

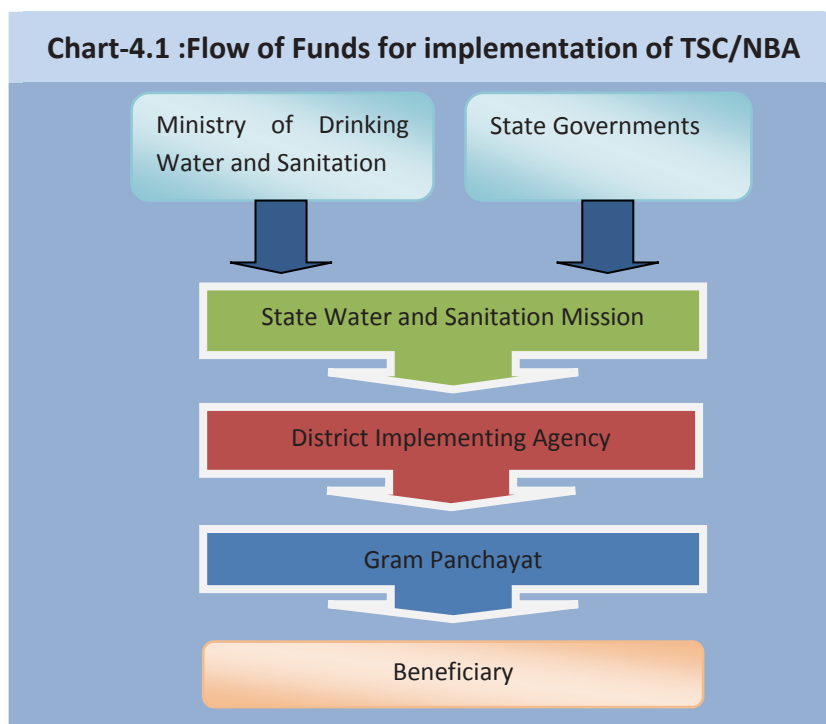
Chapter-4 : Management of Funds

4.1 Source of Funding for scheme implementation

Total Sanitation Campaign (TSC)/Nirmal Bharat Abhiyan (NBA) was implemented as a Centrally Sponsored Scheme with cost sharing pattern between Central and State Governments and a portion forming part of beneficiary/community contribution. The sharing percentage was fixed component-wise as detailed in **Annex-1.1**.

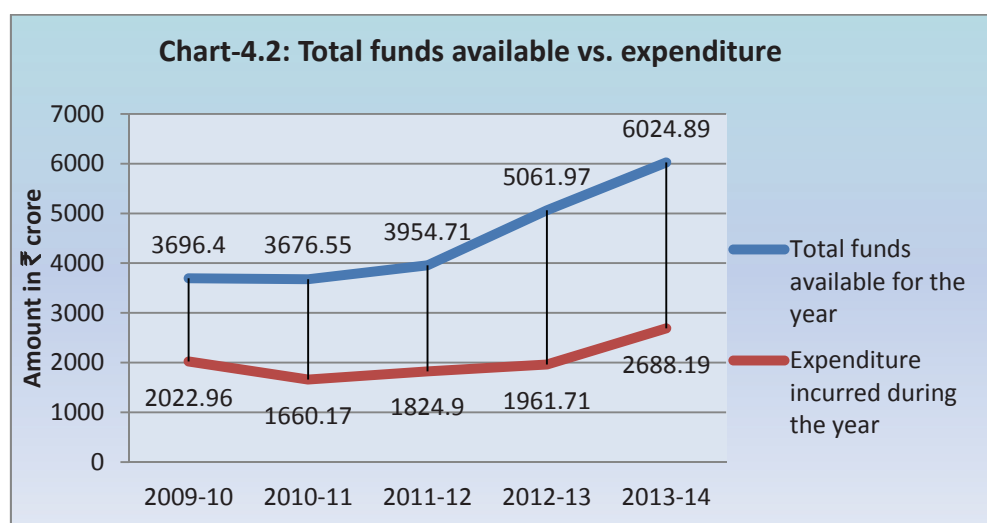
For release of funds, the States/UTs (States) were required to prepare the Annual Implementation Plans (AIPs) and submit the same before the commencement of the financial year, to the Plan Approval Committee (PAC) of Ministry of Drinking Water and Sanitation (Ministry) for finalization.

On basis of the approval by PAC and the availability of funds, allocation of central funds to all the States was worked out by the Ministry for release to the respective State Water and Sanitation Missions (SWSMs), the apex State level implementing agency. States were to release their matching share to SWSMs. The flow of funds is illustrated in the chart below:



4.2 Poor utilisation of funds under the scheme

Total funds available for the scheme during 2009-14 was ₹ 13494.63 crore of which ₹ 10157.93 crore was spent on its implementation resulting in unutilized amount of ₹ 3336.70 crore which was 24.73 per cent of the total funds available. Even on annual basis, a substantial amount persistently remained unspent at the end of each year and the percentage of unspent amount varied between 45 per cent and 61 per cent. There was an increasing trend in the yearly unspent balance during the period of audit as depicted in the chart below:



[Source: Ministry of Drinking Water and Sanitation]

The yearly shortfall in expenditure on the scheme against the available funds varied among all States as detailed in **Annex-4.1**. The States which reported substantial shortfall are listed below:

Year	States where shortfall was between 25 per cent to 50 per cent	States where shortfall was more than 50 per cent
2009-10	Assam, Bihar, Chhattisgarh, Gujarat, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Tamil Nadu, Uttar Pradesh, Uttarakhand & West Bengal (15)	Andhra Pradesh, Arunachal Pradesh, D&N Haveli, Goa, Haryana, Jharkhand, Manipur, Mizoram, Odisha, Puducherry, Punjab, Rajasthan & Tripura (13)
2010-11	Bihar, Himachal Pradesh, Karnataka, Madhya Pradesh, Manipur, Uttar Pradesh, Uttarakhand & West Bengal (8)	Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, D & N Haveli, Goa, Gujarat, Haryana, Jammu & Kashmir, Jharkhand, Kerala, Maharashtra, Meghalaya, Mizoram, Nagaland, Odisha, Puducherry, Punjab, Rajasthan, Sikkim, Tamil Nadu & Tripura (22)

Year	States where shortfall was between 25 per cent to 50 per cent	States where shortfall was more than 50 per cent
2011-12	Assam, Bihar, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Manipur, Tamil Nadu, Tripura, Uttarakhand & West Bengal (10)	Andhra Pradesh, Arunachal Pradesh, Chhattisgarh, D & N Haveli, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Odisha, Maharashtra, Puducherry, Punjab, Rajasthan, Sikkim & Uttar Pradesh (17)
2012-13	Himachal Pradesh, Kerala, Madhya Pradesh, Tamil Nadu, West Bengal (5)	Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chhattisgarh, D & N Haveli, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Odisha, Puducherry, Punjab, Rajasthan, Sikkim Tripura, Uttar Pradesh & Uttarakhand (24)
2013-14	Andhra Pradesh, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Karnataka, Maharashtra, Tamil Nadu, Uttarakhand and West Bengal (9)	Assam, Bihar, Chhattisgarh, D & N Haveli, Goa, Gujarat, Haryana, Jharkhand, Kerala, Madhya Pradesh, Manipur, Meghalaya, Mizoram, Odisha, Puducherry, Punjab, Rajasthan, Sikkim, Tripura and Uttar Pradesh (20)

The main reasons for shortfall in financial progress were attributed to receipt of funds at the fag end of the financial year, time consumed in physical verification of targets, lack of demand from the Blocks /GPs, time taken in finalising the list of beneficiaries at block/district levels, non-construction of targeted sanitation infrastructure, short expenditure on IEC activities, absence of Rural Sanitary Marts/ Production Centres required for maintaining supply chain of hardware for construction of sanitation facilities and lack of monitoring. The State-wise details are as given in **Annex-4.2**. Many of these inefficiencies are due to poor planning and lack of effective operation of structural arrangements as discussed in **chapter-3**.

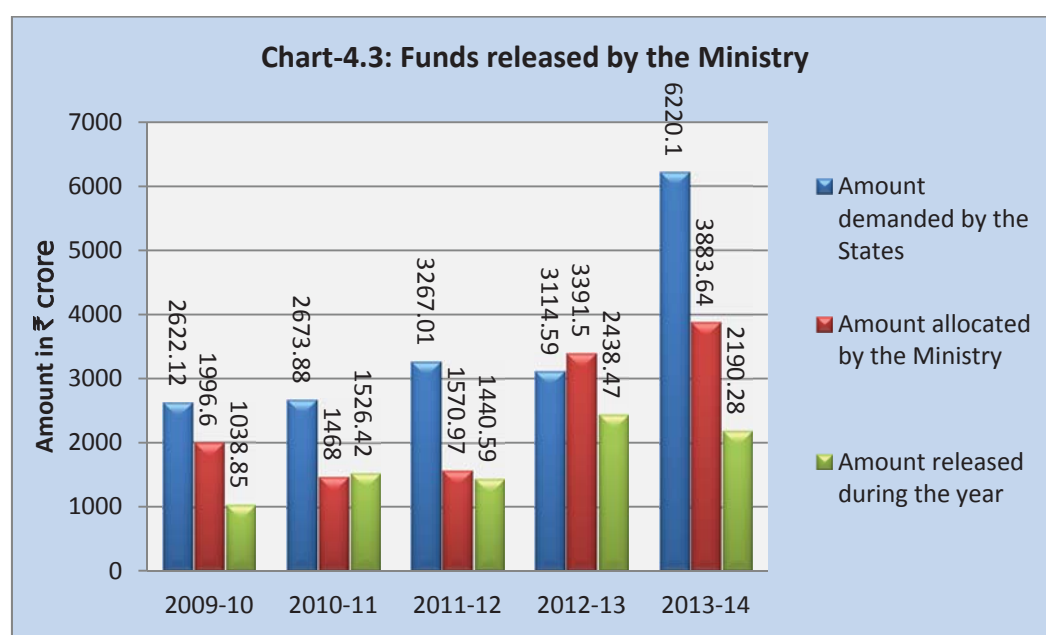
The Ministry stated that overall 30 per cent of the annual requirement of funds by the States could always remain unspent due to the working capital requirement. Further advances sanctioned for Revolving Fund and RSM/PC also contributed to the unspent balance.

The reply of the Ministry is not tenable as there was no provision of working capital in the Scheme guidelines. Further, only five per cent of the district project outlay subject to a maximum of ₹ 50 lakh could be used as Revolving Fund and the requirement of RSM/PC was to be met out from the Revolving Fund only.

The Ministry accepted that inefficiencies in programme implementation at the grass root level might be reason for unspent balance in some cases. Further, higher unspent funds in individual States could be attributed to reasons such as inadequate capacity at grass root level and inadequate success in demand generation.

4.3 Shortfall in release of central share of funds

Against the amount of ₹ 17897.70 crore demanded by the States during 2009-14, the Ministry allocated an amount of ₹ 12310.71 crore. Of this the Ministry released ₹ 8634.61 crore only. Year-wise amount of funds released by the Ministry against the amount demanded by the States was as follows:



[Source: Ministry of Drinking Water and Sanitation]

Thus, effectively the actual release by the Ministry was only 48 per cent of the funds required by the States and therefore insufficient to meet the demands.

Ministry stated that the States made demand on the basis of their approved AIP, but allocations and releases were made on the basis of performance of the States and availability of funds with the Ministry.

The Ministry needs to allocate funds to the States in a more realistic manner to minimise the difference between allocation and release.

4.4 Shortfall in release of State share of funds

The shortfall in release of funds was also noted at the state level. In 16 States, the State share of funds was either not released or was short-released. The State wise details are given in **Annex-4.3**.

Case Study: Non-release of State Share in Rajasthan, Assam and Andhra Pradesh

The Ministry released an amount of ₹ 2.82 crore (₹ 1.04 crore for Churu district and ₹ 1.78 crore for Sikar district of **Rajasthan**) during 2010-11. However, the matching State share was not released. In **Assam** the State government released an amount of ₹ 4.01 crore from the central share to districts as State share during 2011-12. This practice was also followed at district level. An amount of ₹ 8.72 crore was transferred from central share as State share during 2009-14 in the five test checked districts. Similarly, in Vishakhapatnam district of **Andhra Pradesh**, an amount of ₹ 0.63 crore was diverted during 2010-13 towards State share from central share.

The shortfall in State share indicated lack of commitment on the part of State Governments and delay in achieving rural sanitation targets.

4.5 Delay in transfer of funds to the implementing agencies

There was delay beyond the stipulated time¹ in transfer of funds for implementation of the scheme from apex level (SWSM) to ultimate implementing agencies GPs. The State-wise details are given in **Annex-4.4**.

Case Study: Delay in transfer of funds for implementation of the scheme

In **Jammu & Kashmir** delay in transfer of funds occurred at all the levels of the implementation as a result the overall delay in flow of funds from apex level to ultimate implementing agencies ranged between 50 days and nearly two years as detailed in the table below:

Level	Delay in release of funds (Days)				
	2009-10	2010-11	2011-12	2012-13	2013-14
SWSM TO DWSM	103 to 323	48 to 78	102 to 584	6 to 8	33 to 105
DWSM TO DPO	88 to 141	13 to 153	1 to 146	24 to 121	5 to 84
DPO TO BDO	13 to 30	0 to 34	8 to 11	18 to 27	6 to 45
SWSM to BDO	257 to 589	61 to 265	114 to 747	50 to 139	71 to 123

¹ As per para 13.2 of the NBA guidelines, the SWSMs were required to release central grants received along with the matching State share within 15 days to the DWSMs which in turn were required to transfer the funds to the GPs within 15 days of receipt of funds.

Audit noted that reasons cited for delayed release of funds were time taken in approval at different level (State government/Nodal agencies at District and Block level - **Meghalaya/Rajasthan/Madhya Pradesh**, time taken in review of UCs submitted by district implementing agencies - **Jharkhand**, and non-submission of required documents by the implementing agencies for release of funds - **Uttarakhand**.

4.6 Misappropriation of funds of the scheme

Audit noticed six confirmed cases of misappropriation of scheme funds with the financial implication of ₹ 2.28 crore in six States of **Andhra Pradesh, Assam, Gujarat, Karnataka, Maharashtra and Odisha**.

In **Assam**, an amount of ₹ 1.88 crore was fraudulently drawn in Bongaigaon district of Assam during 2006-07. The case was investigated by CBI which advised (February 2011) to file a Civil Suit against the accused persons for recovery of the amount. However, till June 2014, Civil Suit had not been filed due to want of permission of the State Government. Resultantly, no funds had been released to Bongaigaon district since 2006-07. Thus, due to laxity on the part of Government to file Civil Suit against the accused person/persons, beneficiaries of Bongaigaon district were deprived of the benefit of TSC programme.

Further, there were three cases of suspected misappropriation in the three States of **Andhra Pradesh, Jharkhand and Manipur** involving an amount of ₹ 25.33 crore. The details of confirmed and suspected cases of misappropriation are given in **Annex-4.5**.

4.7 Diversion of funds amounting to ₹ 364.20 crore

The terms and conditions governing the grant of funds under the scheme stipulated the utilisation of funds for the purpose for which it was being released and no part of it was to be diverted. Scrutiny of the Audited Statement of Accounts in the Ministry for the period 2009-13 revealed that in 13 States² funds of the scheme amounting to ₹ 283.12 crore were diverted and utilised for the purposes such as advance to staff, creation of capital assets, Leave Salary Pension Contribution, purchase of vehicles and office sanitation. The diversion of funds indicated weak internal controls.

²² Bihar, Chhattisgarh, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Punjab, Rajasthan and Uttar Pradesh.

The instances of diversion of funds noted in the audit are detailed in **Annex-4.6**.

In the six States of **Gujarat, Madhya Pradesh, Punjab, Tamil Nadu, Uttar Pradesh** and **West Bengal** an amount of ₹ 81.27 crore was diverted to other schemes viz. MPLADS, MGNREGS and other State sponsored schemes as per details given in **Annex-4.6**.

Case study: Unauthorised diversion of funds of the scheme

DWSM, Jajpur in **Odisha** provided ₹ 0.12 crore to 25 private colleges for construction of toilets charging the expenditure to 'School Toilet' component of the scheme. Since the scheme does not provide construction of toilets in private colleges, payment of ₹ 0.12 crore to private colleges was irregular leading to unauthorised diversion of funds.

The diversion of NBA funds to other scheme indicated that the targets set up in the AIPs were not realistic.

Ministry stated that if any instance of diversion of funds to any other schemes or inadmissible expenditure incurred under the programme was reported in the Audited Statement of Accounts, Ministry pursued with the States for refund/recoupment.

4.8 Irregular inter-district transfer of funds

Financing under the scheme is based on approved AIP of the district. Accordingly, transfer of funds internally between the districts was not contemplated in the guidelines. However, in six States of **Andhra Pradesh, Gujarat, Jammu & Kashmir, Karnataka, Punjab** and **Uttar Pradesh** district authorities resorted to inter district transfer of funds amounting to ₹ 120.42 crore during 2009-14. This indicated that the States had made uneven distribution of funds among the districts. State wise details are given in **Annex-4.7**.

4.9 Parking of Funds amounting to ₹ 212.14 crore

In nine States of **Andhra Pradesh, Assam, Gujarat, Jammu & Kashmir, Kerala, Manipur, Madhya Pradesh, Maharashtra** and **West Bengal** an amount of ₹ 212.14 crore remained parked/unutilized for periods ranging

between 4 months to 29 months at State/District/Block/GP level as detailed in **Annex-4.8**.

4.10 Non-adjustment of advances given to the implementing agencies

In the six States of **Andhra Pradesh, Haryana, Jharkhand, Kerala, Manipur** and **Odisha** advances amounting to ₹ 48.97 crore paid to various implementing agencies were not adjusted. These advances were outstanding for a period from 16 to 120 months. The possibility of misuse/non-recovery of such advances could not be ruled out. The State wise details are given in **Annex-4.9**.

4.11 Utilisation Certificates for ₹ 575.18 crore were not furnished

In terms of para 13.1.3 of NBA guidelines, second instalment of the funds during the current year was to be released by the Ministry only after submission of UCs by the SWSM along with the Audited Statements of Accounts of preceding financial year. In the 14 States of **Assam, Bihar, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Meghalaya, Odisha, Puducherry, Punjab, Rajasthan, Uttarakhand and West Bengal** UCs amounting to ₹ 575.18 crore were not furnished by the implementing agencies at various levels. State wise details of non-submission of UCs are given in **Annex-4.10**.

4.12 Excess Administrative charges

The guidelines³ provide an amount of upto 5 *per cent* (4 *per cent* from 2012-13) of the outlay for administrative activities. Scrutiny of Audited Statement of Accounts revealed that in 26 cases the expenditure incurred on administrative activities exceeded the prescribed limit as mentioned in **Annex-4.11**. The facts of excess administrative expenditure were distinctly reflected in the annual accounts, however, the Ministry did not take cognizance of the reported facts. This indicated lack of internal controls.

4.13 Improper Accounting of Scheme funds

As per the scheme guidelines⁴, the funds of the scheme were to be kept in a bank account. The interest accrued thereon was to be treated as part of scheme resources. However, the maintenance of funds of the scheme was

³ Para 15 of CRSP 2007 Guidelines and Para 5.11 of NBA Guidelines

⁴ Para 18 of TSC Guidelines and para 14.1 of NBA Guidelines

not consistent with the scheme guidelines as would be clear from the following observations:

(i) Multiple bank accounts and pooling of other scheme funds

Contrary to the stipulation of single bank account, multiple bank accounts (from two to ten) were operated in the selected SWSMs, Districts and Blocks in the 11 States of **Andhra Pradesh, Arunachal Pradesh, Bihar, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Uttar Pradesh** and **West Bengal**. The scheme funds were also pooled with other Central and State sponsored schemes. State-wise details are given in **Annex-4.12**.

Case study: maintaining of NBA funds with those of other schemes

In **Maharashtra**, the funds of the scheme were maintained with those of the other schemes resulting in inclusion of receipts and payments other than those related to the Scheme in the accounts. The incorrect accounting resulted in negative opening balance of funds in 12 districts (₹ 17.53 crore), nine districts (₹ 11.40 crore) and six districts (₹ 9.42 crore) during the year 2009-10, 2010-11 and 2011-12 respectively indicating expenditure more than the sanctioned grant.

In **Kerala**, Scheme funds were kept along with Own Fund of the GPs. Hence, whenever Own Fund of the GPs reduced to zero, cheques issued by the GPs for meeting cost of other expenses (not related to Scheme) automatically got cleared using the NBA fund. This was noticed from two GPs viz. Puthukkad in Thrissur district and Agali in Palakkad district where diversion of scheme funds amounting to ₹ 3.19 lakh and ₹ 10 lakh was made for payment of water charges and for non-plan purposes respectively during 2009-10 and 2013-14.

Thus, due to operation of multiple bank accounts and pooling of funds with other schemes, proper utilisation of scheme funds could not be vouchsafed in audit.

The Government of Andhra Pradesh had assured remedial action against operation of multiple bank accounts by SWSM pointed out in earlier Audit Report by CAG in 2012-13. However, the issue was not rectified as was evident from the continued maintenance of multiple accounts.

(ii) Non-maintenance of savings bank account

Audit noticed that in six States, funds of the scheme were not kept in the saving bank account as stipulated in the guidelines. Instead the funds were kept in current account (**Arunachal Pradesh, Jammu and Kashmir, Nagaland**), Personal Deposit Account (**Rajasthan**) and Civil Deposit (**Nagaland**). Similarly, in **Uttar Pradesh** the funds of the scheme were routed through State treasuries whereas in **Tamil Nadu** funds of the scheme were routed through Pay & Accounts Office. Non-maintaining of funds in savings bank account had resulted in delayed availability of funds to the implementing authorities ranging from 10 to 365 days besides loss of interest amounting to ₹ 122 lakh. State-wise details are given in **Annex-4.12**.

(iii) Non-accounting of Interest component

According to Para 14.1 of NBA guidelines, the interest accrued on NBA funds shall be treated as part of NBA resources. It was, however, noticed that in 11 States of **Andhra Pradesh, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Manipur, Meghalaya, Madhya Pradesh, Nagaland, Punjab, Rajasthan** and **Uttar Pradesh** interest amounting to ₹ 5.58 crore accrued on scheme funds was not accounted for. The States specific observations have been elaborated in **Annex-4.12**.

4.14 Discrepancy in figures

Scheme guidelines⁵ require the SWSMs to submit Utilisation Certificates (UCs) to the Ministry in the prescribed format along with Audited Statement of Accounts (ASAs)⁶. They were also required to submit the financial and physical progress reports through the online software named Integrated Management Information System (IMIS) developed by the Ministry for monitoring purpose⁷. Scrutiny of UCs, ASAs and data in the IMIS for the period 2009-13, however, revealed a number of discrepancies in the figures detailed in these basic records of 19 States as outlined below:

- i. In 52 cases, the opening balance and closing balance shown in the UCs, ASAs and IMIS of the same financial year did not match (**Annex-4.13**).

⁵ Para 13.1.13 of NBA guidelines

⁶ Para 22 of NBA guidelines

⁷ Para 19 of NBA guidelines

- ii. In 58 cases, the figures of expenditure as shown in UC, ASAs and IMIS of the same financial year did not match (**Annex-4.14**).
- iii. In 59 cases, the figures of interest shown in the UC, ASAs and IMIS of the same financial year did not match (**Annex-4.15**).

The discrepancies in the figures of the scheme in three basic accounting records, which should invariably match, if recorded correctly, were not reconciled. This indicated weak internal controls within the Ministry. In such a situation, the actual amount of the funds released, expenditure incurred, interest earned and unspent balances remaining with States could not be accurately ascertained in audit.

Ministry stated that the reconciliation of figures reported in UC, ASA and IMIS was a continuous process in the Ministry and the States were intimated about discrepancies, if any, found and clarifications were sought. It was also stated that IMIS figures were rough estimates and only the figures given in ASA were treated as final.

Reply of the Ministry may be seen in the light of the fact that IMIS was developed as an online monitoring system for the Scheme through which projects districts were required to submit the physical and financial reports, as such the IMIS figures cannot be treated as mere rough estimates.

4.15 Delay in audit of accounts

SWSMs were required to ensure⁸ the audit of accounts by Chartered Accountants within six months of the close of the financial year and submit the ASAs to the Ministry before release of the second instalment of the subsequent year. It was, however, noticed that the SWSMs did not ensure the timely audit of accounts resulting in delayed submission of ASAs to the Ministry. The late submission of ASAs had led to non release of subsequent instalment or delayed release of funds at the fag end of the financial year as indicated in **Annex-4.16**.

⁸ Para 22 read with Para 13.1.13 of the NBA guidelines

4.16 Non-submission of auditor's observations

SWSMs were required⁹ to submit Auditor's Observations to the Ministry along with ASAs. It was noticed that the auditor's observations were not being submitted by the SWSMs. Out of 95 observations due to be received in respect of 19 States during the audit period, only six observations were received by the Ministry. The effectiveness of control mechanism was compromised rendering Audit Reporting incomplete. The details are given in **Annex-4.17**.

4.17 Miscellaneous observations

(i) Irregular deduction from funds of the scheme

In **Manipur**, in the sampled districts during March 2013 and March 2014 the Government released a sum of ₹ 1.77 crore in favour of the DWSMs as State matching share. It was, however, noticed an amount of ₹ 0.27 crore was deducted on account of VAT (₹ 8.38 lakh), Departmental charges (₹ 0.18 crore) and Labour Cess (₹ 1.50) which was not admissible as per the guidelines. Similarly, in **Nagaland**, out of the State share, the Finance Department deducted an amount of ₹ 0.21 crore as work charged component during 2011-12 which was irregular.

(ii) Inflated Project Cost

In **Mizoram**, against the actual project cost of ₹ 20.13 crore based on norms, the NSSC allocated ₹ 26.99 crore during 2009-14 for implementation of TSC/NBA scheme in the State thereby leading to excess allocation of ₹ 6.87 crore. The excess allocation of funds over the approved norms is fraught with the risk of mis-utilisation of funds. Similarly, out of 1038 toilets approved by NSSC, 249 toilets were to be constructed in private schools and 61 toilets in SSA run schools in the two districts of Champhai and Lunglei, though the TSC/NBA guidelines do not allow construction of toilets in private and SSA run schools. Thus, irregular inclusion of 310 private/SSA run schools in the AIP¹⁰ resulted in inflated number of school toilets, which in turn increased the total allocation of the project by ₹ 119.35 lakh (₹ 38,500¹¹ X 310). In **West Bengal**, Jalangi and Raninagar-II PSs made excess payment of ₹ 0.14 crore to RSMs by allowing

⁹ Auditor's Observations in annexure II (F) to the Consolidated Audit Report under NBA Guidelines.

¹⁰ As per Baseline re-survey, 2009

¹¹ Unit cost of toilet

excess rate than specified in the estimates for construction of latrine/toilet of school/Anganwadi/ ICDS Centres during 2012-13 towards excess procurement of material.

(iii) Double payment of incentive to households

In ten selected districts of four States, 149 households were given double incentives of ₹ 4.66 lakh. The details are given in the **Table-4.1** below:

Table-4.1: Double incentive to households

Sl. No.	State	Districts	No. of households	Amount (₹ in lakh)	Remarks
1.	Haryana	3	83	3.10	Double payment due to non-maintenance of village-wise ledger of households.
2.	Karnataka	2	56	1.81	Incentives given though the households already owned toilets.
3.	Tripura	2	9	0.95	Incentives given twice.
4.	West Bengal	3	40	-	Double benefit of IHHL was given to 40 households.
Total		10	149	4.66	

[Source: Data compiled from the records of sample project districts]

Recommendations:

- The Ministry/State Governments may fulfill the fund sharing commitment to maintain the sanctity of preparing AIPs for making India Nirmal by the stipulated timeline.
- The Ministry may develop and put in place Mechanism for reconciliation of figures of financial and physical progress reported by the implementing agencies.