

TAMIL NADU ROAD SECTOR PROJECT

AUDIT CERTIFICATE

FOR 2008-2009

ISSUED BY

ACCOUNTANT GENERAL



कार्यालय प्रधान महालेखाकार (सिविल लेखापरीक्षा)
तमिलनाडु एवं पुदुचेरी
लेखा परीक्षा भवन
361, अण्णा सालै, तेनामपेट, चेन्नै - 600 018.

**OFFICE OF THE PRINCIPAL
ACCOUNTANT GENERAL (CIVIL AUDIT)**
Tamil Nadu & Puducherry,
"LEKHA PARIKSHA BHAVAN",
361, Anna Salai, Teynampet, Chennai - 600 018.

Pri.LAG(CA)/WM©/General/2009-10/ 322

Dated 30.09.2009

Report of the Comptroller and Auditor General of India

To

The Project Director,
Tamil Nadu Road Sector Project,
Adyar,
Chennai 600 020.

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.4706 IN, which comprises the Statement of Sources and Applications of Funds and the Reconciliation of Claims to Total Applications of Funds for the year ended 31.03.2009. 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 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 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.

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In our opinion, the financial statements present fairly, in all material respects, the sources and applications of funds of Tamil Nadu Road Sector Project for the year ended 31.03.2009 in accordance with Government of India accounting standards.

In addition to our opinion, (a) with respect to Statement of Expenditures adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditure incurred, and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to this audit report, expenditures are eligible for financing under the Loan/Credit Agreement. During the course of the audit, SOEs/FMRs (each application no. and amount to be indicated) 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 or UT Legislature.

AUDIT OBSERVATIONS

1.1 Excess claim due to non recovery of retention money

from the contractors – Rs.6, 37,702

In respect of payment of price escalation for the work of 'Enhanced periodical maintenance of government roads in Karur and Namakkal Districts', retention money amounting to Rs.7,97,127 (@ 5% on the value of work done Rs.1,59,42,546) had not been recovered. This has resulted in excess payment amounting to that extent. Consequently, there was an excess reimbursement of Rs.6,37,702 (80% of Rs.7,97,127).

1.2 Excess claim on retention money – Rs.1,84,980

(a) It was seen that retention money was claimed even though the same was not released to the contractors which resulted in excess claim of Rs.1,84,980 as detailed below:

| Sl. No. | Voucher No. | Details of Contract | Amount of retention money claimed (Rs.) | 80% of the claim (Rs) |
|---------|-------------|----------------------------------|---|-----------------------|
| 1 | 73 DI | BS 96/Pollachi | 4,240 | 3,392 |
| 2 | 2 DI | BS 196/Sivaganga | 1,56,363 | 1,25,090 |
| 3 | | BS 32-Vaniyambadi-Alangavar Road | 70,622 | 56,498 |
| | | Total | 2,31,225 | 1,84,980 |

1.3 Ineligible claim of service tax on training expenditure – Rs.22,248

It was seen that an expenditure of Rs.2,02,248 including service tax of Rs.22,248 had been incurred on training for Police Officers on Road Safety Aspects including black spot studies. The claim for reimbursement from World Bank under training component had been made at 100% of expenditure i.e. including the service tax.

It was replied that the World Bank had issued "No Objection" for Rs.2,02,248. However, as per the World Bank letter dated January 8,2009 addressed to the Project Director, TNRSP the taxes would need to be reduced while arriving at the eligible expenditure where the expenditure reimbursement was 100%. Hence the amount of Rs.22,248 is ineligible for reimbursement.

1.4 Excess claim of reimbursement due to excess charging in raising of central nursery – Rs.10,489

There was an excess claim of Rs.10,489 in raising of central nursery at Thiruthuraiipoondi owing to charging for watering of more plants as against the actuals

as per the vouchers and payment to mazdoor for 35 days as against the actual 25 working days. This claim of Rs.10,489 is not eligible for reimbursement.

1.5 Misclassification of revenue expenditure under capital expenditure

It was noticed that several payments towards miscellaneous office expenditure were incorrectly booked under capital head of account viz., 5054-Capital Outlay on Roads and Bridges instead of the corresponding Revenue head of account viz., 3054-Roads and Bridges. This incorrect booking had resulted in overstatement of capital expenditure by Rs7,15,210 during 2008-09.

1.6 Difference in expenditure figures of TNRSP and AG(A&E) certified

An expenditure of Rs.49470.49 lakh alone was certified by AG(A&E) against the total expenditure of Rs.49480.29 lakh shown in the Statement of Expenditure resulting in over statement of expenditure of Rs.9.80 lakh by project authorities.

Thus, out of the total expenditure of Rs.494.80 crore as shown in the Statement of Expenditure for the year 2008-09, a sum of Rs.8,55,419 as discussed in the aforesaid paragraphs was ineligible for loan reimbursement from the World Bank and an expenditure of Rs.7,15,210 was overstated under capital expenditure. An expenditure of Rs.9.80 lakhs (Amount taken by the Accountant General through treasury accounts under 5054-80-800-PB) was also overstated.

AWDey
30/9/09
Senior Deputy Accountant General (Works)

ABSTRACT

Statement showing the ineligible amount of loan reimbursement from the World Bank

| Para No. | Gist of objection | Amount (Rs.) |
|----------|--|-----------------|
| 1.1 | Excess claim on payment of retention money to contractors | 6,37,702 |
| 1.2 | Excess claim on payment of retention money to contractors | 1,84,980 |
| 1.3 | Ineligible claim of service tax on training expenditure | 22,248 |
| 1.4 | Excess claim of reimbursement due to discrepancies noticed in raising of central nursery | 10,489 |
| | Total | 8,55,419 |

Overstatement of capital expenditure on account of misclassification of revenue expenditure as capital expenditure - Rs.7,15,210

DLA
30/9/2009
Senior Audit Officer/WM ©

ANNEXURE I

Name of the Project : Tamil Nadu Road Sector Project

Loan/Credit/Grant No. 4706 IN

Statement of Sources and Applications of Funds Report for the year ended 2008-09

| Particulars | Current year 2008-09 | Previous year 2007-08 | Project to date |
|---|-------------------------|--------------------------|----------------------|
| | | | (Rupees) <i>Thou</i> |
| Opening Balance, (if cash balances are controlled by the entity (A)) | - | - | - |
| Receipts | - | - | - |
| Funds from Government through Budget LOC | 5208911 | 4260635 | 16473692 |
| Funds received directly by Project Implementation Authority through External Assistance (ACA Release) | - | - | - |
| Beneficiary Contribution (if any) | - | - | - |
| Total Receipts (B) | 5208911 | 4260635 | 16473692 |
| Total Sources (C=A+B) | 5208911 | 4260635 | 16473692 |
| Expenditure by component | | | |
| 1. Road Upgradation | 4317358 | 3280749 | 12206081 |
| 2. Road Maintenance | 573541 | 873609 | 3267331 |
| 3. Institutional strengthening and policy development | 57130 | 98579 | 317344 |
| Total Expenditure (D) | 4948029 | 4252937 | 15790756 |
| Closing Balance (if cash balances are controlled by the entity) (C-D) | *260882 | 7698 | 682936 |

* Un utilized fund surrendered to Government due to closure of financial year.

Sd/-

Project Director, Tamil Nadu Road Sector Project.

D. L. S. / 26/11/2009
Senior Audit Officer/WMC

ANNEXURE II

Name of the Project : Tamil Nadu Road Sector Project
Loan/Credit/Grant No. 4706 IN

| Particulars | Current year 2008-09 | Previous year 2007-08 | Project to date (upto date) |
|---|-------------------------|--------------------------|--------------------------------|
| Bank funds claimed during the year (A) | 4528620 | 3188511 | 11705100 |
| Total expenditure made during the year (B) | 4948029 | 4252937 | 15790756 |
| Less: Outstanding Bills (C) | | | |
| Ineligible expenditure (D) | | | |
| Expenditure not claimed (E) | 419409 | 1064426 | 4085656 |
| Total Eligible Expenditure claimed (F) = (B) - (C) + (D) - (E) | 4528620 | 3188511 | 11705100 |

Sd/-

Project Director, Tamil Nadu Road Sector Project.

30/9/2009
Senior Audit Officer/WMC

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