INDEPENDENT AUDITOR’S REPORT

Deputy General Manager,
National Housing Bank,
Core-5A, India Habitat Centre,
Lodhi Road, New Delhi – 110003

Report on the Project Financial Statements

We have audited the accompanying financial statements of the National Housing Bank- Low Income Housing Finance Project financed under Credit No. 5283-IN, which comprise the statement of Sources and Application of Funds and the Reconciliation of Claims to Total Applications of Funds for the period ended 30.06.2015 (01.07.2014 to 30.06.2015). These statements are the responsibility of the Project’s Management. Our responsibility is to express an opinion on the accompanying financial Statements based on our audit.

We conducted our audit in accordance with the Auditing Standards promulgated by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our Audit examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the sources and application of funds of National Housing Bank – Low Income Housing Finance Project for the year ended for the period ended 30.06.2015 (01.07.2014 to 30.06.2015) in accordance with Institute of Chartered Accountants of India Accounting Standards.

In addition, as shown by records provided to us, and to the best of our information and according to the explanations given to us:
(a) With respect of Internal Unaudited Financial Report, adequate supporting documentation has been maintained to support claims to the Government of India for the reimbursements of expenditure incurred;

(b) We have verified the Statement of Sources and Application of Funds as well as the Statement of Reconciliation of Claims to Total Application of Funds.

(c) Expenditures (including sub loans to PLIs) shown in the PFS are eligible for financing under the legal agreements, are recorded in the books of account of NHB and no other sources of funds have been received by NHB for these expenditures;

(d) The bank funds claimed during the reported period shown in the Project Financial Statements are eligible under the agreements. However, they have not yet been received by NHB. The same are recorded in the books of accounts as assets & liability. Further necessary disclosures have also been made in the notes to accounts.

(e) The accounting, and internal control systems underlying the project, including material compliance with the Project Operational Manual, and oversight over the Project funds were adequate and maintained throughout the audit period;

(f) Project funds have been provided to PLIs that meet the eligibility criteria given in the Project Operational Manual and that the aggregate of the housing loans made to beneficiaries under each category (quadrant) is within the individual limits set forth in the Project Operations Manual;

(g) Procurement done by NHB under the project had been undertaken in accordance with World Bank guidelines.
Deputy General Manager,
National Housing Bank,
Core-5A, India Habitat Centre,
Lodhi Road, New Delhi - 110003
Date: 16th December 2015

Respected Sir,

This management letter is provided in connection with your audit of the Project Financial Statements of the Low Income Housing Finance Project under Credit No. 5283-IN (the Project) for the year ended on 30.06.2015 (01.07.2014 to 30.06.2015) for the purpose of expressing an opinion on the findings of the audit and recommendations for improvement in Internal Control and other matters coming to attention of the auditor during the audit.

Our audit plan was prepared using a risk-based methodology that includes an assessment of the systems, records & control of the Bank. The following methodology was adopted for the purpose of our review:

- Review of the agreements entered by the IDA, Government of India & National Housing Bank provided to us.
- Verification of the quarterly Internal Unaudited Financial Report along with the refinance disbursement sheet provided by the PLI to the concerned Department.
- Selection of sample cases of disbursements, in order to ensure effectiveness of disbursement methodology to achieve the end objective of the Project.
- Verification of compliance of the project with the Operation Manual, identification of key risk/weaknesses, methods for mitigation of these key risks/weaknesses.
- Selection of a sample of Procurement cases and checking of procurement documents & assets created in order to ascertain the soundness of the procurement system.
- Discussion of the same with the personnel responsible for its maintenance.

The bank funds claimed during the reported period shown in the Project Financial Statements are eligible under the agreements; however they are not yet received by NHB from the Government of India.

For V. K. Verma & Co.
Chartered Accountants
Firm Registration No. 005386N
(Vivek Kumar)
PARTNER
Place: New Delhi

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