



Chapter 3

FINANCIAL MANAGEMENT

Financial Management

3.1 Assessment of requirement of fund for MKM

The State Government envisaged massive arrangements of temporary and permanent nature in the *Mela* area. The assessment of requirement of finances took into account all facilities including roads, bridges, bathing *ghats*, river training, power and water supply, sewage, drainage, solid waste management, medical and health, road transport, pollution control, information and public relation, food and civil supplies etc. Given the requirement of huge amount of funds, the financial management for sourcing of funds should have been well thought out and planned.

3.2 Funding Pattern

To cater to the requirement of sourcing the funds, the State Government prepared an estimate for ₹ 1,848.85 crore and submitted (May 2010) the same to the Government of India (GoI). GoI considered the proposal and a team of Planning Commission (GoI) was sent (May 2011) for evaluating the works to be undertaken for MKM. On the basis of recommendations of the team, GoI sanctioned ₹ 1,318.91 crore on a 30:70 (Centre: State) sharing basis and was subject to submission of detailed projects by the State Government and approval thereof by GoI. An additional ₹ 800 crore was demanded by the State Government (06 August 2012) as One Time Additional Central Assistance (OTACA), untied special assistance, for infrastructure development which was sanctioned (08 August 2012). As against the total approved cost of ₹ 1,318.91 crore of the projects, State Government submitted projects worth only ₹ 1,214.37 crore. Projects worth ₹ 104.54 crore (eight *per cent*) were not sent by the State Government to GoI.

The State Government released ₹ 1,152.20 crore including GoI's share of ₹ 341.63 crore. As against the total release of fund, the total expenditure incurred as of July 2013 (more than three months after MKM) was ₹ 1,017.37 crore (88 *per cent*) (**Appendix-3.1**). This was indicative of the fact that though the demand was ₹ 1,848.85 crore, only ₹ 1,017.37 crore was spent.

3.3 Irregular adjustment of ₹ 800 crore

The State Government demanded on August 6, 2012, as untied Special Central Assistance, One Time Additional Central Assistance (OTACA), a sum of ₹ 800 crore from GoI, in addition to earlier approved cost of the project i.e. ₹ 1,318.91 crore. GoI released (12 November 2012), an untied special grant of ₹ 800 crore for infrastructure projects related to MKM. GoI imposed a condition that the funds would be released to the implementing agencies without any delay, failing which, the amount would be recovered from the State Government with interest for the period of default.

Scrutiny of the minutes of the meeting headed by the Chief Secretary of the State Government held (September 2012) revealed that the State Government, instead of releasing the funds to the executing departments, as mandated by GoI, decided to utilise ₹ 800 crore for recouping the expenditure incurred by the State Government for MKM. The records further revealed that the Finance Department justified this by arguing that GoI agreed to the State Government's request to share 90 *per cent* of the cost of the projects (₹ 1,318.91 crore) for MKM and ₹ 800 crore was in addition to ₹ 341.63 crore released earlier by GoI.

The State Government's decision for utilising the special grant of ₹ 800 crore was not justified as:

- (1) The State Government, while demanding for the funds from GoI, specifically requested (August 2012) that the grant of ₹ 800 crore would be completely delinked from GoI's earlier assistance of ₹ 1,318.91 crore;
- (2) The grant was given to the State Government as OTACA of ₹ 800 crore (untied) for infrastructure projects related to MKM and not as recoupment; and
- (3) Planning Commission had not acceded to (April 2012) the request of the State Government, sent (19 March 2012) for enhancing GoI's share from 30 *per cent* to 90 *per cent*. Planning Commission had stated (April 2012) that sharing of 90 *per cent* of total expenditure by GoI under "Gadgil Mukherjee formula" was applicable to only the Special Category States. It added that for Uttar Pradesh, GoI's share would be limited to only 30 *per cent*. Thus, sharing 90 *per cent* of the expenditure by GoI would tantamount to treating UP as a special category State, which it was not.

Interestingly, consequent on utilising OTACA of ₹ 800 crore, as mentioned above, GoI's share for MKM became ₹ 1,141.63 crore (99 *per cent*) (₹ 800 crore + ₹ 341.63 crore) and the State Government's share was reduced to measly ₹ 10.57 crore¹ (one *per cent*) as detailed in *Appendix-3.2*.

Thus, the State Government did not release ₹ 800 crore to the executing agencies. Besides, a liability of ₹ 34.56 crore also accrued to the State Government, as interest for the period of default as of July 2013 (eight months), as per the condition of the release of OTACA.

The State Government did not furnish (March 2014) any reply.

3.4 Absence of holistic picture and nodal authority for MKM Finances

When expenditure is being incurred by various agencies and sources of funds are also many, it becomes imperative to have a nodal authority for keeping an overall and a close watch on releases and expenditures and also to oversee reliable and accurate capturing of these transactions in the accounts.

¹ ₹ 1,152.20 crore (Appendix 3.1) – ₹1,141.63 crore (Appendix 3.2) = ₹10.57 crore.

Scrutiny of the records revealed that the routing of funds for MKM was complicated and *ad hoc*. Funds were sanctioned in multiple tranches with different routing patterns at different occasions. Apart from release of funds against the approved cost of the projects i.e. ₹1,318.91 crore, ₹ 55.66 crore was also made available by three departments², separately from their own budget, which were not accounted for in the total MKM expenditure. Interestingly, neither UDD nor MA had any information regarding such separate allotment of funds by these departments for MKM.

This made capturing the holistic picture of MKM funds difficult. Besides, there was no nodal authority in place for monitoring the finances of *Mela*.

The State Government did not furnish (March 2014) any reply.

3.5 Delayed release of funds

The funds for the works should have been released well before the start of MKM to execute and complete the works in time. We, however, observed that there were delays (as on 31 December 2012) ranging between 67 and 375 days in releasing funds at every level, i.e., from UDD to MA, from MA to the executing agencies and even within the executing agencies.

On being pointed out, the State Government stated (November 2013) that delay in release of funds did not affect in any way the progress of the works. The reply was not acceptable as the procurement of material and equipments were not completed before the start of Mela as discussed in paragraph 4.2.

3.6 Creation of avoidable liability

As per Financial Hand Book, Volume-V, expenditure should not be in excess of the funds allotted. Scrutiny of the records of MA, however, revealed that liability of ₹ eight crore (incurred by MA: ₹ 6.96 crore; Food & Civil Supply Department: ₹ 0.29 crore and PD, Public Works Department (PWD): ₹ 0.75 crore) was created by three departments during MKM.

The State Government did not furnish (March 2014) any reply. However, MA stated (June 2013) that the liability was reported to the Government for seeking additional funds.

3.7 Non-submission of Utilisation Certificates (UCs)

As per para 369 H of FHB-V Part-I, where a grant of annual or a non-recurring nature has been given for being utilised during a particular financial year only, the Administrative Department or Officer who sanctioned the grant, shall on or before September 30, of the year following that to which the grant related, furnish the certificates to this effect to the Accountant General.

² Home (Police) department: ₹ 45 crore; Home (Home Guards): ₹ 10.55 crore; and Food & Civil Supply department: ₹ 0.11 crore.

Scrutiny revealed that out of expenditure of ₹ 1,017.37 crore on MKM, UCs worth ₹ 969.17 crore were not submitted (July 2013). UCs for ₹ 48.20 crore³ (five per cent) were submitted by five (22 per cent) out of 23 departments.

On being pointed out, the State Government replied (November 2013) that UCs would be furnished separately.

3.8 Use of self-printed receipts in remittance of receipts

Financial rules provide (*Rule 26, FHB-V*) that the government servant receiving money, on behalf of the Government, must give the payer a receipt in Form No.1. The amount should be entered in the receipt both in words and figures and it should bear the full signature of the Government servant receiving the payment and not merely his initials.

Scrutiny of the records revealed that *MA* issued self-printed receipts for ₹ 5.86 crore (97 per cent of ₹ 6.03 crore) against realisation of rent from shops and lands allotted to *Prayagwals/Kalpwasis* etc.

The State Government did not furnish (March 2014) any reply. However, MA stated (June 2013) that the self printed receipts were issued as per earlier practice. Reply is not acceptable as the practice was in violation of codal provisions and financial propriety.

3.9 Recommendations

- *Assessment of demand should be on a scientific basis, realistic and based on reasonable assumptions;*
- *Funding routes and mechanisms should be clear cut and subject to trailing; and*
- *There should be a nodal financial authority for monitoring the finances of MKM, e.g., a Chief Financial Controller/Officer who monitors sanctions, releases, expenditure and UCs and maintains the required accounts of MKM.*

³Food and Civil Supply Department: ₹ 0.31 crore; Homeopathy: ₹ 0.28 crore; Medical, Health and Family Welfare: ₹ 34.03 crore; UPSRTC: ₹ 12.01 crore; and Forest Department: ₹ 1.57 crore.