To,

The Secretary to the Government of India,
Ministry of Road Transport & Highways,
Transport Bhawan
New Delhi-110001

Sub: - Audit Report, Audit Certificate and Management Letter pertaining to World Bank assisted Technical Assistance Project-Loan No. 7980-IN executed by Ministry of Road Transport & Highways (MoRTH) and National Highways Authority of India (NHA) for the period from 01 April 2018 to 31 October 2018.

Sir,

Please find enclosed Audit Report, Audit Certificate and Management Letter pertaining to World Bank assisted Technical Assistance Project-Loan No. 7980-IN executed by Ministry of Road Transport & Highways (MoRTH) and National Highways Authority of India (NHA) for the period from 01 April 2018 to 31 October 2018. The audit observations which have not been included in the Audit Report/Certificate are included in the Management Letter.

Yours faithfully,

Encl: As above

[Signature]

Principal Director of Audit
Audit Report, Audit Certificate and Management Letter pertaining to World Bank assisted Technical Assistance Project-Loan No. 7980-IN executed by Ministry of Road Transport & Highways (MoRTII) and National Highways Authority of India (NHAI) for the period from 01 April 2018 to 31 October 2018.

We have audited the accompanying Financial Statements of the World Bank assisted MoRTII and NHAI Technical Assistance Loan No. 7980-IN, which comprised of the Statement of Sources and Application of Funds and the Reconciliation of Claims to total Applications of Funds for the period from 01 April 2018 to 31 October 2018. 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 the 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 applications of funds of World Bank assisted MoRTII and NHAI Technical Assistance Loan No. 7980-IN for the period from 01 April 2018 to 31 October 2018 in accordance with Government of India Accounting Standards.

In addition, in our opinion, (a) with respect to Interim Un-audited Financial Reports (IUFRs)/Statement of Expenditure (SOE), adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditure incurred; except for audit
observations mentioned in this audit report and other observations included in the Management letter appended to this audit report, (h) expenditures are eligible for financing under the Grant Agreement. During the course of audit, IUFRs/SOL amounting to ₹58.81 crore (World Bank Share @ 80% = ₹ 47.05 crore) for the period from 01 April 2018 to 31 October 2018 and connected documents were examined, these can be relied upon to support reimbursement under the Loan Agreement for the period from 01 April 2018 to 31 October 2018. The details of expenditure incurred, admitted and disallowed are mentioned in table below:-

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>Total Expenditure incurred for the period from 01 April 2018 to 31 October 2018</td>
<td>@ 100% = 58.81 @ 80% = 47.05</td>
</tr>
<tr>
<td>B.</td>
<td>Less: Amount disallowed due to expenditure incurred on components not contained under the head “Incidental Operating Costs” of Schedule 2 of the Loan Agreement.</td>
<td>0.01 (rounded off)</td>
</tr>
<tr>
<td>C.</td>
<td>Net eligible expenditure allowed for reimbursement for the current year (A-B)</td>
<td>47.04</td>
</tr>
<tr>
<td>D.</td>
<td>Expenditure already claimed for the period from 01 April 2018 to 31 October 2018</td>
<td>47.05</td>
</tr>
<tr>
<td>E.</td>
<td>Recoverable amount (expenditure already claimed – Net eligible expenditure) (D-C)</td>
<td>0.01</td>
</tr>
</tbody>
</table>

This report is issued without prejudice to C&AG’s right to incorporate the audit observations in the Report of C& AG of India for being laid before Parliament.

Principal Director of Audit
AUDIT CERTIFICATE

The Expenditure Statements/Financial Statements relating to the Project “World Bank assisted Technical Assistance Loan (loan/credit No. 7980-IN) executed by Ministry of Road Transport & Highways (MoRT&H) and National Highways Authority of India (NHAI) for the period from 01 April 2018 to 31 October 2018 attached hereto have been audited in accordance with the regulations and standards of audit of the Comptroller and Auditor General of India and accordingly included such tests of accounting records, internal checks and controls, and other auditing procedures necessary to confirm:

(a) that the resources were used for the purposes of the Project; and
(b) that the expenditure statements/financial statements are correct.

During the course of audit referred to above, Statements of Expenditure of MoRT&H and NHAI amounting to ₹ 58.81 crore (World Bank Share @ 80% = ₹ 47.05 crore) and the connected documents were examined and these can be relied upon to support reimbursement of ₹ 47.04 crore, under the aforesaid loan/credit agreement.

On the basis of the information and explanations that have been obtained as required and according to the best of our information as a result of test audit, it is certified that the Expenditure Statements/Financial Statements read with the observations set out below represent a true and fair view of the implementation (and operations) of the Project for the period from 01 April 2018 to 31 October 2018.

This certificate is issued without prejudice to CAG’s right to incorporate any further/detailed audit observation in the Report of CAG of India for being laid before Parliament.

(C NEDUNCHEZHIAN)
Principal Director of Audit
To
The Secretary to the Government of India,
Ministry of Road Transport and Highways,
Transport Bhawan,
New Delhi.

Sub: Management Letter pertaining to World Bank assisted Technical Assistance Project-Loan No. 7980-IN executed by Ministry of Road Transport & Highways (MoRTII) and National Highways Authority of India (NHAI) for the period from 01 April 2018 to 31 October 2018.

Sir,

We have audited the Annual Financial Statement of Expenditure of World Bank assisted Technical Assistance Project-Loan No. 7980-IN executed by Ministry of Road Transport & Highways (MoRTII) and National Highways Authority of India (NHAI) for the period from 01 April 2018 to 31 October 2018. During the course of audit, the observation mentioned below which was not included in the Audit Report/Certificate. The same is being brought to your notice for corrective and remedial action.

Expenditure amounting to Rs. 1.39 lakh under Incidental Operating Costs

World Bank vide Letter of Amendment in December 2015 had agreed Project Restructuring for the said project (Loan No. 7980-IN) at a cost of 450,00,000 which includes Incremental Operating Costs (IOC). The expenditure under IOC was to be incurred by the MoRTII on account Project Implementation, management and monitoring which includes the components like (i) salaries for contractual staff, (ii) dissemination of Project related information, (iii) office rental and leasing operation and maintenance of equipment, (iv) office supplies and utilities, (v) travel and boarding/lodging allowance, (vi) leasing operation and maintenance of vehicles, (vii) advertising and communication and (viii) bank charges.

Scrutiny of records revealed that Project Director, MoRTII had incurred expenditure on the components under sub- heads; viz tea/coffee expenses, meeting expenses, which were not contained in Schedule II of the Loan Agreement. The details are as under:-
Ministry in its reply (19.12.2019) stated that the expenditure has been incurred under the head “Office Supplies and Utilities” for implementation and monitoring of progress of the project. The reply of the Ministry is not acceptable as the expenditure mentioned above does not cover under the head “Office Supplies and Utilities”. Hence an amount of Rs. 0.01 crore is in-admissible and disallowed.

Yours faithfully,

(C. NEDUNCHIZHIAN)
Principal Director of Audit