NATIONAL DISASTER MANAGEMENT AUTHORITY
Ministry of Home Affairs, Government of India
NATIONAL CYCLONE RISK MITIGATION PROJECT (NCRMP)
1st Floor, “NDMA Bhawan”, A-1, Safdarjung Enclave
New Delhi-110029
Telephone: 011-26701744 Fax: 011-26714321

F.No.1-43/2013-PMU (Vol. I) 293

Dated: December 26, 2016

To

(1) Shri D.Singh,
Sr. Disaster Risk Management Specialist (NCRMP),
T.T.L., NCRMP, The World Bank,
Hindustan Times House,
18-20, K.G.Marg,
New Delhi-110001.

(2) Ms. Tripti Jain,
Financial Specialist
The World Bank,
70, Lodhi Road,
New Delhi-3.

Sub: Audit Certification on the Project Financial Statements and Audit Report for PMU for the F.Y. 2015-16 – regarding

Sir/Madam,

I am directed to enclose herewith a copy of Report of the Comptroller & Auditor General of India on the Project Financial Statements of the Project Management Unit (PMU), National Cyclone Risk Mitigation Project (NCRMP) for the year ended 31st March 2016 received from the Office of the Director General of Audit (Central Expenditure), Indraprastha Estate, New Delhi-110002.

Para-wise replies to the aforesaid Inspection Report for the financial year ended 2015-16 are also enclosed for your kind information and necessary action.

Yours faithfully,

(S.S.Jain)
Deputy Project Director

Encl: as above.
महोदय,

विश्व बैंक सहायता प्राप्त राष्ट्रीय चक्रवात जोखिम प्रशमन राष्ट्रीय आपदा प्रबन्धन प्राधिकरण (NCRMP) (आईडीए-क्रेडिट ए.न. 4772-आईएन) की वर्ष 2015-16 की लेखापरीक्षा इस कार्यालय के निरीक्षण दल द्वारा की गई है। जिससे संबंधित निरीक्षण प्रतिवेदन आवश्यक कार्यवाही हेतु संलगन है। यह अनुरोध किया जाता है कि उसमें उठाए गए विभिन्न विषयों के उत्तर इस कार्यालय को चार सप्ताह के अवधि के भीतर भेज दिये जायें।

भव्य

के लेखापरीक्षा अधिकारी (ए.एम.जी.-3)

अनुरक्षक: निरीक्षण प्रतिवेदन

Part I (A)

Part 1: Introduction

The audit of National Cyclone Risk Mitigation Project (NCRMP), a project of National Disaster Management Authority, M/o Home Affairs, (World Bank assisted IDA Credit No. 4772-IN, 5413-IN and 5693-IN) was conducted by an audit party comprising Shri SR Garg, Senior Audit Officer, Shri Bhupender Singh Bisht, Senior Audit Officer, Shri Rajendra Prasad, Sr. Auditor and Sh. Shashwat Saini, Sr. Auditor of this office from 22.08.2016 to 02.09.2016 (09 working days). Last audit of the Project for the period 2014-15 was conducted from 05.08.2015 to 18.08.2015 (10 working days).

(a) General Set-up and Activities

NCRMP has been drawn up by Government of India with a view to deal with mitigation of effects of cyclone risk in our country with World Bank assistance. The project has identified 13 cyclone prone States/UTs. Andhra Pradesh and Odisha are part of Phase-I of the Project, with NDMA being nodal authority. It has four principal components:

A. Early warning dissemination to coastal communities including community capacity building for operation of Early Warning and Dissemination System (EWDS).
B. Cyclone risk mitigation infrastructure.
C. Technical assistance for cyclone risk mitigation capacity building and knowledge creation
D. Project management and implementation support and unallocated contingency @ 10% of the total cost.

Project and Finance Agreement for Phase-I (IDA credit No. 4772-IN) was signed on 14th January 2011 with an outlay of Rs. 1496.71 crore. The project was proposed as a centrally sponsored scheme with 75% contribution (for Component B of the project) by the Central Government, as Grant-in-aid and a matching 25% contribution by the State Governments. Other components will be funded 100% by the Central Government, as Grant-in-aid.

Additional Financing under NCRMP Phase-I (IDA credit No. 5413-IN) was approved by the Government of India in July, 2015 for the States of AP and Odisha with closure by October 2017. The total Outlay under Additional Financing is Rs 835 crore which includes Rs 645.50 crore credit from the World Bank and 25% contribution by State Governments totaling Rs 189.50 crore under Component-B on the same lines as in the NCRMP Phase-I.

Further, Phase-II of NCRMP (IDA credit No. 5693-IN) has also been approved in July, 2015 for five years up to March, 2020 covering States of Goa, Gujarat, Karnataka, Kerala,
Maharashtra and West Bengal at an Outlay of Rs. 2361.25Cr. World Bank funding amounts to Rs1881.10Cr. Rs. 480.15Cr will be contributed by the State Governments. The sub-component of underground cabling has been included under NCRMP Phase-II (Under Component-B).

At the highest level there will be a National Steering Committee headed by Secretary, NDMA for overall monitoring of the NCRMP. NDMA will be responsible for the overall management and coordination of the project. The implementation of activities and procurement of goods for specific components will be undertaken through NDMA, National Institute for Disaster management (NIDM) and concerned State Governments.

Disbursement by World Bank is made on the basis of quarterly interim unaudited finance reports (IUFR) submitted by the Project Monitoring Unit (PMU) after consolidating IUFR received from States/Institutions.

**Budget and Expenditure:** The budget provision and actual expenditure incurred by NCRMP during 2015-16 is as follows:

<table>
<thead>
<tr>
<th>Head</th>
<th>Budget Provision</th>
<th>Actual Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2245-NCRMP</td>
<td>41600.00</td>
<td>15901.01</td>
</tr>
</tbody>
</table>

**Internal check and supervision**

The last internal audit of PMU of NCRMP has been conducted up to March 2013 by the Internal Audit Wing of the Ministry of Home Affairs.

**(c) Schedule of persistent irregularities**

-Nil-
Part-II-Audit Finding

PART- II (A)

Nil

Part II (B)

Para 1: Delay in Finalization of Post Disaster Need Assessment (PDNA)

NIDM made an agreement with M/s Asian Disaster Preparedness Center (ADPC), Thailand for Post Disaster Need Assessment (PDNA) Study under NCRMP on 15th January 2014 for 18 months at an outlay of $ 5,05,740/- (exclusive of taxes). The study period was extended up to 30th October 2015 with the approval of Member Secretary, NDMA. The objectives of the PDNA were:

1. To evolve standardized PDNA tools relevant to India.
2. To revamp the entire system of Post Disaster Needs Assessment in India as per the new PDNA tools.
3. To provide recommendations for integrating the new PDNA tools in existing procedures.
4. To identify and build the capacities/advocacy of relevant stakeholders.
5. To create a panel of experts for subsequently undertaking assessments using the new PDNA tools.

The study was to be conducted in ten representative States i.e. Andhra Pradesh (AP), Assam, Bihar, Gujarat, Jammu and Kashmir (J&K), Maharashtra, Odisha, Tamil Nadu, Uttarakhand and West Bengal. Under this study six disasters viz. Cyclone, Earthquake, Drought, Flood, Tsunami and Landslide were to be covered.

The study involved a total of 12 deliverables. Out of 12 deliverables, only six deliverables had been approved by the Technical Steering Committee (TSC). The Central Review Committee (CRC) was to review the milestone deliverable under the chairmanship of Member Secretary, NDMA.

In the Project Steering Committee (PSC) meeting held on 16th November 2015, NIDM communicated that all the deliverables of this study were received by 30th October 2015 and were being reviewed by the TSC. Further, NIDM communicated the same status of review of the deliverables on 20th January 2016 during the PSC meeting held at Vishakhapatnam.

In this regard, it was further observed that no progress on review of the deliverables was made up till July 2016. Thus, Project Monitoring Unit (PMU), NCRMP failed to implement PDNA for India even when all the deliverables of the report were submitted on 30th October, 2015 by the contractor. In reply, PMU stated (September 2016) that in the last meeting of the PSC (2 September 2016), it was decided that NIDM would send a formal approval to NDMA for extension of the study. The fact remains that the envisaged objectives of the project were yet to be achieved due to its non-completion.
Para 2: Scope of Work reduced without Tripartite Approval

The Odisha State Disaster Management Authority (OSDMA) intimated NCRMP about reduction in the number of fixed physical targets. OSDMA (March 2014) further stated that the unutilized cost on the reduced physical targets in respective components were adjusted inter-component wise not over-shooting the initial approved project outlay. The following items of work were reduced:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Sub-Component</th>
<th>Earmarked</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Work (No.)</td>
<td>Cost (Rs. in</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Crore)</td>
</tr>
<tr>
<td>1.</td>
<td>Shelters</td>
<td>155</td>
<td>145.5</td>
</tr>
<tr>
<td>2.</td>
<td>Roads</td>
<td>191</td>
<td>218.25</td>
</tr>
<tr>
<td>3.</td>
<td>Saline Embankments</td>
<td>23 (157 km)</td>
<td>155.20</td>
</tr>
</tbody>
</table>

OSDMA gave the following reasons for reduction:

1. One Cyclone Shelter dropped due to no response received after repeated bids.
2. Number of roads decreased because some of the roads were improved through other schemes.
3. The original number of 23 Saline Embankments with consent of the World Bank was decided to be prioritized/cut down to 10 embankments only to keep the cost within allocated amount.

It was observed in audit that there was a drastic reduction in the scope of work i.e. 50% approx in case of Saline Embankments, 1 number in case of Cyclone Shelters and approx 25% reduction in case of Approach Roads and a sharp increase in the cost of the work. Thus, the output was in variation as compared to the original output as per the tri-partite agreement between NDMA, World Bank and OSDMA and any change in the scope/output should have the concurrence of all the parties to the agreement.

In reply, PMU, NCRMP stated (September 2016) that the reasons for financial deviation/excess expenditure were mainly due to higher premium bids because of inflation, change in design and raising the plinth level. It was also intimated that the issue was being taken up with MHA for revised cost approval due to the fact that World Bank has stated that their concurrence was not required. The reply, however, is not tenable as tripartite approval was not taken by the PMU.

Para 3: Non-achievement of targets under Phase-I of NCRMP

The National Cyclone Risk Mitigation Project (NCRMP) had been drawn up with a view to addressing the cyclone risk in the country, with the World Bank assistance to reduce the cyclone risk and its vulnerability in coastal districts. Phase-I of the project was to be implemented over a period of five years upto 31 October 2015 at a cost of Rs. 1496.71 crore in the states of Andhra Pradesh and Odisha. The financial and project agreements for this were signed between the Department of Economic Affairs, World Bank and the two State Governments stated above in January 2011.
Scrubtiny of records revealed that the first phase of the project was not completed as of March 2016 despite expiry of the time period envisaged for the same as per the following details:

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>States</th>
<th>Component</th>
<th>Physical Target</th>
<th>Physical achievement</th>
<th>Shortfall (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>A.P.</td>
<td>Construction of Multi-Purpose Cyclone Shelters (MPCS)</td>
<td>138</td>
<td>110</td>
<td>20.29</td>
</tr>
<tr>
<td></td>
<td>Odisha</td>
<td></td>
<td>154</td>
<td>143</td>
<td>7.14</td>
</tr>
<tr>
<td>2.</td>
<td>A.P.</td>
<td>Roads Connecting Shelters (RCS)</td>
<td>165/202.83 km</td>
<td>163/200.37 km</td>
<td>1.2</td>
</tr>
<tr>
<td></td>
<td>Odisha</td>
<td></td>
<td>143/198.03 km</td>
<td>129/178.62 km</td>
<td>9.79</td>
</tr>
<tr>
<td>3.</td>
<td>A.P.</td>
<td>Roads Connecting Habitation (RCH)</td>
<td>231/381.56 km</td>
<td>229/378.06 km</td>
<td>1.72</td>
</tr>
<tr>
<td></td>
<td>Odisha</td>
<td></td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>4.</td>
<td>A.P.</td>
<td>Bridges</td>
<td>23</td>
<td>20</td>
<td>13.04</td>
</tr>
<tr>
<td></td>
<td>Odisha</td>
<td></td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>5.</td>
<td>A.P.</td>
<td>Saline embankment</td>
<td>2/29.90 km</td>
<td>50%</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Odisha</td>
<td></td>
<td>12/57.77 km</td>
<td>7/33.69 km</td>
<td>41.67</td>
</tr>
</tbody>
</table>

The two states had incurred an expenditure of Rs. 1118.99 crore till May 2016 out of the funds of Rs. 1246.98 crore released by NDMA and the State Governments. It was also seen that an additional agreement for Phase-I of the NCRMP was entered into by the World Bank between Government of India and both the two State Governments in August 2015 vide which additional works amounting to Rs. 835 crore were to be completed by March 2018. However, audit noted that even the initial targets were yet to be achieved by the states of Andhra Pradesh and Odisha which might adversely impact achievement of the revised targets.

In reply, PMU, NCRMP stated (September 2016) that the reasons for delay were late formation of PMU (November 2012), requirement of environmental and social impact assessment in case of saline embankments, agitations in the erstwhile Andhra Pradesh and occurrence of cyclones in Andhra Pradesh and Odisha, etc. However, the fact remains that the project is badly delayed and taking into account all eventualities is a part of good planning.

**Para 4: Unrealistic Budgeting**

Circulars issued by the Ministry of Finance every year stipulate that due note should be taken of past performance, while framing the budget estimates, and at the stage of formulation/implementation of the various schemes, the institutional capacity of the implementing agencies to implement the scheme, the constraints on spending by the spending agencies etc. Scrutiny of the head-wise budget and expenditure figures for 2015-16 revealed that PMU made excess provisions under the following sub-heads, which had ultimately resulted in large savings/expenditure at the end of the year:-
Revised estimates were not prepared prudently which attributed to savings ranging 40%-100% in above mentioned heads. This issue was also reported in last year's inspection report. However, no corrective action has been taken by the PMU. Therefore, it is again stressed that budget estimates may be framed realistically after considering the last year's expenditure statements or any other expenditure to be incurred in the current year.

In reply, PMU stated (September 2016) that the savings were marginal with reference to final estimates. However, the budgetary exercise would be done meticulously in future. Consistent deviations from the budgetary lines were, however, indicative of deficiencies in financial planning.

**Para 5: Outstanding Utilization Certificates**

As per Rule 212 of GFR, the Utilization Certificate (UC) should be submitted within twelve months of the closure of the financial year by the Institution or Organization concerned. Scrutiny of records revealed that one UC for an amount of Rs. 10.50 lakh (out of a total of Rs. 25.83 lakh) pertaining to 2010-11 was outstanding from Kerala State till the completion of audit.

In reply, PMU stated (September 2016) that it was in regular correspondence with officers at various level in the Government of Kerala.

Effective steps may be taken to obtain the pending UC from the Kerala Government under intimation to audit.

**Para 6: Reimbursement of expenditure from the World Bank**

As per para 3.5 of manual of Finance Management expenditure which were initiated prior to the World Bank’s approval of the project are also eligible for reimbursement under the Retroactive Financing Scheme of the Bank. Expenditure up to a maximum period of 12 months prior to the signing of the project agreement and financing agreement are eligible under it.

NDMA submitted its claims for reimbursement of expenditure to the Controller of Aid Accounts and Audit (CAAA). During scrutiny of records it was observed that expenditure of Rs. 3.30 crore incurred during the period 1.1.2010 to 14.1.2011 was still to be reimbursed from the
World Bank. It is insisted that the above amount of Rs. 3.30 crore may be got reimbursed from
the World Bank at the earliest under intimation to audit.

Further, this has been pointed out in last two audits of the project but final action is still
pending on the part of the PMU, NCRMP. In reply, PMU stated (September 2016) that matter
would be taken up again with the World Bank on priority. PMU needs to step up its efforts to
receive the reimbursement from the World Bank.
Part-III - Follow up on findings outstanding from previous reports

Position of previous Inspection Reports

At the commencement of audit, 1 Inspection Reports with 4 paras were pending for settlement. During the course of audit, three paras were taken afresh. Hence, at the end of audit one para was outstanding. The position of paras settled/taken afresh is given below:

**Table-I**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year of IR</th>
<th>Para No.</th>
<th>Brief</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2014-15</td>
<td>1</td>
<td>Delay in Implementation of Early Warning Dissemination System (EWDS)</td>
<td>Para Stands</td>
</tr>
<tr>
<td>2</td>
<td>2014-15</td>
<td>2</td>
<td>Reimbursement of Expenditure from the World Bank.</td>
<td>Taken afresh</td>
</tr>
<tr>
<td>3</td>
<td>2014-15</td>
<td>3</td>
<td>Shortfall in achievement against target fixed</td>
<td>Taken afresh</td>
</tr>
<tr>
<td>4</td>
<td>2014-15</td>
<td>5</td>
<td>Outstanding Utilization Certificates</td>
<td>Taken afresh</td>
</tr>
</tbody>
</table>

**Table-II**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year of IR</th>
<th>Para No.</th>
<th>Brief</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2014-15</td>
<td>4</td>
<td>Unrealistic budgeting</td>
<td>Reply not received</td>
</tr>
</tbody>
</table>

Part-IV - Best Practices

Nil

Part-V – Acknowledgement

The Indian Audit and Accounts Department acknowledges the cooperation and assistance extended by PMU, NCRMP in providing necessary information and record to audit.

**Officers holding the charges:**

The following officers/officials held the charge of the respective posts in NCRMP during the period of audit:-
<table>
<thead>
<tr>
<th>Post Held</th>
<th>Name</th>
<th>Designation</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head of the Department</td>
<td>Sh. RK Jain</td>
<td>Member</td>
<td>01.04.2015 to 31.03.2016</td>
</tr>
<tr>
<td>Project Director</td>
<td>Sh. SP Vasudev</td>
<td>Project Director</td>
<td>01.04.2015 to 26.08.2015</td>
</tr>
<tr>
<td></td>
<td>Ms. Mamta Kundra</td>
<td></td>
<td>07.10.2015 to 31.03.2016</td>
</tr>
<tr>
<td>Head of Office</td>
<td>Sh. RK Mishra</td>
<td>US (General)</td>
<td>01.04.2015 to 31.03.2016</td>
</tr>
<tr>
<td>Officer In charge Admin &amp;</td>
<td>Sh. RK Yadav</td>
<td>Project</td>
<td>01.04.2015 to 31.12.2015</td>
</tr>
<tr>
<td>Accounts</td>
<td>Sh. PE Narayanan</td>
<td>Accountant</td>
<td>01.01.2016 to 31.03.2016</td>
</tr>
<tr>
<td>Official dealing with Cash</td>
<td>Sh. Manohar Singh</td>
<td>Cashier</td>
<td>01.04.2015 to 31.03.2016</td>
</tr>
<tr>
<td>Official Dealing with Stores</td>
<td>Sh. TG George &amp;</td>
<td>A/AA and O/A</td>
<td>01.04.2015 to 31.03.2016</td>
</tr>
<tr>
<td></td>
<td>Sh. VK Sharma</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The general condition of the accounts of National Cyclone Risk Mitigation Project (NCRMP), M/o Home Affairs, financed under World Bank IDA Credit No. 4772-IN, 5413-IN and 5693-IN for the period 2015-16 was found to be satisfactory subject to the remarks in the Inspection Audit Report.

The Inspection Report has been prepared on the basis of information furnished and made available by the NCRMP, New Delhi. The office of the Director General of Audit, Central Expenditure, New Delhi disclaims any responsibility for any misinformation and/or non-information on the part of the audited unit.

Sr. Audit Officer (AMG III)