CHAPTER-5

Financial Management

This Chapter analyses the financial management of the Mission, identifying the concerns relating to the utilisation of funds, payment to contractors and adherence to expenditure norms.

5.1 Short release of Central Share due to low pace of utilisation of available funds under JJM in the State

According to the Operational Guidelines of the JJM, the annual fund allocation to States is based on the number of rural households yet to receive FHTCs, as entered in the IMIS. The Guidelines further stated that the funds would be released in two equal instalments each year, and the funds released towards the first instalment would be the balance amount after subsuming the excess balance beyond 10 *per cent* of the previous year. Thus, progress in utilisation in a year was directly linked to the release of funds in the next year. Further, each instalment is divided into two tranches, and the funds to be released in these tranches were also based on the progress of utilisation of the total available funds.

Table 5.1: Release and utilisation of central funds during 2019-25

(₹ in crore)

Year	Opening Balance	Allocation	Release	Short release (Percentage)	Total available funds	Utilisation	Short utilisation (Percentage)
(1)	(2)	(3)	(4)	(5)= (3)-(4)	(6)=(2)+(4)	(7)	(8)=(6)-(7)
2019-20	313.67	1,301.71	1,301.71	0 *(0)*	1,615.38	620.31	995.07 *(61.60)*
2020-21	995.07	2,522.03	630.51	1891.52 *(75.00)*	1,625.58	762.04	863.54 *(53.12)*
2021-22	863.54	10,180.50	2,345.08	7835.42 *(76.96)*	3,208.62	1,919.83	1288.79 *(40.17)*
2022-23	1,288.79	13,328.60	6,081.80	7246.8 *(54.37)*	7,370.59	3,937.70	3432.89 *(46.58)*
2023-24	3,432.89	3,019.94	250.00	2769.94 *(91.72)*	3,682.89	2,898.54	784.35 *(21.30)*
2024-25 (up to Feb 2025)	786.95	11,061.46	1,659.22	9,402.24 *(85.00)*	2,446.17	2,169.29	276.88 *(11.32)*
Total		**41,414.24**	**12,268.32**	**29145.92** ***(70.38)***		**12,307.71**	

Source: JJM Reports available on www.ejalshakti.gov.in.

Note: (i) Short Release reflects the gap between allocation and actual release by GoI. (ii) Unutilised Funds reflect the gap between funds available and actual expenditure by the State. (iii) High short release (col. 5) and high level of short utilisation (col. 7) seen together indicate weak fund absorption capacity.

It can be seen from **Table 5.1** above:

- The year-wise unspent central funds ranged from ₹ 276.88 crore to ₹ 3,432.89 crore during 2019-25. This was 11.32 to 61.60 *per cent* of available central funds during 2019-25. Due to less utilisation of central funds by the State during particular years, less central funds were released than the allocation in the following years. During the period 2019-25, the short utilisation of central funds resulted in short release of ₹ 29,145.92 crore (70.38 *per cent*) central funds to the State during 2019-25, against the total allocated funds of ₹ 41,414.24 crore.

- A significant balance of ₹ 3,432.89 crore from the Central share remained unspent at the end of 2022-23. As a result, an amount of only ₹ 250 crore was released by the GoI for the year 2023-24 against an allocation of ₹ 3,019.94 crore, indicating a 91.72 *per cent* short release.

Across the years, high short releases were closely linked to delays in tendering and RWSS execution, while persistent short utilisation reflected weak project readiness, inadequate milestone tracking, and slow handover/O&M preparedness. The pattern indicates that fund flow constraints were largely a consequence of execution bottlenecks, rather than an external constraint alone.

In May 2020 and June 2022, the National Jal Jeevan Mission (NJJM) under the Government of India (GoI) expressed serious concerns over the underutilisation of funds by the State during 2019-22. NJJM stated that the State Government lacked effective planning, execution, and timely utilisation of grant-in-aid provided by the GoI. The GoI urged the State Government to prioritise drinking water supply and ensure adherence to JJM guidelines.

However, the implementation remained slow and failed to gain the desired pace. Consequently, the State missed the opportunity to receive additional funds in the form of performance-based incentives and Extra Budgetary Resources.

Thus, the low utilisation of funds hampered the progress of implementation of the JJM in the State. Besides, the rural HHs could not be benefitted with the FHTCs as intended in the Mission.

The State Government, while accepting the facts, stated (November 2025) that in earlier years, there were always delays in receipt of the State share, due to which the Department could not become eligible to receive further funds. It was also stated that in the initial years, the issuance of work orders was delayed and therefore, desired progress could not be achieved.

The fact remains that the State's persistent under-utilisation of funds significantly hindered the progress of the JJM. Not only did it lead to substantial shortfalls in fund releases, but it also deprived rural households of timely access to tap water connections.

5.2 Non-mapping of SNA with PFMS

As per Clause 7.15 of the Operational Guidelines of the JJM, it is mandatory that all financial transactions under JJM be carried out through the Public Financial Management System (PFMS). To ensure proper fund flow and effective monitoring of utilisation under Centrally Sponsored Schemes, the Ministry of Finance, Government of India (GoI) issued a directive in March 2021, mandating:

- Registration of the State Nodal Agency (SNA) and all Implementing Agencies (Divisions) on PFMS.

- Use of unique PFMS IDs assigned to the SNA and Implementing Agencies for all payments to them.

- Mapping of bank accounts of the SNA, Implementing Agencies, vendors, and other fund-receiving organisations with PFMS.

Furthermore, the SNA and Divisions were required to mandatorily use the 'Expenditure, Advance, and Transfer (EAT)' module of PFMS or integrate the systems with the PFMS. This required regular updating of information on PFMS by each Division. The mapping of the SNA with the PFMS was also helpful in smooth financial monitoring of utilisation of JJM funds on a real-time basis.

However, audit observations revealed the following deviations in the State:

- Payments were processed *via* the Sanchalan Portal of the State Government, rather than directly through PFMS. Moreover, details of transactions were uploaded later on the PFMS portal, breaking real-time monitoring.

- The SNA account was not mapped with the PFMS.

- The EAT module of PFMS was also not utilised in the State.

Due to these non-compliances, a discrepancy of ₹ 929.72 crore was observed between the expenditure reflected on PFMS and JJM-IMIS (as on 14 February 2025).

As a result, the core objective of the GoI to enhance effectiveness and efficiency in cash management and public expenditure management through PFMS was not achieved.

The State Government stated (November 2025) that the Finance Department issued directions in August 2021 and March 2022 to open the SNA account and its integration with the PFMS and the IMIS. In compliance with the above directions, the SNA was opened, and its mapping with PFMS was completed in FY 2021-22 only. As of 31 March 2025, the SNA portal is mapped with the PFMS and the IMIS. However, due to technical issues from the NIC side, PFMS vouchers of ₹ 198 crore, are still pending for reflection.

The reply is not tenable as the payment in JJM schemes was being made through the Sanchalan Portal, and thereafter the expenditure details were being shared with the PFMS, as confirmed by the CE JJM in May 2024. Therefore, in reality, the SNA was not mapped with the PFMS and the IMIS.

5.3 Failed payment transactions amounting to ₹ 133.22 crore initiated by the Divisions

Scrutiny of the bank statement of SNA revealed that 511 payments with transaction amount of ₹ 133.22 crore[1] made by various PHED Divisions during 2021-24 failed. The failures were due to the reasons such as:

[1] Year 2021-22: ₹ 31.21 crore (50 transactions), Year 2022-23: ₹ 58.20 crore (155 transactions) and Year 2023-24: ₹ 43.81 crore (306 transactions).

- Discrepancies in beneficiaries' names,
- Non-existent or closed bank accounts,
- Incorrect or outdated bank account details.

These findings indicate a lack of due diligence in entering or updating the bank details of beneficiaries by the concerned Departments.

These failed transactions delayed payments to vendors and contractors, hampering project execution timelines and undermining the credibility of the Department.

The State Government, while accepting the facts, stated (November 2025) that the payments failed due to technical glitches. The Department has mapped the correct data of beneficiaries, and the liability against these failed transactions has been met.

5.4 Non-conduct of Chartered Accountant (CA)'s audit of State Water Sanitation Mission (SWSM)

In pursuance of Clause 7.16 (i) of the Operational Guidelines of JJM, the accounts of SWSM were required to be audited by a CA empanelled by the Comptroller and Auditor General of India, within six months from the close of each financial year. The audit was to be supported with a reconciliation statement with the accounts of Implementing Agencies (Divisions) and a certificate from the CA affirming the accuracy of the accounts.

However, the following deficiencies were observed in the State:

- SNA was opened only in November 2021, and consequently, the CA audit of accounts of the SWSM was conducted only for the period from November 2021 to March 2023. No CA audit was undertaken for the year 2023-24.
- Further, the accounts of six[2] divisions for the financial year 2021-22 were not audited by the CAs.
- In addition, according to the CA's audit report for the year 2022-23, the CA could not trace an expenditure of ₹ 9.14 crore, which was debited to the income and expenditure account and therefore, it was shown in the balance sheet as 'other expenditure'. This amount could not be treated as certified by the CA.

These lapses reflect inadequate adherence to audit protocols and raise concerns about the transparency and reliability of financial reporting under JJM in the State.

[2] Dungarpur, Sojat City, Project Jalore, Project Udaipur, Project Todabhim and Jodhpur.

The State Government stated (November 2025) that the CA audit has been conducted regularly after the opening of the SNA. Admitting to the facts of audit observation, it was further stated that there were many technical issues in the portal and in report generation at the time of launch of the SNA portal during 2021-22. Consequently, some gaps appeared in the fields of actual payments and as reflected in the SNA report, and now, the entry of ₹ 9.14 crore has been reconciled. It was also stated that due to unforeseen circumstances, the personnel from the six divisions could not attend the Head office on the scheduled audit date; however, the complete accounts were subsequently submitted to the auditor.

The reply regarding the regular conduct of the CA audit of SNA after its opening is not tenable, as the departmental records show that the CA audit was not conducted for the year 2023-24.

5.5 Non-convergence with other programmes/schemes

As per Para 6.3 of the Operational Guidelines of JJM, convergence activities were to be undertaken as part of in-village infrastructure development in coordination with other programmes/schemes such as:

National Rural Livelihood Mission (NRLM), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), *etc*. Source sustainability measures were also to be undertaken by utilising available infrastructure through convergence. Convergence of JJM initiatives with these schemes not only enhances the financial envelope but also improves water resource availability in terms of quality, quantity, and sustainability.

Given that Rajasthan is one of the highest users of MGNREGS funds, significant potential existed to leverage these funds for source sustainability measures and greywater management.

Under JJM, Village Action Plans (VAPs) were to be prepared in a participatory manner, aligning these funds with MGNREGS, Swachch Bharat Mission-Gramin, Compensatory Afforestation Fund Management and Planning Authority, District Mineral Development Fund, 15TH Finance Commission grants to PRIs, Corporate Social Responsibility funds, *etc*.

However, the audit noticed that convergence-based works were not included in the Annual Action Plans (AAPs) for the years 2020-24, resulting in missed opportunities for integrated water resource management and fund optimisation.

The State Government stated (August and November 2025) that VWSCs have been formed at the village level, comprising members from various Departments, and accordingly, the convergence is taken at the grassroots level. The reply is not tenable as the audit observation is about the convergence of funds with other programmes/schemes, not about the participation of personnel from other departments in the meetings of VWSCs.

5.6 Community Contribution

As per Clause 6.1.2 of the Operational Guidelines of JJM, for the implementation of in-village water supply infrastructure and related source development to be implemented by the VWSC, a community contribution of five *per cent* of the capital cost in hilly/forested areas, and 10 *per cent* in other villages was mandated, payable in the form of cash, kind or labour.

The NJJM, in its meeting (March 2023), further clarified that the central share under JJM would only be admissible to the extent of the project cost after deducting the community contribution for in-village infrastructure and corresponding State matching share. Any shortfall in community contribution should have to be met by the State Government from its own resources.

Audit scrutiny revealed that while a total of ₹ 1,337.44 crore[3] was planned to be collected as community contribution in the AAP 2020-24, against which only ₹ 129.13 crore had been received as on 10 February 2023, and thereafter the State Government waived off the community contribution in its budget announcement for the year 2023-24. During the beneficiary survey of 560 beneficiaries of selected villages, 426 beneficiaries (76.07 *per cent*) expressed their willingness to pay community contribution[4]. While in four Focus Group Discussions (FGDs), out of seven FGDs conducted, the community expressed their unwillingness to pay the initial contribution towards the capital and O&M cost of schemes.

The State Government stated (November 2025) that it was announced in the budget for the year 2023-24 that the State Government would bear the community contribution payable by the villagers, to provide financial relief to the rural population.

While the reply is noted, as the village communities are at the centre of the JJM, and the GoI's intention for the incorporation of the provision of community contribution was not only meant for contribution towards capital cost, but it was also meant to instil a 'sense of ownership and responsibility' among village communities to manage, operate and maintain their water supply systems. Thus, the decision of the State Government to waive the community contribution was against the intent and wording of the JJM. Besides, no decision was taken by the State Government to replenish the amount to be waived off against the planned community contribution in accordance with the budget announcement.

5.7 Inadmissible expenses

As per Clause 7.10 of the Operational Guidelines of JJM, the State Government/SWSM was to decide about the expenses, which were not eligible to be funded under the central share of JJM, such as cost escalation, tender premium and centage charges, *etc*. Payment of salary or honorarium to regular employees as well as payment of electricity bills, *etc*., were not allowed from

[3] 2020-21: ₹ 283.24 crore, 2021-22: ₹ 529.20 crore, 2022-23: ₹ 305 crore and 2023-24: ₹ 220 crore.

[4] 5/10 *per cent* of the capital cost of in-village infrastructure.

the central share of JJM. A suggestive list of inadmissible expenses was also annexed to the Operational Guidelines as Annexure-IV, according to which costs towards purchase of land, vehicle, *etc*., centage charge, construction of building/renovation/repair, tender premium, expenditure beyond the approved cost of schemes and payment of salary to permanent employees were not admissible.

However, audit findings revealed the following instances of inadmissible expenditures being incorrectly charged to the central share of JJM funds, contrary to the above-stated guidelines.

5.7.1 Expenses on the salary of regular staff

Scrutiny of records (June 2024) of ACE (Support) revealed that an amount of ₹ 2.61 crore[5] was paid during 2019-23 to the regular/permanent staff of the ACE (Support) office. This payment was made from the funds allocated for support activities under the JJM, which is in contravention of the prescribed provisions.

As per the Operational Guidelines of JJM, payment of salary to regular employees is classified as an inadmissible expenditure from the central share or support activity funds. Hence, the payment of ₹ 2.61 crore represents an irregular and inadmissible expenditure ***(Appendix-3)***, incurred from the JJM Support funds.

The State Government stated (August 2025) that the name of 'the office of WSSO' was changed to 'the office of ACE (Support Activity)' in October 2022, and before this name change, the salaries of regular staff were paid according to the guidelines of the National Rural Drinking Water Programme (NRDWP). Later, the State Government put forward (November 2025) a different justification in its reply, stating that the departmental engineers were posted in the office of the WSSO and working as Team Leader, Project Manager, Deputy Team Leader and Deputy Project Manager, in relation to the approved AAPs of respective FY for support activities. Therefore, the salaries of the Department's regular employees were disbursed till the change in the name of the office of the WSSO.

The justification of NRDWP provisions mentioned in the reply is not tenable because, following the subsuming of NRDWP into JJM in December 2019, the JJM became effective nationwide. Since then, the Water Supply and Sanitation Organisation (WSSO) had been receiving funds and incurred expenditures therefrom on support activities related to JJM, regardless of its name. Therefore, in accordance with JJM provisions, expenditure on the salaries of regular staff was not admissible.

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[5] 2019-20: ₹ 0.58 crore, 2020-21: ₹ 0.68 crore, 2021-22: ₹ 1.01 crore and 2022-23: ₹ 0.34 crore.

5.7.2 Expenses on Shilanyas ceremony of various Water Supply Projects (WSPs)

As per Chapter 9 of the Operational Guidelines of JJM, the support activities fund was not to be utilised for avoidable functions for publicity purposes. However, scrutiny of records of the ACE (Support) in June 2024 revealed that during 2022-23, an amount of ₹ 3.28 crore[6] was incurred on organising the *Shilanyas* ceremony (foundation stone laying) for various Water Supply Projects.

This expenditure is considered inadmissible as it violates the prescribed guidelines regarding proper utilisation of support activity funds under JJM.

The State Government stated (November 2025) that the expenditure for the *Shilanyas ceremonies* was incurred after obtaining competent approval from the Finance Department, through the Administrative Department, and further being vetted through the Executive Committee and the Apex Committee.

The reply is not tenable as Chapter 9 of the Operational Guidelines of JJM clearly prohibited the utilisation of support fund on hoisting of avoidable functions for publicity purposes. Also, the approval of the Finance Department was under the funds available for IEC activities and mobilisation of local communities, for which ISA had already been appointed in every district, and these activities were included in their scope of work.

Moreover, the Department also violated the provision mentioned at S. No. 71 of Appendix-XIII[7] of PWF&ARs, Part-II, according to which the maximum limits to sanction expenditure for this purpose were only ₹ 2.50 lakh and ₹ 10 lakh for the project costing less than ₹ five crore and more than ₹ five crore respectively.

5.8 Calculation of Price Variation with an incorrect value of work and base indices

Clause 45 of Public Works Financial and Accounts Rules stipulates that if the contractor fails to make *pro rata* progress in the first or another time span and covers the shortfall in subsequent time span within the original stipulated period, the price variation of such work expected to be done in the previous time span shall be notionally given based upon the price index of that quarter in which such work was required to be done.

Additionally, the above clause also provides that for calculating price variation for High Speed Diesel (Petroleum), the wholesale price indices on the day of the last date of submission of bids were to be adopted as base indices.

Audit scrutiny of records of Divisions in selected Districts revealed that the work of 'Barmer Lift Water Supply Project Phase II, Part-D' was executed

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6 Hindoli-Nainwa: ₹ 0.90 crore, RGLC Phase-3: ₹ 0.53 crore, Nadbai, Bharatpur: ₹ 1.85 crore.

7 Schedule of Power delegated to the Departmental Officers in Works Department.

under Project Division-I, Jaisalmer. The Department paid an amount of ₹ 9.89 crore on account of price variation in this work up to the third price variation bill.

Audit scrutiny of records of the EE concerned revealed that:

- The contractor neither achieved any of the project milestones of the work in the scheduled spans nor compensated for the delay in subsequent ones. Despite this, the Department notionally accounted for ₹ 17.45 crore and ₹ 35.40 crore worth of work for the 1st and 2nd spans**,** respectively, while calculating price variation.

- The Department also used the average index (148.83) for January-March 2022 for calculating price variation for petroleum (High-speed diesel), instead of the correct base index of January 2022 (141.20).

This violated Clause 45**,** and had the calculation been done correctly, the price variation amount should have been ₹ 9.45 crore. Hence, there was an excess payment of ₹ 0.44 crore made to the contractor **(*Appendix-4*)**.

The State Government accepted (August 2025) the audit observation and communicated (November 2025) that, in view of the audit objection, the necessary revision in the calculation of price variation has been carried out by considering the actual value of work done and the correct base index for petroleum, and the excessively paid amount would be recovered from the forthcoming running account bill number 25.

5.9 Summary of Findings

This Chapter revealed that persistent under-utilisation of central funds led to short-release of allocations. Weaknesses in fund flow management were evident from the non-mapping of SNA with PFMS, discrepancies between PFMS and IMIS, and failed transactions due to inadequate details of beneficiaries. The State Government's waiver of the mandated community contribution under JJM undermines the scheme's intent to promote local ownership and responsibility. Convergence with other schemes was also not ensured. Collectively, these lapses point towards missed opportunities to maximise resources, weak financial controls, and non-compliance with JJM guidelines.

5.10 Recommendations

- ***The State Government may prepare and monitor a rolling, milestone-linked expenditure plan for JJM works to improve fund absorption and ensure timely utilisation of central releases.***

- ***The State Government may mandate end-to-end use of PFMS, including the EAT module, for all JJM transactions, with monthly reconciliation between PFMS, IMIS, and bank records to eliminate reporting discrepancies.***

- ***The State Government may strengthen payment controls by instituting mandatory validation of beneficiary and vendor bank details before payment processing, to prevent failed transactions and execution delays.***

- ***The State Government may ensure annual Chartered Accountant audits of SWSM and all implementing divisions within the prescribed timelines, with unresolved audit observations escalated to the Executive Committee for corrective action.***

- ***The State Government may enforce financial discipline by prohibiting inadmissible expenditures, recovering excess payments promptly, and systematically leveraging convergence with other schemes to optimise available resources.***