

Audited Project Financial Statements

Project Number: 44482-025

Grant Number: 0422

Period Covered: 21 December 2018 to 20 December 2019

AFG: Transport Network Development Investment Program - Tranche 4

Prepared by the Ministry of Transport

For the Asian Development Bank

Date received by ADB: 29 July 2020

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**MINISTRY OF TRANSPORT (MOT)
ISLAMIC REPUBLIC OF AFGHANISTAN**

AUDITED FINANCIAL STATEMENTS

**PROJECT NAME: TRANSPORT NETWORK DEVELOPMENT INVESTMENT
PROGRAM-TRANCHE 4**

GRANT NUMBER: 0422-AFG (SF)

PERIOD: DECEMBER 21, 2018 TO DECEMBER 20, 2019

**FUNDED BY
ASIAN DEVELOPMENT BANK (ADB)**

**RAFAQAT BABAR & CO,
Chartered accountants**



Member firm of
The Leading Edge Alliance

MINISTRY OF TRANSPORT (MOT)

**ASIAN DEVELOPMENT BANK (ADB)
FUNDED PROJECT**

**GRANT NUMBER: 0422-AFG (SF)
PROJECT NAME: TRANSPORT NETWORK DEVELOPMENT INVESTMENT PROGRAM-
TRANCHE 4**

PERIOD: DECEMBER 21, 2018 TO DECEMBER 20, 2019

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ABBREVIATIONS AND ACRONYMS

1	AFG	Afghanistan
2	AIDS	Acquired Immune Deficiency Syndrome
3	ADB	Asian Development Bank
4	DAB	Da Afghanistan Bank
5	EA	Executing Agency
6	HIV	Human Immunodeficiency Virus
7	IPSAS	International Public Sector Accounting Standards
8	ISA	International Standards on Auditing
9	MOT	Ministry of Transport
10	PMO	Project Management Office
11	SRP	Statement of Receipts and Payments
12	SF	Special Fund
13	UNOPS	United Nations Office for Project Services

TRANSMITTAL LETTER

Date: April 29, 2020

H.E. Mohammad Yamma "Shams"
Acting Minister
Ministry of Transport (MoT)
Kabul, Afghanistan

Subject: External Audit of Transport Network Development Investment Program-Tranche 4 financed under the Asian Development Bank Grant No: 0422 -AFG (SF), for the year ended December 20, 2019.

His Excellency,

Please find enclosed our final audit report on the above mentioned assignment containing the following:

- 1 Independent Auditors' Report;
- 2 Statement of Receipts and Payments;
- 3 Notes to the Account;
- 4 Reconciliation between Statement of Receipts and Payments and ADB record;
- 5 Management Letter- Annexure 1

We wish to place on record our appreciation for the courtesy and cooperation extended to us by project Management Office (PMO) of Ministry of Transport (MoT) at all levels during the course of our audit.



Thanks

Sincerely Yours'

Mr. Muhammad Taimur (Manager Audit & Assurance)

INDEPENDENT AUDITORS' REPORT

The Honorable Minister,
Ministry of Transport (MoT)
Islamic Republic of Afghanistan
Kabul, Afghanistan

Opinion

We have audited the financial statements (Pages 9 to 12) of the project titled "Transport Network Development Investment Program-Tranche 4" implemented by Ministry of Transport and funded by the Asian Development Bank under Grant No. 0422 -AFG(SF), which comprise the statement of receipts & payments for the year ended 20 December 2019 and a summary of significant accounting policies.

In Our opinion:

A. The aforementioned financial statements and appended notes that were also subject of the audit, present fairly in all material respects, the receipts and payments of the Transport Network Development Investment Program-Tranche 4 having Grant No. 0422 -AFG (SF) as at December 20, 2019 and the results of its operations for the year then ended December 20, 2019 in accordance with International Public Sector Accounting Standards, applied on a basis consistent in all material respects with that of the previous year.

B. The Ministry of Transport (MoT) has utilized all proceeds of the Grant withdraw from the Asian Development Bank only for the purpose of the project as agreed between the Asian Development Bank and the MoT in accordance with the Grant Agreement; and no proceeds of the Grants have been utilized for other purpose, and

C. The Ministry of Transport (MoT) was in compliance as at the date of statement of receipts and payment of the year audit with all financial covenants of the Grant Agreement.

In addition:

I. (a) With respect of Statement of Payments adequate supporting documentation has been maintained to support claims to the Asian Development Bank for reimbursements of expenditures incurred: and

(b) Which expenditures are eligible for financing under Grant No. 0422 -AFG (SF).

(c) These receipts and payments support Imprest Account Liquidations/replenishments for the ended December 20, 2019.

III. There was no monetary contribution from the Government for the project during the period ended December 20, 2019.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are independent of MoT in accordance with the ethical requirements that are relevant to our audit of the financial statements in Afghanistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting requirements of the Asian Development Bank (ADB) as described in note 2.1 and for such internal control as management determines is necessary to enable the preparation of financial statements that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the MoT ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the MoT financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

RAFAQAT BABAR & CO.

Chartered Accountants

Peshawar Islamabad Karachi Kabul



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- Conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kabul
April 29, 2020



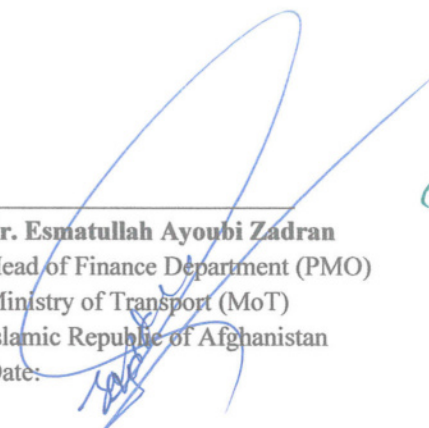
Razaqat Babar & Co.
RAFAQAT BABAR & COMPANY
CHARTERED ACCOUNTANTS


Project Management Office (PMO)
Ministry of Transport (MoT)
Project Name: Transport Network Development Investment Program-Tranche 4
Funded by: Asian Development Bank
Grant Number: 0422-AFG (SF)
Statement of Receipts and Payments
For the Year Ended 20 December 2019


Particulars	Notes	Cumulative at 20 December 2017 USD	For the Year ended 20 December 2018 USD	For the year ended 20 December 2019 USD	Cumulative at 20 December 2019 USD
Receipts					
Direct Payments	4	21,051,780	19,956,640	26,577,251	67,585,671
		21,051,780	19,956,640	26,577,251	67,585,671
Payments					
Civil Works	5	20,052,446	18,142,279	25,077,260	63,271,985
Consulting Services	6	999,334	1,814,361	1,499,991	4,313,686
		21,051,780	19,956,640	26,577,251	67,585,671
Excess of Receipts over Payments		-	-	-	-

The annexed notes 1 to 7 form an integral part of these financial statements.

RECO


Mr. Esmatullah Ayoubi Zadran
 Head of Finance Department (PMO)
 Ministry of Transport (MoT)
 Islamic Republic of Afghanistan
 Date:


Mr. Ahmad Basit Payab
 PMO Acting Director
 Ministry of Transport (MoT)
 Islamic Republic of Afghanistan
 Date:


H.E. Mohammad Yamma "Shams"
 Acting Minister
 Ministry of Transport (MoT)
 Islamic Republic of Afghanistan
 Date:

1 Background

The Asian Development Bank (ADB) has provided Grant No: 0422-AFG (SF) dated on 28 January 2015 to the Islamic Republic of Afghanistan ("Recipient") from the ADB's Special Funds resources and European Union (EU) for the Transport Network Development Investment - Tranche 4 in an amount of US Dollar 109,000,000.

As per Grant agreement, Grant No: 0422-AFG (SF) is to be utilized for: (1) To increase the effectiveness and efficiency of land transport and expand connectivity within the broader transport sector of the Recipient. (2) To increase the movement of goods and services, and improve connectivity for people and businesses, in the project areas. (3) The project shall consist of: (a) the reconstruction of the (approximately) 108 kilometer Baharak to Eshkashim section of Faizabad to Eshkashim road, including the construction of related community development infrastructure; (b) the provision of construction supervision services for the activities in Subparagraph 3(a); (c) the provision of support for the implementation of the project and the investment program, including procurement, construction and contract supervision and safeguards implementation; (d) capacity development of AfRA; and (e) improvement of the efficiency of the traffic traversing the territory of the Recipient along CAREC Corridors 5 and 6.

"CAREC Corridors 5 and 6" means, collectively, (i) that section of CAREC Corridor 5 which starts at the Afghanistan - Tajikistan border crossing point of Shirkan Bandar on an alignment passing through Kunduz, Pul-eKhumri, Dosh, Salang, Kabul and either onward through Jalalabad to the Afghanistan - Pakistan border crossing point of Torkham or onward to Ghazni, Qala and Kandahar to the Afghanistan - Pakistan border crossing point Chaman; and (ii) that section of CAREC Corridor 6 which starts at the Afghanistan - Uzbekistan border crossing point of Hairatan on an alignment passing through Mazar-e-Sharif, Andhkoy, Herat and either onward to the Afghanistan - Iran border crossing point of Islam Qala Islam or onward to Kandahar to the Afghanistan border crossing point of Chaman.

Under the following categories, subject to such modifications thereof as the Recipient and ADB may agree upon from time to time to achieve such objectives:

1. Civil Works
2. Consulting Services
 - (a) AfRA Capacity Development
 - (b) Pilot Operation and Maintenance Study for CAREC Corridors 5 and 6
 - (c) Support to CAREC Corridors 5 and 6
 - (d) Construction Supervision (Baharak to Eshkashim Road)
 - (e) PMO Support
3. Resettlement Costs
4. Goods - (Border Crossing point Equipment for CAREC Corridors 5 and 6)
5. Unallocated

The Ministry of Transport (MoT), Islamic Republic of Afghanistan is the Executing Agency (EA) under the Grant No: 0422-AFG (SF) for the implementation of the transport network development investment program - tranche 4. For the day to day management, monitoring and implementation of the project, a Program Management Office (PMO) has been established.

A Contract No. (NPA/MPW/94/1CB/W-006) has been signed between MPW now as MoT and M/S Rauf Aziz Construction Company & Ozdemir Construction Tourism Energy Industry & Trade INC. (JV) (hereinafter referred to as 'Contractor') on 15 November 2016 for a contract value of US Dollar 98,813,276.70 for Reconstruction and Rehabilitation of the Faizabad Eshkashim road project (108 km Baharak - Eshkashim). The payments against the claims raised by the contractor are made through direct payment by ADB.

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Project Management Office (PMO)

Ministry of Transport (MoT)

Project Name: Transport Network Development Investment Program-Tranche 4

Grant Number: 0422-AFG (SF)

Funded by: Asian Development Bank

Notes to the Financial Statements

For the Year Ended 20 December 2019

A Contract No. (MPW/Pilot O&M/201 6/31010) has been signed between MPW now as MoT and Mahriq Engineering Construction Company (MECC) (hereinafter referred to as 'Contractor') on 06 December 2016 for a contract value of US Dollar 3,361,725.77 for Procurement of periodic maintenance of the 50 km Kabul - Jalalabad Highway. The payments against the claims raised by the contractor are made through direct payment by ADB.

2 Basis of Preparation

These financial Statements have been prepared on a cash receipts and disbursements basis using the cash based International Public Sector Accounting Standards (IPSAS) promulgated by the International Federation of Accountants.

3 Significant Accounting Policies:

3.1 Receipts and Payments

These financial Statements are based on the transactions pertaining to the year ended 20 December 2019. The payments recognized in the financial Statements are based on the following;

- (a) Value dates of the releases made by ADB in respect of the payments under the direct procedure of ADB;
- (b) Releases made out of the Imprest Account maintained with Da Afghanistan Bank

3.2 Reporting Currency

The currency used for reporting is US Dollar. All the disbursements have been made or converted in US Dollar at the exchange rates prevailing on the date of the transaction.

3.3 Bank Charges

Bank charges, if any, levied by DAB have been reflected as part of the respective category of project expense:

3.4 General

The figures have been rounded off to the nearest Dollar

RBCO

4 DIRECT PAYMENTS

Direct Payments were made for civil work amounting US \$ 25,077,260 and project consulting services US \$ 1,499,991 for the year ended 20 December 2019.

5 CIVIL WORKS

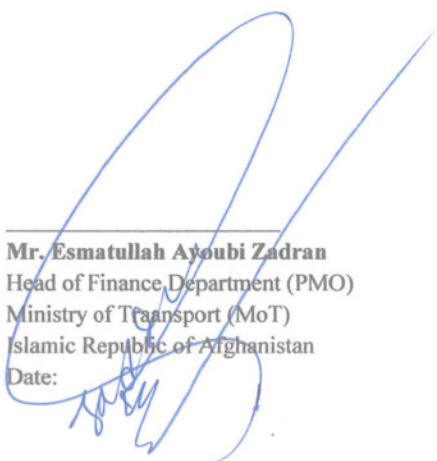
Particulars	W/A No.	Amount Released USD	Value Date
Progress payment	A0027	1,759,000	14-May-19
Progress payment	A0028	2,000,000	16-Sep-19
Progress payment	A0029	8,800,000	26-Sep-19
Progress payment	A0031	6,647,404	29-Nov-19
Progress payment	A0032	2,282,592	12-Dec-19
Progress payment	A0033	3,588,264	12-Dec-19
		25,077,260	

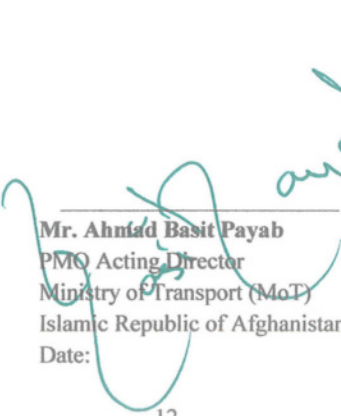
6 CONSULTING SERVICES


Particulars	W/A No.	Amount Released USD	Value Date
Under Grant 422			
Service payment	A0026	350,925	02-May-19
Service payment	A0030	751,416	24-Oct-19
Service payment	A0034	397,650	23-Dec-19
		1,499,991	

7 DATE OF AUTHORIZATION

These financial Statements have been authorized for issuance by Minister of Transport on April 29, 2020.


Mr. Esmatullah Ayoubi Zadran
 Head of Finance Department (PMO)
 Ministry of Transport (MoT)
 Islamic Republic of Afghanistan
 Date:


Mr. Ahmad Basit Payab
 PMO Acting Director
 Ministry of Transport (MoT)
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H.E. Mohammad Yamma "Shams"
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 Ministry of Transport (MoT)
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 Date:

Project Management Office (PMO)
Ministry of Transport (MoT)
Project Name: Transport Network Development Investment Program-Tranche 4
Funded by: Asian Development Bank
Grant Number: 0422-AFG (SF)
Reconciliation between Statement of Receipts and Payments and ADB Records
For the Period from 21 December 2018 to 20 December 2019

Current Period Reconciliation

		Amount USD
Civil Works Reconciliation (21 December 2018 to 20 December 2019)		
Under Grant 422		
Balance as per SRP		25,077,260
Balance as per ADB record	25,077,300	
Less: Bank Charges	40	
		(25,077,260)
		-
Consulting Services Reconciliation (21 December 2018 to 20 December 2019)		
Under Grant 422		
Balance as per SRP		1,499,991
Balance as per ADB record		1,102,341
Add: Expenses incurred but not yet recorded by ADB	W/A A0034	397,650
		1,499,991
		-

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Project Management Office (PMO)
Ministry of Transport (MoT)
Project Name: Transport Network Development Investment Program-Tranche 4
Funded by: Asian Development Bank
Grant Number: 0422-AFG (SF)
Reconciliation between Statement of Receipts and Payments and ADB Records
For the Period from 28 January 2015 to 20 December 2019

Accumulated Reconciliation

	Amount USD
Civil Works Reconciliation 28 January to 20 December 2019)	
Under Grant 422	
Balance as per SRP	63,271,985
Balance as per ADB record	63,272,025
Less: Bank Charges	40
	63,271,985
	-

Consulting Services Reconciliation 28 January 2015 to 20 December 2019)

Under Grant 422	
Balance as per SRP	4,313,686
Balance as per ADB record	3,916,036
Add: Expenses incurred but not yet recorded by ADB	397,650
W/A A0034	3,916,036 397,650
	4,313,686
	-

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