



भारतीय लेखा परीक्षा तथा लेखा विभाग  
कार्यालय महानिदेशक लेखा परीक्षा (केन्द्रीय), चण्डीगढ़

Indian Audit & Accounts Department  
Office of The Director General of Audit (Central),  
Chandigarh



पत्रांक: केन्द्रीय व्यय/वैटिंग अनुभाग/2019-20/ 51-53

Dated: 13-09-2019

सेवा में,

The Director NHP, BBMB,  
Flat No. 67-70 SLDC Complex,  
BBMB Colony, Industrial Area Phase-1,  
Chandigarh.

विषय: वित्तीय वर्ष 2018-19 के लेखों से सम्बन्धित निरीक्षण रिपोर्ट (LAR) एवं प्रमाणीकरण प्रतिवेदन (Audit Certificate) प्रेषण के सम्बन्ध में।

महोदय,

उपरोक्त सम्बन्ध में आपके कार्यालय के वित्तीय वर्ष 2018-19 के वार्षिक लेखाओं से सम्बन्धित निरीक्षण रिपोर्ट (LAR) एवं प्रमाणीकरण प्रतिवेदन (Audit Certificate) अग्रिम कार्यवाही हेतु आपको प्रेषित किया जा रहा है।

- संलग्नक: 1. निरीक्षण रिपोर्ट (LAR)  
2. प्रमाणीकरण प्रतिवेदन (Audit Certificate)

भवदीय

पश्मती

वरिष्ठ लेखापरीक्षा अधिकारी/सी.ई. वैटिंग-2

प्रतिलिपि: वित्तीय वर्ष 2018-19 की निरीक्षण रिपोर्ट (LAR) की प्रति निम्न को सूचनार्थ एवं आवश्यक कार्यवाही हेतु प्रेषित।

1. The Secretary, GOI,  
Ministry of Water Resources, RD & GR  
National Hydrology Project Unit  
2<sup>nd</sup> Floor, Rear Wing, MDSS Building  
9, CGO Complex, Lodhi Road,  
New Delhi 110003.
2. The Secretary, GOI,  
No. 201, Shram Shakti Bhawan,  
Ministry of Power,  
New Delhi- 110001.

वरिष्ठ लेखापरीक्षा अधिकारी/सी.ई. वैटिंग-2

प्लॉट नं. 20-21, सेक्टर - 17ई, चण्डीगढ़ - 160017

Plot No. 20-21, Sector-17E, Chandigarh - 160017

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भारतीय लेखापरीक्षा तथा लेखा विभाग  
कार्यालय महानिदेशक लेखापरीक्षा (केन्द्रीय), चण्डीगढ़  
Indian Audit & Accounts Department  
Office of The Director General of Audit (Central),  
Chandigarh



संख्या: डी.जी.ए(सी)/कें.व्यय/NHP-BBMB/2019-20/

दिनांक:

**Audit Certificate**

The Expenditure Statement/Financial Statements relating to the National Hydrology Project in BBMB (Loan No.8725-IN) for the year 2018-19 attached hereto have been audited in accordance with 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 purpose of the project and
- (b) That the expenditure statement/s financial statements are correct.

During the course of audit referred to above, Statement of Expenditure/ Interim Unaudited Financial Reports for Rs.1,45,79,254.06 and the connected documents were examined and these can be relied upon to support reimbursement 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 the test audit, it is certified that the Expenditure Statement/ Financial Statements represent a true and fair view of the implementation and operations of the Project for the year 2018-19.

Net admissible amount is Rs.1,44,97,914.06

This certificate is issued without prejudice to CAG's right to incorporate any further/detailed audit observation if and when made in the Report of CAG of India for being laid down before Parliament/State Legislature.

  
Deputy Director  
Central Expenditure

**Audit Report of the Comptroller and Auditor General of India in respect of World Bank Aided National Hydrology Project, BBMB, Chandigarh for the year ended 31<sup>st</sup> March 2019**

**Report on the Project Financial Statements**

We have audited the accompanying financial statements of World Bank aided 'National Hydrology Project' which comprise the Statement of Sources and Applications of funds and the Reconciliation of claims to total applications of Funds for the year ended 31<sup>st</sup> March 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 applications of funds of the National Hydrology Project for the year ended 31<sup>st</sup> March 2019 in accordance with Government of India accounting standards.

In addition, in our opinion, (a) with respect to Interim Unaudited financial Reports (IUFs), adequate supporting documentation has been maintained to support claim to the World Bank for reimbursements of expenditures incurred and (b) except for inadmissible expenditures of Rs.81340/- 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 of Interim Unaudited Financial Reports (IUFs), an amount of Rs.1,44,97,914.06 can be relied upon to support reimbursement under the Loan/ Credit Agreement.

The audit 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 or UT Legislature.

  
**Deputy Director  
Central Expenditure**

# PROJECT FINANCIAL STATEMENT

Annexure -1

## STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS

**Consolidated Statement of Sources and Application of Funds Report for the year ended 31<sup>st</sup> March 2019**

Name of the Project: **NATIONAL HYDROLOGY PROJECT**

Name of Project Implementing Agency (PIA): **Bhakra Beas Management Board**


Loan/ Credit/ Grant No. **8725-IN**

Particulars			Current FY	Last FY	Cumulative for the Project
<b>SOURCES OF FUNDS</b>					
World Bank Funds - GEF	(A)				
Others	(B)		1,00,00,000	1,49,00,000	2,71,50,000
<b>Total Sources</b>	<b>Sum (A to B)</b>		1,00,00,000	1,49,00,000	2,71,50,000
<b>APPLICATION OF FUNDS</b>					
Component 1	(C)	Water Resources Monitoring System	20,04,571.80	2,07,360	22,11,931.80
Component 2	(D)	Water Resources Information System	Nil	Nil	Nil
Component 3	(E)	Water Resources Operations and Planning Systems	49,19,988	25,18,215	74,38,203
Component 4	(F)	Institutional Capacity Enhancement	7654694.26	867165.65	10136071.91
<b>Total Expenditure</b>	<b>(G)=Sum (C to F)</b>		14579254.06	3592740.65	19786206.71
Advances	(H)		Nil	Nil	Nil
<b>Total Applications</b>	<b>(G+F)</b>		14579254.06	3592740.65	19786206.71

  
**Deputy Director**  
**Central Expenditure**

**Reconciliation of Claims to Total Applications of Funds**  
**Report for the year ended 31<sup>st</sup> March 2019**


	Schedules	Amount (Rs.in lakhs)		
		Current Year	Previous Year	Project to date
<b>Bank Funds claimed during the year (A)</b>	I	100.00	149.00	271.50
<b>IUFR 1</b>				
<b>IUFR 2</b>				
<b>IUFR 3</b>				
<b>IUFR 4</b>				
<b>IUFR 5</b>				
<b>Total Expenditure made during the year (B)</b>		145.79	35.93	197.86
<b>Less: Outstanding Advances (C)</b>	II	--	--	--
<b>Ineligible expenditure (D)</b>	III	(-) 0.81	--	(-) 0.81
<b>Expenditure not claimed (E)</b>	IV	--	--	--
<b>Expenditure not covered for allocation i.e. 100% money will be reimbursed by some other funding agencies (F)</b>		--	--	--
<b>Total Eligible Expenditure Claimed (G)=(B)-(C)-(D)-(E)-(F)</b>		144.98	35.93	197.05

  
**Deputy Director**  
**Central Expenditure**

### Annexure -3

#### Statement of Expenditure/ Interim Unaudited Financial Reports incurred in respect of World bank Aided "National Hydrology Project" in BBMB Chandigarh for the year 2018-19

Sr. No.	Name of Institution	Name of audit office to issue audit certificate	Expenditure audited (Rs.)	Name of the Project	Amount Rs.	Audit Observations/ Remarks
1	Bhakra Beas Management Board	Director General of Audit (Central), Chandigarh	1,45,79,254.06	National Hydrology Project (NHP) in Bhakra Beas Management Board (BBMB)	100.00 lakh	Rs 0.81 lakh Ineligible expenditure

  
Deputy Director  
Central Expenditure

**Audit Report of the Comptroller and Auditor General of India on the financial statements of World Bank aided National Hydrology Project for the year ended 31<sup>st</sup> March 2019**

**Director, NHP-BBMB, Flat No.67&70, Industrial Area-I, Chandigarh**

**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 Sources and applications of funds and the reconciliation of claims to total application of funds for the year ended 31<sup>st</sup> March 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 statement present fairly, in all material respects, the sources and applications of funds of World Bank aided National Hydrology Project for the year ended 31<sup>st</sup> March 2019, in accordance with Government of India accounting standards.

In additional, 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; and (b) except for ineligible expenditure as detailed in the audit observations appended to this audit report, expenditure is eligible under the Loan Agreement No. 8725-IN. During the course of audit, statements of expenditure/UIFR 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 Observation:**

<b>Sr. No.</b>	<b>Para No.</b>	<b>Subject</b>	<b>Amount (Rs. in lakhs)</b>
1	1	Irregular expenditure on account of Air Travel tickets	0.81
2	2	Non-utilization of funds	--
3	3	Non-conducting of Internal Audit of NHP Project by CA Firm	--
4	4	Slow pace of utilization of funds during the year 2018-19	--



**Deputy Director  
Central Expenditure**



**Component of Expenditure for the year 2018-19 (National Hydrology Project)**

(Rs. in lakhs)

Sr. No.	Component	Name of the Project	Target as per AWP	Target against available (Grant-in-aid)	Achievement against available fund	Balance Amount
		Opening Balance				
1	A	Water Resources Monitoring System	294.00		20.04	273.96
2	B	Water Resources Information System	5.00		--	5.00
3	C	Water Resources Operations and Planning Systems	170.00		49.20	120.80
4	D	Institutional Capacity Enhancement	233.00		76.55	156.45
		Total	702		145.79	556.21

  
 Sr. Audit Officer

**Management Letter**

As no other material 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 Director  
Central Expenditure**

**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 started on 23.06.2016 by Government of India on G.R&R.D, approved by Ministry of Water Resources. The Project consists of following four components:-

- A. Water Resources Monitoring System
- 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 08.14.2017 between Government of India and International Bank for Reconciliation and Development (IBRD).

A Memorandum of Agreement (MoA) was signed on 07.11.2016 between Ministry of Water Resources, River Development and Ganga Rejuvenation (MoWR, R.D&G.R), Government of India and BBMB for implementation of NHP from 2016-17 to 2023-24 as a Central Sector Scheme. The project will be of 8 years duration and would be taken in two phases of four years each.

**Geographical Jurisdiction:-**The office of the Deputy Director, NHP is situated at H.No.67 & 70, SLDC Complex, Industrial Area, Phase-I, Chandigarh and the Director/NHP-cum-Secretary/BBMB is situated at Plot No.6-B, Sector-19-B, Chandigarh.

**Budget and financial performance:**

The details of budget and expenditure incurred there against during 2017-18 is as under:-

Year	Grant-in-Aid	Expenditure	
Opening Balance	1,26,66,942.35		
Receipt Government from	1,00,00,000	Component A	20,04,571.80
		Component B	--
		Component C	49,19,988
		Component D	76,54,694.26
Total	2,26,66,942.35	Total	

**(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 BBMB Chandigarh for the year 2018-19 was conducted by an audit party consisting of Shri Gur Parshad, Assistant Audit Officer w.e.f. 08.07.2019 to 19.07.2019 under the supervision of Shri Raj Paul, Audit Officer.

**DISCLAIMER**

This Inspection report has been prepared on the basis of information furnished and made available by the department. This office disclaims any responsibility for mis-information and/or non-information on the part of the auditee.

**Part-II : Audit findings**

The result of the current audit has been incorporated in the succeeding paragraphs.

**Part-II Section-A : Serious Irregularities**

-NIL-

## Part-II Section -B :-Other Irregularities

### Para:-1 Irregular expenditure on account of Air Travel tickets Rs.0.81 lakh

Ministry of Finance, Department of Expenditure, New Delhi vide O.M.No.19024/1/2009-E-IV dated 16.09.2010 followed by O.M.No. 19029/22/2017-E-IV dated 19.07.2017 directed to ensure strict compliance of extant guidelines for purchase of air tickets directly from Airlines (at Booking counters/ office/website of Airlines) or from three authorised Travel agents viz. M/s. Balmer Lawrie & Company Ltd., M/s. Ashoka Tours & Travels and IRCTC only by all officials / offices under their control.

During scrutiny of records of the office of the Director, National Hydrology Project, Chandigarh, it was noticed that officers/officials were travelling by air by purchasing air tickets thorough unauthorized agents/airlines. A few instances are as under:-

Sr. No.	Name & Designation S/Shsri	Air Travel from to		Date of travel	Vr. No. & Date	Amount (Rs.)	Airline Name
1.	S.K.Seth, Director	N. Delhi	Ahmadabad	21.2.18 & 25.2.18	05 dated 28.5.2018	7978	Spaciejet
2.	Saurabh Garg, ADE	N. Delhi	Ahmedabad	21.2.18 & 24.2.18	06 dated 28.5.2018	8717	Go Air
3.	Ajay Singh Kundu, ADE	Delhi	Pune	12.2.18 to 16.2.2018	07 dated 28.5.2018	24317	Air India(un- authorized agent)
4.	S.K.Seth, Director	Chandigarh	Delhi	24.4.2018 & 27.4.2018	10 dated 30.7.2018	20164	Jet Airways
5.	Saurabh Garg, ADE	Chandigarh	Gangtok	24.4.2018 & 27.4.2018	03 dated 03.01.2019	20164	Jet Airways
Total						81340	

On being pointed out in audit, it was stated that detailed reply will be submitted after verification of records.

**Para-2 : Slow pace of utilization of funds during the year 2018-19**

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 resources monitoring system
- B. Water resources information system
- C. Water resources operations and planning systems
- D. Institutional Capacity enhancement

Further, as per the Memorandum of Association (MoA) signed between Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR R.D &G.R), Govt. of India and Chairman, BBMB, Chandigarh on 07.11.2016 for the implementation of NHP. The project cost is Rs.30.00 crores and to be completed in 08 years duration (2016-17 to 2023-24) in two phases of four years each. The 1<sup>st</sup> phase is going to be completed in March 2020. The Implementing Agency will prepare 08 years project Implementation Plan (PIP) and will prepare an Annual Work Plan (AWP) for the Project every year. These Plans will be appraised and approved by the Ministry of WR and RD & GR. The National Hydrology Project as a whole was of Rs.3679.77 crore and the outlay of 1<sup>st</sup> stage is Rs.1681.57 crore and that of Stage II Rs.1998.20.

During scrutiny of records, it was noticed that Annual Work Plan (AWP) for the year 2018-19 was approved for Rs.702.00 lakh. The funds position under the project (BBMB) for the year 2018-19 was as under :-

	Rs. in lakhs
Opening Balance	126.67
Receipts during the year	100.00
Funds available for utilization	226.67
Other receipts (interest, penalties etc)	4.46
Grand Total	231.13
Expenditure	145.79*
Amount deposited in Bharat Kosh	4.52
Closing Balance/ unutilized funds	80.82

\* includes expenditure of Rs.54.62 lakh incurred on International Conference held in December 2018.

The data reflects that total funds available were Rs.226.67 lakh, against which expenditure to the tune of Rs.145.79 lakh only were utilized during the year

2018-19. The percentage of expenditure against available funds was 64% and against approved AWP was only 21%. No expenditure was incurred under component B (Water Resources Information System) whereas a provision of Rs.5.00 lakh was made in AWP. Since the 1<sup>st</sup> Stage is likely to be completed by March 2020, the accumulated expenditure on project upto March 2019 was Rs.202.38 lakh, thus, the achievement of targets was far behind.

On being pointed out in audit, it was stated that detailed reply will be submitted after verification of records.

### Para-3 Non-Utilization of Funds

Para 38 of Project Appraisal Report of the World Bank provided that the Ministry of Water Resources, River Development and Ganga Rejuvenation (MoWR, RD&GR), Government of India will release funds in two tranches each year through Direct transfers into IAs Bank Account. For all fund releases following first tranche, the state and Central IAs will be required to submit documents as outlined in the MoA. Fund flows to the state and central IAs will be based on the actual expenditure and contractual commitments of the IAs. The milestone for release of payments are outlined as under :-

Tranche	Period	Conditions of release
First (upto 60% of the AWP)	April-May	<ul style="list-style-type: none"> <li>• On fulfilling conditions imposed at the time of release of previous tranche.</li> <li>• IUFR for the previous half year and C for the previous period</li> <li>• Audit Report for the previous FY, which are due before the tranche is required.</li> </ul>
Second (Balance of the AWP)	October-November	<p>On the request of the PMU of all IAs, in prescribed proforma and on fulfillment of the following conditions :</p> <ul style="list-style-type: none"> <li>• Utilization of atleast 60% of the actual available funds (including opening balance) and submission of Utilization Certificates.</li> <li>• The opening balance of the PMU not to exceed 10% of the allocation of the previous year, central funds would be proportionately reduced for unutilized amount.</li> <li>• Audit reports for the last fiscal year (with auditor's remarks)</li> <li>• Utilization Certificates and Bank Reconciliation Statement for the previous year furnished alongwith non-diversion of fund certificate.</li> <li>• IUFR for the previous half year.</li> <li>• Achievement with reference to the AWP.</li> <li>• Other terms &amp; conditions stipulated at the previous release having been met.</li> </ul>

During scrutiny of records, it was noticed that the position of utilization of funds since inception of NHP Project was as under :-

Year	Opening balance	Funds received during the year	Total	Expenditure	Balance out of released funds	10% of funds released	Excess balance
2016-17	Nil	2250000	2250000	1614212	635788	225000	410788
2017-18	635788	14900000	15535788	3592741	11943047	1553579	10389468
2018-19	11943047	10000000	21943047	14579254	7363793	2194305	5169488

Closing balances during the period 2016-17, 2017-18 and 2018-19 remained excess of permissible 10% of allocated funds which was against the above referred provisions.

On being pointed out in audit, it was stated that the detailed reply will follow after consulting the records.

#### **Para-4:- Physical & Financial Reports**

Clause 3 (iv) of Memorandum of Agreement (MOA) between the Ministry of Water Resources, River Development and Ganga Rejuvenation (MoWR, RD&GR), Government of India and Bhakra Beas Management Board (BBMB), Ministry of Power, Government of India for the implementation of National Hydrology Project (NHP) provides that :

Quarterly Progress Report (QPR) indicating quarterly physical and financial targets/ achievement matching with annual targets certified by the Nodal Officer of the Project Monitoring Unit (PMU) of the implementing agency shall be submitted to the NPMU by the end of month of April, July, October and January positively. QPR shall be submitted through the web based Monitoring Information System (MIS) of NHP. The annual physical & financial reports executed during the immediate preceding financial year will be submitted to the NPMU by July 31<sup>st</sup> of every financial year.

During scrutiny of records, it was noticed that only financial reports were submitted but the physical progress of works/ projects executed against the utilized funds was not maintained. Non-maintenance of physical report/status was against the project guidelines and in the absence of maintenance of physical report, the actual physical achievement against the funds utilized could not be verified.

On being pointed out in audit, it was stated that detailed reply will follow after verification of records.



**Para 5      Non-conducting of internal audit of NHP Project by CA Firm**

As per provisions made under para 21 of Financial Management Guidelines on National Hydrology Project framed by the Ministry of Water Resources, River Development and Ganga Rejuvenation (MoWR, RD&GR), Government of India, Internal Audit would be an integral part of the project design. CA Firms would be hired to carry out the Internal Audit of the Project. The firms would be selected on a region wise basis based on the risk perception and the expenditure incurred and progress achieved by the agencies.

During scrutiny of records, of the office of the Director, NHP, Chandigarh, it was observed that internal audit of the NHP Project was not conducted by any CA Firm upto the year 2018-19.

On being pointed out in audit, it was stated that the matter will be taken up with the Ministry for the purpose.

**Part-(III):-Review of old objections**

**LAR 2014-15**

Para-1 Irregular transfer of grant to the BBMB account Rs. 15.26 lakhs.

Para stands.

**LAR 2014-15**

Para-3 Non conducting of physical verification of fixed assets

Already settled MoD in 05/2019.

**LAR 2014-15**

Para-2 Non crediting of Rs.65.91 lakh to final head.

Para stands.

**LAR 2016-17**

Para-1 Irregular expenditure of Rs.4.27 lakh

Already settled MoD 05/2019.

**LAR 2017-18**

**Para 1      Incurring of expenditure over and above the sanctioned grant  
Rs.618215/-.**

Recommended for settlement.

**Para 2      Slow utilization of funds**

Para updated in current LAR, hence, deleted from here.

**Para 3**      **Non-formulation of Investment Policy and parking of surplus funds in saving bank accounts – loss of interest Rs.1.56 lakh**

Para is recommended for settlement.

**Para 4**      **General**

Recommended for settlement/ updated in current LAR.

**Part-(IV):- Best practices :**

Nothing worth mentioning has been noticed during course of audit.

**Part-(V)- Acknowledgement**

Director, 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. Shri Tarun Aggarwal, Secretary, BBMB was holding charge of the office of Nodal Officer-cum-Director, National Hydrology Project, Chandigarh.

  
Sr. Audit Officer