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

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.
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.

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

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
<table>
<thead>
<tr>
<th>Particulars</th>
<th>Current Year</th>
<th>Previous Year</th>
<th>Cumulative Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance, (if cash balance are controlled by the entity) (A)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds received from Government through Budget (These will include external assistance received by Government for the Project)</td>
<td>4321021</td>
<td>656441</td>
<td>4977462</td>
</tr>
<tr>
<td>Funds received directly by Project Implementing Authority through external assistance Beneficiary Contribution (if any)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Receipts (B)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Sources (C=A+B)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditures by Component</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sources of Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World Bank</td>
<td>4321021</td>
<td>656441</td>
<td>4977462</td>
</tr>
</tbody>
</table>

### Uses of Funds

#### A Irrigation and Water Management

1. Institutional strengthening and capacity building for water management: 11381
   - Previous Year: 5957
   - Cumulative Balance: 17338
2. Irrigation systems modernization: 3855016
   - Previous Year: 450537
   - Cumulative Balance: 440537
3. Participatory Irrigation Management: 12864
   - Previous Year: 0
   - Cumulative Balance: 12864
4. Convergence for improved service delivery: 0
   - Previous Year: 0
   - Cumulative Balance: 0

#### B Agriculture Productivity Enhancement, Diversification, Improving Livelihoods, Marketing and Value Addition

1. Agriculture intensification and diversification
   1. Agriculture: 85809
      - Previous Year: 1521
      - Cumulative Balance: 87330
   2. Horticulture: 176258
      - Previous Year: 0
      - Cumulative Balance: 176258
   3. AED: 24735
      - Previous Year: 8850
      - Cumulative Balance: 33585
2. Improving alternative livelihood sources through livestock and inland fisheries
   1. Animal Husbandry: 7968
      - Previous Year: 40844
      - Cumulative Balance: 48812
   2. Fisheries: 100623
      - Previous Year: 0
      - Cumulative Balance: 100623
3. Agriculture marketing, value addition and post-harvest management
   1. Agri Marketing: 39913
      - Previous Year: 2036
      - Cumulative Balance: 41949

#### C Project Management Support

1. MDPU
   1. Salaries, Including salaries of Regular Government Staff posted in MDPU: 11298
      - Previous Year: 11766
      - Cumulative Balance: 23064
   2. Other Operating Costs: 15136
      - Previous Year: 15146
      - Cumulative Balance: 30302
   3. Monitoring and Evaluation and Internal Audit Consultancies

#### D Contingency Emergency Response

Total Uses: 4321021
- Previous Year: 656441
- Cumulative Balance: 4977462

**Notes to Account & Accounting Policies**

1. The expenditure figures reported are reconciled with the AG (A&E)- please list departments which are reconciled
2. 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)
3. Security deposit/with-held deposit from contractors aggregate to Rs.50475/- Previous quarter Rs.NIL, (as per schedule 1)
4. 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

**Financial Management Specialist**

Date: 25th Oct 19
### TN IAM Project

**Summary of Sources & Uses of Fund**

**Abstract for 2018 - 2019**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Water Resources Department</td>
<td>57,62,78,474</td>
<td>65,45,043</td>
<td>56,70,588</td>
<td>38,64,819</td>
<td>3,85,92,60,531</td>
<td>4,43,55,39,005</td>
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<tr>
<td>2</td>
<td>Agriculture Department</td>
<td>15,21,417</td>
<td>13,72,04,000</td>
<td>8,80,99,000</td>
<td>8,80,99,000</td>
<td>8,58,08,995</td>
<td>8,73,30,412</td>
</tr>
<tr>
<td>3</td>
<td>Agri. Marketing Department</td>
<td>20,35,775</td>
<td>26,77,99,000</td>
<td>13,85,58,000</td>
<td>4,96,27,000</td>
<td>3,99,13,355</td>
<td>4,19,49,130</td>
</tr>
<tr>
<td>4</td>
<td>Agri. Engineering Department</td>
<td>88,49,521</td>
<td>3,20,00,000</td>
<td>2,61,22,000</td>
<td>2,61,17,000</td>
<td>2,47,35,541</td>
<td>3,35,85,062</td>
</tr>
<tr>
<td>5</td>
<td>Horticulture</td>
<td>-</td>
<td>17,89,35,000</td>
<td>17,79,46,000</td>
<td>17,74,26,000</td>
<td>17,62,57,703</td>
<td>17,62,57,703</td>
</tr>
<tr>
<td>6</td>
<td>Animal Husbandry Department</td>
<td>4,08,44,400</td>
<td>3,03,60,000</td>
<td>1,59,48,000</td>
<td>89,47,000</td>
<td>79,68,312</td>
<td>4,88,12,712</td>
</tr>
<tr>
<td>7</td>
<td>Fisheries Department</td>
<td>-</td>
<td>25,23,62,000</td>
<td>12,21,28,000</td>
<td>11,54,49,000</td>
<td>10,06,22,729</td>
<td>10,06,22,729</td>
</tr>
<tr>
<td>8</td>
<td>Multi Disciplinary Project Unit</td>
<td>2,69,12,179</td>
<td>5,12,22,000</td>
<td>5,25,16,000</td>
<td>4,31,76,000</td>
<td>2,64,54,148</td>
<td>5,33,66,327</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Grand Total</strong></td>
<td><strong>65,64,41,766</strong></td>
<td><strong>95,64,27,043</strong></td>
<td><strong>62,69,87,588</strong></td>
<td><strong>51,27,05,819</strong></td>
<td><strong>4,32,10,21,314</strong></td>
<td><strong>4,97,74,63,080</strong></td>
</tr>
</tbody>
</table>