

MOST IMPORTANT

No.AAAD/Disb.I/IDA/Audit of Special Account/2012
Government of India
Ministry of Finance/DEA
O/o the Controller of Aid Accounts & Audit
Janpath Bhawan, B Wing, 5th Floor, Janpath

New Delhi, the 12TH April, 2013

OFFICE MEMORANDUM

Subject : Submission of Certificates along with claims after exercising some crucial checks as per checklist to avoid disallowances.

Audit Party of the Office of the CAG of India in their Audit Inspection Report on the transactions of Revolving Fund (Special Account) for 2011-12 has pointed out that number of instances of disallowances by Donor Agencies against the withdrawal claims was on rising trend over the period. This inter-alia indicates that Project Implementing Agencies (PIAs) are not strictly following the guidelines issued by the donors.

2. Reasons of disallowance during 2011-12 have been analysed and a check list based upon such objections/disallowances has been prepared for ready reference of the PIAs. All PIAs are requested to follow the check list strictly before sending claims to this Division to reduce the disallowances to the minimum extent.

3. All the authorized signatories are requested to adhere to the points of checklist and also prepare the claim as per the donor's guidelines.

4. Copy of the Audit Report is enclosed for ready reference.


(ASHOK KUMAR)
DEPUTY CAA&A

To
All PIAs/PMU
(ADB)

Certificates to be submitted along with claims of ADB after exercising following checks

- 1 That claims are submitted separately under category of
 - (a) Retroactive Finance
 - (b) Pro Active Finance

- 2 That Claims in r/o SOE and DOC has been submitted separately keeping in view the SOE threshold.
SOE threshold :

- 3 That treatment of Taxes etc. is as per the terms and condition of Agreement and there is no Ineligible expenditure calaimed

- 4 That there is sufficient undisbursed contract balance against each PCSS Nos.

- 5 That calculation on Invoice regarding all deductions and on summary sheet is accurate.

- 6 In case of Direct Payment requested in USD for countries other than USA, The details of Corresponding Bank in USA is as under:

- 7 IFSC Code against Direct payment of Rupee claim is given and verified

- 8 Minimum Claim size is equivalent of USD 100,000/USD 50,000 as agreed by ADB.

Authorised Signatory

Extract Taken from the Report of the Principal Director of Audit, Govt. of Karnataka
No. AMG/11/100/IR/REGAAA/2011-12/451-452 Dated 27-10-2012.

Current Audit

Part-II-A

-Nil -

Part-II-B

Para:1 Disallowance of claims of PIAs by donors.

AAAD is mandated with the responsibilities of scrutinizing claims received from PIAs to ascertain eligibility as per relevant grant/ credit agreement /loan agreement and submitting the reimbursement claims to related donors for obtaining disbursement thereof.

Audit scrutiny of records / files relating to various grants/ loans has revealed large scale disallowances of claims by donors during 20 11-12 as detailed below :

| S.No. | Donor | No. of grants/loans in which disallowances were made | No. of Instances of disallowances |
|-------|-------|--|-----------------------------------|
| 1 | IBRD | 6 | 31 |
| 2 | IDA | 4 | 8 |
| 3 | ADB | 4 | 14 |
| 4 | IFAD | 4 | 5 |
| 5 | GOJP | 24 | 68 |
| | TOTAL | 42 | 126 |

During 2010-11 , disallowances were made in 39 instances.

From the details given above it is clear that no. of disallowances of expenditure incurred by various PIAs by Foreign Donors has increased from 39 instances of grants/loans in 2010-11 to 126 instances of grants/loans in 2011-12 despite being pointed out in last Inspection Report of Audit .The amount involved in the disallowances were significant .This suggests inadequate control over expenditure by various PIAs. In their reply to the previous IR, AAAD had stated that a circular had been issued to the PIAs. However, the significant increase from 39 to 126 indicates that this was a mere formality. Responsibility for such errors may be fixed and action taken against the PIAs and functionaries.