CHAPTER-III

FUND MANAGEMENT

3 Fund Management

As per paragraph 7.8 of the JJM guidelines, the funds under JJM were to be released in four tranches per annum based on the utilisation of the previous tranche. Guidelines also provide that funds available in the erstwhile National Rural Drinking Water Programme (NRDWP) should be transferred to JJM. Funds for JJM should also be arranged through community contributions. Audit observations on non-utilisation of funds, non-achievement of progress, short release of central share etc. are discussed in the succeeding paragraphs below:

3.1 Status of release and expenditure of JJM funds

JJM is a time-bound mission-mode programme and for its successful implementation, robust financial planning, timely funding, mobilisation of adequate resources and prudent utilisation of funds are pre-requisites. Funds for JJM were available in three components, namely coverage[1] i.e. up to 93 *per cent* of project cost (central 50: state 50), Support[2] i.e. up to five *per cent* of project cost (central 60: state 40) and WQMS[3] i.e. up to two *per cent* of project cost (central 60: state 40).

The component-wise funds released and expenditure of JJM are shown in ***Table 3.1***.

Table 3.1: JJM funds released during 2019-20 to 2023-24

(₹ in crore)

Year	Total allocation by GoI	Central Funds released				Total State Funds released	Total Funds released during the year
		Coverage	Support	WQMS	Total Central Funds released		
1	2	3	4	5	6 (3+4+5)	7	8 (6+7)
2019-20	208.04	22.57	1.21	0.49	24.27	24.27	48.54
2020-21*	445.52	269.84	14.51	5.80	290.15	283.95	574.10
2021-22	1,908.96	517.84	27.84	11.14	556.82	543.64	1,100.46
2022-23	2,223.98	2,080.28	111.84	44.74	2,236.86	2,184.97	4,421.83
2023-24	4,485.60	2,683.57	144.28	57.71	2,885.56	2,825.23	5,710.79
Total	**9,272.10**	**5,574.10**	**299.68**	**119.88**	**5,993.66**	**5,862.06**	**11,855.72**

(Source: Information provided by the Office of the MD, JJM and compiled by the audit)
**[including NRDWP balance funds ₹ 13.83 crore (Central Share: ₹ 6.93 crore + State share: ₹ 6.90 crore) deposited in JJM nodal account]^ this included ₹ 900 crore released by GoI as additional fund and matching share by GoCG.*

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1 Infrastructure for pipe water supply in terms of FHTC provided to rural households.

2 Activities conducted to spread awareness and sensitise communities on judicious use of water, community contribution and ownership, build capacities of GP and/or its sub-committee to plan, implement, manage, operate and maintain in-village infrastructure.

3 Water Quality Monitoring and Surveillance (WQM&S) involves testing of water samples collected from water sources in water quality testing laboratories. Surveillance is undertaken by community using Field Test Kits (FTK) & sanitary inspection.

The above table represents the funds released by the Central and State Government during 2019-24 and ***Table 3.2*** shows the details of expenditure incurred under various components of JJM.

Table 3.2: Expenditure incurred under JJM from 2019-20 to 2023-24

(₹ in crore)

Year	Coverage		Support		WQMS		Expenditure from Central Share	Expenditure from State Share	Total Expenditure
	Central Share (50%)	State Share (50%)	Central Share (60%)	State Share (40%)	Central Share (60%)	State Share (40%)			
1	**2**	**3**	**4**	**5**	**6**	**7**	**8 (2+4+6)**	**9 (3+5+7)**	**10 (8+9)**
2019-20	11.68	11.68	0.00	0.00	0.00	0.00	11.68	11.68	23.36
2020-21	217.18	217.18	3.37	2.24	2.57	1.72	223.12	221.14	444.26
2021-22	470.66	470.66	20.83	13.88	7.71	5.14	499.20	489.68	988.88
2022-23	2,051.47	2,051.47	50.54	33.69	9.74	6.49	2,111.75	2,091.65	4,203.40
2023-24	2,654.51	2,654.51	34.67	23.12	4.51	3.00	2,693.69	2,680.63	5,374.32
Total	**5,405.50**	**5,405.50**	**109.41**	**72.93**	**24.53**	**16.35**	**5,539.44**	**5,494.78**	**11,034.22**[4]

(Source: Data provided by the PHED and compiled by Audit)

It can be seen from above tables that against the total allocation of ₹ 9,272.10 crore, funds of ₹ 5,993.66 crore were released by GoI and State Government contributed matching share ₹ 5,862.06 crore which falls short by ₹ 71.60 crore.

Out of the total funds of ₹ 11,855.72 crore released by GoI and GoCG ₹ 11,034.22 crore (93 *per cent*) were spent. Audit also noticed a difference of ₹ 0.04 crore[5] in the utilized amount from 2019 to 2024 as per the audited statement of account submitted by CA and the expenditure figures in the PHED expenditure portal i.e. 'e-Works'.

3.2 Non receipt of Central share of fund

The fund sharing pattern between the Centre and the State is 50:50. Para 7.8 of the JJM guidelines stipulates that annual allocation will be released to States in two equal instalments and each instalment is to be released in two tranches after assessing the utilisation of funds by the States/UTs.

The tranche-wise fund allocation and release of the central share is shown in ***Table 3.3***.

[4] As per Utilisation Certificates the total expenditure during 2019-24 was ₹ 11,034.26 crore and as per the PHED e-Works portal the total expenditure for the period 2019-24 was ₹ 11,034.22 crore.

[5] The difference amount during the year 2020-21, 2021-22 and 2023-24 was ₹ 0.04 crore, ₹ 0.10 crore and (-) ₹ 0.10 crore respectively.

Table 3.3: Allocation and sanction of Central Share

(₹ in crore)

Year	GoI Allocation	Instalment 1		Instalment 2		Additional Funds	Total Sanction	Short release of Central share against allocation
		Tranche 1	Tranche 2	Tranche 1	Tranche 2			
1	**2**	**3**	**4**	**5**	**6**	**7**	**8 (3+4+5+6+7)**	**9 (2-8)**
2019-20	208.04	65.82	0.00	0.00	0.00	0.00	65.82	142.22
2020-21	445.52	111.38	111.38	111.38	0.00	0.00	334.14	111.38
2021-22	1,908.96	477.24	0.00	0.00	0.00	0.00	477.24	1,431.72
2022-23	2,223.98	555.99	555.99	555.99	555.99	0.00	2,223.96	0.02
2023-24	4,485.60	496.39	496.39	496.39	496.39	900.00	2,885.56	1,600.04
Total	**9,272.10**	**1,706.82**	**1,163.76**	**1,163.76**	**1,052.38**	**900.00**	**5,986.72**	**3,285.38**

(Source: As per Annual allocation letter and Sanction order letter of DDWS, GoI)

During 2019-20, the 1st tranche of ₹ 65.82 crore was sanctioned and released by the GoI, out of which the State could draw only the central share of ₹ 24.27 crore, with the State matching share of ₹ 24.27 crore and deposited to the nodal bank account. The other three tranches of the financial year 2019-20 could not be released by the GoI for want of appropriate expenditure plan with the commitment of State share. Similarly, in 2020-21 and 2021-22, the State could get only three tranches (₹ 334.14 crore) out of four and one tranche (₹ 477.24 crore) out of four respectively due to slow physical and financial progress, and non-availability of budget with the State Government. Further, in 2023-24, GoI did not release ₹ 1,600.04 crore of the allocated fund of ₹ 4,485.60 crore.

Thus, the State could not get seven tranches of funds out of 16 tranches from the central government because of non-achievement of required financial progress due to shortage of fund with the GoCG. This resulted in non-receipt of central grant-in-aid of ₹ 3,285.38 crore against the total allocation of ₹ 9,272.10 crore, thereby depriving the state of ₹ 6,480.04 crore of JJM funds including the corresponding matching state share of ₹ 3,194.66[6] crore.

In the exit conference (May 2025), the Secretary, PHED stated that unavailability of fund from the State Finance Department, procedural delay of tender etc. were the reasons for non-release of the State share.

3.3 Delay in release of State Matching Share

The sanction order for release of grant-in-aid by the GoI stipulated that the State is to ensure release/transfer of the sanctioned amount to the single nodal account (SNA) of the implementing agency of JJM along with matching state share within 15 days of its receipt.

6 ₹ 3,285.38 * State share (49.30 *per cent*)/GoI share (50.70 *per cent*)

Audit observed that there were delays in the release of matching State share into SNA in excess of 15 days multiple times as shown in ***Table 3.4.***

Table 3.4: Statement showing delay in release of state matching share of JJM

(₹ in crore)

Year	Date of release of Central share	Respective Central share	Date of release of matching State share	Respective State share	Delay in excess of 15 days
2019-20	04-10-2019	65.82	19-02-2020	24.27	123
			06-05-2020	40.58	200
2020-21	27-07-2020	111.38	19-09-2020	57.26	39
	29-10-2020	111.38	15-12-2020	105.53	32
	15-03-2021	111.38	04-05-2021	89.87	35
2021-22	13-05-2021	453.71	15-06-2021	321.95	18
			06-12-2021	91.62	192
			07-03-2022	16.67	283
			03-06-2022	12.88	371
2022-23	21-06-2022	491.03	29-09-2022	21.93	85
	02-09-2022	64.96	20-10-2022	64.96	33
	30-10-2022	555.99	28-12-2022	119.16	44
	02-02-2023	555.99	20-03-2023	354.83	31

(Source: Data provided by the PHED and compiled by audit)

It can be observed from the above table that there were delays in the release of matching state shares, particularly in the years 2019-20 and 2021-22. In 2019-20, ₹ 40.58 crore of GoI share alongwith the matching state share was released in the next financial year after delay of 200 days from the due date. Similarly, in the years 2021-22 the delay was 192 to 371 days for the release of state share. There was also a delay of 31 to 85 days in the year 2022-23 for release of matching state share against central share.

In the exit conference (May 2025), the Secretary, PHED stated that due to lack of sufficient allocation in the State budget, there was a delay in deposit of State shares.

3.4 Short transfer of NRDWP funds to JJM

Chapter 4 of the JJM guidelines stipulates that with the launch of JJM, all schemes under the erstwhile NRDWP are subsumed into JJM. The balance fund of NRDWP with the States after 31 March 2021 were to be adjusted with funds released for JJM.

Scrutiny of records revealed that as per the Utilisation Certificate (UC) for the year 2019-20 the closing balance under NRDWP was ₹ 19.70 crore comprising central share and state share of ₹ 10.07 crore and ₹ 9.63 crore respectively. Audit observed that the SWSM transferred only ₹ 6.93 crore as the central share and ₹ 6.90 crore as State share in June 2020 and the balance amount of ₹ 5.87 crore was not transferred to JJM nodal account as detailed in ***Table 3.5***.

Table 3.5: Details of NRDWP funds not transferred to JJM

(₹ in crore)

Fund	Central share				State share			
Component	**Coverage**	**Support**	**WQMS**	**Total**	**Coverage**	**Support**	**WQMS**	**Total**
Balance fund as per ASA NRDWP 2019-20	9.04	0.69	0.34	**10.07**	9.04	0.36	0.23	**9.63**
Fund transferred to JJM nodal account	6.83	0.03	0.07	**6.93**	6.83	0.02	0.05	**6.90**
Short transfer of fund	2.21	0.66	0.27	**3.14**	2.21	0.34	0.18	**2.73**

(Source: Data provided by the PHED and compiled by audit)

On this being pointed out, MD, JJM, Raipur stated (May 2025) that it could not be transferred due to non-release of balance NRDWP fund from the State Government. During the exit conference (May 2025), the Secretary stated that PHED would seek budgetary supplement from the State Finance Department for the said fund.

3.5 Non-collection of community contribution

Para 6.1.2 of the JJM guidelines states that for in-village piped water supply infrastructure and related source development to be implemented by Gram Panchayat and/or its sub-committee, communities will contribute five *per cent* of the capital cost. Further, the willingness of the community and contribution from at least 80 *per cent* households of the village is a prerequisite for taking up water supply scheme.

Audit observed that the State Mission did not collect any community contribution against capital cost of ₹ 2,220.18 crore projected in the AAP from 2019-20 to 2022-23, thereby failing to promote and ensure voluntary ownership among the local community.

The Government stated (May 2025) that the amount was collected in the form of labour instead of cash as provisioned in the JJM guidelines. The reply is not justifiable as such records were not found during audit of six selected districts.

3.6 Revision of Schedule of Rates without market survey

Paragraph 4.3 of the Central Public Works Manual stipulates that a schedule of rates should be updated and maintained in the Department. The Unified Schedule of Rates (USOR) should base on the rates prevailing in each station, and the necessary analysis of the rates for each description of work and the varying conditions thereof should be recorded.

A committee for revision of the USOR, enforced in PHED, Chhattisgarh w.e.f. February 2013, was formed by the E-in-C, PHED in July 2018. After the launch of JJM in August 2019, the USOR was revised in June 2020 by adding 1.679 *per cent* for all existing items based on increase in Wholesale Price Index (WPI) in the USOR rates, issued by the PHED, Madhya Pradesh in July 2018, without item wise detailed rate analysis.

Further, there was an oversight in the derivation of the rates for new item introduced *i.e.* providing and laying Oriented Un-plasticized Polyvinyl Chloride (O-PVC) pipes for potable water supply in the USOR. The rates were calculated based on the minimum company price of the pipes, with additions for transportation, GST and Third Party Inspection (TPI) charges, but crucial factors like the cost of fittings, labour for laying and jointing, machinery, and other necessary expenses were not taken into account.

Thus, the revision of the USOR without conducting a detailed, item-wise rate analysis based on the prevailing market rates for goods, services, labour, and machinery, indicated lack of due diligence in revision of the USOR which may lead to preparation of unreliable cost estimates.

On this being pointed out, the E-in-C, PHED replied (October 2024) that as there was time constraint in the implementation of JJM, the USOR was updated on the basis of the USOR applicable in Madhya Pradesh (MP) by addition of certain percentage based on WPI. The new items which were not available in the MP-SoR were added on the basis of market rate analysis. On this being pointed out, the Government replied (May 2025) that the current USOR was based on MP SoR 2018 after considering the WPI.

The reply confirms that the USOR was revised without detailed rate analysis and market survey.

3.7 Incorrect estimate of unit price of FHTC in USOR and excess payment

Looking at the mission target to provide regular and long-term supply of potable water every household new item "Functional Household Tap Connections" (FHTCs), was introduced in USOR June 2020 with unit rate ₹ 6,969. The detailed estimate of the FHTC was published by the PHED vide amendment No-5 to the USOR (June 2021). The detailed rate analysis comprised of two parts i.e. Annexure -VI (a) for connection of stand post with distribution pipeline using PE-AL-PE composite pipe, Integrated Saddle piece with Flow Control Valve (FCV), etc. costing ₹ 4,225 and Annexure -VI (b) for the construction of the platform costing ₹ 2,744.

During scrutiny of analysis of rate, audit noticed 12 errors in the detailed analysis, like, consideration of cost of shuttering unwarranted for filling concrete in UPVC pipe, rate of oversized water tap, non-deduction of overlapping cement concrete work, double provision for same work, unwarranted provision of demolishing cement concrete surface, excavation and refilling of earth for connection with distribution line etc. which inflated the FHTC rate by ₹ 1,556.31 per unit as detailed in ***Appendix 3.1***.

Some of the works which resulted in double provision are explained below:

➢ The unit rate includes work of demolishing of cement concrete surface, excavation of earth, refilling of excavated earth and finally restoration of CC surface with M-15 concrete after installation of integrated saddle piece and connecting the composite pipe to the distribution line. These items are being paid for within the scope of work of providing and laying of distribution pipeline work. This led to double provision of works.

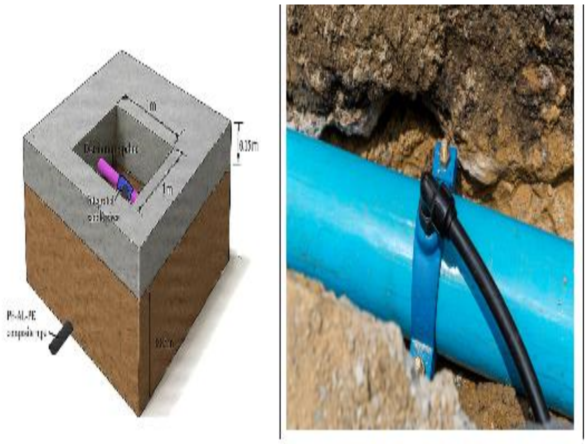


Photo 3.1: Picture showing dismantling of CC surface for installation of integrated saddle piece

➢ Provisioning of rate of oversized water tap i.e. 20 mm tap for 15 mm GI pipe in the unit rate of FHTC while taps with 15 mm were actually used resulting in claim of higher cost by ₹ 56 in each FHTC installed.

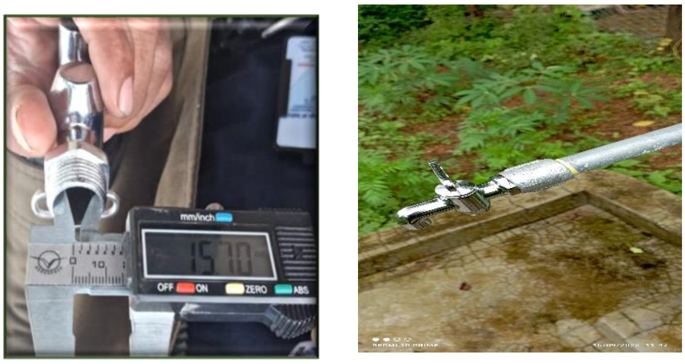
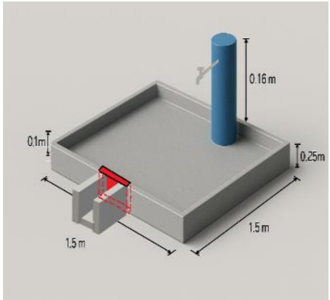


Photo 3.2: Picture showing 15mm taps being used in FHTC

➢ Non-deduction of overlapping cement concrete work in platform, standpost, bed block and drain gap led to claim of higher cost by ₹ 43.32[7] per FHTC.

Overlapping of Bed block



Non deduction of Drain Gap

Photo 3.3: Picture showing overlapping of CC in standpost, bed block and drain gap

For works executed under SVS, in 22 test-checked schemes audit noticed that payment was made to the contractor at the unit rate of ₹ 6,969 per FHTC without

7 Quantity of CC embedded in the bed block: $0.785 * 0.16^2 * 0.15m = 0.003$ at the rate of ₹ 4,774 per cum = ₹ 14.32, Overlapping of cement concrete work in platform: $0.785 * 0.16^2 * 0.17m = 0.003$ at the rate of ₹ 4,774 per cum = ₹ 15 and non-deduction of drain gap in the platform from the wall of the platform $0.3 * 0.1 * 0.1m = 0.003$ at the rate of ₹ 4,774 per cum = ₹ 14.32

recording item wise detailed measurement. This resulted in an excess payment of ₹ 54.46 lakh to contractors. As 34.29 lakh FHTCs were installed in the state under JJM (March 2024), there is probability of excess payment up to ₹ 533.66[8] crore due to incorrect rate analysis of FHTC.

The Government (May 2025) stated that directions have been given for the recovery of excess payment to concerned PHE divisions. The Government intimated (May 2025) that a deduction of ₹53.25 crore has been made from 1,915 agreements across different districts.

3.8 Extra financial burden on State Government

Paragraph 7.5 read with paragraph 7.10 of the JJM operational guidelines stipulates that all schemes sanctioned under JJM shall be implemented without cost and time overrun. In case of any cost escalation due to tender premium, it will have to be borne by the State government and expenditure from the central share was not permissible. However, as per amendment issued by DDWS, Ministry of Jal Shakti, GoI issued (June 2022) the payment of tender premium from the central share was allowed but the provision was not applicable to the schemes for which work has been awarded prior to 21 June 2022.

Audit observed that sanctioned cost of 11,055 schemes was revised from ₹ 7,840.94 crore to ₹ 8,366.58 crore due to tender premium, in respect of works awarded before June 2022. This cost difference of ₹ 525.64 crore will not be shared by the Central Government. The State Government will have to bear extra financial burden as detailed in ***Table 3.6.***

Table 3.6: Details of number of schemes and cost revised under JJM

(₹ in crore)

Sl. No.	Type of scheme	Number of schemes	Original AS	Revised AS	Difference
1	SVS	7,629	6,622.91	7,056.28	433.37
2	Solar	3,426	1,218.03	1,310.30	92.27
Total		**11,055**	**7,840.94**	**8,366.58**	**525.64**

(Source: Data provided by the PHED and compiled by audit)

The Government replied (May 2025) that the tenders were approved by the DWSM on the basis of WPI and site conditions. The payment of tender premium from JJM central share was inadmissible before 21June 2022 therefore it will be borne by the GoCG. Hence, a proposal for creation of new budget head for tender premium amount has been sent to the State Finance Department. However, the proposal has not been accepted.

3.9 Short utilisation of funds under Support Activities

Support Activities under JJM include mobilisation of communities through awareness campaigns, training local stakeholders, and strengthening VWSCs to take ownership of water resources. Implementation Support Agencies (ISA) were deployed to spread awareness and sensitize communities on judicious use of water, community contribution, build skills of various human resources required, viz. masons, plumbers, electricians, motor mechanics, pump

[8] ₹ 1,556.31 x 34,28,980 FHTC = ₹ 533.66 crore

operators, etc. to set up long-term sustainable institutional mechanisms under the guidelines of the JJM.

The Mission has made provision of up to five *per cent* of annual allocation to the States as support activities funds to carry out the Information, Education and Communication (IEC) among local communities; Human Resource Development (HRD); training and skill development and third-party inspection. Total funds during 2019-20 to 2023-24 available in the state nodal account of JJM was ₹ 11,855.73 crore and the amount of ₹ 592.79 crore was available with the state for support activities. Year-wise allocation of funds, limit issued by the SWSM for support activities and its year-wise utilisation are depicted in ***Table 3.7***.

Table 3.7: Year-wise fund allocation under JJM and utilisation of funds for support activities

(₹ in crore)

Year	JJM Central fund released by GoI	Mandated 5 *per cent* of JJM Central allocation (60%) *plus* matching State share (40%)	Fund allocated to DWSM for Support activities		Utilised	Shortfall of Utilisation against fund allocated	
			Amount	*Per cent* of allocation against mandated		Amount	*Per cent*
1	**2**	**3**	**4**	**5**	**6**	**7 (4-6)**	**8**
2019-20	24.27	2.02	0.00	0	0.00	0.00	0
2020-21	290.15	24.18	7.82	32	5.61	2.21	28
2021-22	556.82	46.40	49.28	106	34.71	14.57	30
2022-23	2,236.86	186.41	92.81	50	84.23	8.58	9
2023-24	2,885.56	240.46	66.16	28	57.79	8.37	13
Total	**5,993.66**	**499.47**	**216.07**		**182.34**	**33.73**	**16**

(Source: Information provided by the office of the MD, JJM and compiled by audit)

It can be observed from the above table that against the amount of ₹ 499.47 crore mandated for support activity only ₹ 216.07 crore was allocated during the period 2019-20 to 2023-24 except during 2021-22, the amount for support component was allocated as mandated by JJM guidelines.

Thus, due to less allocation of support activities funds to DWSM, required activities by ISA for IEC etc. were adversely affected.