



कार्यालय महालेखाकार (लेखा परीक्षा), उत्तराखण्ड  
OFFICE OF THE ACCOUNTANT GENERAL (AUDIT),  
UTTARAKHAND



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

We have audited the accompanied Financial Statements of the Uttarakhand Decentralised Watershed Development Project, Phase-II (UDWDP-II) financed under World Bank (IDA) Loan No. 5369IN, which comprise the Statement of Sources and Application of Fund and the Reconciliation of claims to Total Application of Funds for the year ended 31 March 2021. 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 misstatement. Our Audit examines, on a test basis, evidence supporting the amounts and disclosure in the Financial Statement. 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 project financial statements present fairly, in all material respects, the sources and applications of funds of Uttarakhand Decentralised Watershed Development Project, Phase-II (UDWDP-II) for the year ended 31 March 2021 in accordance with Government of India Accounting standards.

In addition, in our opinion, (a) with respect to PFS, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to this audit report, expenditures are eligible for financing under the loan/Credit Agreement. During the course of the audit, SOEs/FMRs and the connected documents were examined, and these can be relied upon to support reimbursement under the Loan/Credit Agreement.

This 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.

Date: December 2021

Principal Accountant General (Audit),  
Uttarakhand, Dehradun

Annexure-I

DETAIL OF EXPENDITURE INCURRED UNDER UDWDP-II PROJECT  
(CREDIT NO. 5369IN) DURING THE YEAR 2020-21

(Amount in ₹)

Particulars	2019-20	2020-21
Opening Balance (a)	70,00,569	1,23,00,000
Fund received from Govt. through budget (b)	113,89,38,031	178,65,16,753
Fund received directly by project implementing agency through external assistance(c)	Nil	Nil
Beneficiary contribution, if any (d)	4,55,48,300	10,22,67,000
Total receipts (e) = (a)+(b)+(c)+ (d)	119,14,86,900	190,10,83,753
Expenditure incurred during financial year (f)	117,91,86,900	189,61,81,900
Closing Balance (g) = (e)-(f)	123,00,000	49,01,853
Ineligible expenditure (Staff Cost) (h)	15,72,48,000	15,63,17,200
Ineligible expenditure due to wrong payment	Nil	13,29,000
Eligible expenditure (i) = (f)-(h)	102,19,38,900	173,85,35,700
World bank share (j) = 80% of (i)	<b>81,75,51,120</b>	<b>139,08,28,560</b>

  
(Yogesh Agrawal)

Deputy Accountant General/AMG-II

### Audit Observations

1- Watershed development is a primary tool of the Government of India (Gol) to increase agricultural productivity and reduce rural poverty. Purpose of the scheme was to provide financial and social security to an individual who is below poverty line to prevent rural migration. 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. It was noticed in audit that, total beneficiary contribution collected from the beneficiaries was ₹ 1022.67 lakh which was 8.77 percent of total expenditure of ₹ 11656.81 of the component 2. As per clause 27 of the PAD only 3.3 percent beneficiary contribution was to be collected from the beneficiaries by Watershed Management Directorate i.e., ₹ 384.67 lakh (3.3 percent of ₹ 1022.67 lakh).

Thus, extra beneficiary contribution of Rs. 638.00 lakh was collected from the beneficiaries, which was against the provisions of PAD.

In reply, the management has accepted the audit observation.

2- As per point 11 of Appendix of Financing agreement of UDWDP II “ Incremental Operating Costs means the reasonable costs of incremental expenditure incurred by Project Implementing Entity on account of Project implementation, management and monitoring, including, inter alia: (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 an expenditure of ₹ 13.29 lakh on Watershed Management Directorate Building and staff quarters under minor construction work. The said expenditure was ineligible expenditure as it does not fall in the category of Incremental Operating Costs as per above referred provisions. Therefore, claiming of the same from World bank was not in order and should have been met out from State Government Budget.

On this being pointed out, Project Director stated that the maintenance of existing building of WMD was included in the costs table of project under the head of upgrading WMD building for which provision of ₹ 11.10 crore was made. The reply of the management is not tenable as the expenditure related to upgradation of existing

building does not fall in the incremental operating costs as stated above in the Financing Agreement of UDWDP II. Hence, this expenditure was ineligible for reimbursement.

- 3- As per para no. 33 of the Project Appraisal Document (PAD); in respect of internal control, it was stated that all financial controls applicable to routine GoUK expenditure would also apply to the expenditure under the project and each division should ensure that Gram Panchayats (GPs) advances are minimized at the financial year end.

In this regard, it was observed that, an opening balance with GPs bank accounts was of ₹ 123 lakhs. While during the year ₹ 10000.00 lakh was disbursed and Rs. 10073.98 lakh was spent, leaving the closing balance of ₹ 49.02 lakh at the end of the year 2020-21 in the GPs bank accounts. Further, it was also observed that in five GPs, the closing balance was more than one lakh and in one GP, it was more than five lakh.

- 4- As per section 51 (1) of Goods and Service Tax Act, 2017 a TDS equivalent to two percent (1% CGST+1%SGST) should have been deducted from payment made to suppliers or contractors where total value of such supply, under a contract, exceeds ₹ 2.50 lakh.

During scrutiny of vouchers, it was observed that TDS of ₹ 1.08 lakh was not deducted from the contractors/suppliers as detailed below:

Name of Supplier/Contractor/Work	Bill Amount	Amount of GST TDS (@2%)
SBW Agrobioponics Private Limited	10,98,000	21,960
SAI Biotech World	7,44,550	14,891
Saransh Agro Solution	10,68,000	21,360
Growth Center, Rudraprayag	19,00,000	38,000
Growth Center, Dehradun	6,12,000	12,240
<b>Total</b>	<b>54,22,550</b>	<b>1,08,451</b>

On being pointed out, entity has accepted the audit observation. However, the fact remains that the responsibility to deduct and deposit all statutory dues rest with the management.

- 5- As per “The Building and Other Construction workers’ Welfare Cess Act, 1996”, Labour Cess at the rate of one percent of the construction cost of the project is to be

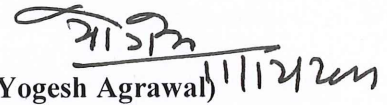
deducted from all the running bills of the contractors and the same is to be deposited in favour of Secretary, Uttarakhand Buildings and Other Construction Workers' Welfare Board through bank draft/Cheque or by online mode.

During the Scrutiny of bills of constructions of growth centre at Rudraprayag and Dehradun, it was observed that labour cess amounting to ₹ 25120 was not deducted from the running bills of the contractor, which was violation of the referred Act.

Management accepted the audit observation. However, the fact remains that all statutory dues should have been deducted on time and as per norms, in this regard, which was not done.

- 6- As per Project Appraisal Document, Clause V-Key Risk and Mitigation Measure, Point B- Overall Risk Rating Explanation, "Gramya II would also strengthen the 27 Farmer Federations (FFs) formed under Gramya I in their transformation into viable business and established an Agri Business Support Model".

During the scrutiny of records, it was revealed that out of 27 FFs which were established in Gramya-I, only 19 Federations were running at the end of project and working for value addition, shorting etc. like activities. But, in Gramya-II, only 13 FFs were active and running their business. However, all the FFs which were established under Gramya-I scheme were not sustained during Gramya-II scheme as the numbers of FFs falls from 27 to 13, which indicates that all the FFs constituted under Gramya-I were not transformed into viable business model.

  
(Yogesh Agrawal)

Deputy Accountant General/AMG-II