



महालेखाकार (सा.सा.क्षे.ले.प) का कार्यालय, केरला तिरुवनन्तपुरम
OFFICE OF THE ACCOUNTANT GENERAL (G & SSA), KERALA,
THIRUVANANTHAPURAM - 695 001



No. SGS-II (HQ)IV/EAP/16-7/NHP/18-19/2019-20/ 252
Dated 05/12/2019.

To,

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

The Director
Ground Water Department,
Jala Vijnana Bhavan,
Ambalamukku, Kowdiar (P.O.)
Thiruvananthapuram - 3
695 003

Sir,

Sub: World Bank assisted National Hydrology Project Loan.No.8725 IN-
Audit Report on the accounts (Surface Water component and Ground
Water component) for the year 2018-19 - forwarding of.

Audit Report on the Annual Financial Statement for the year 2018-19 relating to
World Bank assisted National Hydrology Project (Surface Water component and
Ground Water component) is forwarded herewith. A Management Letter on
internal control is being issued separately.

Yours faithfully,

R S Kumar

(R S Suresh Kumar)
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.

(R S Suresh Kumar)
Deputy Accountant General (SGS-II)

**AUDIT REPORT ON THE PROJECT FINANCIAL STATEMENTS OF
NATIONAL HYDROLOGY PROJECT LOAN NO.8725- IN (SURFACE
WATER COMPONENT AND GROUND WATER COMPONENT) FOR
THE YEAR ENDED 31/03/2019**

We have audited the accompanying revised financial statements of the National Hydrology Project financed under World Bank Loan No 8725- 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 National Hydrology Project 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. 172.15 lakh for Surface Water Component and Rs 32.69 lakh for Ground Water Component 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.

RSCW

Thiruvananthapuram
05 December 2019.

(R S Suresh Kumar)
Deputy Accountant General(SGS - II)

Appendix

Audit Observations

Surface Water Component - Chief Engineer (Irrigation & Design), IDRB, Kerala

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

1.1 Expenditure by Component - Component A – Rs.107.24 lakh.

This includes an amount of Rs.9,95,966 expended in the month of April, 2019 but included under 'Component A' in the month of March 2019 resulting in overstatement of expenditure under 'Component A' and 'Total Expenditure Claimed' with corresponding understatement of 'Closing Balance' by Rs.9,95,966.

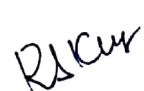
1.2 Expenditure by Component - Component B – Rs. 7.63 lakh.

This includes an expenditure of Rs. 59,570 for which the payment was effected in April 2019 but included in March 2019 resulting in overstatement of expenditure under 'Component B' and 'Total Eligible Expenditure Claimed' with corresponding understatement of 'Closing Balance'.

1.3 Expenditure by Component - Component D – Rs. 43.35 lakh.

This includes an expenditure of Rs. 1.64 lakh for which the payment was effected in April 2019 but included in March 2019 resulting in overstatement of expenditure under 'Component D' and 'Total Eligible Expenditure Claimed' with corresponding understatement of 'Closing Balance'.

Thiruvananthapuram
05 December 2019.


(R S Suresh Kumar)
Deputy Accountant General(SGS - II)



महालेखाकार (सा.सा.क्षे.ले.प) का कार्यालय, केरला तिरुवनन्तपुरम
OFFICE OF THE ACCOUNTANT GENERAL (G & SSA), KERALA,
THIRUVANANTHAPURAM - 695 001



No. SGS-II (HQ)IV/EAP/16-7/NHP/18-19/2019-20/256
Dated 05/12/2019.

To,

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

The Director
Ground Water Department,
Jala Vijnana Bhavan,
Ambalamukku, Kowdiar (P.O.)
Thiruvananthapuram - 3
695 003

Sir,

Sub:- Management letter – Deficiencies in accounting system/internal control– forwarding of .

I have audited the Project Financial Statement of National Hydrology Project for the year 2018-19 and have issued the Audit Report thereon vide letter dated 05 December 2019. The following deficiencies noticed during the audit and not included in the audit report is brought to your notice for remedial action:-

Surface Water Component - Chief Engineer (Irrigation & Design), IDRB, Kerala

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

1.1 Expenditure by Component - Component A – Rs. 107.24 lakh.

The difference of Rs 4,905 in expenditure under the Component A in the IUFR (Rs 1,07,29,221) and the Statement of Sources and Application of Funds for the year 2018-19 (Rs 1,07,24,316) is due to duplication of the payment made to TCS Technologies, thus resulting in overstatement of expenditure under Component A in the IUFR for the above period.

1.2 Closing Balance – Rs 387.77 lakh.

An amount of Rs 12.19 lakh (Rs 9.96 lakh + Rs 0.59 lakh+ Rs 1.64 lakh) paid to beneficiaries in the month of April 2019 but included in the accounts for the month of March 2019 resulted in understatement of 'Closing Balance' to that extent.

Ground Water Component – Director of Ground Water Department, Kerala.

2.0 Statement of Sources and Application of Funds for the year ended 31 March 2019.

2.1 Expenditure by Component D – Rs 19.07 lakh.

This includes an amount of Rs 4,720 and Rs 11,210 expended for service of electronic calibration and purchase of gas regulator for the analytical laboratory were classified under Component D instead of Component A resulting in overstatement of expenditure under Component D and understatement of expenditure under Component A.

3.0 Internal Control Mechanism.

3.1 Surface Water Component - Chief Engineer (Irrigation & Design), IDRB, Kerala

i) Closing Balance – Rs.387.77 lakh

The difference of Rs.54,784.50 in the Closing balance as on 31/03/2019 as per Cash Book and the Bank statement was not reconciled yet.

- ii) Internal audit of the Project has not been conducted so far as no audit firm has been hired to carry out the audit as stipulated in Project Appraisal Document.
- iii) Details under the 'Project to Date' column in the Statement of Sources and Application of Funds as well as in the Reconciliation of Claims to Total Application of Funds Report have not been filled up.

3.2 Ground Water Component - Directorate of Ground Water Department, Kerala

- i) Internal audit of the Project has not been conducted so far as no audit firm has been hired to carry out the audit as stipulated in Project Appraisal Document.
- ii) The post of Superintending Engineer (1 No), Superintending Hydrologist (1 No), Senior Geophysist (1 No), System Manager (IT) (1 No) and Surveyor (2 Nos.) sanctioned by the State Government for the functioning of the Project Management Unit is lying vacant till date.
- iii) Separate cash book maintained for the Project is not authenticated by competent authority.

Thiruvananthapuram
05 December 2019.

RAC
5/12/19
Deputy Accountant General (SGS-II)