5: GRANTS-IN-AID: AN ANALYSIS

5.1 Introduction

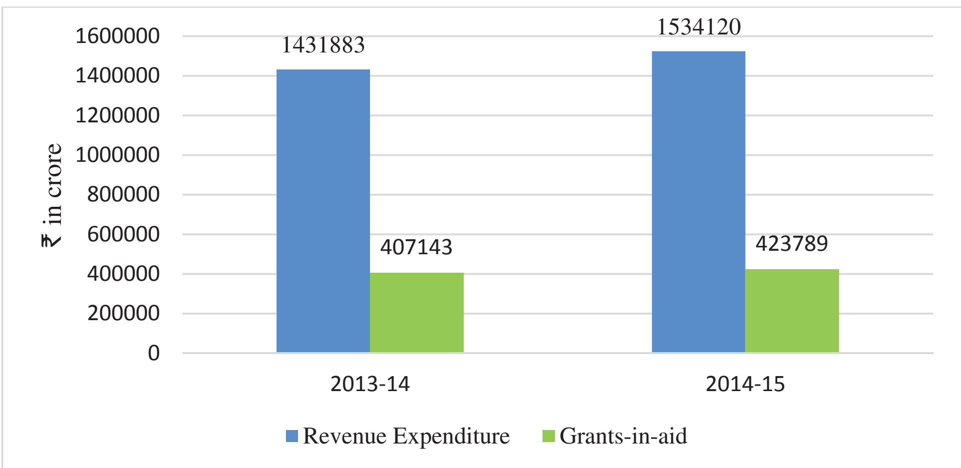
The shifting paradigm of public administration has entailed delivery of public goods through new and ever evolving methods. Grants-in-aid have emerged as a significant mode of spending for the Union Government for delivery of public goods. In fact, over a period of time, grants-in-aid has constituted, with the exception of debt repayments, the single largest item of expenditure for the Union Government.

Grants-in-aid are payments in the nature of assistance, donations or contributions made by one government to another government, body, institution or individual. Grants-in-aid are given by the Union Government to State Governments and/or Panchayati Raj Institutions. Union Government also gives substantial funds as grants-in-aid to other agencies, bodies and institutions. Similarly, the State Governments also disburse grants-in-aid to agencies, bodies and institutions such as universities, hospitals, co-operative institutions and others. The grants so released are utilized by these agencies, bodies and institutions for meeting day-to-day operating expenses and for creation of capital assets, besides delivery of services.

5.2 Trend of Expenditure

Grants-in-aid is given in cash or in kind, but have to be always accounted for as revenue expenditure in the books of the grantor irrespective of the purpose for which it has been given. During the period 2013-14 and 2014-15 expenditure on grants-in-aid was nearly 28 *per cent* of the revenue expenditure of the Union Government (excluding Railways) as depicted in the **Chart 5.1**.

Chart 5.1: Grants-in-aid as a proportion of revenue expenditure



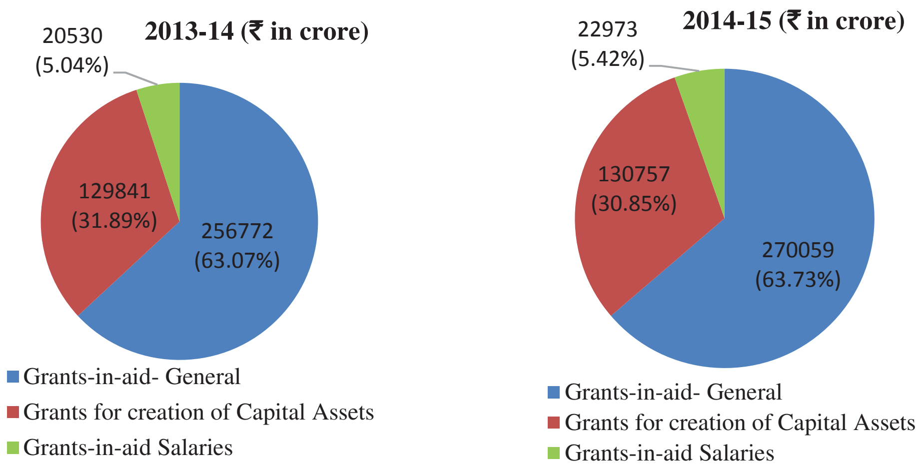
Source: Revenue Expenditure- Finance Accounts (excluding Railways)
Grants-in-aid- E-lekha data dump upto 59 JEs (November 2015). Data includes expenditure, net of recoveries (Object Head-70-Deduct recoveries) excluding 'Railways'.

As compared to 2013-14, grants-in-aid in absolute terms have grown by four *per cent* and the revenue expenditure grew up by seven *per cent* in 2014-15.

Grants-in-aid expenditure is exhibited in the budget and accounts at the lowest level of disaggregation, viz., as an object head. Up to 2008-09, expenditure of Union Government on grants-in-aid was recorded under a single object head 31-Grants-in-aid. At present three separate object heads are being operated to capture this expenditure. These are object head 31-Grants-in-aid General; 35-Grants for creation of Capital Assets; and 36-Grants-in-aid Salaries. The object head '35-Grants for creation of Capital Assets' was opened from the financial year 2009-10 and the nomenclature of existing object head '31-Grants-in-aid' was modified from financial year 2010-11 to read as '31-Grants-in-aid General'. Further, the object head '36-Grants-in-aid-Salaries' was opened from the financial year 2011-12.

The **Chart** below depicts the different types of grants-in-aid given by the Union Government during 2013-14 and 2014-15.

Chart 5.2: Types of Grants-in-aid



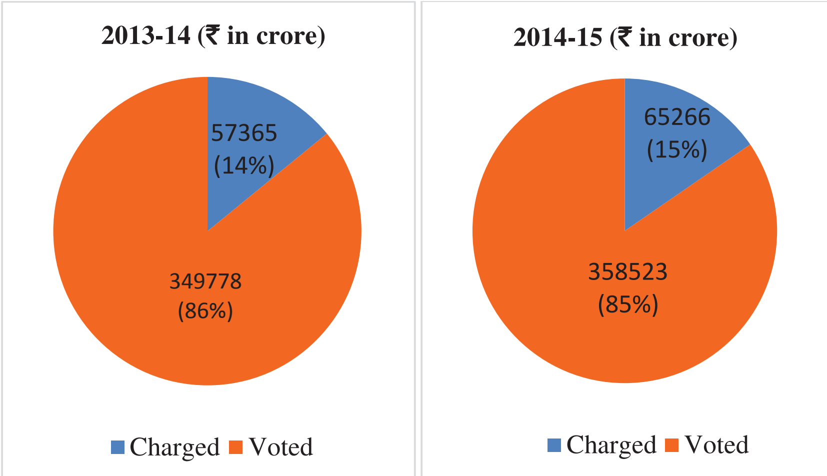
Source: e-lekha data dump upto 59 JEs (November 2015). Data includes expenditure for all Civil, Posts and Defence grants but excludes 'Railways'.

5.2.1 Charged and Voted Grants-in-aid

Of the total grants-in-aid expenditure for the financial year 2014-15, charged expenditure constituted about 15 *per cent*. These grants, which are non-plan in nature, are made in terms of Article 275(1) of the Constitution.

The **Chart 5.3** shows the break-up of grants-in-aid into charged and voted during 2013-14 and 2014-15.

Chart 5.3: Charged and Voted Grants-in-aid



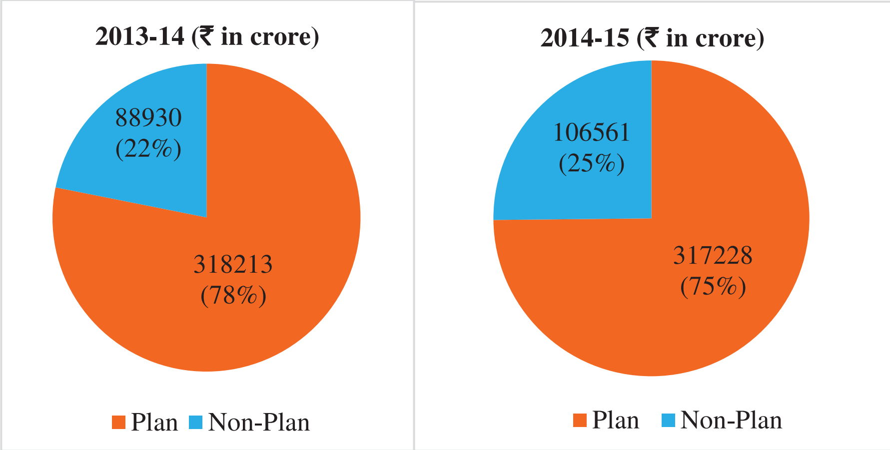
Source: e-lekha data dump upto 59 JEs (November 2015). Data includes expenditure for all Civil, Posts and Defence grants but excludes 'Railways'.

Charged grants-in-aid for the year 2014-15 were released, mainly, in two demands viz. Transfers to State and Union Territory Governments and Ministry of Tribal Affairs. Out of charged grants of ₹ 65,266 crore, grants of ₹ 61,813 crore was given under Demand No. 36- Transfers to State and Union Territory Governments. The grants under Article 275(1) of the Constitution are essentially for non-plan revenue deficit of States, elementary education, environment, improving outcomes, maintenance of roads and bridges, local bodies, calamity relief, etc. Similarly, the Ministry of Tribal Affairs provides plan grants for schemes under Article 275(1) of the Constitution for creating critical infrastructure projects in tribal areas and for the welfare of scheduled tribes.

5.2.2 Plan and Non-plan grants

Grants-in-aid are given by the Union Government both for execution of plan schemes and for other purposes. The **Chart 5.4** shows the break-up of grants-in-aid under plan and non-plan category. Grants-in-aid given for execution of plan schemes, account for bulk of the grants-in-aid. The share of plan grants-in-aid was 78 *per cent* and 75 *per cent* of total grants-in-aid during 2013-14 and 2014-15 respectively.

Chart 5.4: Plan vs Non-Plan Grants-in-aid under Revenue head



Source: e-lekha data dump upto 59 JEs *(November 2015). Data includes expenditure for all Civil, Posts and Defence grants but excludes 'Railways'.*

As compared to 2013-14, plan grants have decreased by ₹ 985 crore, while the non-plan grants have increased by ₹ 17,631 crore during 2014-15.

5.3 Changing nature of plan grants-in-aid expenditure

Beginning mid-nineties, the Union Government has been following the practice of transferring money required for implementation of several centrally sponsored schemes directly into the bank accounts of implementing agencies which are societies, autonomous bodies, non-government organisations, etc. This mode of transfer is often referred to as 'society mode'. Such entities are both at the State and District level and their funds are outside the Consolidated Fund of the State.

The other mode of transfer of grants of the Union Government is through the State Governments and is referred to as 'treasury mode', which entails crediting of amount so transferred into the Consolidated Fund of the States in conformity with Article 266 of the Constitution of India. The amount so credited is then appropriated out of Consolidated Fund of the States through legislative authorisation. This mode of transfer is supported by a robust accounting system that tracks down expenditure up to the final head of accounting wherein vouchers for each transaction are available with the treasury and the State Accountant General. This well-developed accounting framework ensures proper financial management and provides oversight on quality of expenditure. The quantum of transfer of grants through the society mode and the expenditure booked in the accounts of the Union Government increased from ₹ 43,816 crore[1] during 2006-07 to ₹ 1,12,708 crore during 2013-14.

[1] Direct release to implementing agencies under revenue section in the years 2006-07 and 2013-14 were ₹ 43,372 crore and ₹ 1,12,050 crore respectively.

As a part of larger exercise to rationalise various developmental and social assistance efforts, the existing Centrally Sponsored/Additional Central Assistance schemes were restructured into 66 schemes in terms of Planning Commission's Office Memorandum of July 2013. The Office Memorandum envisaged that from the financial year 2014-15 funds for all Centrally Sponsored Schemes as well as additional central assistance associated with these 66 schemes will be transferred through the Consolidated Fund of the States concerned in phased manner.

Accordingly, Union Budget for 2014-15 did not provide any funds towards direct transfer of central plan assistance to state/district level autonomous bodies/implementing agencies. However, an analysis of PFMS data revealed that an amount of ₹ 23,425.80 crore has been shown as direct release to implementing agencies in the States by the Union Government. On this being pointed out, the office of CGA stated (November 2015) that PFMS is merely a technology platform that facilitates release and tracking of funds from the centre to the local level. The mode of release, i.e., whether through State Consolidated Fund or by direct transfer to agency is the decision of the respective Ministries/Departments.

Out of the total Plan grants-in-aid, ₹ 1,43,207 crore and ₹ 2,58,292 crore was transferred to State Governments/UTs under the Major head 3601 and 3602 during the year 2013-14 and 2014-15 respectively as disclosed in *e-lekha* database.

5.3.1 CAG's audit arrangements in the case of grants-in-aid expenditure

Public Service delivery especially in the social sector is characterized by increasingly complex inter-relationships between Government agencies, different levels of Government, and the private sector including non-governmental organisations. In recent years, there has been a paradigm shift in the Central Government strategy for implementation of flagship programmes and other centrally sponsored schemes, which constitutes a significant proportion of plan expenditure.

The Union Government maintains a database of all grants-in-aid released to various agencies under the plan schemes for the Civil Ministries/Departments excluding Ministry of External Affairs, Department of Atomic Energy and Department of Space. The database is called the Public Financial Management System (PFMS) (formerly Central Plan Scheme Monitoring System-CPSMS). Based on data made available to Audit, the broad categories of grants-in-aid expenditure were analysed. The details of grants released as captured in PFMS, together with the existing public audit arrangements in terms of the principal categories of recipients are given in the **Table 5.1**.

Table 5.1: Category-wise Plan grants released during 2014-15 and audit mandate

Category	Amount released (₹ in crore)	Audit Mandate of CAG in terms of CAG's (Duties, Powers and Conditions of Service) Act, 1971
Central Government Institutions*	1,838.76	Section 14, 15 & 20
State Governments / Union Territories	2,58,200.05	Section 13
Central Government Public Sector Undertakings	7,598.80	Section 19(1)
State Public Sector Undertakings	715.47	Section 19(1)
Statutory Bodies	9,716.73	Section 19(2) & (3)
Local Bodies	3,377.91	Section 14, 15 & 20 and under Technical Guidance and Support.
Registered Societies (Government Autonomous Bodies)	29,391.40	Section 14, 15 & 20
Registered Societies (Non-Governmental Organisations)	1,083.00	Section 14, 15 & 20
Private sector Companies	1,334.38	Section 14, 15 & 20
State Government Institutions	363.32	Section 13, 14, 19 & 20
International Organisations	60.17	--
Individuals	18.20	--
Trusts	1,085.62	--
State Government Drawing and Disbursing Officers	1.94	--
Total	**3,14,785.75**	

Source: Information provided by PFMS division of O/o CGA (October 2015)
** The category name (agency type) depicted in database is 'Central Government' only. Other category descriptions in agency types have been adopted as depicted in PFMS database.*

- In above table, the first four categories represent government or public sector entities, where the audit of the CAG of India is unambiguous. In these cases, the mode of transfer is supported by a robust accounting system and especially expenditure relating to State and UT Governments can be tracked down to its finality.
- In the case of local bodies like Panchayati Raj Institutions and urban bodies, like Corporations and Municipalities, the CAG is not the primary auditor in most of the States but has been providing technical guidance and supervision/support to the primary auditors.
- A substantial amount of the plan funds is also being released to registered societies/Non-Government Organisations/Trusts. Most of these institutions are not under the direct audit jurisdiction of the CAG. The CAG's (Duties, Powers and Conditions of Service) Act 1971, stipulate that the audit of bodies or authorities substantially funded by

Government can be audited by CAG only if the assistance by way of grant or loan is not less than ₹ 25 lakh and the amount of such assistance is not less than 75 *per cent* of the total expenditure of that body or authority. Alternatively, CAG can take up the audit of those institutions with the previous approval of the President of India if the assistance given to those institutions is not less than ₹ one crore. Thus for CAG to take up the audit of these bodies which are substantially funded by the Government, the details of the total expenditure of the grantee institution are required to satisfy that the grant/assistance given by the Government exceeds 75 *per cent* of total expenditure of that institution. This requires Annual Accounts of those entities to be made available to the CAG. Regulations on Audit and Accounts notified in November 2007 contain a provision that the Governments and heads of departments which sanction grants and/or loans to bodies or authorities shall furnish to the audit office by end of July every year a statement of such bodies and authorities to which grants and/or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating- (a) the amount of assistance; (b) the purpose for which the assistance was sanctioned; and (c) the total expenditure of the body or authority. The Government, however, does not have a mechanism to obtain the Annual Accounts of the bodies substantially funded by it for forwarding these accounts to the CAG. This limits timely conduct of the audit of such entities and also reporting of audit results to the Parliament by the CAG.

- Various autonomous bodies and societies receiving government funding are audited under Sections 14, 15, 19 and 20 of the CAG's (DPC) Act, 1971. However, the existing provisions do not have any specific provisions for audit of sub-grantees, implementing agencies, societies etc., receiving grants either directly or indirectly from the Consolidated Fund.

- Further, a substantial number of registered societies/ Non-Government Organisations/ Trusts are just first level grantees. They are not directly involved in the implementation of the plan scheme. They in turn give grants to the implementing agencies. Such sub-grantees do not directly fall within the audit jurisdiction of the CAG.

5.4 Utilisation Certificates (UCs)

The effectiveness and utilisation of grants-in-aid released by the Union Government is monitored through the mechanism of utilisation certificates. Rule 209 of General Financial Rules 2005 prescribes the principles and procedures for award of grants-in-aid to any grantee. The sanctioning authority is required to maintain a register of grants in form GFR 39. Rule 212 of General Financial Rules 2005 envisages monitoring of utilisation of the grants so released through the mechanism of utilisation certificate to be submitted by the grantee as prescribed in Form GFR 19A. The UCs are required to be submitted by the grantees within twelve months of the closure of the financial year.

Details with regard to grants released up to 31 March 2014 for which the UCs were due on 31 March 2015, were called for from all civil Ministries/Departments. However, the information was made available by 26 Ministries/Departments only, which are detailed in **Table 5.2.**

Table 5.2: Outstanding Utilisation Certificates

Sl. No.	Name of Ministry/Department	No. of UCs outstanding	Amount of UCs (*₹in crore)*
1.	Ministry of Agriculture*	4232	19,086.08
2.	Department of Fertilisers	2	0.40
3.	Ministry of Food Processing Industries	2011	445.14
4.	Department of Heavy Industries	14	882.95
5.	Department of School Education and Literacy	1957	21,845.98
6.	Department of Higher Education	2565	903.21
7.	Ministry of Personnel Public Grievances and Pensions	35	1.66
8.	Ministry of Urban Development	166	306.27
9.	Ministry of Housing and Urban Poverty Alleviation	489	1,120.04
10.	Ministry of Mines	02	0.09
11.	Department of Food & Public Distribution	14	20.73
12.	Ministry of Women & Child Development	4672	336.76
13.	Department of Public Enterprises	30	2.82
14.	Department of Pharmaceutical	33	44.81
15.	Ministry of Overseas Indian Affairs	06	3.07
16.	Ministry of Social Justice and Empowerment	10427	681.22
17.	Ministry of Development of North Eastern Region	929	3,840.92
18.	Ministry of Environment and Forests	6150	461.51
19.	Ministry of Water Resources	249	102.07
20.	Ministry of New and Renewal Energy	733	850.31
21.	Department of Space	289	14.66
22.	Department of Atomic Energy	1162	89.61
23.	Ministry of Micro, Small and Medium Enterprises	299	82.34
24.	Ministry of Earth Science	724	55.70

Sl. No.	Name of Ministry/Department	No. of UCs outstanding	Amount of UCs (₹in crore)
25.	Ministry of Minority Affairs	354	82.45
26.	Ministry of Drinking Water and Sanitation	25	266.30
	Total	**37569**	**51,527.10**

*Includes figures of Department of Agriculture & Cooperation and Department of Animal Husbandry, Dairying and Fisheries only.

It may be seen from above that in 26 Ministries/Departments, 37569 UCs involving ₹ 51,527.10 crore, which were due on 31st March 2015, were outstanding. UCs are the only mechanism for the Ministries to verify that the money has been utilized for the purpose for which it was given. Large number of outstanding UCs indicates deficient monitoring and follow-up mechanisms in the Ministries/Departments concerned.

5.5 Detailed examination of expenditure on grants-in-aid in the Ministry of Food Processing Industries and the Ministry of Earth Sciences

The expenditure incurred on grants-in-aid in two ministries viz. Ministry of Food Processing Industries and Ministry of Earth Sciences was reviewed in audit to derive an assurance with regard to the sanctioning and monitoring mechanism of grants, quality and effectiveness of the expenditure incurred, etc. The results arising out of such review are discussed in succeeding paragraphs.

Grant No. 46- Ministry of Food Processing Industries

5.5.1 Introduction

The functions of the Ministry can be broadly classified under policy support, policy initiatives, developmental initiatives and promotional initiatives.

The following four organisations have been set up under the administrative control of the Ministry of Food Processing Industries:

a) National Institute of Food Technology Entrepreneurship & Management (NIFTEM);
b) Indian Institute of Crop Processing Technology (IICPT);
c) Indian Grape Processing Board (IGPB); and
d) National Meat & Poultry Processing Board (NMPPB).

5.5.2 Budget and Expenditure

The total revenue expenditure of the Ministry increased from ₹ 665.45 crore in 2012-13 to ₹ 696.74 crore in 2014-15. Expenditure on grants-in-aid is one of the major components of the revenue expenditure of the Ministry. During the period 2012-13 to 2014-15, 83 *per cent* to 98 *per cent* of plan revenue expenditure was on grants-in-aid, whereas under non-plan revenue expenditure it ranged between 21 *per cent* and 29 *per cent* during the period 2013-14 to 2014-15. No expenditure was incurred under grants-in-aid (Non-Plan) during 2012-13.

Table 5.3: Provision and Expenditure on Revenue Account

(₹ in crore)

Year	Provision		Expenditure		Expenditure in grants-in-aid		Percentage of grants-in-aid as compared to actual expenditure	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
2012-13	660.00	10.16	655.88	9.57	642.78	--	98	0
2013-14	550.00	14.32	527.96	13.98	513.35	3.00	97	21
2014-15	600.00	17.74	679.73	17.01	565.65	5.01	83	29

Source: Information provided by Ministry.

The disaggregation of expenditure on grants by object heads '31-Grants-in-aid General', '35-Grants for creation of Capital Assets' and '36-Grants-in-aid-Salaries' for 2012-13 to 2014-15 is as under:

Table 5.4: Object head-wise expenditure

(₹ in crore)

Particular	2012-13	2013-14	2014-15	Total
31-Grants-in-aid-General	601.78 (93.62%)	464.37 (89.93%)	544.21 (95.37%)	1610.36
35-Grants for creation of Capital Assets	41.00	39.98	14.20	95.18
36-Grants-in-aid-Salaries	--	12.00	12.25	24.25
Total	**642.78**	**516.35**	**570.66**	**1729.79**

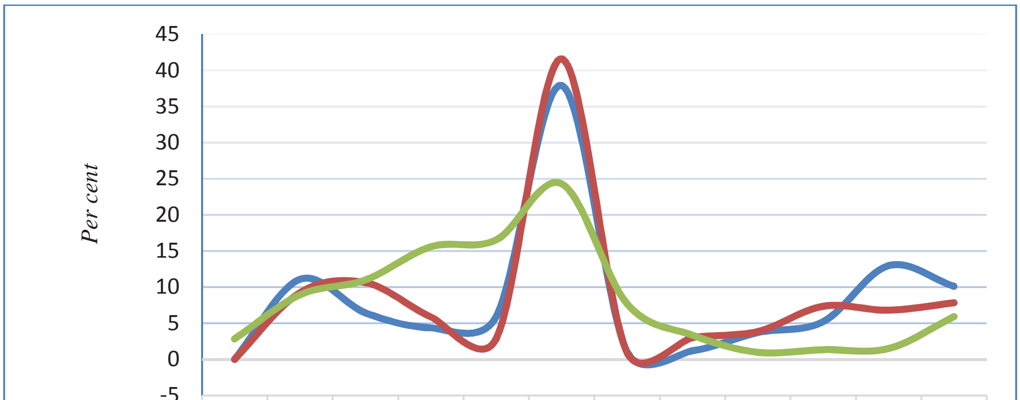
It is evident from the table that the expenditure on 'Grants-in-aid-General' constitutes more than 89 *per cent* of the total expenditure on grants incurred by the Ministry during 2012-13 to 2014-15.

5.5.3 Month-wise flow of expenditure on grants-in-aid

As per rule 212 (1) of the General Financial Rules, 2005, the Ministry or Department should ensure even flow of expenditure on grants-in-aid throughout the year.

The flow of plan expenditure of the Ministry in the course of the year was examined with the help of PFMS data base. It was observed that the Ministry had not adhered to the above provision while releasing grants-in-aid during 2012-13 to 2014-15. The **Chart 5.5** presents the monthly flow of plan expenditure on grants-in-aid.

Chart 5.5: Flow of plan expenditure



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2012-13	0	11.08	6.44	4.37	5.92	37.92	1.09	1.18	3.71	5.22	12.97	10.1
2013-14	0	9.24	10.63	5.88	2.86	41.6	0.96	3	3.85	7.35	6.8	7.83
2014-15	2.82	8.94	10.99	15.59	16.54	24.32	7.71	3.35	0.98	1.34	1.5	5.92

Source: Information provided by Ministry

From the above chart it is evident that flow of monthly expenditure was not even throughout the year during 2012-13 to 2014-15. Large part of plan expenditure was incurred in the month of September (37.92 *per cent during* 2012-13, 41.60 *per cent* during 2013-14 and 24.32 *per cent* during 2014-15), whereas negligible expenditure was incurred in the months of April, October, November and December during the three years period.

5.5.4 Grants sanctioned and released to agencies

The PFMS division of the O/o Controller General of Accounts maintains a database of grants-in-aid released to various agencies under the plan schemes. The details of plan grants-in-aid released by the Ministry during 2012-13 to 2014-15 are given in the **Table 5.5**.

Table 5.5: Grants sanctioned and released to agency

(₹ in crore)

Name of the agency	2012-13			2013-14			2014-15		
	Number of grantees	Grants Sanctioned	Grants released	Number of grantees	Grants Sanctioned	Grants released	Number of grantees	Grants Sanctioned	Grants released
Central Govt. Bodies	22	71.17	70.02	35	84.20	78.97	31	58.79	52.95
Central Govt. PSUs	02	0.07	0.07	02	0.12	0.12	01	0.08	0.08
Private Sector Companies	1283	355.59	355.14	1057	359.16	358.71	966	362.10	361.02
Registered Societies (Govt. Autonomous Bodies)	17	2.89	2.89	05	1.32	1.32	10	1.63	1.63
Registered Societies (NGOs)	214	6.81	5.92	188	8.79	7.62	122	5.26	4.24
State Government/UTs	41	253.19	189.13	36	186.47	31.19	33	180.00	125.31
State Government Institutions	32	22.20	18.73	42	42.34	36.17	53	32.70	21.04

Name of the agency	2012-13			2013-14			2014-15		
	Number of grantees	Grants Sanctioned	Grants released	Number of grantees	Grants Sanctioned	Grants released	Number of grantees	Grants Sanctioned	Grants released
State Government PSUs	03	0.11	0.11	--	--	--	--	--	--
Statutory Bodies	01	0.02	0.02	02	0.06	0.06	--	--	--
Local Bodies	--	--	--	--	--	--	--	--	--
Trusts	09	0.34	0.34	07	0.53	0.53	08	0.58	0.58
Individuals	--	--	--	--	--	--	--	--	--
Total	**1624**	**712.39**	**642.37**	**1374**	**682.99**	**514.69**	**1224**	**641.14**	**566.85**

As per the budget circular issued by the Ministry of Finance, the Ministry is required to enclose a schedule in the Detailed Demand for Grants (DDG) showing provisions included in budget estimates for payment of grants-in-aid to non-government bodies. Further, where lump sum provisions have been made under any scheme without details with regard to institutions, the details of institution-wise disbursement are required to be reported to the Parliament at a later stage. As per the DDG of the Ministry, Budget provision of ₹ 565.10 crore in 2012-13, ₹ 618.50 crore in 2013-14 and ₹ 506.00 crore in 2014-15, was shown towards assistance of grants-in-aid to non-government bodies; however institution-wise provision was not disclosed in the DDG. The related information sent to Parliament at later stage was also not found in the records of the Ministry.

5.5.5 Non-maintenance of data of Capital Assets created by the grantees out of Government grants

From the financial year 2009-10, a new object head 'Grants for creation of Capital Assets' was introduced to distinctly account for the grants released to the grantee bodies for creation of capital assets.

Rule 215(3)(1) of the General Financial Rules also enjoins that in case of funding of sponsored projects and schemes, stipulation should be made that the ownership in the physical and intellectual assets created or acquired out of such funds shall vest in the sponsor.

The Ministry released ₹ 95.18 crore to NIFTEM and IICPT under the object head 'Grants for creation of Capital Assets' during 2012-13 to 2014-15. The Ministry has been including a clause in the sanction orders that the assets created shall not be disposed of without the approval of the Ministry.

However, no centralized records/database viz. name of the grantee, details of assets created including nature of the assets created, amount of grants actually utilized for creation of capital assets, ownership of such assets, etc., were maintained by the Ministry.

In the absence of centralised data, assurance could not be derived that the expenditure of ₹ 95.18 crore during 2012-13 to 2014-15 booked under this head actually resulted in creation of capital assets for which the grants were sanctioned. Further, it is not clear as to how the Ministry was ensuring that the grantee bodies were not disposing of the assets created out of these grants without its approval, in the absence of any relevant inventory in the Ministry.

The Ministry accepted (September 2015) and assured that it would maintain proper records in respect of grants issued for creation of capital assets.

5.5.6 Improper maintenance of registers of grants-in-aid

As per Rule 212(4)(a) of GFR and para 4.27.2 of Civil Accounts Manual, a register of grants shall be maintained by the sanctioning authority in format given in Form GFR-39 and CAM-28 respectively with a view to guard against possibility of double payment. No bill should be signed unless it has been noted in this register against the relevant sanction. This also facilitates watching of payments in instalments, if any, in case of lump sum sanctions.

It was observed that register of grants were maintained at sectional level instead of the Ministry as a whole. Audit scrutiny revealed that, significant essential information, viz. due date of receipt of UCs and statements of accounts, actual date of receipt of UC and statements of accounts, details of unspent balance, etc., were not entered in the register of grants maintained by concerned sections. Moreover, transactions entered in the grants register were not found to be attested by the Branch/Gazetted Officer.

Thus, the state of maintenance of basic records for disbursement of grants was improper, having adverse impact on monitoring of sanctions/disbursements/ utilisation of the grants.

5.5.7 Delay between authorisation and release of grants

As per para 2.3.1 of Civil Accounts Manual, bills should be passed for payment and cheques issued within a maximum of seven working days of their receipts. Effort should be made for passing the bill and making payments within a shorter period and the Pr. CCA/CCA/CA should lay down norms in this regard as well as personally monitor their compliance.

Analysis of related records of the Ministry revealed that there was delay on the part of PAO in passing the bills and issuing the cheques within the prescribed period of 7 working days from the date of issue of sanction as detailed in **Table** below:

Table 5.6: Details of gap between authorisation and actual release

(₹ in crore)

No. of days from date of sanction	2012-13		2013-14		2014-15	
	No. of sanction orders	Amount	No. of sanction orders	Amount	No. of sanction orders	Amount
8-30	470	98.70	124	41.41	25	35.83
More than 30 days	12	1.23	14	1.35	01	5.89
Total	**482**	**99.93**	**138**	**42.76**	**26**	**41.72**

5.5.8 Monitoring of grants released

(a) Peer review of autonomous organisations

Rule 208(v) of General Financial Rules provides for existence of a mechanism of an external or peer review of each autonomous body every three or five years depending on the size and nature of activity. Such a review should focus inter alia, on whether the objectives for which the autonomous organisation was set up have been or are being achieved; continuation of the activities of the organisation either because they are no longer relevant or have been completed or substantial failure in achievement of the objectives; whether user charges for the services provided are levied at appropriate rates; scope for maximizing internal resources generation so that dependence upon government budgetary support is minimized, etc.

During 2012-13 to 2014-15, Ministry of Food Processing Industries released grants-in-aid aggregating ₹ 160.35 crore to the NIFTEM and IICPT but no information regarding external or peer review of these bodies/institutions was provided by the Ministry.

(b) Non-submission of performance-cum-achievement report

Rule 212(3)(i) of GFR stipulates that the grantee Institutes or Organisations should be required to submit performance-cum-achievement report soon after the end of the financial year. A time-limit may in this regard be prescribed by the sanctioning authority concerned and this requirement should be included in the grants-in-aid sanction order.

It was noted that the sanction orders issued by the Ministry contained the condition regarding submission of performance-cum-achievement reports. The Ministry, however, neither specified any time limit for submission of reports nor evolved any other mechanism to monitor the receipt of such reports.

The Ministry stated (August 2015) that as per guidelines of the scheme, the grants are released in two instalments by the entrusted bank subject to fulfilment of prescribed conditions and through this mechanism the Ministry monitors the performance of the organisation. However, the audit observation had been noted for future compliance.

(c) Non-reporting of details to the Parliament through annual report

Rule 212(2)(i) and (ii) of General Financial Rules, 2005 enjoins that in the case of private/voluntary organisations receiving recurring grants-in-aid from ₹ 10 lakh to ₹ 25 lakh and non-recurring grants-in-aid from ₹ 10 lakh to ₹ 50 lakh, all Ministries/Departments of Government of India should include in their annual report, a statement showing the quantum of funds provided to each of those organisations and the purpose for which they were utilised, for information of the Parliament. Further in case of recurring grants of ₹ 25 lakh and above, the annual reports and accounts of the private and voluntary organisation should be laid in the Parliament within nine months of the close the succeeding financial year.

Audit noticed that grants-in-aid amounting ₹ 62.70 crore, ₹ 158.76 crore and ₹ 52.44 crore were released by the Ministry during 2012-13, 2013-14 and 2014-15 respectively to private organisations/institutions. These grants were given for technology upgradation, expansion, modernisation and establishment, but institution-wise details were not included in the annual report of the Ministry submitted to the Parliament.

The Ministry accepted (September 2015) and stated that observation has been noted for future compliance.

(d) Outstanding Utilisation Certificates (UCs)

Utilisation Certificate should be submitted within twelve months of the closure of the financial year by the grantee institute or organisation. Receipt of UCs shall be scrutinized by the Ministry or the Department concerned. Where such certificate is not received from the grantee within the prescribed time, the Ministry or Department will be at liberty to blacklist such institutions or organisation from any future grants, subsidy or other type of financial support from the Government. This fact should also be put on the website referred to in the Note under Rule 209(1) of GFR.

As per details furnished by Ministry of Food Processing Industries, utilisation certificates in respect of 2011 cases aggregating ₹ 445.14 crore were outstanding as on 31 March, 2015 in respect of grants-in-aid released by the Ministry upto 2013-14 as detailed in **Annexure 5.1.** The earliest period of the grants sanctioned for which the utilisation certificate was outstanding pertains to the year as back as 1991-92.

The Ministry neither initiated any action to blacklist the defaulter institutions/organisations nor made any efforts to reduce the pendency of the outstanding utilisation certificates.

Since the receipt of UCs is only way to vouch that the funds have been utilized for intended purpose, the Ministry should put in place a strong mechanism to ensure timely submission of UCs by the grantee bodies.

Grant No. 30- Ministry of Earth Sciences

5.5.9 Introduction

The Ministry of Earth Sciences came into being vide Presidential Notification dated the 12th July, 2006 upon reorganisation of erstwhile Ministry of Ocean Development.

There are two subordinate offices under the ministry namely-

- India Meteorological Department (IMD), New Delhi
- National Centre for Medium Range Weather Forecasting (NCMRWF), Noida (U.P.)

The attached offices functioning under the ministry are-

- Centre for Marine Living Resources and Ecology (CMLRE), Kochi, Kerala
- Integrated Coastal and Marine Area Management (ICMAM), Chennai (Tamil Nadu)
- National Centre for Seismology (NCS), New Delhi

There are five organisations functioning as Autonomous Organisations under the Ministry-

- National Institute of Ocean Technology (NIOT), Chennai
- National Centre for Antarctic & Ocean Research (NCAOR), Goa
- National Centre for Earth Science Studies (NCESS), Thiruvananthapuram
- Indian National Centre for Ocean Information Services (INCOIS), Hyderabad
- Indian Institute of Tropical Meteorology (IITM), Pune

5.5.10 Budget and Expenditure

The expenditure of the Ministry on revenue account has increased from ₹ 1,053.77 crore in 2012-13 to ₹ 1,225.66 crore in 2014-15. Expenditure on grants-in-aid constitutes one of the major components of the revenue expenditure of the Ministry. During the period 2012-13 to 2014-15, the expenditure on plan grants-in-aid accounted for 89 *per cent* of the total plan revenue expenditure, while that for non-plan grants-in-aid expenditure ranged between 5 and 7 *per cent* of the total non-plan Revenue Expenditure. The details are given in the **Table** below:

Table 5.7: Provision and Expenditure on Revenue Account

(₹ in crore)

Year	Provision		Expenditure		Expenditure on grants- in-aid		*Per cent* of grants-in-aid as compared to actual expenditure	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
2012-13	1,073.51	386.67	692.42	361.35	616.60	23.54	89	07
2013-14	1,080.00	408.91	785.89	367.26	697.76	18.07	89	05
2014-15	1,094.00	417.95	832.08	393.58	744.23	22.60	*89*	06

Source: e-lekha data dump and figures provided by Ministry

The disaggregation of the expenditure on grants by object head '31 Grants-in-aid-General', '35 Grants for creation of Capital Assets' and '36 Grants-in-aid-Salaries' for 2012-13 to 2014-15 are as under:

Table 5.8: Object head-wise expenditure

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	Total
31-Grants-in-aid General	626.02 (97.79 %)	663.99 (92.76 %)	699.51 (91.22 %)	1,989.52
35-Grants for Creation of Capital Assets	0	26.88	17.13	44.01
36-Grants-in-Aid Salaries	14.12	24.96	50.19	89.27
Total	**640.14**	**715.83**	**766.83**	**2,122.80**

Source: e-lekha data dump and figures provided by Ministry

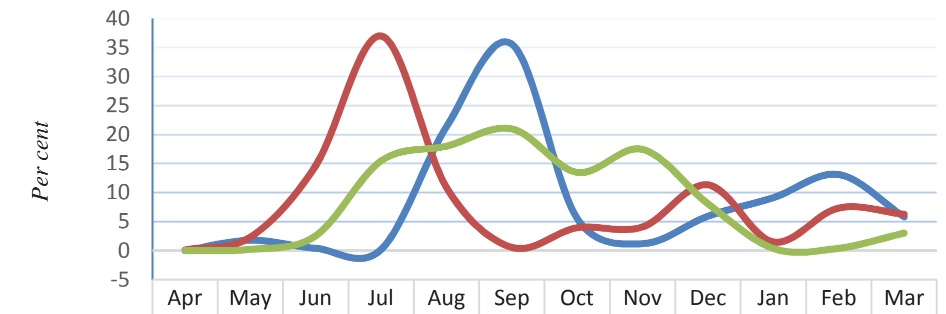
As can be seen from the table, the expenditure on **'**Grants-in-aid-General' constituted more than 90 *per cent* of the total expenditure on grants incurred by the Ministry.

5.5.11 Month-wise flow of expenditure on grants-in-aid

As per rule 212(1) of the General Financial Rules (GFRs), the Ministry or department should ensure even flow of expenditure throughout the year.

The flow of expenditure of the Ministry in the course of the year was examined with the help of e-lekha and data provided by the Ministry. It was observed that the Ministry had not adhered to the above provision while releasing grants-in-aid during the years 2012-13 to 2014-15. The **Chart 5.6** presents the monthly flow of expenditure on grants-in-aid.

Chart 5.6: Flow of expenditure on grants-in-aid



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2012-13	0	1.79	0.40	0.19	21.37	35.58	5.51	1.19	5.93	9.12	13.11	5.81
2013-14	0.09	2.34	14.67	36.98	10.9	0.56	3.94	4.08	11.34	1.49	7.34	6.27
2014-15	0.01	0.21	2.55	15.46	18.01	20.97	13.48	17.44	8.08	0.37	0.4	3.02

Source: Information provided by Ministry

From above chart it is evident that flow of monthly expenditure was not even throughout the year during 2012-13 to 2014-15. Large part of plan expenditure was incurred in the month of August and September (21.37 and 35.58 *per cent*) in 2012-13, July (36.98 *per cent*) in 2013-14 and September (20.97 *per cent*) in 2014-15, whereas negligible expenditure was incurred in the months of April, May and January during the three years period.

5.5.12 Expenditure in terms of Autonomous Bodies, entities-Public Sector Undertakings, Registered Societies etc.

The details of plan grants-in-aid released during the period 2012-13 to 2014-15 as analysed from PFMS data in terms of the principal categories of recipients are given in the **Table 5.9**.

Table 5.9: Expenditure in terms of recipients

(₹ in crore)

Name of the agency	2012-13		2013-14		2014-15	
	Number of grantee	Grants Released	Number of grantee	Grants Released	Number of grantee#	Grants released
Central Govt. Bodies	5	1.7	5	0.58	9	2.35
State Government/UTs	0	0.00	0	0.00	0	0.00
Central Govt. PSUs	13	1.55	1	0.02	0	0.00
State Government PSUs	33	13.08	13	1.68	17	4.11
Statutory Bodies	0	0.00	28	9.05	44	10.03
Registered Societies (Govt. Autonomous Bodies)	90	545.29	118	679.66	139	726.83
Registered Societies (NGOs)	21	1.13	35	4.86	52	2.06
Private Sector Companies	5	0.50	7	0.33	4	0.65
State Government Institutions	0	0.00	8	1.13	12	2.52
International Organisations	0	0.00	0	0.00	0	0.00
Individuals	0	0.00	0	0.00	0	0.00
Trusts	7	0.17	10	0.48	25	2.28
State Government DDOs	13	1.31	0	0.00	0	0.00
Total	**187**	**564.73**	**225**	**697.79**	**302**	**750.83**

Source: Information provided by the Ministry.

As per the budget circular issued by the Ministry of Finance, the Ministry is required to enclose a schedule in the Detailed Demands for Grants (DDG) showing provisions included in budget estimates for payment of grants-in-aid to Non-Government bodies. The lists of private and voluntary organisations receiving grants-in-aid more than ₹ 5 lakh for the year 2012-13 and 2013-14 enclosed in the DDG (2014-15 and 2015-16) were largely at variance with the amount of grants revealed from the PFMS data. As per DDG, the amount of grant disbursed was ₹ 0.30 crore and ₹ 5.37 crore during the year 2012-13 and 2013-14 respectively whereas as per PFMS data, the amount of grant was ₹ 1.80 crore and ₹ 5.67 crore during the same period.

5.5.13 Non maintenance of data of Capital Assets created by the grantees out of the Government grants

During the period from 2012-13 to 2014-15, the Ministry released ₹ 44.01 crore under the object head 'Grants for creation of Capital Assets'.

However, it was observed that centralized record/database *viz.* name of the grantee, details of assets created including nature of assets created, amount of grants actually utilized for creation of capital assets, ownership of such assets etc. was not maintained by the Ministry.

The Ministry accepted and stated (August 2015) that no centralized record/database was being maintained by it.

5.5.14 Memorandum of Understanding not entered into with organisations

As per rule 208(vii) of General Financial Rules 2005, all organisations receiving grants-in-aid of more than ₹ 5 crore per annum are required to enter into a MoU with the Administrative Ministry/Department, spelling out clearly the output targets in terms of details of programme of work and qualitative improvement in work alongwith commensurate input requirements. The output targets, given in measureable units of performance, should form the basis of budgetary support extended to these organisations.

During the period from 2012-13 to 2014-15, the Ministry released grants amounting to ₹ 9.40 crore, ₹ 36.76 crore and ₹ 7.70 crore to Inter-University Accelerator Centre (IUAC), National Geophysical Research Institute and Manipur University respectively for administrative purpose. The Ministry, however, entered into MoU with IUAC only.

The Ministry accepted (August 2015) that the MoU was not entered into by the Ministry with these institutes.

5.5.15 Delay between authorisation and release of grants

It was observed that in following cases there was delay on the part of PAO in passing the bills and issuing the cheques within the prescribed period of 7 working days from the date of issue of sanction.

Table 5.10: Details of gap between authorisation and actual release

(₹in crore)

No. of days from the date of sanction	2012-13		2013-14		2014-15		Total	
	No. of sanction order	Amount	No. of sanction order	Amount	No. of sanction order	Amount	No. of sanction order	Amount
8 days to 30 days	176	27.98	233	268.69	321	302.16	730	598.83
More than 30 days	08	3.92	25	20.06	13	9.67	46	33.65
Total	**184**	**31.90**	**258**	**288.75**	**334**	**311.83**	**776**	**632.48**

5.5.16 Non-disclosure of expenditure incurred on loans and advances in the utilisation certificates

Note 2 below Rule 212 (1) of GFRs, states that in respect of Central Autonomous Organisations, the Utilisation Certificate shall disclose separately the actual expenditure incurred and the Loans and Advances given to suppliers of stores and assets, to construction agencies, to staff (for house building and purchase of conveyance, etc.), which do not constitute expenditure at that stage. These shall be treated as unutilized grants but allowed to be carried forward. While regulating the grants for the subsequent year, the amounts carried forward shall be taken into account.

Audit scrutiny revealed that grants-in-aid of ₹ 598.51 crore, ₹ 639.64 crore and ₹ 657.57 crore were released to the four[2] organisations during the year 2012-13, 2013-14 and 2014-15 respectively**.** As per Annual Accounts of these organisations ₹ 185.91 crore, ₹ 159.31 crore and ₹ 126.92 crore were disbursed as loan and advances during 2012-13, 2013-14 and 2014-15 respectively. These organisation, however, did not disclose the loan and advances in respect of the grants received while furnishing the utilisation certificates. The Ministry neither asked the grantee nor ascertained the same from annual accounts of the grantee organisations before releasing the subsequent grants.

The Ministry stated (August 2015) that instructions would be issued to all autonomous organisations to follow the conditions of GFR.

5.5.17 Utilisation Certificates (UCs)

It was observed that in the Ministry, 724 UCs aggregating ₹ 55.70 crore were outstanding as on 30 September 2015 as detailed in **Annexure 5.2**. The earliest period of the grants sanctioned for which UCs were outstanding pertains to the year 1983-84. But it was seen that the Ministry did not blacklist any of the defaulting grantee institutions in accordance with the provisions available in Rule 212 (2) of GFR in such cases.

Since the receipt of the UC is the only mechanism to vouch that the funds have been utilized for the intended purpose, the Ministry should put in place a strong mechanism to ensure timely submission of UCs by the grantee bodies.

5.5.18 Non submission of performance-cum-achievement report

During 2012-13 to 2014-15, the Ministry released grants aggregating ₹ 1,460.78 crore to NIOT, NCAOR and IITM. None of the test checked sanction orders contained a clause that such performance-cum-achievement reports should be submitted within the date/period specified. Thus, the Ministry did not have any mechanism to verify whether the performance-cum-achievement reports were submitted by the grantees in respect of earlier grants within the stipulated time frame, as specified under Rule 212 (3) of GFR.

Out of the five autonomous bodies of the Ministry, only NIOT, Chennai had been bringing out performance cum achievement report in its annual report. NCESS, Thiruvananthapuram, being established only recently (January 2014), is yet to bring out its annual report. The remaining three autonomous bodies of the Ministry were not bringing out performance cum achievement report in their annual reports.

[2] NIOT, NCAOR, INCOIS and IITM

5.5.19 Discrepancies in maintenance of register of grants-in-aid

It was observed that Ministry was maintaining the Expenditure Control Register (ECR) instead of register of grants, as specified in terms of Rule 212(4) of GFR and para 4.27.2 of Civil Accounts Manual.

The Ministry stated (August 2015) that the Programme Division was maintaining an Expenditure Control Register (ECR) for the scheme, research, education and training outreach and High Performance Computing System. Moreover, all the sanction orders for releasing of grants are also recorded in the ECR.

Thus, non-maintenance of the register of grants resulted in violation of codal provision.

5.5.20 Incomplete disclosure of information relating to grantee bodies on Ministry's website

Rule 209(1) of GFRs governing the principles and procedure for award of grants-in-aid stipulates that the institution or organisation seeking grants-in-aid should also certify that it has not obtained or applied for grants for the same purpose or activity from any other Ministry or Department of the Government of India or State Government. The note below the aforesaid rule also envisaged that in order to obviate duplication in grants-in-aid, each Ministry or Department should maintain a list of Institutions or Organisations along with details of amount and purpose of grants given to them on its website.

It was observed that a list containing names of grantee institutions/ organisations existed on the website of the Ministry (www.moes.gov.in). The details of amount and purpose of grants given to them, however, were not mentioned therewith. In the absence of disclosure of such information, receipt of grants by the grantee organisations for the same purpose from other Ministries and Departments could not be ruled out.

The Ministry stated (August 2015) that the complete information would be uploaded on the website.

5.5.21 Peer review of autonomous organisations

During 2012-13 to 2014-15, the Ministry released grants-in-aid aggregating to ₹ 1,486.16 crore to the four[3] organisations but no peer review of these organisations was ever conducted, as specified in Rule 208(v) of GFR.

The Ministry stated (August 2015) that the peer reviews of these autonomous organisation would be conducted in future.

[3] INCOIS, NCAOR, NCESS and IITM

5.5.22 Deficient Internal Oversight

The scheme of departmentalization of Union Government Accounts provides for setting up of an efficient internal audit organisation to ensure accuracy in accounts and efficiency in the operation of the accounting set up.

As per rule 212(1) of the GFRs, reports submitted by the internal audit parties of the Ministry or Department and inspection reports received from Indian Audit and Accounts Department should also be looked into while sanctioning further grants.

The details of internal audit/inspection conducted during the year 2012-13 to 2014-15 by the internal audit wing of the Ministry are given in **Table 5.11**.

Table 5.11: Details of internal audit conducted

Year	Number of units under audit jurisdiction	Number of units planned for audit	Number of units audited
2012-13	36	-	01
2013-14	36	-	03
2014-15	36	06	05

Audit observed that out of 36 units only 6 units were planned for audit in the year 2014-15 by the Ministry. However, during 2012-13 to 2014-15, nine units were audited (including three autonomous bodies).

In absence of a strong and effective internal oversight, it could not be ascertained as to how the Ministry ensured compliance to rules and regulations and extant instructions on the subject by the grantee bodies in their day to day functioning and delivery of the programme.

The Ministry stated (August 2015) that the internal audit wing had not conducted review of grants-in-aid released by the Ministry due to non-sanctioning of staff for internal audit.

5.6 Conclusion

The shifting paradigm of public service delivery has led to a steady increase in grants-in-aid expenditure. The expenditure on grants-in-aid (as per *e-lekha* data base) was ₹ 4,23,789 crore (28 *per cent)* of the revenue expenditure of ₹ 15,34,120 crore (excluding Railways) in 2014-15. Out of this, ₹ 3,17,228 crore was plan grants and ₹ 1,06,561 crore non-plan. Of the total expenditure on grants-in-aid in 2014-15, Union Government transferred ₹ 2,58,292 crore as central plan assistance to State/UT Government. At the end of 31 March 2015, in 26 Ministries/Departments from where the information was received, 37569 utilisation certificates aggregating to ₹ 51,527.10 crore were outstanding in respect of grants released up to 31 March 2014.

The analysis of grants-in-aid in two Ministries showed deficiencies in internal monitoring system such as non-conducting of external peer reviews of grantee organisations and other attached offices, non-submission of performance-cum-achievement reports by the grantees, non-reporting of details to Parliament through annual reports by the Ministry, etc. It was also noted that selected

Ministries did not maintain any centralised database of the quantity and value of assets created by the grantee bodies out of the grants released to them. There was pendency of utilisation certificates from the various grantee organisations and in subsequent years grants were released to grantee organisations without considering unspent balances and outstanding utilisation certificates of previous years.

The observations were forwarded (October/November 2015) to the Ministry of Finance and office of the CGA for comments. Their reply was awaited (November 2015).

New Delhi
Dated :

(MUKESH PRASAD SINGH)
Director General of Audit,
Central Expenditure

Countersigned

New Delhi
Dated :

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India