INDEPENDENT AUDITORS’ REPORT

To,
Chief General Manager
SIDBI (Credit Vertical)


We have audited the accompanying Project Financial Statements of the MSME Growth Innovation and Inclusive Finance Project under Loan No. 1 (the Project) for the year ended on March 31st, 2016 which comprises Interim Unaudited Financial Results (IUFR) for the period April 2015 to February 2016.

Management's Responsibility for the Financial Statements

SIDBI's Management is responsible for the fair presentation of the project financial statements in accordance with the guidelines issued by the World Bank, and they confirm, to the best of their knowledge and belief, the following representations made to us during the course of our audit:

i. The project financial statements are free of material misstatements, including omissions.

ii. The proceeds of the Loan provided by the World Bank have been used only for the purposes for which they were granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations.

iii. Project expenditures are eligible for financing under the Loan Agreement.

iv. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the project financial statements.

v. Procurement has been done as per the agreed procedures based on commercial practices.

vi. Management has made available to us all supporting documentation relating to the project for our audit.
Auditors' Responsibility

Our responsibility is to express an opinion on these project financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 SIDBI's preparation of the IUFR that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid project financial statements give the information so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

Report on other matters:

i. the PFS give a true and fair view of the Project expenditure incurred during the period under audit and of the sources and applications of the Project funds for that period;

ii. The Project funds were utilized for the purposes for which they were provided;

iii. Expenditures shown in the PFS eligible for financing under the legal agreements are recorded in the books of account of SIDBI and no other sources of funds have been received by SIDBI for meeting these expenditures.

iv. The IUFRs submitted during the period under audit are supported by adequate detailed documentation maintained in SIDBI's offices/branches and can be relied upon as a basis for reimbursement.
v. Procurement done by MSMEs using loan proceeds were in line with established commercial practices as have been documented in the POM and that the system for review of compliance instituted by SIDBI is adequate.

vi. The accounting and internal control systems underlying the Project, including material compliance with the POM for the Project, and oversight over the Project funds were adequate and maintained throughout the audit period.