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GOVERNMENT OF KARNATAKA
KARNATAKA STATE HIGHWAYS IMPROVEMENT PROJECT
(Public Works, Ports & Inland Water Transport Department)

No. PIU:KSHIP:ACTS:WB:AG:01:2017-18

1393

O/o The Project Implementation Unit,
Karnataka State Highways
Improvement Project
K R Circle,
Bangalore – 560 001.

Date: 15.06.2017

19 JUN 2017

The Country Director,
The World Bank,
New Delhi Office,
No.70, Lodi Estate,
New Delhi – 110003.

Dear Sir,

**Sub: Audit Report on the Annual Financial Statements of KSHIP-II Loan
No. 8022-IN for the Financial Year 2016-17.**

**Ref: Letter of the Deputy Accountant General No. Pr.AG (ERSA)/IAU-
I/F/2017-18/16, dated 02.06.2017.**

With reference to the above, please find enclosed the Audit Report dated 2nd June 2017 along with the Audited Financial Statements of KSHIP-II pertaining to IBRD Loan No. 8022-IN for the Financial Year 2016-17 issued by the Principal Accountant General, Karnataka Bangalore. This is in accordance with Section II Part B4 of the Project Agreement dated 30th May 2011.



Yours faithfully,

Sd/-
(Manivannan. P)
Chief Project Officer,
PIU, KSHIP,
Bangalore.

Encl: As above

CC: To:

- 1) The Joint Secretary (MI), Department of Economic Affairs, Ministry of Finance, North Block, New Delhi – 110001.
- 2) Sri. Srikumar Tadimalla, Task Team Leader, The World Bank, The HT House Building, 18-20 Kasturba Gandhi Marg, New Delhi – 110001.
- 3) Sri. Anantha Krishna Karur, Financial Management Specialist, The World Bank, No.70, Lodi Estate, New Delhi – 110003.
- 4) Sri. S.G. Dastidar, Controller of Aid Accounts and Audit, B wing, 5th Floor, Janpath Bhavan, New Delhi.
- 5) The Additional Chief Secretary to Government, PWP & IWT Department, Vikasa Soudha, Bangalore – 560001.
- 6) The Secretary to Government (Fiscal Reforms), PMU, Finance Department, 4th Floor, M.S. Building, Bangalore – 560001.


~~(Manivannan. P)~~
Chief Project Officer,
PIU, KSHIP,
Bangalore. 


15/6



No. AG (ERSA)/IAU-I/F/2017-18/16

Date : 02.06.2017

To

The Project Director,
Project Implementation Unit,
Karnataka State Highways Improvement Project (KSHIP),
K.R. Circle,
Bangalore – 560 001.

Sir,


Sub : Report on the Project Financial Statement of Karnataka State Highways Improvement Project – II (KSHIP – II) under IBRD Loan No. 8022-IN and ADB Loan No. 2705-IND for the period ending 2016-17.

With reference to the subject above, I am to enclose the Report on the Project Financial Statement of the Karnataka State Highways Improvement Project – II (KSHIP – II) under IBRD Loan No. 8022-IN and ADB Loan No. 2705-IND for the period ending 2016-17.

The receipt of the same may please be acknowledged.

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PD	
CAC	
SPL. D.C.	
DS (F)	
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SE-2	<input checked="" type="checkbox"/>
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Yours faithfully,


Deputy Accountant General
(Economic Sector – I)





REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

To

The Project Director,
Project Implementation Unit,
Karnataka State Highways Improvement Project (KSHIP)-II,
K.R. Circle,
Bangalore-560001

REPORT ON THE PROJECT FINANCIAL STATEMENT

We have audited the accompanying financial statements of Karnataka State Highways Improvement Project-II World Bank Assisted Project Loan No-8022-IN including Highway Financing Modernization Component being executed through Karnataka State Road Development Corporation Limited which comprises of the Statement of Sources and Applications of Funds and reconciliation of claims to Total Application of Funds for the year ended March 2017. These statements are the responsibility of the Project's management. Our responsibility is to express an opinion on the accompanying financial statement based on our audit.

We conducted our audit in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General 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 disclosure in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the 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 Karnataka State Highway Improvement Project-II for the year ended 31st March 2017 in accordance with Government of India accounting standards.

In addition, in our opinion, (a) with respect to Financial Monitoring Reports adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditures incurred, and (b) except for ineligible expenditure (nil) as detailed in the memo of disallowances appended to this audit report, expenditure is eligible for financing under the loan/credit agreement. During the course of audit, Statement of Expenditure/ Financial Monitoring Reports and the connected documents were examined and these can be relied upon to support reimbursement under the loan / Credit agreement as detailed below:

(Rs. in million)

Sl No	Category	Expenditure	Eligible Expenditure	Less inadmissible	Expenditure admissible as per audit	Percentage of Reimbursement	Amount Reimbursable
1	Consultants Services, training, studies, incremental operating costs, under Part A.1, A.2, C and D of the project	367.783	280.032	-	280.032	80%	224.026
2	Consultants Services, training, studies, incremental operating costs, under Part B.1, B.2 and B.3 of the project	39.734	25.493	-	25.493	80%	20.394
3	Goods and Works under part A.1, C and D of the project	2632.971	2361.239	-	2361.239	80%	1888.991
4	Goods and Works under part A.2 of the project	1070.281	698.720	-	698.720	100%	698.720
5	Goods and Works under part B.2 of the project	1330.580	383.560	-	383.560	100%	383.560
6	Front End Fee	0	0	-	0	0	0
	Total	5441.349	3749.044	-	3749.044	-	3215.691


This report is issued without prejudice to Comptroller & Auditor General's right to incorporate the audit observations in the report of C&AG of India for being laid before Parliament /State Legislature.


Deputy Accountant General
(Economic Sector-I)
O/o the Accountant General (ERSA)
Karnataka, Bangalore

MEMO OF DISALLOWANCES

World Bank Assisted Project Loan No.8022-IN

NIL


Deputy Accountant General
Economic Sector-I

Karnataka State Highways Improvement Project - II
World Bank Assisted Project - Loan No.8022 IN


Statement of Sources & Application of Funds
Report for the year ended 31st March 2017

(Rs. In Millions)

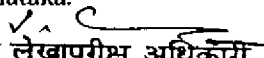
Particulars	Receipts/Expenditure For the year	Project to date
Sources of Funds		
Opening Bank Balance	-	-
Government of Karnataka Funds	1948.463	9331.319
World Bank Funds:	0.000	0.000
PPIAF Grant	0.000	8.973
Loan Funds	3492.886	9267.575
Total Funds	5441.349	18607.867
Uses of Funds		
Road Improvement Works	3844.262	14542.925
Highway Financing Modernization Component	1362.551	2155.632
Road Safety Component	107.997	229.117
Road Sector Policy & Institutional Development	72.598	196.270
Incremental Operating Costs	46.180	242.035
Advances	7.761	1202.845
Front End Fee	-	39.043
Total Expenditure	5441.349	18607.867
Closing Bank Balance	-	-


Deputy Secretary (Finance),
KSHIP




Project Director,
KSHIP

Accountant General,
Karnataka.


वरिष्ठ लेखापरीक्ष अधिकारी
Senior Audit Officer

महालेखाकार का कार्यालय (अ.वा.रा.क्षेलेप.)
Office of the Accountant General (E & RSA)

अडिटर/आडिटर भवन, कर्नाटक, बंगलूरु/Karnataka, Bengaluru.

Date: **25 APR 2017**

Notes:

1. This Financial Statement is prepared on a cash basis of accounting as per provisions of the Rules and codes applicable.
2. The Expenditure figures are based on monthly/quarterly abstract of Tally Software used for project accounts.
3. The receipt of World Bank Loan Funds were accounted based on ACA release from Government of India.
4. Highway Financing Modernization Component expenditure Rs.1362.551 Million includes Rs.750.00 Million (Cumulative advance Rs.790.00 Million) released as advance to KRDC for Resettlement & Rehabilitation and Land Acquisition activities.
5. Names of Accounting units whose financial statements are aggregated to prepare the consolidated accounts are: PIU-KSHIP, Bangalore and four Project Divisions namely Tumkur, Shimoga, Raichur and

Karnataka State Highways Improvement Project - II
World Bank Assisted Project - Loan No.8022 IN
Reconciliation of Claims to Total Applications of Funds
Report for the year ended 31st March 2017

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Schedules	Amt (Rs. Million)		
	Current Year	Previous Year	Project to date
Bank Funds Claimed (A)			
IUFR-Application No.37	84.374		
IUFR-Application No.38	698.695		
IUFR-Application No.39	171.197		
IUFR-Application No.40	556.678		
IUFR-Application No.41	127.337		
IUFR-Application No.42	485.678		
IUFR-Application No.43	1091.735		
Funds Claimed for the year	Ref: Schedule I	3215.694	
Less: Claims of previous years IUFR		0.000	
Funds claimed for the current year(A)		3215.694	
Total Expenditure made (B)		5441.349	5166.237
Expenditure as per books of account		5441.349	5166.237
Less: Expenditure Not Claimable (C)	Ref: Schedule I	1692.305	
Expenditure Not Claimed (D)		0	
Claimable Expenditure (F) = (B)- (C)-(D)		3749.044	
World Bank Share (E)		3215.694	
Claims in excess of Expenditure (A-E)		0	

Handwritten signature
 Deputy Secretary-Finance,
 KSHIP



Handwritten signature
 Project Director, KSHIP

Date: 25 APR 2017

Notes:

1) Total expenditure made during the year (B above) must be the same as the Total Expenditure shown on the Statement of Sources and Applications of Funds.

2) Total Expenditure made during the year (B above) included advances of Rs. 7.761 Million to Consultants and Contractors and advance of Rs.750.00 Million to KRDC for implementation of Resettlement and Rehabilitation and Land Acquisition activities.

Accountant General,
 Karnataka
 वरिष्ठ लेखापरीक्षा अधिकारी
 Senior Audit Office
 महालेखाकार का कार्यालय (अ.ज.स.स.)
 Office of the Accountant General (A.J.S.S.)
 ऑडिट भवन/Audit Bhavan, कर्नाटक, बंगलूरु/Karnataka, Bangalore.

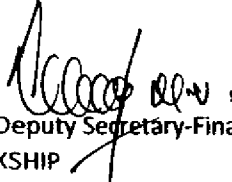
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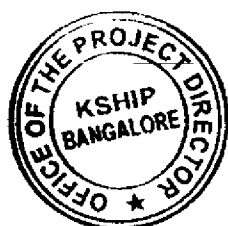
Karnataka State Highways Improvement Project - II
World Bank Assisted Project - Loan No.8022 IN

(Rs. In Millions)

Disbursement Category and Expenditure for the year ended 31.03.2017

Disbursement Category	Expenditure	Eligible Expenditure	%	Claim Amount								
Consultants' services, training, studies, Incremental Operating Costs under Parts A.1, A.2, C, and D of the Project	367.783	280.032	80%	224.026								
Consultants' services, training, studies, Incremental Operating Costs under Parts B.1, B.2 and B.3	39.734	25.493	80%	20.394								
Goods and works under Part A.1, C, and D of the Project	2632.971	2361.239	80%	1888.994								
Goods and Works under Part A.2 of the Project	1070.281	698.720	100%	698.720								
Goods and Works under Part B.2 of the Project	1330.580	383.560	100%	383.560								
Front End Fee	0	0		0								
Total	5441.349	3749.044		3215.694								
<table border="1"> <tr> <td colspan="2">Breakup for claim amount:</td> </tr> <tr> <td>Reimbursement claimed during the period (Ref. Schedule - 1)</td> <td align="right">1638.281</td> </tr> <tr> <td>Pending claim amount as of 31.3.2017 (IUFR Application No.42 & 43)</td> <td align="right">1577.413</td> </tr> <tr> <td align="center">Total</td> <td align="right">3215.694</td> </tr> </table>					Breakup for claim amount:		Reimbursement claimed during the period (Ref. Schedule - 1)	1638.281	Pending claim amount as of 31.3.2017 (IUFR Application No.42 & 43)	1577.413	Total	3215.694
Breakup for claim amount:												
Reimbursement claimed during the period (Ref. Schedule - 1)	1638.281											
Pending claim amount as of 31.3.2017 (IUFR Application No.42 & 43)	1577.413											
Total	3215.694											

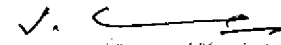

Deputy Secretary-Finance,
KSHIP




Project Director, KSHIP

Accountant General,
Karnataka

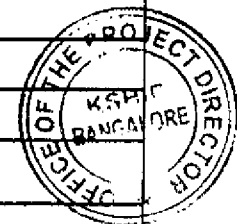
Date: **25 APR 2017**


Joint Audit Officer
Karnataka State Highways Improvement Project
Accountant General (E & RSB)
Karnataka State Highways Improvement Project, Bangalore.

Karnataka State Highways Improvement Project - II
World Bank Assisted Project - Loan No. 8022 IN
Details for Withdrawal Applications for the Year Ended 31-03-2017

(Rs. In Millions)

SL. No	IUFRA Appl. No.	Period	Expenditure for the Period	Eligible Expenditure for the Period	Reimbursable %age	Reimbursement Claim Amount	Reimbursement through ACA Release	Expenditure Not Claimable	Remarks
1	2	3	4	5	6	7	8	9=(4-5)	10
1)	37	01-04-2016 to 15-06-2016	135.377	105.467	80%	84.374	84.197	97.745	
			67.835	0	100%	0			
		Total	203.212	105.467		84.374			
2)	38	16-06-2016 to 31-08-2016	502.086	424.842	80%	339.875	694.634	215.084	
			496.660	358.820	100%	358.820			
		Total	998.746	783.662		698.695			
3)	39	01-09-2016 to 30-09-2016	272.621	213.997	80%	171.197	170.928	110.928	
			52.304	0	100%	0			
		Total	324.925	213.997		171.197			
4)	40	01-10-2016 to 02-11-2016	360.351	270.972	80%	216.778	553.867	140.637	
			391.158	339.900	100%	339.900			
		Total	751.509	610.872		556.678			
5)	41	03-11-2016 to 31-12-2016	161.015	159.171	80%	127.337	127.196	439.642	
			437.798	0	100%	0			
		Total	598.813	159.171		127.337			
	(A)	Expenditure Claimed & Received during the Year	2877.205	1873.169		1638.281	1630.822	1004.036	
6)	42	01-01-2017 to 28.02.2017	636.445	607.097	80%	485.678	0	100.729	
			71.381	0	100%	0			
		Total	707.826	607.097		485.678			Claim is in pipeline. Please refer foot note (2)
7)	43	01.03.2017 to 31.03.2017	972.593	885.218	80%	708.175	0	587.540	
			883.725	383.560	100%	383.560			
		Total	1856.318	1268.778		1091.735			
	(B)	Expenditure Claimed & yet to be received as on 31.03.2017	2564.144	1875.875		1577.413	0.000	688.269	



2/8/17

Karnataka State Highways Improvement Project - II
World Bank Assisted Project - Loan No. 8022 IN
Details for Withdrawal Applications for the Year Ended 31-03-2017

(Rs. In Millions)

SL. No	IUFR Appl No.	Period	Expenditure for the Period	Eligible Expenditure for the Period	Reimbursable %age	Reimbursement Claim Amount	Reimbursement through ACA Release	Expenditure Not Claimable	Remarks	
1	2	3	4	5	6	7	8	9=(4-5)	10	
	(A+B)	Total	5441.349	3749.044		3215.694	1630.822	1692.305		
8)	34	01-01-2016 to 04-03-2016	453.936	435.110	80%	348.089	687.621	309.423		
			630.497	339.900	100%	339.900				
		Total	1084.433	775.010		687.989				
9)	35	05-03-2016 to 24-03-2016	157.637	133.250	80%	106.600	740.265	106.322		
			711.817	629.882	100%	629.882				
		Total	869.454	763.132		736.482				
10)	36	25-03-2016 to 31-03-2016	399.852	288.481	80%	230.785	434.178	286.339		
			378.908	203.940	100%	203.940				
		Total	778.760	492.421		434.725				
		Claims of previous year received during the year	2732.647	2030.563		1859.196	1862.064	702.084		
		Total Bank Funds Claimed during the Year	8173.996	5779.607		5074.890	3492.886	2394.389		

Note: (1) Application No. 42 & 43 were in pipeline as of 31.03.2017.

(2) In the IUFR 42 for the period 01.01.2017 to 28.02.2017 & IUFR 43 for the period 01.03.2017 to 31.03.2017, out of the eligible expenditure of Rs.1875.875 Million and Reimbursement claim amount of Rs. 1577.413 Million. The ineligible expenditure is Rs.688.269 Million.

Deputy Secretary Finance,
KSHIP

Project Director,
KSHIP

Accountant General,
Karnataka

DATE: 25 APR 2017



Senior Audit Officer
Office of the Accountant General (E & R)
Audit Branch, Bangalore, Karnataka, Bangalore

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