



कार्यालय महालेखाकार (आर्थिक एवं राजस्व क्षेत्र लेखापरीक्षा), तमिलनाडु

OFFICE OF THE ACCOUNTANT GENERAL  
(ECONOMIC AND REVENUE SECTOR AUDIT), TAMILNADU

No AG (E&RSA)/WM(C)/CDN IV/2019-20/ 323

Date: 14/02/2020

To

**The Principal Secretary & Project Director,  
IAM Project Project- II),  
MDPU Office,  
Chepauk, Chennai- 600 005**

Sir,

Sub : Issue of Audit Certificate for the year 2018-19 – reg

Ref : Your letter No.MDPU/A2/322/2019 dated 25.10.2019.

With reference to your letter cited, I wish to state that the Audit Certificate in respect of Tamilnadu Irrigated Agriculture Modernisation Project TN-IAM for the year 2018-19 is enclosed.

Kindly acknowledge the receipt of the Audit Certificate.

Yours faithfully,

Senior Audit Officer / WM(C)

**Report of the Comptroller and Auditor General of India**

**To  
The Project Director,  
TNIAM Project,  
MDPU,  
Chepauk,  
Chennai 600 005**

**Report on the Project Financial Statements**

We have audited the accompanying financial statements of the Tamil Nadu Irrigated Agriculture Modernisation TN- IAM Project financed under World Bank Loan No.IBRD No.8797-IN, which comprises the Statement of Sources and Applications of Funds for the year ended 31-03-2019. 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 TN- IAM Project for the year ended 31-03-2019 in accordance with Government of India accounting standards.

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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, on test check of Statement of Expenditure (aggregating to Rs.431,75,23,529/- 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 OBSERVATIONS**

1. Non-inclusion of Value of GST payable in the total cost of civil works
2. Discrepancy in expenditure booked by O/o AG(A&E) & Department records
3. Avoidable payment of Commitment Charges.
4. Internal audit not conducted

(Annexure enclosed)

  
**Sr. Deputy Accountant General /ES-1**

## Annexure-A

### 1. Non-inclusion of Value of GST payable in the total cost of civil works

As per Agreement expenditure towards Goods, works, etc including taxes will be financed by World Bank as loan.

However, it is observed from test check of Agreements kept in the selected Divisional offices of the Water resources department viz., Chennai, Kanchipuram, Cuddalore and Thanjavur that the total cost of works mentioned in the Agreements did not include GST component leading to short claim of reimbursement.

### 2. Discrepancy in expenditure booked by O/o AG(A&E) & Department records

During 2018-19 the amount incurred and claimed by the department varies from the amount booked by O/o AG (A&E). The discrepancy needs rectification.

A comparison of expenditure incurred by the department and the expenditure booked by AG(A&E) is as follows.

Name of the Department	Expenditure incurred by the department Rs.	Expenditure as per AG(A&E) records Rs.	Difference Rs.
Agriculture	85808995	85808485	510
Agricultural Marketing & Agri Business	39913355	39912062	1293
Horticulture	176257703	176242834	14869
Agri Engineering	24735541	22774137	1961404
Animal Husbandry	7968312	7976747	-8435
Fisheries	100622729	100574774	47955
Water Resources	3855762746	3860144943	4382197
MDPU	26454148	26454503	-355
<b>Total</b>	<b>4317523529</b>	<b>4311124091</b>	<b>6399438</b>

Reply for the discrepancies in respect of above departments were not furnished to audit.

### 3. Avoidable payment of Commitment Charges

According to Section 3.01 of Loan Agreement, the borrower shall pay the Bank a Commitment charge on the unwithdrawn loan balance at the rate specified in the loan agreement. For the year 2018-19, a sum of Rs.4,50,81,456/- was paid by Government of Tamilnadu towards Commitment charges in respect of the TNIAM Project. This is an avoidable expenditure.

### 2. Internal audit not conducted

The Project Appraisal Document of the World Bank stipulates that the project will have an internal audit to review the internal control procedures and procurement procedures to be adhered to at the project level It was noticed that the internal audit was not conducted.

Senior Deputy Accountant General/ES-I

**TAMIL NADU IRRIGATED AGRICULTURE MODERNISATION PROJECT  
ANNUAL FINANCIAL STATEMENTS TO 2018-19**

Loan No. : IBRD No.8797-IN

Grant No. : 40

Statement of Sources and Applications of Funds Report for the year ended 31.03.2019

		Rs.000		
		Current Year	Previous Year	Cumulative
		(1)	(2)	(3)
Opening Balance, (If cash balance are controlled by the entity) (A)		0	0	0
<b>Receipts</b>				
Funds received from Government through Budget (These will include external assistance received by Government for the Project)		4321021	656441	4977462
Funds received directly by Project Implementing Authority through external assistance Beneficiary Contribution (if any)				
<b>Total Receipts (B)</b>				
<b>Total Sources (C=A+B)</b>				
<b>Expenditures by Component</b>				
<b>Sources of Funds</b>				
GOTN				
World Bank				
<b>Total Sources</b>		4321021	656441	4977462
<b>Uses of Funds</b>				
<b>A Irrigation and Water Management</b>				
1	Institutional strengthening and capacity building for water management	11381	5957	17338
2	Irrigation systems modernization	3835016	570321	4405337
3	Participatory Irrigation Management	12864	0	12864
4	Convergence for improved service delivery	0	0	0
<b>B Agriculture Productivity Enhancement, Diversification, Improving Livelihoods, Marketing and Value Addition</b>				
1	<b>Agriculture intensification and diversification</b>			
	1. Agriculture	85809	1521	87330
	2. Horticulture	176258	0	176258
	3. AED	24735	8850	33585
2	<b>Improving alternative livelihood sources through livestock and inland fisheries</b>			
	1. Animal Husbandry	7968	40844	48812
	2. Fisheries	100623	0	100623
3	<b>Agriculture marketing, value addition and post-harvest management</b>			
	1. Agri Marketing	39913	2036	41949
<b>C Project Management Support</b>				
1	<b>MDPU</b>			
	1. Salaries, Including salaries of Regular Government Staff posted in MDPU.	11298	11766	23064
	2. Other Operating Costs	15156	15146	30302
	3. Monitoring and Evaluation and Internal Audit Consultancies			
<b>D Contingency Emergency Response</b>				
<b>Total Uses</b>		4321021	656441	4977462

25/10/19  
Financial Management Specialist

Date :

**Notes to Account & Accounting Policies**

- The expenditure figures reported are reconciled/ with the AG (A&E)- please list departments which are reconciled
- Funds drawn against Advance bills, if any, and recorded as expenditure which are not settled amount of Rs.1639.73 lakhs; previous quarter Rs.NIL (please provide department wise summary)
- Security deposit/with-held deposit from contractors aggregate to Rs.50475/- Previous quarter Rs.NIL (as per schedule 1)
- Grant to FPO amounting to Rs. NIL included in the above reported expenditure of Agri.Marketing Department

\* To be supported by a sub basin wise/ district wise breakup

25/10/19  
Financial Management Specialist

Date :

True copy attested  
25/10/19

25/10/19

**TN IAM Project**  
**Summary of Sources & Uses of Fund**  
Abstract for 2018 - 2019

(in Rupees)

Sl. No.	Name of the Department	Expenditure upto 2017-18	Budget Estimate for 2018-19	Revised Estimate for 2018-19	FMA / AFMA for 2018-19	Expenditure for the year 2018-19	Cumulative for the project
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Water Resources Department	57,62,78,474	65,45,043	56,70,588	38,64,819	3,85,92,60,531	4,43,55,39,005
2	Agriculture Department	15,21,417	13,72,04,000	8,80,99,000	8,80,99,000	8,58,08,995	8,73,30,412
3	Agri. Marketing Department	20,35,775	26,77,99,000	13,85,58,000	4,96,27,000	3,99,13,355	4,19,49,130
4	Agri. Engineering Department	88,49,521	3,20,00,000	2,61,22,000	2,61,17,000	2,47,35,541	3,35,85,062
5	Horticulture	-	17,89,35,000	17,79,46,000	17,74,26,000	17,62,57,703	17,62,57,703
6	Animal Husbandry Department	4,08,44,400	3,03,60,000	1,59,48,000	89,47,000	79,68,312	4,88,12,712
7	Fisheries Department	-	25,23,62,000	12,21,28,000	11,54,49,000	10,06,22,729	10,06,22,729
8	Multi Disciplinary Project Unit	2,69,12,179	5,12,22,000	5,25,16,000	4,31,76,000	2,64,54,148	5,33,66,327
<b>Grand Total</b>		<b>65,64,41,766</b>	<b>95,64,27,043</b>	<b>62,69,87,588</b>	<b>51,27,05,819</b>	<b>4,32,10,21,314</b>	<b>4,97,74,63,080</b>

*Dr. Hemalata*  
AAO