



2
Chapter

2.1 Introduction

National Mission of Clean Ganga (NMCG) receives funds from Ministry of Water Resources, River Development and Ganga Rejuvenation (MoWR, RD&GR) under four budget lines namely (i) National River Conservation Program (NRCP) - Externally Aided Projects Component (EAP), (ii) NRCP- Non EAP Component, (iii) National Ganga Plan Component, and (iv) Ghat Beautification and Development of River Fronts component. NMCG transfers funds to the State Programme Management Groups (SPMGs) on quarterly basis, for implementation of the agreed annual action plan.

2.2 Budget and Fund utilisation

Preparation of proper budget plays an important role in timely implementation of any project. Budgeting involves quantifying the financial costs of undertaking specific tasks.

Before seeking funds from Government of India, the participating basin States are required to estimate funds for accomplishment of the project. Budget should be prepared based on the Annual Action Plan. The broad process of preparation of Annual Action Plan is depicted in the Chart 2.1.

Chart 2.1: Process of preparation of Annual Action Plan



We observed deficiencies in financial management of the programme which are given in the succeeding paragraphs.

2.2.1 Deficiencies in preparation of estimates and low utilisation of funds

We found that NMCG prepared its budget without any Annual Action Plan (AAP). Further, the Budget files¹⁰ at NMCG did not contain the details of planned activities and their estimated cost. Thus, NMCG did not follow the prescribed procedure for preparation of budget. Table 2.1 shows the Budget Estimates (BEs), Revised Estimates (REs), actual release of funds and expenditure incurred by NMCG during 2014-15 to 2016-17.

Table 2.1: Financial position of NMCG during 2014-17

| (₹ in crore) | | | | | | | | | |
|----------------|-----------------|----------|----------|---|----------|----------------------------|---------------------------|---|---|
| Financial Year | Opening Balance | BE | RE | Funds released by Government of India to NMCG | Interest | Actual Expenditure by NMCG | Closing balance with NMCG | Amount of Utilisation w.r.t. BE (in percentage) | Amount of Utilisation w.r.t. RE (in percentage) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 (2+5+6-7) | 9 | 10 |
| 2014-15 | 189.96 | 2,137.00 | 2,053.00 | 326.00 | 7.75 | 170.99 | 352.72 | 8 | 8 |
| 2015-16 | 352.72 | 2,750.00 | 1,650.00 | 1,632.00 | 37.67 | 602.60 | 1,419.79 | 22 | 37 |
| 2016-17 | 1,419.79 | 2,500.00 | 1,675.00 | 1,675.00 | 101.78 | 1,062.81 | 2,133.76 | 43 | 63 |

Source: Information provided by NMCG

Table 2.1 shows that only eight to 63 *per cent* of the funds were utilised during 2014-15 to 2016-17, as compared to RE. As a result, the closing balance at the end of each year is more than the actual expenditure during the year.

The low utilisation of funds indicates poor implementation of the programme. The observations in this regard are discussed in Chapters 4, 5, 6, 7 and 9 of the Report.

NMCG replied (August 2017) that after the constitution of the NMCG as an authority and its operationalization by December 2016, the pace of sanction of Sewerage Treatment Plants (STP)s, Interception & Diversion (I&D) works and associated projects, as also various other projects leading to capital creation have gained pace and are at different stages of implementation and execution on the ground. This is likely to result in achievement of not only physical targets but also higher expenditure progress by the end of the year 2017-2018.

Thus, the reply of NMCG indicates slow pace of execution of works during 2014-17 and hence low utilisation of funds.

¹⁰ NMCG furnished the budget files for only two years (2014-15, 2016-17).

2.2.2 Non-constitution of Budget Review Committees

As per Chapter 1 of Project Financial Management Manual (2011), NMCG/SPMGs are to have Budget Review Committees (BRCs) for reviewing various aspects of the budget and submit its quarterly observations to NMCG/SPMG as part of project Management Information System (MIS).

We found that NMCG did not constitute the BRC. SPMGs of Jharkhand, Uttar Pradesh, Uttarakhand, Bihar and West Bengal had also not constituted their BRCs.

In the absence of the BRC, proper monitoring of physical and expenditure targets could not take place which resulted into significant variations between the RE and actual expenditure during 2014-15 to 2016-17 as shown in Table 2.1.

NMCG replied (August 2017) that it had now taken steps for putting in place a BRC both at NMCG headquarter as also in the SPMG for ensuring better coordination for ongoing projects and for ensuring close monitoring of physical and expenditure targets at various levels. NMCG also stated that BRC has now been constituted (July 2017) at NMCG and SPMGs have also been directed to form BRCs. The first meeting of BRC at NMCG has been conducted with participation of various SPMGs.

2.2.3 Non-utilization of entire fund earmarked for *Namami Gange* (2014-15)

As per the budget speech (10 July 2014) of the Finance Minister, an amount of ₹ 2,037 crore was set aside for *Namami Gange* and an additional sum of ₹ 100 crore for Ghat Development and beautification of River Fronts. NMCG could not utilize this amount during the same financial year (2014-15) and only ₹ 326 crore were released to NMCG, due to delayed initiation of proposal for obtaining sanction/ approval of the Competent Authority¹¹.

NMCG replied (August 2017) that since the EFC note is required to be prepared with elaborate details and justification, the NMCG was bound to take a couple of months for making the EFC note.

However, NMCG took four months for initiation of proposal for EFC culminating in the Cabinet approval of the proposal after the end of financial year for which announcement was made in the Budget.

2.2.4 Non-achievement of financial targets approved by the Cabinet

The Union Cabinet approved the following year wise financial targets for utilisation of ₹ 20,000 crore earmarked for *Namami Gange* Programme, details of which are given in Table 2.2.

¹¹ Note for Expenditure Finance Committee (EFC) was initiated on 12 November 2014 i.e. after four months of budget speech of the Finance Minister and was approved by the Cabinet on 13 May 2015.

Table 2.2: Year wise target of fund utilisation

(₹ in crore)

| Year | Expected fund release | Actual Expenditure by NMCG |
|----------------------|-----------------------|----------------------------|
| 2015-16 | 3,205 | 602.60 |
| 2016-17 | 3,500 | 1,062.81 |
| 2017-2020 (December) | 13,295 | - |
| Total | 20,000 | |

Source: Information provided by NMCG

Out of ₹ 6,705 crore earmarked during 2015-16 and 2016-17, NMCG could spend only ₹ 1,665.41 crore¹², i.e. less than a quarter of the expected year wise release of funds. Thus, financial targets set under the *Namami Gange* Programme were not achieved.

NMCG replied (August 2017) that towards the end of 2016 and in the year 2017 a number of projects have been sanctioned and process is on to take up all STP projects across 118 towns in Bihar, Jharkhand, Uttarakhand, Uttar Pradesh and West Bengal in the first phase. In the past six months, four Executive Committees have been held where a total of 37 projects involving a financial sanction of ₹ 4,475.20 crore have been approved.

However, the fact remains that NMCG could not spend the amount as per prescribed timelines, indicating delay in project planning and its implementation.

2.2.5 Unspent balance lying idle

As indicated in Table 2.1, funds amounting to ₹ 352.72 crore, ₹ 1,419.79 crore and ₹ 2,133.76 crore were lying unutilised with NMCG as on 31st March 2015, 2016 and 2017 respectively. In addition, out of funds released by NMCG to various SPMGs, ₹ 243.56 crore, ₹ 249.08 crore and ₹ 422.13 crore were also lying unspent as on 31st March 2015, 2016 and 2017 respectively, as depicted in the Table 2.3.

Table 2.3: Unspent balance at SPMGs

(₹ in crore)

| SPMGs | Unspent Balance as on 31 March 2015 | Unspent Balance as on 31 March 2016 | Unspent Balance as on 31 March 2017 |
|-----------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 1 Bihar | 75.86 | 54.38 | 120.33 |
| 2 Jharkhand | 7.08 | 6.05 | 19.86 |
| 3 Uttar Pradesh | 71.24 | 104.70 | 180.66 |
| 4 Uttarakhand | 5.24 | 7.31 | 15.74 |
| 5 West Bengal | 84.14 | 76.64 | 85.54 |
| Total | 243.56 | 249.08 | 422.13 |

Source: Information provided by NMCG

¹² Including funds released to SPMGs, EAs, MoDW&S

Similarly, ₹ 56 lakh, ₹ 17.14 crore and ₹ 59.28 crore were also lying unspent with various Executing Agencies (EAs)/ CPSUs as on 31st March 2015, 2016 and 2017 respectively. The findings relating to funds released by NMCG to MoDW&S are discussed in Chapter 5.

Unspent balance amounting to ₹ 596.84 crore¹³, ₹ 1,686.01 crore¹⁴ and ₹ 2,615.17 crore¹⁵ lying with NMCG, SPMGs, EAs, CPSUs as on 31st March 2015, 2016 and 2017 respectively indicates slackness in implementation of various activities under the *Namami Gange* Programme.

NMCG replied (August 2017) that the unspent balances at the end of NMCG were utilized in the subsequent years after they were made known to the MoWR, RD&GR at the time of seeking fresh demand of funds for the ensuing year.

The reply is not tenable as huge unspent balance with NMCG continued to rise during 2014-17 due to their non-utilization, which was not considered by the MoWR, RD&GR while releasing fund to NMCG.

2.2.6 Submission of Utilisation Certificates

As per conditions of Administrative Approval and Expenditure Sanction (AA&ES) accorded to projects, quarterly Utilisation Certificates (UCs) were to be furnished by SPMGs to NMCG.

We noted delays in submission of UCs¹⁶ details of which are given in Table 2.4.

Table 2.4: Details of Utilisation Certificates submitted to NMCG

| State PMG | Period/ Financial Year | Date of submission of UC to NMCG |
|----------------------|--------------------------|----------------------------------|
| Bihar | 01.07.2015 to 30.09.2015 | 25 January 2016 |
| | 01.10.2015 to 31.12.2015 | 3 March 2016 |
| Uttarakhand | 2014-15 | 16 May 2016 |
| | 2015-16 | |
| Uttar Pradesh | 2014-15 | 30 March 2016 |
| | 2015-16 | 10 May 2016 |
| West Bengal | 01.04.2014 to 30.09.2016 | 1 December 2016 |

Delays in submission of UCs not only dilute the system of budgetary and financial control but also makes the project monitoring difficult resulting in slippages in physical performance.

¹³ ₹ 352.72 crore + ₹ 243.56 crore + ₹ 0.56 crore = ₹ 596.84 crore

¹⁴ ₹ 1,419.79 crore + ₹ 249.08 crore + ₹ 17.14 crore = ₹ 1,686.01 crore

¹⁵ ₹ 2,133.76 crore + ₹ 422.13 crore + ₹ 59.28 crore = ₹ 2,615.17 crore

¹⁶ There was no project under Non-EAP component in Jharkhand

NMCG replied (August 2017) that earlier, SPMGs had no finance staff. Even as of August 2017, SPMG Bihar and SPMG West Bengal have no finance personnel. Due to this, Utilization Certificates were not furnished to NMCG in the initial years. However, the process has been streamlined in the subsequent years.

2.3 Financial Reporting

In terms of Financial Management Manual prescribed under NGRBA Framework, all programme activities were required to use double-entry accrual based accounting system. NMCG/SPMGs were to prepare their annual accounts and financial statements in accordance with the generally accepted accounting principles and procedures in India. Further, their annual audited consolidated financial statements were to be prepared by 31 July every year.

Financial Management Manual further states that NMCG was to transfer funds to the SPMGs on quarterly basis, for implementation of the agreed annual action plan. These transfers were to be made in instalments to SPMGs. However, the second instalment was to be released to SPMGs on submission of Audit Report of previous financial year to the NMCG and on reasonable utilisation of the first instalment of the reporting year.

We observed that -

- a. Three SPMGs (Uttarakhand, Uttar Pradesh, and West Bengal) had prepared their financial statements for the year 2012-13 to 2015-16. However, SPMG (Uttar Pradesh) prepared its financial statements for the year 2012-13 to 2015-16 with a considerable delay ranging from one to 10 months. Delay in preparation of accounts indicates weak financial management practices.
- b. SPMG, Bihar did not provide annual accounts per se nor any records related to preparation of annual accounts to audit. Although the request for furnishing of financial statements of SPMG, Bihar for the year 2012-17 was also made to NMCG, yet it failed to provide the same. In the absence of annual accounts, accounting of funds received and spent could not be ascertained.
- c. NMCG did not account for an amount of ₹ 17.27 crore¹⁷ as interest earned by SPMGs of Uttar Pradesh, Uttarakhand and West Bengal on Central share, in its financial statements for the year 2012-13 to 2015-16. Consequently, the said amount was not reported to Government of India and was kept out of account.
- d. According to Rule 230 (8) of General Financial Rules 2017, all interests against Grants in aid released to any Grantee institution should be mandatorily remitted to the Consolidated Fund of India immediately after finalisation of the accounts. An interest amount of ₹ 7.82 crore earned on the funds provided for

¹⁷ If NMCG's share at the rate of 70 per cent, on lower side is taken into account.

execution of works under Ganga Action Plan, Phase-II at Varanasi was lying with Uttar Pradesh Jal Nigam and not refunded to the SPMG.

NMCG in its reply (August 2017) accepted the fact and stated that interest earned on unspent part of Grants-in-aid received from its share was not accounted for in its books of accounts. However, it adjusted the same while remitting the subsequent years' Grants-in-aid to SPMGs.

The reply of NMCG is to be viewed in the light of the fact that adjustment of the interest without booking of the same in its books of accounts, resulted in reporting of short release of grants to SPMGs by ₹ 17.27 crore in its books for the financial years 2012-13 to 2015-16.

In respect of delay in preparation of financial statements, NMCG stated that directions had been issued to all SPMGs to finalise their financial statements within the prescribed time.

2.4 Internal audit

Internal audit plays an important role in assisting management in bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the internal control system. NMCG and the SPMGs were to hire private firms of Chartered Accountants, as internal auditors.

As per the provisions made in the NGRBA Framework, the internal audit of NMCG and SPMGs were to be conducted on a quarterly basis. Further, at the State level, an Audit Committee was to be formed and chaired by the Project Director, SPMG consisting of representatives of participating EAs, ULBs and the State Finance Secretary or his designate. Similarly, an Audit Committee was to be formed and chaired by Mission Director at the level of NMCG. The quarterly internal audit report submitted by Internal Auditor was to be reviewed by these Audit Committees.

We observed the following for the period 2014-17:

- a. Internal audit of NMCG was conducted regularly as per prescribed frequency, except during 2016-17.
- b. In case of SPMGs of Bihar and Uttarakhand, the internal audit was not conducted at all and in case of SPMGs of Uttar Pradesh, West Bengal the internal audit was not conducted as per prescribed frequency.

Further, Audit Committees were neither formed at NMCG nor at the SPMGs, as of March 2017.

Failure to conduct internal audit in accordance with the prescribed framework is an indication of weak internal controls.

NMCG while accepting the facts stated (August 2017) that Audit Committee has been constituted at NMCG and it issued the directions to all the SPMGs for constitution of Audit Committee. NMCG also stated that appointment of Internal Auditors was under process.

2.5 Other Irregularities

2.5.1 Avoidable expenditure on agency commission and service tax thereon

As per New Advertisement Policy¹⁸ of Directorate of Advertising and Visual Publicity (DAVP), all Central Government Ministries/ Departments/ Attached and Subordinate Offices/ Field Offices are required to route their advertisements, including display advertisements, through DAVP only. These orders were reiterated by the Government of India in June 2013. Further, DAVP provides 15 *per cent* discount (equivalent to agency commission) to Ministries/ Departments and other client organizations for advertisements made through DAVP.

We observed that NMCG hired other advertising agencies for releasing print advertisements in leading national newspapers across the country and incurred an expenditure of ₹ 2.46 crore (March 2014 to June¹⁹ 2016), which include ₹ 36.06 lakh and ₹ 5.23 lakh as agency commission and service tax thereon.

Hiring of private agencies for print advertisements was in violation of Government policy and resulted in avoidable payment of ₹ 36.06 lakh and ₹ 5.23 lakh on account of agency commission and service tax respectively.

In reply (August 2017) NMCG cited the clause No.3 of “The print Media and Advertisement Policy of Government of India – 2016” and stated that PSUs, Autonomous Bodies and Government of India may issue all advertisements, directly at DAVP rates to empanelled newspapers.

The reply of NMCG is not acceptable as it hired the advertising agencies before implementation of new Print Media and Advertisement Policy of Government of India - 2016 of June 2016.

2.5.2 Award of work without inviting competitive bids

As per Central Vigilance Commission’s (CVC) order²⁰ (July 2007), tendering or public auction is the basic requirement for award of work by any Government agency as any

¹⁸ Clause 3 of New Advertisement Policy issued by DAVP (effective from 2 January 2007)

¹⁹ With effect from 7 June 2016

²⁰ Also refer to the Supreme Court judgment in case of *Nagar Nigam, Meerut Vs A1 Faheem Meat Export Pvt. Limited* [Arising out of SLP (civil) No.10174 of 2006]. The judgment states that contracts by State, its corporations, instrumentalities and agencies must be normally granted through public auction/ public tender and only in exceptional cases, for instance, during natural calamities and emergency declared by the Government this normal rule may be departed.

other method, especially award of contract on nomination basis would amount to breach of Article 14 of the Constitution, guaranteeing right to equality, which implies right to equality of all interested parties.

However, NMCG awarded (April 2016) the work of renovation/ refurbishing/ refitting, etc. of its office premise at Dhyan Chand National Stadium to National Project Construction Corporation Limited (NPCC), Gurgaon for completion within four week at a cost of ₹ 7.51 crore²¹ (including agency charge at the rate of eight *per cent*) without inviting tender. NMCG released a payment of ₹ 6.74 crore to NPCC including its fees amounting to ₹ 52.96 lakh and Service Tax as of May 2017 and final payment was yet to be made to NPCC.

The award of work without competitive bidding was against propriety and in violation of CVC's guidelines.

2.6 Clean Ganga Fund

Union Cabinet approved (September 2014) the creation of Clean Ganga Fund (CGF) with the objective of raising contributions from the public, residents, Non Resident Indians (NRIs), Persons of Indian Origin (PIO) and others for financing various activities related to Ganga Rejuvenation. In January 2015, a Trust has been created under the Chairmanship of the Union Finance Minister for operationalisation of CGF.

2.6.1 Idling of funds

A corpus of ₹ 198.14 crore (as of 31 March 2017) was available in the CGF. However, NMCG could not utilize any amount out of the CGF and the entire amount was lying in banks due to non-finalization of action plan by the Trust. As per the Trust deed, the Board of Trustees should ordinarily meet once in three months or as often as might be necessary for the satisfactory conduct of the affairs of the Trust. However, Audit observed that the Board of Trustees had met only once (May 2015) since creation of the CGF.

NMCG replied (August 2017) that an attempt is now being made to list out activities for sponsoring under CGF and is proposed to be placed before Board of Trustees in its next meeting which is to be convened shortly.

2.6.2 Loss of interest

The Board of Trustees of CGF approved (May 2015) the investment of surplus funds in interest earning instruments such as short-term fixed deposit accounts with nationalised/ scheduled commercial banks. However, the fixed deposits for ₹ 84.39 crore were opened (January 2016) after seven months of the decision taken in the

²¹ The cost of the works was revised from ₹ 6.35 crore to ₹ 7.51 crore

meeting of Board of Trustees. As such, by conservative estimate, NMCG incurred a loss of over ₹ 2.04 crore²² on interest.

NMCG stated (August 2017) that CGF would continue to endeavour to get enhanced return on its fund.

2.6.3 Contributions

CGF had to explore the possibility of setting up funds in other jurisdictions/countries of high donor interest such as USA, UK, Singapore, UAE, etc. to enable tax benefits to donors in their respective jurisdictions.

The donor-wise contribution received as on 31 March 2017 is given in Table 2.5.

Table 2.5: Donor wise contribution to Clean Ganga Fund as on 31 March 2017

| Category of donor | Amount received (₹ in lakh) | Percentage of total corpus |
|--------------------------------------|--------------------------------|-------------------------------|
| 1. Public sector Undertakings (PSUs) | 162,97.77 | 85.95 |
| 2. Private Companies | 16,44.73 | 8.67 |
| 3. Individuals | 9,98.80 | 5.27 |
| 4. NRIs/PIOs | 18.05 | 0.09 |
| 5. Others, Bank Interest | 2.48 | 0.01 |
| Total | 189,61.83²³ | |

Out of the total contribution of ₹ 189.61 crore received under CGF, ₹ 162.97 crore (85.95 *per cent*) were received from the PSUs.

Audit observed that NMCG had not set up funds abroad. As a result, the contributions from NRIs/PIOs were miniscule at 0.09 *per cent* only.

NMCG stated (May/August 2017) that the possibilities of setting up funds abroad were being explored in association with the Ministry of External Affairs.

2.6.4 Audit of Clean Ganga Fund

Audit of CGF was to be carried out by a qualified auditor or a Chartered Accountant/C&AG every year. We observed that no Audit was carried out (May 2017).

NMCG replied (May 2017) that it has proposed to appoint an auditor with the approval of Board of Trustees.

However, in absence of audit of CGF, the correctness of figures relating to CGF as furnished by NMCG could not be verified in Audit.

²² Balance of ₹ 53.79 crore as on 15th May 2015 invested for seven months at the rate of 6.5 *per cent* per annum.

²³ Excluding Accrued Interest of ₹ 8.52 crore

2.7 Conclusion

There were deficiencies in preparation of budget estimates as only eight to 63 *per cent* of the funds were utilised during 2014-15 to 2016-17, as compared to Revised Estimates. There were deficiencies in preparation of Annual Action Plans by both NMCG and SPMGs. Budget Review Committees for proper monitoring were also not constituted by NMCG and SPMGs. NMCG could not ensure timely submission of UCs by SPMGs and also did not account for the interest earned by SPMGs in Central Share. Internal Audit were not carried out as per prescribed frequency. Huge unspent balances were lying with NMCG, SPMGs, EAs and State Governments and the entire amount of Clean Ganga fund was lying idle.

2.8 Recommendations

We recommend that

- i. NMCG may prepare Annual Action Plan, align Budget Estimates based on Annual Action Plan and take appropriate action to regularly review actual expenditure vis-à-vis budget allocation.
- ii. NMCG may ensure preparation and timely submission of UCs/ consolidated Financial Statements by SPMGs, for regular monitoring of the expenditure.
- iii. NMCG may ensure Internal Audit of all the SPMGs as per the prescribed frequency.
- iv. MoWR, RD&GR may release subsequent grants to NMCG, after taking into account the unspent balances available with NMCG/ SPMG/ EAs etc. at the end of the financial year.
- v. NMCG may formulate the action plan for augmentation and utilization of Clean Ganga Fund.

