



**Office of the Chief Project Director, Watershed Management Directorate,
Indira Nagar Forest Colony, Dehradun (Uttarakhand)**

Phone No. 0135- 2768712, 2764244

Tele Fax no. 0135-2762939

www.wmduk.gov.in, wmd-ua@nic.in

Letter No. 1539/3-7-1(PFS)/UDWDP(Phase -II) Dehradun : Dated 23, December, 2021

To,

Country Director-INDIA,
The World Bank,
International Bank for Reconstruction and Development
International Development Association,
Hindustan Times House, 18-20 K.G. Marg
New Delhi-110001.

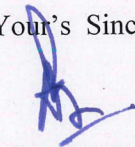
**Sub:- Audit Certificate for Uttarakhand Decentralized Watershed Development Project, Phase-II
financed under World Bank (IDA) Credit No.5369-IN for the financial year 2020-21.**

Dear Sir,

Kindly find annexed the Audit Report along with project financial statement for Uttarakhand Decentralized Watershed Development Project Phase-II, (IDA Credit No. 5369-IN) for the financial year 2020-2021 issued by the Office of the Accountant General (Audit) Uttarakhand vide their dated 13th December, 2021. The audit certificate has been issued for INR 189.62 Crores for the project which is inclusive of beneficiary contribution as per the attached claims.

Enclosure- As above

Your's Sincerely,

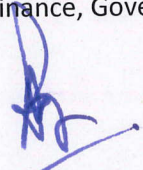

(Anand Bardhan)
Chief Project Director,
Watershed Management Directorate,
Dehradun, Uttarakhand.

Letter No. 1539 /3-7-1(PFS)/UDWDP Dated.

Copy forwarded to the following for information and necessary action:-

- 1- **Mr. Ranjan Samantaray, Task Team Leader,(UDWDP-II)**, The World Bank 18-20 K.G. Marg, New Delhi.
- 2- **Mr. S. Krishnamurthy, Senior Financial Management Specialist**, The World Bank 70- Lodhi Estate, New Delhi-110003
- 3- **Additional Secretary(FB) Department of Economic Affairs**, Ministry Finance, Government of India, North Block, New Delhi-110001

Enclosure- As above


(Anand Bardhan)
Chief Project Director,
Watershed Management Directorate,
Dehradun, Uttarakhand.



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.

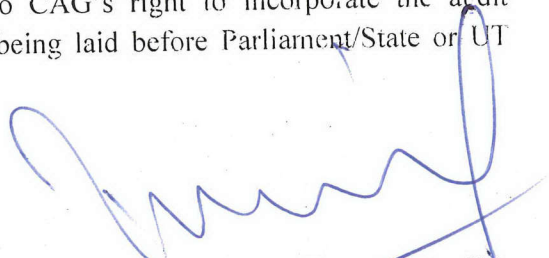
We conducted audit in accordance with Auditing Standards promulgated by the Comptroller and Auditor General of India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our Audit examines, 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)	81,75,51,120	139,08,28,560


(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
Total	54,22,550	1,08,451

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

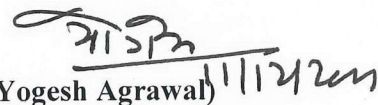
deducted from all the running bills of the contractors and the same is to be deposited in favour of Secretary, Uttarakhand Buildings and Other Construction Workers' Welfare Board through bank draft/Cheque or by online mode.

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

Uttarakhand Decentralised Watershed Development Project-Gramya-II
Indira Nagar, Forest Colony
Dehradun, Uttarakhand

Project Financial Statement for the period 01.04.2020 to 31.03.2021
(Financed under IDA Credit No.5369-IN)

Particulars	Sch.	Amount (Rs.) Current Year	Amount (Rs.) Previous Year
(A) Sources of Funds			
Opening Balance			308
Advances with GPs		12,300,000	7,000,261
World Bank		1,391,891,800	817,551,400
State Government		394,624,953	321,386,631
Beneficiaries Contribution		102,267,000	45,548,300
Total		1,901,083,753	1,191,486,900
(B) Utilisation of Funds			
<u>Expenditures during the period</u> by component	A	1,896,181,900	1,179,186,900
by disbursement category	B		
Total		1,896,181,900	1,179,186,900
(C) Balance Represented by Current Assets			
Cash in Hand	C	-	-
Project Bank Balance		-	-
Stock in Hand		-	-
Advances with disbursers		-	-
Advances with GPs	D	4,901,853	12,300,000
Total		4,901,853	12,300,000

- (1) Schedule of Fixed Assets E
(2) Significant Accounting Policies F
(3) Notes on Accounts G

The Schedules referred to above form an integral part of the Project Financial Statements.

As per our separate annual review report of even date attached.

Goyal Parul & Co.
Chartered Accountants

Dayanand Deepak
Partner
M.N. 518811
UDIN-21518811AAAADP2385
Place: Dehradun
Date: 21.09.2021



Finance Controller

मुख्य वित्त अधिकारी
जलागम प्रबन्ध निदेशालय
उत्तराखण्ड, देहरादून

On behalf of the Watershed Management Directorate

Project Director

नीना गैवाल
परि. निदे.
(यू.डी.डब्ल्यू.डी.पी.)

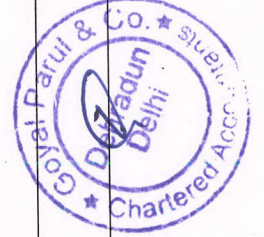
Chief Project Director

Chief Project Director
Watershed Management Directorate
Uttarakhand, Dehradun

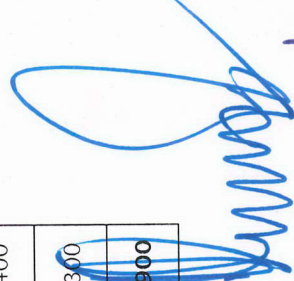
Uttarakhand Decentralised Watershed Development Project-Gramya-II
Indira Nagar, Forest Colony
Dehradun, Uttarakhand

EXPENDITURE BY COMPONENTS & SUB COMPONENTS
 (Forming part of PFS for the financial year 2020-2021)

Particulars	Amount (Rs.) Current Year	Amount (Rs.) Previous Year
1-Social Mobilization and Participatory Watershed Planning	118,125,200	104,132,800
2- Watershed Treatment and Rainfed Area Development	1,165,680,500	548,755,200
3- Enhancing Livelihood Opportunities	270,359,300	212,615,500
4- Knowledge Management and Project Coordination	185,699,700	156,435,900
5- Government Staff Cost	156,317,200	157,247,500
Total Project Expenditure	1,896,181,900	1,179,186,900
Government Share	402,023,100	316,087,200
IDA- World Bank Share	1,391,891,800	817,551,400
Community Share	102,267,000	45,548,300
Total	1,896,181,900	1,179,186,900




 नीना गुवाल
 परि. निदे.
 (यू.डी.डब्ल्यू.डी.पी.)
 मुख्य वित्त अधिकारी
 जलाम प्रबन्ध निदेशालय
 उत्तराखण्ड, देहरादून


 Chief Project Director
 Watershed Management Directorate
 Uttarakhand, Dehradun

Schedule 'B'

Uttarakhand Decentralised Watershed Development Project-Gramya-II
Indira Nagar, Forest Colony
Dehradun, Uttarakhand

EXPENDITURE BY DISBURSEMENT CATEGORY

(Forming part of PFS for the financial year 2020-2021)

Category	Disbursement Category	Amount (Rs.) Current Year	Amount (Rs.) Previous Year
1	Goods, works, Non- consulting services under Sub Project	1,087,781,900	473,495,500
2	Goods, works, Non- consulting services, consultats services, training and Workshop and incremental Operating Costs other than Sub Project	808,400,000	705,691,400
Total		1,896,181,900	1,179,186,900



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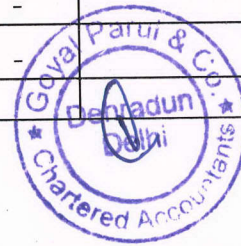
नीना गेवाल
परि. निदे.
(यू.डी.डब्ल्यू.डी.पी.)


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जलागम प्रकल्प निदेशालय
उत्तराखण्ड, देहरादून

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Chief Project Director
Watershed Management Directorate,
Uttarakhand, Dehradun

**Uttarakhand Decentralised Watershed Development Project-
Gramya-II
Indira Nagar, Forest Colony
Dehradun, Uttarakhand**

LIST OF ADVANCE TO DISBURSERS AS ON 31.03.2021			
Sl.	NAME	Amount (Rs.) Current Year	Amount (Rs.) Previous Year
1	PD Kumaon	-	-
2	Almora	-	-
3	Pithoragarh	-	-
4	Bageshwar	-	-
5	PD Garhwal	-	-
6	Dehradun (Vikashnagar)	-	-
7	Pouri	-	-
9	D.P. Baluni		
9	Tikam Singh Tomar		
9	Nirala		
10	Raghu Nath		
8	Tehri	-	-
9	CPD Directorate	-	-
	Grand Total	-	-




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जलागम प्रबन्ध निदेशालय
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नीमा गोवाल
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Chief Project Director
Watershed Management Directorate
Uttarakhand, Dehradun

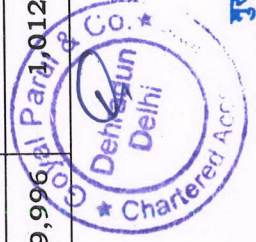
Schedule 'D'

Uttarakhand Decentralised Watershed Development Project-Gramya-II
Indira Nagar, Forest Colony
Dehradun, Uttarakhand

Schedule of Advance to GPs as on 31.03.2021
(Forming part of PFS for the financial year 2020-2021)

In Rs.

S.No	Name of DPD	Opening Balance	Advance	Total	Expd.	Closing Balance
1	Rudraprayag	1,748,740	137,073,187	138,821,927	138,779,227	42,700
2	Uttarakashi	268,500	118,000,000	118,268,500	118,253,027	15,473
3	PMU (Model WS)	11,656	12,526,813	12,538,469	12,535,020	3,449
4	Dehradun	1,238,382	118,400,000	119,638,382	118,576,767	1,061,615
5	Tehri	3,232,619	104,100,000	107,332,619	104,799,892	2,532,727
6	Pauri	2,768,475	67,800,000	70,568,475	69,935,739	632,736
7	Almora	805,611	152,500,000	153,305,611	153,305,611	-
8	Bageshwar	644,655	143,800,000	144,444,655	144,444,511	144
9	Pithoragarh	1,581,362	145,799,996	147,381,358	146,768,349	613,009
	Total	12,300,000	999,999,996	1,012,299,996	1,007,398,143	4,901,853



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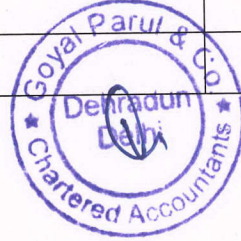
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जलाम प्रबन्ध निदेशालय, ए.डी.डब्ल्यू.डी.पी.

Chief Project Director
Watershed Management Directorate
Uttarakhand, Dehradun.

Uttarakhand Decentralised Watershed Development Project-Gramya-II
Indira Nagar, Forest Colony
Dehradun, Uttarakhand

Schedule of Fixed Assets
(Forming part of PFS for the financial year 2020-2021)

SL.No	Particulars	Opening Balance	During the year 2020-21	Closing balance as on 31-03-2021
1	Office Furnitures & Equipments	6,167,132	594,537	6,761,669
2	Computers and other Accessories	168,800	199,854	368,654
3	Purchase of office equipment (Photo copier, Fax Machine, Ac. etc.) Machine Equipment.	12,383,540	1,956,635	14,340,175
4	Purchase of office equipments (Computer, laptop, software, Ups & other peripherals)	20,878,833	3,520,233	24,399,066
5	Purchase of office Vehicle	6,974,860	-	6,974,860
	Total	46,573,165	6,271,259	52,844,424



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नीना गेवाल
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(यू.डी.डब्ल्यू.डी.पी.)

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उत्तराखण्ड, देहरादून

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Chief Project Director
Watershed Management Direct
Uttarakhand, Dehradun

Schedule - F & G

Uttarakhand Decentralised Watershed Development Project – Gramya II

Indira Nagar, Forest Colony

Dehradun, Uttarakhand

(F.Y-2020-21)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. Significant Accounting Policies:

1. General :


- The accounts are prepared under the historical cost convention following the cash system of accounting
- Accounting policies not specially referred to are consistent and in consonance with generally accepted accounting principles.
- Expenses to the extent paid are accounted for on cash basis.

2. **Fixed Assets:** - Fixed assets are stated at Cost. No accounting is being done for Depreciation on any of Fixed Assets.

3. **Grant Accounting:** - When the fund is transferred to the WWMCs for project activities it is treated as Grant in Aid and adjusted as per actual expenditure incurred at that level, which is also the amount claimed as reimbursement from CAAA. The project financial statements reflects the opening and closing balance with WWMCs.

4. Notes on Accounts:

- There is no contingent liability in respect of claims against the project not acknowledged as debt.
- The Current assets are stated at an amount, which is in opinion of the management, are not in excess of their recoverable value.
- Previous year figures have been regrouped and rearranged to make them comparable with current year figures wherever considered necessary.


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