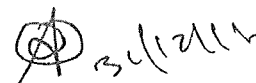


## AUDITOR'S REPORT

Audit completion date: 22.11.2017

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

- I. We have audited the accompanying financial statement of "Municipal Governance and Services Project (MGSP)" financed by IDA Credit No. 5339 BD as of 30<sup>th</sup> June, 2017 and for the year then ended. Preparation of financial statement is the responsibility of 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 statement is free of materials misstatement. An audit includes examining on a test basis, evidences supporting the amounts and disclosures made 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 aspects of the financial position of "Municipal Governance and Services Project (MGSP)" as af 30<sup>th</sup> June, 2017 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: *Un-qualified.*



(Mohammad Animul Ehsan Kabir)  
Deputy Director  
For Director General  
Foreign Aided Projects Audit Directorate  
Phone: 9361788.


Municipal Governance and Services Project (IDA Cr. 5339-BD)  
Financial Statement  
30th June ' 2017

(Figure in Lakh) Taka)

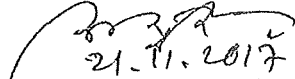
Resources	Notes	Cumulative Prior period	Current Period	Cumulative Current period
Government of Bangladesh	1	3,802.60	2,602.14	6,404.74
Lender/Doner	2	33,248.10	23,064.30	56,312.40
Other resources	3			
Cash Opening Balance	4	-	7,948.18	-
<b>Total Resources</b>		<b>37,050.70</b>	<b>33,614.62</b>	<b>62,717.14</b>

Expenditure and Cash		5			
1	1 (a) Provision of Financial Support to 26 Pre-selected ULBs (IDA Part)		12,240.20	9,841.30	22,081.50
	Provision of Financial Support to 26 Pre-Selected ULBs (GOB Part)		1,377.40	2,029.97	3,407.37
<b>Sub-Total :</b>			<b>13,617.60</b>	<b>11,871.27</b>	<b>25,488.87</b>
2	1(b) Financial Support for Operation & Maintenance (O&M) IDA Part		6,277.70	2,375.64	8,653.34
<b>Sub-Total :</b>			<b>6,277.70</b>	<b>2,375.64</b>	<b>8,653.34</b>
4	3 (a) Capacity Building and TA Support for LGED and ULBs supported by LGED		6,778.20	3,687.00	10,465.20
<b>Sub-Total :</b>			<b>6,778.20</b>	<b>3,687.00</b>	<b>10,465.20</b>
6	3(c) Provision of support to LGD for Third-party monitoring of the GAAP		3.82	-	3.82
<b>Sub-Total :</b>			<b>3.82</b>	<b>-</b>	<b>3.82</b>
1	Govt. Staff Salary & Allowances (GOB)		427.20	312.44	739.64
	CD-VAT		1,998.00	11.70	2,009.70
	Land Acquisition		-	248.03	248.03
<b>Sub-Total :</b>			<b>2,425.20</b>	<b>572.17</b>	<b>2,997.37</b>
<b>Total Expenditure</b>			<b>29,102.52</b>	<b>18,506.08</b>	<b>47,608.60</b>

Cash Closing Balance					
	Special Account		1,899.10	9,708.60	9,708.60
	Project Operating Account		-	-	-
	Operating Account of 26 Field offices		6,028.28	5,399.94	5,399.94
	Operating Account of 11 MSU offices		20.80	-	-
<b>Total Expenditure &amp; Cash</b>			<b>37,050.70</b>	<b>33,614.62</b>	<b>62,717.14</b>

  
 21.11.17  
 (Md. Abul Kalam)  
 Accounts Officer  
 Municipal Governance and  
 Services Project (MGSF)  
 LGED HQ, Dhaka.

Financial Statement.xls

  
 21.11.2017  
 (Shaikh Muzaffar Zafar)  
 Project Director  
 Municipal Governance and  
 Services Project (MGSF)  
 LGED HQ, Dhaka.

**Municipal Governance and Services Project**  
**(IDA Cr. No. 5339-BD)**  
**NOTES TO THE FINANCIAL STATEMENT**  
**30<sup>th</sup> June, 2017**

<b>1</b>	<b>GOVERNMENT OF BANGLADESH</b>
Funds are allocated by the Government of Bangladesh to cover GOB's share of eligible project expenditures, 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)	

	Inception to 30 <sup>th</sup> June 2016	For the year 2016-2017	Inception to 30 <sup>th</sup> June 2017
Disbursements by GOB	4061.00	2749.70	6810.70
Less: Refund to GOB	258.40	147.56	405.96
<b>Total :</b>	<b>3802.60</b>	<b>2602.14</b>	<b>6404.74</b>

<b>2</b>	<b>LOAN FROM LENDER/DONOR</b>
The IDA has provided funds to the project to cover its share of eligible project expenditures. These funds, which must be repaid to IDA after the conclusion of the project, have been drawn by the project in accordance with the following withdrawal procedures (In Lakh Taka)	

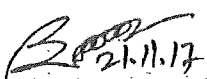
	Inception to 30 <sup>th</sup> June 2016	For the year 2016-2017	Inception to 30 <sup>th</sup> June 2017
On the basis of IUFR	33,248.10	23,064.30	56,312.40
<b>Total</b>	<b>33,248.10</b>	<b>23,064.30</b>	<b>56,312.40</b>

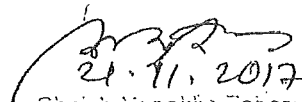
<b>3</b>	<b>OTHER RESOURCES</b>
Other resources consist of the following:	

	Inception to 30 <sup>th</sup> June 2016	For the year 2016-2017	Inception to 30 <sup>th</sup> June 2017
Project Revenues	-	-	-
Accrued Bank Interest	-	-	-
Unspent Balance Receipt	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>4</b>	<b>CASH</b>
At present the Project maintained one bank account (CONTASA) which is kept at Sonali Bank Ltd. Dilkusha Corporate Branch, Dhaka and an operating account, which is kept at a commercial bank to deposit those cheque issued from CAO 's Office. Year end cash balance was as follows (In Lakh Taka)	

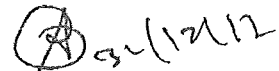
	Inception to 30 <sup>th</sup> June 2016	For the year 2016-2017	Inception to 30 <sup>th</sup> June 2017
Special Account	1,899.10	9,708.60	9,708.60
Operating Account of 26 Field offices	6,028.28	5,399.94	5,399.94
Operating Account of 11 MSU offices	20.80	-	-
Operating Account (GOB)	-	-	-
<b>Total</b>	<b>7,948.18</b>	<b>15,108.54</b>	<b>15,108.54</b>

  
 21.11.17  
 Md. Abnur Razzak  
 Accounts Officer  
 Municipal Governance and  
 Services Project (MGSP)  
 LGED HQ, Dhaka

  
 21.11.2017  
 Shohidur Rashid  
 Project Director  
 Municipal Governance and  
 Services Project (MGSP)  
 LGED HQ, Dhaka

AUDITOR'S REPORT on Designated ACCOUNT

1. We have audited the Designated Account (CONTASA) of "Municipal Governance and Services Project (MGSP)" financed under IDA Credit No-5339 BD for the year 2016-2017.
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 & supporting documentation, verification of account balance and other auditing procedures that are considered important under the circumstances.
3. The accompanying Designated Account Statement was prepared on the basis of cash deposit & withdrawals for the purpose of complying with the Loan Agreements.
4. In our opinion the receipts are properly accounted for and withdrawals were made for the purpose of the project in accordance with the Loan Agreement and the Special Account Statement gives a fair view of the beginning and ending balances and the account activity for the year ended June 30, 2017 are on the basis of cash deposits & withdrawals.



(Mohammad Aminul Ehsan Kabir)  
Deputy Director  
For Director General  
Foreign Aided Projects Audit Directorate  
Phone: 9361788.

Municipal Governance and Services Project  
IDA Credit No.5339- BD

Special Account (CONTRASA) Statement

ending 30<sup>th</sup> June, 2017

ND-16963

Bank: Sonali Bank Ltd.

Milkusha Corporate Bank Dhaka

Loan Agreement

PART-A Account Activity

Opening Balance as on 01-07-2016

: 79,48,18,000.00

Add.

Total amount deposited by World Bank

: 230,64,30,000.00

(As per IUFRR)

Total interest earnings if deposited in account

: -

Total amount refunded to cover ineligible expenditure

: -

Deduct

Total amount withdrawn

: 159,03,94,000.00

Total service charges if not included above in amount withdrawn

: -

Ending balance on 30-06-2017

: 151,08,54,000.00

PART-B ACCOUNT RECONCILIATION

1. Amount advanced by the World Bank

: 230,64,30,000.00

2. Less: Total amount recovered by the World Bank

: -

3. Equal: Present outstanding amount advanced to the Special Account at fiscal year ended 30-06-2017

: 230,64,30,000.00

4. Ending balance of Special Account at fiscal year ended 30-06-2017

: 151,08,54,000.00

5. Plus: Amount claimed and not yet credited at fiscal year end 30-06-2017

: -

Application No.

Amount

6. Plus: Amount withdrawn and not yet claimed

-

7. Less: Interest (if including Special Account)

-

8. Plus: Service charges (if not included in line 5 & 6 above)

-

9. Equal: Total advance to Special Account accounted for at fiscal year ended 30-06-2017

230,64,30,000.00

  
21.11.2017  
(Shaikh Muzakka Zaher)  
Project Director

Tele : 9113446

e-mail : [pd.mgsp@lged.gov.bd](mailto:pd.mgsp@lged.gov.bd)

Notes:

1. Explain and discrepancy between totals appearing on lines 3 and 9 above (e.g. amount due to be refunded to cover ineligible expenditures paid from the Special Account)

2. Indicate if amounts appearing on line 6 are eligible for financing by the World Bank and provide reasons for not claiming the expenditures.