KIND ATTENTION TO MR. B.C.S. BALIGA

Fax: 011-24367988

स. प्र.नि. /दैव. /पर्याव. /विश्व बैंक अनुदान /NGRBP/2014-15/148
dिनांक: 21/5/15

The Director (Finance),
National Ganga River Basin Project,
Rear Wing, MDSS, 9-CGO Complex,
Lodhi Rond, New Delhi-110003

विषय:- विश्व बैंक तथा बाहरी अनुदान प्राप्त परियोजना "National Ganga River Basin Project, NGRBP" IDA Credit No. 4955-IN and IBRD Loan No. 8065-IN (Consolidated Certificate except for Patna, Bihar) for the year 2013-14 लेखापरिश्वेत प्रमाण पत्र

महोदय,
हमारे कार्यालय के पत्र स. प्र.नि. /दैव. /पर्याव. /विश्व बैंक अनुदान /NGRBP/1-3 dated 01.04.2015 के संबंध में, उपरोक्त विषयक विश्व बैंक तथा बाहरी अनुदान प्राप्त परियोजना "National Ganga River Basin Project, NGRBP". IDA Credit No. 4955-IN and IBRD Loan No. 8065-IN (Consolidated Certificate except for Patna, Bihar) for the year 2013-14 लेखापरिश्वेत प्रमाण पत्र आवश्यक कार्यवाही हेतु प्रेषित है।

This issues with the approval of PDA.

भवदीय,

[Signature]

उप निदेशक (पर्याव. ले.)
Report of the Comptroller and Auditor General of India.

To,

The Director (Finance)
National Mission for Clean Ganga
Rear Wing, MDSS, 9- CGO Complex,
Lodhi Road, New Delhi-110003

Report on the Project Financial Statements:

We have audited the accompanying financial statements of "National Ganga River Basin Project, (NMCG)," MoWR, RD & GR financed under World Bank IDA Credit No. 4955-IN and IBRD Loan No. 8065-IN, which comprise the Statement of Sources and Application of funds and the Reconciliation of Claims to Total Applications of Funds for the year ended 31st March 2014. 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 mis-statement. 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 "National Ganga River Basin Project, (NMCG)," MoWR, RD & GR for the year ended 31st March 2014 in accordance with Government of India accounting standards with respect to NMCG New Delhi, SPMG Uttarakhand, SPMG. Uttar Pradesh, and Department of Urban Development (DUD) Jharkhand SPMG West Bengal. However, SPMG Bihar did not give Statement of Expenditure/Financial statements.

In addition, in our opinion (a) with respect to the Statement of Expenditure, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditure incurred during 2013-14 (total amount received by NMCG
Rs.1223.27 lakh against which an expenditure of Rs. 1223.27 lakh was incurred under the project) and (b) except for ineligible expenditure of Rs. 279.82 lakh, as detailed in the Audit observations appended to this report, expenditure of Rs.839.67 lakh are eligible for financing under the Loan/Credit Agreement (after application of disbursement percentage i.e. 89%)

During the course of audit, Statement of Expenditure/Financial statement amounting to Rs. 1223.27 lakh and the connected documents were examined which can be relied upon to support reimbursement of Rs. 839.67 lakh under the Loan/Credit Agreement, as per the 'Annexure 1'.

However, SPMG Bihar did not give Statement of Expenditure/Financial Statements. Therefore, we are unable to certify the reimbursable amount for SPMG Bihar.

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.

Place: New Delhi
Date: 01/09/15

Pr. Director of Audit (SD)
Audit Observations
Project Monitoring Group (PMG) of NMCG New Delhi

1. Head-wise details of funds received/authorized from MoEF on the patterns of head-wise estimates approved by CCEA and World bank and head-wise demands/ disbursement of funds to the five states along with the head-wise position of expenditure incurred were not available with NMCG in absence of which head-wise position of excess/ineligible expenditure incurred if any, could not be ascertained in Audit.

Project Implementation Plan was not furnished to Audit. However, as per estimate prepared and included in NGRBA - EAP project with approval of CCEA, for operation & programme management cost of Project Monitoring Group (PMG) of NMCG at New Delhi, the total provision for the year 2013-14 was Rs 36.72 crore, out of which provision for Office Expenses (OE) is Rs 3.32 crore (9.04%). Total expenditure in respect of NMCG for the year 2013-14 was Rs 10.77 crore, out of which expenditure on OE was Rs 6.10 crore (56.63%). However taking the maximum limit of expenditure of OE head as Rs 3.32 crore indicated in estimates approved by CCEA, Rs 2.78 crore (Rs 6.10 crore-3.32 crore) had been incurred in excess under this head, which is inadmissible. Thus an amount of Rs 2.47 crore (99% of Rs 2.78 crore) was not eligible for reimbursement from World Bank. In reply NMCG stated that there is no bar on exceeding this estimates, if the operation so demands. In this connection it is stated that no revised estimates indicating the reasons for revising the estimates of the OE was prepared by the NMCG.

2. An amount of Rs 36.13 lakh (89% per cent of Rs 40.59 lakh) was pointed out as not eligible for reimbursement from World Bank during the Audit of NMCG for the year 2012-13. No adjustment for the same has been made during the year 2013-14. The same may be got adjusted in future claims.

3. During the year 2013-14, funds for NGRBA (EAP) has been provided under the Revenue Major Head 3435.04.101.06.04.31 Grants-in-aid – General and 3435.04.101.06.04.35 – Grants for creation of Capital Assets in Detailed Demand for Grant. The revised Estimate (RE) under Grant-in-aid-General and Grants for creation of Capital Assets for the year 2013-14 was Rs 5.00 crore and Rs 242.08 crore respectively. Provision of Grants for creation of Capital Assets under Revenue Major head 3435 is not proper, the reasons for providing Grants for creation of Capital Assets under Revenue Major head may be elucidated to Audit. It should be provided under Capital Major Head. Further, it was also noticed that during 2013-14 only Grants for creation of Capital Assets amounting to Rs 192.08 crore was released to NMCG, out of which revenue expenditure of Rs 10.77 crore for PMG of NMCG at New Delhi and Rs 1.27 crore (operating expenses) for SPMGs at Jharkhand, U.P., Uttarakhand and West Bengal was incurred during 2013-14. Incurrence of expenditure of revenue nature out of Grants for creation of Capital Assets is not proper. In reply, NMCG stated that all funds utilized by the NGRBA (EAP) program ultimately get converted into physical assets of urban local bodies (ULB). As these assets will belong to ULBs, they do not get reflected as capital assets in the books of NMCG or Government of India. Therefore, all these expenses are booked as revenue expenditure in the books of GOI/NMCG but are meant for creating capital assets in the books of SPMGs. These capital assets are ultimately transferred as capital assets to the books of ULBs. In this connection, it is stated that revenue head is meant of expenditure of revenue nature and not capital nature, whether for self or other bodies. In the case of NMCG, most of the expenditure except expenditure to be incurred on running of PMG of NMCG and SPMGs, were to be met from Grants for creation of Capital Assets. As such Grants for creation of Capital Assets cannot be booked under Revenue Major Head and expenditure of revenue nature cannot be incurred from the Grants for creation of Capital Assets.
4. The year wise phasing of expenditure of the World Bank assisted NGRB Project as approved by the CCEA, the amount of grants received by NMCG, amount of interest earned and the amount of grant released/expenditure incurred during the year 2011-12 to 2013-14 is given below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Year-wise phasing of expenditure as approved by CCEA</th>
<th>Opening balance of Grant</th>
<th>Amount received by NMCG</th>
<th>Interest earned</th>
<th>Expenditure incurred</th>
<th>Unspent Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>500.00</td>
<td>Nil</td>
<td>38.00</td>
<td>0.47</td>
<td>0</td>
<td>38.47</td>
</tr>
<tr>
<td>2012-13</td>
<td>750.00</td>
<td>38.47</td>
<td>53.62</td>
<td>1.40</td>
<td>11.97 (5.04 released to States and 6.93 – exp. incurred by NMCG)</td>
<td>81.52</td>
</tr>
<tr>
<td>2013-14</td>
<td>750.00</td>
<td>81.52</td>
<td>192.08</td>
<td>4.95</td>
<td>115.69 (fund transferred to Non EAP account)</td>
<td>43.78</td>
</tr>
<tr>
<td></td>
<td>2000.00</td>
<td>283.70</td>
<td>6.82</td>
<td></td>
<td>253.56</td>
<td></td>
</tr>
</tbody>
</table>

Out of Rs 5.04 crore released to SPMG’s of five States (U.P., U.K., Bihar, Jharkhand & West Bengal) during 2012-13, Rs 2.04 crore was still (31.03.14) lying unutilised with these States. Thus, there was unwarranted parking of funds with these States. SPMG, Bihar was not sending unaudited Financial Reports (IFURs) regularly. SPMG Bihar had utilised nil amount out of Rs 0.60 crore released to it in 2012-13. This indicates that physical activity of establishing SPMG at Bihar has not yet been started. Further, figures of interest earned by these SPMGs till 31-03-2014 may be obtained and incorporated in Accounts. The SPMGs may be directed to put the funds in flexi accounts so as to earn better interest.

5. Till 31.03.14 i.e. after 3 year of implementation of World Bank Aided Project, the total amount released/expenditure incurred was Rs 253.56 crore (12.68%) of the total targeted amount of Rs 2000.00 crore. Out of Rs 253.56 crore Rs 119.08 crore was transferred to Non-EAP account due to retroactive funding of five infrastructure project in U.P. and Bihar (two in U.P. & three in Bihar) which were earlier funded through non-EAP account. Retroactive funding of Central share of Rs 160.35 crore from Non-EAP fund to EAP fund, (89% of which) was got reimbursed by NMCG from World Bank during 2013-14 with the approval of World Bank & MoEF. Normally retroactive funding under World Bank procedure relate to those project related expenses which were incurred one year prior to signing of credit agreement. But in this case NMCG migrated existing running projects under Non-EAP, approved much before signing of the credit agreement to the EAP scheme. The approval of CCEA/MoF for this type of retroactive funding and funding of Non-EAP projects from EAP was not obtained.

The funds for the main component i.e. Priority Infrastructure Investments the objective of which is to finance demonstrative infrastructure investments in key sectors to reduce pollution loads in priority locations on the river, amounting to Rs 105.27 crore were released for the first time to some projects in five States. All such projects are still in bidding process. This indicates that the World Bank Aided project was running far behind the schedule.

6. As per condition number 5 of the sanction letter of NRCD in respect of release of Grants-in-aid to NMCG, the interest earned should be credited to the NMCG and reflected in the UCs from time to time and shall be adjusted towards future funds released for the NMCG. It was however observed that no such adjustment of interest was made in the releases to NMCG during 2013-14.
7. The unspent amount of Grants-in-aid with NMCG as on 31.03.2013 was Rs 81.52 crore. The same was not revalidated for expenditure during the year 2013-14.

8. During the year 2013-14, rent/licence fee of the NMCG office premises at NBCC from 01-04-2012 to 15-06-2013 amounting to Rs 70.25 lakh @ Rs 484505.00 per month was paid to DMRC vide voucher number 138 dated 31-10-2013. NMCG occupied new office premises at MTNL Building CGO Complex on 01-09-2012 with a rent @ of Rs 28.58 lakh per month. As such rent/licence fee for a period of 9 and a half months i.e. from 01-09-2012 to 15-06-2013 was paid for both the premises resulting in avoidable payment of rent of Rs 46.03 lakh (Rs 484505.00 lakh x 9.5 months). The total plinth area at new premises at MTNL Building is 12696 sq. ft. (4232 sq.ft. on each at 2nd, 3rd and 4th floor) against the estimated requirement of 13650 sq. ft. for NMCG, Project Management Consultant (PMC) & Ganga Knowledge Centre (GKC). It was however observed that the 4th floor is lying vacant since the date of occupation till date (31-07-2014). As such there is avoidable payment of rent of Rs 952632.00 (Rs 2857986/3) per month. The total avoidable payment of rent from 01.09.2012 to 31.07.2014 works out to Rs 21910536 (Rs 952632x23). The reasons for hiring of space in excess of requirement, which resulted in huge loss of Rs 2.19 crore to the Government may kindly be furnished.

In reply NMCG stated that office premises at NBCC was not adequate for NMCG operations and there was a lock in period of three years for the NBCC building which was to expire on 15 June 2013. Lease period of MTNL building started from 1 September 2012. Further, overlapping period of nine months to facilitate carrying out renovation / refurbishing work of 3rd floor and part of 2nd floor of the MTNL building to make it suitable for NMCG’s office and hence payment of rent for both the premises was unavoidable. In this connection, it is stated that hiring of huge office space before the completion of lock in period and huge time of 9 and half months taken for refurbishing work is not tenable in audit.

NMCG further replied that the space remaining (4th floor) is being used for different official purposes like staff gatherings, common meetings & sittings and is being converted to sitting space as and when new staff is being inducted. It was however noticed that the 4th floor is lying vacant in unusable condition, which was also pointed out by the Internal Audit.

9. Scrutiny of vouchers revealed the following irregularities in purchases:

(i) As per Department of Expenditure’s order No. 1(15)/E-II(A)/2009 dated 26-05-2009, the permission of Secretary of the concerned Ministry is required for procurement of laptops costing more than Rs 70,000.00. NMCG vide voucher number 166 dated 28.11.2013 purchased the following 14 laptops, the cost each of which exceeds Rs 70,000.00 but no prior permission of secretary MoEF had been obtained.

<table>
<thead>
<tr>
<th>Number of laptop</th>
<th>Unit cost</th>
<th>Total cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>83450.00</td>
<td>417250.00</td>
</tr>
<tr>
<td>5</td>
<td>89150.00</td>
<td>445750.00</td>
</tr>
<tr>
<td>4</td>
<td>104000.00</td>
<td>416000.00</td>
</tr>
</tbody>
</table>

(ii) As per Min. of Finance, Deptt. of Expenditure’s order dated 01-01-2003, hand set for cellular phone is admissible to the Secretary to GOI only with the ceiling of Rs 10000.00. NMCG had purchased three mobile phones costing Rs. 36622.00(one set) and Rs 39821.00 (two sets) + Taxes at the total cost of Rs 130800.00, resulting in violation of GOI orders in this regard.

(iii) It was observed that the stationary items were procured from Private vendors. The rates of which were on higher side than Kendriya Bhandar. Irregularities of similar nature was also pointed out by Internal Audit, but no compliance was made till date. Lenevo laptops of the same/higher configuration as indicated at point i) above costing Rs 83450.00 was available at Rs
56000.00 on DGS&D rates. Purchase procedure indicating in General Financial Rules (GFRs) may be followed in future.

In reply NMCG stated that it is registered as an autonomous body under the Societies Registration Act, 1860. The Bye Laws of NMCG provide for constitution of a Governing Council (GC) which is vested with the overall management of NMCG. GC is vested with inter alia power of approval with regard to procurement of works, good and equipment & consultancy services and also with the power to delegate all such powers to the Mission Director. Thus, NMCG being covered under the procurement rules of the World Bank cannot follow the government’s rules at the same time. In this connection, it is stated that for purchasing items of routine nature as indicated above, rules of GFR has to be followed and the items of stores should be purchased in most competitive rates.

10. Fixed Assets Register was not maintained in proper form i.e. GFR – 40. Further, Assets Register was not complete as there is difference between figures of the assets physically available in office and the figures of assets shown in Assets Register plus details of assets furnished by NRCD. The difference may be reconciled and the complete assets register may be maintained in form GFR -40 and compliance shown to next audit.

In reply NMCG stated that there are certain items of fixed assets which had been purchased by NRCD and were transferred to NMCG when its office was shifted from NBCC Building to MTNL Building. NMCG has not paid for these items nor has it furnished any documents or details relating to these items. Hence these items could not be entered into NMCG’s Fixed Assets Register. In this connection it is stated that two separate fixed assets register in proper form may be maintained and compliance shown to next audit.

NMCG had purchased three mobile phones costing Rs. 36622.00(one set) and Rs 39821.00 (two sets) + Taxes at the total cost of Rs 130800.00, which was also not included in fixed assets. In reply, NMCG stated that the mobile phones have now been entered in the Fixed Assets Register. In this connection it is stated that these may also be including in schedule – 8 Fixed Assets of Annual Account of EAP fund.

11. NMCG had electricity sanctioned load of 240 KW/282.35 KVA. For this NMCG was paying Rs 35,293.75 as fixed charges @ Rs 125 per KVA every month. Electrical consumption of NMCG varied between 8581 units to 10318 units during the year 2013-14, for which load of 282.35 KVA is very much on higher side. In reply NMCG stated that the required electrical load had been calculated based on utilization of work space of all the three floors of the MTNL building on a whole time basis. Part of the space is currently being used for different official purposes like staff gatherings, common meetings & sittings. As such usage is occasional & the entire sanctioned electrical load is not being utilized. It will start consuming entire sanctioned load when full component of NMCG staff will be in place. In this connection, it is stated that if the consumption of electricity has increased two fold the load still appears to be on higher side. Hence, load requirement of NMCG may be reviewed so as to minimize the payment of fixed charges.
**Annexure 1**

Statement showing the details of expenditure admitted/disallowed in audit for the year 2013-14 in respect of World Bank Aided Project assisted “National Ganga River Basin Project, (NMCG),” MoWR, RD & GR financed under World Bank IDA Credit No. 4955-IN and IBRD Loan No. 8065-IN,

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the Agency</th>
<th>SOE Figure</th>
<th>Actual Expenditure as verified in audit Rs.</th>
<th>Expenditure disallowed in audit Rs.</th>
<th>Expenditure admitted in audit Rs.</th>
<th>Percentage admissible as per agreement</th>
<th>Amount Reimbursable Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>National Ganga River Basin Authority New Delhi</td>
<td>1077.25</td>
<td>799.54</td>
<td>277.71</td>
<td>799.54</td>
<td>89%</td>
<td>711.59</td>
</tr>
<tr>
<td>2</td>
<td>SPMG, Uttarakhand</td>
<td>72.67</td>
<td>72.67</td>
<td>Nil</td>
<td>72.67</td>
<td>89%</td>
<td>64.68</td>
</tr>
<tr>
<td>3</td>
<td>SPMG, UP, Allahabad</td>
<td>6.65</td>
<td>6.65</td>
<td>Nil</td>
<td>6.65</td>
<td>89%</td>
<td>5.92</td>
</tr>
<tr>
<td>4</td>
<td>SPMG, Jharkhand</td>
<td>14.38</td>
<td>13.73</td>
<td>0.65</td>
<td>13.73</td>
<td>89%</td>
<td>12.22</td>
</tr>
<tr>
<td>5</td>
<td>SPMG, Kolkata</td>
<td>52.32</td>
<td>50.86</td>
<td>1.46</td>
<td>50.86</td>
<td>89%</td>
<td>45.26</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td>1223.27</td>
<td>943.45</td>
<td>279.82</td>
<td>943.45</td>
<td>89%</td>
<td>839.67</td>
</tr>
</tbody>
</table>

Dy. Director (EA)