

**EXTERNAL AUDITOR REPORT**

**FOR**

**BIHAR AAPDA PUNARWAS  
EVAM PUNARNIRMAN SOCIETY**

**CREDIT NO. 5696-IN**

**FOR**

**THE PERIOD 01/04/2017 TO 31/03/2018**

As Submitted By

**KRA & Co  
(Chartered Accountants)**

485/257, Goreknath Compound, Boring Canal Road, Patna, Bihar 800001



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## INTRODUCTON

BIHAR AAPDA PUNARWAS EVAM PUNARNIRMAN SOCIETY (BAPEPS), as a society has started project in five districts of Bihar that is Supual, Madhepura, Saharsa, Purnea and Araria from March 2016.

BKBDP is the extension of Kosi Phase 1 project with additional component on Agriculture including, Animal Husbandry and shallow tubewell to be implemented in two more districts that is Purnea and Araria.

With the assistance of \$375mn World Bank, Bapeps is promoting the below mentioned objectives:

1. Improving flood risk management
2. Enhancing agricultural productivity & competitiveness
3. Augmenting Connectivity
4. Contingent Emergency Response
5. Implementation Support

Stages of Audit Adopted as per AAS – Standards of Auditing as promulgated by the Institute of Chartered Accountants of India (ICAI)

1. The Scope of Audit covers all the Project sources and applications of funds and the units that is SPMU, DPMUs and BPMUs of BAPEPS; and Nodal Offices and Divisional Offices of the sub-implementing implementing agencies namely the BRPNL BRRDA, WRD, Department of Agriculture and Animal and Fish Resources Department.
2. Audit Documentation includes Audit Programme; Analysis of observations, discussions with the auditee, Management Letter, Checklists and others related documents.
3. As per SA 700, opinion and reporting on financial statements has been made.
4. Consolidated financial statements have been taken during the process of audit for financial analysis.
5. Procurement has been carried out by BAPEPS and sub implementing agencies in line with the agreed procedures documented in the procurement manual for the project agreed with the Bank. For this purpose, we had selected a sample of procurement cases under the project and checked procurement documents. Attached is the checklist for different procurements as **Annexure VI (annex 2)**







# K R A & CO.

## (Chartered Accountants)

485/257, Goreknath Compound, Boring Canal Road, Patna, Bihar 800001  
[krapatna@gmail.com](mailto:krapatna@gmail.com), 0612-2530030

### INDEPENDENT AUDITORS' REPORT

To,  
The Members,  
Bihar Aapda Punarwas Evam Punarnirman Society (BAPEPS)

We have audited the accompanying financial statements of Bihar Aapda Punarwas Evam Punarnirman Society (**BAPEPS**) which comprise the Balance Sheet as at **31 March 2018**, and the Receipt and Payment Account and the Income and Expenditure Account for the year ended on that date, and a summary of significant accounting policies and other explanatory information under **Bihar Kosi Basin Development Project (IDA Credit No 5696-IN)**

Management is responsible for the preparation of these financial statements that gives a true and fair view of the financial position, financial performance of the society in accordance with the Society's Registration Act, 1860. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that provides a true and fare view and are free from material misstatement whether due to fraud or error.

Our responsibility is to express an opinion on these financial Statements based relevant sample audit. We conducted our audit in accordance with Auditing and Assurance Standards issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the company's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





In our opinion and to the best of our information and according to the explanations given to us the financial statements read in conjunction with significant accounting policies, notes to accounts and schedule (1 to 8), give the information required by the act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- I. In the case of **Receipts and Payments Account**, the Receipts and Payments for the Society for the year ended on that date,
- II. In the case of **Income and Expenditure Account**, the income and expenditure of the Society for the year ended on that date,
- III. In the case of **Balance sheet**, of the state of affair of the Society as at March 31,2018,
- IV. In the case of a Statement of Significant Accounting Policies adopted for the preparation of the PFS and
- V. In the case of Explanatory Notes to the financial statements (not applicable)

In our opinion and to the best of our information and according to the explanations given to us, we confirm,

- I. The project funds were utilized for the purposes for which they were provided
- II. Expenditures, including assets created under the project, shown in the PFS are eligible for financing under the project legal agreements and there were exclusively financed through the project funds and no other sources of funds have been received by BAPEPS for incurring these expenditures
- III. Expenditures reported in the interim unaudited financial reports (IUFR) are in agreement with the books of account and IUFRs can be relied upon to support these claims
- IV. Procurement has been carried by BAPEPS and the implementing agencies in line with the agreed procedures as detailed in the project legal agreement and the procurement manual
- V. The project has an adequate internal control system (including its continuing implementation and effectiveness) and adheres to the provisions of the project legal agreements, the Financial Management, Procurement and operations manual in all material aspects
- VI. The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the project, and are maintained by the implementation agency and the BAPEPS.

For **KRA & CO**  
F.R.N.: 020266N  
Chartered Accountants

  
Partner

M.No: 503150

Date: 29/12/2018

Place: Patna



**BIHAR AAPDA PUNARWAS EVAM PUNARNIRMAN SOCIETY (BAPEPS)**

**Schedule- 6**

**Statement of Significant Accounting Policies:**

1. Overview of the project:

Bihar Aapda Punarwas Evam Punarnirman Society (BAPEPS) is implementing a \$375mn World Bank assisted BKBDP in five Districts of Bihar I.e. Supaul, Madhepura Saharsa, Purnia and Araria. The same is an extension of Kosi Phase 1 project.

2. Basis of preparation of Financial Statement :

The Financial Statements have been maintained on double entry system adopting cash basis of accounting except:

Financial Statements are prepared in accordance with the Generally Accepted Accounting principles including Accounting Standards followed in India to the extent applicable

Preparation of the financial statements are in conformity with the Generally Accepted Accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of financial statements and reported amount of revenues and expenses for the year. Estimates are based on assumptions that management believes are reasonable under the circumstances.

3. Revenue Recognition:

Fund received from Government of Bihar has been recognized as income to the extent of the revenue expenditure made during the year and the unutilized balance is carried forward in the balance Sheet.

Interest earned on balances in project bank accounts and other incomes (such as tender fees etc.) arising from the project are recognized as liability in the Balance Sheet and dealt with as decided by the Governing Body.

4. Bank Account:

Balance at Bank has been shown for dedicated bank accounts opened in the name of BAPEPS.





EXECUTIVE SUMMARY				
S.No	Observation	Implications	Relevant Annexure	Recommended Corrective Action
1	Bid Security pending to be refunded	Procedural Non Compliance	Point no 1B. to the Management Letter	Timely refund to be initiated
2	Performance security expired (BRPNL)	Procedural Non Compliance	Point no 1C. to the Management Letter	Performance security till the end of the defect liability period to be accepted at the time of agreement only
3	Liquidity damages to be charged	Procedural Non Compliance	Point no 1E. to the Management Letter	To be initiated
4	Bank guarantees expired while advances were still pending to be adjusted	Procedural Non Compliance	Point no 1F. to the Management Letter	Process of timely advance adjustment should be improved to avoid such expired securities
5	Late deposit of Tds found	Statutory Delay	Point no 2 to the Management Letter	Timely deposit to be followed for future
6	Performance security expired (RWD)	Procedural Non Compliance	Point no 3 to the Management Letter	To be renewed and effective till end of the defective liability period
7	Adoption of Goods and service tax pending	Statutory Delay	Point no 4 to the Management Letter	Requisite guidelines to be issued to all as further compliances for TDS on GST shall also be applicable in future.





**Bihar Aapda Punarwas Evam Punarnirman Society**  
**Bihar Kosi Basin Development Project (Credit No. 5696)**  
**Balance Sheet as at 31st March 2018**

		(Amount in Rs.)			
As at 31 March, 2017	Liabilities	Schedule No	As at 31 March, 2017	As at 31 March, 2018	Schedule No
2,405,522,059	<b>Grant from Government of Bihar -</b> Unutilized Grant at the beginning of the year		-	-	2
8,041,900,000	Add : Grant received during the year		306,108,864	169,813,491.00	3
-	Less: Grant Return to Plan. & Dev. Dept.		-	-	
1,245,784,715.00	Less : Project Revenue Expenditure during the year		2,745,929,090.00	6,943,697,134.00	4
-	Less : Project Capital Expenditure during the year		-	-	
9,201,637,344	Unutilized Grant at the close of the Year		6,455,708,254	-	
-	<b>Capital Fund</b>		-	-	
199,570,969	<b>Current Liabilities</b>	1	657,802,371.00	-	
<b>9,401,208,313</b>	<b>Total</b>		<b>9,401,208,313</b>	<b>7,113,510,625</b>	

**Significant Accounting Policies & Notes to Accounts**

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In terms of our report of even date

For and on behalf of  
For, KRA & CO.

F.R.N.: 020266N

Chartered Accountants

Partner

Place : Patna

Date : 29/12/2018

For and on behalf of  
Bihar Aapda Punarwas Evam Punarnirman Society

*(Signature)*

(Deputy Director Finance)





**Bihar Aapda Punarwas Evam Punarnirman Society**  
**Bihar Kosi Basin Development Project (Credit No. 5696)**

**Income & Expenditure Account for the Financial Year ended 31st March 2018**

(Amount in Rs.)						
For the Year ended 31 st March, 2017	Expenditure	Schedule No	For the Year ended 31 st March, 2018	Income	Schedule No	For the Year ended 31 st March, 2018
	<b>Main Project Expenditure</b>					
-	Improving Flood Risk Management		75,298,307.00	Fund Received to the extent utilised during the year		2,745,929,090.00
751,903,667.00	Enhancing Agricultural Productivity & Competitiveness		3,385,834.00			
492,386,743.00	Reconstruction of Road		1,218,719,597.00			
	Reconstruction of Bridges		1,444,552,553.00			
	Contingent Emergency Response		-			
	Improving Emergency Response Capacity		-			
	Project Management and Technical Assistance	5	-	Less: Expenditure in Fixed Assets transferred to Capital Fund Account	2	-
1,494,305.00						
<b>1,245,784,715.00</b>	<b>Total</b>		<b>2,745,929,090.00</b>	<b>Total</b>		<b>2,745,929,090.00</b>

Significant Accounting Policies & Notes to Accounts  
 In terms of our report of even date

For and on behalf of  
 For, KRA & CO.

F.R.N.: 020266N

Chartered Accountants

Partner

Place : Patna

Date : 29/12/2018



For and on behalf of  
 Bihar Aapda Punarwas Evam Punarnirman Society

*(Signature)*

(Deputy Director Finance)



Receipts & Payments Account for the Financial Year ended 31st March 2018

(Amount in Rs.)					
For the Year ended 31st March, 2017	Receipts	Sched ule No	For the Year ended 31st March, 2018	Payments	For the Year ended 31st March, 2018
	Opening Balance -			Main Project Expenditure	
2,406,100,000	Cash in Hand	3	-	Improving Flood Risk Management	-
	Cash at Bank		9,095,099,449	Reconstruction of Road	75,298,307
	Fund in Transit		-	Reconstruction of Bridges	1,218,719,597
	Funds Received During the year		751,903,667	Enhancing Agricultural Productivity & Competitiveness	1,444,552,553
8,041,900,000	Grant in Aid from Govt. of Bihar		492,386,743		3,385,834.00
	Other Fund	7	-	Project Management and Technical Assistance	-
471,957,114			1,494,305		3,972,799
				Fixed Assets purchased during the year	2,745,929,090
				Payments during the year	-
				Closing Balance -	376,090,592
				Cash at Bank	6,943,697,134
				Fund in Transit	-
				Cash in Hand	-
10,919,957,114	Total		10,919,957,114	Total	10,065,716,816

Significant Accounting Policies & Notes to Accounts 6  
In terms of our report of even date

For and on behalf of  
For, KRA & CO.  
F.R.N.: 020266N  
Chartered Accountants  
Partner  
Place : Patna  
Date : 29/12/2018

For and on behalf of  
Bihar Aapda Punarwas Evam Punarnirman Society

(Deputy Director Finance)





**Bihar Aapda Punarwas Evam Punarnirman Society  
Bihar Kosi Basin Development Project (Credit No. 5696)**

**Schedules to the Balance Sheet**

**Schedule 1 - Current Liabilities**

(Amount in Rs.)

Particulars	As at 31st March 2017	As at 31 March, 2018
Labour Cess	5,116,751.00	327,698.00
Royalty (BRPNNL)	12,122,407.00	22,501,306.00
Royalty (MD)	3,464,519.00	14,608,933.00
Royalty (RWD)	-	1,490,753.00
Royalty (Seigniorage fee) RWD	-	3,488,851.00
Royalty (Credit)	605,550.00	605,550.00
VAT (BRPNNL)	23,885,764.00	1,274,710.00
Maintenance Cost	6,677,436.00	-
Bank Interest (SPMU)	73,335,136.00	367,478,375.00
Retaintion Money (Credit)	73,721,224.00	238,350,523.00
GST (RWD)	-	78,660.00
Performance Security Deposit	642,182.00	7,305,341.00
TDS (AFRD)	-	26,775.00
Time Extension	-	264,896.00
<b>Total</b>	<b>199,570,969.00</b>	<b>657,802,371.00</b>

**Schedule 2 - Fixed Assets**

Particulars	As at 31st March 2017	Purchased during the Year	Adjustments/ disposal during the Year
a. Project Management	-		-
Computer & Printers (SPMU)			
Furniture & Fixture	-	-	-
Electric Equipment	-	-	-
b. Emergency Response			
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>





**Bihar Aapda Punarwas Evam Punarnirman Society**  
**Bihar Kosi Basin Development Project (Credit No. 5696)**

**Schedule 4 - Balance with Banks**

(Amount in Rs.)

Particulars	As at 31 March,2017	As at 31 March,2018
<b>Balance with bank (SPMU)</b>		
CBI- A/C No- 3521752345	15,184,200.00	15,800,740.00
State Bank of India A/c no. 35623198288	8,050,982,450.00	25,794,056.00
Canara Bank (Animal & Fisheries)	2,500,000.00	75,170,008.00
Canara Bank (BRPNL)	213,778,274.00	575,498,042.00
CBI (BRPNL)	16,689,984.00	17,367,665.00
Canara Bank (WRD) A/c no.0352101045110	-	80,376,348.00
Canara Bank (RWD) A/c no.0352101044078	234,152,079.00	784,882,680.00
Canara Bank A/c no.0352101044059	561,812,462.00	5,368,807,595.00
<b>Total</b>	<b>9,095,099,449.00</b>	<b>6,943,697,134.00</b>

**Schedule 3 - Advances & Other Current Assets**

(Amount in Rs.)

Particulars	As at 31 March,2017	As at 31 March,2018
<b>Advance to contractors</b>	-	
1st Secured Advance (BRPNL)	111,028,639.00	62,842,720.00
2nd Secured Advance (BRPNL)	8,925,642.00	41,574,474.00
Equipment Advance (BRPNL)	26,581,281.00	12,567,886.00
Equipment Advance (RWD)	9,110,142.00	-
Mobilization Advance (BRPNL)	92,484,686.00	43,329,911.00
Mobilization Advance (RWD)	9,414,134.00	2,755,000.00
Advance to LEA Associates South Asia Pvt Ltd.(WRD)	-	6,565,000.00
Advance (RWD)	48,564,340.00	-
Advance Office Rent (AFRD)	-	178,500.00
<b>Total</b>	<b>306,108,864.00</b>	<b>169,813,491.00</b>





**Bihar Aapda Punarwas Evam Punarnirman Society**  
**Bihar Kosi Basin Development Project (Credit No. 5696)**  
**Schedules of Income & Expenditure Account**

**Schedule 5**

Project Management and Technical Assistance	(Amount in Rs.)	
	For the period Year 31st March, 2018	For the Year ended 31st March, 2017
Administrative & Salaries (SPMU)	-	
Consultancies & Technical Services (SPMU)	-	
Training and Exposure Visits (SPMU)	617,053.00	
Advertisement Expenses (SPMU)	853,044.00	
Travelling Expenses (SPMU)	43,192.00	
Administrative Salaries (BPMU)	-	1,513,289.00
Contingency Expenses (SPMU)	-	1,402,933.00
Contingency Expenses (Implimenting Agencies)	2,459,510.00	
Contingency Expenses (DPMU)	-	
Contingency Expenses (BPMU)	-	2,459,510.00
Vehicle & Mobility Cost (SPMU)	-	
Vehicle & Mobility Cost (DPMU)	-	
Vehicle & Mobility Cost (BPMU)	-	91,372.00
Bank Charges (SPMU)	-	
Bank Charges (DPMU)	-	
Bank Charges (BPMU)	-	
<b>Total</b>		<b>3,972,799.00</b>
		<b>1,494,305.00</b>





**Bihar Aapda Punarwas Evam Punarnirman Society**  
**Bihar Kosi Basin Development Project (Credit No. 5696)**

**Schedules forming part of the Receipt & Payment as at 31st March 2018**

**Schedule 7 - Receipt During the Year**

(Amount in Rs.)

Particulars		As at 31 March, 2017	As at 31 March, 2018
GST		-	757,146.00
Labour Cess	-	12,425,563.00	26,807,429.00
Royalty (BRPNL)	-	12,122,407.00	15,116,674.00
Royalty (MD)	-	3,464,519.00	12,416,089.00
Royalty (Credit)		605,550.00	-
Royalty (RWD)		9,414,421.00	8,692,850.00
TDS		30,197,009.00	50,913,269.00
Royalty (Seigniorage fee)		-	28,486,125.00
VAT	-	85,621,153.00	69,247,587.00
Maintenance Cost	-	14,989,837.00	116,033.00
Bank Interest (SPMU)	-	76,529,155.00	294,582,971.00
Retaintion Money	-	73,721,224.00	165,469,299.00
GST (RWD)		-	78,660.00
Performance Security Deposit		642,182.00	6,663,159.00
Royalty WRD		-	464.00
TDS (AFRD)		-	26,775.00
TDS (WRD)		-	213,219.00
Time Extention		-	264,896.00
1st Secured Advance (BRPNL)	-	50,708,209.00	91,684,308.00
2st Secured Advance (BRPNL)	-	1,259,358.00	23,552,875.00
Equipment Advance (BRPNL)	-	5,164,849.00	31,532,008.00
Equipment Advance (RWD)		4,189,470.00	9,110,142.00
Mobilization advance (RWD)	-	4,806,254.00	12,159,134.00
Mobilization advance (BRPNL)	-	24,359,414.00	74,003,575.00
RWD Birpur	-	61,736,540.00	48,564,340.00
Advance to employee			158,340.00
<b>Total</b>	<b>-</b>	<b>471,957,114.00</b>	<b>970,617,367.00</b>





Schedule 8 - Payment during the Year

(Amount in Rs.)

Particulars		As at 31 March,2017	As at 31 March,2018
GST		-	757,146.00
Labour Cess	-	7,308,812.00	31,596,482.00
Royalty (BRPNL)	-	-	4,737,775.00
Royalty (MD)	-	-	1,271,675.00
Royalty (RWD)		9,414,421.00	7,202,097.00
TDS		30,197,009.00	50,913,269.00
Royalty (Seigniorage fee)		-	24,997,274.00
VAT	-	61,735,389.00	91,858,641.00
Maintenance Cost	-	8,312,401.00	6,793,469.00
Bank Interest (SPMU)	-	3,194,019.00	439,732.00
Retaintion Money	-	-	840,000.00
Royalty WRD		-	464.00
TDS (WRD)		-	213,219.00
1st Secured Advance (BRPNL)	-	161,736,848.00	43,498,389.00
2st Secured Advance (BRPNL)	-	10,185,000.00	56,201,707.00
Equipment Advance (BRPNL)	-	31,746,130.00	17,518,613.00
Equipment Advance( RWD)		13,299,612.00	-
Mobilization advance.(RWD)	-	14,220,388.00	5,500,000.00
Mobilization advance (BRPNL)	-	116,844,100.00	24,848,800.00
Advance to LEA Associates	-	-	6,565,000.00
Advance to RWD		110,300,880.00	-
Advance office Rent (AFRD)		-	178,500.00
Payment to BKFRP		577,941.00	-
Advance to employee		-	158,340.00
<b>Total</b>	<b>-</b>	<b>579,072,950.00</b>	<b>376,090,592.00</b>





**Bihar Kosi Basin Development Project (Credit No. 5696)**  
**Reconciliation of audited expenditure with IUFRR expenditure for the year ended 31st March 2018**  
 (Amount in Rs.)

Particulars	Component A - Improving Flood Risk Management	Component B - Enhancing Agricultural Productivity & Competitiveness	Component C - Augmenting Connectivity- Reconstruction of Roads & Bridges	Component D - Contingent Emergency Response	Component E - Implementation Support-Project Management & Technical Assistance etc.	Total
Total Expenditure as per Audited Project Financial Statements	75,298,307.00	3,385,834.00	2,663,272,150.00	-	3,972,799.00	2,745,929,090.00
Revenue Expenditure (as per income and expenditure account)	75,298,307.00	3,385,834.00	2,663,272,150.00	-	3,972,799.00	2,745,929,090.00
Capital Expenditure (Schedule 2)	-	-	-	-	-	-
Add: Other eligible amounts (mobilization advance, secured advance etc)	-	-	-	-	-	-
Less: Ineligible Expenditure	-	-	-	-	-	-
1. Eligible Expenditure as per audited PFS	75,298,307.00	3,385,834.00	2,663,272,150.00	-	3,972,799.00	2,745,929,090.00
2. Eligible Expenditure as per IUFRR	75,298,307.00	3,385,834.00	2,663,272,150.00	-	3,972,799.00	2,745,929,090.00
3. (Excess)/Short Expenditure reported (1-2)	0.00	0.00	0.00	0.00	0.00	0.00
4. Reimbursable %age	67%	67%	67%	67%	67%	
5. World Bank share (1*4) (as per audited Expenditure)	50,449,865.69	2,268,508.78	1,784,392,340.50	-	2,661,775.33	1,839,772,490.30
6. Reimbursement claimed for the year (as per IUFRR submitted)	50,449,865.69	2,268,508.78	1,784,392,340.50	-	2,661,775.33	1,839,772,490.30
7. Adjustment of Short/ Excess Reimbursements as per filed claims to the World Bank	-	-	-	-	-	-
8. Actual claim reimbursed from WB after adjustment	50,449,865.69	2,268,508.78	1,784,392,340.50	-	2,661,775.33	1,839,772,490.30
9. Excess/Short Claim (5-6)	-	-	-	-	-	-

Note:- In March IUFRR 2018 amount of Rs. 73,58,633.00 incurred in execution of scheme by AFRD which is booked under "Implementation Support" has been transferred to "Enhancing Agriculture Productivity and competitiveness with retrospective effect."







# K R A & CO.

## (Chartered Accountants)

485/257, Goreknath Compound, Boring Canal Road, Patna, Bihar 800001  
krapatna@gmail.com

To,  
The Members,  
Bihar Aapda Punarwas Evam Punarnirman Society (BAPEPS)  
Indira Bhawan, First Floor,  
Patna -800015

### MANAGEMENT LETTER

We have conducted the Audit of Financial Statements of Bihar Kosi Basin Development Project (IDA Credit No 5696-IN) as on 31st March 2018. We have familiarised ourselves with the project documents, the internal guidelines and circulars applicable during the period under audit. We have also reviewed the business of the project and evaluated the accounting systems and related Internal controls of the project in order to plan and perform the audit.

We have conducted audit in accordance with Auditing and Assurance Standards issued by the Institute of Chartered Accountant of India.

We are communicating appropriately to those charged with governance and management deficiencies in internal control that we have identified in an audit of financial statements. We have obtained an understanding of internal control relevant to the audit when identifying and assessing the risks of material misstatements. We have identified deficiencies in internal control not only during this risk assessment process but also at any other stage of the audit.

In particular, we shall explain that:

- (i) The purpose of the audit was to express an opinion on the financial statements;
- (ii) The audit included consideration of internal control relevant to the preparation of the financial statements 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 internal control;
- (iii) The matters being reported are limited to those deficiencies that we have identified during the audit and we have concluded are of sufficient importance to merit being reported to those charged with governance.

We are communicating significant deficiencies in internal control identified during the audit to those charged with governance at an appropriate level of responsibility.

### Maintenance of accounting records, systems and controls

#### **1. BRPNL, Patna.**

**Observation:** Based on sample, Package no 3 was selected for the detailed checking.

**A.** With respect to agreement no WBP/PH 2/ Package no 3/SBD -12/2016-17, payments to M/s Lall Construction were made during financial year 2017-18. During checking of the trail of transactions, it was found that during evaluation for the respective package, Lall construction was the only technically





qualified firm whose financial bid was opened and finalised. Other participant in the technical evaluation was M/s Balram Singh, Saharsa who was rejected on the basis of not satisfying the criteria under clause 4.4A (a) of the ITB. Extract of this is attached as **Annexure A**.

The respective clause was relating to the financial turnover of the respective firm. On further analysis of the same, it was found that the firm had submitted in support to the turnover,

- a) Its financial statements,
- b) Certificate issued by the chartered accountant with extract of tax audit report
- c) Notarised affidavit by the participant.

In support to the turnover, documents b) and c) as listed above were fulfilling the Turnover criteria but a) financial statements was not supporting the same and hence the participant technical bid was rejected.

**Recommendation:**

It is strongly recommended that during procurement process, nature of documents as needed to support the eligibility criteria should be clearly mentioned and in case of conflict of facts, selection should be based on further verification only, especially in such cases where there had been only two firms participating in the technical bid.

**B.** Bid security in form of Bank Guarantee amounting Rs 33.46 lacs was given by the Lal Constructions. Performance security amounting to Rs 91.90 lacs was also provided at the time of agreement. As per TOR terms, the bid security was to be refunded after taking the performance security.

**Recommendation:** The same is to be refunded.

**C.** Performance Security provided in the form of Bank Guarantee (BG No. 08760009816) is expiring on 13.03.2019 but as per condition of the agreement Contractor shall provide performance security which shall be effective till Defect liability period.

**Recommendation:**

Though the performance security shall be subject to renewal at the time of expiry but it is recommended to have at the time of agreement only, the performance security effective for the entire defect liability period.

**D.** As per agreement terms, contractor shall take insurance cover for project for a period from agreement date till the end of defect liability period. In this case agreement defect liability period ends on 13.12.2019, but during audit, it was found that the insurance cover expired on 14.12.2018.

**Recommendation:**

The insurance cover to be renewed and it is recommended to have at the time of agreement only, the insurance cover should be taken for the entire defect liability period.

**E.** As per agreement details, mile stone 1 that is 75% foundation and 25% structure was due to be completed during financial year 2017-18, but delay for completion of the same was noticed. Vide letter no 46 dated 22/06/2018, the explanation over delay with the contractor was seek on records but applicable liquidated damages that are Rs 80,100 per day was not initiated against the vendor till the date of audit. Payment against the same project has been made without deductions and also no such approvals for the time extension against the deliverables were available prior to the payments being made for the project.





**Recommendation:**

Liquidity damages are to be charged for the delay in the project deliverables.

F. Equipment advance for Rs 77, 91,000 and mobilisation advance for Rs 91, 90,500 is disbursed against bank guarantee. The advances got adjusted in June 2018 RA Bill. The respective BG's got expired on 26/02/2018 and 09/01/2018, but no renewal for the same was initiated on the expiry.

**Recommendation:**

The advances should be adjusted prior to such expiry of bank guarantees.

**2. Tax Deduction at Source**

As per Income Tax Act 1961, Tax is to be deducted from payments and deposited in the Government Treasury. It is emphasized that delay in depositing of TDS deducted attracts interest @1.5% for every month or every part of the month during which the amount is not deposited with the GOVT.

Late deposit found in the below cases:

**RWD Triveniganj**

S.no	Date of deduction	Party Name	TDS Amount	TDS Payment Due date	TDS Payment Date	Delay ( In Days )
1	09th Oct 2017	M/S KD & Co	5,40,503.00	07th Nov 2017	29th Jan 2018	83 Days
2	12th Oct 2017	M/S KD & Co	8,75,685.00	07th Nov 2017	29th Jan 2018	83 Days

**RWD Supaul**

Sno	Date of deduction	Party Name	TDS Amount	TDS Payment Due date	TDS Payment Date	Delay ( In Days )
1	03rd Jan 2018	M/S Brijendra Kumar Singh	3,00,000.00	07th Feb 2018	08th Feb 2018	01 days
2	17th Jan 2018	M/S Om Sai Engicon	2,60,898.00	07th Feb 2018	08th Feb 2018	01 days
3	23rd Jan 2018	M/S Ratan Kumar Singh	1,36,948.00	07th Feb 2018	13th Feb 2018	06 Days
4	23rd Jan 2018	M/S Ratan Kumar Singh	1,86,250.00	07th Feb 2018	13th Feb 2018	06 Days
5	25th Jan 2018	M/S Brijendra Kumar Singh	1,32,376.00	07th Feb 2018	13th Feb 2018	06 Days
6	29th Jan 2018	M/S Om Sai Engicon	1,25,047.00	07th Feb 2018	13th Feb 2018	06 Days
7	28th March 2018	M/S Om Sai Engicon	2,13,637.00	30th April 2018	11th July 2018	72 days
8	28th March 2018	M/S Om Sai Engicon	1,43,391.00	30th April 2018	11th July 2018	72 days





## RWD Saharsa

Sno	Date of deduction	Party Name	TDS Amount	TDS Payment Due date	TDS Payment Date	Delay ( In Days )
1	06th Jan 2018	M/S Krishna Construction	2,35,593.00	07th Feb 2018	12th Feb 2018	05 Days
2	06th Jan 2018	M/S Jai Mata Di Construction	2,00,000.00	07th Feb 2018	12th Feb 2018	05 Days
3	06th Jan 2018	M/S Jai Mata Di Construction	1,95,857.00	07th Nov 2017	12th Feb 2018	05 Days

### 3. Bank Guarantees

**RWD Supual** - For package no: BKBDP/RD/SU-II, bank guarantees or fixed deposits as performance security as required from contractor as per terms of the agreement no 20 MBD-2016-17 dated 28/12/2016, for Rs 22,26,000.00 was found expired on 19th Jan 2017, 21st Jan 2017 & 16th March 2018 respectively.

#### **Recommendation:**

Renewal should be initiated on priority.

### 4. Goods and Service Tax

As from 01/07/2017, the new Goods and service tax replaced the VAT regime and the same was applicable on the contractors also. All the present contractors were to be registered with the GST and also to provide invoice for the deliverables completed as per new law. During audit, it was found that the payments were made against the invoices which were not mentioning the new GST no of the contractors.

#### **Recommendation:**

It is recommended to make payments against GST invoices only.

#### **Adherence to the Procurement Guidelines of the World Bank**

Procurement has been carried out by BAPEPS and sub implementing agencies in line with the agreed procedures documented in the procurement manual for the project agreed with the Bank. For this purpose, we had selected a sample of procurement cases under the project and checked procurement documents. Attached is the checklist for different procurements as **Annexure I (annex 2)**

**Recommendation:** Procurement has been made as per defined World Bank procedures.

#### **Compliance with the financial covenants in the Financial Arrangements**

A list of Individual withdrawals applications.

In terms to the Clause B (2) of section 2 to the financing agreement between government of India and International Development Association (IDA) dated 12/01/2011, the recipient shall prepare and furnish to the association not later than 45 days after the end of each calendar quarter, IUFR for the project...."

Below is the schedule for submission of the IUFR for the project





BKBDP IUFRR Dates (mm/dd/yyyy)				
Quarter	Period ended on	Due Date	Actual date of submission	Delay in submission ( in No of Days)
Q1	31/05/2017	14/08/2017	20/06/2017	-
Q1	30/6/2017	14/08/2017	20/10/2017	66 Days
Q2	30/09/2017	14/11/2017	27/11/2017	12 Days
Q3	31/12/2017	14/02/2018	8/02/2018	-
Q4	28/02/2018	15/05/2018	10/04/2018	-
Q4	31/03/2018	15/05/2018	11/06/2018	26 Days

Status of previous year observations:

Sl. No.	Observation	Status of Compliance
1	Short TDS deducted (BRPNL) for Rs 10000	Complied
2	Excess TDS deducted (BRPNL)	Complied
3	Less TDS deducted for BRRDA Birpur	Complied
4	Short VAT deduction for BRRDA	Complied
5	Short Retention Money deducted for BRRDA	Complied

**Conclusion:**

Based on the audit findings mentioned above, considering the physical environment, accessibility, communication facilities and others, the project management is keen to improve and strengthen its overall financial management in order to ensure effective and efficient utilisation of its resources. The project management has taken necessary steps to regularise all the above mentioned issues to ensure that all the internal controls and checks are in place.

We wish to take this opportunity to thank the project management and duly acknowledge for their cooperation extended to our team members in completion of this assignment.

Best Regards

**For KRA & Co**

F.R.N.: 020266N

(Chartered Accountants)

  
Partner

M.No: 503150

Date: 29/12/2018

Place: Patna



4.3 Joint Ventures:  Bids from Joint Ventures (JVs) are not acceptable.

4.4 A To qualify for award of the contract, each bidder in its name should have in the last five years 2010-11, 2011-12, 2012-13, 2013-14 & 2014-15

(a) Achieved, at least in one financial year, a minimum annual financial turnover (in all classes of civil engineering construction works only) of ₹16,72,92,000/- (Rupees Sixteen Crore Seventy-two Lacs Ninety-two Thousand) Only.

(b) Satisfactorily completed till date of Bid Submission (not less than 90% of contract value), as a prime contractor, (or as subcontractor duly certified by the employer/main contractor) at least one similar work of value not less than ₹9,55,34,900/- (Rupees Nine Crore Fifty five Lacs Thirty-four Thousand Nine Hundred) Only.

(c) Executed in any one year, till date of Bid Submission the following minimum quantities of work:

Cement Concrete (including RCC and PCC)	2,445 Cum
Earthwork	33,901 Cum
Well Sinking	98M

at 2015-16 price level Financial turn-over and cost of completed works of previous years shall be given weightage of 8% per year based on rupees value to bring them to 2015-16 price level.

4.4 B (a) Each bidder must produce:

- (i) A copy of PAN issued by Income Tax Authorities; and
- (ii) An affidavit that the information furnished with the bid document is correct in all respects; and
- (iii) Such other certificates as defined in the Bid Data Sheet. Failure to produce the certificates on demand shall make the bid non responsive.

(b) Each bidder must demonstrate:

- (i) availability for construction work, either owned, or on lease or on hire, of the key equipment stated in the Bid Data Sheet including equipments required for establishing field laboratory to perform mandatory tests, and those stated in the Bid Data Sheet following key and critical equipments for this work (minimum requirement for each Bridge):

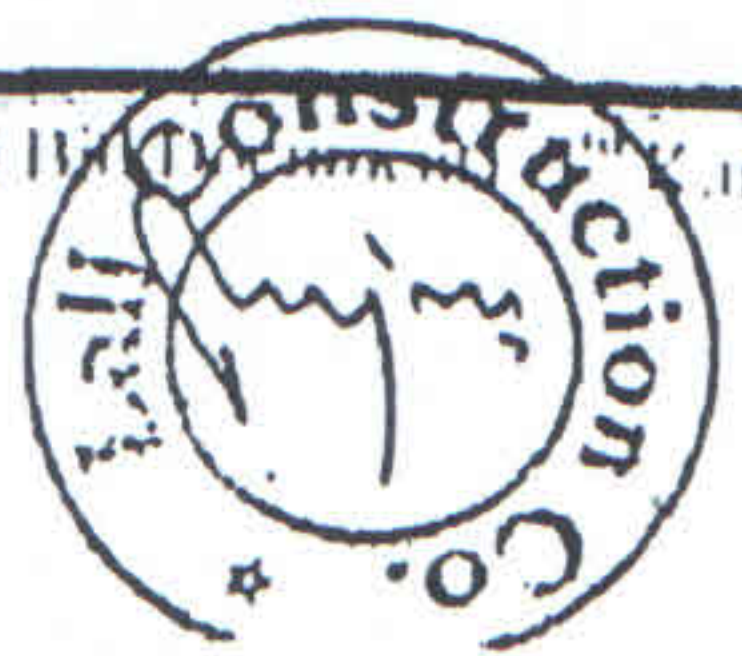

Well Sinking Equipment	1 Set
Concrete Mixture with weigh batcher	2 Nos. - 2 bag capacity
Generator Set	1 Set - 10 KVA capacity
Vibrators	4 Nos.
Pre-stressing Equipments	1 Set

\* Contractor shall provide all necessary tools and plants, machinery, Pre-stressing Equipments with launching facilities, Staging and Shuttering materials, Lab equipments for quality control, etc. as per site requirement.

NOTE: (i) Based on the studies, carried out by the Engineer the minimum suggested major equipment to attain the completion of works in accordance with the prescribed construction schedule are shown in the above list. The bidders should, however, undertake their own studies and furnish with their bid, a detailed construction planning and methodology supported with layout and necessary drawings and calculations above to allow the employer to review their proposals. The numbers, types and capacities of each plant/equipment shall be shown in the proposals along with the cycle time for each operation for the given production capacity to match the requirements.

(ii) Availability for construction work of technical personnel as stated in the Bid Data Sheet.

at bidding site, Construction Co. in & 7<sup>th</sup> Km of Panchgachhiya-Naulaha road in Saharsa (HUPNN) (I) World Bank

Senior Project Engineer  
External Project Division  
BRPNN Ltd., Patna  
14/11/16

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**ANNEXURE VI (annex 2)**

**Checklist for review of Procurement System adopted by BAPEPS/IA's**  
**Bihar Kosi Basin Development Project**  
**FY 2017-18**

Department : Water Resource Department (WRD)  
Name of Activity : Renovation of Existing Building for Mathematical Modeling Centre (MMC) at Jal Sansadhan Bhawan, WRD under BKBDP

<b>Aspects</b>	<b>Comments and Findings</b>
Procurement Documentation (Filing)	NCB (Single Stage – Two Envelop)
Advertising for prequalification (PQ)	NA
Price of PQ application	NA
Times allowed for submission PQ application	NA
Evaluation of PQ applications	NA
Level of participating in PQ	NA
Invitations for bids (for packages with PQ)	NA
Advertising for invitation of REoI (for packages without PQ)	Hindustan, All Bihar Dainik Jagran, Patna, Bhagalpur & Muzaffarpur Times of India : Patna Tassir , Patna Dated 10.04.2017
Price of bid document	Rs. 5000/-
Time allowed for submission of bids	18 days
Response to queries received before bid submission	Pre-bid conference held on 21.04.2017, there was no query from any of the bidder
Bid opening (Public) & minutes of bid opening	02.05.2017 at 1600 Hrs
Bid security records	In the form of Bank Guarantee, Bombay Mercantile Cooperative Bank Limited
Bid evaluation process and report, verify existence of bids	There were 2 Nos. of bidders and one was qualified in the Technical Evaluation.
Name of bidders	1. M/s USE Fabricators (P) Ltd, Patna 2. M/s Ajit Prasad, Patna
Level of participation in bidding (No of bid documents sold, number of bids received)	Nos. of Bids sold : 2 Nos. Nos. of Bids received : 2 Nos.
If lower bidder rejected, the reasons	NA
Name of Contractor	M/s USE Fabricators (P) Ltd, Patna
Contract document (quality, essential clause)	Yes
Financial Negotiations (if carried out)	Not Applicable
Disclosure of contract award information	17.07.2017
Time taken in bid evaluation	75 days
Advance payment guarantee details and records	Nil
Performance security details and records	Performance Security of Rs. 1 Lakh drawn on Bombay Mercantile Cooperative Bank Limited
Protests and other matters	NA





Contractual completion date	4 months from the date of agreement
Any indicator of splitting of purchase	NA
Actual completion date	Within 4 months
Liquidity damages details and enforcement for delays	NA
Timeliness of payments	Based on work executed. Full payment made.
Other matters	NA
Compliance with agreed provisions-Yes or No (Explain)	Yes
Specific observations on procedure, Technical specification, missing information, Pre-bid conference, Question/Complaints, Delays, Participation, Bid Evaluation, Asset Verification etc.	NA







Govt. of Bihar

## Bihar Aapda Punarwas Evam Punarnirman Society

1st Floor, Indira Bhawan, Ram Charitra Singh Path (West Boring Canal Road), Patna-800 001  
Ph. : 0612-2547263, 0612-2547021, Website: www.bapeps.in, email Id: bapeps.bkfrp1@gmail.com

### Annex- 3

Letter No.- 654/2018 Management Representation Letter

Date : 29.12.2018

To,

**KRA & Co.**  
(Chartered Accountants)  
485/257, Gorakhnath Compound,  
Boring Canal Road, Patna, Bihar 800001

This representation letter is provided in connection with your audit of the project financial statements of the **Bihar Kosi Basin Development Project** under Credit No. **5696-IN** (the Project) for the year ended on 31<sup>st</sup> March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the project as of 31<sup>st</sup> March 2018 and of the expenditure and sources and uses of the funds for the year then ended. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the basis of the accounting followed by the BAPEPS, we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

- The project financial statements are free of material misstatements, including omissions.
- Assets shown on the project balance sheet exist, are owned by the project, and are used solely for project purposes.
- The proceeds of the loan provided by the World Bank have been used only for the purposes for which they are granted, with due attention to consideration of economy and efficiency and without regard to political or other non economic influence or consideration.
- Project expenditures are eligible for financing under the Loan Agreement.
- There have been no irregularities involving management or employees who have significant role in internal control or that could have material effect on the project financial statements.
- Procurement has been done as per the agreed procedures.
- We have made available to you all books of account and supporting documentation relating to the project.
- We have made available to you all procurement documents relating to the project.
- All complaints received and subsequent correspondences thereof has been made available.
- The project has complied with the conditions of all relevant legal documents, including the Concession agreement, subsidiary loan agreement, loan agreement, project agreement, the Minutes of Negotiations, and the Project Implementation Manual and also the Project Appraisal Document.

*[Signature]*  
29.12.18

Deputy Director (Finance)  
उप निदेशक (वित्त)  
क्रि. आ. पु. पु. सो., बिहार, पटना