CHAPTER 5: GRANTS-IN-AID: AN ANALYSIS

5.1 Introduction

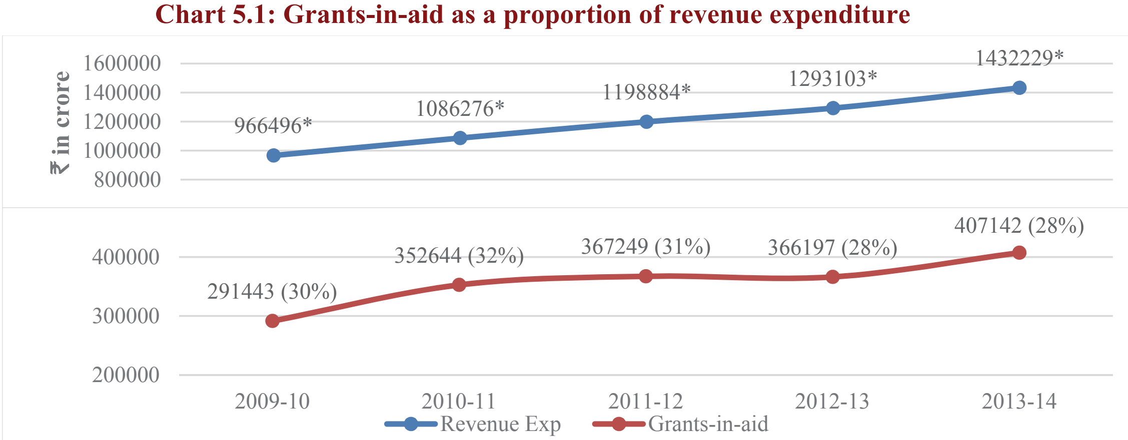
The shifting paradigm of public administration has entailed delivery of public goods through new and ever evolving methods. Grants-in-aid have emerged as a significant mode of spending for the Union Government for delivery of public goods. In fact, during the financial year 2013-14, grants-in-aid constituted, 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 may be 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 2009-10 and 2013-14 expenditure on grants-in-aid ranged between 28 to 32 *per cent* of the revenue expenditure of the Union Government as depicted in the chart below.

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



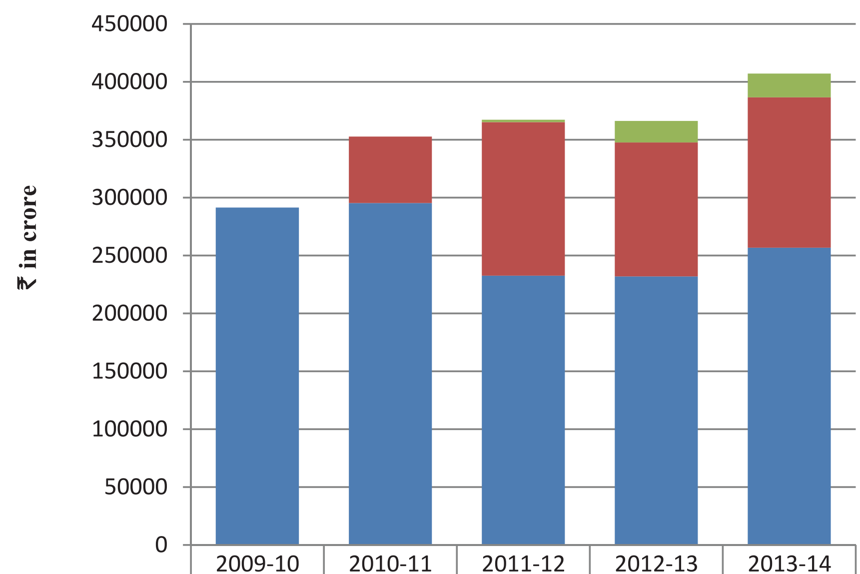
Source: e-lekha data dump provided by O/o CGA. Data includes expenditure, net of recoveries, of Civil, Posts and Defence grants but excludes 'Railways' (including Object Head-70-Deduct recoveries).
** Figures as per Finance Accounts (in crore)- ₹9,68,250 (2009-10), ₹10,89,434 (2010-11), ₹11,98,950 (2011-12), ₹12,94,292 (2012-13), ₹14,31,883 (2013-14).*

Over the five years 2009-10 to 2013-14, grants-in-aid in absolute terms have grown by 40 *per cent* and the revenue expenditure also grew up by 48 *per cent*.

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. However, currently 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 graph below depicts the different types of grants-in-aid given by the Union Government in the last five years.

Chart 5.2: Types of Grants-in-aid



	2009-10	2010-11	2011-12	2012-13	2013-14
Grants-in-aid Salaries			2049	18536	20530
Grants for creation of Capital Assets		57326	132587	115710	129839
Grants-in-aid General	291443	295318	232613	231951	256773

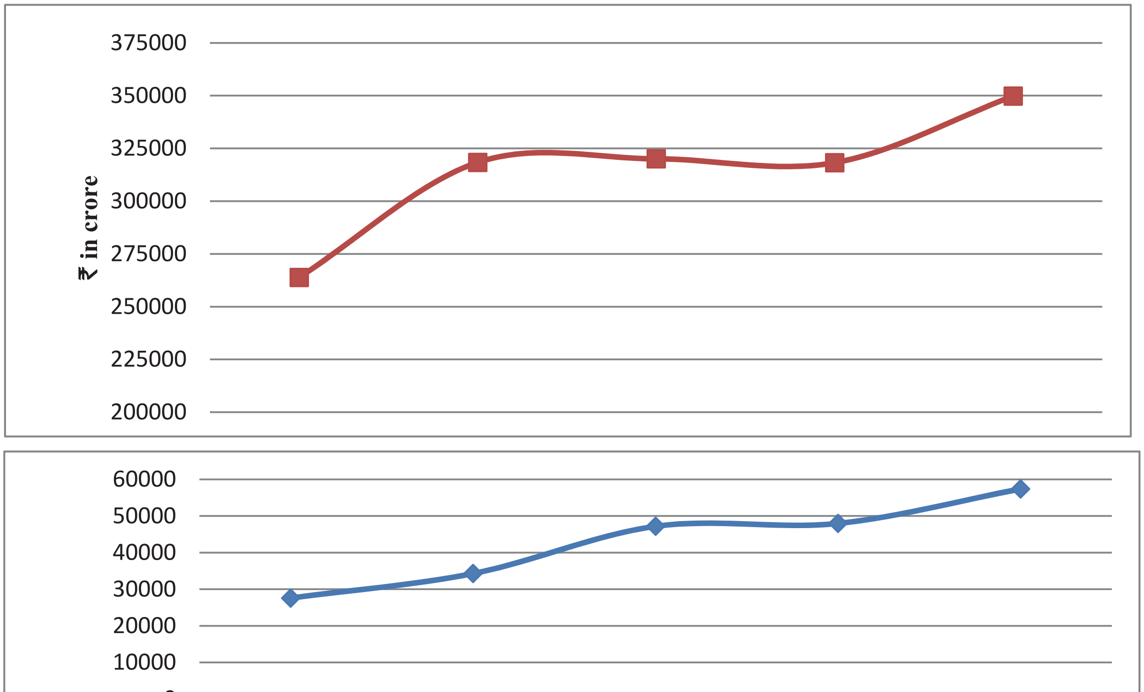
Source: e-lekha data dump. Data includes expenditure for all Civil, Posts and Defence grants but excludes 'Railways'. (excluding grants-in-aid misclassified in Capital Account.)

5.2.1 Charged and Voted Grants-in-aid

Of the total grants-in-aid expenditure for the financial year 2013-14, charged expenditure constituted about 14 *per cent*. These grants, which are non-plan in nature, are made in terms of Article 275(1) of the Constitution.

The chart below shows the break-up of grants-in-aid into charged and voted over a five year period.

Chart 5.3: Charged and Voted Grants-in-aid



	2009-10	2010-11	2011-12	2012-13	2013-14
Charged	27587	34292	47185	47976	57388
Voted	263856	318352	320064	318221	349754

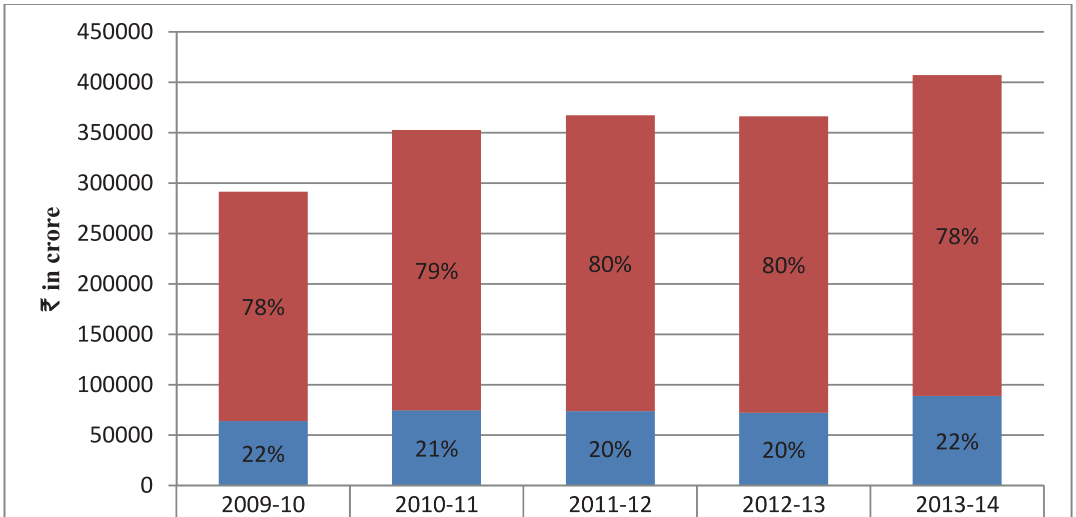
Source: e-lekha data dump. Data includes expenditure for all Civil, Posts and Defence grants but excludes 'Railways'. (excluding grants-in-aid misclassified in Capital Account.)

Charged grants-in-aid for the year 2013-14 were released, mainly, in two demands viz. Transfers to State and Union Territory Governments and Ministry of Tribal Affairs. Out of charged grants of ₹ 57,388 crore, grants of ₹ 53,905 crore was given to State Governments for Demand No. 36. 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 ranged between 78 to 80 *per cent* of total grants-in-aid during 2009-10 to 2013-14.

Chart 5.4: Plan vs Non-Plan Grants-in-aid



	2009-10	2010-11	2011-12	2012-13	2013-14
Plan	227490	278095	293481	293995	318211
Non-Plan	63953	74549	73768	72202	88931

Source: e-lekha data dump (November 2014). Excluding Grants-in-aid misclassified in Capital Account. Data includes expenditure for all Civil, Posts and Defence grants but excludes 'Railways'.

During the five year period 2009-10 to 2013-14, plan grants have witnessed a growth of 40 *per cent,* while the non-plan grants have increased by 39 *per cent*.

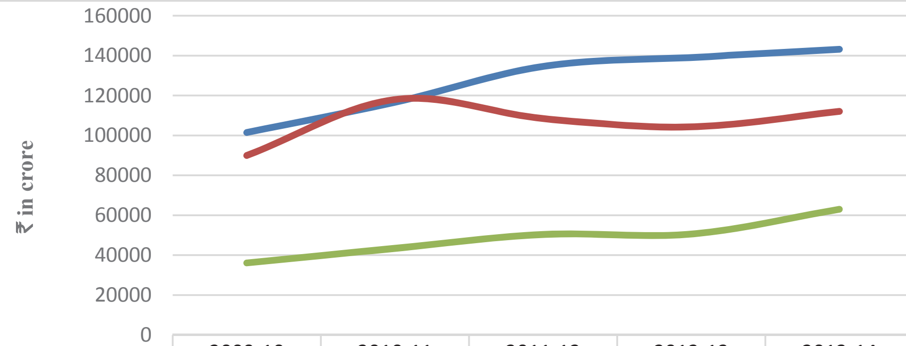
5.3 Changing nature of plan grants-in-aid expenditure

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 has increased sharply. From the first year for which comparable data is available, viz. financial year

2006-07, the expenditure booked in the accounts of the Union Government has been of the order of ₹ 43,816 crore[1]. During the year 2013-14, this figure has increased to ₹ 1,12,708 crore[1] an increase of nearly two and half times. The chart below shows the break-up of grants-in-aid released through the treasury mode to States/UTs, society mode directly to implementing agencies and through the functional heads of the Ministries to other bodies/authorities.

Chart 5.5: Plan Grants-in-aid to State Governments and other agencies



	2009-10	2010-11	2011-12	2012-13	2013-14
States/UTs $	101466	116629	134635	139106	143184
Implementing agencies#	89936	118051	108480	104311	112050
Others^	36088	43415	50366	50578	62977

$-Data Source: e-lekha data dump (November 2014). It does not include journal entries. Data includes expenditure for all Civil, Posts and Defence grants but excludes 'Railways'.
#Data Source: Statement No.18 of Expenditure Budget, Volume-I
^ Balancing Figure

One of the major motivations for setting up state and district level agencies, outside the Consolidated Fund of States for transfer of funds for implementation of centrally sponsored schemes was to prevent such transfers to be utilised by the States for their ways and means purposes. The justification for releases through the society mode on the ground of amounts being utilised for ways and means purposes no longer holds good as a large number of State Governments are having a sizeable cash surplus in the recent years.

Further, this system was implemented to provide greater delegation and flexibility to the implementing agencies in spending public funds to achieve the programme objectives. However, the corresponding strengthening of accountability framework did not take place. In the decentralized society/ implementing agency mode, the responsibility for control of waste and abuse of authority has become diffused.

It was noted that 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

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.

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.

5.3.1 Unascertainable unspent balances in the accounts of Implementing Agencies (IAs)

In the year 2013-14, the Union Government released ₹ 1,12,708[2] crore directly to State/district level autonomous bodies and authorities, societies, non-governmental organisations, etc., for implementation of Centrally Sponsored Schemes. Since the funds are not being spent by the Implementing Agencies (IAs) in the same financial year, there remain substantial amounts of unspent funds in their accounts. The aggregate amount of the unspent balances, in the accounts of the IAs kept outside Government accounts, is not readily ascertainable. Government expenditure as reflected in the Accounts to that extent is, therefore, overstated. Also, Government Accounts do not disclose the exact amount of direct releases.

The Rangarajan Committee on the Efficient Management of Public Expenditure (Committee) observed several drawbacks in the implementation of the society mode. The drawbacks included non-uniform accounting framework for IAs, lack of assurance and accounting of assets so created, absence of centralised data on expenditure incurred by IAs, absence of assurance on whether the utilisation certificates were authentic, large unspent balances remaining as float outside the system and the CAG’s audit jurisdiction not being comprehensive over all sub-grantees.

The Committee also observed that the benefits of routing funds through the treasury mode could not be over-emphasised. It added that while this mode may not address all the ills plaguing the system, it was definitely better than a system with multiple agencies and players over whom the ‘State’ had little control. The Thirteenth Finance Commission had also stated that the optimal solution would be to route funds through the State Budgets so that the treasury system could report utilisation of funds and the State Government could monitor implementation of schemes.

The Committee further recommended that the switchover to complete treasury mode of transfer of funds may be made straight-forward, possibly beginning with all new schemes from the Twelfth Five Year Plan onwards. For existing schemes, a short transition period was required for necessary adjustment. However, till a complete switchover to the treasury mode was done, accounting, submission of

[2] As per Expenditure Budget 2015-16 (Volume-I), Statement -18

utilisation certificates and auditing of the schemes under the Society mode had to be rationalised.

This subject has also been commented upon successively in the CAG's Audit Report beginning from Report No. CA-13 for the year 2007-08.

The Department of Expenditure in their reply (January 2014) to the Public Accounts Committee admitted that parking of funds required for development or social assistance is unacceptable, not only because of the high cost of borrowing in a deficit financing situation, but also because the activities to be carried out with these funds are adversely affected. The Department further added that during revised estimates meetings, unspent balances lying with the implementing agencies are carefully examined and Ministries have been advised to bring down the quantum of such balances. Further, instructions have also been issued (November 2012) for not releasing any grants to autonomous bodies/NGOs/institution and organization at Central/State/Local Body level (Other than State Government) if those bodies have not submitted all utilization certificates in respect of grants released by the Central Government. The Department also stated that Central funds for 66 restructured schemes will be transferred through the Consolidated Fund of the States in a phased manner from 2014-15. 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.

5.3.2 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 organizations. 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 PFMS 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 2013-14 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*	1229.87	Section 14, 15 & 20
State Governments / Union Territories	142103.13	Section 13
Central Government Public Sector Undertakings	6512.93	Section 19(1)
State Public Sector Undertakings	2934.74	Section 19(1)
Statutory Bodies	6589.42	Section 19(2) & (3)
Local Bodies	3996.32	Section 14, 15 & 20 and under Technical Guidance and Support (TGS)
Registered Societies (Government Autonomous Bodies)	144316.56	Section 14, 15 & 20
Registered Societies (Non-Governmental Organisations)	1836.46	Section 14, 15 & 20
Private sector Companies	1604.03	Section 14, 15 & 20
State Government Institutions	2629.08	Section 13, 14, 19 & 20
International Organisations	45.37	--
Individuals	22.92	--
Trusts	626.64	--
State Government Drawing and Disbursing Officers	35.47	--
Total	**314482.94**	

Source: Data furnished by O/o CGA as per PFMS.
** 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 five categories represent government or public sector entities, where the audit remit 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, where vouchers for each individual transaction are available with the State Accountants General.

- 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 ₹ 1 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. However, currently the Government 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 Parliament by the CAG.

- Some of the flagship programmes and scheme guidelines envisage routing government assistance through intermediaries, whereby the principal grantee body or authority assigns a part or whole of the amount to sub-grantees for actual expenditure and programme delivery. 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.
- 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.

Thus for a substantial amount of expenditure relating to grants-in-aid, the power of the CAG audit is fettered and restricted. This has implications on the larger issue of accountability of public expenditure.

5.4 Utilisation Certificates (UCs)

The effectiveness and utilization of grants-in-aid released by the Central Government is monitored through the mechanism of utilization 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 utilization of the grants so released through the mechanism of utilization 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. Rule 212(3) of GFR provides for submission of achievement-cum-performance reports by the grantee bodies to the administrative Ministry/ Department.

Details with regard to outstanding UCs as on 31 March 2014 were called for from all civil Ministries/Departments. The details as made available by the concerned Ministries/Departments, are shown in table below.

Table 5.2: Outstanding Utilisation Certificates

Sl. No.	Name of Ministry	No. of UCs outstanding	Amount of UCs (*₹ in crore*)
1.	Ministry of Agriculture	3089	12380.20
2.	Department of Atomic Energy	616	40.38
3.	Ministry of Chemicals and Fertilisers	38	64.84
4.	Ministry of Culture	3248	245.09
5.	Ministry of Health and Family Welfare	6724	16192.46
6.	Ministry of Food Processing Industries	2704	483.59
7.	Ministry of Youth Affairs and Sports	7100	1439.31
8.	Department of Heavy Industries	21	526.42
9.	Ministry of Human Resource Development	3889	9954.21
10.	Department of Personnel and Trainings	27	0.71*
11.	Ministry of Minority Affairs	332	136.12
12.	Ministry of Social Justice and Empowerment	10046	653.26
13.	Ministry of Micro, Small and Medium Enterprises	242	75.90
14.	Ministry of Urban Development	150	280.90
15.	Ministry of Housing and Urban Poverty Alleviation	343	591.08
16.	Ministry of Tribal Affairs	164	365.93
17.	Ministry of Mines	4	1.59
18.	Department of Space	281	17.30
19.	Ministry of Consumer Affairs, Food & Public Distribution	90	19.26
20.	Ministry of Labour & Employment	596	90.73
21.	Ministry of Women & Child Development	4611	312.72
	Total	**44315**	**43872.00**

*figure pertaining to period 2008-09 to 2012-13 only.

In 21 Ministries/Departments, 44315 UCs involving ₹ 43,872 crore which were due on 31st March 2014 were outstanding as of January 2015. 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 poor monitoring and follow-up mechanisms in the Ministries/Departments concerned.

5.5 Detailed examination of expenditure on grants-in-aid in the Ministry of Social Justice & Empowerment and the Ministry of Micro, Small and Medium Enterprises

The expenditure incurred on grants-in-aid in two ministries viz. Ministry of Social Justice & Empowerment and Ministry of Micro, Small and Medium Enterprises 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.

5.5.1 Audit Approach

Substantial part of the total expenditure of the Ministry of Social Justice & Empowerment and the Ministry of Micro, Small and Medium Enterprises is incurred towards grants-in-aid. Expenditure on grants-in-aid of both the Ministries have been reviewed to derive an assurance with regard to the quality of expenditure incurred. In this process, apart from the records made available and reply/data furnished by the Ministries, information/data as contained in *e-lekha* and PFMS dump have also been made use of. The review has been undertaken with the objective to assess:

- Existence of robust principles and procedures in the Ministries for award of grants;
- Existence of department specific rules and regulations as specified in General Financial Rules, 2005;
- Sanctioning of grants-in-aid by following prescribed rules, regulations, principles and procedures;
- Adherence to instructions contained in the General Financial Rules, 2005, Budget Circulars and other instructions issued by the Ministry of Finance governing release of grants-in-aid;
- Even flow of expenditure on grants-in-aid in the course of the year; and
- Existence of effective evaluation and monitoring mechanism in the Ministries with regard to the timely utilisation of grants-in-aid, examination of utilisation certificates to ensure the quality of expenditure incurred out of the grants released.

Grant No. 89- Ministry of Social Justice & Empowerment

5.5.2 Introduction

The Ministry of Social Justice & Empowerment has two Departments, Department of Social Justice & Empowerment and Department of Disability Affairs.

(A) Department of Social Justice & Empowerment

The mandate of the Department of Social Justice and Empowerment is to implement specially tailored schemes for the improvement and empowerment of disadvantaged groups of citizens from schedules castes (SCs), other backward classes (OBCs), senior citizens, victims of substance (alcohol and drug) abuse, transgender persons and beggars.

The Department attempts to achieve the above mandate through:

- Educational, economic and social development and empowerment of SCs and OBCs and;
- Provision of necessary support and services for senior citizens and victims of substance abuse.

The following autonomous bodies/institutions are under administrative control of the Department of Social Justice and Empowerment:

a) National Commissions

- National Commission for Scheduled Castes (Constitutional Body)
- National Commission for Backward Classes (Statutory body)
- National Commission for Safai Karamcharis (Non-Statutory body)

b) Foundations

- Dr. Ambedkar Foundation
- Babu Jagjivan Ram National Foundation

c) Corporations

- National Scheduled Caste Finance and Development Corporation, New Delhi
- National Safai Karamcharis Finance and Development Corporation, New Delhi
- National Backward Classes Finance and Development Corporation, New Delhi

(B) Department of Disability Affairs

The Department of Disability Affairs in the Ministry facilitates rehabilitation and empowerment of persons with disabilities. These include persons with visual, hearing, speech, locomotor and mental disabilities.

The Department undertakes following measures to achieve its objectives:

- Physical rehabilitation, which includes early detection and intervention, counselling and medical rehabilitation and assistance in procuring appropriate aids and appliances for reducing the effect of disabilities;

- Educational rehabilitation including vocational education;
- Economic rehabilitation;
- Social empowerment;
- Improving Internal Efficiency/Responsiveness/Service Delivery among professionals/personnel; and
- Advocating empowerment of Persons with Disabilities through awareness generation among different sections of the society.

The following statutory bodies, corporations and national institutes are under the administrative control of the Department of Disability Affairs:

Statutory Bodies

(i) The Rehabilitation Council of India

(ii) The Chief Commissioner for Persons with Disabilities

(iii) The National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities.

Corporations

(i) The National Handicapped Finance and Development Corporation

(ii) Artificial Limbs Manufacturing Corporation, Kanpur

National Institutes

(i) Pt. Deen Dayal Upadhayay Institute for Physically Handicapped, New Delhi

(ii) National Institute for the Orthopaedically Handicapped, Kolkata

(iii) National Institute of Visually Handicapped, Dehradun

(iv) National Institute of Mentally Handicapped, Secundrabad

(v) Ali Yavar Jung National Institute for the Hearing Handicapped, Mumbai

(vi) Swami Vivekanand National Institute of Rehabilitation, Training and Research, Cuttack

(vii) National Institute for the Empowerment of Persons with Multiple Disabilities, Chennai

(viii) The Indian Sign Language Research and Training Centre, New Delhi.

5.5.3 Budget and Expenditure

The Revenue expenditure of the Ministry increased from ₹ 4,849.08 crore in 2011-12 to ₹ 5,217.35 crore in 2013-14. The Plan and Non-plan expenditure of the Ministry constituted 98 *per cent* and 2 *per cent* respectively during all the years 2011-12 to 2013-14.

Expenditure on grants-in-aid is one of the major components of the revenue expenditure of the Ministry. During the period 2011-12 to 2013-14 more than 99 *per cent* of the plan revenue expenditure was on grants-in-aid, whereas in non-plan expenditure, it ranged between 53.16 *per cent* to 55.13 *per cent* as detailed in the table below:

Table 5.3: 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
2011-12	5105.02	78.03	4764.71	84.37	4733.89	46.51	99.35	55.13
2012-13	5615.02	93.31	4677.75	91.10	4640.54	48.43	99.20	53.16
2013-14	6320.03	100.34	5119.56	97.79	5061.52	52.97	98.87	54.17

Source: Information furnished by the 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 2011-12 to 2013-14 is as under.

Table 5.4: Object head-wise expenditure

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	Total
31-Grants-in-aid-General	4665.84 (97.60 %)	4580.51 (97.69 %)	4975.25 (97.28 %)	14221.60
35-Grants for creation of Capital Assets	106.98	61.57	87.67	256.22
36-Grants-in-aid Salaries	7.58	46.89	51.57	106.04
Total	**4780.40**	**4688.97**	**5114.49**	**14583.86**

Source: DDG/expenditure figure furnished by the Ministry.

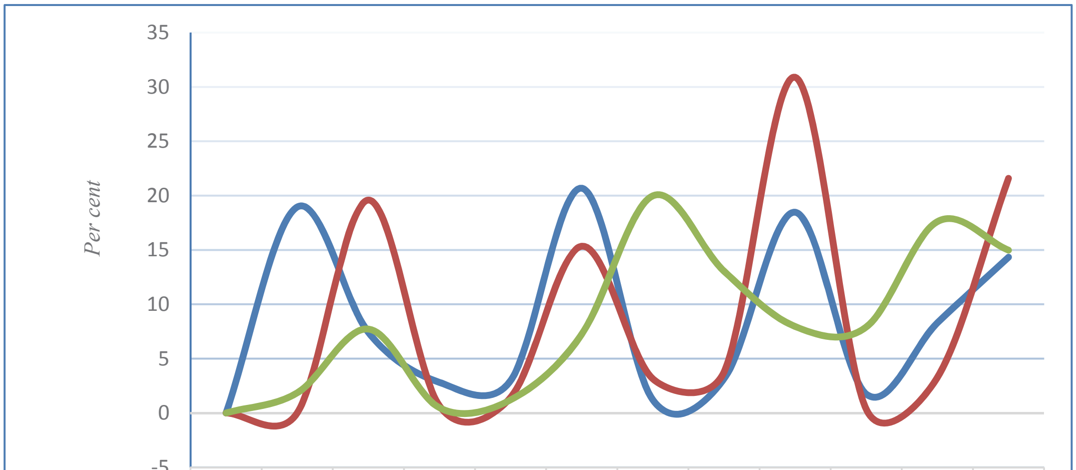
More than 97 *per cent* of the grants were given under the head Grants-in-aid General.

5.5.4 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 *e-lekha* data base. It was observed that the Ministry had not adhered to the above provision while releasing grants-in-aid during the years 2011-12 to 2013-14. The **Chart 5.6** presents the monthly flow of plan expenditure on grants-in-aid.

Chart 5.6: Flow of Plan expenditure



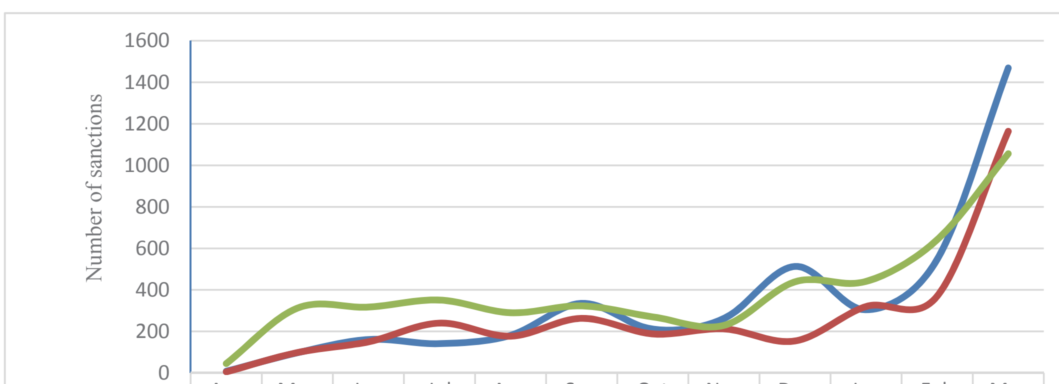
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2011-12	0	18.95	7.42	2.82	2.97	20.68	1.20	3.13	18.47	1.74	8.29	14.33
2012-13	0	0	19.59	0.65	1.43	15.34	3.14	3.76	30.89	0.34	3.27	21.59
2013-14	0	1.85	7.72	0.48	1.22	7.24	19.98	13.05	7.96	7.91	17.61	14.98

Source: e-lekha data dump.

From above chart it is evident that flow of monthly expenditure was not even throughout the year during 2011-12 to 2013-14. Large part of plan expenditure was incurred in the month of September (20.68 *per cent*) in 2011-12, December (30.89 *per cent*) in 2012-13 and October (19.98 *per cent*) in 2013-14, whereas negligible expenditure was incurred in the months of April, July, August and January during the three years period.

An analysis of PFMS data in the **Chart 5.7** revealed that majority of the sanctions too were generated in the month of March during 2011-12 to 2013-14, instead of being a round the year exercise.

Chart 5.7: Flow of sanctions generated (from PFMS data)



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2011-12	8	97	161	141	181	335	211	262	513	304	547	1469
2012-13	5	98	150	240	177	263	188	212	154	320	370	1164
2013-14	45	312	317	351	290	323	270	229	439	441	642	1056

Source: PFMS data

5.5.5 Grants sanctioned and released in terms of entities – Public Sector Undertakings, Autonomous Bodies, and Registered Societies etc.

The CGA maintains a database of grants-in-aid released to various agencies under the plan schemes. The details of plan grants-in-aid released during 2011-12 to 2013-14, analyzed from PFMS in terms of principal categories of recipients, are given in the table below:

Table 5.5: Expenditure in terms of recipients

(₹in crore)

Name of agency	2011-12		2012-13		2013-14	
	Grants sanctioned	Grants released	Grants sanctioned	Grants released	Grants sanctioned	Grants released
Central Government Institutions	2.75	1.75	9.36	7.22	32.32	16.05
Central Government Public Sector Undertakings	78.59	43.59	129.96	77.21	112.28	106.72
Registered Societies (Government Autonomous Bodies)	303.96	200.74	133.10	76.38	195.09	164.37
Registered Societies (Non-Governmental Organisations)	219.72	184.21	143.45	112.44	195.93	159.48
State Government/UTs	4866.96	4259.52	4968.95	4324.64	5534.04	4581.65
State Government Institutions	0.60	0.54	36.52	4.16	7.94	6.52
State Government Public Sector Undertakings	0.81	0.71	0.75	0.74	7.08	7.08
Statutory Bodies	95.76	42.07	45.44	26.61	31.04	27.63
Trusts	0.72	0.68	0.91	0.45	1.81	1.76
Local bodies	0.39	0.27	0.16	0.06	0.14	0.14
Individuals	0.03	0.03	0.03	0	0.02	0.01
Private sector companies	0	0	0	0	0.82	0.71
Total:	**5570.29**	**4734.11**	**5468.63**	**4629.91**	**6118.51**	**5072.12**

Source: Data furnished by Ministry as per PFMS,

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 organizations receiving grants-in-aid more than ₹ 5 lakh for the year 2011-12 and 2012-13 enclosed in the DDG (2013-14 and 2014-15) were largely at variance with the number of institutions disclosed in the PFMS data. The details are given in the **Table 5.6**.

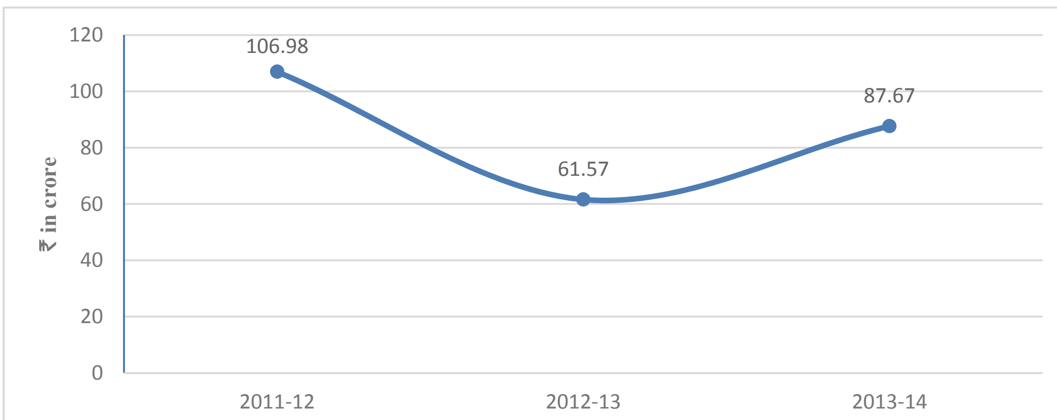
Table 5.6: Number of private/voluntary organisations receiving grants-in-aid more than ₹ 5 lakh

Year	As per DDG	As per PFMS
2011-12	1032	934
2012-13	766	724

5.5.6 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. During the years 2011-12 to 2013-14, the Ministry released grants of the order of ₹ 256.22 crore, for creation of capital assets as shown below:

Chart 5.8: Grants for creation of Capital Assets



Analysis of PFMS data for the year 2011-12 to 2013-14 revealed that the Ministry released grants for creation of capital assets (object head-35) to Autonomous Bodies and Universities out of provision made for this purpose in the budget.

During 2013-14, out of total grants of ₹ 87.67 crore, ₹ 24.63 crore and ₹ 19.80 crore was released to autonomous bodies/National Institutes and Universities respectively. The Ministry has invariably been including a clause in the sanction order that the assets created shall not be disposed of without the approval of the Ministry. However, information could not be furnished to Audit regarding existence of a centralized records/database, viz. name of the grantee, details of assets created, amount of grant actually utilized for creation of capital assets, ownership of the capital assets, geographical location of the capital assets so created, etc.

In absence of such details, assurance could not be derived that the expenditure booked under this head actually resulted in creation of capital assets for which the grant was sanctioned. Further, it is not clear how the Ministry is ensuring that the grantee bodies are not disposing of the assets created out of these grants without its approval, in absence of any inventory existing in the Ministry.

5.5.7 Non-maintenance of grants-in-aid register

In terms of 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 the format given in Form GFR–39 and CAM-28 with a view to guard against the possibility of double payment. No bill should be signed unless it has been noted in the Register of Grants against the relevant sanction. This also facilitates watching of payments in instalments, if any, in the case of lump sum sanctions.

However, it has been noted that the Ministry has not maintained the Register of Grants released to various Autonomous Bodies/Agencies etc. during the year 2011-12 to 2013-14 in the prescribed form. In absence of maintenance of the prescribed register, proper monitoring and timely release of grants against the sanction could not be ensured and also cases of double payment of grant could not be ruled out. However, Register was maintained by different divisions.

5.5.8 Shortcomings in authorisation process

a) 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 receipt. Effort should be made for passing the bills 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. In addition, bills indicated as 'Immediate' by a Drawing and Disbursing Officer should be attended urgently, so that the cheques are issued on either the same or the next day.

Analysis of PFMS data revealed that there were substantial delays in issue of cheques to grantee institutions ranging from eight days to more than 120 days during the years 2011-12, 2012-13 and 2013-14 as detailed in the table below:

Table 5.7: Delay in release of grants-in-aid

(₹in crore)

Delay in days	2011-12		2012-13		2013-14	
	No. of sanction orders	Amount	No. of sanction orders	Amount	No. of sanction orders	Amount
08-30	168	13.59	409	118.92	1044	89.02
31-60	16	1.01	22	2.33	213	9.93
61-90	2	0.14	5	1.70	47	5.37
91-120	0	0	2	0.07	4	0.13
More than 120 days	0	0	1	0.05	5	0.25
Total	**186**	**14.74**	**439**	**123.07**	**1313**	**104.70**

Data Source- PFMS online database

b) Non-disclosure of information relating to grantee bodies on the Ministry's website

As per rule 209 of General Financial Rules, 2005, the institution or organization seeking grants-in-aid should 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. Further, note below the rule envisaged that in order to obviate duplication in grants-in-aid, each Ministry or Department should maintain a list of institutions or organizations along with details of amount and purpose of grants given to them on its Website.

No such list has been maintained, containing institutions or organizations along with details of amount and purpose of grants released to organizations, etc. and uploaded on the website of the Ministry. However, there is a link "Grants-in-aid to NGOs" available on the website of the Ministry but it was not operational.

In absence of such details, the possibility of duplication of disbursement of grants-in-aid to an organization for similar purpose cannot be ruled out.

c) 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, should enter into a memorandum of understanding (MoU) with the Administrative Ministry or Department, spelling out clearly the output targets in terms of details of programme of work and qualitative improvement in output, along with commensurate input requirements. The output targets, given in measurable units of performance, should form the basis of budgetary support extended to these organisations.

Test check revealed that during the years 2011-12 to 2013-14 grants of more than ₹ 5 crore were released by the Ministry to the following Institutes/organisations but the Memorandum of Understanding was not entered into by the Ministry with these organisations. Moreover, the sanction orders also did not specify the requirement of entering into any MoU.

Table 5.8: Release of grants without any MoU

(₹ in crore)

Name of the Organisation	2011-12	2012-13	2013-14	Total
Pt. Deendayal Upadhayay Institute for the Physically Handicapped (IPH)	15.40	11.87	16.48	43.75
National Institute for Visually Handicapped (NIVH)	17.11	24.50	29.93	71.54
Ali Yavar Jung National Institute for the Hearing Handicapped (NIHH)	14.17	17.96	21.47	53.60
National Institute for Empowerment of Persons with Multiple Disabilities (NIEPMD)	8.54	7.69	9.26	25.49
National Institute for the Orthopaedically Handicapped (NIOH)	14.05	10.70	17.26	42.01

National Institute for the Mentally Handicapped (NIMH)	11.85	8.43	17.42	37.70
Swami Vivekanand National Institute of Rehabilitation Training and Research (NIRTAR)	14.92	18.34	22.60	55.86
National Institute of Social Defence	6.25	6.09	10.00	22.34
Total	**102.29**	**105.58**	**144.42**	**352.29**

The Ministry stated (September 2014) that no MOU had been signed in the case of National Institutes.

d) Non-disclosure of required information in Utilisation certificates

Note 2 below Rule 212(1) of General Financial Rules, 2005, 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, construction agencies, staff (for house building and purchase of conveyance, etc.) which should be treated as unutilised grants but allowed to be carried forward. While regulating the grants for the subsequent year, the amount carried forward shall be taken into account.

Test check of utilisation certificates furnished by autonomous bodies/institutions to the Ministry revealed that loans and advances of ₹ 26.54 crore paid by the institutions, as detailed in **Annexure-5.1,** to suppliers, construction agencies, staff members, etc., during the years 2011-12 and 2012-13 were given but separate disclosure with regard to the actual expenditure incurred and the loans and advances given which do not constitute expenditure was not furnished. Thus, in the absence of the required information the Ministry treated the entire grants as utilized.

5.5.9 Variation in sources of data relating to plan expenditure on grants-in-aid

Indian Government Accounting Standard-2 prescribes the standards for accounting and classification for Grants-in-aid in the financial statements of the Government with an aim to remove any difficulties experienced in adherence to the appropriate principles of accounting and classification of Grants-in-aid by way of appropriate disclosures in the Financial Statements of Government. Information in respect of expenditure on grants-in-aid is available on *e-lekha*, PFMS and Detailed Demand for Grants.

Table 5.9 presents a comparison of total expenditure on plan head and grants-in-aid (plan) released to States/UT Government/Bodies/Authorities during the year 2011-12 to 2013-14 as contained in three sources of data and information provided by the Ministry.

Table 5.9: Details of total expenditure and Grants-in-aid released under plan

(₹ in crore)

Year	As per DDG		As per e-lekha		As per PFMS		As per information provided by Ministry	
	Total plan expenditure	Plan grants- in-aid released	Total plan expenditure	Plan grants- in-aid released	Total plan expenditure	Plan grants- in-aid released	Total plan expenditure	Plan grants- in-aid released
2011-12	5009.71	4734.36	4944.95	4734.36	4983.73	4734.11	4764.71	4733.89
2012-13	4880.40	4640.53	4848.61	4640.54	4851.87	4629.91	4677.75	4640.54
2013-14	5417.69#	5072.38#	5417.69	5072.38	5398.47	5072.12	5119.56	5061.52

#Figures taken from statement of Grant Transaction for the year 2013-14 provided by Pr.A.O/Ministry

The fact that the three sources of data and information provided by the Ministry reflect a variation on key aggregates, points to serious deficiencies in compiling the information and disclosing the same by the Controller General of Accounts in the Ministry of Finance. Given these variations, the integrity of the data on plan grants-in-aid expenditure is doubtful.

5.5.10 Monitoring of grants released

a) Peer review of autonomous organizations

Rule 208(v) of General Financial Rules provides for existence of a mechanism of external or peer review of autonomous organizations 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 organization 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 maximising internal resource generation so that dependence upon government budgetary support is minimised, etc.

It has been noticed that there are more than 22 autonomous organisations/institutions/commissions/corporations functioning under the administrative control of the Ministry of Social Justice & Empowerment. The bodies are regularly receiving plan and non-plan grants-in-aid. The bodies detailed below received grants aggregating ₹ 378.37 crore from the Ministry during 2011-12 to 2013-14, but no information regarding external or peer review of these bodies has been provided by the Ministry.

Table 5.10: Details of few bodies, peer review of which not conducted

(₹ in crore)

Name of the organisation	2011-12	2012-13	2013-14	Total
Pt. Deendayal Upadhayay Institute for the Physically Institute(IPH)	15.40	11.87	16.48	43.75
National Institute for Visually Handicapped (NIVH)	17.11	24.50	29.93	71.54
Ali Yavar Jung National Institute for the Hearing Handicapped (NIHH)	14.17	17.96	21.47	53.60

National Institute for Empowerment of Persons with Multiple Disabilities (NIEPMD)	8.54	7.69	9.26	25.49
National Institute for the Orthopaedically Handicapped (NIOH)	14.05	10.70	17.26	42.01
National Institute for the Mentally Handicapped (NIMH)	11.85	8.43	17.42	37.70
Swami Vivekanand National Institute of Rehabilitation Training and Research (NIRTAR)	14.92	18.34	22.60	55.86
National Institute of Social Defence	6.25	6.09	10.00	22.34
National Commission for Backward Classes	2.44	4.52	4.85	11.81
Rehabilitation Council of India	3.64	4.06	3.57	11.27
Dr. Ambedkar Foundation	1.00	1.00	1.00	3.00
Total	**109.37**	**115.16**	**153.84**	**378.37**

The Ministry stated (September 2014) that the functioning/assessment of performance of National Institutes is reviewed periodically in review meetings held under the Chairmanship of Minister (SJ&E) and Secretary (DA). The functioning of National Institutes is also reviewed by the Parliamentary Standing Committee on Social Justice & Empowerment from time to time.

However, no report of such review was provided by the Ministry. Moreover, regarding other Autonomous Bodies/Corporations no information was furnished by the Ministry.

b) Performance-cum-achievement reports not submitted

General Financial Rules 212(3)(i) stipulates that the grantee institutions or organizations should be required to submit performance-cum-achievement reports 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.

As per sanction orders all the autonomous bodies/agencies/institutes, etc which have been sanctioned grants-in-aid by the Ministry were supposed to submit the performance–cum-achievement reports within prescribed time limit. However, no mechanism exists in the Ministry to monitor the receipt of performance-cum-achievement reports soon after the close of the financial year, as no such report was found on record. In absence of such reports, it is not clear how the performance of grantee organizations was monitored/assessed by the Ministry.

c) Deficient Internal Oversight

The scheme of departmentalisation 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.

The Internal Audit Wing carries out audit checks to ensure that various field formations are complying with the rules, policies and procedures established by the Government of India in general and the Ministry concerned in particular. Apart from checking the accuracy of accounting and financial records maintained by various field offices, observance of rules and regulations, control weaknesses, etc., the internal audit would look into performance aspects as well and would evaluate the actual utilisation of the fund released and the schemes implemented to check that the intended objectives have been achieved.

Rule 212(1) of GFR also states that reports submitted by the internal audit parties of the Ministry or Department and inspection reports received from Indian Audit and Accounts Department and the performance reports, if any, received for the year should also be looked into while sanctioning further grants.

The Internal Audit Wing of the Ministry functions under the administrative control of the Controller of Accounts of the Ministry of Social Justice & Empowerment and is responsible for conducting internal audit of the units including Autonomous Bodies/Institutions, etc. under the Ministry. The details of audit/inspection conducted during the years 2011-12 to 2013-14 by the Internal Audit Wing are given in table below:

Table 5.11: Details of Internal Audit

Year	Total number of units under audit jurisdiction	Number of units planned to be audited	Actual number of units audited
2011-12	43*	3	1
2012-13	43*	4	-
2013-14	43*	6	6

*24 DDOs and 19 autonomous bodies/institutions

It is evident that out of 43 units, only 3, 4 and 6 units were planned for audit in the year 2011-12, 2012-13 and 2013-14 respectively. However, only one and six units were audited during the year 2011-12 and 2013-14 respectively. No audit was conducted during the year 2012-13. Despite almost entire expenditure being incurred by the Ministry on grants-in-aid, the internal oversight mechanism is not commensurate with the size of the expenditure and activities of the Ministry. In absence of a strong and effective internal oversight, it could not be ascertained in audit as to how the Ministry ensures compliance of rules, regulations and extant instructions on the subject by the grantee bodies in their day to day functioning and delivery of the programmes.

The Ministry stated (September 2014) that all the approved units could not be undertaken for audit in view of resource constraints.

d) Non-reporting of details to Parliament through annual reports

Rule 212(2)(i) & (ii) of General Financial Rules, 2005 provides that the annual reports and accounts of private and voluntary organizations receiving recurring grants-in-aid to the tune of ₹ 25 lakh and above and non-recurring grants-in-aid to the tune of ₹ 50 lakh and above should be laid on the Table of the House within nine months of the close of the succeeding financial year of the grantee organisations.

Test check revealed that recurring grants and non-recurring grants were released by the Ministry during the year 2011-12 and 2012-13 to a number of private and voluntary organizations as per details given below:

Table 5.12: Details of payments of grants-in-aid

(₹ in crore)

Year	Recurring Grants- in- aid (₹ 25 lakh and above)		Non-recurring Grants-in-aid (₹ 50 lakh and above)	
	Number of Private /voluntary Organization	Amount	Number of Private/ voluntary organization	Amount
2011-12	163	169.79	5	11.59
2012-13	58	22.62	10	10.08

Source: PFMS online database.

Information relating to presentation of Annual Report and Annual Accounts of private/voluntary organisations to the Parliament was not provided by the Ministry. In the absence of this it could not be ensured in audit that the compliance of above provision was being made by the Ministry.

e) Outstanding Utilisation Certificates (UCs)

Rule 212(1) of GFR, 2005 prescribes that in respect of non-recurring grants to an institution or organisation, a certificate of actual utilization of grants received for the purpose for which it was sanctioned in Form GFR 19-A, should be insisted upon in the order sanctioning the grants-in-aid. In respect of recurring grants, the UCs should also disclose whether the specified, quantified and qualitative targets that should have been reached against the amount utilised, were in fact reached, and if not, the reasons thereof. UCs should contain an output based performance assessment instead of input based performance assessment. In recurring grants, Ministry or Department concerned should release any amount sanctioned for the subsequent financial year only after UCs in respect of grants of preceding financial year is submitted.

The UCs should be submitted within twelve months of the closure of the financial year by the institution or organisation concerned. Receipt of such UCs shall be scrutinised by the Ministry or 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 institution or organisation from any future grant, 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.

Further, Office Memoranda[3], issued by Department of Expenditure, Ministry of Finance, on the issue of expenditure management envisage that no amount shall be released to any entity (including state Government) which had defaulted in furnishing utilisation certificate for grants-in-aid released by the Central Government without prior approval of Ministry of Finance. The OMs also enjoin

[3] No. 7(1)/E-Coord/2011 dated 11 July 2011; No. 7(1)E.Coord/2012 dated 31 May 2012

that the sanction order must clearly specify either that the payee has no UCs as due for rendition under the rules or that the payments has been authorised by the Department of Expenditure.

Scrutiny of records in the Ministry revealed that 10,337 number of UCs aggregating ₹ 787.74 crore were outstanding as on 18 September 2014 in respect of grants-in-aid released by the Ministry up to 2012-13 as detailed in **Annexure-5.2.**

Age-wise analysis revealed that UCs amounting to ₹ 35.61 crore (4.52 *per cent*) were pending for adjustment for more than 20 years, ₹ 265.31 crore (33.68 *per cent)* for 11 years to 20 years, ₹ 354.12 crore (44.95 *per cent*) for 6 years to 10 years and ₹ 132.71 crore (16.85 *per cent)* for the last 5 years. The earliest period of the grants sanctioned for which utilisation certificate is outstanding pertains as far back as to the year 1987-88.

The Ministry did not make any special efforts to reduce the pendency of the outstanding utilisation certificates. Since the receipt of UCs is the only mechanism to vouch that the funds have been utilised for the intended purpose, the Ministry should put in place a strong mechanism to ensure timely receipt of UCs. The possibility of fraud/misappropriation of funds cannot be ruled out in cases where the grantee organisations have abnormally delayed submission of UCs.

Grant No. 66- Ministry of Micro, Small and Medium Enterprises

5.5.11 Introduction

Micro, Small and Medium Enterprises (MSMEs) sector has emerged as a highly vibrant and dynamic sector of the Indian economy. This sector plays crucial role in providing large employment opportunities at comparatively lower capital cost than large industries, and helps in industrialisation of rural and backward areas, thereby, reducing regional imbalances and assuring a more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and contribute enormously to the socio-economic development of the country.

The primary responsibility of promotion and development of MSMEs is that of the State Governments. However, the Government of India supplements the efforts of the State Governments through various initiatives. The role of the Ministry of Micro, Small and Medium Enterprises is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario.

The Ministry has one attached office, viz. Office of the Development Commissioner (MSME), which assists the Ministry in formulating, coordinating, implementing and monitoring different policies and programmes for the promotion and development of MSMEs in the country.

The following autonomous organisations and national level entrepreneurship development institutes are under administrative control of the Ministry:

(a) Autonomous Organisations

- National Small Industries Corporation Limited (NSIC)
- Khadi and Village Industries Commission (KVIC)
- Coir Board

(b) National Level Entrepreneurship Development Institutes

- National Institute for Entrepreneurship and Small Business Development (NIESBUD), Noida,
- National Institute for Micro, Small and Medium Enterprises (NI-MSME), Hyderabad
- Indian Institute of Entrepreneurship (IIE), Guwahati.

5.5.12 Provision and Expenditure on Revenue Account

The revenue expenditure of the Ministry has increased from ₹ 2,162.23 crore in 2011-12 to ₹ 2,550.69 crore in 2013-14. Expenditure on grants-in-aid is one of the major components of the revenue expenditure of the Ministry. During the period 2011-12 to 2013-14 expenditure on grants-in-aid ranged between 72 to 82 *per cent* of the plan revenue expenditure, whereas for non-plan grants-in-aid expenditure, it ranged between 5 to 57 *per cent,* as detailed in **Table 5.13** given below:

Table 5.13: 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
2011-12	2534.04	300.50	1860.83	301.40	1524.34	15.48	82	05
2012-13	2752.02	319.86	2151.72	287.55	1720.05	126.01	80	44
2013-14	2899.02	311.93	2196.89	353.80	1579.30	200.79	72	57

Source: DDG, Appropriation Accounts and e-lekha data dump

5.5.13 Object head-wise expenditure on grants

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 2011-12 to 2013-14 is detailed in **Table 5.14**.

Table 5.14: Object head-wise expenditure

(₹in crore)

Particulars	2011-12	2012-13	2013-14	Total
31-Grants-in-aid General	1481.16 (96.19 %)	1657.36 (89.78 %)	1548.13 (86.97 %)	4686.65
35-Grants for Creation of Capital Assets	58.66	67.99	96.32	222.97
36-Grants-in-aid Salaries	0.00	120.71	135.64	256.35
Total	**1539.82**	**1846.06**	**1780.09**	**5165.97**

Source: e-lekha data dump

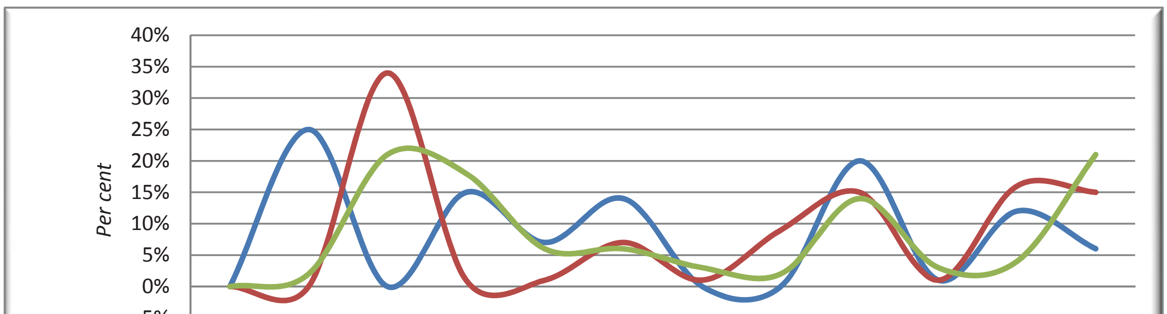
From above it emerged that the expenditure on **'**Grants-in-aid–General' constituted 96 *per cent in 2011-12*, 90 *per cent* in 2012-13 and 87 *per cent* in 2013-14 of the total expenditure on grants.

5.5.14 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.

It was however, observed that the Ministry had not adhered to the above provision of the GFRs while releasing grants-in-aid during the period 2011-12 to 2013-14 as is evident from the **Chart 5.9**. In the financial years 2011-12 to 2012-13, release of grants was at its peak in the month of May and June respectively, while for the financial year 2013-14, the release of grants peaked up in the months of June and March. In addition jumps were seen in the month of December in all these years.

Chart 5.9: Month-wise release of grants-in-aid



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2011-12	0%	25%	0%	15%	7%	14%	0%	0%	20%	1%	12%	6%
2012-13	0%	0%	34%	1%	1%	7%	1%	9%	15%	1%	16%	15%
2013-14	0%	2%	21%	18%	6%	6%	3%	2%	14%	3%	4%	21%

Source: e-lekha data dump

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

The details of plan grants-in-aid released during the period 2011-12 to 2013-14 as analysed from PFMS data base in terms of the principal categories of recipients are given in **Table 5.15.**

Table 5.15: Expenditure in terms of recipients

(₹ in crore)

Name of agency	2011-12		2012-13		2013-14	
	Grants sanctioned	Grants released	Grants sanctioned	Grants released	Grants sanctioned	Grants released
Central Government Institutions	0.00	0.00	0.06	0.06	0.00	0.00
Central Government Public Sector Undertakings	78.46	78.46	103.59	61.01	63.17	63.17
Registered Societies (Government Autonomous Bodies)	128.62	125.66	160.72	146.00	237.78	223.63
Registered Societies (Non-Governmental Organisations)	1.42	1.26	4.20	2.09	4.19	3.92
State Government/UTs	7.67	6.95	0.69	0.00	0.00	0.00
State Government Institutions	0.28	0.15	0.13	0.13	1.07	1.07
State Government Public Sector Undertakings	30.26	24.85	26.34	20.14	42.46	31.92
Statutory Bodies	1405.13	1284.18	2582.59	1486.85	1399.96	1254.13
Trusts	0.32	0.20	0.61	0.61	0.41	0.36
Local bodies	0.00	0.00	0.00	0.00	0.02	0.02
Individuals	0.00	0.00	0.00	0.00	0.00	0.00
Private sector companies	0.14	0.14	1.31	1.10	1.00	0.94
International Organisations	5.85	1.95	0.00	0.00	0.00	0.00
Total	**1658.15**	**1523.80**	**2880.24**	**1717.99**	**1750.06**	**1579.16**

Source: Information furnished by the Principal Accounts Office, Ministry of MSME as per PFMS data (March 2015)

As per the Budget Circular issued by the Ministry of Finance every year, a statement showing grants-in-aid exceeding ₹ 5 lakh (recurring) or ₹ 10 lakh (non-recurring) actually sanctioned to private organizations/ institutions/individuals is required to be accompanied with the Detailed Demand for Grants. Further a statement showing provisions included in Budget Estimates for payment of Grants-in-aid to non-government bodies is also required to be accompanied with the Detailed Demand for Grants.

In the course of audit it was observed that the Ministry released grants-in-aid between ₹ 10 lakh to ₹ 25 lakh, aggregating ₹ 0.41 crore, ₹ 1.37 crore and ₹ 4.44 crore during the years 2011-12 to 2013-14 respectively to private institutions/organizations **(Annexure 5.3)**. However, the information was not included in the Detailed Demand for Grants of the Ministry for the years 2011-12 to 2013-14.

5.5.16 Non assurance of creation of capital assets worth ₹ 222.97 crore by the grantees out of the Grants released by the Ministry

From the financial year 2009-10, a new object '35-Grants for creation of capital assets' was introduced by the Government to distinctly account for the grants released to the grantee bodies for creation of capital assets.

The Ministry released ₹ 222.97 crore under the object head 'Grants for creation of capital assets' during the period from 2011-12 to 2013-14. The Ministry had been including a clause in the sanction orders that the assets created out of the grants 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 assets created, amount of grants actually utilized for creation of capital assets, ownership of such assets etc. were maintained by the Ministry.

As there were no records available with the Ministry in respect of capital assets created by the grantee, assurance could not be derived that the expenditure of ₹ 222.97 crore booked under this head actually resulted in creation of capital assets for which the grant was sanctioned. Further, in absence of any inventory details, it is not clear how the Ministry was ensuring that the grantee bodies were not disposing off the assets created out of these grants without its approval as stipulated in the sanction orders.

The Ministry in its reply (October 2014) stated that such details were reflected in the sanction order/final approval in respect of the office of the Development Commissioner (MSME) and in respect of Coir Division, centralized records/database were maintained by the Coir Board. It was further stated that the observation of the audit would be taken in account in future. The KVIC Division stated (November 2014) that such details are maintained by the Khadi & Village Industries Commission. However, the fact remains that no centralized records/database containing all the relevant details were maintained by the Ministry.

5.5.17 Memorandum of Understanding (MoU) not signed for Grants released above ₹ 5 crore

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

During the years 2011-12 to 2013-14, grants-in-aid aggregating ₹ 559.03 crore were released to the following institutions/organizations for administrative purposes but no MoU was entered into by the Ministry with the grantee bodies although budgetary support of more than ₹ 5 crore per annum was given to each of them.

Table 5.16: MoU not signed with Institutions

(₹ in crore)

S. No.	Name of the organization	Year			Total
		2011-12	2012-13	2013-14	
1.	Khadi and Village Industries Commission*	157.36	160.65	192.17	510.18
2.	Coir Board	14.98	14.97	18.90	48.85
	Total	**172.34**	**175.62**	**211.07**	**559.03**

the amount is inclusive of releases made to KVIC under object head 20 for administrative purpose

The Ministry stated (October/November 2014) that there was no practice of signing MoU between the Ministry and respective grantees. Reply of the Ministry is not tenable as these are the standing instructions of GFRs. The Ministry should take necessary action in this regard.

5.5.18 Delay between authorization and release of grants

Para 2.3.1 of Civil Accounts Manual provides that the bills should be passed for payment and cheques issued within a maximum of seven working days of their receipt. Effort should be made for passing the bills and making payments within a shorter period and the Pr.CCA/CCA/CA[4] should lay down norms in this regard as well as personally monitor their compliance. In addition, bills indicated as 'Immediate' by Drawing and Disbursing officer should be attended urgently, so that the cheques are issued either the same or the next day.

Test check revealed that there were delays ranging from eight days to more than 30 days from the date of receipt of bills to date of issue of cheques during the year 2011-12 to 2013-14 as detailed in **Table 5.17**:

Table 5.17: Details of gap between authorization and actual release of grants

(₹ in crore)

Delay	2011-12		2012-13		2013-14		Total	
	No. of sanction order	Amount	No. of sanction order	Amount	No. of sanction order	Amount	No. of sanction order	Amount
8 days to 1 month	19	9.81	17	45.02	6	1.25	42	56.08
1-3 month	0	0.00	1	0.01	3	0.13	4	0.14
Total	**19**	**9.81**	**18**	**45.03**	**9**	**1.38**	**46**	**56.22**

5.5.19 Grants released without taking into account unspent balance of ₹ 438.45 crore

As per rule 209 (6) (iii) of GFRs, when recurring grants-in-aid are sanctioned to the same Institution or Organization for the same purpose, the unspent balance of the previous grant should be taken into account in sanctioning the subsequent grant. Further rule 212(1) also envisages that in respect of recurring grants, Ministry or Department concerned should release any amount sanctioned for the subsequent financial year only after Utilization Certificate on provisional basis in respect of grants of preceding financial year is submitted by the Institution or Organization concerned.

During the years 2011-12 to 2013-14, the Ministry released recurring grants-in-aid of ₹ 4,507.86 crore to the following three institutions without taking into account the unspent balance of ₹ 438.45 crore already available with these institutions.

4 Principal Chief Controller of Accounts/Chief Controller of Accounts/Controller of Accounts

Table 5.18: Grants released without taking into account unspent balances

(₹ in crore)

Name of the Organization	Unspent grant as on	Amount of unspent grants (As per Audited Annual Accounts)	Year of release	Amount of recurring grant released		
				Plan	Non-Plan	Total
Coir Board	31.3.2011	9.80	2011-12	23.54	14.98	38.52
	31.3.2012	10.45	2012-13	17.76	14.97	32.73
	31.3.2013	1.84	2013-14	8.26	18.90	27.16
	Total	**22.09**				**98.41**
National Small Industries Corporation Limited	31.3.2011	13.54	2011-12	78.46	0.00	78.46
	31.3.2012	37.08	2012-13	61.01	0.00	61.01
	31.3.2013	11.60	2013-14	57.98	0.00	57.98
	Total	**62.22**				**197.45**
Khadi and Village Industries Commission	31.3.2011	N.A.*	2011-12	1257.44	0.00	1257.44
	31.3.2012	195.74	2012-13	1462.21	110.54	1572.75
	31.3.2013	158.40	2013-14	1200.42	181.39	1381.81
	Total	**354.14**				**4212.00**
	Grand Total	**438.45**				**4507.86**

**Annual accounts of the KVIC for the period 2010-11 were not furnished to Audit.*

The Ministry stated (October/November 2014) that unspent balances available with the Coir Board and National Small Industries Corporation would be taken into account while subsequent release of grants-in-aid. The KVIC division in their reply stated that unspent balance of the funds released upto the last release in respect of all the plan schemes except Pradhan Mantri Employment Generation Programme lying with the implementing agencies was taken into account while processing the proposals for release of further funds to the agency. However, the quantum of unspent balance adjusted in the releases would by reflected in the sanction order in future as suggested by the Audit.

5.5.20 Non-disclosure of expenditure incurred on loans and advances in the Utilization Certificates

Note 2 below Rule 212 (1) of GFRs, states that in respect of Central Autonomous Organizations, the Utilization 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 during the years 2012-13 and 2013-14, grants-in-aid of ₹ 1,611.75 crore and ₹ 1,454.07 crore respectively were released to the organizations as detailed below in **Table 5.19**. However, these organizations while furnishing the utilization certificates in respect of the grants for the year 2012-13 did not disclose the loans and advances of ₹ 1,774.84 crore disbursed as on 31 March 2013 out of the grants so received. The Ministry neither asked the grantee nor ascertained the same from the annual audited accounts of the grantees before releasing further grants of ₹ 1,454.07 crore during 2013-14.

Table 5.19: Details of expenditure incurred on loans and advances

(₹ in crore)

Name of the organization	Grants released during 2012-13	Loans and advances disbursed as of 31 March 2013 (as per Annual Accounts)	Grants released during 2013-14
Khadi and Village Industries Commission	1576.71	1769.68	1386.07
Coir Board	35.04	5.16	68.00
Total	**1611.75**	**1774.84**	**1454.07**

The Ministry in its reply (October 2014) stated that utilization certificate towards expenditure incurred by the Coir Board on loans and advances would be insisted upon in future.

The Ministry further stated (November 2014) that during 2012-13 and 2013-14, no loans and advances were released to KVIC and all Utilization Certificates for grants-in-aid released during 2012-13 were received from KVIC before releasing grants for 2013-14. The reply is not acceptable as provisions of the GFRs relate to release of loans and advances disbursed by the grantee from the Government grants-in-aid and not to the loans and advances released by the government to Grantee institutions.

5.5.21 Utilization Certificates (UCs)

Rule 212(1) of GFRs, prescribes that in respect of non-recurring grants to an Institution or Organization, a certificate of actual utilization of the grants received for the purpose for which it was sanctioned in Form GFR 19-A, should be insisted upon in the order sanctioning the grants-in-aid. In respect of recurring grants, the UCs should also disclose whether the specified, quantified and qualitative targets that should have been reached against the amount utilized, were in fact reached, and if not, the reasons therefor. UCs should contain an output based performance assessment instead of input based performance assessment. In respect of recurring grants, Ministry or Department concerned should release any amount sanctioned for the subsequent financial year only after UCs in respect of grants of preceding financial year is submitted.

Further the UCs should be submitted within twelve months of the closure of the financial year by the Institution or Organization concerned. Receipt of such certificate shall be scrutinized by the Ministry or 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 Institution or Organization from any future grant, 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).

As per details furnished by Ministry, 242 number of UCs aggregating ₹ 75.90 crore were outstanding as on 31 March 2014 as detailed in **Annexure 5.4.** The earliest period of the grants sanctioned for which UC is outstanding pertains to the year 2005-06. Further, during test check of records no such case, wherein the Ministry had blacklisted the defaulter organization, came to the notice of audit.

The receipt of the UCs 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.

5.5.22 Non submission of performance-cum-achievement report and annual audited statements

As per Rule 212(3) of GFRs, the grantee institutions or organizations are required to submit performance-cum-achievement reports soon after the end of the financial year. A time limit in this regard may be prescribed by the sanctioning authority concerned. In the case of recurring Grants, submission of performance-cum-achievement reports should usually be insisted upon in all cases.

During 2011-12 to 2012-13, the Ministry released recurring grants aggregating ₹ 284.89 crore to the following institutions/organizations. However, the Ministry did not have any mechanism in place to ensure that the performance-cum-achievement reports in respect of earlier grants were submitted by the grantees within the stipulated time frame though sanction orders issued by the Ministry contained a clause that the performance-cum-achievement reports should be submitted by the date/period specified therein.

Table 5.20: Details of institutes for which review of performance-cum-achievement reports were not conducted

(₹ in crore)

Name of the institute/ organization	Recurring grants released		
	2011-12	2012-13	Total
National Small Industries Corporation Limited	78.46	61.01	139.47
Coir Board	25.91	19.23	45.14
National Institute of Entrepreneurship and Small Business Development	25.89	23.35	49.24
National Institute for Micro, Small and Medium Enterprises	11.11	14.37	25.48
Indian Institute of Entrepreneurship	13.77	11.79	25.56
Total	**155.14**	**129.75**	**284.89**

Source: PFMS

The Ministry stated (October 2014) that it would be ensured that the performance cum achievement reports are submitted by the grantees at the end of the financial year and instructions would be issued to grantees for compliance.

5.5.23 Preparation of Budgets without adequate proposals from the grantee bodies

Rule 209(6) (ii) of GFRs provides that in order to avoid delay in sanction or release of grants-in-aid to the grantee Institutions, the Ministry or Department should impress upon Institution or Organization desiring grants from

Government, to submit their requirement with supporting details by the end of October in the year preceding the year for which the grants-in-aid is sought. The Ministry or Department should finalize the examination of their requests with the utmost expedition and make the necessary budget provision where it is decided to sanction grants. The Institution or Organization should be informed of the result of their requests by April of the succeeding year.

Audit scrutiny revealed that the Ministry did not adhere to the above provisions in the following three schemes implemented through Khadi and Village and Industries Commission. Out of total budget provision of ₹ 473.88 crore for the years 2011-12 to 2013-14, the entire provision could not be released by the Ministry. Savings of the entire provision are indicative of the fact that the provisions made by the Ministry were not as per the actual requirements projected by the grantees but on the basis of past trends and projections which resulted in such large savings.

Table 5.21: Savings against the budget provision

(₹ in crore)

S. No.	Name of the scheme	Year	Budget provision	Actual amount released	Savings	Percentage of savings as compared to budget provision
1.	Khadi Reform and Development Programme	2011-12	192.00	0.00	192.00	
		2012-13	50.00	0.00	50.00	
		2013-14	50.00	0.00	50.00	
		Total	**292.00**	**0.00**	**292.00**	**100**
2.	Scheme of Fund for Regeneration of Traditional Industries (SFURTI)	2011-12	20.00	0.00	20.00	
		2012-13	55.42	0.00	55.42	
		2013-14	55.46	0.00	55.46	
		Total	**130.88**	**0.00**	**130.88**	**100**
3.	Scheme for Enhancing Productivity and Competitiveness of khadi Industry and Artisans	2011-12	21.00	0.00	21.00	
		2012-13	15.00	0.00	15.00	
		2013-14	15.00	0.00	15.00	
		Total	**51.00**	**0.00**	**51.00**	**100**
		G. Total	**473.88**	**0.00**	**473.88**	

The Ministry stated (November 2014) that funds could not be released under the scheme of Khadi Reform and Development Programme due to non-fulfilment of the conditions laid down in the policy matrix. It was further stated that the remaining two schemes were proposed to be merged in the SFURTI scheme together with other small schemes of the KVIC but due to delay in appraisal of the revamped SFURTI, no funds could be released during 2011-12 to 2013-14.

5.5.24 Discrepancies in maintenance of Register of Grants

In terms of rule 212(4) of GFRs and Para 4.27.2 of Civil Accounts Manual, a register of grants shall be maintained by the sanctioning authority in the format given in 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 the case of lump sum sanctions.

It was observed that register of grants were maintained by the respective divisions of the Ministry. However, essential information, such as conditions attached to the grant, due date of receipt of UCs and statements of accounts, actual date of receipt of UCs and statements of accounts, details of unspent balance, etc. were not entered in the register. Thus, the state of maintenance of basic records for disbursement of grants was not proper, impacting monitoring the sanctions/disbursements/utilizations of the grants.

The Ministry stated (October 2014) that instructions to all divisions of the Ministry for compliance of audit observation would be issued.

5.5.25 Non-disclosure of information relating to grantee bodies on the Ministry's website

Rule 209(1) of GFRs governing the principles and procedure for award of grants-in-aid stipulates that the institution or organization 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 organizations along with details of amount and purpose of grants given to them on its web site.

It was observed that no list containing institutions or organizations alongwith details of amount and purpose of grants was found to be uploaded on the website of the Ministry of MSME. Non-uploading of such list on the website by the Ministry is in contravention of the provisions of the GFRs. Further, it could not be ascertained as how the Ministry of MSME was ensuring that there was no duplication in receipt of grants in aid by the grantee for the same purpose.

The Ministry stated (October 2014) that instructions to all divisions of the Ministry for compliance of audit observation would be issued.

5.5.26 Non-reporting of details to Parliament through annual reports

Rule 212 (2) of GFRs provides that all Ministries or Departments of Government of India should include in their annual report a statement showing the quantum of funds provided to the private and voluntary organizations in the shape of recurring grants from ₹ 10 lakh to ₹ 25 lakh, and the purpose for which they were utilized, for the information of the Parliament. Similarly, in the case of organizations receiving one-time non-recurring grants from ₹ 10 lakh to ₹ 50 lakh, all Ministries or Departments of Government of India should include in their annual reports, statements showing the quantum of funds provided to each of these organizations and the purpose for which the funds were utilized, for the information of the Parliament.

In the course of audit of the Ministry it was observed that although the Ministry of MSME released grants-in-aid between ₹ 10 lakh to ₹ 25 lakh, aggregating ₹ 0.41 crore, ₹ 1.37 crore and ₹ 4.44 crore during the years 2011-12 to 2013-14 respectively to private institutions/organizations, as detailed in **Annexure 5.3,** details thereof were not included in the annual reports of the Ministry submitted to the Parliament.

The Ministry stated (October 2014) that instructions to all divisions of the Ministry for compliance of audit observation would be issued.

5.5.27 Peer Review of autonomous organizations

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

During 2011-12 to 2013-14, the Ministry of MSME released grants-in-aid aggregating to ₹ 4,380.65 crore to the following autonomous bodies but no external or peer review of these bodies, was ever conducted by the Ministry.

Table 5.22: Autonomous organizations of which peer review not conducted

(₹ in crore)

S. No.	Name of the Autonomous body	2011-12	2012-13	2013-14	Total
1	Khadi & Village Industries Commission	1257.44	1576.71	1386.07	4220.22
2	Coir Board	41.53	35.04	68.00	144.57
3	Mahatma Gandhi Institute of Rural Industrialization	4.48	2.81	8.57	15.86
	Grand total	**1303.45**	**1614.56**	**1462.64**	**4380.65**

The Ministry stated (October 2014) that the provisions of GFRs with regard to peer review of Coir Board would be adhered to in future. The Ministry in its subsequent reply (November 2014) stated that evaluation of various plan schemes of KVIC and MGIRI had been conducted by an independent agency. The reply is not tenable as the same is not related to the audit point.

5.5.28 Deficient Internal Oversight

The scheme of departmentalization of Union Government Accounts provides for setting up of an efficient internal audit organization 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 2011-12 to 2013-14 by the internal audit wing of the Ministry of MSME in respect of grants released to bodies/authorities are given in **Table 5.23**:

Table 5.23: Details of internal audit conducted

Year	Number of units under audit jurisdiction (as reported by the internal audit wing)	Number of units planned for audit	Number of units audited	Number of units remained unaudited	Percentage of shortfall
2011-12	63	10	8	2	20
2012-13	63	3	0	3	100
2013-14	63	4	1	3	75

It was observed that in spite of more than 75 *per cent* of the total expenditure being incurred by the Ministry only on grants-in-aid, the internal oversight mechanism was not commensurate with the size of expenditure and activities of the Ministry. In absence of a strong and effective internal oversight, it could not be ascertained in audit 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.

In its reply (September 2014), the Ministry admitted the fact that the internal audit wing had not conducted review of grants-in-aid released by the Ministry.

5.5.29 Non creation of Corpus Fund

As per rule 208(iv) of GFRs, instead of giving recurring grants, wherever possible, the Ministry or Department may consider creating a Corpus Fund, the returns on investment of which, along with their internally generated resources should enable the autonomous organization to meet its revenue expenditure.

The Ministry had been disbursing grants-in-aid to the following institutions/organizations for administrative purpose regularly without having explored the possibility to a Corpus Fund so as to meet the revenue expenditure part of the autonomous bodies from the returns on investment of the fund.

Table 5.24: Creation of Corpus Fund not considered

(₹ in crore)

S. No.	Name of the organization	Year			Total
		2011-12	2012-13	2013-14	
1.	Khadi and Village Industries Commission*	157.36	160.65	192.17	510.18
2.	Coir Board	14.98	14.97	18.90	48.85
	Total	**172.34**	**175.62**	**211.07**	**559.03**

* *The amount is inclusive of releases made to KVIC under object head 20 for administrative purpose*

The Ministry in its reply (October 2014) stated that provisions of GFRs with regard to creation of corpus fund in respect of Coir Board would be adhered to in future. In respect of KVIC division, the Ministry further stated (November 2014) that the audit observations would be examined in consultation with other divisions of the Ministry for creating a corpus fund before issuing suitable instructions in this regard.

5.5.30 Pattern of assistance not laid down by the Internal Finance Wing

As per rule 209(2) of GFRs, the Internal Finance Wing of the Ministry or Department concerned should lay down the rules or pattern of assistance under the broad guidelines on grants-in-aid and loans in GFRs and instructions issued by the Ministry of Finance from time to time. All sanctions of grants-in-aid issued by Ministry of the Central Government should conform to the pattern of assistance or rules governing such grants-in-aid.

It was observed in audit that though the Ministry of MSME released grants-in-aid to the tune of ₹ 5,165.97 crore to various institutions/organizations during the period 2011-12 to 2013-14, the internal finance wing did not lay down any such rules or pattern of assistance as required under the provisions of GFRs while releasing the grants-in-aid.

The Ministry in its reply (September 2014) while admitting the fact stated that the internal finance wing on its own has not laid down any criteria or pattern for disbursement of grants in aid by the Ministry. It was further stated that the proposals received from various divisions were examined keeping in view the criteria/norms of assistance given as per the guidelines of the respective schemes, GFRs provisions, instructions issued by the Ministry of Finance etc.

5.6 Conclusion

The shifting paradigm of public service delivery has led to a steady increase in grants-in-aid expenditure and with the exception of debt repayments, it is the single largest item of expenditure. As per *e-lekha* in 2013-14, more than 28 *per cent* (₹ 4,07,142 crore) of the revenue expenditure of the Union Government constituted expenditure on grants-in-aid. Out of this, ₹ 3,18,211 crore was plan grants and ₹ 88,931 crore non-plan. Substantial amounts of plan grants are released to grantees such as societies, NGOs, Trusts, etc., on which the power of the CAG audit is fettered and restricted.

For the year 2013-14, the Union Government transferred central plan assistance of ₹ 1,12,708 crore directly to State/district level autonomous bodies and authorities, societies, non-governmental organisations, etc., for implementation of Centrally Sponsored Schemes outside the State Government budget. The aggregate amount of unspent balances in their accounts maintained outside Government accounts was unascertainable. The Government expenditure as reflected in the accounts was, therefore, overstated to that extent.

Keeping in view the volume of expenditure on grants-in-aid, an in-depth examination of existing control mechanisms relating to this item of expenditure was conducted. For this purpose, expenditure on grants-in-aid in two Ministries, *viz*. the Ministry of Social Justice & Empowerment and the Ministry of Micro, Small and Medium Enterprises was selected for review mainly with reference to the process of sanctioning grants, profile of grantee organisation, databases of grantees maintained by the Ministry/Department, integrity of expenditure incurred out of the grants and existence of internal control mechanisms.

The analysis brought to light the deficiencies in internal monitoring system such as non-conducting of external peer reviews of grantee organisations, non-submission of performance-cum-achievement reports, non-reporting of details to Parliament through annual reports, etc. It was noted that selected Ministries were not aware of the quantity and value of assets created by the grantee bodies out of the grants released to them. There was a huge pendency of utilisation certificates from the various grantee organisations. It was also noted that grants were released to grantee organisations without considering unspent balances and pending utilisation certificates of previous years.

Hence, there is an urgent need to improve the existing monitoring and reporting mechanism of the expenditure on grants-in-aid, which is released by the Government of India to various bodies and authorities for delivery of public goods and services.

New Delhi
Dated : 27 April 2015

(SATISH LOOMBA)
Director General of Audit,
Central Expenditure

Countersigned

New Delhi
Dated : 28 April 2015

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India