

# Audited Project Financial Statements

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Project Number: 43253-025

Loan/Grant Number: Grant 0399-IND

Period covered: 1 April 2017 to 31 March 2018

## IND: Karnataka Integrated Urban Water Management Investment Program – Tranche 1

Prepared by Karnataka Urban Infrastructure Development and Finance Corporation,  
Bangaluru, Karnataka

For the Asian Development Bank

Date received by ADB: 28 September 2018

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the Karnataka Urban Infrastructure Development and Finance Corporation, Bengaluru.



No. KUIDFC/FIN/ADB/AUD-APA/2018-19/2648

September 25, 2018

**Mr. Kenichi Yokoyama,**  
Country Director,  
Asian Development Bank,  
India Resident Mission,  
P.O.Box-5331.4, San Martin Marg,  
Chanakyapuri,  
New Delhi – 110 021

Sir,

**Sub : ADB assisted KIUWMIP Project – Grant No-0399 IND – Project 1 -  
Submission of audited Annual Financial Statement (AFA) and Audited  
Project Accounts (APA) - FY 2017-18 – Reg.**

\* \* \*

With reference to the subject cited above, as per the project agreement requirement, we are forwarding herewith audited Annual Financial Statement (AFS) for FY 2017-18 and Audited Project Accounts (APA), Certificate of verification audit dated 22.09.2018 under KIUWMIP Grant No.0399-IND, Project-1, for the FY 2017-18, issued by M/s. G.V.Acharya & Co., Chartered Accountants, Bangalore for your information and records.

Thanking you,

Yours faithfully,

**General Manager - Project Finance**

**Encl : As above**

**Copy to :**

1. Joint Secretary (MI), DEA, Ministry of Finance, North Block, New Delhi.
2. Controller of Aid Accounts & Audit, Ministry of Finance (DEA), 5<sup>th</sup> Floor, 'B' Wing, Janpath Bhavan, Janpath, New Delhi – 110 001.
3. Additional Secretary to Govt. (FR), Finance Dept, 1<sup>st</sup> Floor, 3<sup>rd</sup> Stage, M.S Building, Bangalore



# G.V. ACHARYA & Co.

## CHARTERED ACCOUNTANTS

Partners : G. Vamanacharya, B.Com., F.C.A., G.V. Shreesh Acharya, B.Com., F.C.A., DISA

310, 3rd Floor, 9/1, Commerce House, Cunningham Road, Bangalore - 560 052  
☎ : 22202065 / 22285903 e-mail : gvacharyaco@gmail.com web : www.cagvacharya.com

Ref. :

Date :

22.09.2018

### INDEPENDENT AUDITOR'S REPORT

To  
Managing Director,  
Karnataka Urban Infrastructure Development and Finance Corporation Limited,  
Bangalore.

We have audited the accompanying Project Financial Statements of KARNATAKA INTEGRATED URBAN WATER MANAGEMENT INVESTMENT PROGRAM (KUIWMIP) ("Project") assisted by Asian Development Bank ("ADB") under Multi tranche Financing Facility and Grant No.0399-IND("Grant") implemented by KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED("the company") which comprise of Project Balance Sheet as of March 31,2018, Statement of Receipt and Payments, and Statement of Expenditure for the year ended and other explanatory information.

#### Project Management's Responsibility for the Project Financial Statements

Project Management is responsible for the preparation and fair presentation of the accompanying statements in format agreed between ADB and GOI/GOK as noted in the minutes of negotiations for the Grant, in accordance with the accounting principles generally accepted in India including Accounting Standards specified under Section 133 of the Companies Act 2013 ("the Act"), read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the act safeguarding the assets of the company and for preventing and detecting frauds and irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of accounting record, relevant to the preparation and presentation of these Project financial statements that give true and fair view and are free from material misstatement, whether due to fraud or error.



### **Auditor's Responsibility**

Our responsibility is to express an opinion on these Project financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Project financial statements are free from material misstatement.

An audit involves examining, on a test basis, performing procedures to obtain audit evidence supporting the amounts, internal checks and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the entity's preparation of the Project financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the company has in place and adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. There are inherent limitations of audit whereby material misstatement arising due to fraud and error may not be detected.

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

### **Opinion**

In our opinion, and to the best of our information and according to the explanations given to us, the aforementioned project financial statements and appended notes that are subject of audit give a true and fair view, in all material aspects to the financial position of the Project as at 31<sup>st</sup> March 2018, and are in accordance with Accounting Standards prescribed in India.

The proceeds of funds under the project Grant have been utilized for the purposes for which they have been provided as agreed in Grant agreement between the ADB and GoI, and that no proceeds of the Grant have been utilized for other purposes.

The Company has generally complied with covenants of the Grant agreement as at the date of balance sheet and major deviations having significant impact on the project are not observed.



With respect to statement of Expenditure, adequate supporting documentation has been maintained to support claims to the ADB for reimbursements of expenditure eligible and incurred for financing under Grant agreement.

The Company has not availed any Imprest Account under this Grant and as a result the use and procedure of Imprest Account are not applicable.

The Project financial statements of the KIUWMIP for the Grant for the year ended March 31, 2018 are prepared, in all material respects, in accordance with the financial reporting provisions of Multi-tranche Financing Facility implemented by the company under ADB Grant.

**Basis of Accounting**

Without modifying our opinion, the Project financial statements are prepared to provide information to ADB under Multi-tranche Financing Facility under ADB Grant. As a result, the statement may not be suitable for other purpose.

For G.V Acharya & Co.,  
Chartered Accountants

ICAI Firm's Registration No. 0009850

*G. Vamanacharya*  
G.Vamanacharya

Partner

ICAI Membership No.009850

Bangalore: 22<sup>nd</sup> September, 2018



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED

Name of IA : Respective ULBs / KUIDFC

Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1

Loan / Grant No : 0399 IND

**STATEMENT OF RECEIPTS AND PAYMENTS**  
**REPORT FOR THE YEAR / PERIOD ENDED 31st March 2018**

In (INR) '000

Particulars	Note reference	During the Current Year for 12 month period	During the Previous Year for 12 month period	Cumulative project to Date As at [end of Current Year]
Opening Balance 1(A)		-	-	-
Receipts				
Funds received from Government <sup>2</sup>		1,000	-	1,000
ADB Loan <sup>3</sup>				-
ADB Grant <sup>3</sup>				-
Co - financier 1				-
Co - financier 2				-
Beneficiary Contribution (if any)		-	-	-
Other receipts such as interest income, sale from disposals of fixed assets etc.		-	-	-
<b>Total Receipts (B)</b>		<b>1,000</b>	<b>-</b>	<b>1,000</b>
<b>Total (C = A + B )</b>		<b>1,000</b>	<b>-</b>	<b>1,000</b>
Payments				
Investment costs <sup>4</sup>				
Toilet Construction Through Output Based Assistance Programme (OBA)		646	-	646
<b>Total Investments ( D )</b>		<b>646</b>	<b>-</b>	<b>646</b>
Recurrent Costs				
Consultancy and Administration		-	-	-
<b>Total Payments (E)</b>		<b>646</b>	<b>-</b>	<b>646</b>
Financing Charges During Implementation ( F )		-	-	-
<b>Total Project Cost (F= E + F)</b>		<b>646</b>	<b>-</b>	<b>646</b>
<b>Closing Balance (C- E)</b>		<b>354</b>	<b>-</b>	<b>354</b>

1. If cash balance are controlled by the entity, indicating cash balance, imprest account and SGIA balance separately

2. These will include external assistance received by Government for the project

3. This shall include amounts received in the Bank Account as well as amounts deemed to be received against direct payments made by ADB to the suppliers of goods and services under Direct payment procedure and Commitment Letter Procedure

4. Expenditure categories are based on the cost allocation table as per Loan / Grant Agreement

5. Since Financing charges met by GOI, the closing balance is C - E

Notes 1 to 4 of the financial statements form an integral part of these financial statements

(K.M.Ramesh)

General Manager - Project Finance  
KUIDFC

(G.Vamanacharya)

Partner M.No: 009850

G.V.Acharya & Co, FRN: 0000295



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED  
Name of IA : Respective ULBs / KUIDFC  
Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1  
Loan / Grant No : 0399 IND

**STATEMENT OF EXPENDITURE BY CATEGORY AND FINANCIER  
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2018**

In (INR) '000

Particulars	ADB			Co-Financier		Government		Total Expenditure
	Percentage of Financing	Actual Expenditure		Actual Expenditure		Actual Expenditure		
		Amount	%	Amount	%	Amount	%	
Investment costs 2								
Toilet Construction Through Output Based Assistance Programme (OBA)	100%	646	100%			-	0%	646
Total Cost		646	100%			-	0%	646
% OF Total project Cost		1%				0%		1%
Total Project Cost for indicative as at 31.3.2018		1,17,997				-		1,17,997

Note : 1. Grant Agreement signed 30th December 2014 and project was effective from 07 May 2015

Note : INDICATIVE PROJECT COST AS AT 31.3.2018

Tranches	ADB	UFPF	GoK	Total
Tranche 1 - 0399 IND IN USD	-	1.80	-	1.80
Project cost in INR approximate @ 65.554 / USD in INR '000	-	1,17,997	-	1,17,997

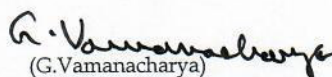
Note : ADB letters for exchange rate indicate RBI indicative rate @ 65.554 / USD, the same is used for calculation indicative project cost



(K.M.Ramesh)

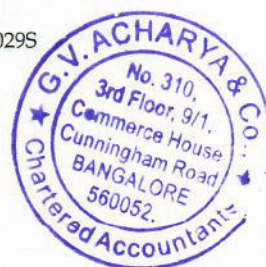
General Manager - Project Finance  
KUIDFC





(G.Vamanacharya)

Partner M.No: 009850  
G.V.Acharya & Co, FRN: 000029S



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED

Name of IA : Respective ULBs / KUIDFC

Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1

Loan / Grant No : 0399 IND

#### 4. Funds Received from the Government

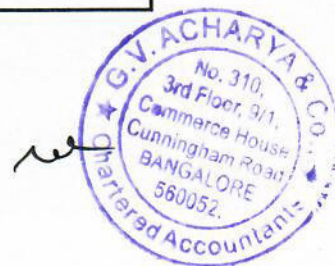
Give details of the government budgeting and funding mechanism

In (INR) '000			
Particulars	Current Year	Prior year	Cumulative Year to date
Government counterpart funding Amount Reimbursable to Government	1,000	-	1,000
Government of Karnataka has provided budgetary allocation and released the project funds to KUIDFC			
<b>Total</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>

#### 5. DATE OF AUTHORIZATION

Government of Karnataka has authorised the Budget releases through Government Orders on the dates indicated

Particulars	Current Year	Prior year
Government approved above funds through Government order dates as detailed in the respective years	7-Feb-18	



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED

Name of IA : Respective ULBs / KUIDFC

Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1

Loan / Grant No : 0399 IND

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2018

Statement of Disbursement (Expenditure Incurred)

6 A. Details of the disbursement by method are given below

				In (INR) '000
Statement of Disbursement	Note	Current Year	Prior Year	Cumulative Project to Date
ADB Fund Claimed during the year				
Reimbursement (Expenditure)	6.1	646	-	646
submitted during the year		646	-	646
Claims in the subsequent period		-	-	-
Imprest Fund	6.2	-	-	-
Direct payment	6.3	-	-	-
Commitment Letter	6.4	-	-	-
<b>Sub Total</b>	(A)	<b>646</b>	<b>-</b>	<b>646</b>
Total Expenditure made during the year	(B)	646	-	646
Add : Prior year eligible	(C)	-	-	
Add : Statutory remittances/deductions	(D)	-	-	-
Less : Borrower's share & Ineligible	(E)	-	-	-
<b>Total Eligible Expenditure claimed ( B + C + D - E = A )</b>	(E)	<b>646</b>	<b>-</b>	<b>646</b>

6. B - RECONCILIATION OF ADB REIMBURSEMENT CUMULATIVE RECEIVED in (INR) '000

AS per ADB LFIS		646		
AS per KUIDFC claims			cumulative	REMARKS
Current Year (2017-2018)		646	646	ADB reimbursement includes up to April'2018
<b>TOTAL KUIDFC CLAIMS REIMBURSED</b>		<b>646</b>		
<b>ANY DIFFERENCE</b>		<b>-0</b>		



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED  
Name of IA : Respective ULBs / KUIDFC  
Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1  
Loan / Grant No : 0399 IND

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2018

## 6. Funds Received from ADB

Give key terms and conditions of the loan, including date of loan agreement, loan effectiveness date, key terms and conditions, disbursement schedule, commitment fee and interest rates etc.

In (INR) '000

ADB source of Funds - Method of Withdrawal	Note Reference	During the Current Year	During the Previous Year	Cumulative project to Date
ADB Loan				
- By Reimbursement Method	6.1	646	-	646
Reimbursement during the year		646	-	646
Reimbursement in the subsequent period		-	-	-
- By Imprest Account	6.2			
-By Direct Payment	6.3			
- By Commitment Procedure	6.4			
ADB Loan Total		646	-	1,80,048
ADB Grant		-	-	-
ADB loan and Grant Total		646	-	1,80,048

### 6.1 Funds Received from ADB through Reimbursement Method

#### DISBURSEMENT CLAIMS (REIMB & SOE) PROCEDURE SUBMITTED TO ADB DURING 2017-2018

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2018 - 2017 - 2018

Application No.	W/Appl. No.	SOE sheet No	Category Code	Total amount paid Eligible Amount	ADB Financing %	Net Eligible Expenses	Amount Reimbursed	Imprest Fund Replenished / Liquidated	Total Disbursement Using SOE Procedure	Disbursement Procedure
1	2	3	4	5	6=4x5	7	8	9= 7+8		
<b>DISBURSEMENT CLAIMS of FY 2016-2017 SUBMITTED BEFORE 31ST MARCH 2018</b>										
GR-0001	WA 001		3201	255	100%	255	255		255	Documented
GR-0001	WA 002		3201	391	100%	391	391		391	Documented
<b>GRAND TOTAL CLAIM FOR 2017-2018</b>				<b>646</b>		<b>646</b>	<b>646</b>		<b>646</b>	

#### DISBURSEMENT CLAIMS (REIMB & SOE) PROCEDURE SUBMITTED TO ADB DURING 2016-2017

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2017 - 2016 - 2017

Application No.	W/Appl. No.	SOE sheet No	Category	Total amount paid Eligible Amount	ADB Financing %	Net Eligible Expenses	Amount Reimbursed	Imprest Fund Replenished / Liquidated	Total Disbursement Using SOE Procedure	Disbursement Procedure
1	2	3	4	5	6=4x5	7	8	9= 7+8		
<b>DISBURSEMENT CLAIMS of FY 2016-2017 SUBMITTED BEFORE 31ST MARCH 2017</b>										
<b>GRAND TOTAL CLAIM FOR 2016-2017</b>				<b>-</b>		<b>-</b>	<b>-</b>		<b>-</b>	



**Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - Project 1**  
**Grant No– 0399 IND**

Date of Grant Agreement : 30 December 2014  
Date of Grant Effectiveness : 07 May 2015  
Date of Physical Closure : 31 March 2019  
Date of Financial Closure : 30 September 2019

**KEY TERMS & CONDITIONS FOR DISBURSEMENT**

**Section 2.01.**

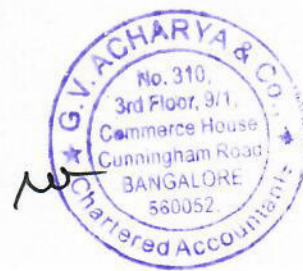
ADB agrees to lend to the Borrower the terms and conditions set forth in this grant agreement, ADB agrees to make available to the recipient on a grant basis and administer, the grant provided by UFPF in the amount equivalent to One million eight hundred thousand Dollars (\$1,800,000),

**Section 2.02.**

Not with standing any other provision of this grant agreement, ADB is not obliged to make any disbursement from the Grant account, except to the extent that ADB has received the Grant from UFPF.

**Disbursement Procedures**

Except as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED

Name of IA : Respective ULBs / KUIDFC

Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1

Loan / Grant No : 0399 IND

6.2 Reconciliation of the Imprest Account and the Bank Statement is given below

STATEMENT OF IMPREST ACCOUNT  
REPORT FOR THE YEAR / PERIOD ENDED 31st March 2018

		In (INR) '000
Balance brought forward from previous period	Prior Year	Current Year
Add: Advance Replenishment received during the year/period Interest Earned Subtotal (A)  Deduct : Repayments made during the year / period Replenishment/Liquidation Expenditure yet to be claimed  Amount refunded during the year/period  Closing Balance (B)	Imprest Account Not Availed	
As per Bank Statement (Copy attached)		

- 6.2.1 The US \$ equivalent notational amount held at the RBI in respect of the above imprest Account balance is -  
- US & (bank statement attached)

Not Applicable since Imprest Account Not Availed

6.3 Details of Payments made directly by ADB are given below

Not Applicable since no direct payments by ADB under the project

6.4 Details of payments made through commitment procedure

Not Applicable since no commitment procedure used

6.5 Details of Grants

Grants is given by ADB under Urban Financing Partnership Facility (UFPF) for \$1,800,000 & the Grant No. 0399-IND.





Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED

Name of IA : Respective ULBs / KUIDFC

Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1

Loan / Grant No : 0399 IND

NOTES TO THE FINANCIAL STATEMENTS

REPORT FOR THE YEAR / PERIOD ENDED 31st March 2018

If any of the amounts given on the Statemets of Receipts and Payments require further detail or Break-down, provide this here against relevant Note

In (INR) '000

Particulars	Current Year	Prior year	Cumulative Year to date
<b>A. Toilet Construction Throgh Output Based Assistance Programme (OBA)</b>			
Byadagi	87	-	87
Ranebennur	560	-	560
<b>Total Expenditure</b>	<b>646</b>	<b>-</b>	<b>646</b>

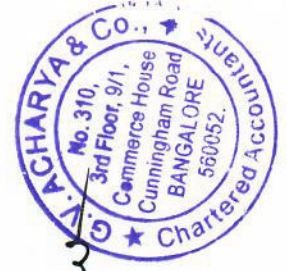


Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED  
Name of IA : Respective ULBs / KUIDFC  
Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1  
Loan / Grant No : 0399 IND

STATEMENT OF APPROPRIATION VS ACTUAL

In (INR) '000

Cost Categories	For the Current Year Ended 2018					For the Current Year Ended 2017					Cumulative from [beginning of Project] to year to date			
	Budgeted Expenditure in (INR) '000	Actual Expenditure in (INR) '000	Utilisation Percentage	Variance in (INR) '000		Budgeted Expenditure in (INR) '000	Actual Expenditure in (INR) '000	Utilisation Percentage	Variance in (INR) '000		Budgeted Expenditure in (INR) '000	Actual Expenditure in (INR) '000	Utilisation Percentage	Variance in (INR) '000
I) Expenditures by Component														
Toilet Construction Through Output Based Assistance Programme (OBA)	646	646	100%	-		-	-	0%	-		646	646	100%	-
Total	646	646	100%	-		-	-	0%	-		646	646	100%	-
Financing Charges During Implementation	-	-		-		-	-		-		-	-	0%	-
Total Project Cost	646	646	100%	-		-	-	0%	-		646	646	100%	-
Grand Total of Expenditures in USD @ 65.554 / USD in INR '000		9.86					-					9.86		



Name of EA : KARNATAKA URBAN INFRASTRUCTURE DEVELOPMENT AND FINANCE CORPORATION LIMITED

Name of IA : Respective ULBs / KUIDFC

Name of the project : Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) - PROJECT 1

Loan / Grant No : 0399 IND

EXPENDITURE BY OUTPUT COMPONENTS

In (INR) '000

Cost Categories	Unallocable common costs			Output1			Output 2			Total Expenditure		
	Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date
I) Expenditures by Component for Tranche 1												
Works	-	646	646	-	646	646				-	646	646
Total	-	646	646	-	646	646				-	646	646
Financing Charges During Implementation	-	-	-	-	-	-				-	-	-
Total Project Cost	-	646	646	-	646	646				-	646	646
% OF Total project Cost		1%										



### 3. DETAILED PROJECT DESCRIPTION

#### Construction of Toilets under Output Based Aid (OBA) Programme

Project-1 of the Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) (the Project) supports improvements in urban infrastructure and services in the following 4 ULBs: Byadagi, Davangere, Harihar and Ranebennur, and institutional development, improved municipal management and project implementation capacity across the State. The Project has the following components:

KUIDFC, as part of KIUWMIP entered into a Grant Agreement with Asian Development Bank (ADB) for \$ 1.8 million (approx. Rs. 11.7 Cr) towards financing Output Based Aid (OBA) for Toilet Construction in KIUWMIP ULB's. The approximate population to be covered by the OBA toilet programme is 47,579 (approximately 9,312 households are targeted for toilet coverage) across the 4 cities of Tranche-1 towns.

The OBA toilet program will be implemented by the ULBs with assistance from Public Communication and Awareness and Output Based Aid (OBA) Toilet Program Consultant (PCA-OBA Consultant) to be selected for KIUWMIP.

Technical support, including construction supervision to the ULBs will be provided by the project management, design and construction supervision consultant (PMDCSC). Further, the active participation of beneficiaries and ULB is crucial to the success of the program.

ULBs will provide grant subsidies to (i) low income (BPL) households for construction and Connection of individual household toilets to the sewer network; and (ii) BPL low income community groups for the construction and connection of community toilets (iii) The PCA-OBA Consultant will facilitate the process of timely release of subsidies from the ULB during construction of individual and community toilets and provide hands on support and guidance to beneficiaries during construction of toilets .

The PCA-OBA Consultant will be responsible for receiving, assessing and submitting beneficiary applications to the ULBs for final assessment and approval. The PCA-OBA Consultant will also monitor progress of construction and connection of toilets



under the OBA program

### Expected Output

The Karnataka Integrated Urban Water Management Investment Programme (KIUWMIP) with an aim to improve efficient urban water and sanitation investments. Also the consultant is to facilitate implementation of Output Based Aid (OBA) for construction and usage of various types of toilets and associated services, as follows:

Communicate improved water and sanitation services in the ULBs, Communicate 100% households and other water users, including other stakeholders towards 24x7 water supply. Conduct sanitation related awareness, Output Based aid (OBA) for Toilets targeting urban poor, and behavior change process to achieve open defecation free (ODF) communities across the ULBs. Communicate over the Gender inclusion elements and social/environmental safeguards.

### Cost Estimates

The total cost of the Grant is estimated at US\$ 2.00 million. The Government of India will onlend the proceeds of the Grant under the MFF to GoK on the same terms and conditions as per ADB Grants. The financing plan for the Investment Program and the first PFR are presented in Table

**Table : Financing Plan of the Investment Program and First PFR** (\$ million)

Source	Investment Program (\$ Mn)	Share (%)	Tranche1 (\$ Mn)	Share (%)
ADB	150.0	66.1	75.0	63.8
UFPF	2.0	0.9	1.8	1.5
GoK and other agencies	75.0	33.0	40.2	34.7
<b>Total</b>	<b>227.0</b>	<b>100.0</b>	<b>117.0</b>	<b>100.0</b>

Source: Asian Development Bank estimates.

### Programme Period

The project is expected to be completed by 31st March 2019. The Grant closing date is 30th September 2019.



#### **Additional Notes:**

4. There was no direct inflow of foreign currency during the year. However, during the year Govt. of India has received in respect of KIUWMI Project under Grant No. 0399-IND a sum of US\$ 10,078.00 (Nil), from Asian Development Bank.  
(Source: Asian Development Bank -Loan Financial Information Services (LFIS))

5. As on march 31, 2018, the company has no outstanding dues to units covered by micro, small and medium industries development act, 2006.
6. Advances under project including EAP are released as per contractual terms against BG and adjustments are made in the running bill/monthly bills for contractor/ consultants/ NGO's. Advances given to IAs are adjusted against utilization certificates furnished as per the funding agencies guidelines.

#### **7. SIGNIFICANT ACCOUNTING POLICIES:**

##### **7.1 General :**

- i. The Financial Statements are prepared under the historical cost convention on an accrual basis and in accordance with the mandatory accounting standards as prescribed under section 133 of Companies Act'2013 read with Rule 7 of the Companies (Accounts) Rules,2014 (to the extent notified).
- ii. All items of Income and expenditure having a material bearing on the Company's Financial Statements are recognized on accrual basis except as stated otherwise.
- iii. Use of Estimates: The preparation of financial statements in conformity with the Principles in India requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of Assets, Liabilities, Income, Expenses and disclosures of contingent liability on the date of financial statements. Actual results could defer from those estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to the accounting estimates is recognized prospectively in Current and future Period.



## 7.2 Treatment of grants :

- i. The Company receives project specific grants both under externally aided projects and centrally sponsored schemes. To the extent grants are utilised for acquisition of fixed assets, equivalent amount is transferred from project grant account to capital reserve.
- ii To the extent grants are utilised for release as loan to the Implementing Agencies, equivalent amount is transferred from Project grant account 'due to' respective scheme/project accounts. To the extent amounts are released as grant to the implementing agencies, the same is charged off against the grants received from the Government.

## 7.3 Revolving Funds:

- i. As per relevant Government Order, Mega City Revolving Fund (MCRF) under the centrally sponsored Mega City scheme and Urban Infrastructure Development Fund (UIDF) under Externally Aided Projects and Centrally Sponsored Schemes are maintained to which loan repayments by the Implementing Agencies, interest on loan component recovered from Implementing Agencies and earnings on deployment of unutilised project grants are credited on realisation basis.

## 7.4 Revenue Recognition:

- i. In accordance with GoK letter No. UDD 13 PRJ 06 dated 3.5.2006, in lieu of Management fee, the administrative expenses of the Company will be provided by the Government through the Budget.
- ii. Management Fee payable by GOK is recognized as income to the extent of administrative expenses of the respective financial year.

## 7.5 Fixed Assets :

- i. Fixed assets are stated at cost, less accumulated depreciation.
- ii. Consequent to capitalization of UIB building constructed under NKUSIP depreciation on the same is considered as per Accounting Standard -12 and useful life of the building restricted till the end of lease period. (As per note No.26)
- iii. The depreciation is charged on non project assets over the useful lives of assets at the rates and manner stipulated under schedule II of the Companies Act, 2013 on Written Down Value method, commencing from the date the asset is available in the company for its use.
- iv. Leasehold Land is Amortized over the lease period.
- v. Intangible Assets are amortized over their respective individual estimated useful lives on Written Down Value method, commencing from the date the asset is available in the company for its use.



- vi. No depreciation is charged on the assets acquired under projects as the same are acquired out of the grants received under the specific projects. Residual cost if any, after setting off the value realised on disposal of such assets on completion of the project, shall be set off against the specific project grant.

**7.6 Impairment of Assets:**

- i. Assets belonging to the Company (not project Assets) are treated as impaired when the carrying cost of such assets exceed their recoverable value. Impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired.

**7.7 Investments :**

- i. Investments are classified as long term investments and stated at cost. No provision is made for temporary decline/increase in value of Investments.

**7.8 Taxation :**

- i. The provision for Income Tax is calculated in accordance with the relevant tax regulations applicable to the Company.
- ii. Deferred tax assets and liabilities are recognised for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax assets and liability are measured as per the tax rates/ laws that have been enacted or substantively enacted by the balance sheet date and are reviewed for appropriateness of their respective carrying values at each balance sheet date.

**7.9 Retirement Benefits:**

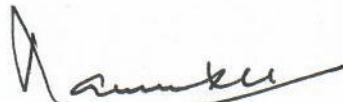
Provisions for/ Contributions to retirement benefits schemes are made as follows:

- i. Provident fund on actual liability basis.
- ii. Gratuity based on actuarial valuation through Group Gratuity Policy of LIC.
- iii. Leave Encashment benefits on actual liability basis.

Place : Bangalore

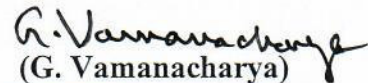
Date : September 22, 2018

As per our report of even date  
for G.V Acharya & Co.,  
Chartered Accountants  
FRN: 000029S



(K.M.Ramesh)

General Manager - Project Finance



Partner M.No: 009850




PARTICULARS		Note No.	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
			Rs	Rs
I	EQUITY & LIABILITIES			
	Shareholders' Funds			
	Share Capital		-	-
	Reserves & Surplus		-	-
	Non-Current Liabilities			
	Other Long Term Liabilities		-	-
	Long Term Provisions		-	-
	Current Liabilities			
	Short Term Borrowings		-	-
	Other Current Liabilities	1	3,53,800	-
	Short Term Provisions		-	-
	<b>TOTAL OF EQUITY &amp; LIABILITIES</b>		<b>3,53,800</b>	<b>-</b>
II.	ASSETS			
	Non-Current Assets			
	Fixed Assets			
	Tangible Assets		-	-
	Intangible Assets		-	-
	Deferred Tax Assets (Net)		-	-
	Long-Term Loans and Advances		-	-
	Current Assets			
	Cash and Bank Balances	2	3,53,800	-
	Short-Term Loans and Advances		-	-
	Other Current Assets		-	-
	<b>TOTAL OF ASSETS</b>		<b>3,53,800</b>	<b>-</b>
	Notes on Financial Statements	1 to 7	-	-

Notes referred above are an integral part of Financial Statements

Place: Bangalore

Date : 22th September'2018

  
(K.M.Ramesh)

Gen. Manager- Project Finance

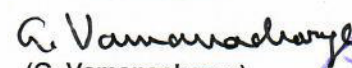


As per our report of even date

for G.V Acharya &amp; Co.

Chartered Accountants

FRN: 000029S

  
(G. Vamanacharya)  
Partner M. No:009850



ADB assisted KIUWMI Project Grant No.0399-IND - Notes on Financial Statements for the year ended 31st March 2018

PARTICULARS	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	Rs	Rs
1. Other Current Liabilities		
Government of Karnataka A/c (KIUWMI Project)	3,53,800	-
TOTAL	3,53,800	-
2. Cash and Bank/Treasury Balances		
Vijaya Bank-Indiranagar- KIUWMIP	3,53,800	-
TOTAL	3,53,800	-





No.KUIDFC/FIN/KIUWMIP/MA/2018-19/

September 22, 2018

M/s. G.V Acharya & Co.,  
Chartered Accountants  
No 310, Third Floor,  
9/1, Commerce House Building  
Cunningham Road  
Bangalore -560 052

Sir,

**Sub: Management Assertion Letter - KIUWMIP Grant No.0399 IND**

As per the recommendation of ADB, this assertion letter is provided in connection with your audit of the Annual Project related Financial Statements (APFS) of the KIUWMIP Grant 0399 IND for the year ended 31<sup>st</sup> March, 2018. This is acknowledged that our responsibility for the fair presentation of the Annual Project related Financial Accounts / Statements (APFS) are prepared under the Historical Cost Convention, on an Accrual Accounting basis followed by KUIDFC with the accounting principles generally accepted in India including Accounting Standards specified under Section 133 of the Companies Act 2013 ("the Act"), read with Rule 7 of the Companies (Accounts) Rules, 2014, and we confirm to the best of our knowledge and belief, the following representations made to you during the audit:

1. The project financial statements are free of material misstatements, including omissions.
2. Project funds have been used for the purposes for which they were provided
3. Project expenditures are eligible for financing under the Grant agreement and Procurement procedures are as prescribed for the project have been followed
4. There have been no irregularities involving management or employees who have a significant role in internal control or that could have material effect on the project financial statements.
5. We have responded fully to all inquiries made to us by you during the examination
6. All related party transactions and contingent liabilities have been disclosed
7. There are no unrecorded transactions
8. We have made available to you all books of account and supporting documentation relating to the project
9. The project has complied with the conditions of the Grant Agreement and the Project Agreement.

Thanking you,

Yours faithfully,

General Manager (Project Finance)