

Report of the Comptroller and Auditor General of India

To

The Project Director,
Tamil Nadu Road Sector Project-II,
Tamil Nadu Maritime Board Building,
No. 171, South Kesava Perumalpuram,
1st Floor, Greenways Road
Chennai – 600 028

Report on the Project Financial Statements

We have audited the accompanying financial statements of the Tamil Nadu Road Sector Project financed under World Bank Loan No.8499 INR, which comprises the Statement of Sources and Applications of Funds for the year ended 31.03.2020. Preparation of these statements is 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 audit in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. We examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We also assessed the accounting principles used and significant estimates made by management, and evaluated overall presentation of the statements. In our opinion, the financial statements enclosed present fairly, in all material respects, the sources and applications of funds of TNRSP for the year ended 31.03.2020 in accordance with Government of India accounting standards.

In addition to our opinion, (a) with respect to Statement of Expenditures, adequate supporting documents are maintained to support claims to the World Bank for reimbursements of expenditure incurred, and (b) except for ineligible expenditures as detailed in the audit observation (Annexure A) appended to this audit report, expenditures are eligible for financing under the Loan/Credit Agreement. During the course of the audit, Statement of Expenditure (aggregating to Rs. 348,80,91,387) and the connected documents were examined and these can be relied upon to support reimbursement under the Loan/Credit Agreement.

This report is issued without prejudice to CAG's right to incorporate the audit observations in the Report of CAG of India for being laid before Parliament/State Legislature.

AUDIT OBSERVATION

1. Payment of Commitment charges & Interest Charges and other charges
2. Scrutiny of Statement of Expenditure -(i) Rush of Expenditure
3. Non reconciliation of ACA (Additional Central Assistance)

(Annexure A enclosed).

Nikhil
19/10/2020

Deputy Accountant General/AMG-III

Annexure -A

1. Payment of Commitment charges & Interest Charges and other charges :-

It was noticed that an amount of Rs.3.02 Crore had been paid by Government of Tamil Nadu during the audit period for the unwithdrawn amount from World Bank under Loan A/c 8499-IN. The department replied that despite the problems from the Public and Courts stay order in the case of Land Acquisition and unavoidable delay in the procurement of Concessionaire for PPP Packages and selection of consultants and their performance thereon in respect of Road safety and ICE Components, all earnest have been put effectively and commitment charges has been kept to the barest minimum. The reply was not found acceptable as the Government could have taken all efforts to obtain all necessary requirements in time, to avoid payment of commitment charges. Payment of commitment charges of Rs. 3.02 crore for the unwithdrawn loan amount is not allowable.

Similiarly an amount of Rs.32.94 Crore as Interest had been paid by Government of Tamil Nadu for the loan account No.8499-IN operated by TNRSP. The department had replied that correspondences for payment of interest made by GOI with GoTN & WB were not communicated to PIU. In absence of details, payment of interest is not verifiable.

2. Scrutiny of Statement of Expenditure

(i) Rush of Expenditure :-

A scrutiny of the Statement of Expenditure for the month of 03/2020 revealed that the total reimbursable claim for 2019-20 under Sub component A4 (as per IUFR Form-IA) is Rs.340.97 million. But huge expenditure is incurred in March 2020 and the reimbursable claim for March 2020 alone is 241.346 million. It could be seen from the above 70% of the expenditure under Sub Component A4 is incurred during 3/20.

When the same was pointed out, it was replied that the reimbursement claim of Rs.241.36 million preferred in March-2020 mainly consist of the claim of Rs.226.507 million for the payment made to ELCOT towards purchase of IT equipment and payment made to other consultancy services.

However, huge reimbursable claim raised in March-2020 to the tune of 241.346 million, was not found acceptable, as the Department could have taken all efforts, the rush of expenditure could have been avoided.

(ii) It is further seen that the funds approved by Government under RE 19-20 is 4101.580 million. But the expenditure incurred during 2019-20 is only 3488.095 million leaving a closing balance of Rs.613.485 million.

In reply, it was stated that the works of PPP01 and PPP03 proposed to be taken for 2019-2020, had been postponed to 2020-2021 due to non-settlement of tenders. The reply was not found acceptable as the Department could have taken all efforts , the postponement ,could have been avoided.

3. Non reconciliation of ACA (Additional Central Assistance)

While communicating about the release of ACA (Additional Central Assistance) by GOI i.e. Reimbursement of the expenditure incurred to the Project Director ,TNRSP II , it was requested by the Finance (EAP) Department to reconcile the amount with the O/o The AG (A&E) Chennai. But as per the records produced, no reconciliation was carried out by TNRSP.

When a query was raised about the fact, it was replied by the Financial Controller, TNRSP that the reconciliation is made by the Finance Department, Government of Tamil Nadu and no reconciliation is carried out by TNRSP II as the financial assistance is being received by the Finance Department. Non adherence of the instruction issued by Government of Tamil Nadu is not acceptable.

M. K. Kishor
19/10/2020
Deputy Accountant General/AMG-III