



2

CHAPTER

2

Chapter

Financial Management of Flood Management Programme

2.1 Introduction

Flood Management Programme (FMP) guidelines contain provisions relating to financial parameters viz. release of funds in stipulated time, eligibility for FMP funds, reimbursement of expenditure, phasing of expenditure, submission of Utilisation Certificates (UC) and audited statement of expenditure, etc.

According to FMP guidelines, for projects approved up to July 2013, the proportion of Central and State Share of funds was to be 75 *per cent* and 25 *per cent* respectively. In the case of Special category States⁸ the proportion of Central and State Share of funds was to be 90 *per cent* and 10 *per cent* respectively. For the projects sanctioned after July 2013, the proportion of Central and State Share of funds was to be 50 *per cent* each and 70 *per cent* and 30 *per cent* respectively in the case of Special category States.

FMP guidelines stipulated that first instalment of Central assistance shall be released immediately on approval of the scheme by the Empowered Committee (EC) limiting to the corresponding provision made by the State in its budget in respect of both the Central share as well as the matching State share. Further, the grant-in-aid along with State share should be released by the State Government to the concerned project authorities executing the works within 15 days of receipt of central assistance from the GoI failing which the full central grant-in-aid released for the work should be converted into loan and be recovered as per usual terms of recovery of central loan.

2.2 Physical and Financial targets and achievements of projects

During the XI and XII FYP, 517 projects amounting to ₹ 12,243 crore were approved for 25 States/UTs under FMP. The number of works approved, completed and funds released vis a vis estimated cost to the State Governments, under FMP during XI and XII Plans (upto March 2016) is given in Table 2.1.

⁸ North Eastern States, Sikkim, Himachal Pradesh, Jammu & Kashmir and Uttarakhand.

Table 2.1: Works approved and Funds released during XI and XII Plan

(₹ in crore)

State/UT	Works approved (Number and Estimated Cost)						Works Completed	Funds Released		Total Funds Released (XI+XII Plan)
	XI Plan		XII Plan		XI+XII Plan			XI Plan	XII Plan	
	Nos.	Estimated cost	Nos.	Estimated cost	Nos.	Estimated cost		Total XI Plan	Total XII Plan	
1. Arunachal Pradesh	21	107.33	0	0	21	107.33	11	81.69	64.22	145.91
2. Assam	100	996.14	41	1,386.97	141	2,383.11	94	748.86	64.89	813.75
3. Bihar	43	1,370.42	4	447.63	47	1,818.05	41	723.18	184.64	907.82
4. Chhattisgarh	3	31.13	0	0	3	31.13	0	15.57	3.75	19.32
5. Goa	2	22.73	0	0	2	22.73	2	9.98	2.00	11.98
6. Gujarat	2	19.79	0	0	2	19.79	1	2.00	0.00	2
7. Haryana	1	173.75	0	0	1	173.75	0	46.91	0.00	46.91
8. Himachal Pradesh	3	225.32	4	1,139.62	7	1,364.94	1	165.98	171.87	337.85
9. Jammu & Kashmir	28	408.22	14	163.18	42	571.40	8	252.57	129.39	381.96
10. Jharkhand	3	39.30	0	0	3	39.30	2	18.44	4.27	22.71
11. Karnataka	3	59.46	0	0	3	59.46	0	23.80	0.00	23.8
12. Kerala	4	279.74	0	0	4	279.74	0	63.68	55.22	118.9
13. Manipur	22	109.34	0	0	22	109.34	19	66.34	24.36	90.7
14. Meghalaya	0	0.00	0	0	0	0	0	3.81	0.00	3.81
15. Mizoram	2	9.13	0	0	2	9.13	0	14.48	1.93	16.41
16. Nagaland	11	49.35	3	37.38	14	86.73	9	28.96	31.04	60
17. Odisha	67	169.00	1	62.32	68	231.32	60	101.12	0.00	101.12
18. Puducherry	1	139.67	0	0	1	139.67	0	7.50	0.00	7.5
19. Punjab	5	153.40	0	0	5	153.40	0	40.43	0.00	40.43
20. Sikkim	28	104.92	17	261.40	45	366.32	21	83.69	8.15	91.84
21. Tamil Nadu	5	635.54	0	0	5	635.54	0	59.82	0.00	59.82
22. Tripura	11	26.57	0	0	11	26.57	8	23.62	0.00	23.62
23. Uttar Pradesh	26	667.57	3	382.27	29	1,049.84	6	290.69	111.22	401.91
24. Uttaranchal	12	119.82	9	183.45	21	303.27	8	49.63	153.98	203.61
25. West Bengal	17	1,822.08	1	438.94	18	2,261.02	6	643.26	146.14	789.4
Total	420	7,739.72	97	4,503.16	517	12,242.88	297	3,566.01	1,157.07	4,723.08

Source: MoWR, RD&GR

It can be seen from the table that against the total estimated cost of ₹ 12,242.88 crore approved during XI and XII plans, only ₹ 4,723.08 crore (39 per cent) was released by MoWR, RD&GR. As against 517 works approved during the period, only 297 (57 per cent) works were completed. Project-wise detail of expenditure, though called for, were not furnished by the Ministry.

Ministry stated (February 2017) that Central share is being released as and when proposals are received as per norms and guidelines subject to funds availability.

The fact remained that only 57 per cent of approved works were completed in nine years of the XI and XII Plan periods.

Audit findings dealing with release of funds to 136 sampled projects in MoWR, RD&GR and implementation of 206 projects in 17 selected States/UT are discussed in succeeding paragraphs.

2.3 Shortfall in release of Central/State assistance

As per clause 5.6 of FMP guidelines 2013, the State Governments shall ensure inclusion of the scheme in the State Plan and make requisite budget provision towards Central as well as State share on annual basis.

As per the financial phasing and construction programme of the FMP projects, the projects were to be completed within the stipulated period of two to three financial years. The requirement of funds in each year, for both Central and State shares, was to be provided in the annual budget by the State Government.

In 17 selected States/UT, we found cases of inadequate budget provision and short release of Central and State share of funds, which are summarised in Table 2.2 below.

Table 2.2: Shortfall in release of Central/State assistance

(₹ in crore)

State	Years	Projects	Central Share	Funds released by Centre	Shortfall in release of Central Share	% of shortfall
1. Arunachal Pradesh	2010-11 to 2015-16	10	367.34	81.95	285.39	78
10 FMP projects ⁹ were approved during 2010-11 to be completed within two to three financial years. There was a shortfall in release of Central assistance by 78 per cent. This led to delay in the commencement and the projects remained to be completed.						
2. Assam	2007-08 to 2015-16	141	2,043.19	812.22	1,230.97	60
There was a shortfall in release of Central assistance by 60 per cent. Further, the State Government also did not release 84 per cent of the allocated budget provision. Insufficient flow of fund adversely affected the implementation of schemes.						
3. Jharkhand	2007-08 to 2015-16	3	29.48	21.35	8.13	28
There was a shortfall in release of Central assistance by 28 per cent. Further, the State was deprived of Central assistance of ₹ 8.13 crore out of approved amount of ₹ 29.48 crore from the Gol due to delay in completion of two projects (JHK-01 ¹⁰ & JHK-03), non-submission of Utilisation Certificates (UCs), etc. during March 2008 to March 2012.						
4. Manipur	2007-08 to 2015-16	22	96.81	89.31	7.42	8

⁹ Project code numbers ArP 12 to ArP 21.

¹⁰ Project code numbers were allotted to each FMP project of the State serially after the approval of the project by the EC/IMC.

There was a shortfall in release of Central assistance by eight *per cent*. Further, during 2008-16, the State Governments made year-wise budget provisions for FMP as a whole¹¹. However, no project/scheme-wise budget provision was provided in the State budget document. Out of the Central share of ₹ 96.81 crore (based on cost of actual execution of work), the GoI released a fund of ₹ 89.31 crore thereby leaving a balance of ₹ 7.42 crore (eight *per cent*).

5. Sikkim	2007-08 to 2015-16	45	94.44	85.29	9.15	8
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There was a shortfall in release of Central assistance by eight *per cent*. Further, as per the approved outlay, MoWR, RD&GR was required to release ₹ 94.44 crore as central share. However, MoWR, RD&GR released ₹ 85.29 crore resulting in short release of ₹ 9.15 crore.

6. Uttar Pradesh	2007-08 to 2013-14	29	694.83	401.68	293.15	42
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There was a shortfall in release of Central assistance by 42 *per cent*. Further, in 21 out of 29 FMP projects, the State Government did not provide matching budget provision in accordance with the phasing of expenditure during 2007-08 to 2013-14.

We further observed that:

In Bihar, against the overall estimate of ₹ 754.83 crore for five projects approved between March 2008 and December 2013, the Central share was ₹ 566.12 crore and the State share was ₹ 188.71 crore. We observed that the Centre released only ₹ 321.23 crore (March 2016). We further observed that the total expenditure incurred on the five projects was ₹ 830.79 crore exceeding the approved estimate by ₹ 75.96 crore.

In Uttarakhand, in four projects (project code UK 1, UK 5, UK 9 and UK 12), the Uttarakhand Government did not provide budget or release funds during 2007-08 and 2012-13 in UK-1, 2012-13 and 2014-15 in UK 5, and 2014-15 in UK 9 and UK 12. The State Government stated (December 2016) that funds could not be released due to non-receipt of Central share from GoI. This reduced the availability of funds in the hands of executing agencies thereby affecting the progress of works.

Ministry stated (February 2017) that shortfall in release of funds were either due to lesser budgetary allocation or non-submission/non-eligible proposals under Flood Management Programme (FMP).

The fact remained that shortfall in release of funds affected the implementation of projects.

2.4 Delayed release of Central assistance to State Governments

Para 4.10.1 of FMP guidelines stipulates that first instalment of Central assistance shall be released immediately on approval of the scheme by the Empowered

¹¹ Under the Major Head 4711-Capital Outlay on Flood Control Schemes, Sub Head -Critical Flood Control and Anti Erosion Scheme.

Committee (EC)¹² limiting to the corresponding provision made by the State in its budget in respect of both the Central share as well as the matching State share.

We observed that in 48 projects there were inordinate delays ranging from two to 21 months in releasing Central assistance to State Governments after approval of EC, as shown in Table 2.3.

Table 2.3: Delay in release of first instalment of Central assistance

State	Number of projects	Period of approval	Amount of first instalment (₹ crore)	Period of delay (Months)
1. Bihar	20	XI & XII Plan	200.65	2-6
2. Haryana	1	XI Plan	46.91	5
3. Uttar Pradesh	25	XI & XII Plan	238.59	2-16
4. Uttarakhand	2	XI Plan	8.05	21
Total	48			

Ministry stated (February 2017) that release of first instalment of central assistance for some of the schemes gets delayed due to late submission of proposals with requisite documents by the State Government.

The delay in release of Central assistance to State Governments from the date of approval of EC resulted in delay in commencement and completion of works.

2.5 Non-recovery of Central assistance including interest from State Government

As per FMP guidelines, the Central assistance along with State share should be released by the State Government to the concerned project authorities executing the works within 15 days of receipt of Central assistance from the GoI failing which the entire Central assistance released should be converted into loan and recovered as per usual terms of recovery of Central loan along with interest.

We observed that in 66 cases of eight States, the Central assistance of ₹ 600.92 crore was not released by the State Governments to the executing agencies within 15 days of the receipt of Central assistance. However, GoI did not recover this amount as Central loan from the State Governments along with the interest for the delayed period. This resulted in non-recovery of ₹ 600.92 crore (including interest of ₹ 18.30 crore at the rate of nine *per cent* per annum). The State wise figures are given in Table 2.4.

¹² Empowered Committee is the competent authority for approval of FMP projects and is chaired by Secretary (Expenditure) and includes Secretary, MoWR, RD&GR and Chairman, CWC.

Table 2.4: Non-recovery of Central assistance including interest from State Government

(₹ in crore)			
State	No of projects	Amount of central assistance	Amount of interest
1. Assam	23	183.04	9.43
2. Haryana	1	46.48	3.25
3. Jharkhand	2	13.35	0.61
4. Kerala	4	63.67	0.68
5. Punjab	5	40.43	1.22
6. Uttar Pradesh	21	218.45	2.79
7. Uttarakhand	10	35.50	0.32
Total	66	600.92	18.30

The Ministry stated (December 2016) that regarding release of funds by State Government to Executing agencies, it could be sorted out by persuading State Governments for timely release of funds.

2.6 Release of funds/rush of expenditure at the fag end of the year

As per Rule 56 of GFR, rush of expenditure, particularly in the closing months of the financial year, shall be regarded as a breach of financial propriety and shall be avoided.

We found cases of release of funds and rush of expenditure at the fag end of the financial year which are detailed in Table 2.5.

Table 2.5: State-wise details of release of funds/rush of expenditure at fag end of the year

State	Observations
Release of funds by Gol to State Governments	
1. Arunachal Pradesh	During 2009-10, an amount of ₹ 12.93 crore was released at the fag end of the year i.e. February 2010 for nine projects (ArP 1-9) and March 2010 against two projects (ArP 10-11). Similarly, during 2010-11, funds of ₹ 31.70 crore were released at the end of the financial year in March 2011 in a single instalment in respect of 11 projects.
2. Tamil Nadu	Gol sanctioned Central assistance of ₹ 59.82 crore to the State Government during the last quarter of the financial years 2009-10 (₹ 1.11 crore in February 2010) and 2010-11 (₹ 58.71 crore in January 2011) for FMP projects.
3. Uttar Pradesh	In 19 out of 29 FMP projects, Gol issued 16 sanctions of ₹ 67.74 crore (17 per cent of the total funds released) to State Government for execution of the projects at the fag end of the financial years 2008-09 to 2013-14 i.e. between 25 and 31 March.

Release of funds by State Government to Implementing Agencies	
4. Uttar Pradesh	In six out of 29 FMP projects, the State Government issued four sanctions of ₹ 57.32 crore (16 <i>per cent</i> of the total released by State Government) to the executing Divisions at the fag end of the financial year i.e. between 25 to 31 March.
5. Uttarakhand	In six of ten test-checked projects it was observed that the State Government/HOD released the entire sanction of ₹ 41.00 crore to the executing agencies in the last quarter of the respective financial years i.e. 2008-09 to 2013-14. As a result, ₹ 21.92 crore (53.46 <i>per cent</i>) was surrendered by the executing agencies to the State at the end of the concerned financial years due to inability to utilize the amount.
Incurring of expenditure by Implementing agencies	
6. Assam	Water Resource Department spent 50.75 <i>per cent</i> of total expenditure (₹ 280.28 crore) in the month of March alone against the 30 selected projects during 2008-16. During 2013-15, almost entire (99.77 <i>per cent</i>) expenditure amounting to ₹ 60.88 crore was incurred in the month of March.
7. Jammu & Kashmir	Expenditure incurred during the last quarter of the years 2008-09 to 2012-13 in six projects in which funds were received regularly, ranged between 51 to 87 <i>per cent</i> . Expenditure in March each year ranged between 48 to 87 <i>per cent</i> .
8. Odisha	Out of the total expenditure of ₹ 15.19 crore on six projects (OR-19, OR-23, OR-61, OR-64, OR-65 and OR-68), ₹ 6.72 crore (44.23 <i>per cent</i>) was incurred in the last quarter of each financial year i.e. 2008-09 to 2011-12. Further, ₹ 4.96 crore (32.65 <i>per cent</i>) was incurred during the month of March.

Ministry stated (February 2017) that release of Central assistance for some of the schemes gets delayed due to late submission of proposals with requisite documents by the State Government.

The fact remained that funds were released and expenditure incurred in contravention of the GFRs.

2.7 Parking of funds

Central Government Account (Receipt and Payment) Rules, 1983 stipulate that no money should be drawn from the Government Treasury unless it is required for immediate disbursement.

Funds amounting to ₹ 171.28 crore in six projects in five States (Bihar, Himachal Pradesh, Jharkhand, Uttar Pradesh and West Bengal) were not utilised and remained parked with the executing agencies for periods ranging between 15 months to more than 60 months.

Ministry stated (February 2017) that State Government will be impressed upon to adhere and comply.

2.8 Diversion of funds

The terms and conditions governing grant of funds during XII Plan under the scheme stipulated that funds should be utilised for the purpose for which they were released and no part of it was to be diverted.

We noticed that funds amounting to ₹ 36.57 crore in six projects¹³ in three States (Assam, Himachal Pradesh and Tamil Nadu) were diverted by the implementing agencies for works not approved in the DPR, as detailed in Table 2.6.

Table 2.6: Diversion of funds by implementing agencies

State	Observations
1. Assam	In the project AS-85 on 'Emergent measures for protection of Rohmorja area in Dibrugarh district', Water Resources Department, Dibrugarh (WRD) incurred expenditure of ₹ 1.55 crore for construction of office building. Similarly, under project AS-105 on 'Protection of Makadhuj area from the erosion of river Brahmaputra', provision of ₹ 18 lakh was kept for construction of boundary wall. Both the above works were not included in the approved scope of work, resulting in diversion of funds of ₹ 1.73 crore.
2. Himachal Pradesh	Under the project HP-4, ₹ 2.03 crore was utilised between November 2014 and June 2015 on activities like additional accommodation for office building, flood monitoring centre and deployment of outsourced employees that were not covered under the scope of DPR resulting in diversion of funds. Similarly, funds of ₹ 30.35 crore under three projects (HP-1: ₹ 99 lakh, HP-2: ₹ 18 lakh and HP-4: ₹ 29.18 crore) were diverted (between March 2010 to June 2016) for repair and maintenance of previously executed works that were not covered in the approved DPRs of the projects.
3. Tamil Nadu	As per CWC guidelines ¹⁴ permanent building constructed for maintenance of the project should be discussed in DPR. However, in the project TN-03, ₹ 81 lakh was diverted towards construction works ¹⁵ that were not mentioned in the DPR. Further, in the same project, an amount of ₹ 1.65 crore was diverted from project savings and sanctioned for the work of desilting the river, which was not originally provided in the estimate. The State Government stated (November 2016) that necessary provision of funds was made in the DPR duly approved by CWC. However, the duly approved DPR could not be furnished.

We also observed that no follow up action was taken by MoWR, RD&GR towards diversion of funds. The diversion of funds led to lesser expenditure on the

¹³ AS-85, AS-105, HP-1, HP-2, HP-4 and TN-3.

¹⁴ For preparation, submission, appraisal and clearance of FMP (2002).

¹⁵ Construction of centralised flood control centre (Cuddalore), construction of five staff quarters for Irrigation Assistants (Kallakurichi) and construction of Flood Management Centre (Kallakurichi).

approved projects and irregular expenditure on works not included in the scope of the approved projects.

Ministry stated (February 2017) that State Government will be impressed upon to adhere and comply.

2.9 Inadmissible expenditure/Excess release of Central share

As per clause 4.10.3 of FMP guidelines, Central assistance towards the expenditure incurred by the State Government on a project in the previous financial year(s) before its approval by the Empowered Committee (EC) would not be entertained. We observed instances where expenditure incurred prior to approval of EC was also included in the cost of the projects. These cases are discussed below.

a. Inadmissible Central share

Scrutiny of records at MoWR, RD&GR revealed that in four projects of three States, expenditure amounting to ₹ 18.12 crore incurred in the previous financial year before its approval by EC was included in the cost of the project. The details of the four projects are given in Table 2.7.

Table 2.7: Project wise details of inadmissible Central share

(₹ in crore)				
Project Code no.	Date of approval by EC	Year of expenditure	Amount of expenditure in previous year	Inadmissible Central share
AS-49	Jul 2008	Feb 2005 to Nov 2007	1.25	0.94
AS-143	Mar 2014	Sep 2012	3.45	2.59
BR-46	Aug 2011	2010-11	1.17	0.88
HP-1	Sep 2009	Prior to 2008-09	12.25	11.02
Total			18.12	15.43

The above table shows that an amount of ₹ 15.43 crore of Central share was included in the cost of four projects of three States, which was inadmissible as expenditure was incurred by the State Government prior to the year of approval of the project by EC.

b. Excess release of Central share

According to FMP guidelines, for projects approved up to July 2013, the proportion of Central and State Share of funds was to be 75 per cent and 25 per cent respectively. In the case of Special category States¹⁶ the proportion of Central and State Share of funds was to be 90 per cent and 10 per cent

¹⁶ North Eastern States, Sikkim, Himachal Pradesh, Jammu & Kashmir and Uttarakhand.

respectively. For the projects sanctioned after July 2013, the proportion of Central and State Share of funds was to be 50 *per cent* each and 70 *per cent* and 30 *per cent* respectively in the case of Special category States.

However, in contravention of the above guidelines, we observed instances of excess release of Central share of funds in Bihar and Uttarakhand, as discussed below:

- (i) **Bihar:** The project BR-48- Bagamati Flood Management Scheme, Phase-II was approved by EC (August 2011) for a total cost of ₹ 576.41 crore. Of this, expenditure of ₹ 116.54 crore was incurred in 2010-11 i.e. the year before the year of approval by EC. However, the cost approved by EC under FMP was ₹ 120.94 crore. The proportionate expenditure for the year 2010-11 was ₹ 24.45 crore¹⁷ of which, 75 *per cent* amounting to ₹ 18.34 crore was not admissible as Central share. However, the entire Central share of ₹ 90.70 crore was released, resulting in excess release of ₹ 18.34 crore.
- (ii) **Uttarakhand:** Similarly, under the project, UK 1 - Construction of Right Marginal bund on river Ganga from Bhogpur to Balawali approved by EC in March 2008, of the total cost of ₹ 20.69 crore, ₹ 4.98 crore was incurred upto 2006-07. The Central share was ₹ 15.52 crore of which ₹ 13.44 crore was released. However, the amount of ₹ 3.73 crore being 75 *per cent* of ₹ 4.98 crore, was not admissible as Central share. As such, ₹ 1.65 crore (₹ 3.73 crore - ₹ 2.08 crore¹⁸) was released in excess.

2.10 Delayed reimbursement of expenditure

As per clause 4.10.3 of FMP guidelines, actual expenditure incurred by the State Government from their own resources in the financial year (in which the project was approved by the EC under FMP) would be reimbursed in the same financial year, or, if the Central assistance was not released in that financial year, in the next financial year, in which case requirement of budget provision may not be necessary.

Scrutiny of records at MoWR, RD&GR revealed that in five projects in Bihar, Jharkhand and Uttar Pradesh expenditure amounting to ₹ 68.32 crore was not reimbursed in the same financial year but was reimbursed in the subsequent years. The project wise findings are given in Table 2.8.

¹⁷ (₹ 116.54 crore/₹ 576.41 crore) X ₹ 120.94 crore.

¹⁸ Amount of Central share due for release (₹ 15.52 crore - ₹ 13.44 crore).

Table 2.8: Project-wise details

Project Code no.	Date of approval by EC	Amount/Date of 1 st , 2 nd and 3 rd instalment	Amount/Date of last instalment	Amount not reimbursed in the same financial year
BR-09	Aug 2008	₹ 2.72 crore/Jan 2009 ₹ 2.62 crore/Feb 2010 ₹ 3.18 crore/Mar 2011	₹ 2.69 crore/Feb 2013	₹ 2.21 crore (75% of ₹ 2.94 crore) incurred during 2011-12.
BR-45	Aug 2011	₹ 7.43 crore/Oct 2011	₹ 6.44 crore/Feb 2013	₹ 6.12 crore (75% of ₹ 8.16 crore) incurred during 2011-12.
BR-48	Aug 2011	₹ 45.35 crore/Oct 2011	₹ 45.35 crore/during XII Plan	₹ 45.35 crore incurred during 2011-12.
JHK-1	Aug 2008	₹ 6.00 crore/Oct 2008 ₹ 4.53 crore/Mar 2010	₹ 2.82 crore/Oct 2011	₹ 1.08 crore (75% of ₹ 1.45 crore) incurred during 2010-11.
UP-13	Sep 2009	₹ 11.68 crore/Mar 2010	₹ 15.47 crore/Dec 2011	₹ 13.56 crore (75% of ₹ 18.08 crore) incurred during 2010-11
Total				₹ 68.32 crore

Thus, the amount of ₹ 68.32 crore in five projects was released to the State Government in contravention of FMP guidelines, which shows poor fund management.

Ministry stated (February 2017) that the delay in reimbursement of expenditure was on account of non-receipt of eligible proposals, monitoring visit reports, audited statement of expenditure timely and also on account of budgetary constraints, etc.

The fact remained that funds were released to the State Government in contravention of FMP guidelines.

2.11 Non-submission of audited statements of expenditure

As per clause 4.14 of FMP guidelines, States were required to submit audited statements of expenditure incurred on works under the scheme within nine months of the completion of the financial years. In case of non-submission of audited statement of expenditure within the stipulated time period, release of Central assistance would not be considered.

We observed that although six States (Assam, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Uttar Pradesh and Uttarakhand) did not furnish audited statements of expenditure in any of the years during the period between 2007-08 to 2015-16 (March 2016), the Ministry had released an amount of ₹ 2161.79 crore as detailed in Table 2.9.

Table 2.9: Amounts released without receipt of audited statement of expenditure

(₹ in crore)

State	Amount
1. Assam	813.75
2. Himachal Pradesh	337.85
3. Jammu & Kashmir	381.96
4. Jharkhand	22.71
5. Uttar Pradesh	401.91
6. Uttarakhand	203.61
Total	2,161.79

In Tamil Nadu, there was a delay ranging from 13 to 25 months in submission of audited statement of expenditure due to which the balance financial assistance of ₹ 361.43 crore was not released under five projects as of August 2016.

The Department stated (November 2016) the delay in submission of audited statement of expenditure was due to eviction of encroachment (project TN-1) and intervening of Cyclone Thane (project TN-2 to TN-4) and some clarifications sought by the CWC. The fact remained that delay in submission of audited certificates of expenditure resulted in non-receipt of balance funds under the projects.

Ministry stated (February 2017) that the release of Central assistance to States were done either on submission of audited statement of expenditure by Accountants General office or the certificate submitted duly signed by Account officer/Executive Engineer of the project of that very State.

However, the fact remains that Central assistance to States were released in contravention of FMP guidelines.

2.12 Submission of Utilization Certificates

It was, therefore, necessary to furnish UCs in respect of each project so that the quantum of progress achieved in each project could be ascertained from the UCs and release of funds regulated commensurate with the achievements.

We found that five States (Assam, Bihar Odisha, Uttarakhand and West Bengal) did not submit UCs for funds amounting to ₹ 182.82 crore¹⁹. No relevant record regarding submission of UCs was found in Jammu & Kashmir.

There was delay of eight to 20 months in submission of UCs by Tamil Nadu, due to which the subsequent instalment of ₹ 361.43 crore was not released. The State

¹⁹ Assam: ₹ 35.57 crore; Bihar: ₹ 7.46 crore; Odisha: ₹ 4.06 crore; Uttarakhand: ₹ 68.47 crore and West Bengal: ₹ 67.26 crore.

Department stated (November 2016) that UCs were originally submitted in October 2011 but were not accepted and returned by CWC as the same were not countersigned by the Secretary to Government/Public Works Department (PWD).

Thus, due to non-receipt of utilization certificate, MoWR, RD&GR could not ascertain proper utilization of funds and release further funds, which affected timely completion of FMP projects.

Ministry stated (February 2017) that timely submission of UCs is being impressed upon the States.

2.13 Conclusion

During the nine years of the XI and XII Plan periods, only 57 *per cent* of approved works were completed. There were shortfalls in releases of Central assistance, deviations from FMP guidelines in phasing of expenditure and delays in completion of the projects. There were also inordinate delays in releasing first instalment of Central assistance to State Governments after approval of EC. The amounts along with the interest accrued thereon were not recovered from the State Governments for the delayed release of funds to the executing agencies. There were instances of funds remaining parked with the executing agencies without utilisation or being diverted by the implementing agencies for works not approved in the DPRs. Expenditure incurred in the previous financial year before its approval by EC was taken into account for working out the FMP cost in contravention of FMP guidelines. MoWR, RD&GR and State Governments did not ensure submission of audited statements of expenditure and UCs within stipulated time before releasing of Central assistance.

2.14 Recommendations

We recommend that

- i) MoWR, RD&GR may release adequate funds/reimburse funds in timely manner as per FMP guidelines and may impress upon State Governments to release funds to executing agencies in time bound manner.
- ii) MoWR, RD&GR may keep strict vigilance on utilisation of funds by State Government and executing agencies so as to avoid parking and diversion of funds.
- iii) MoWR, RD&GR may release/reimburse the funds to the State Governments only after ensuring receipt of audited statements of expenditure, Utilization Certificates and other requisite documents.

