

Minutes of the 18th Joint meeting of the Audit Review Committee (ARC) and the Budget Review Committee (BRC) of National Mission for Clean Ganga (NMCG) held on 19th December 2022 at NMCG office, New Delhi.

The 18th Joint meeting of the Audit Review Committee (ARC) and the Budget Review Committee (BRC) of the National Mission for Clean Ganga (NMCG) was held at 3:00PM on 19th December 2022 in NMCG office New Delhi under the chair of Director General, NMCG. A list of participants is at Annex I.

2. At the outset, Executive Director (Finance), NMCG welcomed DG and all participants. Executive Director (Finance) informed that this is the third joint meeting of the ARC & BRC of the NMCG in the current financial year. These meetings are now being convened separately, a break from the earlier practice of holding them alongside the Executive Committee meetings.

3. In his opening remarks, DG, NMCG appreciated the recent initiatives of Finance Unit to improve financial disciplines, and to provide regular guidance to State Missions for Clean Ganga (SMCGs) through monthly minuted interactions on various issues including NMCG's transition to TSA. He noted the progress made in resolving various legacy issues, such as much needed reconciliation of NMCG Accounts with Accounts of SMCGs, refund of interest on Grants-in-aid, streamlining the system of Utilization Certificate etc. These concerted efforts have resulted in substantial reduction in unspent balance at the level of both NMCG and the SMCGs. He also noted that actual spending during the current FY is more than Rs. 1700 crore, which is nearly 3 times of the expenditure at this point in time last year.

4. DG, NMCG empathized the following:

Firstly, even though there is a substantial decrease in unspent grants-in-aid available with SMCGs, there is still significant bank balance in pre-TSA Bank Accounts, in particular with SMCG- Uttar Pradesh, and SMCG- Bihar. The TSA guidelines require refund of all such unspent bank balance (central share) to the Consolidated Fund of India (CFI). He, therefore, advised all SMCGs to immediately refund unspent balance. This would also facilitate higher spending against Assignment Limits allocated during the current FY. It was also clarified that refund of unspent balance would not impact any ongoing programme, and SMCGs can ask for additional fund whenever required.

Secondly, he emphasized the need to accelerate spending. While NMCG has already released nearly Rs. 1500 crore in current FY, our target is also much higher. The challenge is not only to utilize the budget allocations, but also to utilize the unspent balance in the system from the previous years. He pointed out that while a large number of projects have been completed in recent past, the physical progress is not reflected in financial progress. He asked all SMCGs to look at project-wise booking of expenditure, and ensure that all admissible expenditure including centage, DPR preparations, O&M etc. are regularly booked. He also directed ED(Project) and ED(Finance) to undertake a project-wise review with all SMCGs.

Thirdly, it was emphasized by DG, NMCG that SMCGs should prepare for a significant higher fund utilization during the next FY. Annual Plan and Q-1 expenditure Plan for FY 2023-24 should be finalized quickly, as next year's budget allocation is expected to be nearly double of this year's allocation.

Fourthly, financial discipline at the level of SMCGs also need to improve. The reconciliation exercise has identified the rectifications required by SMCGs (as also by NMCG); and these should be completed without further delay. It was noted that some of the SMCGs are still not convening ARC/ BRC meetings regularly. SMCGs of UP and Bihar have not convened any ARC/ BRC meeting since June last. DG, NMCG also advised that utilization of grants-in-aid should be reported project-wise in the format circulated by the Finance.

5. Executive Director (Finance), NMCG thereafter made a detailed presentation, a copy of which is at Annex II. At the outset he summed up several initiatives undertaken by the Finance Unit, NMCG. On TSA implementation, in addition to 5 SMCGs, 11 Executing Agencies have been on-boarded and on-boarding of 5 more agencies is in process. NMCG and all SMCGs have refunded the interest accrued on Grants-in-aid to the CFI. A day-long Training session was also organized on TSA and PFMS to enhance capacity in NMCG, SMCGs and EAs, which was attended by 25 organizations. A much needed exercise to reconcile the NMCG Accounts with Accounts of SMCGs have started. The SMCGs are in process of refunding pre-TSA bank balances, and they have already liquidated a major part of the unspent bank balance available with them at the start of the current financial year. He thanked all SMCGs for their cooperation in addressing so many legacy issues in a short span of few months. However, ED (F) also stated that a lot more remains to be done, particularly in taking the reconciliation exercise to conclusion. He also emphasized on reporting of project-wise utilization.

6. ED(F) stated that a very heartening development is that Audited annual accounts of NMCG for FY 2021-22 are ready to be laid in the Parliament during the on-going Winter session, thus fully complying with timelines prescribed in the GFR. He also apprised the SMCGs that the Finance part of NMCG website has been revamped, and many useful resources have been added, including FAQ & Guidance Note on TSA, Guidelines & Instructions on TSA, training material on TSA/PFMS, important communications to SMCGs etc. This is also being updated regularly. He advised SMCG Finance Teams to visit these resources regularly.

7. While there has been an appreciable reduction in unspent balance by all SMCGs, ED (F) stated that there is still a significant balance with Uttar Pradesh (Rs.270.17 core) and Bihar (104.34 crore), inclusive of state share. The Committee was informed that SMCG Uttarakhand has refunded the unspent balance of grants-in-aid. Remaining SMCGs were requested to refund the central share of unspent balance at the earliest. Those SMCGs who have refunded the interest on grants-in-aid and unutilized balance in the pre-TSA bank accounts are also advised to confirm/ certify that the entire interest / unutilized amount relating to Central share has been refunded.

8. So far as the expenditure plan for the last quarter of current financial year is concerned, ED(F) informed that about Rs. 1000 crore budget allocation still remains to be utilized. SMCGs were advised to draw-up a plan for maximum utilization budget allocations by reviewing project-wise booking of expenditure, including for the commissioned projects. He pointed out that several projects have been commissioned in the recent time, for which regular booking of operation and maintenance expenditure needs to be ensured. Further, the Centage payable to EAs may be reviewed, and admissible expenditure claimed from NMCG. However, he clarified that centage is not payable automatically as a percentage of capex; but the amount actually spent by the EAs within the 4 percent cap can be claimed. Project Director, SMCG West Bengal informed the Committee that their proposal for cost revision of three projects is under consideration at NMCG level and if approved, SMCG West Bengal would require additional assignment limit. ED(F) also requested SMCGs to draw up expenditure and annual Action Plan for next financial year quickly, as fund allocation in the next FY is likely to much higher.

9. Executive Director (Projects) suggested that bid documents should be prepared in such a manner that SMCGs should be able to publish them as soon as a project is approved and Administrative Approval & Expenditure Sanction is issued by NMCG. This will save time and help in timely completion of projects.

10. On the reconciliation exercise, ED(F) stated that the NMCG team has recently visited SMCGs of UP, Bihar and West Bengal, and records of SMCG Jharkhand have been scrutinized in NMCG office in New Delhi. The NMCG team will visit SMCG Uttarakhand shortly. Reasons for the mismatch in financial figures between NMCG and SMCG accounts, particularly of expenditure incurred, have been identified. The differences are mainly due to different accounting treatment of expenditure, non-segregation of expenditure from central & State share, non-availability of Tally based computerized records prior to FY 2014-15 etc. Now the rectification entries are required to be carried out both by NMCG & SMCGs. He emphasized that the rectifications are required to be done in a time bound manner, preferably by 31 December 2022, and latest by 15 January, 2023. If required, a professional chartered Accountants firm may be engaged for timely completion of reconciliation.

11. ED(F) also emphasized that financial database should be updated by SMCGs before every Parliament Session. He requested all SMCGs to prepare a project-wise and year-wise statement of expenditure, separately against central and state share, since the inception of the programme. This should be done by 15th January, 2023. Once a project-wise database is prepared, its updating may not be difficult as now all SMCGs are reporting project-wise expenditure.

12. ED (F) informed the Committee that the consolidated audit certificate for the expenditure incurred under World Bank Assisted National Ganga River Basin Project (NGRBP) for FY 2020-21 has been received from the O/o the Comptroller and Auditor General. Expenditure to the tune of Rs. 92.85 crore has been found inadmissible by C&AG. As regards certification audit for FY 2021-22, ED (F) informed the Committee that although loan agreement with

World Bank ended on 31 December 2021, the extant policy of the World Bank permits a 4-month grace period for claiming expenditure under the loan. Therefore, expenditure under this loan was claimed up to April, 2022, and SMCGs were advised to audit their accounts by one extra month. SMCG- Bihar informed that the O/o State Accountant General has not agreed to audit records for 13 months. ED(F) stated that while NMCG will take up the matter with O/o AG-Bihar, if audit for one extra month is not possible, SMCG Bihar should complete audit for the usual FY period. Among the remaining SMCGs, audit has been completed in respect of SMCGs of Uttarakhand, West Bengal and Jharkhand. For SMCG-UP, Audit is in progress. In case of NMCG, certification audit for FY 2021-22 has been completed and report is awaited.

13. So far as internal audit is concerned, ED(F) pointed out that at present there is no harmonized system of Audit, nor is there any standard format for internal audit. In order to improve efficacy of this important financial control, and a more coordinated schedule of audit, he proposed that internal auditors of SMCGs may be engaged centrally by NMCG from next FY 2023-24. Views of SMCGs were invited on the proposal. All SMCGs agreed to the proposal. It was decided that since SMCG Jharkhand has already appointed auditors for FY 2023-24, for them the new arrangements will be effective from FY 2024-25. For the remaining SMCGs, appointment of internal auditors will be done centrally from FY 2023-24.

14. The committee was also apprised about the status of internal audit of SMCGs for the current FY. Internal Audit for first quarter has been completed for all SMCG, and reports have been received by NMCG from all SMCGs except SMCG-Bihar. Audit for second quarter has also been completed for SMCGs of Uttar Pradesh, Jharkhand and West Bengal. In case of NMCG, first quarter report is being finalized and second quarter audit is under way. ED (F) stated that while internal audits are being conducted fairly regularly, what is important is to act on audit observations, bringing about improvements in the system. Otherwise, internal audit would remain a mere ritual. He advised SMCGs to convene meetings of ARC & BRC on regular basis, and apprise the Committee about action taken on the audit observations. While all SMCGs are now convening ARC/ BRC meetings more frequently, SMCGs of Uttar Pradesh and Bihar, which have not held any meeting since June last, were advised to convene meetings of the said Committees more regularly.

15. Lastly, ED (F) informed the Committee that in pursuance of the decision taken in the 17th meeting of ARC/BRC, a format was devised and circulated to enable SMCGs to report project/activity-wise expenditure along with outcome. This format may be annexed to the Utilization Certificate furnished by SMCGs. The new system of reporting has been effective from the 2nd quarter of FY 2022-23. ED(F) informed that except for West Bengal, no other SMCG has submitted UC for second quarter.

16. Thereafter, ED(F) requested SMCGs of UP and West Bengal to make presentation on the recommendations of internal audit, and action taken thereon. Project Director (PD), SMCG- West Bengal in her presentation (Annex III) informed that all relevant documents pertaining to project expenses were

furnished to the Auditors. The audit report has also acknowledged this. There is only one actionable observation on wrong deduction of TDS under Income Tax on the purchase of stationery items, for which requisite instructions have been issued.

17. PD, SMCG – West Bengal also mentioned a few additional issues. She informed that two posts are vacant in SMCG and one more officer has resigned recently. She requested ED (Admin) to fill up these vacancies at the earliest. ED (Admin) informed that no application was received for one of the two vacant posts advertised, i.e., for Chief Technical Officer. For the post of Junior Accountant, none of the applicants was found suitable by the selection committee. He assured that these posts will be republished shortly. PD, SMCG- West Bengal also sought clarification whether additional GST approved by the Executive Committee of NMCG in respect of a particular project may be applied for all similar projects. ED(F) stated that project specific approval should not be applied across projects, and advised SMCG to make a reference in respect of projects to which the decision is proposed to be extended.

18. Director (Finance), SMCG-UP thereafter presented (Annexure IV) key findings of their internal audit for FY 2021-22. Key observations pertain to non-adjustment of advances with Executing Agency, non-availability of closure report of the project, pending Utilization Certificates from the District Ganga Committee etc. Additional Project Director, SMCG-UP stated that Audit observations have been acted upon.

19. ED(F), NMCG stated that Internal Audits are meant to detect deficiencies, and suggest system improvements. Therefore, it is a healthy sign that some short comings have been pointed out by the Audit. What is important is to take the Audit observations in right spirit, and take suitable corrective actions.

20. To sum up, the following points require immediate action:

- (i) SMCGs to refund the Central Share of unspent bank balance in pre-TSA bank accounts latest by the first week of January 2023;
- (ii) SMCGs to draw-up the expenditure plan for the last quarter of the current financial year (FY 2022-23), first quarter of next financial year (FY 2023-24) and annual action plan for next financial year (FY 2023-24).
- (iii) ED (P) and ED(F) to jointly review project-wise expenditure booking with SMCGs and also to review physical progress vis-à-vis financial progress in first week of January, 2023.
- (iv) SMCGs to prepare project-wise expenditure for each year since inception of NGRBA/ Namami Gange Programme, separately from central & State share, by 15.01.2023.
- (v) SMCG & NMCG to conclude the reconciliation exercise, with all rectification entries by 15.01.2023.
- (vi) Appointment of Internal Auditors of SMCGs will be done centrally from FY 2023-24 (for SMCG Jharkhand from FY 2024-25).

The meeting concluded with a vote of thanks to all participants.

List of Participants present in the 18th Joint meeting of the Audit review Committee (ARC) and Budget Review Committee (BRC) of National Mission for Clean Ganga (NMCG) held on Monday, 19 December 2022 at NMCG office, New Delhi.

1. Shri G Asok Kumar, Director General, NMCG ----- In Chair
2. Shri S.P. Vashisth, Executive Director (Administration), NMCG
3. Shri Himanshu Badoni, Executive Director (Project), NMCG
4. Shri Bhaskar Dasgupta, Executive Director (Finance), NMCG
5. Shri Brijesh Sikka, Senior Advisor, NMCG
6. Shri Jasvinder Singh, Senior Consultant (Finance), NMCG
7. Shri Manan Mudgal, Financial Management Specialist, NMCG
8. Shri Harish Shishodia, Consultant (Finance), NMCG
9. Ms. Neema Joshi, Executive Assistant, NMCG

Through video conferencing:

10. Ms. Nandini Ghosh, Program Director, SMCG West Bengal
11. Shri Praveen Mishra, Additional Project Director, SMCG UP
12. Shri Ratnesh Kumar Singh, Director (Finance), SMCG UP
13. Shri Ranjan Kumar Jana, Director (Finance), SMCG West Bengal
14. Ms. Shivani Pandey, Director (Finance), SMCG Uttarakhand
15. Shri Krishn Kumar, Deputy Director, SUDA, Jharkhand
16. Shri Pradeep Bhatt, Sr. FMS, SMCG Uttarakhand
17. Shri Jai Prakash Agarwal, Sr. FMS, SMCG Bihar
18. Ms. Priya Agarwal, Sr. FMS, SMCG UP
19. Shri Bibhuti Kumar, MIS/ GIS Specialist, SMCG Jharkhand
20. Shri Sandeep Kumar, Superintendent Engineer, UP Jal Nigam