

Chapter-III
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3.1 Overview of finances

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. The expenditure incurred by the state of Haryana on water supply vis-à-vis GSDP during 2016-17 to 2020-21 is given in *Table 3.1* below:

Table 3.1: Comparative expenditure on water supply vis-à-vis GSDP

Year	Expenditure on water supply (PHED) (₹ in crore)	Expenditure on water supply (ULBs) (₹ in crore)	Expenditure on water supply (HSVP) (₹ in crore)	Total expenditure on water supply (₹ in crore)	GSDP of Haryana State (₹ in crore)	Expenditure on water supply as a percentage of GSDP
2016-17	675.00	50.48	188.16	913.64	5,61,424	0.16
2017-18	777.77	26.20	255.09	1,059.06	6,44,963	0.16
2018-19	1,040.69	101.74	213.55	1,355.98	7,04,957	0.19
2019-20	930.20	229.04	117.86	1,277.10	7,80,612	0.16
2020-21	742.53	273.13	98.47	1,114.13	7,64,872	0.15

From the above table, it can be seen that expenditure incurred by the state on water supply as a percentage of GSDP of the State (at current price) ranged between 0.15 to 0.19 *per cent* during the five years period of 2016-17 to 2020-21.

3.2 Budget and Expenditure

The funding under water supply component during 2016-2021 is as under:

Rural Water Supply

Funds/budget are being received from various Central and State sponsored schemes. The budget provision and expenditure there against for different Rural Water Supply Schemes during 2016-21 is shown in *Table 3.2 (a)*.

Table 3.2 (a): Details of Budget and Expenditure from 2016-17 to 2020-21

(₹ in crore)

Sr. No.	Name of scheme	Budget Provision	Expenditure	Savings	Percentage of savings
1.	NRDWP or JJM	1,524.35	1,026.30	498.05	32.67
2.	NITI Aayog*	2.66	2.66	--	--
3.	Rural Augmentation	1,595.00	1,464.34	130.66	8.19
4.	NABARD	965.09	855.65	109.44	11.34
5.	SCSP	73.50	47.27	26.23	35.69
6.	MahagramYojana	92.57	81.79	10.78	11.65
7.	MGGBY ¹	66.00	54.01	11.99	18.17
	Total	4,319.17	3,532.02	787.15	18.22

*NITI Aayog assistance was a one-time assistance.

From the above, it is evident that underutilisation of the funds ranged between 8.19 to 35.69 per cent during 2016-21.

The year-wise detail of budget and expenditure during the period from 2016-17 to 2020-21 under major schemes/programmes is as follows:

Name of scheme		2016-17	2017-18	2018-19	2019-20	2020-21	Total
NRDWP/JJM	Budget (₹ in crore)	383.84	343.14	227.27	280.60	289.50	1,524.35
	Expenditure (₹ in crore)	299.23	162.05	176.68	140.31	248.03	1,026.30
	Savings	84.61 (22.04)	181.09 (52.77)	50.59 (22.26)	140.29 (50.00)	41.47 (14.32)	498.05 (32.67)
Rural Augmentation	Budget (₹ in crore)	225.00	350.00	398.00	397.00	225.00	1,595.00
	Expenditure (₹ in crore)	167.55	313.87	390.22	368.71	223.99	1,464.34
	Savings	57.45 (25.53)	36.13 (10.32)	7.78 (1.95)	28.29 (7.13)	1.01 (0.45)	130.66 (8.19)
NABARD	Budget (₹ in crore)	50.00	130.00	315.09	300.00	170.00	965.09
	Expenditure (₹ in crore)	44.85	112.87	289.43	258.67	149.83	855.65
	Savings	5.15 (10.30)	17.13 (13.18)	25.66 (8.14)	41.33 (13.78)	20.17 (11.86)	109.44 (11.34)

Note: Figures in parenthesis show percentage of savings.

As is evident from the above, there were persistent savings ranging between 0.45 and 52.77 per cent in all three major schemes/programmes during the period 2016-17 to 2020-2021

Urban Water Supply

The budget allotment/Grant and expenditure there against for different Urban Water Supply Schemes is shown in **Table 3.2 (b)**.

¹ MGGBY was a deposit work for PHED and an amount of ₹ 66 crore had been deposited by Development & Panchayat Department from October 2015 to March 2020. An amount of ₹ 54.01 crore had been spent up to July 2022.

Table 3.2 (b): Details of budget and expenditure from 2016-17 to 2020-21

(₹ in crore)

Sr. No.	Name of scheme	Budget allotted	Expenditure incurred	Savings	Percentage of savings
1.	Urban Augmentation	844.01	759.09	84.92	10.06
2.	Urban NCR	114.50	87.13	27.37	23.90
3.	AMRUT	1,462.81	420.89	1041.92	71.23
4.	Fund earmarked for water supply in ULB	545.80	259.70	286.10	52.42
5.	Expenditure done by HSVP	1,321.86	873.13	448.73	33.95

The percentage of saving ranged between 10 to 71 *per cent* during 2016-21.

The year-wise detail of budget and expenditure of Urban Water Supply Schemes is detailed below:

Name of scheme		2016-17	2017-18	2018-19	2019-20	2020-21	Total
Urban Augmentation	Budget (₹ in crore)	305.38	204.00	122.63	140.00	72.00	844.01
	Expenditure (₹ in crore)	292.63	166.73	115.35	114.43	69.95	759.09
	Savings	12.75 (4.18)	37.27 (18.27)	7.28 (5.94)	25.57 (18.26)	2.05 (2.85)	84.92 (10.06)
Urban NCR	Budget (₹ in crore)	55.00	25.00	15.00	10.00	9.50	114.50
	Expenditure (₹ in crore)	41.34	15.46	13.26	8.37	8.70	87.13
	Savings	13.66 (24.84)	9.54 (38.16)	1.74 (11.60)	1.63 (16.30)	0.80 (8.42)	27.37 (23.90)
Other funding (ULB)	Budget (₹ in crore)	90.25	36.04	67.20	86.74	265.58	545.81
	Expenditure (₹ in crore)	50.48	20.03	51.25	68.26	69.68	259.70
	Savings	39.77 (44.07)	16.01 (44.42)	15.95 (23.74)	18.48 (21.31)	195.90 (73.76)	286.11 (52.42)
Other funding (HSVP)	Budget (₹ in crore)	373.43	285.38	306.86	184.57	171.60	1,321.84
	Expenditure (₹ in crore)	188.16	255.08	213.55	117.86	98.47	873.12
	Savings	185.27 (49.61)	30.30 (10.62)	93.31 (30.41)	66.71 (36.14)	73.13 (42.62)	448.72 (33.95)
AMRUT	Budget (₹ in crore)	136.75	130.25	75.70	500.52	619.59	1,462.81
	Expenditure (₹ in crore)	0	6.17	50.49	160.78	203.45	420.89
	Savings	136.75 (100)	124.08 (95.26)	25.21 (33.30)	339.74 (67.88)	416.14 (67.16)	1,041.92 (71.23)

Note: Figures in parenthesis show percentage of savings.

As is evident from the above, there were persistent savings ranging between 2.85 and 100 *per cent* in all Urban Water Supply schemes during the period 2016-17 to 2020-2021.

3.3 Lack of departmental efforts in making schemes self-sustainable

As per para 2.3 of JJM guidelines, the 14th Finance Commission (2015-2020) recognized health, education, drinking water and sanitation as public services of national importance and defined the sustainable drinking water supply systems as ‘those being operated under a formal management model, have 100 *per cent* household meters installed and whose net revenues from water tariffs and subsidies are sufficient to cover at least the Operation & Maintenance (O&M) costs of the system’. It has also recommended 100 *per cent* metering of individual connections in both rural and urban households, commercial establishments and institutions and individual connections be provided only

when functional water meters are installed. During scrutiny of records in PHED, following shortcomings were noticed:

1. Department had not initiated any steps for installation of metered connection rather focus of the department is on providing household connection instead of metered connections.
2. Audit analysed the data (department website) of O&M expenditure vis-à-vis receipts generated from rural and urban water supply schemes and the revenue collection worked out to merely one *per cent* of the overall maintenance expenditure for rural areas and in case of urban area, it was overall 15 *per cent* of maintenance expenditure for the period 2016-17 to 2020-21 as shown in **Table 3.3**.

Table 3.3: Operation & Maintenance expenditure vis-a-vis Receipts

(₹ in crore)

Year	Operation & Maintenance expenditure in rural areas	Receipts from Rural Water supply	Per cent of receipts to O&M	Operation & Maintenance expenditure in urban areas	Receipts from urban water supply	Per cent of receipts to O&M
2016-17	566.90	3.13	0.55	270.78	51.97	19.19
2017-18	558.93	11.37	2.03	265.38	48.31	18.20
2018-19	616.76	8.07	1.31	298.15	37.03	12.42
2019-20	605.03	4.57	0.76	279.95	38.54	13.77
2020-21	888.51	3.12	0.35	378.58	42.98	11.35
Total	3,236.14	30.25	0.93	1,492.84	218.83	14.66

This indicated that the revenue generated was not adequate to cover the O&M function of the water supply system thereby making operation of the schemes financially unsustainable.

During exit conference (November 2022), PHED stated that in rural areas, water charges were taken on flat rate as per Government notification. Resultantly there was a gap in revenue generation/collection to meet the O&M cost. Further, it was briefed that a proposal of involving Panchayat and Self Help Groups for collection of outstanding water charges was under consideration which would improve the revenue collection to meet the O&M cost.

Water Charges and Arrears

3.4 Non-recovery of water charges amounting ₹ 278.20 crore

Public Health Engineering Department

3.4.1 Government of Haryana notified (April 2017) rates on tariff of water charges for General category beneficiaries as ₹ 40 per month and Scheduled Caste (SC) category beneficiaries as ₹ 20 per month in villages which are not falling under any Municipal area. Scrutiny of records² revealed that water user charges to the tune of ₹ 263.64 crore (Rural: ₹ 128.17 crore; Urban: ₹ 135.47 crore) was

² Selected divisions of PHED.

to be collected from consumers during April 2016 to March 2021 whereas only an amount of ₹ 76.30 crore (28.94 *per cent*) had been collected during the period by divisional offices leaving a balance of ₹ 187.34 crore (Rural: ₹ 119.29 crore; Urban: ₹ 68.05 crore) (*Appendix 7*) as water charges arrears in respect of selected divisions of PHED. The details are represented in the *Chart 3.1(a) & (b)*.

Chart 3.1 (a): Collection of Water Charges in Rural Areas (2016-2021)

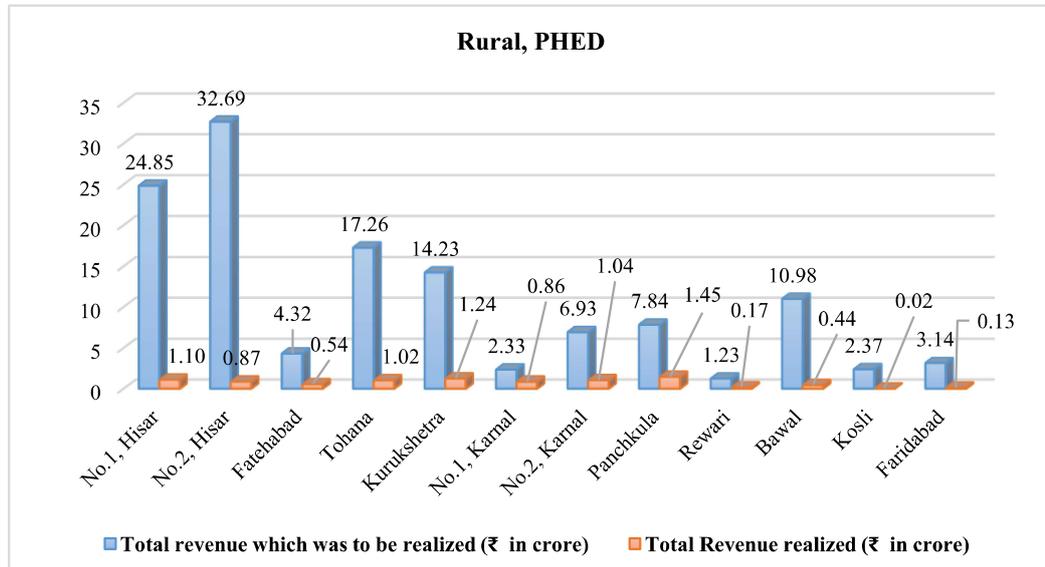
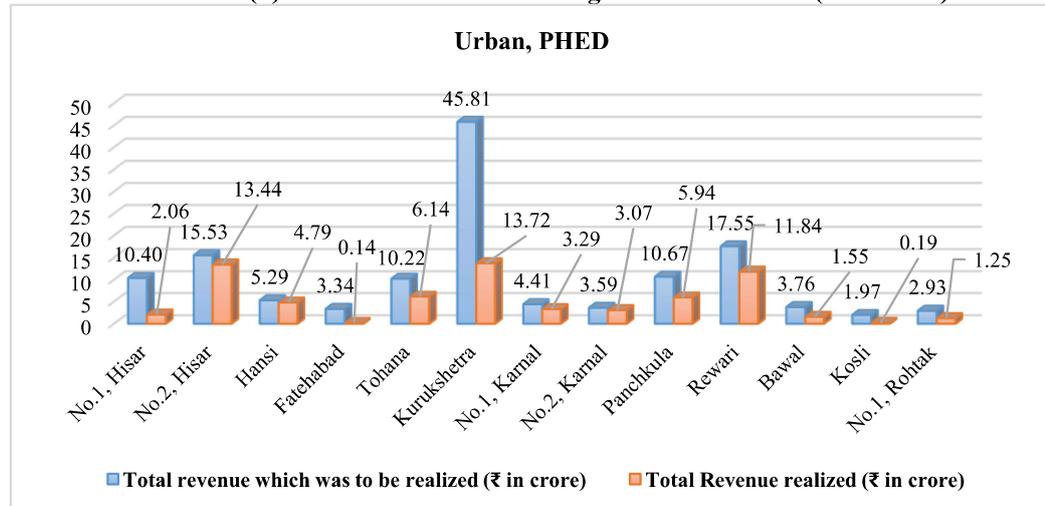


Chart 3.1 (b): Collection of Water Charges in Urban Areas (2016-2021)



This indicated absence of efforts by the department towards revenue collection especially in rural areas where only seven *per cent* water charges were collected/realized during 2016-21.

Haryana Shehri Vikas Pradhikaran

3.4.2 Rule 13 (iii) of the HUDA (now renamed as HSVP) Water Regulation 2001 emphasized that a consumer who fails to pay water charges by the due date shall be liable to pay penalty thereon @ 10 *per cent* of the amount of water charges due from him within 15 days from the date of default failing which his water connection shall be disconnected after giving him a notice of seven days.

During scrutiny of the records in selected divisions of HSVP, it was noticed that ₹ 19.18 crore water charges were outstanding as on 31 March 2021 which were to be recovered from consumers in selected districts but no action as per rules had been taken by concerned offices. Details of outstanding water charges in selected divisions of HSVP is given in *Appendix 7*.

Urban Local Bodies department

3.4.3 ULB Department, Government of Haryana notified the revised water user charges in August 2018. During scrutiny of the records in selected districts of ULB Department, Haryana, it was noticed that in two MCs namely Faridabad³ and Karnal, water user charges amounting to ₹ 71.68 crore were outstanding as on 31 March 2021 (*Appendix 7*). There was no mechanism in the ULB for monitoring the recovery of water user charges.

It is assessed that non-assessment of revenue is a lapse on the part of the authorities viz. PHED, ULB & HSVP. It also indicates absence or lack of accountability mechanism on the part of higher formations viz. EIC/Director/CE/SE, etc.

During exit conference (November 2022), departments assured for taking necessary action on the matter.

3.5 Collection of community contribution

Para 6.1.2 of JJM guidelines stipulated that for in-village piped water supply infrastructure and related source development to be implemented by Gram Panchayats and/or its sub-committee, i.e. Village Water & Sanitation Committee (VWSC)/Panni Samiti/User Group, etc; communities would contribute 10 *per cent* of the capital cost in cash and/or kind and/or labour and would be paid to agency/vendor as decided by District Water & Sanitation Mission (DWSM).

During scrutiny of records⁴, it was revealed that 6,129 GPs (*Appendix 8*) were required to deposit community contribution amounting to ₹ 69.76 crore during 2016-21 but only ₹ 0.39 crore were deposited with the department till August 2022. Thus, there was short realisation/collection of ₹ 69.36 crore.

During exit conference (November 2022), PHED admitted the facts and assured for future compliance.

3.6 Late release of State share

In 2017-18, demand for funds under NRDWP was sent (April 2017) to Finance Department (FD), Haryana by PHED (Central share of ₹ 26.06 crore plus

³ Faridabad, Division 1 2016-21, Division no. 3 & 5 2019-21, Division no. 2 & 4 did not provide related information.

⁴ EIC, PHED, Haryana.

₹ 19.74 crore as matching State share). The Letter of Credit (LOC) of ₹ 26.06 crore as Central share was released (19 May 2017) by Finance Department but corresponding State share was not released. The said matching State share of ₹ 19.74 crore was released only in October 2017 by Finance Department, Haryana. As per instructions, State share was to be released to the implementing agency within 15 days of receipt of Central share. Thus, there was lack of coordination between departments as there was a delay of more than five months in release of State share.

3.7 Release and utilisation of Central and State funds in NRDWP/JJM

As per the Utilisation certificates furnished by the PHED, Haryana to Ministry of Drinking Water and Sanitation (MDWS) for the year from 2016-17 to 2020-21, the release and utilisation of Central and States share of funds for implementation of NRDWP/JJM during 2016-21 is detailed in *Table 3.4*.

Table 3.4: Funds and Expenditure under NRDWP/JJM during 2016-2021 (₹ in crore)

Year	Total available funds	Expenditure	Savings	Percentage of savings against available funds
2016-17	383.84	299.23	84.61	22.04
2017-18	343.14	162.05	181.09	52.77
2018-19	227.27	176.68	50.59	22.26
2019-20	280.60	140.31	140.29	50.00
2020-21	289.50	248.03	41.47	14.32
Total	1,524.35	1,026.30	498.05	32.67

As seen from the table, the percentage of savings ranged between 14.32 *per cent* and 52.77 *per cent* during 2016-17 to 2020-21. Overall funds amounting to ₹ 498.05 crore remained unutilised as of March 2021.

The component-wise position of funds available and expenditure incurred under NRDWP/JJM during 2016-21 is detailed in the *Tables 3.5, 3.6* and *3.7* below:

Coverage: The funds under this component were to be utilised for providing safe and adequate drinking water supply to uncovered, partially covered and slipped back habitations (in NRDWP) and under JJM for infrastructure for Har Ghar Jal (in terms of FHTCs provided to rural households).

O&M: The funds under this component were to be utilised for expenditure on running, repair and replacement costs of drinking water supply projects.

Water quality: The funds under this component were to be utilised for providing safe drinking water to water quality affected habitations.

Sustainability: The funds under this component were to be utilised for encouraging states to achieve drinking water security at the local level through sustainability of sources and systems.

Table 3.5: Expenditure incurred on Coverage, Water Quality, Sustainability, O& M components during 2016-2021

(₹ in crore)

Year	Total available funds	Expenditure	Percentage utilisation of available funds
2016-17	373.76	293.06	78.41
2017-18	333.09	155.95	46.82
2018-19	209.52	168.84	80.58
2019-20	260.26	131.46	50.51
2020-21	269.34	234.09	86.91

Support Activities:

Support activities include (i) engagement of consultants by Water and Sanitation Support Organization and District Water and Sanitation Mission, (ii) setting up and running of BRCs⁵, (iii) supporting awareness creation and training activities, (iv) giving hardware and software support at district and sub-divisional level, (v) research and development activities relevant to the State, etc.

Table 3.6: Expenditure incurred on Support Activities component during 2016-2021

(₹ in crore)

Year	Total available funds	Expenditure	Percentage utilization of available funds
2016-17	5.99	3.79	63.27
2017-18	6.34	3.86	60.88
2018-19	9.11	4.97	54.56
2019-20	12.03	5.20	43.23
2020-21	11.78	6.72	57.05

Water Quality Monitoring and Surveillance (WQM&S):

The funds under this component are to be used for monitoring and surveillance of water quality in habitations at field level and for setting up and upgrading water quality testing laboratories at State, district and sub-district levels.

Table 3.7: Expenditure incurred on Water Quality Monitoring and Surveillance (WQM&S) component during 2016-2021

(₹ in crore)

Year	Total available funds	Expenditure	Percentage utilization of available funds
2016-17	4.09	2.38	58.19
2017-18	3.71	2.24	60.38
2018-19	8.64	2.87	33.22
2019-20	8.31	3.65	43.92
2020-21	8.38	7.22	86.16

It is evident that funds under the main components viz. Coverage, Water Quality, Sustainability and O&M remained unutilised to the extent of 13.09 to 53.18 *per cent*. Under Support activities, short-utilization of funds was between 36.73 to 56.77 *per cent*. Under-utilization in WQM&S related activities was ranging between 13.84 to 66.78 *per cent*.

⁵ Block Resource Coordinators.

3.8 Non-completion of work within time frame leads to extra liability on the State Government

Augmentation of water supply scheme, Hisar Town was proposed (2013) for execution at estimated cost of ₹ 79.58 crore under 13th Finance Commission (TFC) Urban⁶ (Shivalik and Southern Haryana). The project was scheduled for completion by 31 March 2016 to avoid lapse of funds under TFC. The work⁷ was allotted (October 2013) with a completion time of 18 months. But due to site dispute and department's negligence, the work did not start on time and resultantly could not be completed within stipulated time period. Meanwhile, the central assistance provided under TFC scheme lapsed on 31 March 2016, the department could utilize only ₹ 48.54 crore from the grant of TFC till the time.

To complete the project, the department prepared supplementary estimate (approved July 2016) amounting to ₹ 31.04 crore and spent an amount of ₹ 31.04 crore from State Plan (Urban Augmentation scheme). Had the work been completed in time, extra burden on state exchequer could have been avoided. In response to audit observation, the department replied (September 2021) that TFC grant could not be utilised due to delay in possession of land and late approval of design and drawing. The fact, however, is that timely action by the department would have avoided the liability.

During exit conference (November 2022), PHED stated that detailed reply will be conveyed to audit after examining the matter. Reply is awaited (December 2022).

Conclusion

Financial management was not effective as persistent savings were noticed under Central and State schemes. There was lack of departmental effort in making schemes financially self-sustainable as the revenue collection was very poor. Water charges of ₹ 278.20 crore was not received from consumers as of March 2021 in the test checked departments/divisions. There was short-realisation/collection of ₹ 69.36 crore on account of community contribution by the Gram Panchayats.

Recommendation

3. *The department/concerned entities should make efforts for recovery of arrears of water charges, collection of community contributions for making the schemes self-sustainable.*

⁶ Scheme meant for urban areas and funded under central assistance from 13th Finance Commission by creating head P-01-38-4215-01-101-99-97.

⁷ Augmentation Water supply scheme Hisar Town, Designing, constructing, testing and commissioning of Programmable Logic Controller (PLC). Const. of RCC, NP3 pipe inlet channel and other connected works and all other works contingent thereto" complete including operation and maintenance for five years after trial run of three months.

