No. SGS-II(HQ)/IV/EAP/16-8/DRIP/18-19/2019-20/334
Dated 29 January 2020

The Chief Engineer,
Investigation & Design (IDRB)
Water Resources Department,
Vikas Bhavan, Thiruvananthapuram -33.
695 033

Sir,

Sub: World Bank assisted Dam Rehabilitation and Improvement Project (DRIP)
Loan IBRD No.7943-IN and Credit IDA No.4787 IN for the year 2018-19 - forward ing of.

Audit Report on the Annual Financial Statement for the year 2018-19 relating to World Bank Dam Rehabilitation and Improvement Project (DRIP) for the year 2018-19 is forwarded herewith. A Management Letter on internal control is being issued separately.

Yours faithfully,

(Anu Jose)
Senior Deputy Accountant General (SGS-II)

Copy to:

1. The Secretary,
Department of Economic Affairs, Ministry of Finance,
Government of India, New Delhi.

2. The Director General (Report Central)
Office of the Comptroller and Auditor General of India,
Pocket 9, Deendayal Upadhyay Marg,
New Delhi – 110124.

(Anu Jose)
Senior Deputy Accountant General (SGS-II)
AUDIT REPORT ON THE PROJECT FINANCIAL STATEMENTS OF WORLD BANK ASSISTED DAM REHABILITATION AND IMPROVEMENT PROJECT (DRIP) LOAN IBRD No.7943-IN AND CREDIT IDA No.4787 IN FOR THE YEAR ENDED 31 MARCH 2019.

We have audited the accompanying financial statements of the Dam Rehabilitation and Improvement Project (DRIP) Loan IBRD No.7943-IN and Credit IDA No.4787 IN which comprise the Statement of Sources and Applications of Funds, and Reconciliation of Claims to Total Applications of Funds for the year ended 31/03/2019. 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.

In our opinion, the financial statements present fairly, in all material respects, the sources and application of funds of Dam Rehabilitation and Improvement Project (DRIP) for the year ended 31/03/2019 in accordance with Government of India accounting standards.

In addition, in our opinion, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for the ineligible expenditures as detailed in the audit observations appended to this audit report expenditures are eligible for financing under the Loan/Credit Agreement. During the course of the audit, SOEs for Rs. 50.82 crore from Government of Kerala 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.

Thiruvananthapuram

(Anu Jose )
Senior Deputy Accountant General(SGS - II)
Audit Observations

1.0 Statement of Sources and Application of Funds Report for the year ended 31 March 2019

1.1 Expenditure – Component A - DRIP – Rs.4990.60 lakh

(i) This includes an amount of Rs 65,50,033 being the liquidated damages recovered from from various work bills, included in IUFR-II and III, instead of deducting the same from the cost of work. This has resulted in overstatement of ‘Total Expenditure’ and also ‘Total Eligible Expenditure claimed’ by Rs 65,50,033.

(ii) This includes an amount of Rs 1067.51 lakh being the amount retained and advances recovered such as security advances, equipment advances, performance security etc, from various work bills resulting in overstatement of ‘Total Expenditure’ as well as ‘Total Eligible Amount claimed’ by Rs 1067.51 lakh.

(iii) This includes the expenditure of Rs 1669.97 lakh claimed as per IUFR in the IVth quarter, but the vouchers pertaining to Rs 1457.58 lakh only were produced for verification. Hence the correctness of the expenditure amounting to Rs 212.39 lakh could not be ascertained in audit.

1.2 Expenditure – Component B – Institutional Strengthening Rs 72.63 lakh.

The total expenditure claimed under this component is the sum total of expenditure claimed in the four IUFRs, but vouchers produced to audit is for only Rs 28.30 lakh. Hence the correctness of the remaining expenditure amounting to Rs 44.33 lakh could not be ascertained in audit.

1.3 Expenditure - Component C – Project Management Rs 19.07 lakh.

The expenditure claimed as per the four IUFRs are included under this component, but the total of vouchers produced to audit amounts to Rs 9.04 lakh only. Hence the correctness of the remaining expenditure of Rs 10.03 lakh could not be ascertained in audit.

Thiruvananthapuram

Senior Deputy Accountant General (SGS-II)