CHAPTER IV

FINANCIAL MANAGEMENT

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Audit noticed that only 33 *per cent* of the community contribution, being a pre-requisite for taking water supply scheme, has been collected in the selected districts. There was non-assessment and short-collection of water connection charges. Other issues like delayed release of funds, diversion of Earnest Money Deposit amount collected and non-remittance of Labour Welfare Fund were noticed.

4.1 Introduction

As per GoI's Operational Guidelines for implementation of JJM, the Centre-State funding pattern for implementation of the scheme is 50:50 for Coverage i.e., infrastructure in terms of FHTCs provided to rural households and 60:40 for Support Activities including Water Quality Monitoring and Surveillance (WQM&S). Till 2022-23, the Centre's share were credited to the State Government through the Public Financial Management System portal. Thereafter, the State was required to release or transfer the sanctioned amount to the 'Single Nodal Account' (SNA) of the scheme maintained by Mission Director, along with the matching State share, within 15 days of receipt. From January 2023, both the Centre and State's share of funds were directly released to the SNA. All payments were made by the implementing agencies through the portal by using the SNA.

The details of funds received and expenditure incurred under JJM in Tamil Nadu for the period 2019-2024 are given in **Table 4.1**.

Table 4.1: Receipt and expenditure of JJM funds at State level

(₹ in crore)

Year	Opening Balance (OB)	Receipt			Total Receipt	Expenditure			Total Expen-diture	Closing Balance
		Central	State	Interest		Central	State	Interest amount remitted		
2019-20	11.76[1]	373.10	184.83	3.54	573.23	99.97	99.13	0	199.10	374.13
2020-21	374.13	688.08	664.87	14.00	1,741.08	577.87	387.23	0	965.10	775.98
2021-22	775.98	630.71	826.30	22.35	2,255.34	467.25	506.68	0	973.93	1,281.41
2022-23	1,281.41	872.96	849.54	31.40	3,035.31	604.00	676.14	10.27	1,290.40	1,744.91
2023-24	1,744.91	2,617.10	2,556.03	36.54	6,954.58	2,620.71	2,614.95	67.94	5,303.60	1,650.98

(Source: TWAD Board, Chennai)

4.1.1 Delayed release of Central Assistance

Audit scrutiny of records revealed that, during the mission period upto 2022-23, the GoI share funds received by the State Government were released to the SNA with delays ranging from 6 to 104 days beyond the stipulated transfer date.

[1] OB taken from erstwhile National Rural Drinking Water Programme.

Further, delays ranging from 14 to 313 days were noticed in the release of State's share to SNA. The details of delays in release of funds is given in **Appendix 4.1**. Mission Director, JJM replied (February 2025) that normally the State's share was released on time and that the delay stated was due to administrative reason. Audit observed that, though there was delay in release of funds, the progress of the works under JJM was not affected for want of funds.

4.2 Short collection of community contribution under JJM

JJM operational Guidelines of GoI stipulates that recovery of user charges and full O&M will form the cornerstone of the long-term sustainability of the Mission. The State specific Guidelines issued in 2020 and 2022 reiterated the same by stating that the VPs were responsible for O&M of the in-village components of the Mission. The community contribution for in-village piped water supply infrastructure and related source development should be collected before commencement of the work from households in VPs as detailed below:

- Five *per cent* of the capital cost in cash and/or kind and/or labour in hilly and forested areas and habitations/VPs having more than 50 *per cent* SCs and/or STs population;
- 10 *per cent* of the capital cost in cash and/or kind and or labour in other habitations/VPs.

Willingness of the community and contribution under JJM is mandated from at least 80 *per cent* households of the village as a pre-requisite for taking up water supply schemes. As of July to October 2024, the community contribution amount due, collected and the balance to be collected from beneficiaries in the selected Districts and Blocks are detailed in **Table 4.2**.

Table 4.2: Status of community contribution

(₹ in crore)

District	District level			Selected Blocks		
	Due	Collected	Balance (in *per cent*)	Due	Collected	Balance (in *per cent*)
Coimbatore	6.46	5.50	0.96 (*15*)	1.38	0.96	0.42 (*31*)
Nagapattinam	3.37	0	3.37 (*100*)	0.92	0	0.92 (*100*)
Ramanathapuram	7.75	1.84	5.91 (*76*)	1.54	0.60	0.93 (*61*)
Salem	28.26	5.01	23.25 (*82*)	2.87	0.61	2.27 (*79*)
Theni	16.31	3.27	13.04 (*80*)	3.42	0.90	2.52 (*74*)
Viluppuram	10.08	8.39	1.69 (*17*)	1.05	0.98	0.07 (*7*)
Total	**72.23**	**24.01**	**48.21 (*67*)**	**11.18**	**4.05**	**7.13 (*64*)**

(Source: Data obtained from DRDAs)

As seen from **Table 4.2**, against ₹72.23 crore due as community contribution in the six selected districts, the collection was only ₹24.01 crore (33 *per cent*). In selected Blocks, as against ₹11.18 crore to be collected as community contribution, the VPs collected only ₹4.05 crore (36 *per cent*). Further, no community contribution was collected in Nagapattinam District.

Government replied (April 2025) that the balance amount would be collected at the earliest. However, the fact remains that the Operational Guidelines were not followed in ensuring the collection of community contribution before execution of works.

Recommendation 8: The Government should ensure that the requisite community contributions as per the Operational Guidelines are collected from the beneficiaries.

4.3 Short collection of water charges

One of the essential criteria for hassle free O&M of water supply schemes was cost recovery and proper financing policy which would increase the financial viability and sustainability of implementing agencies. Collection of water tariff was also emphasised in the State specific operational guidelines for JJM. Accordingly, the VPs must collect minimum water tariff amount[2] of ₹30 per month.

In this context, the data regarding number of water connections provided as of November 2024 and the water charges assessment conducted by VPs during 2024-25 were obtained from the JJM portal and the VP tax portal respectively. The details are given in the **Table 4.3**.

From **Table 4.3** it was seen that, JJM dashboard's data on number of FHTCs provided was higher than the number of assessments of water charges in the five districts indicating that a significant number of households having FHTCs were not assessed for water connection charges. This resulted in substantial short collection of revenue.

Table 4.3: Details of non-assessed connections

District	FHTC provided as per JJM Dashboard	Water charges assessed
Coimbatore	3,72,578	3,07,075
Ramanathapuram	1,11,024	21,313
Salem	5,65,111	2,64,994
Theni	1,85,013	76,296
Viluppuram	3,87,786	1,39,598

* Details not furnished for Nagapattinam District

(Source: Data compiled by Audit)

The non-assessment and short-collection of water connection charges placed an additional burden on the Operation and Maintenance of the Mission, besides revenue loss to the implementing agency.

Government replied (April 2025) that action is being taken to bring all households for assessment of water connections. The reply points to the fact that effective measures were not taken to ensure collection of water charges for the in-village water supply.

Recommendation 9: The Government should ensure that water charges be assessed and collected from all the beneficiaries so as to augment the revenue source of the VPs.

4.4 Other issues

Other district-specific issues on financial management noticed in the selected districts are detailed below.

[2] As per G.O.No.260, RD&PR Department dated 09 December 1998.

4.4.1 Diversion of JJM funds to DRDA Administrative Account

A review of the cash books of DRDA, Theni revealed that an amount of ₹3.23 crore pertaining to the Earnest Money Deposit (EMD)/Security deposit received from contractors for works under the JJM, were diverted to the DRDA Administrative Account between 2019-20 and 2023-24. The EMD amount is to be refunded to the contractors upon completion of the work. Instead, Audit noticed that the amount was diverted and utilised for routine administrative expenses.

On being pointed out, Assistant Project Officer, DRDA, Theni replied (September 2024) that since 2016-17, no funds were received from the Government to cover staff salaries and administrative expenses. Hence, the said amount was transferred to the DRDA's Administrative Account. Government replied (July 2025) that the amount pertaining to EMD and Additional Security Deposit for JJM works 2020-21 and 2022-23 was ₹1.25 crore, of which ₹30.55 lakh was released to contractor thus far and the balance would be refunded on request from the contractor. The reply is however silent about diversion of funds for payment of salaries and Administrative Expenses.

4.4.2 No uniformity in collection of Community Contribution - Theni

A review of deposit collections in the Uthamapalayam and Bodinayakannur blocks of Theni District revealed that, the community contribution collected from 305 households for providing FHTCs under JJM ranged between ₹650 to ₹3,000 both within and across various habitations. However, no reason was provided for the variation in amount collected within the same district.

Government replied (July 2025) that since collection of community contribution is purely based on the capital cost and number of households in the habitations/ VPs, the variation in the community contribution collected varies within the same district. The reply is not tenable as variations were noticed within the same habitations also.

4.4.3 Non-remittance of Labour Welfare Fund deductions - Nagapattinam

A review of payments made to the Contractors for the works in respect of JJM in Nagapattinam District revealed that though one *per cent* of Invoice amount was deducted as Labour Welfare Fund (LWF) from the bills the same was not remitted to the LWF account by three Blocks of Nagapattinam District as given in **Table 4.4**.

Table 4.4: Non-remittance of LWF into Labour Board accounts

Block	Amount of LWF deducted and kept in the accounts of the blocks (in ₹)
Keelaiyur	7,13,384
Nagapattinam	4,83,379
Thirumarugal	3,64,087
Total	**15,60,850**

(Source: Data furnished by DRDA)

Government replied (April 2025) that necessary action is being taken to remit the Labour Welfare Fund amount to the LWF account. The fact remains that these lapses point to ineffective monitoring in financial progress of works under JJM.