

Chapter 7: Resources and Utilisation of funds

Financial resources for control and prevention of water pollution comes from Government budgetary support and Water Cess collected under the provisions of the water (Prevention and Control of Pollution) Cess Act, 1977. The Central Government pays the Central Pollution Control Board and State Pollution Control Boards such amount of money as it may think fit for being utilised under the water (prevention and control of pollution) Act 1974 from the proceeds of Water Cess collected after deducting the expenses on collection. MOEF being nodal ministry is responsible for protection of environment including environmental threats arising from Water pollution.

Funds allocated by the government to MOEF and its various agencies for implementation of programmes relating to prevention of pollution of rivers, lakes and ground water all over the country need to be spent effectively, efficiently and economically for the purpose for which it was allocated. This is especially important as funds are transferred directly from the Central government (MoEF) to implementing agencies of State Government such as municipalities, Jal Boards, Sewerage Boards, Lake Development Agencies etc for implementation at the ground level instead of being routed through State Government as was done prior to June 2003.

7.1 Resources generated from Water Cess for control and prevention of water pollution

The objective of control and prevention of water pollution is achieved through CPCB, SPCBs and various programs of MOEF such as NRCP, NLCP under NRCD etc. The resources generated through Water Cess under the provisions of the water (Prevention and Control of Pollution) Cess Act, 1977 and grants disbursed to CPCB and SPCB from cess so collected during last five years are placed below:

Table 16: Details of Water Cess collected and grants disbursed

Year	Water Cess collected	(₹ in crore)		
		Grants to SPCB	Grants to CPCB	Total
(1)	(2)	(3)	(4)	(5) = (3) + (4)
2005-06	56.4	76.52	47.04	123.56
2006-07	170.3*	76.51	47.12	123.63
2007-08	190.84	130.34	47.96	178.30
2008-09	228.99	79.80	50.63	130.43
2009-10	207.01	209.96	54.77	264.73
Total	853.54	573.13	247.52	820.65

[Source: Detailed Demand of Grants of MoEF and Finance Accounts of Union Government of concerned years]

* Inclusive of other cess

We observed that resources generated from Water Cess for control and prevention of water pollution was very meagre and was distributed to CPCB and SPCB for meeting their administrative expenses mainly for monitoring of pollution level of water, air and other areas. CPCB and SPCB did not have any schemes for reducing water pollution and restoration of quality of water and water bodies. We observed that based on 28 States and seven Union territories, funds allocated from Water Cess comes to only ₹3.28 crores per

State/Union Territories per year during last five years. This miniscule amount of allocation was barely sufficient for monitoring of pollution level.

The Water Cess under the provision of Water (prevention and Control of pollution) Cess Act 1977 was revised two times during the last 34 years in 1992 and 2003. The water cess is payable by various users at the rate ranging from two paise to fifteen paise per kiloliter and defaulters failure to comply with the orders/direction issued under provision of Water (prevention and Control of pollution) Act 1974 or Environment Protection Act 1986 are liable to pay higher rate of three paise to thirty paise per kiloliter. Water Cess rates are set nationally with an extremely low rate structure. There is need of an in depth review of system of collection of Water Cess to ensure that the higher rate of Water Cess from defaulters is effectively recovered. There is also a need to revisit and revise the Water Cess rates keeping in view reasonable resources requirement of CPCB and SPCBs for monitoring, prevention and control of water pollution across the country.

Funds available for control and prevention of water pollution and restoration of wholesomeness of water were not adequate for the country as a whole. The total Water Cess of ₹ 853.54 crore collected during last five years constituted 10.75 per cent of total expenditure of MOEF. The disbursements to CPCB and SPCBs, amounted to ₹ 820.65 crore

Thus, there is a need to explore resources either by improving effectiveness in realization of cess, increasing the rate of Water Cess or exploring other sources of revenue for control of water pollution.

7.2 Expenditure on control and prevention of water pollution

The table below gives the expenditure incurred on control and prevention of water pollution and total budget of MOEF during last five years.

Table 17: Expenditure incurred on control and prevention of water pollution

Year	(₹ in crore)					
	Expenditure on NRCP	Expenditure on NLCP	Grants to SPCBs	Grants to CPCB	Total expenditure on water pollution	Total expenditure of MoEF
2005-06	274.21	56.22	76.52	47.04	453.99	1254.51
2006-07	275.92	52.66	76.51	47.12	452.21	1371.23
2007-08	252.98	63.20	130.34	47.46	493.98	1583.24
2008-09	271.00	45.00	79.80	50.63	446.43	1710.01
2009-10	360.99	45.00	209.96	54.77	670.72	2019.75
Total	1435.10	262.08	573.13	247.02	2517.33	7938.74

Source: MIS and detailed demand of grants of MoEF for respective years.

We observed that 26 to 36 per cent of MOEF budget was spent on control and prevention of water pollution. It can be seen that out of total expenditure of ₹ 2517.33 crore on control and prevention of water pollution, ₹1697.18 crore were spent on programs of NRCP/NLCP and ₹820.65 crore were given as grants to SPCB and CPCB. The funding patterns of NRCP/NLCP and utilisation of funds allotted to these programmes are discussed below.

7.3 Funding pattern of NRCP/NLCP programme

7.3.1 Funding Pattern of NRCP

The funding pattern for the river cleaning programme has undergone several changes. GAP I which started in 1985 was a 100 *per cent* centrally funded scheme. The funding pattern changed to 50:50 between Central Government and State Government for phase II in 1993. This was revised again to 100 per cent GOI funding from 1997. Finally, from 1st April 2001, the funding pattern for new projects was changed to 70: 30. As per NRCD guidelines:

- NRCD/Government of India shall bear upto 70% of the Project cost.
- States and Local Bodies shall bear 30% of the Project cost of which the share of public would be a minimum of 10% to ensure public participation in the project.
- The O&M shall be a part of the project and the costs thereon shall be borne entirely by the State and local bodies for which additional resources have to be demonstrably raised and committed to O&M.
- The Local Bodies may raise loans from financial institutions such as HUDCO to contribute their share.
- If there is a cost overrun in a project because of delay, inflation or any other reason, the contribution of NRCD/Government shall be limited to its contribution amount initially agreed. Any additional expense on account of any increase in cost shall be borne by the concerned State Government.
- In addition NRCD/Government of India may undertake itself or commission projects to other institutions, voluntary agencies etc. also.

7.3.2 Funding Pattern of NLCP

Initially the scheme was approved with 100 *per cent* central funding. The funding pattern changed from February 2002 to 70:30.

- NRCD/Government of India shall bear upto 70% of the Project cost.
- The States shall bear 30% of the project cost, of which the share of the local body would be up to 10% to ensure public participation in the project. A commitment to this effect also to be provided by the State Government.
- For the lake catchment where sewerage & sewage treatment is being posed/funded from other sources, appropriate synergy of the two programmes is to be ensured. In case, the proposal also includes the internal sewerage as one of the components, the funding pattern shall be 60:40 between the Centre and the respective State. As far as possible, Government land may be identified for creation of infrastructure.
- The O&M shall be a part of the project and the costs thereon shall be borne entirely by the State / local bodies for which additional resources have to be demonstrably raised and committed to O&M. The O&M Plan must reveal the dedicated streams for revenue generation to meet O&M expenses and the same has to be passed as a resolution by the concerned local body.

- If there is a cost overrun in a project because of delay, inflation or any other reason, the contribution of NRCD/Government of India shall be limited to the amount initially agreed to in the Administrative Approval & Expenditure Sanction Order.
- Certain R&D activities considered to be necessary and an integral part of the project, may be undertaken by the State Government through academic institutions within the scheduled time frame of the project.

7.4 Budgeted expenditure under NRCD

7.4.1 NRCP

Since Ganga Action Plan II started in 1993 and its scope was widened into National River Conservation Programme, 1079 projects for ₹ 4724.24 crore had been sanctioned by MoEF against which the funds of ₹ 3041.91 crore had been released up to March 2010. Breakup of funds sanctioned under budget estimates, revised estimates and utilised in form of releases during last ten years (2000-2010) is given below:

Table 18

Year	(₹ in crore)		
	Budget Estimates	Revised Estimates	Funds released
2000-01	193.50	121.64*↓	121.39
2001-02	174.95	279.17*↑	283.28
2002-03	254.00	278.26	278.26
2003-04	244.00	234.00	219.09
2004-05	304.20	319.00	292.66
2005-06	347.50	297.20*↓	274.21
2006-07	363.00	275.41	275.92
2007-08	264.00	256.69	252.98
2008-09	249.00	271.00	271.00
2009-10	511.00	361.00*↓	360.99
Total	2905.15	2693.17	2629.79

*Years in which budget estimates were revised by more than 20 per cent

We observed that out of 10 years scrutinised by audit, budget estimates were revised by more than 20 per cent in four years. Out of these four years, in three years budget estimates were revised downwards by 24 per cent to 37 per cent, while in one year budget estimates were revised upwards by 60 per cent. This indicated that NRCD was not able to capture accurately assumptions on which budget estimates were based. In the remaining years, revision ranged between three to 14 per cent.

7.4.2 NLCP

58 projects for ₹ 883.96 crore has been sanctioned by MoEF and against which the funds of ₹327.89 crore had been released up to March 2010. Breakup of funds sanctioned under the budget estimates, revised estimates and utilised in form of release during last ten years (2000-2010) is given below:

Table 19

Year	(₹ in crore)		
	Budget Estimates	Revised Estimates	Funds released
2000-01	10.00	7.00*↓	0.20
2001-02	10.00	10.00	10.00
2002-03	30.00	12.19*↓	12.19
2003-04	45.00	44.16	20.00
2004-05	45.00	30.00*↓	23.42
2005-06	68.00	56.22	56.22
2006-07	60.00	58.54	52.66
2007-08	100.00	63.21*↓	63.20
2008-09	80.00	45.00*↓	45.00
2009-10	45.00	45.00	45.00
Total	493	371.32	327.89

We observed that out of 10 years reviewed by audit, budget estimates were revised by more than 20 per cent in five years. In these five years, budget estimates were revised downwards by 30 per cent to 59 per cent indicating that NRCD was not able to capture the assumptions on which the budget estimates were based. In the remaining years, revision ranged between 0 to 17 per cent.

We further observed that in three years (2000-01, 2003-04 and 2004-05), there was significant variation even in the revised estimates and final expenditure. In these three years, expenditure was lower by 28 per cent to 98 per cent as compared to revised estimates, indicating that progress in projects relating to lakes was very slow and implementing agencies were not seeking further release of installments. Thus, NRCD could not reasonably capture progress of works and requirement of funds even in the revised estimates, impacting the financial management and budgetary control.

7.5 Utilisation of funds

7.5.1 Utilisation of funds released under NRCP

The State-wise details of projects sanctioned, projects test checked, funds released and expenditure on all project and projects test checked in respect of NRCP since initiation of Ganga Action Plan II up to March 2010 is given in **Annexure 5**.

We observed that out of 20 States, total expenditure in respect of 10 States was less than the amount released by NRCD. These States are indicated by an asterisk (*) in the **Annexure 5**. The total expenditure of these 10 States was ₹ 540.14 crore out of ₹ 652.11 crore. This indicated that the progress of expenditure was slow and surplus out of NRCD funds amounting to ₹ 111.97 crore in addition to 30 per cent share of State was lying in interest-earning accounts of banks as per the terms of sanction and release of MOEF.

Out of ₹3041.91 crore released to 20 States, 87 per cent of total release amounting to ₹2660.01 crore was given to eight States namely Andhra Pradesh, Delhi, Haryana, Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal.

In the remaining States, we observed that total expenditure in respect of seven States was less than combined total of funds released by NRCD and State share. Only two States i.e.

Goa and Punjab have spent funds equal or more than total of funds released by NRCD and State share. NRCD could not furnish the information in respect of funds released for test checked projects separately as funds were released directly to implementing agency for clusters of project and not project-wise.

While verifying UCs, we observed that there was no uniformity in submission of UCs by the implementing agency as some implementing agencies had submitted combined UCs for all the projects, while others did so on the basis of individual projects. This had led to ineffective monitoring at NRCD, while affording various options to the implementing agency to conceal crucial financial information and facts as disaggregated data was not required to be disclosed.

In its present format, the system of collecting and analysing data is incapable of detecting diversion of funds, inefficient utilisation of funds, failure to contribute matching share, balances lying unspent from completed projects, interest income earned but credited to account of implementing agency and not disclosed in UCs for adjustment in further release, booking of inadmissible charges/expenditure, cost escalations and overruns.

Out of 1079 projects sanctioned by NRCD, Audit test checked 140 projects costing ₹ 2117.66 crore across 19 States and 41 towns situated on banks of 24 rivers for detailed scrutiny.

Audit observations of projects checked in audit are given below.

7.5.1. (a) Diversion of funds

Funds sanctioned by MoEF were to be spent only on items approved in the project. However, in some cases it was observed that implementing agencies in the States had spent funds on items of expenditure not included in DPRs. Some of the cases are discussed below:

- **In Bihar**, Bihar Rajya Jal Parishad, Bihar had constructed three low cost sanitation projects at a total cost of ₹ 9.77 lakh in Government high schools and in certain colony at Barahaya, instead at the banks of River Ganga which was in contravention to NRCD guidelines.
- **In Goa**, Department of Science Technology and Environment diverted funds of ₹ 74.28 lakh on procurement of a transformer (₹ 44.65 lakh) and construction of five excess staff quarters (₹ 29.63 lakh). In June 2011, MoEF stated that the State Government has been communicated to take necessary corrective measures.
- **In Punjab**, the Implementing agency (Punjab Water Supply and Sewerage Board) had diverted ₹ 6.91 crore on schemes which had not been included as items of expenditure under the projects approved. It expended ₹ 5.11 crore on salaries and ₹ 1.80 crore on operation and maintenance, which were not covered under NRCP.

In June 2011 MoEF stated that replies had been sought from the State government, however, the response was still awaited.

- **In Punjab, land acquisition cost booked on MoEF account:** ₹ 74.98 crore was spent on land acquisition in Ludhiana, Jalandhar, Phagwara and Phillaur out of which ₹ 2.38 crore incurred on land acquisition up to 31 March 1997 was booked as central share. However, the actual expenditure incurred on land acquisition up to 31 March 1997 was ₹ 1.55 crore only which was to be shared on 50 *per cent* basis i.e. ₹ 0.77 crore was the central share instead of ₹ 2.38 crore. After being pointed out by audit, in June 2011, MoEF stated that Punjab Water Supply and Sewerage Board is being requested to

credit back the amount to NRCD with only ₹ 0.77 crore being eligible as GoI share for land acquisition.

- In **Tamil Nadu**, the cost of land was to be borne by the State government. However, land cost of ₹ 71.44 lakh for pumping stations for Trichy-Srirangam Underground Sewerage System was charged to works expenditure.

In June 2011, MoEF stated that the State Government had informed that out of ₹ 71.44 lakh charged towards cost of land, a sum of ₹ 58.68 lakh has already been withdrawn and added as share of Government of Tamil Nadu/ Local Body. The balance amount of ₹ 12.76 lakh would also be withdrawn.

- In **Uttarakhand**, Implementing agency (Uttarakhand Peyjal Nigam) had diverted ₹ 146.38 lakh on items of work (viz., excess centage, work charged establishment, contingency, special tools and plant charges, sub pumping stations, Purchase of Pumping and generator set etc.) which had not been included as items of expenditure under the projects approved.

In June 2011, MoEF stated that the State Government has been communicated to take necessary corrective measures.

7.5.1 (b) Failure to contribute Matching Grants:

As per the funding pattern, Government of India (GOI) was to bear up to 70 *per cent* cost of the project and the rest 30 *per cent* was to be borne by the State Government. During examination following shortcomings were noticed in certain specific projects test-checked under NRCP:

- In **Bihar**, for survey and investigation and preparation of Pre-Feasibility Reports, an amount of ₹10 lakh was sanctioned by NRCD and matching share of ₹ 10 lakh was to be met by the State Government. However, the State government of Bihar did not release the same.
- In **Uttar Pradesh**, under Gomti Action Plan Phase-I NRCD released ₹ 33.36 crore of its share during 2000-2010 whereas the Government of Uttar Pradesh released ₹ 8.29 crore instead of ₹ 14.30 crore, entailing a short release of ₹ 6.01 crore of its matching share.

7.5.1 (c) Unspent balances from projects completed /funds lying idle

As per General Financial Rules as well as sanctions for the projects, any fund left over after implementation of the project had to be refunded to the fund-granting agency, in this case MoEF. Funds were to be kept in interest-bearing accounts of entities implementing projects as per conditions of sanction. However, in the cases discussed below, it was observed that even though the projects were completed, funds lying unutilised with the implementing agency were not refunded to MoEF.

- In **Jharkhand**, Bihar Rajya Jal Parishad transferred (November 2005) unspent balance of ₹ 61.85 lakh to Mineral Area Development Authority (MADA) of Jharkhand for implementation of the project under the Subarnarekha plan. However, this said amount were lying unspent with MADA since October 2005. In June 2011, MoEF stated that MADA is being advised to indicate their plan to utilise this balance funds towards the completion of the balance projects.

- In **Bihar**, ₹ 13.72 lakh was released by NRCD for preparation of DPRs under GAP-II (Supreme Court towns) out of which only ₹ 6.87 lakh was spent and balance ₹ 8.75 lakh (including interest amount of ₹ 1.90 lakh) was kept idle with the Bihar Rajya Jal Parishad (BRJP) since 1996.
- In **Bihar**, Out of ₹199 lakh released by the State Government to Bihar Rajya Jal Parishad (BRJP) for special repairs of assets created under GAP-I, only ₹121.44 lakh was spent during the period 2003-2008. Out of ₹ 14.75 lakh earned as interest, ₹12.96 lakh was transferred to revenue/establishment account of BRJP. The balance amount of ₹ 79.35 lakh was lying idle in savings/FD account with BRJP. This amount could have been utilised after MoEF approval towards the repair of STP, Chapra which was not functioning since 2003 and STPs at Patna (Pahari, Saidpur and Beur) and Bhagalpur which are not operating at full capacity.
- In **Madhya Pradesh**, ₹113.36 lakh was sanctioned for acquisition of land in May 1996 by NRCD which was transferred to Collector of Indore, Madhya Pradesh for construction of STP. However, the land was not acquired and STP was built on Government land at Katib Kheri instead of private land at Shakker Kheri . But the fund was not returned to NRCD and are lying with the Collectors office, Indore since 1996.
- In **Odisha**, the matching share of State Government of ₹ two crore was kept in non-interest bearing Civil Deposit with Treasury since 2002-03. After being pointed in audit, the released amount had now been kept in interest bearing account.
- In **Tamil Nadu**, unspent balance of ₹1.99 crore was lying with Chennai Metropolitan Water Supply and Sewerage Board Tamil Nadu since September 2008. In June 2011, MoEF stated that the implementing agency would be requested to refund the balance amount without awaiting recouping of funds by the Local Body.

7.5.1 (d) Interest income earned but not disclosed in UCs

According to guidelines of NRCP, a separate interest bearing bank account had to be opened to receive the funds from MoEF. Further, the interest so earned should be credited to the project account and reflected in the Utilisation Certificates. However, in the cases discussed below it was observed that the implementing agencies did not report the interest earned to MoEF:

- In **Goa**, Department of Science, Technology and Environment, which also served as an Implementing Agency had earned interest of ₹ 0.81 crore during 2003-2010 but did not report it to the NRCD.
- In **Kerala**, Kerala Water Authority (KWA) received ₹ 2.75 crore from the GOI under Pamba Action Plan, which was deposited in a separate account. The interest accrued was ₹ 17.36 lakh but the same was neither transferred to project account, nor reported to the NRCD. Further, out of this ₹ 8.82 lakh was transferred to NEERI Nagpur for tender evaluation, and the balance amount of ₹ 8.54 lakh was still lying with KWA.
- In **Tamil Nadu**, the implementing agency (Chennai Metro Metropolitan Water Supply and Sewage Board, CMWSSB) of Tamil Nadu did not report to NRCD interest of ₹ 14.76 crore earned out of the Government grant and credited the entire interest in its accounts. In June 2011, MoEF stated that the interest amount was not reflected in the

UCs submitted by the State. This has been taken up with the CMWSSB and the State Government.

- In **Uttar Pradesh**, Uttar Pradesh Jal Nigam had earned interest of ₹ 11.86 crore but the same was neither credited to the project account, nor reflected in the UCs.

7.5.1 (e) Other points of interest

Some other points of interest are discussed below:

- In **Odisha: Meeting extra expenditure from NRCP funds:** As per terms and conditions stipulated in the sanction, extra expenditure incurred on the project was to be borne by the respective State governments. Contrary to the above provision, on construction of STP at Cuttack extra expenditure of ₹ 83.90 lakh incurred on the project was met from NRCP funds (quantity variation ₹ 54.16 lakh and price variation ₹ 29.74 lakh).
- In **Tamil Nadu: Failure to release of GOI funds by Government of Tamil Nadu (GoTN):** NRCD released ₹ 9.35 crore for works of five towns directly to the GoTN up to March 2000. Of this, the GoTN released only ₹ 8.86 crore to the implementing agencies and the balance amount of ₹ 49.60 lakh was lying with GoTN (January 2008). In another case, the share of ₹ 56.91 lakh of GoTN at 50 *per cent* of the expenditure incurred up to March 1997 was also not released by GoTN. Thus a total amount of ₹ 1.07 crore was not released by the GoTN from March 2000.
- In **Uttar Pradesh: Outstanding advance:** Implementing agency of Uttar Pradesh had made an advance payment of ₹ 50 lakh to contractor for construction of MPS in September 2006. Though the sanctioned duration of the project expired in March 2007, it was not adjusted even after a lapse of four years. In June 2011, MOEF stated that the advance has since been adjusted and the MPS has also been commissioned in the year 2010.
- In **Uttar Pradesh:** Gomti Pollution Control Unit, Lucknow under Uttar Pradesh Jal Nigam did not incur any expenditure under Gomti Action Plan Phase I in four years from 2000-01 to 2003-04 while it received ₹ 26.78 crore (₹ 5.18 crore in 2000-01, ₹ five crore in 2001-02, ₹ 13.60 crore in 2002-03 and ₹ three crore in 2003-04). Similarly, no expenditure was incurred by this unit in two years (2003-04 and 2004-05) although it had received ₹ 25.71 crore under Gomti Action Plan Phase II (₹ 18 crore Central share and ₹ 7.71 crore State share).

7.5.1 (f) Cost escalations and overruns which were not to be shared by NRCD

Due to delays, there were cost overruns in 54 projects out of the test checked 140. The project wise details are given in **Annexure 3**. The total cost over run in these projects was ₹ 129.19 crore and in 21 projects, cost over run exceeded more than ₹one crore ranging from ₹1.10 crore to ₹ 34.59 crore.

7.5.2 Utilisation of funds released under NLCP

The State-wise details of project sanctioned, project test checked, funds released and expenditure on projects test checked in respect of NLCP since initiation of NLCP up to March 2010 is given in **Annexure 6**.

The figures pertaining to expenditure on test checked projects reflected in **Annexure 6** have been compiled by Audit from implementing agencies.

Out of ₹883.96 crore of sanctioned projects to 14 States, 58 per cent of total sanctioned projects amounting to ₹513.73 crore were sanctioned to only two States namely Jammu and Kashmir and Rajasthan.

We compiled the expenditure on test checked projects but could not compare the same with project-wise releases as NLCP could not furnish information in respect of funds released for the test checked projects separately in the cases where one implementing agency was implementing more than one project as funds were released to implementing agency for clusters of projects. Thus, the system was not devised to enable tracking of the last Rupee, thereby hampering effective monitoring of utilisation of funds by implementing agency.

Although NLCP compiled information on approved cost of projects and funds released, it did not compile information relating to project-wise expenditure and total expenditure on all projects based on UCs received from States.

Therefore, we could not compare total expenditure on all projects with total release of funds.

We observed that in absence of effective monitoring of use of funds, NRCD also could not verify diversion of funds, inefficient utilisation of funds, failure of States to contribute their matching share, balance lying unspent from completed projects, interest income earned credited to account of implementing agency but not disclosed in UCs for adjustment in further release etc., as in the case of NRCP.

Further, NRCD did not devise any effective system to exercise proper and effective due diligence in function of financial management and also failed in ensuring that all relevant information was furnished by the implementing agency to enable it to exercise adequate and effective control on utilisation of funds.

Out of projects of 58 lakes sanctioned by NLCP, Audit test checked projects of 22 lakes costing ₹692.06 crore across 14 States for detailed scrutiny. **Audit observations relating to test checked projects are given below:**

7.5.2 (a) Diversion of funds

Funds sanctioned by MoEF were to be spent only on items approved in the project. However, in some cases it was observed that the implementing agencies in the States had spent funds on unapproved items of expenditure. Some of the cases are discussed below:

- In **Jammu and Kashmir**, of ₹143.55 crore released, Implementing agency of Jammu & Kashmir diverted funds on un-approved items of work of ₹2.70 crore (operation & maintenance costs, rent, miscellaneous items and wages). MoEF stated that response from the State Government is still awaited.
- In **Karnataka**, the Implementing agency had diverted ₹64.63 lakh on un-approved items of work i.e., chain link fencing, cattle pond, parking lot, bore well, pump etc. In June 2011, MoEF stated that the factual position was being ascertained from the State Government and action shall be taken accordingly.

- In **Rajasthan**, the Implementing Agency diverted ₹17.15 lakh to meet expenditure on un-approved items of work (construction of Pucca wall at Nag Pahar). In June 2011, MoEF stated that since this was not as per approved scope of work, the State Government has been asked not to book the expenditure of this component under NLCP project.
- In **Uttarakhand**, Implementing agency of Uttarakhand diverted ₹5.83 crore towards construction of new bridge-cum-bypass and solid waste management (₹ five crore) and (₹83.16 lakh) on four unapproved items:
 - repairs and renovation of Nainital Lake through Public Works Department (PWD);
 - repairs, renovation and railing work of Nainital-Almora B-2 road through PWD;
 - installation of closed-circuit TV cameras in and around Nainital Lake and
 - construction of small parking areas, boundary wall and motor road in Commissioners office through Kumaon Mandal Vidyut Nigam.

In June 2011, MoEF stated that it has been reported by the State Government that diversion of funds has been carried out keeping in mind the prevailing scenario of lake conservation only, and after the prior approval of the State level Project Monitoring Committee (PMC). It also stated that the State Government has been requested to explain the detailed reasons for funds diversion and take corrective measures accordingly and that it would be ensured that excess cost, if any, incurred on the project will be borne by the State Government.

7.5.2 (b) Failure of State Governments to contribute proportionate share

The funding pattern of NLCP was changed from February 2002 and NRCD was to bear up to 70 *per cent* cost of the project and the rest 30 *per cent* was to be borne by the State Government. Examination of projects revealed that NRCD released instalments to State Government without ensuring that State Governments also released their share simultaneously. As a result, in seven lakes out of the 22 test checked in audit, we observed that the State Governments did not release their matching share of ₹ 7.77 crore as depicted in table below:

Table 20

Name of the State	Name of the Project/ Lake	Funds released by NRCD	Funds released by State		
			Amount due	Amount released	Pending amount
Karnataka	Bellandur	2.63	1.13	1.10	0.03 (S)
Andhra Pradesh	Banjara	0.80	0.34	0.00	0.34 (P)
Tamil Nadu	Kodaikanal	2.00	0.86	0.00	0.86 (P)
Kerala	Veli Akkulam	4.30	1.84	0.00	1.84 (NS)
West Bengal	Mirik	1.00	0.43	0.00	0.43 (P)
Odisha	Bindusagar	2.21	0.95	0.00	0.95 (P)
Madhya Pradesh	Shivpuri	7.75	3.32	0.00	3.32 (P)
Total		20.69	8.87	1.10	7.77

[Note: Status of the project is indicated as (S)=Suspended; (P)=Pending; (NS)=Not started]

7.5.2 (c) Unspent balances of completed projects/funds lying idle

As per General Financial Rules as well as sanctions for the projects, any funds left over after implementation of the project has to be refunded to the fund-granting agency, in this case MoEF. However, in the cases discussed below, it was observed that even though the projects were completed, funds lying unutilised with the implementing agency were not refunded to MoEF.

- In **Jammu and Kashmir**, J&K Lakes and Waterways Development Authority (LAWDA) had paid interest free mobilization advance of ₹ 34.64 crore to M/s Thermax for construction of STPs due to which it suffered a loss of interest of ₹ 47.96 lakh (calculated on simple interest @6 per cent annum).
- In **Karnataka**, Unspent balance of ₹1.81 crore (₹1.25 crore Central share and ₹ 0.56 crore of State share) was lying with the Implementing agency Lake Development Authority, Bangalore (since January 2005) which was released for restoration and conservation of Bellandur Lake.
- In **Kerala**, it was observed that ₹4.30 crore released to Kerala Sustainable Urban Development Project was deposited in the Special Treasury saving Bank Account and subsequently transferred to Sub Treasury at Vellayambalam. This fund was lying with government treasury account and no interest was realised on this amount from May 2006 to May 2009. The implementing agency suffered loss of interest of ₹1.34 crore up to December 2010 by not investing the same in the interest bearing account with accredited banks. In June 2011, MoEF stated that despite repeated requests, MoEF was not informed of the physical and financial progress of the project by the State Government and the State Government had since been requested to refund the funds released along with the interest accrued so far.
- In **Maharashtra**, in the case of Powai lakes, unspent balance of ₹93.84 lakh was lying with Municipal Corporation of Greater Mumbai (MCGM), Maharashtra since April 2006. In June 2011, MoEF stated that factual position was being ascertained from the State Government and action shall be taken accordingly.
- In **Andhra Pradesh** in the case of Banjara Lake, an amount of ₹80 lakh was released to Andhra Pradesh Tourism Development Corporation, Hyderabad (APTDC) in April 2005. Later, the execution of the project was transferred to Hyderabad Metropolitan Water Supply and Sewerage Board (HMWS&SB). APTDC was supposed to transfer unspent balance of ₹ 62.40 lakhs to HMWS&SB. However, APTDC had transferred only ₹ 31.20 lakh to HMWS&SB and remaining amount of ₹31.20 lakh was still lying with it.
- In **Madhya Pradesh** ₹ 6 crore was released to Municipal Corporation, Shivpuri in October 2007 for implementation of the project for Shivpuri lake. An expenditure of ₹ 25.45 lakh was incurred on tendering and advertising, subsequently the work was transferred to Public Health Engineering Division (PHED), in September 2009. However, the balance fund were lying the Municipal Corporation, Shivpuri and was yet to be transferred to PHED.
- In **Rajasthan**, ₹2.91 crore was transferred to Forest Department for afforestation work in catchment area of Pichola lake. The Forest Department utilised only ₹ 99.53 lakh and the remaining amount of ₹1.92 crore was lying idle with the Forest Department.

7.5.2 (d) Interest income earned but not disclosed in UCs

In all cases of funds being received under NLCP, a separate interest-bearing bank account had to be opened to receive the funds from MoEF. Further, the interest so earned should be credited to the project account and reflected in the Utilisation Certificates. However, in the cases discussed below it was observed that the implementing agencies did not report the interest earned to MoEF:

- In **Madhya Pradesh**, Municipal Corporation, Shivpuri, kept ₹5.90 crore in short-term deposits for different periods and earned interest of more than ₹57.18 lakh. However, the same was not reported to MoEF.

MoEF stated in its reply in June 2011 that efforts would be made to ensure compliance of terms and conditions of sanctions. Action would be taken for refund to MoEF by the implementing agencies of unspent balances, if any, after completion of projects. MoEF also stated that several new measures had been initiated for effective utilisation of funds and improved implementation of project. These include

- Public consultation in project formulation and implementation,
- Signing of tripartite MoAs with States and urban local bodies,
- Appraisal of projects by independent institutions,
- Third Party Inspection to review and monitor performance of the projects funded under NRCP & NGRBA on the basis of detailed on-site review, examination of documents through the entire lifecycle stages of the projects namely pre-construction, construction, commissioning & trial run and post-construction.

As regards improving monitoring for effective utilisation of funds, MoEF stated that it has taken up a project for online reporting and monitoring system for monitoring of NRCP and NLCP programmes which is likely to be operational shortly.

Conclusion

Utilisation of funds

Funds available for control and prevention of water pollution and restoration of wholesomeness of water were not adequate for the country as a whole. There were instances of poor financial management like diversion of funds, non-disclosure of accrued interest, funds not utilised for implementation, funds parked in bank accounts, unspent balances not refunded etc., in the implementation of the projects. The quality of utilisation certificates was poor.

Further, due to tardy implementation, the government had to spend more funds on these projects than originally sanctioned. As such, MoEF needs to exercise greater oversight over utilisation of funds to ensure that funds are spent timely and for the purpose it was sanctioned.

Recommendation 26

There is a need to augment financial resources either by improving effectiveness in realization of cess, increasing the rate of Water Cess or exploring other sources of revenue for control of water pollution.

Recommendation 27

There is a need to strengthen the monitoring system of utilisation of funds. MoEF needs to exercise greater oversight over utilisation of funds to ensure that funds are spent timely and for the purpose for which they were sanctioned. MoEF need to place specific thrust on diversion of funds through improving the system of utilisation certificates in its oversight function.