

## Chapter 8 Financial Management

Funds under the mission were to be released as Additional Central Assistance (ACA) to the State Government or the designated SLNA. The State Government /SLNA was to pass on the ACA along with their matching share to ULBs/implementing agencies.

In this chapter, we report on the release of ACA, the utilization of the ACA and other irregularities noticed in this regard.

### 8.1 Slow release of committed ACA

As indicated in the table numbers 1.3 and 1.4 under para 1.5 in introduction chapter, total allocation (for the mission period 2005-06 to 2011-12) made by Planning Commission in respect of UIG, UIDSSMT, BSUP, and IHSDP projects was ₹ 66,084.66 crore. However, Gol made an allocation for ₹ 37,070.15 crore out of which ₹ 32,934.59 crore were released upto 31 March 2011. Thus it can be observed that the total releases in respect of UIG, UIDSSMT, BSUP and IHSDP were just 49.84 per cent of total allocation made by the Planning Commission.

In case of UIG/UIDSSMT, MoUD replied (April/May 2012) that achievement of targets of releases of funds in respect of UIG and UIDSSMT to State Governments depend on efficiency of their utilisation and submission of UCs. It intimated that by 2011-12, 82.68 per cent of the total allocation of ₹ 23,469.26 crore in respect of UIG, during 2005-06 to 2011-12 ₹ 18,541.14 crore had been released by Ministry of Finance (MoF) and ₹ 864.05 crore were pending to be released by MoF. While highlighting the status of release in respect of UIG, MoUD did not comment on status of release in respect of UIDSSMT.

In respect of BSUP/IHSDP, MoHUPA replied (October 2011) that the achievement of targets / release of funds to State Governments depended on efficiency of their utilization and submission of UCs. They observed that many States and cities utterly lacked capacity to implement programmes. MoHUPA, further, intimated that States reported lack of litigation free land, lack of willingness on the part of beneficiaries to contribute, reluctance to shift in respect of in-situ projects, cost escalation and inability of urban local bodies to meet their shares. The MoHUPA had been insisting on satisfactory physical progress and quality of projects before final installment of ACA had been released to the State / UT Governments. The Ministry had been also conducting frequent reviews at National and State level.

Further, MoHUPA released funds to the tune of ₹ 544.71 crore in excess of allocation till March 2011 in the case of IHSDP.

MoHUPA while confirming the facts and figures (October 2011) regarding the excess approval for IHSDP projects stated that ACA had been diverted from BSUP to IHSDP on the request from the State Governments.

### 8.2 Delay in release of ACA after approval of project

The guidelines did not specify any timeframe within which releases were to be made after the project was approved. The scrutiny of physical and financial progress report (upto 31 March 2011) as seen from records of MoHUPA, revealed that there were time taken in release of funds from the

Central Government to the respective SLNAs. The time taken has been calculated from the date of CSMC meeting in which the projects were approved.

- In 15 cases out of 53 test checked cases under BSUP, the time taken in release of first installment ranged from two to 15 months from the date of approval of these projects. **(Annexure 8.1)**

For instance, **BSUP Slum Rehabilitation Project, construction of 19360 DUs, Chandigarh phase-II** was approved on 14 December 2006 and the first installment was released on 25 March 2008 i.e. after 15 months.

- In 21 cases out of 29 test checked cases under IHSDP the time taken in releases of first installment ranged from one to eight months from the date of approval of these projects. **(Annexure 8.2)**

MoHUPA replied (April 2012) that the delay in release of first installment of ACA ranged from two to six months except in case of 1 project at Chandigarh.

- Similarly, scrutiny of records in MoUD, revealed that out of 532 projects under UIG approved by March 2011, in 31 projects, there were time taken ranging from four to 15 months in release of first installment from the date of approval of the project. Details shown in the **Annexure 8.3**.

For instance, in Delhi, **setting up of 20 MGD STP each at Nilothi and Pappankalan project** was approved on 29 December 2008 and the first installment was released on 15 March 2010 i. e. after 15 months from the date of approval of project.

MoUD stated (May 2012) that reply was under preparation in respect of specific cases.

- Under UIDSSMT, Audit scrutiny in MoUD, revealed that 20 projects out of 35 projects selected for detailed examination, , there were delay ranging between three to 27 months in release of funds from the date of approval of projects, as shown in **Annexure 8.4**

For instance, road project for Chumukedima (Nagaland) was approved on 24 May 2007 and the first installment was released on 7 September 2009 i.e. after 27 months. A water supply project for Aurangabad in Maharashtra was approved on 4 May 2007 and first installment released on 18 March 2009 i. e. after 21 months.

In respect of UIDSSMT, MoUD replied (May 2012) that delays were either due to non completion of requisite formalities by the States or due to exhaustion of their allocation. It was stated that allocation was made available in February 2009.

However, the fact remained that funds were released with the delay upto 27 months.

### **8.3 Release of matching share by State Government**

The ACA for the projects under JNNURM is released by Ministry of Finance / Ministry of Home Affairs on the basis of recommendation of MoUD and MoHUPA as the case may be, directly to States/UTs. The State Governments were required to release the same amount to ULB/Implementing agencies immediately with their matching share. The scrutiny of the records of SLNAs as well as ULBs revealed that there were delays in releasing the matching share to the implementing agencies by some State Governments.

MoUD replied (May 2012) that advisory has been issued to the States to release state share on time as per existing JNNURM guidelines.

#### **8.4 Sharing of project cost by ULBs/Parastatal**

As per JNNURM Guidelines, ULBs/Parastatals were required to share the expenditure in execution of projects. The extent of cost sharing was on the basis of the population. The sharing criteria is given in table no. 1.2 of this report regarding funding pattern for projects.

Effective implementation of JNNURM projects required that sufficient funds be available.

During the scrutiny of records in the selected States/UTs it was found that there were deficiencies in release of the matching share of the ULBs as follows:-

- I. In **Bihar**, the State Government decided (March 2006) to provide the share of ULBs till ULBs become economically sound.
- II. In **Uttarakhand**, it was noticed that ULB/Parastatal had not been extending its 10 percent share amounting to ₹ 40.65 crore .
- III. In **Haryana**, between 2006-07 and 2010-11, an amount of ₹ 102.43 crore was due to be released as ULB share against which only an amount of ₹ 57.54 crore was released. Hence there was short release of ULB share of ₹ 44.89 crore. The reasons attributed by Municipal Corporation, Faridabad, Haryana (May 2011) was that it had been facing tough financial situation and had been managing its share by taking loan and that it would release its due share shortly.
- IV. In **Karnataka**, the ULB share was short by ₹ 585.00 crore for 49 projects implemented by Bangalore Water Supply Sewerage Board (BWSSB).
- V. In **Maharashtra**, the work for Underground Sewerage Project in Akola was awarded (March 2010) at ₹ 315.70 crore to the contractor. The Akola Municipal Corporation was to contribute ₹ 196.23 crore However, scrutiny of budget of 2008-09 and 2009-10 revealed that the financial position of the Akola MC was not sound and the Corporation was left with only ₹ 2.88 crore and ₹ 0.65 crore respectively as surplus fund after meeting its committed expenditure. It was evident that the Corporation was not in a position to execute the work from its own resources. No specific reply was submitted by the Akola MC (May 2011) on mobilization of funds for execution of project.
- VI. In **Puducherry**, no matching share was released by the ULBs for any of the projects taken up under UIG, BSUP and IHSDP.
- VII. In **Rajasthan**, the ULB did not contribute their matching share of ₹ 5.08 crore (IHSDP Phase II in Jodhpur).
- VIII. In **Tamil Nadu**, for the Comprehensive Water Supply Scheme (Ramnad) under UIDSSMT for the five municipalities, 11 town panchayats and 3163 rural habitations , the Local Bodies of Ramanathapuram and Paramakudi had not released their balance share to an extent of ₹3.39 crore and ₹ 0.55 crore respectively.

MoUD replied (May 2012) that Gol was ensuring that State/ULB share was released alongwith Central share, by the State Government in the project account. Further installments of ACA were not released in case of short release of State and ULB share.

### 8.5 Creation of Revolving fund

JNNURM envisaged creation of Revolving Fund for each of the components as under:

In respect of UIG/ UIDSSMT, the SLNA was to sanction soft loan or grant-cum-loan or grant to the ULBs/ parastatal agencies in such a manner that 25 per cent of the central and state grant put together was to be recovered and ploughed into a Revolving Fund to leverage market funds for financing of further investment in infrastructure projects.

In respect of BSUP, whenever the SLNA released funds to the implementing agencies as soft loan or grant-cum-loan, it was to ensure that at least 10 per cent of the funds released (Central & State funds) were recovered and ploughed into a Revolving Fund to be utilised for meeting Operations and Maintenance expenses of assets created under BSUP.

Audit scrutiny revealed that the Revolving Fund had not been created by the SLNAs in 25 States. It was created in Andhra Pradesh and was created partially in two states (Tamil Nadu and West Bengal). In two states, Assam and Uttar Pradesh, though it was created but it was utilized for meeting the expenses for preparation of DPRs/ Project Management Consultancy Charges respectively.

MoUD accepted (May 2012) the audit observations that the fund was not created by several States.

### 8.6 Parking of funds

The State Government was required to release the ACA amount alongwith their matching share immediately to the implementing agencies. The scrutiny of records of the projects selected revealed that, in several cases the funds were parked by SLNAs or ULBs.

**Table No. 8.1: Cases of parking of funds**

(₹ In crore)

Name of Project	Amount	Audit Observation	Reply of MoUD /MoHUPA
Water supply for Silvasa of DNH, UIDSSMT, Dadra & Nagar Haveli	26.63	Work has not started till July 2011	
Bus Rapid Transit System Phase-I (Development of Blue Corridor Part-I) UIG, Rajkot, Gujarat	18.81 for five months 5.20 for one year	Work was not commenced till December 2011	In case of Gujarat MoUD forwarded (May 2012) the reply of Gujarat that funds could not be utilized due to exigencies such as lack of response to tenders necessitating retendering. However, the project has now been completed and funds have been fully utilized.
UIG, UIDSSMT and BSUP Projects , Bihar	447.30	Parked by Bihar Urban Infrastructure Development Corporation Limited (BUIDCO) (₹105.88 crore), Patna Municipal Corporation (PMC) (₹ 23.09 crore), HUDCO (₹ 6.87 crore) and Bihar Urban Development Authority (BUDA) (₹ 311.46 crore).	MoHUPA (April 2012) replied in respect of Bihar that the State will be required to refund ACA with interest as per instructions issued by Ministry of Finance for Non-Starter Projects. Further MoHUPA forwarded the reply of State Government (May 2012). In the reply it had been stated that all the UIG, UIDSSMT and other scheme have been started late and now funds are being utilized.

Improvement of water supply project, Dhanbad, Jharkhand	99.12	The amount remained unutilized due to non-execution of project.	
Sewerage & STP Project, UIDSSMT, Jalandhar, Punjab	0.45	State share kept in Fixed Deposit	
Housing Project, Ambala Sadar and Panchkula Phase II & III, Haryana	23.71	Due to land problem work not started and funds parked by Implementing Agency	In case of Haryana, MoHUPA (April 2012) replied that the issue is already taken up with State Government regarding non-started projects. Action will be as per guidelines/ rules.
Housing project, IHSDP Mussorie, Uttarakhand	2.08	Project was not started due to encroachment of land	In case of Uttarakhand, MoHUPA (April 2012) forwarded the reply of State Government that the family residing illegally at the IHSDP site has been removed and the NPP officials residing at the site have been transferred to some other location and the work has been started by UPRNN.
Houses for Urban Poor and Rehabilitation of slum dwellers, IHSDP Tura, Meghalaya	2.60	Project not started due to land problem	
Integrated Housing Development Project, Berhampur, IHSDP, Berhampur city, Odisha	11.33	The work was not commenced as of August 2011.	
<b>Total</b>	<b>637.23</b>		

In other cases, MoUD had stated (May 2012) that since the primary responsibility lies with the states, MoUD had referred the matter to the States.

### 8.7 Utilization of interest

In the JNNURM Guidelines issued by the Ministries, no specific instructions regarding the strategy for utilization of interest earned on the amount deposited into Bank were mentioned.

As has been mentioned earlier in this report, there were several cases, where funds released had not been utilized due to various reasons such as delay in award of works, delay in taking up work and delay in completion of work etc. As mentioned in para 8.6, in many cases, the funds were parked in bank accounts.

When this issue was brought to the notice of the Ministry, MoHUPA replied (29 September/ 5 October 2011) that there was no strategy evolved for utilization of interest earned on the ACA amount and stated that it was not within the purview of the Ministry of MoHUPA. The Ministry of Finance in September 2011 had issued instructions for the adjustment of unutilized amount of ACA and stated that interest on unutilized ACA was to be charged from the date of release of ACA till the date of its final adjustment /recovery from the State concerned. As per the MoF circular, notices were to be issued to the concerned states where projects had been identified as non-starter and where ACA along with interest was decided to be adjusted/recovered by the Ministry concerned.

Audit is of the opinion that had such instructions been contemplated at the time of launching of the scheme, it might have ensured a greater degree of financial discipline and increased likelihood of completion of projects.

Audit observed that 22 out of 30 States/UTs earned the interest on the amount deposited into Bank to the tune of ₹ 210.35 crore up to 31 March 2011 as shown below and in the remaining 8 States, amount of interest could not be calculated in audit because the amount was not shown to audit or the amounts were deposited into non-interest bearing accounts.

**Table No. 8.2: States and the amount of interest earned upto 31 March 2011**

S. No.	Name of State	Amount of interest earned on JNNURM funds (₹ In crore)
1	Andhra Pradesh	6.32
2	Arunachal Pradesh	Amount not shown
3	Assam	1.72
4	Bihar	22.04
5	Chandigarh	15.40
6	Chhattisgarh	Amount not shown
7	Dadra & Nagar Haveli	No observation
8	Daman and Diu	Amount not shown
9	Delhi	10.73
10	Gujarat	2.18
11	Haryana	2.43
12	Himachal Pradesh	5.27
13	Jammu and Kashmir	11.05
14	Jharkhand	5.09
15	Karnataka	71.28
16	Kerala	6.99
17	Madhya Pradesh	10.41
18	Maharashtra	19.35
19	Manipur	0.47
20	Meghalaya	2.62
21	Nagaland	Funds deposited into non interest bearing account.
22	Odisha	0.62
23	Puducherry	No observation
24	Punjab	No separate bank accounts were maintained by project implementing agencies. (Discussed in exit conference)

25	Rajasthan	2.28
26	Sikkim	0.16
27	Tamil Nadu	1.28
28	Uttar Pradesh	11.18
29	Uttrakhand	1.43
30	West Bengal	Amount not shown
<b>Total</b>		<b>210.35 crore</b>

MoUD intimated (April 2012) that as per Ministry record, States had earned interest of ₹ 226.58 crore upto 31 December 2011. However, the Ministry did not intimate the status / details of utilisation / adjustment of this amount. MoUD intimated (May 2012) that MoF has issued instructions for adjustment of unutilized ACA and interest thereon in the case of non-starter projects only which have been communicated to states. As far as interest earned on ongoing projects is concerned, the matter has been referred to the MoF (Department of Expenditure) in consultation with Internal Finance Division.

However, MoF issued such instructions only in September 2011 and MoUD did not provide details of interest adjusted in respect of instances pointed out by Audit.

Audit scrutiny further revealed that in some cases, the interest amount was even utilized for purposes not contemplated in the JNNURM guidelines. Some of these cases have been listed below:

- i. In **Jharkhand**, out of the interest earned a sum of ₹ 2.26 crore was withdrawn for incurring administrative expenses and for payment of income tax. The Department replied (November 2011) that the SLNA i.e. GRDA Ltd. was a Government of Jharkhand owned agency registered under the Companies Act and the interest earned on the deposits formed part of the income of GRDA Ltd. by virtue of which, it was liable to pay taxes. Reply of the Department is not acceptable as GRDA Ltd., and not the SLNA, is liable for payment of income tax on its own income and the income earned as interest on JNNURM funds/deposits should not have been treated by GRDA Ltd. as its own income and should not have been withdrawn for incurring administrative expenses and for payment of income tax.
- ii. In **Jammu & Kashmir**, the amount of interest of ₹ 1.03 crore was utilized for office expenses and salary of staff till March 2011.
- iii. In **Karnataka**, KSDB had incurred an expenditure of ₹ 5.50 crore from the interest earned towards DPR charges and IEC activities.
- iv. In **Madhya Pradesh**, an amount of ₹0.13 crore was spent towards payment of Indore Municipal Corporation liabilities.
- v. In **Tamil Nadu**, a sum of ₹ 1.28 crore accrued as interest had been utilized for the project itself.
- vi. In **Meghalaya**, ₹ 0.78 crore had been utilized by SLNA (MODA) for payment of salary of staff and other expenses.

The above instances of utilization of interest show that there was no uniformity in utilization of the interest portion.

**Recommendation No. 7:**

*The fund flow arrangements i.e. from the Centre to the implementing agencies via the SLNA/ States/UTs may be rationalised in their timing and quantum as per ground level status of projects to ensure minimum unspent/excess amount outside government accounts.*

**8.8 Non refund of ACA in respect of abandoned/withdrawn projects**

Audit came across cases in which projects were abandoned or withdrawn and the ACA released to the State Governments / ULBs/ Implementing Agencies remained unutilized and was not refunded to the Gol.

**8.8.1 Non refund of ACA released in respect of projects abandoned – ₹ 44.79 crore**

In Uttar Pradesh, project of Roads and Flyover in Rampur was sanctioned (September 2006) at ₹ 89.58 crore. An amount of ₹ 44.79 crore was released by the Government (February 2007). The SLNA released (April 2008) only ₹ 8.45 crore to Nagar Palika Parishad, Rampur (NPP). Subsequently, NHAI adopted the project and thereof the project was abandoned by State Level Sanctioning Committee in June 2010. NPP refunded (December 2010) ₹ 9.24 crore with interest to SLNA. However, SLNA did not surrender the ACA and kept in its own account (May 2011).

During exit conference with the State Government in November 2011, it was stated that Gol has been requested to permit utilization of funds for other projects under JNNURM in the State.

However the fact remains that due to improper planning the total amount of ₹ 44.79 crore was blocked for more than four years and ₹ 1.34 crore on preparation of DPR became infructuous.

MoUD intimated (May 2012) that MoF in September 2011 had decided to charge interest at the rate of 9 per cent per annum, on unutilized ACA from the date of release of ACA till the date of its final adjustment / recovery from the State concerned.

However, in its reply MoUD did not intimate about the amount thus recovered in the instant case.

MoUD during exit conference (June 2012) intimated that Ministry of Finance allowed unutilized amount of ACA of Rampur Road project for utilizing in Bareilly Water Supply project. The matter regarding recovery of interest component was pending with Ministry of Finance.

**8.8.2 Non refund of ACA released in respect of projects withdrawn -- ₹ 309.29 crore**

As stated earlier, 766 projects amounting to ₹ 12933.05 crore had been approved till 2010-11 under UIDSSMT. Out of these, there were 42 projects for which 1<sup>st</sup> installment had been released between September 2006 and March 2009. Out of these 42 projects there were six projects, for which the 1<sup>st</sup> Installment was released in 2006 and 2007. These projects, however, remained non-starters till March 2011. MoUD (April 2011) conveyed its decision of withdrawing these non-starter projects to MoF and SLNAs concerned. It further requested MoF to recover the 1<sup>st</sup> installment of ACA under UIDSSMT released for these projects i.e. ₹ 305.53 crore.



During the audit, it was ascertained that in the case of Daman and Diu, which also had non-starter project, ACA of ₹ 0.31 crore, released on 13 February 2009, as first installment, had been withdrawn on 5 April 2011. GoI should thus review all such cases of withdrawn projects to ensure refund of ₹ 309.29 crore (including ₹ 3.76 crore of DPRs) alongwith interest. GoI should also review other non-starter projects to take a timely decision.

Thus, it is felt that the decision to withdraw non-starter projects was a little too late. Also, MoUD had not requested for refund of ₹ 3.76 crore released for DPRs etc. and interest on the ACA was retained by the States.

The guidelines should have clearly included a clause stipulating return of ACA in the event that projects do not start within a reasonable period based on the project duration. Audit found that the sanction order did not contain any such stipulation for non / late starter projects.

MoUD in its reply (May 2012) did not furnish details of refund / adjustment of principal amount / interest thereon etc.

#### **8.9 Non adherence of the guidelines for release of central assistance**

As per guidelines for IHSDP projects, the State share has to be deposited in a separate account to become eligible for the Central grant. Fifty per cent of the ACA was to be released to the State nodal agency after verification of the State share and on signing the tripartite Memorandum of Agreement. The Second installment of ACA was to be released based on the progress.

The scrutiny of the appraisal notes, minutes of meeting and recommendation and release files of MoHUPA for test checked 29 projects revealed that the above conditions for release of ACA was not verified in any of the projects sanctioned. The certificate regarding depositing of State share in separate account was not found recorded anywhere in the above records produced for audit scrutiny. On being pointed out by audit, MoHUPA called for information from the States and intimated to Audit that the States have confirmed about fulfillment of the condition. However, the fact remains that the conditions were not verified prior to release of first installment.

#### **8.10 Rush of expenditure at Central Level**

In terms of Rule 56(3) of the General Financial Rules, rush of expenditure is regarded as a breach of financial propriety and should be avoided. The expenditure may be restricted to 15 per cent during the month of March and 33 percent during the last quarter of financial year. Analysis of the sanction orders issued by the Ministry of Finance (MoF) and Ministry of Home Affairs during 2005-06 to 2010-11 for release of funds to various States/ Union territories under JNNURM revealed that the above provisions were not adhered to in the year 2005-11 and huge quantum of funds were released during the last quarter of financial year, especially during the month of March of the relevant year as detailed below:

Table No. 8.3: Statement showing the Rush of Expenditure in release of funds at Central Level

(₹ In crore)					
Year	Total ACA released	Release made in last quarter	Percentage	Release made in the month of March	Percentage
<b>UIG (MoUD)</b>					
2005-06	90.11	90.11	100.00	90.11	100.00
2006-07	1262.96	561.41	44.45	232.16	18.38
2007-08	2529.84	1357.58	53.66	758.74	29.99
2008-09	4544.47	1749.13	38.49	446.05	9.82
2009-10	3977.88	1050.90	26.42	734.82	18.47
2010-11	1930.93	1201.13	62.20	849.13	43.98
<b>Total</b>	<b>14336.19</b>	<b>6010.26</b>	<b>41.92</b>	<b>3111.01</b>	<b>21.70</b>
<b>UIDSSMT (MoUD)</b>					
2005-06	87.47	87.47	100.00	87.47	100.00
2006-07	1248.97	921.43	73.78	657.17	52.62
2007-08	1204.00	627.58	52.12	532.20	44.20
2008-09	3280.26	2621.27	79.91	1524.97	46.49
2009-10	298.82	249.76	83.58	213.28	71.37
2010-11	1223.44	232.67	19.02	216.26	17.68
<b>Total</b>	<b>7342.96</b>	<b>4740.18</b>	<b>64.55</b>	<b>3231.35</b>	<b>44.00</b>
<b>BSUP (MoHUPA)</b>					
2005-06	72.14	72.14	100.00	72.14	100.00
2006-07	901.78	560.92	62.20	429.22	47.60
2007-08	1192.80	844.81	70.83	434.41	36.42
2008-09	1582.92	1148.83	72.58	927.20	58.58
2009-10	1338.37	790.69	59.08	414.31	30.96
2010-11	1925.40	872.40	45.32	699.03	36.31
<b>Total</b>	<b>7013.41</b>	<b>4289.88</b>	<b>61.16</b>	<b>2976.31</b>	<b>42.43</b>
<b>IHSDP (MoHUPA)</b>					
2005-06	0	0	0	0	0
2006-07	492.62	470.04	95.42	328.20	66.62
2007-08	792.24	401.27	50.65	156.47	19.75
2008-09	1296.20	887.84	68.50	809.41	62.44
2009-10	780.72	333.21	42.68	160.66	20.58
2010-11	880.25	581.33	66.04	432.96	49.19
<b>Total</b>	<b>4242.03</b>	<b>2673.69</b>	<b>63.02</b>	<b>1887.70</b>	<b>44.50</b>

As funds were being released by the MoF/MHA at the fag end of the year, the State/UT Governments were, consequently, releasing the funds to the implementing agencies very late.

MoUD in its reply stated (May 2012) that during 2005-06 allocation of ₹ 90 crore was provided in the last quarter on the launch of JNNURM in December 2005. During 2006-07, 2007-08 and 2008-09 also additional allocation of ₹ 300 crore, ₹ 500 crore and ₹ 2400 crore respectively provided in the

last quarter of the financial year leading to higher utilization of funds in the last quarter. MoUD further stated that due to slow progress of reforms, the releases were withheld and on approval of relaxation on achievements, most of the funds were released during last quarter in March 2011.

MoHUPA replied (April 2012) that JNNURM was being run in a mission mode and as such the scheme of things permit release of part of ACA upfront on sanction of projects and subsequent installments on utilization of previous releases and progress of reforms. MoHUPA also stated that the funds were being released as and when the new projects were sanctioned or on receipt of UCs from the States irrespective of the fact that these were received in the month of March or May of a particular financial year. It further stated that the releases were demand driven while sticking to overall seven year allocation for a State.

The reply is not acceptable in Audit as instead of demanding and releasing funds at the fag end of financial year, it should have been a continuous process during the whole year. The reply also brings out that the projects were also being sanctioned at the end of the financial year causing release of first installment in the last quarter or in the month of March.

### 8.11 Utilization Certificates

In terms of rule 212(1) of GFR 2005 a certificate of actual utilization of grants released by the Ministry for the purpose for which it was sanctioned is required to be submitted by the Grantee Institution/Organization within 12 months of the closure of the financial year. Further in respect of recurring grants, Ministry or Department concerned should release any amount sanctioned for the subsequent financial year only after utilization certificate (UC) on provisional basis in respect of grants of the preceding financial year is submitted. As per guidelines of JNNURM the procedure for sending UC's was to be observed as per GFR.

#### 8.11.1 Ministry of Urban Development – UIG – ₹ 2436.78 crore

1167 numbers of UCs amounting to ₹ 11,967.93 crore in respect of UIG were due up to May 2012. Against the 1167 UCs only 952 UCs amounting to ₹ 9,531.15 crore were received in the Ministry. Thus 215 numbers of UCs amounting to ₹ 2,436.78 crore were pending as of May 2012. It was also seen that 78 numbers of UCs amounting to ₹ 1,194.87 crore were related to first installment released to the states/UTs.

Details of total UCs due, received and outstanding in respect of UIG is shown below

Table No. 8.4: Details of UCs due, received and outstanding

installment	(₹ in crore)					
	Number of UCs due	Amount of UCs	Number of UCs received	Amount of UCs received	Number of UCs outstanding	Amount of UCs outstanding
First installment	518	5836.30	440	4641.43	78	1194.87
Second installment	316	3315.59	309	3124.86	7	190.73
Third installment	222	2143.21	203	1764.86	19	378.35
Fourth installment	111	672.83	-	-	111	672.83
<b>Total</b>	<b>1167</b>	<b>11967.93</b>	<b>952</b>	<b>9531.15</b>	<b>215</b>	<b>2436.78</b>

### 8.11.2 Ministry of Urban Development – UIDSSMT – ₹ 2036.66 crore

Audit scrutiny revealed that only 60 per cent of the UCs due had been received by 31 March 2011, in respect of UIDSSMT. Status of UCs is given below:

Funds released upto 2010-11	:	₹ 7,342.96 crore
Number of UCs due	:	747
Amount of UCs due	:	₹ 5,088.36 crore
Number of UCs received	:	476
Amount of UCs received	:	₹ 3,051.70 crore
Number of UCs outstanding	:	271
Amount of UCs outstanding	:	₹ 2,036.66 crore

State-wise details of funds released, UCs due, UCs received in MoUD and UCs outstanding is given in the **Annexure 8.5**. No UCs had been received in respect of Meghalaya, Uttarakhand, and Dadra & Nagar Haveli, though UCs amounting to ₹ 6.45 crore, ₹ 24.69 crore, and ₹ 0.26 crore respectively were pending from these three States. There were nine other States (Assam, Bihar, Himachal Pradesh, Jammu & Kashmir, Kerala, Madhya Pradesh, Odisha, Punjab and Rajasthan) in respect of which percentage of UCs received was less than 50 per cent (ranging from 4.92 per cent to 46.32 per cent).

Audit scrutiny, in respect of 35 projects selected for detailed examination, revealed that no UC had been received in respect of 17 projects though there was expenditure in respect of five projects in five States, as shown below (status upto 31 March 2011):

**Table No. 8.5: UCs not received despite expenditure in five projects in five States**

(₹ in crore)			
Name of Town	Name of State	Amount released	Expenditure
Rohtak	Haryana	8.25	4.87
Alappuzha	Kerala	38.14	7.19
Patiala	Punjab	36.54	22.11
Ghaziabad	Uttar Pradesh	37.70	18.70
Mussoorie	Uttarakhand	24.69	2.76

MoUD replied (May 2012) that States / UTs had been requested for furnishing the requisite UCs and various advisories had also been issued.

However, the fact remained that the status of furnishing of UCs was very poor as brought out by Audit.

**8.11.3 Ministry of Housing and Urban Poverty Alleviation– BSUP – ₹ 3054.05 crore**

As on 31 March 2011, UCs for an amount of ₹ 6981.09 crore was due. Against which UCs for ₹ 3927.04 crore was received in the Ministry. Thus UCs amounting to ₹ 3054.05 crore were still outstanding. The details are given in the **Annexure 8.6**.

**8.11.4 Ministry of Housing and Urban Poverty Alleviation– IHSDP – ₹ 2504.64 crore**

As on 31 March 2011, UCs for an amount of ₹ 4241.74 crore was due. As against which UCs for ₹ 1737.08 crore was received in the MoHUPA. Thus, UCs amounting to ₹ 2504.64 crore were still outstanding. The details are given in the **Annexure 8.7**.

**8.11.5 Ministry of Housing and Urban Poverty Alleviation - capacity building ₹ 2.34 crore**

It was also observed that UCs of ₹ 2.34 crore of the amount released as grants in aid for capacity building to various States during the year 2006-07 and 2008-09 by MoHUPA were pending as on 1 October 2011.

**Recommendation No. 8:**

*The provisions of timely submission of utilization certificates may be reiterated and GoI should advise States /UTs for strict compliance of the same.*