Government of India
Indian Audit and Accounts Department
Principal Accountant General (Audit)
Himachal Pradesh-171003

भारत सरकार
भारतीय लेखा तथा लेखा परीक्षा विभाग
प्रधान महालेखाकार, लेखापरीक्षा
हिमाचल प्रदेश, शिमला- 171003

संख्या: कास-II/ले०प०/ई0ए0पी0/12/सर्टिफिकेट/2018-19/3288

दिनांक:-03/12/2019

सेवा में

परियोजना समन्वयक,
राष्ट्रीय हाइड्रोलॉजी प्रोजेक्ट-एंव अधीक्षण अभियंता,
सिंचाई एंव जन स्वस्थ्य विभाग
हिमाचल प्रदेश, नया बस स्टैंड, टूटीकंडी शिमला

विषय:- विशव बैंक सहायता प्राप्त परियोजना " राष्ट्रीय हाइड्रोलॉजी प्रोजेक्ट " (लोन No. -8725 IN)" का वर्ष 2018-19 का लेखापरीक्षा प्रमाण-पत्र !

महोदय,

मैं इस पत्र के साथ विषयान्तर्गत परियोजना का वर्ष 2018-19 (अप्रैल 2018 से मार्च 2019 तक) का लेखापरीक्षा प्रमाण-पत्र संलग्न कर रही हूँ।

संलग्न:- उपरोक्त

भवदीया,

उप-महालेखाकार
(कास)

-195/C

Annexure 1

Name of Project: National Hydrology Project

Loan No. 8725-IN

Statement of Sources and Applications of Funds

Report for the year ended 2018-19

(In Rupees)

Particulars	Current Year 2018-2019	Previous year		Project to date
		2016-17	2017-18	
Opening Balance	8552291	-	8381663	
Receipts				
Funds received from Government through Budget (These will include external assistance received by Government for the project)	-	-	-	-
Funds received directly by Project Implementing Authority through external assistance	56041000	10000000	20000000	86041000
Beneficiary Contribution (if any)	-	-	-	-
Total Receipts (B)				
Total sources (C= A+B)	64593291	10000000	20000000	86041000
Expenditure by Component				
A.	22732037	891219	6656033	30279289
B.	1946649	0	0	1946649
C.	0	0	88117	88117
D	3725128	775337	1492210	5992675
Total Expenditure	28403814	1666556	8236360	38306730
Closing Balance, (If cash balances are controlled by the entity) (C-D)	35744178	8381663	8552291	

Deputy Accountant General
(CASS)

15/11/2

18/11/2018

Management Letter

As no other material observations came to the notice during audit other than audit observations mentioned in the audit report on financial statements of the National Hydrology Project (Credit No. 8725-IN) for the year 2018-19, no management letter has been prepared.

Deputy Accountant General
(CASS)

Report of the Comptroller and Auditor General of India on the financial statements of World Bank aided National Hydrology Project for the year ended 31st March 2019.

Nodal Officer-cum-superintending Engineer, Irrigation and Public Health Department, Tutikandi, Shimla

Report on the Project Financial Statements

We have audited the accompanying expenditure statements of World Bank aided National Hydrology Project (Financed under World Bank Loan No.8725-IN) which comprise the Statement of Source and Applications of funds and the reconciliation of claims to total applications of funds for the year ended. 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 respect, the source and applications of funds of World Bank aided National Hydrology Project for the year ended 31st March, 2019, in accordance with Government of India accounting standards.

In addition, in our opinion, (a) with respect to statements of expenditure, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditure incurred; (b) except for ineligible expenditure as detailed in the audit observations appended to this audit report, expenditure are eligible under the Loan Agreement No. 8725-IN. During the course of audit, statements of expenditure/IUFR (Annexure "A") and connected documents were examined and these can be relied upon to support reimbursement under the Loan Agreement.

This certificate is issued without prejudice to CAG's right to incorporate the audit observations in the Report of CAG of India for being laid before State Legislature.

Audit Observations:-

Sr. No.	Para No.	Subject	Amount (Rs. in lakh)
1.	1.	Slow pace of execution under Hydrology Project	----
2.	2.	Non-utilization of funds	357.44
3	3.	Absence of internal audit arrangements	----

Deputy Accountant General (CASS)

18/11/2018

Audit and Inspection report on the accounts of the National Hydrology Project (Loan No. 8725-In) for the year 2018-19.

Part-1 (A) Introduction

National Hydrology Project (NHP) is World Bank aided project to improve the extent, quality, and accessibility of water resources information and to strengthen the capacity of targeted water resources management institutions in India. The Project was approved by Ministry Government of India on, GR&RD, of Water Resources 23-06-2016. The Project consists of following four components:

A. **Water resources monitoring systems:**
B. **Water resources information system:**
C. **Water resources operations and planning systems:**
D. **Institutional capacity enhancement:**

A Loan agreement (No. 8725-In) was signed on 18-04-2017 between Government of India and International bank for Reconstruction and Development (IBRD).

A memorandum of Agreement (MoA) was signed on 14-10-2016 between Ministry of Water Resources, Ganga Rejuvenation and River Development (MoWR, GR&RD), Government of India and Irrigation and Public Health Department, Government of Himachal Pradesh for the implementation of NHP from 2016-17 to 2023-24 as a Central Sector Scheme. The project will be of eight years duration and would be taken in two phases of four years each.

Geographical Jurisdiction:- The Office of Nodal Officer-cum-Superintending Engineer, Tutikandi, Shimla-4 is situated at Tutikandi in District Shimla.

Budget and financial performance

The details of budget and expenditure incurred there-against during 2018-19 is as under:-

Year	Particular	Grant-in-aid received	Name of component	Expenditure
2018-19	Opening balance	85.52	-	-
	Receipt from Government	560.41	A	227.32
			B	19.47
			C	0
			D	37.25
Total		645.93		284.04

The accounts are prepared on the basis of cash basis of accounting system.

(B) Scope of audit

The present audit certification which embraced verification of expenditure, test check of records and examination of books of accounts of National Hydrology Project implemented by the Irrigation and Public Health (I&PH) department, Himachal Pradesh, Shimla for the year 2018-19 was conducted by an audit party consisting of Sh Balbir Chand, Sr. Audit Officer, Sh. Vikram Singh, Assistant Audit Officer, Sh. Ravinder Singh Chauhan, Sr. Auditor and Sh. Rajeev Kumar, Sr. Auditor w.e.f. 24-06-2019 to 29-06-2019.

The Inspection Report has been prepared on the basis of information supplied and records made available by the auditee unit. The Principal Accountant General (Audit) HP Shimla disclaims any responsibility for misinformation and non-supply of information/records by the auditee. The results of the current audit have been incorporated in the succeeding paragraphs.

Part II **Audit findings**

Section (A) Serious Irregularities

_____ NIL_____

Section (B) Other Irregularities

Para: 1 **Slow pace of execution under Hydrology Project.**

With the objective to improve the extent, quality and accessibility of water resources information and to strengthen the capacity of targeted water resources management institutions, the National Hydrology Project (NHP) was started in 2016-17. The Project consists of following four components: (A) Water Resource Monitoring system; (B) Water Resource information system; (C) Water Resources and Planning Systems and (D) Institutional Capacity Enhancement.

Further, As per Memorandum of Agreement (MoA) signed between Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR, RD & GR), Government of India and Irrigation and Public Health Department, Government of Himachal Pradesh for the implementation of National Hydrology Project (NHP) the project will be of eight years duration (2016-17 to 2023-24) and would be taken up in two phases of four years each. Each implementing Agency will prepare eight year Project Implementation Plan (PIP) and every year an Annual Work Plan (AWP) for the Project. These plans will be appraised and approved by MoWR and RD &GR.

P-137/C

The GoI approved (December 2016) PIP of Rs. 70.00 crore and was required to be completed by 2023-24.

Scrutiny of records revealed that AWP was prepared for the year 2018-19 and accordingly an amount of Rs. 1076.55 lakh was approved under this project for the year. The Govt. of India had released Rs. 560.41 lakh on 01-09-2018. Also opening balance for the year was Rs. 85.52 lakh and funds of Rs. 1.02 lakh for other works recouped to the project. Resultantly the total available funds for the year 2018-19 was Rs. 646.95 lakh, against which only Rs. 284.04 lakh was utilized during the year 2018-19 under eleven activities as per detail given in the following table.

Table showing the detail of target and achievement under NHP Project during 2018-19

Sr. No.	PIP	Activity Name	Quantity	Funds as per approved AWP	Expenditue	Physical Achievement
1.	A 1.2.03	Deep piezometers with DWLR	56	140.00	57.82	33 (60%)
2.	A 1.3.06	G and D BOC	3	45.00	30.00	3 (95%)
3.	A1.9.05	Incremental cost for complete operation of HP-II	1	180.00	131.00	73 %
4.	A3.2.01	Renovation and allied works for SDC Mandi	1	15.00	8.37	80 %

5.	A3.4.02	AMC computers, photocopier, printer	1	0.50	0.12	25 %
6.	B2.2.03	Procurement of GIS/imaginary for ground water exploration	1	25.00	19.47	100 %
7.	D2.1.01	International/National Training	1	25.00	1.40	6 %
8.	D3.2.01	O and M of SPMU, TA and DA, stationery charges etc	1	30.00	3.71	12 %
9.	D4.1.01	Hiring of Technical and Financial/ Account Expert	2	12.00	3.60	30 %
10.	D4.1.02	Incremental data operators, other office staff	6	7.00	5.88	84 %
11.	D4.1.02	Outsourcing of vehicles	1	30.00	22.67	76 %
Total					284.04	

It was further noticed that no expenditure was incurred under other activities like Supply, installation, Testing, Commissioning and Maintenance of RTDAS for selected AWS, AWLR and ARG sites in HP and integrate with Data Center, Procurement of water quality equipment/accessories/ furnishes for existing labs, Discharge Measurement Equipment and accessories for G and D sites, Sampling Pump and Bore Hole Camera etc. as per detail given in Annexure "1" to this para. Thus, it is evident from the above table that against the approved AWP of Rs. 1076.55 lakh and available funds of Rs. 646.95 lakh, only an amount of Rs. 284.04 lakh was utilized during the financial year 2018-19, which is 26 percent of the Approved AWP and 44 percent of available funds was used for the implementation of the project.

Further, from the inception of the NHP the Nodal Officer of the project had received total funds of Rs. 860.41 lakh against the approved AWPs (2016-17 to 2018-19) of Rs. 2002.45 lakh and out of which only Rs. 383.07 lakh were spent on project component which is only 45 percent of the total available funds and 19 percent of the approved AWPs. Thus, after three years from the inception of the NHP virtually no progress was made by the department as no expenditure was incurred on major activities such as purchase of equipment, site development, Procurement of water quality equipment/accessories/ furnishes for existing labs, Supply, installation, Testing, Commissioning and Maintenance of RTDAS for selected AWS, AWLR and ARG sites in HP and integrate with Data Center etc.

While confirming the fact and figures the Nodal Officer-cum-Superintending Engingeer Hydrology Cell stated that the first installment of Rs. 560.41 lakh was received on 01-09-2018 i.e. at the mid of the financial year. It was further stated that for almost all the components, Notice Inviting Tenders were invited but after scrutiny by Technical Evaluation Committee, almost all were rejected either due to non fulfillment of World Bank procurement procedure or technical reasons after lapse of 09 months. Hence, the project execution was slow. But the reply is not tenable as the department was well aware of the lengthy procurement procedure of World Bank aided project. Hence, no concrete reply was furnished by the department regarding slow pace of work.

Para: 2 Non-utilization of funds Rs. 357.44 lakh

As per paragraph 38 of Project Appraisal Report of World Bank, the opening balance of the PMUs not to exceed 10 per cent of the allocation of the previous year; central funds would be proportionately reduced for unutilized amount. The milestones for release of payments are as under:

Tranche	Period	Conditions of Release
First (Upto 60 per cent of the AWP)	April-May	• Approval of the AWP and Annual Procurement Plan • On fulling conditions(s) imposed at the time of release of previous tranche • IUFR for the previous half year and utilization certificate for the previous period • Audit report for the previous financial years, which are due before the tranche is requested.
Second (balance of the AWP)	October-November	On the request of PMUs of all IAs, in prescribed proforma and on fulfillment of the following conditions: • Utilisation of at least 60 percent of the total available funds (including opening balance) and submission of utilization certificates • The opening balance of the PMUs not to exceed 10 percent of the allocation of the previous year; central funds would be proportionally reduced for unutilized amount • Auditor report for the last fiscal year (with utilization certificates and bank reconciliation statement for the previous year furnished along with non-diversion of fund certificate • IUFR for the previous half year • Achievement with reference to the AWP • Other terms and conditions stipulated at previous release having been met.

Scrutiny of records revealed that against the available funds of Rs. 646.95 lakh (Opening balance as on 1st April 2018 Rs. 85.52 lakh, Allocated funds 560.41 lakh for the year 2018-19; recoupment of funds Rs. 1.02 lakh diverted to other works) only Rs. 284.04 lakh (44 percent) were spent for the implementation of project and remaining funds of Rs. 362.91 lakh were lying unspent in the saving bank account of the IA. This has also resulted in non-achievement of targets fixed in AWP for the year 2018-19.

It was further noticed that interest of Rs. 14.74 has been earned as interest during the year 2018-19 and Rs. 20.21 lakh earned on funds deposited in saving bank account of NHP from the start of the project to March 2019 was refunded to GoI as per the instruction issued (11th January 2019) by the GoI. Hence, Rs. 357.44 lakh (362.91+14.74-20.21) were lying unspent in the saving bank account of the IA. Also due to non-spending of funds of first tranche at least 60 percent of the total available funds (including opening balance) had resulted in non-release of balance funds of Rs. 429.60 lakh and also non-achievement of targets fixed in AWP for the year 2018-19.

The Nodal Officer-cum-Superintending Engineer Hydrology Cell confirmed the facts. No concrete reply was furnished by the department regarding non utilization of funds.

Para: 3. Lack of internal audit arrangements

As per para 5.5 of Project Implementation Plan of NHP was required to be conducted by CA firms. The audits would be conducted on a rotation basis based on the risk perception and the expenditure incurred and progress achieved by the agencies. Audit, however, noticed that no such internal audit had been conducted since the inception (2016-17 to 2018-19) of the NHP to till date (27-06-2019).

Tranche	Period	Conditions of Release
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The Nodal Officer-cum-Superintending Engingeer Hydrology Cell while confirming the facts stated that internal audit has been conducted by Sr. Finance expert, TAMC, NHP World Bank, New Delhi and the finanlisation of CA firm is under process at NPMU level. The reply is not acceptable as no arrangement for internal management at state level had been taken up by the IA.

Part III **Review of old objections**

Certification for the year 2016-17

Para 1 Slow pace of execution under National Hydrology Project

Compliance awaited. Para stands.

Para 2 Ineligible expenditure of Rs. 0.50 lakh

The Nodal Officer of the NHP had recouped the diverted funds of Rs. 0.50 lakh to the Project. Facts verified, hence para dropped.

Para 3 Non-utilisation of fund Rs. 83.84 lakh

Updated position has been incorporated in current audit note. Hence para is deleted from here.

Certification for the year 2017-18

Para 1 Slow pace of execution under National Hydorlogy Project

Compliance awaited. Para stands.

Para 2 Ineligible expenditure of Rs. 0.52lakh

The Nodal Officer of the NHP had recouped the diverted funds of Rs. 0.50 lakh to the Project. Facts verified, hence para dropped.

Para 3 Non-utilisation of fund Rs. 80.53 lakh

Updated position has been incorporated in current audit note. Hence para is deleted from here.

Part IV **Best practices**

Nothing worth mentioning has been noticed during course of audit.

Part V **Acknowledgement**

Nodal Officer-cum-Superintending Engineer, National Hydrology Project and his staff extended all possible co-operation and the records called for audit. The environment of audit was very cordial and professional on the either side. At the time of audit, Sh. Hemanat Kumar Tanwar was holding charge of the office of Nodal Officer, IPH Department, National Project, Tutikandi, Shimla-4.

Deputy Accountant General
(CASS)