	Tk.1,99,207.00

## **Overall Comments on Observations**

### **CAUSES OF IRREGULARITY & LOSS**

- i) Non-compliance of financial rules & regulations.
- ii) Non-compliance of condition of contract.

### **AUDIT RECOMMENDATION**

- i) Due care should be taken to compliance of the financial rules / regulations.
- ii) Condition of contract should be complied with.

## Auditor's Report

Audit Completion date: 24.06.2019

The Secretary  
Ministry of LGRD and Co-operatives  
Bangladesh Secretariat, Dhaka.

I. We have audited the Financial Statement of "Development of Dhaka WASA Activities in LIC localities including Capacity Building and Financial Modeling Under the framework of Saidabad Phase-III Project" financed under AFD Agreement no.CBD 100801 for the year as at 30<sup>th</sup> June, 2018 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.

III. Project management is responsible to provide necessary document and appropriate spot reply on the observation raised by the auditors. But during field audit, project management did not furnish any satisfactory reply to resolve the issue. It indicates the weakness of internal control and lack of accountability regarding fund management system.

IV. As such in our opinion, except for the matter described above as the basis for the qualified opinion, the financial statement present a fair view of financial position, for the year 2017-18 in accordance with the cash basis of accounting followed by the Government of Bangladesh.

V. Opinion Status: *Qualified.*

*Nazma*  
*25/9/2019*  
(Nazma Parvin)  
Deputy Director  
For Director General  
Foreign Aided Projects Audit  
Directorate  
Tel: 9331545



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**Name of Project:** Development of Dhaka WASA Activities in LIC localities including Capacity Building and Financial Modelling Under the framework of Saidabad Phase-III Project.


**Project Financial Statement**  
**As on 30, June 2018**

(Figure in Lakh Taka)

Resources	Notes	Cumulative Prior Period	Current Period	Cumulative Current Period
Government of Bangladesh	1		400.00	400.00
Loan from Development Partner	2		2000.00	2000.00
Other resources (Bank Interest)	3		0.00	0.00
Cash opening balance	4		0.00	0.00
<b>Total Resources</b>			<b>2400.00</b>	<b>2400.00</b>

Expenditure and Cash				
1. Training (4840)			53.48	53.48
2. Honorium (4883)			3.62	3.62
3. Miscellaneous (4899)			0.71	0.71
4. Consultants (04 Persons)			24.70	24.70
5. VAT/IT (4813-14)			331.77	331.77
6. Constructed Water Point (7000)			1430.20	1430.20
<b>Total Expenditure</b>			<b>1844.48</b>	<b>1844.48</b>

Cash Closing Balance				
Imprest Account			-	-
Operating Account (RPA )			487.29	487.29
Operating Account (GOB)			68.23 ✓	68.23
<b>Total Expenditure and Cash</b>			<b>2400.00</b>	<b>2400.00</b>

*verified*  
  
**Md. Noman Mahmud**  
 Audit & Accounts Officer  
 Finance Audit Project Unit Directorate  
 Audit Complex (6th & 11th Floor)  
 Segunbagicha, Dhaka.

*Kaily*  
 12.05.19  
**QUAMRUN NAHER LAILY**  
 Superintending Engineer &  
 Project Director  
 LIC Project under SWTPPP-3  
 Dhaka WASA.

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**Name of Project:** Development of Dhaka WASA Activities in LIC localities including Capacity Building and Financial Modelling Under the framework of Saidabad Phase-III Project.

## NOTES TO FINANCIAL STATEMENT

As on 30, June 2018.

**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 development Project Proforma (DPP) and annual development program (ADP). GOB contribution to the project since inception are as follows (In Lakh Taka ).

	Inception to 30 June, 2017	For the year 2017-18	Inception to 30 June, 2018
Disbursement by GOB	0.00	400.00	400.00
Less: Refund to GOB	0.00	0.00	0.00
<b>Total:</b>	<b>0.00</b>	<b>400.00</b>	<b>400.00</b>

**2. LOAN/GRANT FROM DEVELOPMENT PARTNER:**

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

	Inception to 30 June, 2017	For the year 2017-18	Inception to 30 June, 2018
Initial Deposit (Advance)	-	410.00	410.00
DPA (Direct Payment )			
RPA (SOE Procedure)	-	1590.00	1590.00
RPA (Non SOE Procedure)			
Others			
<b>Total</b>	<b>-</b>	<b>2000.00</b>	<b>2000.00</b>

**3. OTHER RESOURCES:**

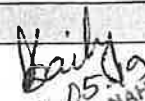
Other resources consist of the following:

	Inception to 30 June, 2017	For the year 2017-18	Inception to 30 June, 2018
Project Revenues			
Exchange gains/ losses			
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**3. CASH:**

The project maintains three bank account, an imprest bank account with Bangladesh Bank, one operating account for RPA fund, one for GOB fund operated by the DWASA.

	Inception to 30 June, 2017	For the year 2017-18	Inception to 30 June, 2018
Imprest Account			
Operating Account (RPA)			
Operating Account (GOB)			
<b>Total</b>			

  
 12.05.19  
 QUAMRUN NAHER LALEY  
 Superintending Engineer &  
 Project Director  
 Project under SWTPPP-3  
 Dhaka WASA.

## **MANAGEMENT LETTER**

**Project Director**

**Development of Dhaka WASA Activities in LIC localities including Capacity Building and Financial Modeling Under the framework of Saidabad Phase-III Project.**  
WASA Bhaban, 8<sup>th</sup> floor, Dhaka.

We have audited the financial statement of “Development of Dhaka WASA Activities in LIC localities including Capacity Building and Financial Modeling Under the framework of Saidabad Phase-III Project” as at 30<sup>th</sup> June, 2018 and for the year then ended and we have issued our report thereon dated 25<sup>th</sup> 2019 During the course of our audit examination, we made a number of observations that are presented in this management letter for your consideration and action. All of these matters were considered by us when formulating the audit opinion expressed in our report.

### **SECTION-ONE**

#### **I. INTRODUCTION:**

In terms of the scope of work identified in the Loan Agreement executed by AFD and GOB, we carried out an audit of the transactions pertaining to the “Development of Dhaka WASA Activities in LIC localities including Capacity Building and Financial Modeling Under the framework of Saidabad Phase-III Project” for the period ending 30<sup>th</sup> June, 2018.

#### **II. BACKGROUND:**

The Loan Agreement was signed on 01.06.2016. Total resources of the program as per DPP are as follows:-

Sl. No.	Donor	Amount
a)	GOB	Tk. 1600.00 lakh
b)	AFD	Tk. 4400.00 lakh
	<b>Total</b>	<b>Tk. 6000.00 lakh</b>

The program commenced its operations under Development budget from May 2016 with an estimated duration of four years, with the specific objectives/targets against which outputs/achievements are to be made.

### **III. SCOPE OF AUDIT:**

The audit was conducted following International Standards on Auditing (ISA) and practices of International Organization of Supreme Audit Institutions (INTOSAI)/SAI of Bangladesh and also as per procedures prescribed by AFD. The audit accordingly included such tests of accounting records, internal controls and other procedure as were considered essential for due performance of this audit. Discussion on management, audit observations and accountability was held with Engr. Quamrun Naher Laily, Project Director LIC Projecton 24.06.2109.

The audit opinion is limited to the funds received and expenditure (development part) incurred by the Project Director. The opinion does not cover the non-development expenditure incurred by the authority.

### **IV. OVERALL OPINION ON: -**

#### **(a) FINANCIAL OPERATION AND CONTROL:**

**GOB fund:** Funds are allocated by Government of Bangladesh to cover GoB's share of eligible project expenditures. The Ministry of Local Government, Rural Development and Co-operatives releases GOB fund with the concurrence of the Ministry of Finance. The Project Director's office withdrew the fund submitting bills to the Chief Accounts officer as advance. The project Director deposited the fund to Sonali Bank ltd, Kawran Bazar, account no- 0117203000231.

**Donor Fund (RPA):** Special account (Imprest) was opened for the project with Bangladesh Bank and the donor AFD deposits eligible fund in the amount. The imprest fund was withdrawn with the concern of fund authorization from MoF. In the Sonali Bank Limited, Kawran Bazar, Branch, Dhaka, SND account No-0117203000219 is maintaining as project operating account.

### **V. Opinion on auditable records:**

The project authority did not produce Special Account Statement. Bank reconciliation was not done. Cash Book, Bill Register, Budget register, Contractor ledger, IT/VAT register not maintains.

#### **VI. INTERNAL CONTROL:**

Project activities were executed in accordance with delegation of financial power, rules and regulations of the Govt. and AFD procurement guideline. No internal audit was conducted. Inventory of assets was maintained and annual physical verification of assets was done. It was found that yearly procurement plan was not prepared for development budget as per requirement of PPR-2008 rule 15 & 16. Maintaining of accounts was very weak due to shortage of accountant.

#### **VII. ADEQUACY OF MANAGEMENT STRUCTURE:**

The project which was comprised of a team headed by the Project Director. There are 1 Superintending Engineer, 1 Executive Engineer, 1 Sub-assistant Engineer, 4 nos. consultant working in the project. No accountant or accounts officer working in the project.

#### **VIII. EQUIPMENT USE AND CONTROL:**

No equipment was procured during audit period.

#### **IX. MONITORING, EVALUATION AND REPORTING:**

Reports on Monitoring and Evaluation were made available to audit. The authority prepared quarterly physical and financial progress report and sent to IMED.

## V. Summary of Audit observations:

A brief description of main audit observations are as under:-

Para no.	Title	Amount involved (Tk.)	Audit Area
	<b>Part-A</b>		
1	Loss of Govt. Revenue due to non-deduction of VAT and IT from contractor's bill.	Tk.52,27,128.72	Revenue
2	Received cash from LIC instead of free installation of Water Systems beyond the project objectives, TAPP, Contract agreement and donor.	-----	Miscellaneous
03	Advanced payment made but not yet adjusted.	Tk.1,03,59,736.00	Miscellaneous
04	Accrued Bank interest amount was not deposited in to Govt. treasury.	TK. 7,86,687.00	Revenue
	<b>Part-B</b>		
05	Irregular payment 3 <sup>rd</sup> advance without adjustment 1 <sup>st</sup> & 2 <sup>nd</sup> advance.	Tk.90,00,000.00	Miscellaneous
06	Loss as Insurance premium VAT due to non execution of insurance against civil works.	Tk. 1,99,207.00	Miscellaneous

## **FOLLOW-UP ACTION:**

**The position of previous audit statues is shown below:**

This is the 1<sup>st</sup> audit. So, there is no previous audit observation.

*Nazma*  
25/9/2019

**(Nazma Parvin)**  
Deputy Director  
For Director General  
Foreign Aided Projects Audit Directorate  
Phone: 9331545.

## SECTION-TWO

### **VI. AUDIT OBSERVATIONS, FINDINGS AND RECOMMENDATIONS.**

#### PART-A

##### **Para-01**

**Title: Loss of Govt. Revenue Tk.52,27,128.72 (Fifty two lakh twenty seven thousand one hundred twenty eight taka and seventy two paisa only) due to non-deduction of VAT and IT from contractors bill.**

##### **Description:**

- ✓ Audit was conducted on the accounts of “Development of Dhaka WASA Activities in LIC localities including Capacity Building and Financial Modeling Under the framework of Saidabad Phase-III Project” financed by AFD and GOB in the office of the Project director, WASA Bhaban, 8<sup>th</sup> floor, Kawra Bazar, Dhaka for the financial year 2017-18.
- ✓ Bill register, bill voucher, budget allocation and other relevant records and documents were examined.
- ✓ Audited document showed that project authority payment made Tk1,93,59,736.00 to the different contractors for “Design and installation of Water Systems in LIC of Dhaka City, including awareness campaigning, formation of CBO, monitoring of water distribution and hygiene promotion activities in different places” under different package & lots without deduction of VAT and Income Tax amount of Tk52,27,128.72
- ✓ On details scrutiny it was found that the authority did not realize the Income Tax from contractors (NGO) bill Tk. 23,23,168.32 and VAT amount of Tk. 29,03,960.40
- ✓ As per Income Tax Ordinance-1984 Income Tax applicable for NGO contractors @ 12% and NBR General order no- 06/Musak/2016 date 2/6/2016 VAT applicable @15% of contract value for contractor (NGO) payment.
- ✓ It is also noted that the contractor quoted rate including VAT @ 15% and Tax @12%.
- ✓ But the Project authority did not comply with the order
- ✓ As a result loss of Govt. revenue Tk.52,27,128.72 due to non-realization of VAT and IT which is stand recoverable.
- ✓ Details are shown in annexure-“A”
- ✓ Engr. Quamrun Naher Laily was the project Director during the period of transaction.

##### **Cause:**

- ✓ Violation of contract agreement.
- ✓ Violation of NBR order.



**Reply of the Auditee:**

- ✓ In response of audit query the authority stated that reply would be submitted after adjustment of VAT & IT.

**Audit Comments:**

- ✓ Loss of Govt. revenue.
- ✓ VAT & IT to be deduct at the payment stage.

**Audit Recommendation:**

- ✓ Objected amount should be recovered at an early date under intimation to Audit.

**Para-02**

**Title: Received cash from LIC instead of free installation of Water Systems beyond the project objectives, TAPP, Contract agreement and donor agreement.**

**Description:**

- ✓ Audit was conducted on the accounts of "Development of Dhaka WASA Activities in LIC localities including Capacity Building and Financial Modeling Under the framework of Saidabad Phase-III Project" financed by AFD and GOB in the office of the Project director, WASA Bhaban, 8<sup>th</sup> floor, Kawran Bazar, Dhaka for the financial year 2017-18.
- ✓ Bill register, bill voucher, budget allocation and other relevant records and documents were examined.
- ✓ Audit team visited the different LIC and different Bosthi under different contract with Mr. Masud Hossain Sub-assistant Engineer, LIC Project, Mr. Mohammad Zahir Uddin, Consultant (Water Supply) and representative of concern NGO on 19.06.2018 and it was found that the concern NGO receipt Tk.4000.00 for installation of Simple Stand post (with hand pump and storage) & Tk. 7000.00 for Complex Stand post (Including hand pump, 2100 liters storage and washing platform 100 square feet) from users.
- ✓ As per project objectives, TAPP, Contract agreement and donor agreement there were no provision to receipt any cash from LIC. It was free for LIC (Low Income Community) & donor provide the fund as grant money for low income community. As a result the authority of NGO was taken undue benefit from LIC.
- ✓ On detail scrutiny it was found that some stand post hand pump installation for single family, number of user 3-4 person and inside of the residence which is beyond the project objectives. As a result personal benefit was given to the some person instead of LIC.
- ✓ As per project objectives it was mentioned that to improve the living standard of the low income communities of Dhaka city.
- ✓ Name of the user & details are shown in annexure-"B"
- ✓ Engr. Quamrun Naher Laily was the project Director during the period of transaction.

**Cause:**

- ✓ Violation of contract agreement.

**Reply of the Auditee:**

- ✓ In response of audit query the authority stated that reply would be submitted after detail investigation.

**Audit Comments:**

- ✓ Reply is not satisfactory, because it was violation of project objectives.

**Audit Recommendation:**

- ✓ The matter is brought to the notice of the higher authority and matter should be investigated and results thereon may please be informed to audit.

### Para-03

**Title:** Advanced payment made Tk.1,03,59,736.00 (One core three lakh fifty nine thousand seven hundred thirty six only) but not yet adjusted within stipulated time.

#### Description:

- ✓ Audit was conducted on the accounts of "Development of Dhaka WASA Activities in LIC localities including Capacity Building and Financial Modeling Under the framework of Saidabad Phase-III Project" financed by AFD and GOB in the office of the Project director, WASA Bhaban, 8<sup>th</sup> floor, Kawran Bazar, Dhaka for the financial year 2017-18.
- ✓ Bill register, bill voucher, budget allocation tender documents and other relevant records/documents were examined.
- ✓ Audited document showed that project authority awarded contract to the **Bangladesh Association for Social Advancement (BASA)** for Design and installation of Water Systems in LIC of Dhaka City, including awareness campaigning, formation of CBO, monitoring of water distribution and hygiene promotion activities, in different place under lot-07.
- ✓ On detail scrutiny it was showed that the authority payment made Tk.1,03,59,736.00 as advance for above mentioned works. But the advance was not adjusted till to audit on 20.06.2019
- ✓ As per item no 5, sl. no 31 of Delegation of financial power for development project all advanced should be adjusted within 2 month or 30 June of the financial year which ever early.
- ✓ Engr. Quamrun Naher Laily was the project Director during the period of transaction.

#### Cause:

- ✓ Violation of item no 5, sl. no 31 of Delegation of financial power for development project.

#### Reply of the Auditee:

- ✓ In response of audit query the authority stated that advance payment will be adjusted for next bill as mentioned.

#### Audit Comments:

- ✓ Reply is not acceptable, because as per item no 5, sl. no 31 of Delegation of financial power for development project all advanced should be adjusted within 2 month or 30 June of the financial year which ever early.

#### Audit Recommendation:

- ✓ Necessary step should be taken against fault under intimation to audit and the project authority is requested to ensure the matter & payment on submission of related documents to audit.

**Para-04**

**Title:** Accrued Bank interest amount of TK.7,86,687/-(Seven lakh eighty thousands six hundred eighty seven only) was not deposited in to Govt. treasury.

**Description:**

- ✓ Audit was conducted on the accounts of "Development of Dhaka WASAAactivities in LIC localities including Capacity Building and Financial Modeling Under the framework of Saidabad Phase-III Project" financed by AFD and GOB in the office of the Project director, WASA Bhaban, 8<sup>th</sup> floor, Kawran Bazar, Dhaka for the financial year 2017-18.
- ✓ Cash book, bills/vouchers, bank statement and other relevant records and documents were examined.
- ✓ It was seen from bank statement that an amount of Tk.7,86,687/-was accrued as bank interest during the financial year 2017-18.
- ✓ As per order No.07.111.032.01.00.015.2011-339, Date:12.05.2011 of Ministry of Finance, accrued bank interest was to be deposited into Govt. Treasury.
- ✓ But the authority did not deposit the same into Govt. treasury.
- ✓ Details are shown in annexure-"C"
- ✓ Mrs. Quamrun Nahar Laily was the Project Director during the period of transaction.

**Causes of Irregularities:**

- ✓ Non-deposition of Bank interest into Govt. treasury.

**Reply of the Auditee:**

- ✓ In response of audit query the authority stated that reply will be furnished after detail scrutiny.

**Audit Comments:**

- ✓ Reply is not acceptable, because as per order No.07.111.032.01.00.015.2011-339, Date:12.05.2011 of Ministry of Finance, accrued bank interest was to be deposited into Govt. Treasury.

**Audit Recommendation:**

- ✓ Objected amount should be recovered at an early date under intimation to audit.

## **PART-B**

### **Para-05**

**Title: Irregular payment 3<sup>rd</sup> advance without adjustment of 1<sup>st</sup> & 2<sup>nd</sup> advance Tk.90,00,000.00 (Ninety lakh).**

#### **Description:**

- ✓ Audit was conducted on the accounts of “Development of Dhaka WASA Activities in LIC localities including Capacity Building and Financial Modeling Under the framework of Saidabad Phase-III Project” financed by AFD and GOB in the office of the Project director, WASA Bhaban, 8<sup>th</sup> floor, Kawran bazar, Dhaka for the financial year 2017-18.
- ✓ Bill register, bill voucher, budget allocation tender documents and other relevant records/documents were examined.
- ✓ Audited document showed that project authority awarded contract to the Water and Life Bangladesh JV partner Sobar Jonno Pani Tk.2,90,66,750.00 (Excluding VAT/Tax) for Design and installation of Water Systems in LIC of Dhaka City, including awareness campaigning, formation of CBO, monitoring of water distribution and hygiene promotion activities, in different place under Lot no W-4 L-8.
- ✓ It was showed that the project authority 3 nos. advance bill was payment to the contractor amount of Tk. 90,00,000.00 (30,00,000 X3) without adjustment of 1<sup>st</sup> & 2<sup>nd</sup> advanced.
- ✓ As per Delegation of financial power for development project 2015 SI-38 (gha) it was mentioned that no second advance can be sanction without 85% adjustment of previous advanced and all advance to be adjusted within 2 month or before 30<sup>th</sup> June within the year which is early.
- ✓ On detail scrutiny it was found that the contractor was submitted one (1) nos. Bank Guarantee amount of Tk. 30,00,000.00 instead of Tk.90,00,000.00
- ✓ But the advance was not adjusted till to audit on 20.06.2019
- ✓ **Details are shown in annexure –“D”**
- ✓ Engr. Quamrun Naher Laily was the project Director during the period of transaction.

#### **Cause:**

- ✓ Violation of ITT Clause no 73.1 & Delegation of financial power for development project 2015 SI-38 (gha).

#### **Reply of the Auditee:**

- ✓ In response of audit query the authority stated that reply would be submitted after detail scrutiny.

#### **Audit Comments:**

- ✓ Reply is not acceptable, because it was violation of Delegation of financial power for development project 2015 SI-38 (Gha).

#### **Audit Recommendation:**

- ✓ Necessary step should be taken against fault under intimation to audit and the project authority is requested to ensure the matter & payment on submission of related documents to audit.

**Para-06**

**Title:** Loss of TK1,99,207/- as Insurance premium VAT due to non execution of insurance against civil works.

**Description:**

- ✓ Audit was conducted on the accounts of "Development of Dhaka WASA Activities in LIC localities including Capacity Building and Financial Modeling Under the framework of Saidabad Phase-III Project" financed by AFD and GOB in the office of the Project director, WASA Bhaban, 8<sup>th</sup> floor, Kawran Bazar, Dhaka for the financial year 2017-18.
- ✓ Cash book, bills/vouchers, bank statement, MB, contract document and other relevant records and documents were examined.
- ✓ Audited document showed that civil works valued Tk.24,14,63,876/- under different packages were executed without insurance coverage. As per clause- 36.1 of GCC, the contractors should have provided insurance coverage before execution of works.
- ✓ But audit revealed that the contractors did not provide insurance coverage in the joint name of employer and the contractor for the period from inception to defect liability period. As per condition of contract the following events are contractor's risks:
  - (a) Loss or damage to the works, Plant and materials.
  - (b) Loss or damage to equipment.
  - (c) Loss or damage to Property.
  - (d) Personal injury or death.
- ✓ As a result Govt. deprived of earning revenue TK.1,99,207/- as insurance premium VAT due to non execution of insurance.
- ✓ Details are shown in annexure-"E"
- ✓ Mrs. Quamrun Nahar Laily was the Project Director during the period of transaction.

**Cause:**

- ✓ Violation of GCC clause due to execution of insurance policy.

**Reply of the Auditee:**

- ✓ In response to the audit query the authority stated that reply will be furnished after detail scrutiny.

**Audit Comments:**

- ✓ Reply is not satisfactory, because it was violation of GCC clause- 36.1

**Audit Recommendation:**

- ✓ Necessary steps should be taken to realize the said amount from contractor and deposited it into Govt. treasury under intimation to audit.

## **VII. OVERALL AUDIT RESULTS:**

The result of our audit disclosed the following material aspects in the overall operations and transactions of the Project, which deserve attention:

- a) The rate of program/project delivery is as per work plan/DPP.
- b) The disbursements have been made in accordance with program support documents, financial rules, regulations of GOB and AFD except as stated in Section-two of this report.
- c) The Project disbursements are valid and supported by adequate documentations except as stated in this report.
- d) The project financial statement presents a fair view except as stated in the Auditor's report.
- e) Inventory of the equipment's and assets was not prepared and annual physical verification was not conducted.

## **PART-II (Annexure)**



Annexure-A

Statement showing the loss of Govt. revenue due to non-deduction of VAT and IT from contractor's bill.

Sl no	Name of the contractors & Lot no	Bill no & dt	Bill amount	Deductible VAT @15%	Deductible IT @12%	Total
1	Water and Life JV partner SobarJonnoPani. W-4 L-8	173 dt.31.3.18	30,00,000.00	13,50,000.00	10,80,000.00	24,30,000.00
		223 dt.08.5.18	30,00,000.00			
		246 dt.20.6.18	30,00,000.00			
2	Bangladesh Association for Social Advancement as lead partner, L-7	202, 14.03.18	1,03,59,736.00	15,53,960.40	12,43,168.32	27,97,128.72
		<b>Total=</b>	<b>1,93,59,736.00</b>	<b>29,03,960.40</b>	<b>23,23,168.32</b>	<b>52,27,128.72</b>

# Annexure-B

Statement showing the receipt cash from LIC instead of free installation of Water Systems beyond the project objectives, TAPP, Contract agreement and donor agreement.

Sl no	Name of the User & Mobail no	Name of the LIC/ Bosthi	Name of the Contractor/NGO	Remarks
01	Hasins, W/O Mr. Wahid Mobil no- 01911192927	RajurBosti,	DUSHTHA SHASTHYA KENDRA (DSK) L-1	Personas use. Inside of the house
02.	Md. Asraful , Mobil no- 01718636824	RajurBosti		User 3 members
03	Shopna, W/O Sohel 01922690821	BeguntilaBosti		Personas use. Inside of the house
04.	Mohammad Ali, Mob-01994001852	New Kurmitola		Supply line disconnect , Tube well Hand missing
05.	Boby	New Kurmitola		
06.	Shafiq Mob-01923618721	Baganbari Mirpur-14	Bangladesh Association for Social Advancement as lead partner, L-3	
07	Ali Mia Mob-01951565423	Baganbari Mirpur-14		
08.	Rojina, Mob- 01745095474	Baganbari Mirpur-14		Did not use the water line.

Annexure-C

Statement showing accrued bank interest not deposited into Govt. treasury.

Sl	Name of bank with branch	Bank acc. no.	Interest posting date	Interest amount	Deduct source Tax	Net Interest	Remarks
1	Sonali Bank Ltd., Kawran bazar branch, Dhaka.	0117203000219	31/12/17	3,45,950/-	51,853/-	2,94,057/-	
2			30/6/18	5,79,565/-	86,935/-	4,92,630/-	
					<b>Total=</b>	<b>7,86,687/-</b>	

Annexure-D

Statement showing the irregular payment 3<sup>rd</sup> advance without adjustment 1<sup>st</sup> & 2<sup>nd</sup> advances.

Sl. no.	Lot no	Name of the contractor	Bill no & dt	Amount	Bank Grantee no
1	W-4, Lot-8	Water and Life JV partner Sobar Jonno Pani.	46.113.623.01.01.023.2017.173 dt.31.3.18	30,00,000.00	LG no. 997148LG80085
2			46.113.623.01.01.023.2017.223 dt.08.5.18	30,00,000.00	Dutch-Bangla Bank Limited.
3			46.113.623.01.01.023.2017.246 dt.20.6.18	30,00,000.00	Validity: 30.11.2018
			<b>Total=</b>	<b>90,00,000.00</b>	

Annexure-E

Statement showing loss of Govt. revenue as VAT due to non coverage of insurance coverage.

Sl no.	Package no. & Lot no.	Name of contractor	Contract amount	Insurable amount (110% of insurable amount)	Premium (0.50% of insurable amount)	VAT @ 15% of premium
1	Package no.-W <sub>1</sub> Lot-1	Dustha Shasthya Kendra	3,97,65,374/-	4,37,41,911/-	2,18,710/-	32,807/-
2	Package no.-W <sub>1</sub> Lot-2	Do	2,84,73,284/-	3,13,20,612/-	1,56,603/-	23,490/-
3	Package no.-W <sub>2</sub> Lot-3	BASA	3,27,73,476/-	3,60,50,824/-	1,80,254/-	27,038/-
4	Package no.-W <sub>2</sub> Lot-4	Dustha Shasthya Kendra	4,77,80,678/-	5,25,58,746/-	2,62,794/-	39,419/-
5	Package no.-W <sub>3</sub> Lot-6	SPACE-SOF-KE JV	2,90,71,860/-	3,19,79,046/-	1,59,895/-	23,984/-
6	Package no.-W <sub>3</sub> Lot-7	BASA	3,45,32,454/-	3,79,85,699/-	1,89,928/-	28,489/-
7	Package no.-W <sub>4</sub> Lot-8	W&L-SPL JV	2,90,66,750/-	3,19,73,425/-	1,59,867/-	23,980/-
					<b>Total=</b>	<b>1,99,207/-</b>

