

## Chapter-IV: Funds Management

### ***A Snapshot***

*The Department did not adhere to the timeline prescribed in the BADP Guidelines for release of funds to the implementing agencies. As such, not only 16.79 per cent of the BADP funds were surrendered to the Finance Department, Government of Gujarat but also funds aggregating to ₹ 125.02 crore were released with a delay ranging between one to 340 days. Moreover, funds of ₹ 29.79 crore pertaining to 12 IAs remained unutilised. Interest aggregating to ₹ 2.06 crore earned on the funds parked with Gujarat State Financial Services Limited (GSFS) was deposited by the Gujarat State Police Housing Corporation (GSPHC) as State receipts instead of treating it as additional resources under BADP to be utilized on the works/ projects planned under the programme.*

### **Introduction**

Before commencement of the financial year, the GoI conveys the quantum of funds allocated to the State during the next financial year under the BADP. Funds are released to States in two installments. With effect from 2016-17, BADP has been classified as Centrally Sponsored Scheme (CSS) with ratio of 60:40. The funds are released by the Department to the DPOs.

The DPO accords Administrative Approval (AA) after following due procedure, including ensuring Technical Sanction from the implementing Department. Thereafter, the DPO releases funds for the works to the implementing agency. After completion of the work, the implementing agency concerned is required to submit the completion certificate, UCs, surrender savings and remit interest earned on the funds, if any to the DPO concerned.

One of the objectives of this Performance Audit was to ascertain whether the programme was properly monitored with respect to funds management. Apart from ascertaining funds flow from the Department to the district authorities, Audit examined savings accrued at the level of implementing agencies and deposit of the same along with applicable interest to the appropriate head of accounts. The audit analysis/ observations in this regard are mentioned in the following paragraphs.

### **4.1 Release of Funds**

Financial year-wise availability *vis-à-vis* release of funds under the BADP during 2016-17 to 2021-22 is shown in **Table 4.1**:

Table 4.1: Year wise inflow and release of funds under the BADP during 2016-22

Financial Year	Central share received	Funds released by the Finance Department (FD) of the GoG to the Home Department		Total funds released	Funds released to the DPOs by the Department	Funds surrendered by the Department to the FD (Percentage)
		Central share	State share			
2016-17	38.00	38.00	10.00	48.00	47.59	0.41 (0.85)
2017-18	31.72 <sup>1</sup>	31.72	20.00	51.72	30.52	21.20 (40.99)
2018-19	56.23	30.00	20.00	50.00	50.00	0.00 (0.00)
2019-20	14.00	40.23	43.50	83.73	75.22	8.51 (10.16)
2020-21	0.00	0.00	4.16	4.16	3.07	1.09 (26.20)
2021-22	6.26	6.26	4.17	10.43	0.00	10.43 (100)
Total	146.21	146.21	101.83	248.04	206.40	41.64 (16.79)

Source: Information furnished by the Department.

As can be seen from the Table above:

- There was surrender of funds by the Department to the FD in the years 2017-18, 2019-20, 2020-21 and 2021-22, which ranged between 10 per cent (2019-20) and 100 per cent (2021-22).
- During 2016-22, against total available funds of ₹ 248.04 crore, an amount of ₹ 206.40 crore (83.21 per cent) was released by the Department to DPO for the works under the BADP in the State.

Scrutiny of the Bank Statement of State Nodal Account (SNA)<sup>2</sup> by Audit revealed that the FD had deposited funds of ₹ 65.69 crore on 21 July 2022. This included the funds of ₹ 41.64 crore surrendered by the Department during 2016-17 to 2021-22, and ₹ 24.05 crore for the prior period.

#### 4.1.1 Return of savings by the implementing agencies

As per the Gujarat Budget Manual, 1983, the authority administering a grant is responsible to ensure that the grant placed at its disposal is spent only on the objects for which it has been provided and to surrender savings, if no longer required.

Out of total grants of ₹ 206.40 crore released by the Department to the DPOs during 2016-22, an amount of ₹ 107.05 crore was released to the 14 Implementing Agencies (IAs) whose works were selected for test-check under

<sup>1</sup> As mentioned in Paragraph 3.5.1, out of Central share of ₹ 38.00 crore for AAP for 2017-18, an amount of ₹ 6.28 crore was deducted by the Gol for not submitting UCs for the year 2015-16

<sup>2</sup> The Department opened the SNA for the BADP in December 2020 which was linked to the PFMS in January 2021 for the management of the BADP funds.

audit. Out of this, an amount of ₹ 29.79 crore (27.83 *per cent*) pertaining to 12 IAs remained unutilised as of June/ September 2022.

Audit further observed (between June and September 2022) that the DPO concerned did not reconcile the actual expenditure and savings occurred/ interest accrued in grants issued to the implementing agencies.

On this being pointed out in audit, the Department informed (August 2023) that all unspent balance lying with the implementing agencies has been deposited into the SNA.

#### 4.1.2 Delay in release of funds by the Department

As per the BADP Guidelines of 2015 and 2020, funds should be released by the Department to the implementing agencies (IAs) within one month of receipt from the GoI.

Audit observed that the Department did not adhere to the timeline of one month for release of these funds to the IAs. The year-wise details are given in **Table 4.2** below:

**Table 4.2: Delay in release of funds by State Government to DPOs during 2016-2021**

Year	Total funds released by the Department to the DPOs in the year (₹ in Crore)	Funds released by the Department after one month (₹ in Crore)	Delay in Release (in days)
2016-17	48.00	9.64	15 to 90
2017-18	30.52	30.52	11
2018-19	50.00	17.83	1 to 172
2019-20	82.02	67.03	9 to 340
2020-21	3.07	0.00	--
<b>Total</b>	<b>213.61<sup>3</sup></b>	<b>125.02</b>	<b>1 to 340</b>

Source: Information furnished by the Department.

Thus, 58.52 *per cent* of funds released by the Department, aggregating to ₹ 125.02 crore were released with a delay ranging between one to 340 days in violation of the timeline prescribed under BADP Guidelines.

The Department stated (June 2022) that due to the process of fund transfer from Finance Department to it (the Home Department) and then by the Home Department to the district authorities, there had been delay in release of funds. However, the Department contended that there had not been any adverse impact on implementation of the BADP due to delayed release of grants.

However, the Department did not establish any mechanism to ensure release of funds within the timeline prescribed under the BADP Guidelines.

<sup>3</sup> The funds here do not tally with ₹ 206.40 crore mentioned in Table 4.1. This is because ₹ 0.41 crore and ₹ 6.80 crore which were released to DPO, Patan and DPO, Kachchh by the Department for AAP 2016-17 and 2019-20, were subsequently surrendered to the FD in March 2017 and March 2020, respectively. Thus, ₹ 7.21 crore has not been considered in the Table 4.1.

## **4.2 Parking of BADP funds and irregular deposit of interest earned in the State receipts**

As per the BADP Guidelines of 2015 and 2020, parking of funds at any level is strictly prohibited. Further, interest accrued on deposits of the BADP funds shall be treated as additional resources under the BADP and would be utilized on the BADP related works/ projects, as per the extant provisions. Further, as per amendment (October 2021) in the BADP Guidelines 2020, all interest accrued on deposits of BADP funds at any level shall be mandatorily remitted to the Consolidated Fund of India (CFI).

As mentioned in Paragraph 2.1.5.1 of this Report, funds of ₹ 10.86 crore were remitted (March 2019) to the GSPHC for implementation of two works in Kachchh and Patan districts. The GSPHC in turn parked (April 2019) these funds with the Gujarat State Financial Services Limited (GSFS). Audit observed that interest aggregating to ₹ 2.06 crore for the period April 2019 to March 2022, which was earned on the funds parked with the GSFS, was deposited (between July 2019 and March 2022) on quarterly basis by the GSPHC under the 'Head 0049 Interest Receipt' of the State Government. This was irregular as the interest earned on the BADP funds was required to be treated as additional resources under the BADP (till October 2021) or was to be deposited in the Consolidated Fund of India (after October 2021).

The Department stated (July 2022) that deposit of the interest earned against the BADP funds by the GSPHC was as per instructions issued by the GoI from time to time.

Reply is not correct as interest was deposited as State receipt and not under the BADP funds or the Consolidated Fund of India. The Department did not produce any GoI instruction(s) in support of deposit of interest, earned on BADP funds, as State receipt.