

Chapter 2

Planning and Financial Management

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2.1 Introduction

Efficient planning and prudent financial management is essential for successful implementation of any programme and achievement of intended objectives. Scrutiny of records revealed that the department had not prepared any long term or medium term perspective plan to systematically identify capabilities/infrastructure gaps and allocate adequate financial resources to modernise and strengthen state police in an efficient and timely manner. Audit findings are discussed in succeeding paragraphs.

2.2 Planning

2.2.1 Perspective Plan

MPF Guidelines required that a strategic plan be prepared to identify and analyse the gaps in various components under MPF scheme in conjunction with the Bureau of Police Research and Development (BPR&D) and to rectify any shortcomings noticed.

On the basis of the five-year perspective plan, Annual Action Plan (AAP) was to be prepared for approval by GoI. However, audit noticed that no perspective plan was prepared by the State Government during 2011-16 under MPF scheme. Thus, the annual plans submitted to GoI for MPF scheme were not based on any long term strategic planning.

Besides the MPF scheme of GoI, the State Government also spent substantial amount of funds on Police Force for modernisation and strengthening. However, audit noticed that though annual plans were prepared for the GoI scheme, no annual action plans were prepared by the department for infrastructure development and modernisation/ strengthening carried out from State's resources.

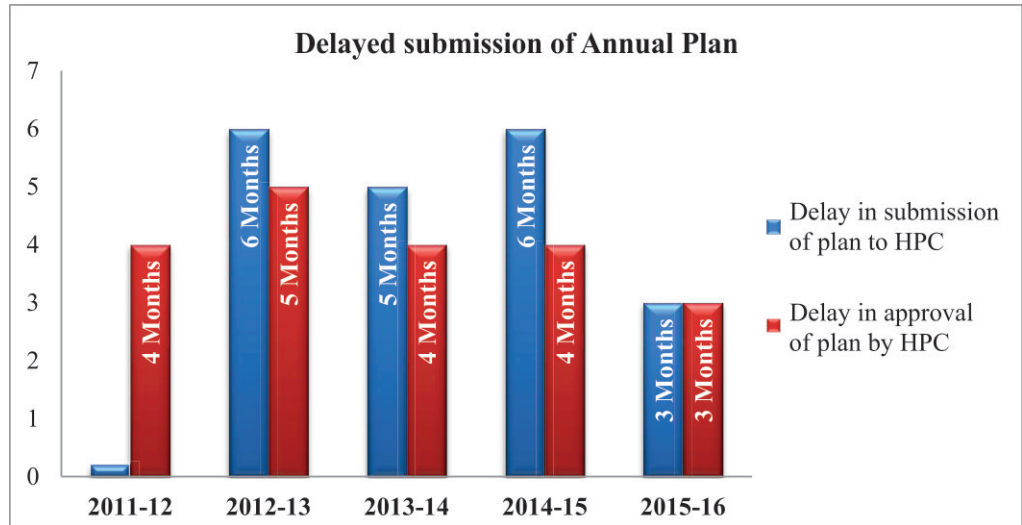
Due to lack of planning, many important activities related to modernisation have either been delayed considerably or not implemented at all as mentioned in succeeding chapters.

Government in its reply (February 2017) accepted that perspective plan was not prepared. However, it would be prepared now on the basis of detail asked for from different units of police department.

2.2.2 Delayed submission of Annual Action Plans of MPF

Annual Action Plan (AAP) under MPF Scheme is sanctioned by the High Powered Committee (HPC) of MHA. Annual plans are forwarded to HPC through State Level Empowered Committee (SLEC) headed by the Chief Secretary of GoUP. As per guidelines, GoUP was to submit AAP to MHA by 15th January for review and approval by HPC before commencement of financial year so that funds could be released in time and targets envisaged under the scheme may be achieved. Scrutiny, however, revealed that AAPs

were submitted to MHA with a delay of approximately six months which delayed its approval, release of funds and the implementation of the modernisation. Timelines of submissions and approvals of annual plans are given in *Appendix 2.1*.



Delayed submission of plans by GoUP results in delays in approval which in turn impacted the timely release and utilisation of funds rendering in short utilization and slow pace of programme implementation as discussed in succeeding paragraphs.

Government in its reply stated (February 2017) that efforts would be made to submit annual plans in time. As such the Government accepted that there was delay in submission of annual plans.

2.3 Financial Management

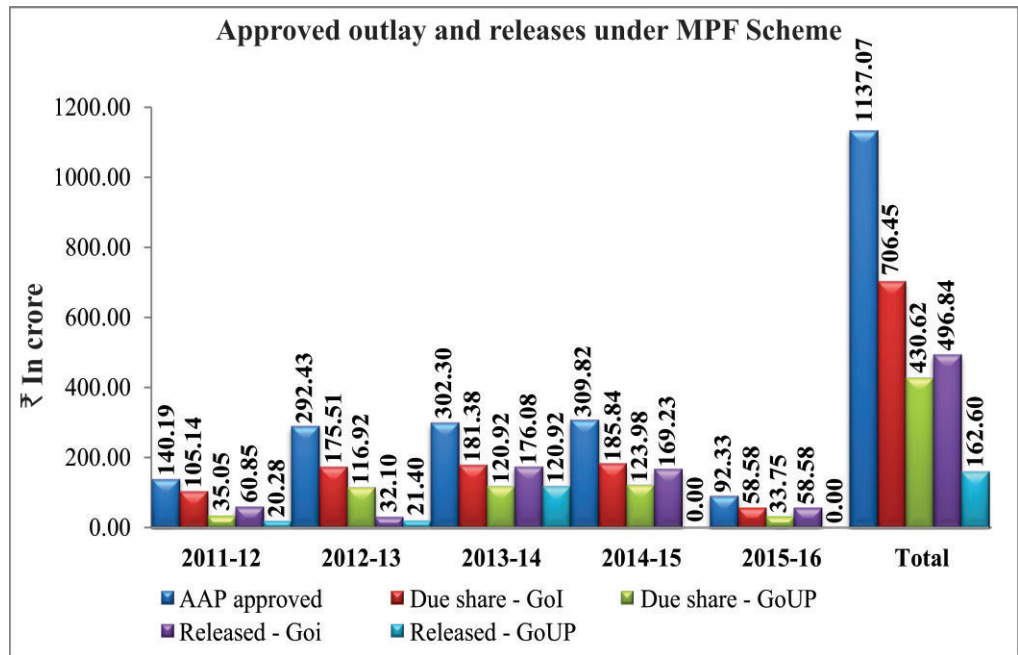
Modernisation of Police Forces was sought to be achieved by the State Government by providing adequate and modern equipment, vehicles, arms and ammunition to its forces and by construction of buildings. The modernisation efforts were to be funded from state resources as well as through GoI sponsored MPF Scheme. Funding pattern is given in *Appendix 2.2*.

MPF Scheme

The laid out procedure in MPF Scheme is after approval of AAPs, GoI releases funds to State Government and the State Government is required to release its share accordingly to the departmental authorities. Under MPF scheme, the central and state government were to share the expenditure in the ratio of 75:25 till 2011-12 and 60:40 from 2012-13. For procurement of arms and ammunition, Central Government releases approved amounts in annual plans directly to the Ordnance Factory Depots of the Government of India.

2.3.1 Short Release of required share

On the basis of approved Annual Action Plan under MPF during the period 2011-12 to 2015-16, the status of share due, fund released and short releases of shares by the GoI and the GoUP was as below:



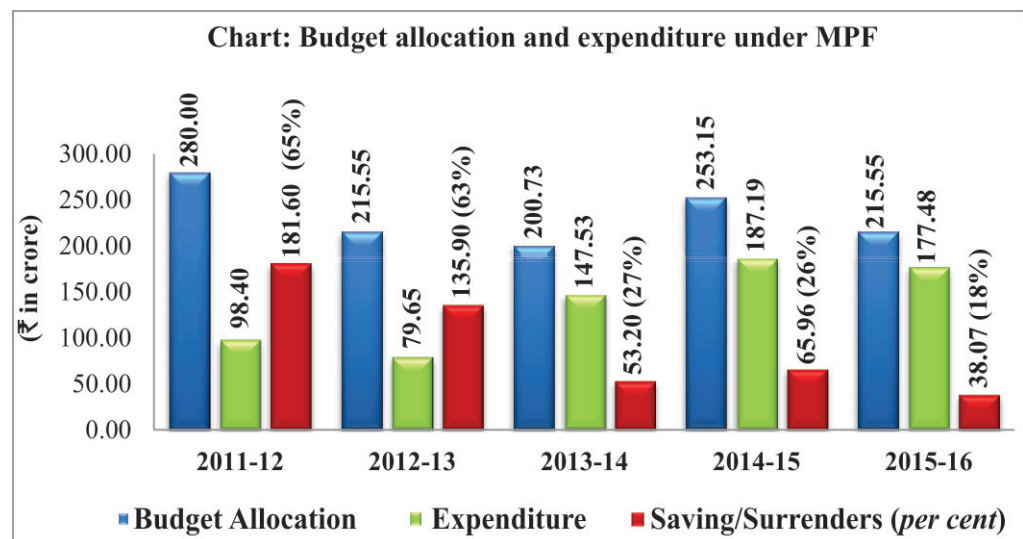
(Police Headquarter, Allahabad)

It is evident from the above chart that both central & state governments did not release their due shares for modernization of police forces under MPF Scheme due to slow pace of utilisation of funds. During 2011-16, GoI released ₹ 496.84 crore (70 per cent against its due share), while GoUP released only ₹ 162.60 crore (38 per cent against its due share).

Government in its reply stated (February 2017) that there was no need of any comment. As such, comments of the audit were right and were not rebutted by the Government.

2.3.2 Underutilisation of MPF fund

Under MPF Scheme year-wise budget allocation, expenditure and surrenders are given below.



(Source: Budget documents and surrender letters)

* Budget allocation in a financial year also includes Annual Action Plans approved in previous years.

Audit observed that:

- During 2011-16, ₹ 1,164.98 crore were released for modernisation of police forces but the department could utilise only ₹ 690.25 crore (59 per cent) as of March 2016 and the remaining amount of ₹ 474.73 crore (41 per cent) were surrendered. Surrenders were as high as 65 and 63 per cent in 2011-12 and 2012-13 respectively.
- Owing to low utilisation of the funds, modernisation plans suffered. Further, 15,644 equipment and vehicles costing ₹ 120.67 crore approved during 2013-14 to 2015-16 have still not been procured as of March 2016 **Appendix 2.3**. Hence the police force was deprived of the intended benefits of modernisation.

Government in its reply stated (February 2017) that procurement of some equipment are not completed till the end of financial year due to complex nature of procurement system. As such, Government accepted the fact that funds were underutilised and procurement of equipment and vehicles were not completed by the department. As far as complex nature of procurement is concerned rules are clear, feasible and made by the Government itself for the utilisation of funds in time.

2.3.3 Parking of MPF funds

MPF Scheme guidelines provide that funds released by MHA are to be utilised for the intended purpose and parking of funds should be avoided.

An amount of ₹ 174.34 crore, related for MPF scheme, was deposited in Personal Ledger Account (PLA) of Police *Awas Nigam* during 2011-16 by the department as these funds could not be utilised within the concerned financial years. At the end of March 2016 an amount of ₹ 153.01 crore was still lying in PLA. Transferring grants to PLA with a view to avoid lapse of funds constitutes a financial irregularity and should not be resorted to as per provisions of Financial Handbook (Vol. V) Part 1 and, therefore, the above practice of parking of funds in PLA for long periods was irregular and PLA of the Nigam was being used to avoid lapse of funds.

Government in its reply stated (February 2017) that sanctioned amount was deposited in PLA with permission of finance department for its use in future. By doing so unnecessary correspondence and time is saved in next year for utilising the funds. Reply was not acceptable as transferring of grants to PLA with a view to avoid lapse of funds constitutes a financial irregularity as per financial handbook Vol-5, Part 1.

2.3.4 Impact of delayed release of MPF funds

Once AAP is approved, GoUP should release the funds promptly for implementation of the modernisation plan. Delay in release of funds not only affect the modernisation programme adversely but may also result in significant cost escalation of equipment/ vehicle.

Scrutiny of records revealed that procurement of 79 vehicles, costing ₹ 8.65 crore, was approved in AAP 2010-11 but an amount of ₹ 1.48 crore only was released by GoUP at the fag end of financial year and, therefore, the procurement could not be made during 2010-11. GoUP released the remaining amount of ₹ 7.17 crore in October 2011 for purchase the approved vehicles. Audit observed that only 62 vehicles were procured from the sanctioned amount of ₹ 8.62 crore against the 79 vehicles approved by Government as detailed below.

Table 2.1: Delayed release of fund led to less procurement of vehicles

(₹ in lakh)

Name of vehicles	Approved quantity	Approved Rate	Approved Cost	Revised Quantity	Increased Rate	Actual Cost
Bus ³	20	12.00	240.00	6	18.65	111.90
				8	18.51	148.08
Vajra	21	11.00	231.00	20	11.45	229.00
Truck	10	11.30	113.00	8	12.50	100.00
Tata 207	18	4.50	81.00	13	5.05	65.65
Interceptor	10	20.00	200.00	7	30.05	210.35
Total	79		865.00	62		864.98

(Source: Police Headquarter, Allahabad)

Thus, there was short procurement of nearly 22 per cent vehicles than originally envisaged because of tardy release of funds. Audit further observed that increase in the price of the vehicles was cited as reason for less procurement of vehicles from the approved cost. Audit found that there was delay in procurement and though there was significant reduction in the number of vehicles procured against the government sanction, no revised approval of the reduction was taken from GoI.

Government in its reply stated (February 2017) that there was no need of any comment. As such, comments of the audit were right and beyond rebuttal of the Government.

2.3.5 Submission of Inflated Utilisation Certificate (UC)

As per guidelines of MPF Scheme, GoUP was required to furnish UCs in prescribed proforma of GFR 19-A when the released amounts were fully utilised for the intended purposes. UCs submitted by GoUP in respect of amounts released by GoI till 2015-16 were as under:

Table 2.2: Utilisation Certificate sent by GoUP

(₹ in crore)

Year	Funds released by GoI	UCs submitted by GoUP
2011-12	60.85	60.85
2012-13	32.10	32.10
2013-14	176.08	176.08
2014-15	169.23	127.58
2015-16	58.58	0.00
Total	496.84	396.61

(Source: Police Headquarter, Allahabad)

³ 8 buses were purchased from of ₹ 1.48 crore released in 2010-11.

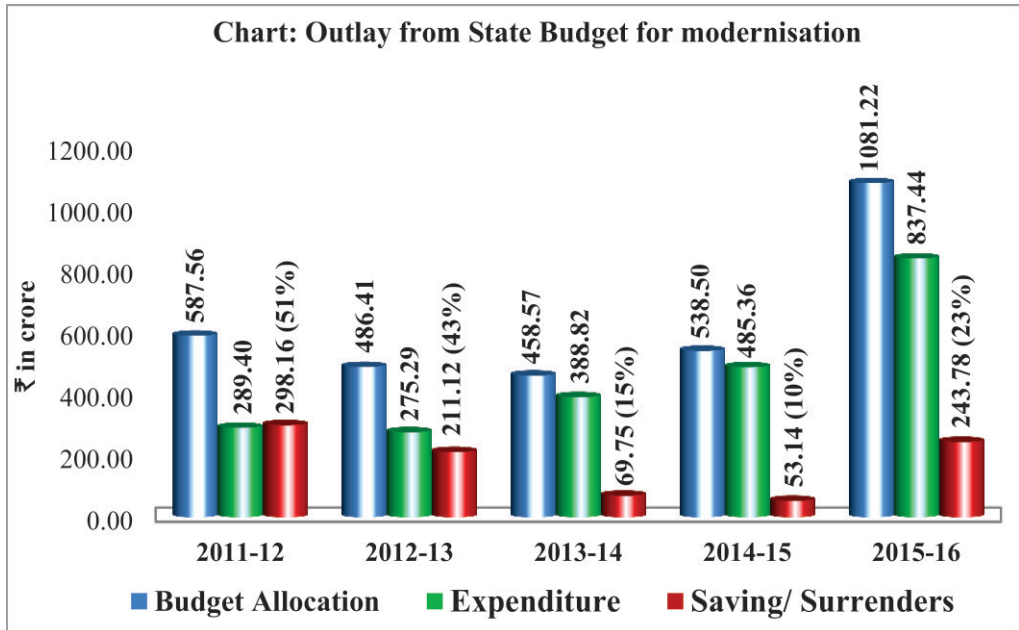
The State Government had not submitted UCs of ₹ 41.65 crore in respect of 2014-15 and ₹ 58.58 crore in respect of 2015-16 as of September 2016.

Audit further observed that ₹ 124.74 crore (₹ 7.36 crore and ₹ 117.38 crore) released by GoI during 2011-12 and 2013-14 respectively for construction activities were deposited into the saving bank account of Police Awas Nigam (PAN) on 22nd March 2012 and 26th September 2013 respectively. Scrutiny of records revealed that till May 2015 construction works worth ₹ 73.46 crore only were sanctioned by GoUP and the balance works of ₹ 51.28 crore were yet to be sanctioned. However, Police Headquarter irregularly submitted UCs of the entire amount of ₹ 124.74 crore (UC of ₹ 7.36 crore in June 2014 and ₹ 117.38 crore in May 2015) to MHA, though ₹ 51.28 crore were still lying in the bank account of Police Awas Nigam and had not been actually utilised. This resulted in inflated submission of UCs of ₹ 51.28 crore.

Government in its reply stated (February 2017) that UCs were sent to MHA upto 2014-15. UCs for the year 2015-16 were pending. Government did not furnish replies of irregular submission of UCs amounting ₹ 51.28 crore, the amount which was still lying unutilised in the bank account of PAN.

2.4 Modernisation and strengthening from State Budget

The position of outlay incurred from state budget for infrastructure development of police force excluding MPF scheme is given below.



(Source: Budget Documents and surrender letters)

Audit observed that:

- During 2011-16, the State Government released ₹ 3,152.26 crore under capital head for modernisation and strengthening but the department could utilise only ₹ 2,276.31 crore (72 per cent) as of March 2016 and the remaining amount of ₹ 875.95 crore (28 per cent) was surrendered.

Surrenders were as high as 51 *per cent* and 43 *per cent* in 2011-12 and 2012-13 respectively.

- Savings of ₹ 875.95 crore was surrendered on last date of the respective financial years in contravention of financial rules⁴. Main reasons attributed for surrender were that sanctions for construction of works (48 *per cent*: ₹ 420.30 crore) were not issued, there were delays in procurement of vehicles/armaments (9 *per cent*: ₹ 76.83 crore) and because of the imposition of election code of conduct (34 *per cent*: ₹ 298.16 crore), etc.

Government in its reply stated (February 2017) that there was no need of any comment. As such, comments of the audit were right and could not be rebutted by the Government.

The specific issues of financial management relating to various components are discussed in respective chapters.

Recommendations:

- *The State Government should prepare perspective and annual action plans both in respect of MPF Scheme and Capital Outlays from State Budget and ensure timely submission of AAP to avoid delay in release of funds.*
- *Funds should not be parked in PLA to avoid lapse of grants and utilisation certificates should be submitted by the Department only after funds had been utilised.*

⁴ Para no. 141 of Uttar Pradesh Budget Manual 2010.

