ORISSA STATE DISASTER MANAGEMENT AUTHORITY

BHUBANESWAR

STATUTORY AUDIT OF NCRMP FOR THE YEAR 2018-19

SRB & ASSOCIATES
CHARtered ACCOUNTANTS

5th Floor, IDCO Tower, Janapath,
Bhubaneswar-751 022.
Phone: 2541043/2545891
Fax: 91-674-2546414
E-Mail: srbbbsr@rediffmail.com
To

The Chairman
Orissa State Disaster Management Authority,
Bhubaneswar.

Report on the Audit of the Project Financial Statements (PFS)

Opinion

We have audited the accompanying special purpose financial statements of NATIONAL CYCLONE RISK MITIGATION PROJECT (NCRMP), financed by International Development Association. These financial statements comprise of Project Financial Statement, including summary of significant accounting policies and other explanatory information (collectively referred to as “Project Financial Statements”).

In our opinion, and to the best of our information and explanation given to us, the aforesaid special purpose Project Financial Statements give a true and fair view of the financial position of the Project as at March 31, 2019.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing issued by Institute of Chartered Accountants of India (ICAI). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the project implementing agency in accordance with the ICAI’s Code of Ethics for undertaking this assignment, and we have fulfilled our ethical responsibilities in accordance with ICAI’s Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Emphasis of Matter

- Physical verification of fixed assets has not been done on regular basis.
- Interest on Fixed Deposit has not been recorded in the books of account, rather it has been transferred to OSDMA account.
- There is a difference of Rs 41.10 Crore between IUFR and Books of Accounts as regards Funds received from State Government towards state share.
- As per Receipt and Payment Account Rs.32800000 has been received from NDMA towards Grant-In-Aid for preparation of DRP for NCRMP. Since the amount does not relate to Project Fund, the same has not been taken into account at the time of submission of Utilization Certificate as well as in Audited Financial Statements.

Responsibilities of Management and those charged with Governance for the Project Financial Statements

The Management of the Project Implementing Agency is responsible for the preparation and fair presentation of the Project Financial Statements and for such internal control as management determines is necessary to enable the preparation of Project Financial Statements that are free from material misstatement, whether due to fraud or error.

The Management and those charged with governance are responsible for overseeing the implementing agency’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Project Financial Statements

Our objectives are to obtain reasonable assurance about whether the Project Financial Statements are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Standards of Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with Standard of Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Project Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the Project Financial Statements, including the disclosures and whether these financial statements present the Project’s operations and underlying transactions and events in a manner that achieves fair presentation in accordance with the financial reporting provisions.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Further to our opinion on the Project Financial Statements, we further report that:

- we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

- in our opinion, proper books of accounts have been kept by the implementing agency for Project purposes so far as appears from our examination of those books;
the Project Financial Statements dealt with by this report is in agreement with the books of accounts;

- the Project funds were utilized for the purposes for which they were provided;

- expenditures, including assets created under the Project, shown in the PFS are eligible for financing under the Project Financing Agreements;

- Interim Financial Reports (IFR) submitted by the Project management can be relied upon to support applications for withdrawal of the Loan, and adequate supporting documentation has been maintained to support these claims;

- Procurement has been carried out in line with the agreed procedures; and

- the Project has an adequate internal financial control system and such controls were operating effectively as at March 31, 2019 and the Project complies with the provisions of the Financing Agreement and Project Agreement dated November 11, 2013, in all material aspects.

For SRB & Associates
Chartered Accountants
F. R.No:310009E

CA B. MOHANTY
Partner
M.No:056264

Place: Bhubaneswar
Date: 04-12-2019

UDIN - 19056264AAAAF2915
ORISSA STATE DISASTER MANAGEMENT AUTHORITY
9th Floor, OSDMA, RAJIV BHAWAN, BHUBANESWAR.

Audited Project Financial Statement
For The Year Ended 31-03-2019

PIU of National Cyclone Risk Mitigation Project (Odisha)

(Rupees in Crore)

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>Cumulative up to 31/03/2018</th>
<th>For the year ended 31/03/2019</th>
<th>Total (Till Date)</th>
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<tbody>
<tr>
<td>SOURCES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Government Funds</td>
<td>182.8716</td>
<td>8.4887</td>
<td>191.3603</td>
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<tr>
<td>Government of India Funds</td>
<td>478.4468</td>
<td>108.1861</td>
<td>586.6329</td>
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<tr>
<td>Total Sources (I)</td>
<td>661.3184</td>
<td>116.6748</td>
<td>777.9932</td>
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<tr>
<td>EXPENDITURE BY COMPONENT</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Component-A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Last Mile Connectivity (A)</td>
<td>23.2800</td>
<td>33.9600</td>
<td>57.2400</td>
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<tr>
<td>Component-B</td>
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<td></td>
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<tr>
<td>Physical Infrastructure</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Construction/Renovation of Embarkments</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Construction/Extension/Repair Of Missing Rural Road Links</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>Roads to Cyclone Shelters and Habitations</td>
<td>166.9683</td>
<td>2.9797</td>
<td>169.9480</td>
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<tr>
<td>Construction of Road And Bridges</td>
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<tr>
<td>Repair And Upgrade of Saline Embankments</td>
<td>189.1962</td>
<td>4.1724</td>
<td>193.3686</td>
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<td>Shelter Level Equipments</td>
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<td>40.8872</td>
<td>40.8872</td>
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<tr>
<td>Total of Component-B</td>
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<td>68.1984</td>
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<td>Component-C</td>
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<td>Risk Assessment</td>
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<tr>
<td>Component-D</td>
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<tr>
<td>Advances to Suppliers/Others (E)</td>
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<td>10.3285</td>
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<td>Advances for Civil Works</td>
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<tr>
<td>Advances for Equipments</td>
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<td>Other Advances</td>
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<tr>
<td>Total of Component-E</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total (A+B+C+D+E)</td>
<td>590.8078</td>
<td>117.1582</td>
<td>707.9660</td>
</tr>
</tbody>
</table>

For SRB & Associates
Chartered Accountants
F.R.No.310009E

CA B. Mohanty
Partner
M. No.056264

Chief General Manager (F&A) OSDMA
Bhubaneswar

Managing Director
OSDMA
Significant Accounting policies And Notes to Accounts

I. Accounting Policies

(A) General

The Accounts are prepared on Cash basis.

(B) Accounting treatment of grants

(a) State Government and World Bank

(i) Government of Orissa and World Bank grants for construction and creation of Cyclone Shelter, Access Road and Repair & Upgradation of Saline Embankments facilities are credited in concerned grant funds. Utilization from these funds for construction of cyclone shelter, Access Road and Repair & Upgradation of Saline Embankments facilities are directly reflected as a reduction from such grant funds and the balance is shown under concerned grant fund liability.

(ii) All revenue expenditure incurred for direct/indirect administrative expenses for which no specific grant is receivable are appropriated from the Govt. of Orissa reconstruction fund and recognized as the revenue grant in the income and expenditure account.

(iii) Interest earned

Interest earned on deposits relating to the various funds has not been recognized as income and neither recorded in the books of account. Rather they are transferred directly to OSDMA funds.

(iv) Fixed Assets

Depreciation on fixed assets purchased by NCRMP has not been provided.

II. Notes on Accounts

(a) Funds received from Govt. of India & Govt. of Odisha and utilization for the same has been exhibited in Audited Financial Statement.

(b) Previous year figures have been regrouped / rearranged and or recast wherever considered necessary.

III. Background

The Government of India & has initiated National Cyclone Risk Mitigation Project('NCRMP'), herein after referred to as the ‘Project’ or ‘NCRMP’, with a view to address cyclone risks in the country. National Disaster Management Authority ('NDMA') under the aegis of Ministry of Home Affairs (MHA) shall implement the Project in coordination with participating States/UTs,
The key objectives of the NCRMP are as follows:

- Reduction in vulnerability of coastal States, through creation of appropriate infrastructure which can help mitigate the adverse impacts of cyclones, while preserving the ecological balance of coastal regions.

- Strengthening of cyclone warning systems enabling quick dissemination of warnings and advisories from source/district/sub-district level to the community for their timely reception and adequate response.

To begin with, NCRMP is proposed to be implemented in the States of Andhra Pradesh and Orissa. Other coastal states would be considered in further phases of the Project.

Components

Based on the above objectives, the Project has been divided into four components, namely:

- **Component A:** Last Mile Connectivity for the dissemination of cyclone warming and advisories from district/sub-district level to communities. This activity will be implemented by NDMA in consultation with participating States / UTs.

- **Component B:** Construction / Repair of Physical Infrastructure for cyclone risk mitigation. This component will be implemented by the States / UTs.

- **Component C:** Technical assistance for capacity building on hazard risk management. NDMA and NIDM are the implementing agencies for this Component.

- **Component D:** Project Management and Monitoring applicable to all implementing agencies.