

Chapter III: Financial Management

3.1 Introduction

Central Financial Assistance (CFA) to States for projects and schemes under AIBP has been provided as loans / grants on the basis of AIBP guidelines as revised from time to time. CFA was given as a loan till the year 2004 and was thereafter partly allowed to be converted into grants based on performance. From December 2006 onwards, the loan component of the assistance was removed and the entire assistance was given as grants. The AIBP guidelines provide for different funding patterns for projects pertaining to Special Category States (SCS) and for Special Areas (SAs) in general States and for the remaining areas of general States as discussed in para 1.5 of this report. Under PMKSY, creation of a Long Term Irrigation Fund (LTIF) with National Bank for Agriculture and Rural Development (NABARD) has been envisaged for funding of the 99 Priority projects. The salient features of the new funding arrangements under LTIF is given in **Annexure 3.1**.

3.2 Central Assistance releases under AIBP

The Ministry released total Central Assistance (CA) amounting to ₹ 19,184 crore²⁹ for 115 selected MMI³⁰ projects and ₹ 12,809 crore³¹ for all MI schemes during the period 2008-17. The above includes CA amounting to ₹ 2,413 crore provided from the LTIF through NABARD in 2016-17. Out of ongoing 201 MMI projects during 2008-17, 150 (75 per cent) projects were being implemented in nine States (Andhra Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Telangana and Uttar Pradesh) and received 73 per cent of the AIBP grants released during 2008-17.

3.2.1 Non/short release of CA

As per AIBP guidelines³² of 2006 and 2013, CA is to be released to States in two instalments based on release of State's share and utilization of funds released earlier. Audit findings with respect to release of CA to States for 115 sampled MMI projects are discussed in the following paragraphs.

- In 42 MMI projects pertaining to 13 States, there was short release of central share amounting to a total of ₹ 9,665.88 crore during the period 2008-09 to 2016-17. The short release ranged from ₹ 4.76 crore in the case of projects in Tripura to ₹ 3,345 crore in the case of projects in Jharkhand. Details are given in **Annexure 3.2**.

²⁹ ₹ 17,372 crore as CA and ₹ 1,812 crore through NABARD.

³⁰ Three projects were deferred.

³¹ CA under MI schemes is released for cluster of schemes.

³² Para B (2) of 2006 AIBP guidelines and Para 4.6 of 2013 AIBP guidelines.

- Six Priority I projects³³ pertaining to three States scheduled for completion by March 2017 did not receive any CA during 2016-17. Of these, CA was not released in three cases³⁴ as funds provided in the previous year were not utilised and in one case³⁵ CA was not released on the ground that CA for the previous year had been released at the fag end of that year.
- In 457 MI schemes in four States (Assam, Chhattisgarh, Jammu & Kashmir and Rajasthan) there was short release of central share amounting to a total of ₹ 695.73 crore during the period 2008-17.

Audit noticed that Non/short release of CA was due to shortcomings in proposals submitted by States, delay and non-submission of Utilization Certificates and audited statements of expenditure, slow progress with regard to expenditure on projects and inability to ensure evenness in expenditure.

Ministry (February 2018) accepted the observation and stated that non/short release of CA was due to submission of incomplete proposals by the States, shortfall in State's expenditure in the previous year and ceilings on expenditure in the last quarter of the Financial Year.

3.2.2 Delay in release of CA by Ministry

AIBP guidelines provide for timely submission of proposals by the States for release of CA and timely release of CA thereafter by the Central Government so that funds become available in the same Financial Year (FY). PAC had, in the context of C&AG's Report No. 4 of 2010-11, also recommended timely release of funds by the Ministry to the States.

Audit analysis of release of CA by the Ministry to the States in the case of sampled MMI projects disclosed that during the period 2008-09 to 2016-17, Ministry released ₹ 5,717.23 crore in the case of 53 MMI projects in 16 States³⁶ which constituted 30 *per cent* of the total release of funds to these projects, at the very end of the FY, i.e. in the month of March. In addition, in 11 instances pertaining to the years 2008-09 and 2009-10, funds amounting to ₹ 1,030.41 crore were released after the close of the FY. In the case of MI schemes, Ministry released an amount of ₹ 2,725.55 crore in the case of 95 clusters³⁷ of MI schemes in 19 States during 2009-10 to 2015-16, at the very end of the year.

³³ Dhansiri, Champamati (Assam), Tral LIS, Restoration of main Ravi Canal, Pravachik Khows (Jammu & Kashmir), Sri Rameshwar (Karnataka)

³⁴ Tral LIS, Restoration and Modernisation of Main Ravi Canal and Champamati.

³⁵ Sri Rameshwara project in Karnataka.

³⁶ Assam, Bihar, Goa, Gujarat, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Telangana, Tripura, Uttar Pradesh and West Bengal.

³⁷ Assam (nine), Andhra Pradesh (one), Arunachal Pradesh (four), Bihar (one), Chhattisgarh (12), Himachal Pradesh (two), Jammu & Kashmir (10), Jharkhand (two), Karnataka (two), Madhya Pradesh (20), Maharashtra (seven), Meghalaya (five), Mizoram (four), Nagaland (three), Odisha (two), Sikkim (one), Tripura (four), Uttarakhand (five) and West Bengal (one).

Persistent release of funds at the very end of the FY indicated weak financial planning and affected timely availability of funds for project execution. As a result, most of these projects faced prolonged time overruns.

Ministry accepted the above position and attributed (February 2018) late releases of funds to late submission of proposals and defects in the proposals submitted by the State Governments.

3.3 Lapses in release of funds to project authorities by State governments

As per AIBP guidelines, the grant component along with the State's share must be released to the project authorities, by the State governments within 15 days of its release by the Gol. Our findings with regard to compliance with this requirement are given below:

- In 15 MMI projects in five States, there was short release of the matching State's share to the project authorities amounting to ₹ 1,514.34 crore, during 2008-09 to 2016-17. Details are given in **Annexure 3.3 A**.
- In seven States, the State governments released ₹ 2,314.49 crore to project authorities after delays ranging from three days to 17 months during the period 2008-09 to 2015-16. The details are given in **Annexure 3.3 B**.
- In Bihar, during the period 2008-17, CA of ₹ 369.41 crore had to be surrendered inter-alia due to short release of matching share by the State government.
- In the case of two projects (Warna and Sangola Branch Canal) in Maharashtra, no funds were released by the State government and no expenditure was made for two to three years³⁸ as the amount sanctioned in original approvals were exceeded and the revised administrative approvals were not approved in time. As a result, ongoing works were held up for prolonged periods.

Short/non-release of funds along with delays in release in funds carried the risk of adversely affecting progress of work and all the projects referred to above suffered from significant time overruns.

3.4 Non-submission of Utilization Certificates and Statements of Expenditure

As per General Financial Rules (GFRs) and terms of the sanction letters for release of CA, States are required to furnish Utilization Certificates (UCs) for the expenditure incurred against grants released. AIBP guidelines also required the States to submit audited statements of expenditure within nine months of the completion of the financial year in which the funds were released. Timely submission of UCs and audited expenditure statements were essential for regulating flow of funds for the project and to ensure that funds have been utilized for the purpose for which they have released and are not parked or

³⁸ Warna: 2013-16 and Sangola Branch Canal: 2014-16

diverted. Due to delays/non-submission of UCs and audited statements of expenditure, future fund flow of projects and their progress were also liable to be adversely impacted.

Audit noted that in 24 MMI projects of 12 States and 1,041 MI schemes in four States for which ₹ 5,900.31 crore had been released during the period 2008-09 to 2016-17, UCs for only ₹ 3,712.91 crore were submitted by the State governments. The utilization for the balance funds of ₹ 2,187.40 crore (37 per cent) was not furnished as of March 2017. Details of the cases are given in **Annexure 3.4**. In addition, in the case of 65 MMI projects³⁹ pertaining to 14 States, audit observed that audited statements of expenditure for different periods were not available in the project records provided by the Ministry to Audit. A few illustrative cases relating to shortcomings with regard to furnishing of UCs and audited statements of expenditure are discussed in Table 3.1 below:

Table 3.1: Shortcomings in UCs and Statement of Expenditure

State	Shortcomings in UCs and Statement of Expenditure
Assam	Statements of expenditure in respect of Modernization of Jamuna Irrigation and Borolia projects were not forwarded as of July 2017 for audit.
Chhattisgarh	In four MMI projects, State government did not submit the SOE for ₹ 147.63 crore released during 2005-06 to 2010-11. UCs for ₹ 688.37 crore released for 421 MI schemes during 2008-09 to 2016-17 had not been submitted by the State government as of March 2017.
Gujarat	In Sardar Sarovar project, grants amounting to ₹ 166.66 crore for the FY 2016-17 were released before the submission of UC for the FY 2015-16 ⁴⁰ . Ministry explained (February 2018) that CA of ₹ 166.66 crore released in 2016-17 was against ₹ 426.51 crore approved in 2015-16 which could not be released during the year for want of budget availability at that time.
Jharkhand	In 537 MI schemes for which ₹ 538.64 crore had been released during the period 2008-09 to 2016-17, UCs for only ₹ 526.54 crore were submitted by the State government. The UCs for the balance funds of ₹ 12.10 crore was not furnished as of March 2017.
Kerala	In two projects, statements of expenditure for the years 2006-07 to 2016-17 were audited in July 2017 since the same was received from the Department in June 2017 only.
Maharashtra	In two MI schemes namely, Sur and Kang under TIDC, the UC was not submitted to GoI by the project implementing authority, though funds amounting to ₹ 14.40 crore and ₹ 7.85 crore were released during 2008-09 and 2009-10 respectively. The dam work of both the projects were completed but canal/distributaries were incomplete.
Odisha	In 81 MI schemes for which ₹ 150.55 crore had been released during the period 2008-09 to 2016-17, UCs for only ₹ 138.58 crore were submitted by the State government. The UCs for the balance funds of ₹ 11.97 crore was not furnished as of March 2017.

Deficiencies in submission of UCs and Statements of Expenditure not only dilutes the system of budgetary and financial control but also makes the programme monitoring difficult resulting in slippages in physical performance.

³⁹ Andhra Pradesh (three), Assam (four), Chhattisgarh (four), Goa (one), Himachal Pradesh (two), Jammu and Kashmir (six), Karnataka (nine), Kerala (two), Madhya Pradesh (one), Maharashtra (16), Odisha (six), Telangana (three), Rajasthan (two) and Uttar Pradesh (six).

⁴⁰ UC for the CA amounting to ₹ 128 crore for FY 2015-16 was submitted on 21 June 2016, but grants for FY 2016-17 were released on 3 June 2016.

3.5 Physical versus Financial progress of work

We examined the physical and financial performance in 85 ongoing MMI projects based on the data regarding Physical Progress (PP) and Financial Progress (FP) obtained from concerned State agencies. Audit findings relating to MMI projects are discussed below:

- In seven projects⁴¹ of four States, though PP and FP were stated to be 100 *per cent*, the projects were reported to be ongoing.
- In 32 MMI projects, FP was higher than PP by four to 144 *per cent*. Out of this, only Modernization of Gang Canal in Rajasthan had achieved 100 *per cent* PP. This indicates that excess expenditure was incurred against the sanctioned cost of these projects.
- Out of the 32 projects where FP was higher than PP, nine projects in eight States⁴² had achieved more than 100 *per cent* FP though PP ranged between 29 to 99 *per cent*. This indicates inadequate financial planning and the need to formulate and approve revised project costs.
- In Subarnarekha Barrage project in West Bengal, only preliminary work relating to the project had been taken up and original project work was yet to commence. As a result, FP achieved was only four *per cent* even though the project was included under AIBP in 2001-02.

Ministry stated (February 2018) that physical progress gets understated vis-à-vis financial progress in some cases due to expenditure on land acquisition and Rehabilitation and Resettlement (R&R). This is not tenable as cost of land acquisition and R&R is required to be incorporated in the revised cost of projects to accurately reflect the FP of projects.

Audit findings in respect of MI schemes test checked in audit are discussed in the Table 3.2 below:

Table 3.2: Physical and Financial progress of MI schemes

State	Physical and Financial Progress
Assam	In 13 incomplete MI Schemes, as of March 2017, the PP ranged between 41 and 85 <i>per cent</i> . A meagre 12 <i>per cent</i> (1,300 ha) of the overall targeted IP (11,048 ha) could be created with an expenditure of ₹ 88.68 crore (49 <i>per cent</i> of the estimated cost). PP in Nonoi IS and FIS from Tilka Nala was 41 and 47 <i>per cent</i> respectively although no payments were made against the work.

⁴¹ Balh Valley Left Bank, Sidhata, Shahnehar (Himachal Pradesh), Gul (Maharashtra), Narmada Canal (Rajasthan), Modernization of Lahchura Dam and Improving Irrigation intensity of Hardoi Branch (Uttar Pradesh).

⁴² Durgawati (Bihar), Tillari (Goa), Modernisation of New Pratap Canal (Jammu & Kashmir), Surangi and Panchkhero (Jharkhand), Varahi (Karnataka), Sanjay Sagar (Madhya Pradesh), Modernization of Ganga Canal (Rajasthan) and Khowai (Tripura).

State	Physical and Financial Progress
Jammu and Kashmir	<ul style="list-style-type: none"> In three MI schemes viz. Construction of Pattangar Khul, Gravity Feeder Channel Rajal and Construction of LIS Ambaran II, FP was 100 <i>per cent</i> but PP ranged from 33 to 70 <i>per cent</i>. In two MI schemes, Construction of Khoi Khul and Goriwan Zamindari Khul, PP was 100 <i>per cent</i> but FP was 50 and 82 <i>per cent</i> respectively. In Construction of Hansa Khul, FP was 37 <i>per cent</i>, but PP was nil due to diversion of funds. In three MI schemes viz., Construction of Ghaikhul, Checkdam Taloor and Construction of Dulanja Khul, FP were more than PP ranging from 10 to 70 <i>per cent</i> due to change in design and drawing, not taking up of works by the contractor, changes in the site of pump house and non-installation of machinery.
Madhya Pradesh	In 11 selected MI Schemes, FP exceeded 100 <i>per cent</i> indicating excess of expenditure over sanctioned cost. The total expenditure in excess of the sanctioned cost in these 11 schemes was ₹ 25.73 crore. Of these, in three schemes the PP was shown as 100 <i>per cent</i> but the work was still ongoing.

3.6 Diversion of Funds

GFR 209 (6) (ix) (b) inter-alia stipulates that grantees would not divert funds/grants received by them. Sanctions issued by the Ministry also stipulate that grants should be utilized only on the programme and expenditure in deviation of approved guidelines is not permissible. Test check of project records however, revealed instances of diversion of funds amounting to ₹ 1,578.55 crore in 13 States. This indicated inadequate financial discipline, control and monitoring on expenditure by pay and accounting authorities. Further, projects were also deprived of funds required for timely project implementation. These cases are discussed in the Table 3.3 below:

Table 3.3: Diversion of Funds

State	Diversion of funds
Arunachal Pradesh	In seven MI schemes, ₹ 82.07 lakh was diverted for maintenance of the existing projects and for other works not related to AIBP.
Assam	<ul style="list-style-type: none"> An amount of ₹ 9.93 crore was incurred in Dhansiri and Champamati projects towards items not admissible under AIBP such as construction, repairs and renovation of office building/boundary wall, staff quarters and colony roads; repair of vehicles; repair and improvement works of canal systems and procurement of office stationery, computers and accessories. Funds amounting to ₹ 15.66 lakh provided for Humaisri Flow Irrigation Scheme under Kokrajhar Division were diverted for construction of an Irrigation Colony even though it was not a permissible item under AIBP guidelines. In seven schemes viz. Hakama, Horinchora, Dangdhara, LIS from River Tuni, Meneha, Jamun and Horujia, expenditure of ₹ 5.16 crore was incurred on repairs and maintenance, construction of approach road and accommodation out of AIBP funds.
Bihar	Out of the budgetary provision for AIBP of ₹ 3,730.64 crore during 2008-17, expenditure of ₹ 1,007.93 crore ⁴³ was incurred on non-AIBP projects. As per records, such diversion of fund was made in anticipation of inclusion of projects under AIBP in future.

⁴³ Eastern Kosi Canal (ERM): ₹ 618.62 crore and Bateshwarsthan Pump Canal Scheme: ₹ 389.31 crore

State	Diversion of funds
Gujarat	<p>Test check of project records of Sardar Sarover Project revealed utilisation of AIBP funds amounting to ₹ 447.44 crore for ineligible purposes as discussed below:</p> <ul style="list-style-type: none"> • Scrutiny of statement of expenditure for the years 2014-15 and 2015-16 revealed that an expenditure of ₹ 213.17 crore⁴⁴ on Power projects and Canal Top Solar Power Plant was booked under AIBP even though CWC had excluded Power projects from components eligible for funding under AIBP if installed on main/branch canals. Thus, AIBP funds were diverted for an ineligible item and incorrect UCs were furnished without highlighting the same to the Ministry. • Expenditure on repairs and maintenance of canal, branches, and distributaries was not permissible from funds received under AIBP. Further, the Ministry had specifically excluded expenditure on repairs and maintenance from the revised costs of the project. However, ₹ 179 crore incurred on repairs and maintenance of the Canal network was booked by the project authorities during April 2010 to March 2017 under AIBP. • An expenditure of ₹ 55.27 crore was incurred on sub-minors which were covered under Command Area Development & Water Management (CADWM) activities⁴⁵ and not eligible for AIBP and was incorrectly booked under AIBP grant during the period 2010-17. • In this project, several divisions were found to be booking expenditure like royalty, compensation other than land, service tax, insurance charges, office and other miscellaneous expenses under AIBP which was not permissible. <p>Project authorities accepted that expenditure on power projects were inadvertently booked under AIBP and has issued instructions regarding booking of only eligible expenditure under AIBP.</p>
Himachal Pradesh	<p>In Shahnehar and Sidhata projects, expenditure of ₹ 83 lakh and ₹ 2.35 crore incurred on compensatory afforestation, setting up of fuel depot, provision for public health measure, enforcement of anti-poaching laws, construction of pump house, other components, etc. was incurred.</p>
Jammu and Kashmir	<ul style="list-style-type: none"> • In Tral LIS project, an amount of ₹ 5.77 crore was incurred on payment of land compensation, travel allowance, POL, repairs of vehicles, purchase of stationery, wages to casual labourers, etc. which was not admissible under AIBP. Besides in the case of Rajpora LIS project, an amount of ₹ 3.37 crore was incurred on payment of land compensation out of AIBP funds though not permissible. • Under the MI scheme 'Construction of Hansa Khul', construction material worth ₹ 2.03 crore was diverted for utilization on other schemes pertaining to Flood and Irrigation sector as no funds were available under these schemes. The Department accepted (August 2017) the diversion of funds. • In nine MI schemes⁴⁶, an expenditure of ₹ 83 lakh was incurred out of funds under AIBP for purchase of POL, hire charges of vehicles, purchase of hard coke, wages of casual labours, advertisement charges, protection work, purchase of stationery, other schemes and loading/unloading charges, etc.
Karnataka	<p>In Narayanapura Left Bank Canal ERM, an expenditure of ₹ 40.70 crore on canal maintenance works and sanitation/colony maintenance works was included in the audited SOE for AIBP furnished in March 2017, which were not part of components approved by the Planning Commission.</p>

⁴⁴ ₹ 94.63 crore was booked for the year 2014-15 in March 2015 and ₹ 118.54 crore booked in 2015-16.

⁴⁵ (i) UGPL sub minor (₹ 53.49 crore) and (ii) Farmers training and awareness (₹ 1.78 crore).

⁴⁶ Ari Canal Ganderbal, Tilgaon Jamindar khul, Modernisation of Daulat Khul, Jamindar Khul, Pathon Jamindar Khul, Pattangarh Khul, Dethang Garkone, Waju Nala and Hasna Khul Diversion scheme.

State	Diversion of funds
Maharashtra	<ul style="list-style-type: none"> • During 2015-16, ₹ 3.17 crore provided specifically for Hetwane project was diverted to another AIBP project viz. Gadnadi project. • In Wang and Tillari projects, work for providing civic amenities in villages inhabited by Project Affected Persons (PAPs) amounting to ₹ 14.59 crore were executed using AIBP funds even after the transfer of villages to concerned Zila Panchayats which amounted to diversion of funds.
Mizoram	In Mizoram, ₹ 9.08 lakh provided for Mat scheme was diverted for procurement of electronic items and electric generator though not contemplated in the estimate and ₹ 1.50 lakh provided under another MI scheme.
Odisha	<ul style="list-style-type: none"> • Salandi Sanskar Project, a part of Integrated Anandapur Barrage Project was approved by Planning Commission in October 2003 at an estimated cost of ₹ 99.14 crore for completion by 2007-08. As of July 2017, the project was under progress with work value of ₹ 144.64 crore. The objective of the project was to mitigate the effects of flood by raising and strengthening of existing protection of embankment along Salandi and Gopalia rivers, improving the existing Dasmouza and Gopalia Nallah and improvement to drainage system of Bhadrak town to escape the surplus flood water. As such, this project was a flood protection work without any envisaged IP and was in deviation of AIBP guidelines. Despite incurring substantial amount of ₹ 144.66 crore under AIBP on the project, no IP was created. • In case of Kanupur project, an expenditure of ₹ 29 lakh was incurred on improvement to CE's Liaisoning Office and procurement of computer peripherals.
Rajasthan	<ul style="list-style-type: none"> • In the case of Narmada Canal project, an expenditure of ₹ 2.27 crore was incurred on construction of buildings such as residence of Assistant Conservator of Forest, Forest chowki, Forester's office and on purchase of vehicles, computers and printers though not allowed under AIBP. • Out of seven MI schemes, four⁴⁷ schemes having a total sanctioned grant amount of ₹ 1.89 crore, were cancelled by State Government but the whole amount of grant received for these cancelled projects (₹ 1.70 crore, 90 per cent of sanctioned grant) was used on the remaining of three projects. Thus, ₹ 1.70 crore was un-authorisedly utilized on projects for which it was not sanctioned.
Tripura	<ul style="list-style-type: none"> • The concerned division spent a sum of ₹ 11.32 crore provided for Manu Irrigation Project for meeting expenditure on Khowai and Gumti projects. The Department justified the diversion on the ground that work on Manu project had come to a halt due to land availability problems and available funds had been temporarily utilized for other projects. • Expenditure of ₹ 2.41 crore was incurred on repairs and maintenance under Manu and Khowai projects which was not admissible under AIBP.
West Bengal	<ul style="list-style-type: none"> • AIBP fund of ₹ 15.37 crore related to Subarnarekha Barrage Project was transferred to Teesta Barrage Project due to the reason that State Government was not in a position to continue both these projects at the same time.

3.7 Unspent funds lying idle

Audit scrutiny disclosed that in 17 MMI projects in nine States, unspent balances ranging from ₹ 40 lakh to ₹ 500.34 crore were lying idle for periods ranging from one to seven years.

⁴⁷ Anwa, Kishorepura, Ladpura, Data

Of these, in two projects⁴⁸, funds were released in subsequent years. Details of cases noticed in audit are given in **Annexure 3.5**. Existence of large unspent balances under projects indicates inadequate funds management and lack of commensurate physical progress of works.

3.8 Parking of Funds

Audit test check of records relating to MMI projects revealed that in the case of 18 MMI projects in seven States and MI schemes in two States, funds totalling ₹ 1,112.56 crore were parked in different bank accounts and Personal Deposit (PD) accounts. Drawal of programme funds and their deposit outside government accounts had the effect of inflating project expenditure and also led to idling of funds. This indicates serious weakness in the system of expenditure control as funds were not surrendered to avoid lapse of grants and dilutes the system of legislative financial controls and effective budgetary management. Some illustrative cases are discussed in Table 3.4 below:

Table 3.4: Parking of funds

State	Parking of Funds
Bihar	<ul style="list-style-type: none"> In the case of Durgawati and Punpun projects, even though possession of 96 and 86 <i>per cent</i> of land respectively had been given to the State government, compensation released was only 72 and 42 <i>per cent</i>. Consequently, an amount of ₹ 128.60 crore remained unspent and parked in PD account/banks. Plan funds of amounting to ₹ 134.09 crore pertaining to Durgawati, Punpun and Restoration of Koshi Barrage projects remained unutilized for more than five years with Sone Command Area Development Agency (SCADA) and Kosi Command Area Development Agency (KCADA). Out of this amount, SCADA had unutilized deposit of ₹ 108.63 crore out of which ₹ 35.15 crore was kept as a fixed deposit without the same being accounted for in its cash book while KCADA had ₹ 25.46 crore in the bank account out of which ₹ 8.65 crore was in fixed deposit. Besides, interest of ₹ 1.13 crore earned from these deposits was also not deposited in the Government account.
Goa	In the case of the Tillari project, funds amounting to ₹ 3.95 crore remained with the erstwhile implementing agency viz. GTIDC in its bank accounts even after the project was transferred to the Water Resource Department on 1 October 2014 and has remained unutilized since then.
Himachal Pradesh	<p>In three MMI projects (Shahnehar, Sidhata and Balh Valley), Audit noticed that during the period 2008-17, the sum of ₹ 62.59 crore was drawn from treasury in the last week of each financial year and reported as final expenditure in the accounts. The division then transferred this amount to other divisions on the same day. In subsequent financial years however, these funds were received back by the divisions concerned during March 2009 to June 2017 and kept under deposit. Parking of regular budgetary funds in deposit head to avoid its lapse and merely booking of expenditure to works resulted in depiction of incorrect expenditure without actual execution of works.</p> <p>Further, in Balh Valley Project, the division involved with execution of the project had over reported total expenditure by ₹ 8.39 crore in the Project Completion Report (PCR) as compared to reported expenditure of ₹ 95.47 crore appearing in the Division's accounts. Further, the division showed expenditure by transferring funds amounting to ₹ 23.14 crore from budget allocated for the years 2006-07, 2008-09 and 2009-10, to the Deposit Head. Actual expenditure against these deposits up to August 2017 was only ₹ 5.56 crore. Similarly,</p>

⁴⁸ Guddada Mallapura (Karnataka) and J. Chokha Rao (Telangana)

State	Parking of Funds
	unspent funds of ₹ 5.09 crore under two grant heads were transferred to a Deposit head in March 2016 out of which ₹ 1.20 crore was actually spent upto August 2017. Thus, excess expenditure of ₹ 21.47 crore was shown under the project even though funds were lying unspent with the division.
Jharkhand	In case of Subarnarekha Multipurpose project in Jharkhand, compensation for land acquisition and for R&R amounting to ₹ 113.62 crore remained undisbursed despite Government orders for depositing the unspent balances into the Treasury and was parked in different bank accounts of Additional Director/Special Land Acquisition Officers (SLAOs) and Rehabilitation officers as of 31 st March 2017.
Mizoram	<ul style="list-style-type: none"> • The project authority parked ₹ 14.18 crore in Civil Deposits ranging from 10 to 70 months. • During 2009-12, the department submitted UCs of ₹ 144.06 crore, of which ₹ 117 crore was parked in Civil Deposit.
Nagaland	An amount of ₹ 213.10 crore meant for MI schemes was parked in Civil Deposits.
Odisha	In the case of seven MMI projects, ₹ 294.95 crore of AIBP funds were parked in various bank accounts by seven SLAOs.
Tripura	In two MMI projects, ₹ 2.73 crore remained unutilised and parked in the personal ledger account of Land Acquisition Collectors since March 2010 and March 2011 respectively.
Uttar Pradesh	<p>Against the provisions of Uttar Pradesh Budget Manual⁴⁹, an amount of ₹ 6.28 crore were drawn for purchase of land during 2009-17 and kept irregularly in the form of Bank Drafts (BDs) in Madhya Ganga Stage-II project. Scrutiny revealed that BDs prepared (2009-17) for paying compensation to the farmers for purchase of land were not disbursed due to non-mobilization of farmers subsequently for selling their land.</p> <p>Keeping the unutilized funds in the form of BDs after the close of the financial year was not only irregular in terms of financial rules but it also led to loss of ₹ 1.88 crore on account of interest⁵⁰.</p>

3.9 Rush of expenditure

The Ministry of Finance issued instructions to Ministries/Departments in September 2007 to restrict expenditure during the month of March to 15 *per cent* of the budgeted estimates. In six MMI projects in three States, instances of rush of expenditure amounting to ₹ 1,262.88 crore during March of the FY, which ranged between 16 and 83 *per cent* of the total expenditure incurred during the year were noticed. Rush of expenditure affects the financial discipline and outcome of expenditure. Details of the cases are given in **Annexure 3.6**.

⁴⁹ UP Budget Manual Chapter XV Para 174 (10), Para 107 (v) and Para 108.

⁵⁰ Calculated at prevailing rates at which State Government borrowed funds from Gol and other financial institutions.

3.10 Cases of non-conversion of grants into loan

As per AIBP guidelines, if the State governments fail to comply with the agreed date of completion, the grants component released will be treated as loan and recovered as per usual terms of recovery applicable to Central loans.

In course of the detailed examination of AIBP based on C&AG's Report no.4 of 2010-11 on AIBP, the PAC had observed that the Nodal Ministry had failed to enforce the provisions of the AIBP guidelines for converting the grant component into loan in cases of failure to complete the projects in time. We noticed that though these provisions were liable to be invoked in the case of 105 projects which had received CA of ₹ 31,120.59 crore the Ministry did not take recourse to the same even though these projects had faced delays ranging from one to 18 years. Details are given in **Annexure 3.7**.

Ministry stated (February 2018) that progress of these projects were affected by many factors and extensions of time have been given by the competent authority from time to time. This reply shows that the intention of providing for a deterrence against delays in projects by stipulating conversion of grants into loans in the case of delayed projects, was being diluted by giving relief even in case of badly delayed projects through extension of time.

3.11 Fictitious and Fraudulent expenditure

Audit scrutiny of records relating to AIBP projects and schemes revealed cases of fraudulent and suspected fraudulent payments in four States amounting to ₹ 7.58 crore. Details of the cases are given in Table 3.5 below:

Table 3.5: Fictitious and Fraudulent Expenditure

State	Fictitious and Fraudulent Expenditure
Assam	In case of Dhansiri Irrigation Project, the Branch Canal B3M was idle since the damage caused due to flash floods during 1980-81. Test check of records, however, revealed that repair and restoration works was executed besides concrete lining works at a total cost of ₹ 28.68 lakh. During site visit of the canal with the Divisional staff, there was no noticeable canal system and the concrete lining was in the canal system in the reported area. The above position indicates that expenditure of ₹ 28.68 lakh was against fictitious works.
Karnataka	In Upper Tunga project (Priority-I), an amount of ₹ 98 lakh was withdrawn between 06 June 2014 and 23 July 2014 through five forged cheques. Though an amount of ₹ 51 lakh was recovered, ₹ 47 lakh had not been recovered as of December 2016. In the same project, against an award amount for land compensation and damage compensation of ₹ 32 lakh, a compensation of ₹ 2.63 crore was fraudulently released.
Nagaland	<ul style="list-style-type: none"> Balijan MI scheme was included in AIBP in 2010-11 and was reported as completed in September 2011 after incurring ₹ 2.29 crore. However, physical verification of the works revealed that the works were not part of the scheme or its components as given in the approved scheme nor what was shown to have been completed as per records. The actual execution of this scheme was, therefore, doubtful and indicated at the possibility of misappropriation of ₹ 2.29 crore stated to have been spent on the scheme.

State	Fictitious and Fraudulent Expenditure
	<ul style="list-style-type: none"> Two MI schemes namely Atughoki and Akhijighoki at Dimapur district of Nagaland were completed (September-November 2014) at a cost of ₹ 64.69 lakh and ₹ 28.77 lakh respectively and final payment was released to the Division during March 2016. However, against the same projects, additional amount of ₹ 28.02 lakh was released as final bill during March 2017. The department had drawn the final instalment bill (March 2016) against 155 cluster of MI schemes for an amount of ₹ 24.46 crore from the Treasury (South), Kohima for immediate disbursement to the beneficiaries and released to the respective Divisions for payment to the beneficiaries. It was also noticed from the Measurement Books (MBs) that the works were completed as per the approved DPRs and the measurement prepared by the competent technical experts of the Department and same was accepted. From the MB it was noticed that neither extra works were done by the beneficiaries nor any liabilities was outstanding for payment. In this regard, the department had stated the 155 batch project was completed during the month of December 2015. Further examination of bills/vouchers revealed that the department had drawn (March 2016) an amount of ₹ 2.71 crore for payment to the 45 beneficiaries/schemes of 155 batch (2013-14) project. It is pertinent to note that out of 45 MI schemes, 16 MI schemes were not in the list of 155 batch which shows that the amount drawn for 16 schemes were also inadmissible. Thus, the department drew ₹ 46.55 lakh on fabricated bills, without execution of the works.
Uttar Pradesh	In case of Restoration of Improving Intensity of Hardoi branch canal, audit found that in five agreements there was duplication of works as the restoration works were carried out in those reaches which had already been executed under other contracts and ₹ 1.47 crore was spent fraudulently.

3.12 Short realization/loss of revenue

Cases of short realization/loss of revenue to the extent of ₹ 1,251.39 crore were noticed in 10 MMI projects in five States and two MI schemes in two States, which are discussed in the Table 3.6 below:

Table 3.6: Short realization/ Loss of revenue

State	Non-realization of revenue
Assam	<ul style="list-style-type: none"> In pursuance of the Assam Irrigation Act, 1983, the Irrigation department in March 2000 notified that Irrigation Service Charges will be realized from the beneficiaries for water supplied in command areas for irrigation purpose. Under the four selected MMI projects in the State, the department utilized IP of 490.99 th ha during the period 2008-17. Test check of records on water charges revealed that against the realizable amount of ₹ 16.58 crore, water charges of ₹ 14 lakh only was realized from the cultivators resulting in short realization of water charges of ₹ 16.44 crore. Under the project 'Modernisation of Jamuna Irrigation Scheme', against earth work of 1,60,131.27 cum executed during 2008-09, Forest Royalty of ₹ 27.85 lakh (including tax) was not realized. The Divisions could not produce the appropriate land document for relaxation of Forest Royalty. In case of Dhansiri Irrigation Project, under the work 'Construction of Aqueduct over river Daisam', against the amount of ₹ 70.43 lakh of Forest Royalty (including taxes) due, an amount of ₹ 27.76 lakh only was realized, resulting in short-realisation of ₹ 42.67 lakh. In the Humaisiri scheme, there was short-realisation of Forest Royalty for utilization of sand, gravel, boulders during 2016-17 to the extent of ₹ 6.13 lakh.

State	Non-realization of revenue
Chhattisgarh	Scrutiny of records of Mahanadi and Kelo Project revealed that hard rock (2.68 lakh cum) obtained from canal excavation work through various contracts was lying idle over the canal since last eight years. Though number of contracts were awarded for the work of construction of structures and canal lining of the same projects by the same division, efforts for utilization of the excavated hard rock in any contract were not made by the department resulting in non-realization of cost of hard rock amounting to ₹ 3.19 crore.
Madhya Pradesh	Under Sindh Phase II and Singhpur projects, in the agreement of RBC Division, Narwar, Royalty of ₹ 24.92 lakh was recoverable. The contractor neither paid nor produced royalty clearance certificate of Collector, Mining but an amount of only ₹ 7.22 lakh was recovered, resulting in short recovery of ₹ 17.70 lakh.
Odisha	As per State Government Revenue department circular, royalty on earth taken from borrow area should be recovered at ₹ 10 per cum which was to be increased by 40 <i>per cent</i> after completion of three years. We noticed that under the Lower Indra Irrigation Project, Royalty of ₹ 2.18 crore for earth lifted from borrow area was not recovered from the contractor. In the Dablajore MI scheme, Royalty of ₹ 13.21 lakh for earth obtained from borrow area by the contractor was not recovered by the Government. The EE accepted the observation.
Uttar Pradesh	<ul style="list-style-type: none"> Under Bansagar Canal Project, earth along three main feeder channels namely Bansagar Feeder Channel (BFC) Adwa Meja Link Channel AMLC and Meja Jirgo Link Channel (MJLC) contained varying quantities of boulders. In the case of AMLC and MJLC, the quantity of stones accounted by the project authorities fell short by 19,04,509 cum, valuing ₹ 79.99 crore at the rate of ₹ 420 per cum. Besides, in respect of BFC, the quantity of 2,08,34,755 cum stone boulders valuing ₹ 875.06 crore assessed by the division was not accounted and reported to district authorities for auction. <p>Thus, short reporting of stone boulders in AMLC and MJLC and non-reporting of stone boulders in BFC to district authorities led to a loss of government revenue to the tune of ₹ 955.05 crore⁵¹. Further, even from the quantity accounted for, 20,59,003 cum stone boulders valuing ₹ 86.48 crore at the rate of ₹ 420 per cum remained undisposed.</p> <p>Further, even though a Government order of 2011 stipulated provision of establishment charges at the rate of 6.875 <i>per cent</i> in the estimates and transfer of the same to revenue head, an amount of ₹ 266.65 crore which had been provisioned was not remitted to the revenue head. The amount was used irregularly on the project works, thus increasing the project cost which led to loss of revenue of ₹ 266.65 crore to Government.</p> <ul style="list-style-type: none"> UP Mineral (Prevention of Illegal Mining, Transportation and Storage) Rules 2002 provide that transportation of minerals without a valid transit pass (MM-11) is irregular. Section 21(5) of the Mines and Minerals Development and Regulation Act, 1957 and Government order (October 2015) prescribe that in case of consumption of minerals from illegal mining, cost of mineral (five times of royalty) would also be recovered along with applicable royalty. In Modernisation of Lahchura dam, ₹ 1.36 crore was recovered from the contractor on account of royalty since the contractor failed to submit MM-11. However, the project authority did not recover the cost of minerals amounting to ₹ 6.80 crore (five times ₹ 1.36 crore) from the contractor.

3.13 Audit summation

Financial management for AIBP was marred by non/short release of funds, delays in release of funds at various levels, releases at the fag end of the financial year and non-adjustment of unspent balances of funds in the subsequent releases. Utilisation Certificates for funds

⁵¹ ₹ 79.99 crore + ₹ 875.06 crore

amounting to ₹ 2,187.40 crore constituting 37 *per cent* of the total CA received by the State agencies were not submitted to the Ministry in time. There were instances of diversion of funds amounting to ₹ 1,578.55 crore, parking of funds amounting to ₹ 1,112.56 crore and fictitious and fraudulent expenditure amounting to ₹ 7.58 crore in works being executed under the projects. Delays in release of fund and their incomplete utilization within the stipulated duration affected the programme leading to time and cost overruns. Despite there being prolonged time overrun of up to 18 years in the projects, the Ministry failed to invoke the provision for conversion of grants to loans, thereby rendering it an ineffective and weak deterrent against defaults and deficiencies. There were also instances of short-realisation of revenue amounting to ₹ 29.69 crore and loss of revenue of ₹ 1,221.70 crore to the Government.