

Audited Project Financial Statements

Project Number: 47229
Loan Number: 3055
Period covered: 1 April 2014 to 31 March 2015

IND: Uttarakhand Emergency Assistance Project

Prepared by The Government of Uttarakhand acting through the State Disaster Management Authority

For the Asian Development Bank
Date received by ADB: 21 March 2016

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy (2011) and as agreed between ADB and Government of Uttarakhand acting through the State Disaster Management Authority.



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



No.-FAW/ADB/UEAP/2015-16/196B/ १०५
Date- 17/03/2016

To,

The Programme Director
Uttarakhand Emergency Assistance Project (UEAP)
Government of Uttarakhand,
Sidkul, IT Park, Dehradun.

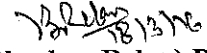
**Subject: Issue of Audit Certificate of Uttarakhand Emergency Assistance Project (UEAP)
for the financial year 2014-15.**

Sir,

I am to enclose herewith the Audit Certificate for the financial year 2014-15 along with the audit observation on it for Uttarakhand Emergency Assistance Project assisted by Asian Development Bank Loan No.-3055 IND.

Encl: As above

Yours faithfully,


(Vidya Bhushan Relan) B.A.
Dy. Accountant General
Finance Audit Wing

Audit Certificate of Uttarakhand Emergency Assistance Project (UEAP)
For the financial year 2014-15

We have audited the accompanying financial statement of the UEAP financed under the Asian Development Bank Loan No. 3055 IND which comprises the Statement of Receipts and Payments, the Statement of Expenditure (SOE) by Category, and the Statement of Disbursement for the year ended 31 March 2015.

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.

This certificate is being issued based upon the facts and figures provided to the Audit. Hence Audit will not be responsible for any discrepancy found later on due to concealing of facts and figures by the audited entity.

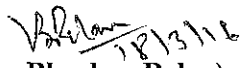
We conducted our audit in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our Audit examined, on a test basis, evidence supporting the amounts and disclosures in the financial statement. It also includes assessing the accounting principles used and the 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 presents fairly, in all material respects, the sources and applications of funds of project for the year ended 31 March 2015 in accordance with Government of India Accounting Standards.

In addition, in our opinion;

- 1) Proceeds of the loan from Asian Development Bank (ADB) have been utilized for the purpose as per ADB Loan/ project Agreement.
- 2) Financial covenants in the loan agreement UEAP-Loan No. 3055 IND dated 05.Feb.2014 have been complied with.
- 3) (i) With respect to SOEs, adequate supporting documentation has been maintained to support claims to the ADB for reimbursements of expenditure of ₹ 78,65,42,637.00 (₹ Seventy eight crore sixty five lakh forty two thousand six hundred thirty seven) incurred, appended to this audit report and expenditure is eligible for financing under the Loan Agreement.
(ii)(a) The Imprest Accounts give a true and fair view of the receipts collected and payments made during the year ended 31 March 2015 and (b) these receipts and payments support Imprest Account liquidations/replenishments during the year.

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 Legislature.


(Vidya Bhushan Relan)
Dy. Accountant General/F.A.W.

Annexure-1
Details of Expenditure incurred under UEAP during the year 2014-15
Project No.-: 42279
Loan No.-: 3055 IND

		(Amount in ₹)
Opening Balance-	Cash in Bank	1,83,78,634.00
	Cash in Hand	9,000.00
Fund received during the year 2014-15		88,86,00,000.00
Other Receipt -	Sale of tender form, EMD forfeited -	38,56,854.00
	Security Deposit/Retention Money -	1,42,91,584.00
	Statutory Deduction payable* -	4,37,342.00
Interest Receipt during the year 2014-15		97,36,075.00
Total Fund Available		93,53,09,489.00
Deposited to GOU Account (Interest of the year 2013-14)		(-)1,30,581.00
TDS on interest deducted by bank		(-) 4,87,476.00
Net Fund Available		93,46,91,432.00
Expenditure during the year 2014-15	- 78,65,54,882.00	
Withheld amount for the year 2014-15 [#]	- 12,245.00	
Reimbursable Expenditure during the year 2014-15	- 78,65,42,637.00	78,65,42,637.00
Closing balance	Cash in Bank	14,80,12,608.00
	Cash in Hand	1,23,942.00

* Details of Statutory Deductions payable are given in the table below.

Amount was withheld because the payment was made for greeting of Independence Day and Janmashtami in news paper which is not reimbursable through the project cost. On this being pointed out the unit has deposited the amount in the project account on 14 March 2016.

Details of Statutory Deductions

(Amount in ₹)

Sl. No.	Particular	Total Deduction	Total Deposited	Statutory Deduction Payable
1	TDS	19,836,419.00	19,833,748.00	2,671.00
2	VAT	11,900.00	11,900.00	-
3	WCT	452,248.00	209,285.00	242,963.00
4	PF Contribution	843,847.00	843,847.00	-
5	Royalty Payable	466,003.00	274,295.00	191,708.00
6	Labour Cess Payable	64,461.00	64,461.00	-
	Total	21,674,878.00	21,237,536.00	437,342.00

Vidya Bhushan Relan
 18/3/16
(Vidya Bhushan Relan)
Dy. Accountant General/F.A.W.

Audit Observations

1. As per the instructions of the High Powered Committee (HPC), any work sanctioned or in process of sanction through Regular State Government Budget/Project should not be taken in this project to avoid overlapping.

In the scrutiny of the records of PIU-R&B, it was found that in two packages C-11 (i) Naugaon-Purola Motor Road and (ii) Reconstruction of Kalsi-Chakarata Motor Road and C-12 (i) Satsiling-Thal Motor Road (ii) Reconstruction of Internal Road of Nagar Panchayat-Dharchula Road, repair works in patches were sanctioned under the UEAP grant and were started on June, 2014. It was found that these two road works were also sanctioned (May, 2014 and Feb, 2015 respectively) for reconstruction from the state budget. Because of this, UEAP works had to stop in midway before the completion (Sep, 2015). Thus, expenditure of ₹104.36lakhs (₹ 14.09lakhs+₹ 90.27lakhs respectively) incurred from the project on the above works was rendered unfruitful.

On this being pointed out, the unit replied that the repaired roads were being used by the people.

Reply of the unit is not acceptable because the repair works on patches would be overlapped by the reconstruction of the roads and if the duplicity of the road works had been checked earlier, some other roads could have been identified for repair and people could have been benefited more.

2. As per the Project Administration Manual (PAM), the total administrative cost admissible out of the total project cost was 2.44per cent, while in the scrutiny of the records, it was found that in all the subsidiary units as well as in the total project, administrative costs charged were more than the admissible limit as indicated in the table below -

Statement of the Actual Administrative Expenses in respect of Admissible Administrative Cost

Name of the unit	Total Project Cost Admissible (in Million \$)	Administrative Cost Admissible (in Million \$)	% of Administrative Cost Admissible	Actual Total Expenditure (₹in lakh)	Actual Administrative Expenditure (₹in lakh)	% of Actual Total Expenditure
Roads & Bridges	121.45	2.8	2.31	6308.33	311.05	4.93
Civil Aviation	24.75	0.36	1.45	256.22	76.71	29.94
Uttarakhand Jal Sansthan	26.99	0.82	3.04	812.55	62.63	7.71
Total Tourism Department	31.81	1.02	3.21	432.21	93.81	21.70
Project Management Unit	-	-	-	73.70	73.70	-
Total	205	5	2.44	7883.01	617.91	7.84

On this being pointed out, the unit replied that the total administrative cost was within the admissible limit of the project as in first two years, total of \$ 3.25 million was admissible in the project which works out to ₹ 19.50 crore (@ ₹ 60 per \$).

Reply is not tenable because administrative cost of \$ 3.25 million was admissible with reference to project expenditure of \$ 103.74 Million to be incurred in the first two years. As the total actual expenditure in the project up to March, 2015 was ₹ 78.83 crore only, the administrative expenditure was required to be limited to 2.44 per cent of ₹ 78.83 crore.

3. As per the guidelines and agreement, mobilization advance (MA) at the rate of 10 per cent of the agreement amount was to be given to the firm to start up the work. In the scrutiny of the records, it was found that in 11 cases, MA of ₹ 622.76 lakh was given to the firms and works could not be started till the date of Audit (November 2015), despite expiry of nine to eleven months. Meanwhile, an excess burden of ₹ 4.24 lakh was borne by the project as interest and commitment charges to be paid to ADB as indicated in the table below -

(Amount in ₹)

Name of the PIU	Name of the firm	Mobilization Advance paid	Date of payment (mm/yy)	Date of Start of work	Stipulated date of completion of work	Interest & Commitment Charges to be paid to the ADB @ 0.68%
Roads & Bridges	M/S Dwarika Projects Ltd.	13,15,976	12/14	17/12/14	16/03/16	8,949

Civil Aviation	M/S Woodhill Infrastructure Ltd.	1,14,95,787	11/14	15/12/14	15/03/16	78,171
UJS	M/S Kashmiri Lal Cons. Pvt. Ltd. Lot-1	53,38,019	11/14	07/11/14	31/05/16	36,299
	M/S Kashmiri Lal Cons. Pvt. Ltd. Lot-2	38,33,095	11/14	07/11/14	31/05/16	26,065
	M/S Kashmiri Lal Cons. Pvt. Ltd. Lot-3	20,99,577	11/14	07/11/14	31/05/16	14,277
	M/S Kashmiri Lal Cons. Pvt. Ltd. Lot-5	51,87,505	02/15	07/02/15	08/09/16	35,275
	R.K. Engineers, Gauchar	64,75,308	01/15	19/12/14	18/07/16	44,032
Tourism (GMVN)	M/S Acme Clentech Sol. Ltd.	30,31,767	03/15	01/10/14	11/02/16	20,616
	M/S Acme Clentech Sol. Ltd.	15,89,436	03/15	01/10/14	09/10/15	10,808
	M/S Acme Clentech Sol. Ltd.	44,09,619	03/15	01/10/14	11/07/16	29,985
	M/S Loomcraft Shade Sys. Pvt. Ltd.	1,75,00,000	03/15	30/09/14	08/03/16	1,19,000
Total		6,22,76,089				4,23,477

On this being pointed out, the unit replied that due to objections by local residents as well as other obstructions, and these being part of the first phase, works could not be started in the due time thus recovery could not be done.

Reply of the unit is not acceptable as it is the responsibility of the project authorities to provide the hassle free environment to the firms to start the work.

4. In the scrutiny of the records it was found that in three works, royalty amount was not being deducted from the running bills which were mandatory as per the State Government instructions. The details of the works are given below –

(₹ in lakh)

Sl. No.	Name of the work	Amount paid till November 2015.	Royalty amount	Deducted in running bills	Still due
1.	Reconstruction of Internal Roads of NagarPalika-Bageshwar (C-18)	259.27	NA	Nil	NA
2.	Reconstruction of Satsiling Thal Motor Road (C-12)	14.73	0.27	0.08	0.19
3.	Bageshwar-Kapkot-Sama-Tejam Motor Road (C-26)	181.88	NA	Nil	NA

On this being pointed out, it was intimated by the unit that the items were purchased by the crusher so the royalty amount has already been paid.

Reply is not acceptable as the certificate of the paid royalty amount was not provided to Audit.

5. Construction of Helipads, Helidromes and heliports were being done by PIU Civil Aviation in the project for disaster preparedness to provide the immediate assistance to the locality in case of any emergent situation. In first phase, twelve helipads costing ₹ 11.50 crores, were being constructed in different locations of the state.

In the scrutiny, it was found that in eleven out of twelve cases, the land did not belong to the Civil Aviation Department and was held with Revenue, Tourism and Sports Departments. Although NO Objection Certificates (NOC) have been obtained for all the works but no provisions were made for the maintenance and security of the constructed helipads which were the primary requisites of disaster preparedness.

On this being pointed out, the unit replied that maintenance would be done at the District Administration level and SDRF would be deployed for the security of the constructed helipads.

Reply is not acceptable because no provision was made for the same till date and in few cases, permission has also been granted for playing Basketball on the constructed helipad. Thus the security and maintenance of the ground cannot be assured.

6. For the purpose of disaster preparedness, construction of Helipads, Helidromes and Heliports was being done under the project. In first phase, advertisements of three packages containing twelve helipads were published (30/07/2014) in the news paper costing ₹ 5,36,108.00. In

scrutiny, it was found that in the published advertisement, the date of opening the bid was declared on 18/08/2014 which was a holiday. Because of this, a corrigendum was published on 06/08/2014 to change the date (19/08/2014) of opening the bid. Further, it was observed that the DPRs of the phase were prepared without consulting specialised technical staff i.e. Designing and Supervision Consultant (DSC) in Civil Aviation. Because of this, the prepared DPRs were incomplete, due to which again an addendum was published (13/08/2014) mentioning the required changes in DPRs. Further, it was noticed that after publishing the addendum only six days were left for the bidder to change their bids and submit them. This resulted in failure/non responsiveness of the first bidding process and it was decided to rebid for the same.

Thus, due to non-appointment of DSC specialist in Civil Aviation PIU, an amount of ₹ 5,36,108.00 was spent on the advertisement of the first three packages, which proved to be wasteful.

On this being pointed out, the unit accepted the facts that due to non-availability of the specialised DSC, the first phase DPRs were not completed owing to which the bid was failed.


7. To run the office of the PIU Civil Aviation under UEAP Project, furniture was required, for which a purchasing committee of three members comprising Finance Controller, Dy. Programme Manager and Civil Aviation Specialist was constituted on 07.02.2014 by the Programme Director. The committee had quantified initial basic furniture worth ₹ three lakh to start the office. Committee also shortlisted four firms after market survey. Letters for quotation were sent on 17.02.2014 to all the four firms and on 20.02.2014 all four quotations were received. In comparative chart, M/s Bharat Furniture was found as the lowest bidder and supply order was placed on 05.03.2014 on them.

Just after one day of sending the supply order to M/S Bharat Furniture, a fresh workout of requirements for the purchase of furniture was done without cancelling the previous supply order. This time only DPM and Civil Aviation Specialist, without the third member of purchasing committee i.e. Finance Controller, who was a must for procurement as per ADB norms, quantified the requirement of furniture costing ₹ 10.27 lakh. Again four entirely different firms were shortlisted through market survey and quotations were invited on 18.03.2014. Out of four firms only three firms submitted their quotations and M/S Shanti Enterprise was selected in comparative statement. Supply order was placed with the firm on 24.03.2014 and furniture was delivered on 28.04.2014.

In the scrutiny of inward and outward dairy of the PIU, it was found that all the letters for asking the quotations from the firms and the supply orders in both the cases were listed in the outward dairy but no details were mentioned as to how the letters had been sent to the firms i.e. by speed post, ordinary post or by hand. In the second process, the quotations received from the three firms were also not listed in the inward dairy.

On this being pointed out, the unit replied, "The requirement of the furniture was re-assessed as it was wrongly assessed the first time. The purchase committee had adversely found the furniture which has got the capacity to supply the furniture of required specification & standard because of this new four firms were selected in the second process".

Reply of the unit is not justifiable because the process of assessing requirements of furniture, inviting quotations, processing quotations and placing order was not conducted transparently.


(Vidya Bhushan Relan)
Dy. Accountant General/F.A.W.