CHAPTER IV: FINANCIAL MANAGEMENT

Audit objective: To ascertain the adequacy and utilization of budgetary allocation.

4. Financial Management

Prior to 2015-16, funds for GS and CSG roads were provided by Ministry of Road Transport & Highways (MoRT&H) from non-plan Grants based on the projection of Ministry of Defence (MoD). However, from the financial year 2015-16 funds in respect of GS and CSG roads are directly provided by MoD as BRO has been brought under the umbrella of MoD from 09th January 2015.

As regards ITBP roads, works are entrusted to BRO on behalf of Ministry of Home Affairs (MHA) as agency works. The budgetary provisions are finalized by MHA in consultation with Ministry of Finance (MoF) and included in their demand as plan Grants.

4.1 Budgeting

The budget in BRO is based on the annual targets fixed job-wise in the AWP approved by the BRDB/MoD (Finance). The job wise projection figures in the Budget Estimate (BE) form the basis for job wise allotment. During the Revised Estimate (RE) discussions/Mid Term Review, the CEs (P) review their job wise requirement of funds based on the progress of work and other parameters and based thereupon RE is approved and revised job wise allocation is done.

4.1.1 Actual expenditure below the budget estimate

We observed that although RE was reduced during all the years from 2012-13 to 2015-16 except 2014-15, yet the actual expenditure was less by 11 to 42 *per cent* of BE figures and 14 to 37 *per cent* of the RE figures in respect of 24 roads as indicated in **Table-4** below:

Table-4: **Details of BE and RE projection *vis-à-vis* expenditure (2012-13 to 2015-16)**

(₹ in crore)

Year	BE	RE	Actual expenditure	Percentage of shortfall in expdr w.r.t. BE	Percentage of shortfall in expdr w.r.t. RE
2012-13	393.77	385.94	328.77	17	15
2013-14	394.52	291.60	248.59	37	15
2014-15	203.95	212.40	182.40	11	14
2015-16	481.45	443.31	278.57	42	37

DGBR in reply stated that the reduction in actual expenditure with respect to BE was due to imposition of ceiling on expenditure during last quarter of the financial years 2013-14 and 2014-15 by MoF. However, during the year 2015-16, despite availability of adequate BE/RE, the value of work executed remained much below the value of works executed during 2012-13; shortfall in expenditure was 42 *per cent* and 37 *per cent*, respectively with reference to BE and RE.

4.1.2 BE (Financial provisions) not commensurate with the BE (physical targets)

Scrutiny of BE (Financial) in comparison with the physical targets of BE in the case of 24 roads revealed that the financial provisions were much lower than the requirement of permanent works, formation and surfacing works provided in physical targets of six roads as indicated in **Table- 5** below:

Table-5: Details showing inadequate financial provisioning

Sl. No.	Name of the road	Year	BE (Physical targets) (AWP)			BE (Financial) (₹ in crore)
			Formation (km)	Surfacing (km)	Permanent Works (₹ in crore)	
1.	BJG-NGG	2012-13	8.08	0	2.47	1.98
2.	J-RS	2012-13	1.98	2	2.10	1.05
		2013-14	5.48	4.5	3.33	3.01
3.	BCT	2012-13	79.13	142.07	63.08	52.91
		2014-15	41.33	133.39	26.25	21.97
4.	B-G	2013-14	0	0	3.44	0
5.	GK-J	2014-15	14.74	6	5.00	3.73
6.	G-R	2012-13	0	2.5	3.50	1.75

As could be seen from the above, expenditure on even permanent works is more than the budget estimates for formation, surfacing and permanent works combined indicating that component wise budget of roads were inadequate and not properly worked out in accordance with the physical targets.

4.1.3 Booking of expenditure not commensurate with physical achievement

We examined the financial provisions and expenditure *vis-a-vis* physical targets and progress in all the three stages of BE, RE and the actual implementation in respect of 24 selected roads during the period from 2012-13 to 2014-15, road wise details of which is given in **Annexure-VI.**

The following points emerged from the Annexure:-

- An amount of ₹ 6.93 crore (Sl. No. 6) was booked in four roads without any achievement in physical targets viz. formation, surfacing and permanent works.
- On two roads i.e. BJG-LGG and Shakti-Warlia-Agham ₹ 3.44 crore (Sl. No. 10) were booked in the year 2012-13 and 2013-14 without any provision in BE and RE.
- An amount of ₹1.89 crore (Sl. 8 & 9) was booked against BJG-LGG road during the year 2012-13 and 2013-14 against execution of work worth ₹0.55 crore**.**
- An amount of ₹ 2.68 crore (Sl. No. 11) and ₹ 1.51 crore (Sl. No. 12) was booked during the year 2013-14 and 2014-15 on TCC-Maza and L-D-Y respectively against negligible achievement in formation works.
- Though there was a drastic reduction in actual physical achievement of various components of the works viz. Formation, surfacing and permanent works against the targets fixed during BE/RE, yet the expenditure was booked as fixed at RE stage, regarding the actual expenditure incurred.

The financial provisions made at the initial BE, revised stage and the actual expenditure incurred should have proportionately changed with physical reduction, increase in RE/actual achievement of the various components of work however, the same was not done.

In reply to Audit query on the above, DGBR stated that the physical target included formation, surfacing and permanent and bridge works, *etc*. and cost of work on each road varied due to different altitude and the booking rates, different rates of formation and surfacing works of each of the job *etc*. leading to expenditure disproportionate to physical progress. The reply is general in nature and did not address the audit observation made with respect to detailed budget estimates. Further, the reply did not address the issue of booking of expenditure without execution of any work in some cases.

4.2 Delay in obtaining Revised Administrative Approval/ Expenditure (RAA/RAE)

Border Road Regulations stipulate that if during the execution of project, it is anticipated that the scope changes or the expenditure exceeds or likely to exceed the amount of Administrative Approval/Expenditure sanction beyond the permissible limit by more than 10 *per cent*, a report will be made at once to the DGBR explaining the reasons for the change in scope or for the excess of expenditure. Further, as per the DGBR's Technical Instructions this report is to be followed immediately by RAE so that the revised sanction can be obtained at the earliest and the balance work taken up and completed. Apart from this, inordinate delay in sanctioning of RAEs was also pointed out in Audit Report No. 3 of 2006 (Performance Audit). HQ, DGBR had stated (November 2005) that a special RAE processing cell had been created at the Headquarters to monitor the cases appropriately.

Our scrutiny revealed that despite the irregularity having been repeatedly pointed out in audit and creation of special RAE processing cell at the instance thereof, the RAE cases were not timely initiated/cleared halting the progress of works. The age-wise details of RAEs awaiting sanction in respect of selected 24 roads as of March, 2015 are mentioned in **Table-6** below:

Table - 6: Age-wise details of RAEs as of March, 2015

Sl.No.	Vintage of Pending RAEs	Number of RAE cases pending
1.	1-2 years	**25**
2.	2-5 years	**17**
3.	Above five years	**20**
Total		**62**

The delay ranging from one year to more than five years in initiation/sanction of RAEs had resulted in stoppage of works as mentioned at Para 3.7 in Chapter III of the report. The main reasons for delay in sanction of RAE was that RAE remained under observations with the Directorate/IFA(BR) and the concerned Projects/TFs for prolonged time due to non-furnishing of the proper details/specific replies to the DGBR's/IFA(BR)'s queries in connection with the RAE case(s), taking excessive time by the DGBR in processing of RAE cases for sanction.

DGBR in reply stated that the delay in sanction was due to deficiency of trained IFA staff at Project level. Further, it was stated that the situation has improved presently due to special powers delegated to the CEs in November 2014 for sanction up to ₹ 30 crore. The fact, however, remains that the main reason behind undue time taken in meeting the observations *i.e.* the procedural problem of the organization, remained unaddressed.

4.3 Delay in closure of works

Border Road Regulations clearly stipulate that physical Completion Report Part ‘A’ (CR Part ‘A’) should be initiated as soon as the work has been physically completed and the financial Completion Report Part ‘B’ (CR Part ‘B’) prepared within one year from the date of physical completion of work.

Audit however observed from the data provided by the six Projects that in 91 cases pertaining to five projects, the CRs Part ‘A’ amounting to ₹ 233 crore had not been initiated whereas CRs Part ‘B’ pertaining to financial closure in cases of value of ₹ 274.56 crore were outstanding. The details of pending CRs are given in **Table-7** below:

Table-7: Age wise details of outstanding CRs Part ‘A’ and ‘B’ (31 March 2015)

Name of the Project	No. of outstanding CR Part ‘A’				Total amount* (₹ crore)	No. of outstanding CR Part ‘B’				Total amount* (₹ crore)
	1-3 years	3-5 years	Above 5 years	Total		1-3 years	3-5 years	Above 5 years	Total	
Arunank	-	-	11	11	50.85	-	-	11	11	50.85
Brahmank	01	-	01	02	20.35	01	-	03	04	42.13
Vartak	26	21	18	65	90.51	26	23	20	69	105.65
Himank	06	01	-	07	50.76	07	01	-	08	54.34
Shivalik	05	-	01	06	20.85	10	-	01	11	21.59
Total	**38**	**22**	**31**	**91**	**233.32**	**44**	**24**	**35**	**103**	**274.56**

*As per Monthly Expenditure Return (MER) of March 2015

It is evident from the above table that 58 and 57 *per cent* of the physical and financial closure reports respectively had been pending for the periods above three and five years against the provision of one year in the regulations.

The DGBR in reply, while agreeing to the audit point stated that the delay in physical closure of the work was due to shifting of the emphasis of the site executives from the completed works to new works/sites for achieving the required progress/achievement of that year’s target on completion of the works. Delay in financial closure of the works was attributed to mismatch in physical-financial booking, which in turn, was due to delay in sanction of RAEs, pending arbitration cases, legal issues, outstanding payments to contractors/CPLs, royalty charges, *etc*. It was further stated that the special drive had been initiated for speedy sanction of RAEs and closing of CR Part ‘A’ and ‘B’ since delegation of powers to CE in November 2014.

Delay in financial closure of the works within the specified time may lead to booking of expenditure on other jobs by diverting funds from the works where Part-B remains pending.