



कार्यालय प्रधान महालेखाकार (लेखापरीक्षा), उत्तराखण्ड  
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT),  
UTTARAKHAND



**REPORT OF COMPTROLLER AND AUDITOR GENERAL OF INDIA**  
**REPORT ON PROJECT FINANCIAL STATEMENTS**

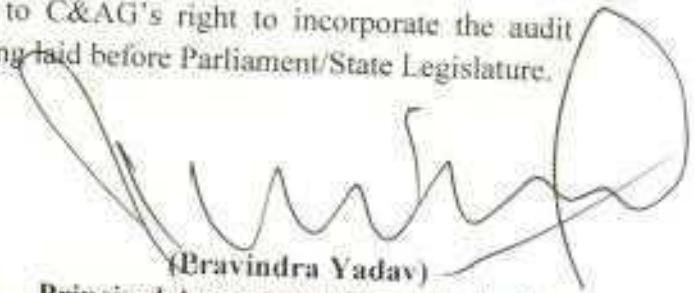
We have audited the accompanied Statement of Expenditure (SoE) of the Uttarakhand Decentralised Watershed Development Project, Phase-II (UDWDP-II) (Granya-II) financed under World Bank (IDA) (Credit No. 5369IN), which comprises sources and application of fund for the year 2021-22. These statements are the responsibility of the project's management. Our responsibility is to express an opinion on the accompanying financial statement based on our audit.

We conducted audit in accordance with 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 misstatements. The Audit examines, on a test check, evidence for supporting the amounts and their disclosure in the SoEs. It also includes assessing of 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 SoE presents true and fair view in all material respects of the sources and application of funds of UDWDP-II for the financial year 2021-22, in accordance with Government of India Accounting standards.

In addition, in our opinion in respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditures incurred for the year 2021-22 amounting to ₹ 183.10 Crore (Annexure-1) and the related documents were examined and these can be relied upon to support reimbursements under the loan/credit agreement.

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

  
(Bravindra Yadav)  
Principal Accountant General (Audit)  
Uttarakhand

**DETAIL OF EXPENDITURE INCURRED UNDER UDWDP-II PROJECT  
(CREDIT NO. 5369 IN) DURING THE YEAR 2021-22**

(Amount in ₹)

Particulars	2020-21	2021-22
Opening Balance (a)	12300000	49,01,853
Fund received from Govt. through budget (b)	1786516753	1718656647
Fund received directly by project implementing agency through external assistance(c)	NIL	NIL
Beneficiary contribution if any (d)	102267000	107429200
Total receipts (e) = (a)+(b)+(c)+ (d)	1901083753	1830987700
<b>Expenditure incurred during financial year (f)</b>	<b>1896181900</b>	<b>1830987700</b>
Closing Balance (g) = (e)-(f)	4901853	0
Ineligible expenditure (Staff Cost) (h)	156317200	17,44,92,200
Eligible expenditure (i) = (f)-(h)	1739864700	161,13,00,070
World bank share (j) = 80% of (i)	1391891760	128,90,40,056



Sr. Audit officer/FAW

## Audit Observations

1. Incremental Operating costs will be borne by the project and Point 11 of Appendix of Financing agreement of UDWDP II defines "Incremental Operating Costs" as follows-
  - (a) costs of incremental contractual staff salaries (other than consultants), excluding salaries of civil servants deputed to the Project;
  - (b) dissemination of Project-related information;
  - (c) office rental and leasing operation and maintenance of equipment;
  - (d) office supplies and utilities;
  - (e) travel and boarding/lodging allowances;
  - (f) leasing, operation and maintenance of vehicles;
  - (g) advertising and communication expenses; and
  - (h) bank charges.

Scrutiny of records revealed that entity has incurred Capital Expenditure of ₹40.63 lakh (Appendix-1) on Watershed Management Directorate building Indira Nagar, Dehradun and staff quarters under the head 51- Maintenance work. However, it does not fall under any of the category of eligible expenditures as mentioned above. The expenditure for establishment of Centre of excellence, under PAD Component 4(a) was to be incurred to help in the implementation of the project.

The project was to be concluded by January 2022 whereas these expenditures were incurred during December 2021 to January 2022 i.e. at the time of closure of the project. Thus, this capital expenditure cannot be linked with project implementation.

2. Watershed development is a primary tool of the Government of India (GoI) to increase agricultural productivity and reduce rural poverty. As per clause no. 27 of the Project Appraisal Document (PAD), 3.3 percent beneficiary contribution was proposed for the component 2 of the project Watershed Treatment and Rainfed Area Development. Community works has lesser contribution to individual work. Project focus is on community works as to maximise benefit to the society. It was noticed in audit that, total beneficiary contribution collected from the beneficiaries was ₹ 1074.29 lakh which was 9.86 percent of total expenditure (₹ 10892.47 lakh) of the component 2. Thus, extra beneficiary contribution of ₹ 714.84 lakh was collected from the beneficiaries, which was against the provisions of PAD.

3. Partner NGO Rudraprayag (UDWDP-II) purchased forming tools/seed of amounting ₹ 9,38,862 from M/s Bharat Agrotech. Audit scrutiny revealed that the supplier did not have any GSTN/ Seed License Number. The Government supply should always be made from registered/licensed vendor.

4. As per Government order no. 148/ XIII-II/ 2014-61(05)/2013 dated 20 February 2015, the procurement rules for implementation of UDWDP Phase II were relaxed. As per the procurement Rules, Material worth more than US\$ 500 upto US\$ 30000 and Expenditure on works worth more than US\$ 2000 upto US\$ 50000 can be done through quotation basis. Scrutiny of records of O/o the deputy project director, UDWDP-Phase II, Bageshwar revealed that DPD office awarded 19 supply orders on quotation basis to the two vendors/

firms (namely M/s Suman Engineering Company 15 & M/s Himalayan Iron Works 04) amounting to ₹ 42.43 lakh (Annexure III) during the period from November 2021 to January 2022 for the same item i.e. Procurement of T-Bar. Procuring the same item at the same location on the same time to the same vendors resulted not only in splitting of work and undue favour to the firms but also violation of the procurement rules framed/ relaxed for the project as supply amounting upto US\$ 30000 only are allowed through quotation.

5. The closing balance (bank balances) of gram panchayats were not provided to audit by the units, hence, balances of gram panchayats could not be verified during certification. However, the same has been checked and pointed out in Internal audit.



**Sr. Audit Officer/ FAW**

## Appendix-1

S. No	Work Name	Total amount of work	Date of work order	date of completion of work
1	30KWP DC/30 KW AC three phase roof top Grid-Connected Solar Power Plant over Tubular shed at Main Directorate building	1599718	31-12-2021	21-01-2022
2	Rain Water Harvesting System at Main Directorate building Indra Nagar, Dehradun	240794	31-12-2021	22-01-2022
3	Construction of Cantilever Tubular Shed Passage over SINA building at Indira Nagar, Dehradun	117869	01-01-2022	19-01-2022
4	Construction of Centre of Excellence Building/Hall at Indira Nagar, Dehradun	1986335	20-12-2021	22-03-2022
5	Fabrication, Erection of tubular shed of roof over T/vv/6 at Indira Nagar, Dehradun	117869	10-12-2021	21-12-2021
		4052585		

  
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S.No	Name of work	Appendix II		Vendor	Amount
		Month	Voucher No		
1	Procurement of T-Bar	Nov-21	142	Suman Engineering Company	208500
2	Procurement of T-Bar	Nov-21	143	Suman Engineering Company	208500
3	Procurement of T-Bar	Nov-21	144	Suman Engineering Company	208500
4	Procurement of T-Bar	Dec-21	76	Suman Engineering Company	55600
5	Procurement of T-Bar	Dec-21	77	Suman Engineering Company	208500
6	Procurement of T-Bar	Dec-21	82	Himalyan Iron Works	444308
7	Procurement of T-Bar	Dec-21	136	Suman Engineering Company	208500
8	Procurement of T-Bar	Dec-21	137	Suman Engineering Company	278000
9	Procurement of T-Bar	Dec-21	138	Suman Engineering Company	208500
10	Procurement of T-Bar	Dec-21	150	Suman Engineering Company	220500
11	Procurement of T-Bar	Dec-21	152	Suman Engineering Company	247350
12	Procurement of T-Bar	Dec-21	153	Suman Engineering Company	242985
13	Procurement of T-Bar	Dec-21	154	Suman Engineering Company	305550
14	Procurement of T-Bar	Dec-21	253	Himalyan Iron Works	137523
15	Procurement of T-Bar	Jan-22	194	Himalyan Iron Works	170000
16	Procurement of T-Bar	Jan-22	231	Suman Engineering Company	196425
17	Procurement of T-Bar	Jan-22	1	Himalyan Iron Works	194960
18	Procurement of T-Bar	Jan-22	21	Suman Engineering Company	349200
19	Procurement of T-Bar	Jan-22	22	Suman Engineering Company	149865
<b>Total</b>					<b>4243266</b>

  
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