# 5: GRANTS-IN-AID: AN ANALYSIS

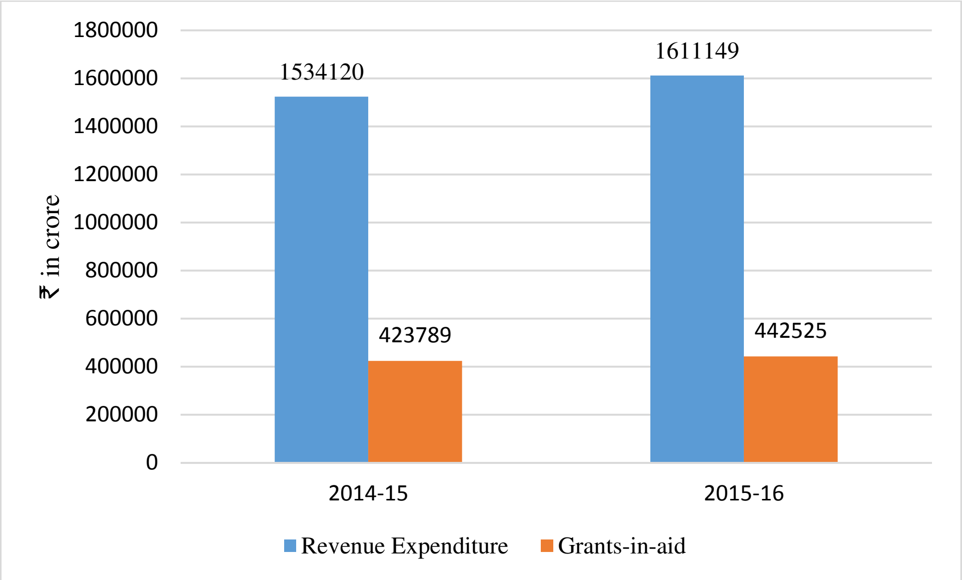
## 5.1 Introduction

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 utilised 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 are 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 2014-15 and 2015-16 expenditure on Grants-in-aid was nearly 27 *per cent* of the revenue expenditure of the Union Government (excluding Railways) as depicted in **Chart 5.1.**

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



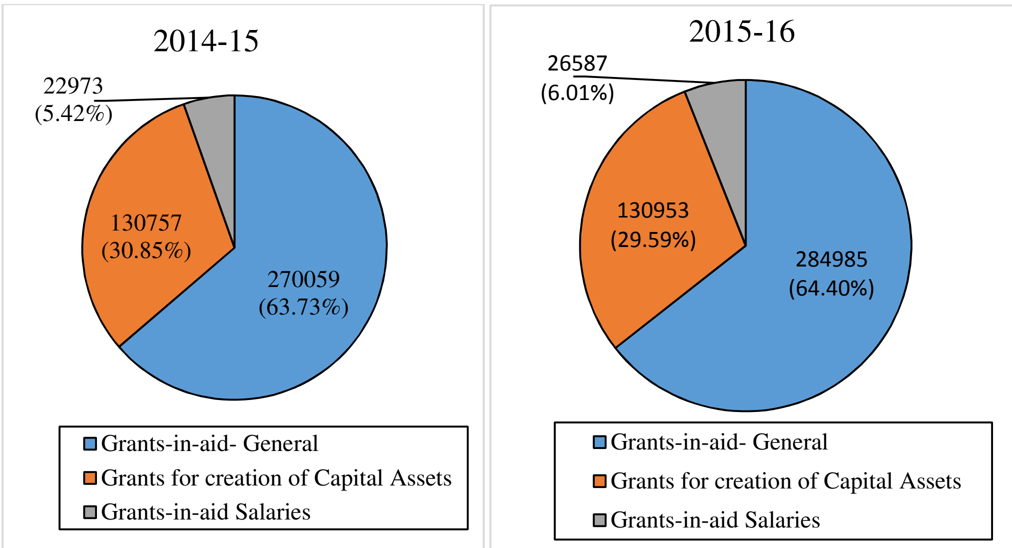

*Source: (i) Revenue Expenditure- Finance Accounts (excluding Railways)*
*(ii) Grants-in-aid- E-lekha data dump (November 2015 and October 2016) as provided by Office of Controller General of Accounts. Data includes expenditure, net of recoveries (Object head-70-Deduct recoveries) excluding Railways.*
*(iii) Grants-in-aid figures include Grants-in-aid booked under Revenue Section only.*

As compared to 2014-15, Grants-in-aid in absolute terms have grown by four *per cent* and the revenue expenditure grew by five *per cent* in 2015-16.

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

The **Chart 5.2** depicts the different types of Grants-in-aid released under Revenue Accounts given by the Union Government in the 2014-15 and 2015-16.

**Chart 5.2: Types of Grants-in-aid (₹ in crore)**



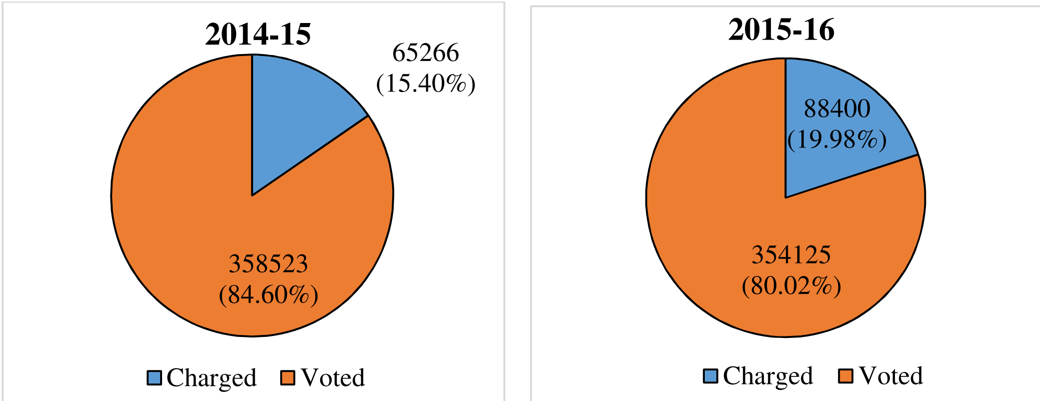

*Source: E-lekha data dump (November 2015 and October 2016) as provided by Office of Controller General of Accounts. Data includes expenditure, net of recoveries (Object head-70-Deduct recoveries) excluding Railways.*

### 5.2.1 Charged and Voted Grants-in-aid

Of the total Grants-in-aid expenditure for the financial year 2014-15, charged expenditure constituted about 15 *per cent,* which increased to 20 *per cent* during the year 2015-16. These Grants, which are non-plan in nature, are made in terms of Article 275(1) of the Constitution.

The **Chart 5.3** shows the break-up of Grants-in-aid into Charged and Voted under Revenue Accounts during 2014-15 and 2015-16.

**Chart 5.3: Charged and Voted Grants-in-aid (₹ in crore)**

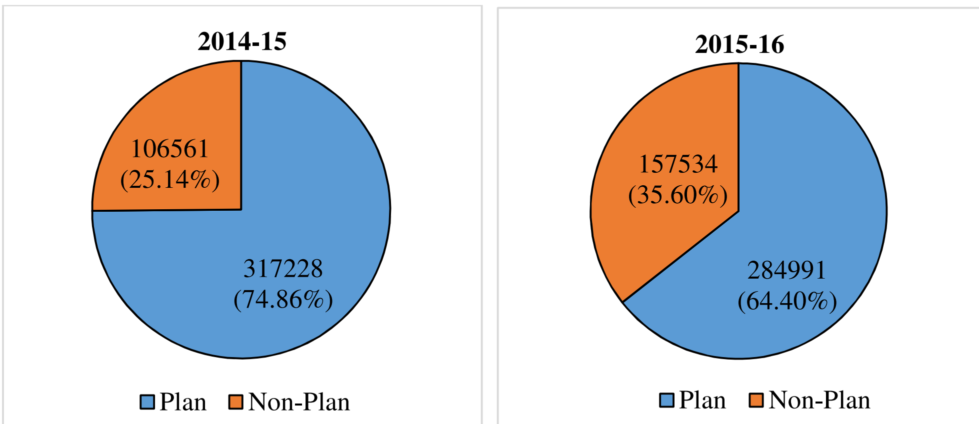



*Source: E-lekha data dump (November 2015 and October 2016) as provided by Office of Controller General of Accounts. Data includes expenditure, net of recoveries (Object head-70-Deduct recoveries) excluding Railways.*

### 5.2.2 Plan and Non-plan Grants

Grants-in-aid are given by the Union Government both for execution of plan schemes and for other purposes. The **Chart 5.4** shows the break-up of Grants-in-aid under plan and non-plan category. Grants-in-aid given for execution of plan schemes, account for bulk of the Grants-in-aid. The share of plan Grants-in-aid was 74.86 *per cent* and 64.40 *per cent* of total Grants-in-aid under Revenue Accounts during 2014-15 and 2015-16 respectively.

**Chart 5.4: Plan and Non-Plan Grants-in-aid (₹ in crore)**




*Source: E-lekha data dump (November 2015 and October 2016) as provided by Office of Controller General of Accounts. Data includes expenditure, net of recoveries (Object head-70-Deduct recoveries) excluding Railways*

As compared to 2014-15, plan grants have decreased by ₹ 32,237 crore, whereas the non-plan grants have increased by ₹ 50,973 crore during 2015-16.

## 5.3 Detailed examination of expenditure on Grants-in-aid in the Department of Health and Family Welfare and the Ministry of Power

The expenditure incurred on Grants-in-aid in the Department of Health and Family Welfare and the Ministry of Power, 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.

## 5.4 Grant No. 48 -Department of Health and Family Welfare

### 5.4.1 Introduction

The Union Ministry of Health and Family Welfare is instrumental and responsible for implementation of various programmes on a national scale, in the areas of health and family welfare, prevention and control of major communicable diseases and promotion of traditional and indigenous systems of medicines.

The Ministry has the following three Departments:

i. Department of Health and Family Welfare;
ii. Department of Health Research; and
iii. Department of AIDS control.

The Department of Health and Family Welfare deals with health care, including awareness campaigns, immunization campaigns, preventive medicine, and public health and is responsible for aspects relating to family welfare, especially in reproductive health, maternal health, paediatrics, information, education and communications; cooperation with NGOs and international aid groups; and rural health services.

There are 29 Autonomous Bodies under the administrative control of Department of Health and Family Welfare.

### 5.4.2 Budget and Expenditure

The total revenue expenditure of the Department of Health and Family Welfare stood at ₹ 26,799.55 crore in 2013-14, ₹ 29,055.74 crore in 2014-15 and ₹ 31,177.01 crore in 2015-16. Expenditure on Grants-in-aid was one of the major components of the revenue expenditure of the Department. The details are given in **Table 5.1.**

**Table 5.1: Provision and Expenditure on Revenue Account**

(₹ in crore)

| Year | Provision | | Revenue Expenditure | | Expenditure on Grants-in-aid | | Percentage of Grants-in-aid as compared to expenditure | |
|---|---|---|---|---|---|---|---|---|
| | Plan | Non-plan | Plan | Non-plan | Plan | Non-plan | Plan | Non-plan |
| 2013-14 | 29,165.00 | 4,113.00 | 22,137.70 | 4,661.85 | 19963.50 | 1,767.04 | 90.18 | 37.90 |
| 2014-15 | 30,145.00 | 4,518.00 | 23,406.65 | 5,649.09 | 21312.01 | 2,007.74 | 91.05 | 35.54 |
| 2015-16 | 24,549.00 | 5,104.00 | 25,137.41 | 6,039.60 | 22742.37 | 2,322.16 | 90.47 | 38.45 |

*Source: Information furnished by the Principal Accounts Office, Ministry of Health & Family Welfare as per Public Financial Management System (PFMS) data*

The disaggregation of plan 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 2013-14 to 2015-16 is given in **Table 5.2.**

**Table 5.2: Object head-wise plan expenditure on Grants-in aid**

(₹ in crore)

| Particular | 2013-14 | 2014-15 | 2015-16 |
|---|---|---|---|
| 31-Grants-in-aid-General | 16418.93 (82.24) | 18005.99 (84.49) | 18058.45 (79.40) |
| 35-Grants for creation of Capital Assets | 2829.96 (14.18) | 2341.30 (10.98) | 3447.16 (15.16) |
| 36-Grants-in-aid Salaries | 714.61 (3.58) | 964.72 (4.53) | 1236.76 (5.44) |
| **Total** | **19963.50** | **21312.01** | **22742.37** |

*Source: Principal Accounts Office, Ministry of Health & Family Welfare*
*Figures in parentheses indicate percentage of total plan Grants-in-aid*

It is evident from the table that the expenditure on 'Grants-in-aid-General' constituted a significant proportion of the total expenditure on Grants-in-aid (ranged from 79 *per cent* to 84 *per cent*) of the total plan expenditure on Grants incurred by the Department during the period from 2013-14 to 2015-16.

### 5.4.3 Month-wise flow of expenditure on Grants-in-aid

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

The flow of plan expenditure of the Department in the course of the year was examined with the help of information provided by the Department. It was observed that the Department had not adhered to the above provision while releasing Grants-in-aid during 2013-14 to 2015-16.

Flow of monthly expenditure on plan Grants-in-aid was not even throughout the year during the period from 2013-14 to 2015-16. Large part of plan expenditure on Grants-in-aid was incurred in the month of June (19.72 *per cent during* 2013-14 and 26.81 *per cent* during 2015-16) and 20.26 *per cent in* September during 2014-15, whereas negligible expenditure was incurred in the months of April, October and November during the period from 2013-14 to 2015-16 and January for the year 2013-14 and 2014-15.

### 5.4.4 Non-enclosure of schedule in the DDG

As per the budget circular issued by the Ministry of Finance, Department is required to enclose a schedule in the Detailed Demand of Grants (DDG) showing provisions included in budget estimates for payment of Grants-in-aid to Non-Government bodies. The list of private and voluntary organisations, receiving Grants-in-aid of more than ₹ 5.00 lakh during the year 2013-14 and 2014-15, was to be enclosed in the DDG. However, the scrutiny revealed that an amount of ₹ 12.54 crore and ₹ 6.87 crore, sanctioned to two private organisations[1] during the year 2013-14 and 2014-15, was not found enclosed in the DDG.

Reply was awaited (October 2016).

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

From the financial year 2009-10, a new Object Head 'Grants for creation of Capital Assets' was introduced, to distinctly account for the grants released to the grantee bodies, for creation of capital assets. A cardinal principle of accounts is that for assets to be recorded in the entity books, the ownership of assets must lie with the entity.

Further, Rule 215 (3)(1) of the General Financial Rules 2005 also enjoins that in case of funding of a sponsored projects and schemes, stipulation should be made that the ownership in the physical and intellectual assets created or acquired out of such funds shall vest in the sponsor.

Analysis of data provided by the Department revealed that total grants of ₹ 8,618.42 crore were released under the Object Head 35-Grants for Creation of Capital Assets during the period from 2013-14 to 2015-16 out of which ₹ 2,379.07 crore were released to 17 Autonomous Organisation/Institutes.

Further examination of section wise/division wise records pertaining to release of grants showed that:

- Only a clause "the assets created out of the grants shall not be disposed of without the approval of the Ministry" was included in the sanction orders by the Sections/Divisions.
- No records/database viz. name of the grantee, details of assets created including nature of the assets created, amount of grants actually utilised for creation of capital assets, ownership of such assets etc., was maintained in the Sections of the Department.

[1] (i) Indian Medical Association, New Delhi and (ii) Catholic Bishop's Conference of India, Delhi

- There was no mechanism in the Department to monitor the proper utilisation of Grants-in-aid released for creation of capital assets to the grantee bodies.

Thus, in the absence of any relevant inventory and appropriate monitoring mechanism, assurance could not be derived that the Grants-in-aid of ₹ 2,379.07 crore released to 17 Autonomous Organisation/Institutes during the period from 2013-14 to 2015-16 booked under this Object Head, had actually resulted in creation of capital assets for which the grants were sanctioned.

The Department accepted the audit observation and stated (September 2016) that the audit observation had been noted for compliance.

### 5.4.6 Non-maintenance of register of Grants-in-aid

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

It was observed that the eight Sections/Divisions of the Department released Grants-in-aid of ₹ 3315.18 crore to the autonomous institutes but had not maintained Register of grants at sectional level.

Thus, non-maintenance of the register of grants resulted in violation of codal provision and had adverse impact on monitoring of sanctions/disbursements/ utilisation of the grants.

The Department accepted the audit observation and stated (September 2016) that the audit observation had been noted for compliance.

### 5.4.7 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/ 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 of the records revealed that during the periods 2013-14 to 2015-16 grants of more than ₹ 5 crore each were released by the Department to the

19 Institutes/Organisations (aggregating ₹11,824.18 crore), but the Memorandum of Understanding was not entered into by the Department with these organisations. Moreover, the sanction orders also did not specify the requirement of entering into any MoU.

The Department stated (September 2016) that the observation had been noted for compliance.

### 5.4.8 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 (ABs)/Institutes to the Department revealed that loans and advances of ₹ 1581.15 crore disbursed by the ABs/Institutes to various suppliers, construction agencies, staff members, etc., during the period from 2013-14 to 2014-15 but separate disclosure with regard to the actual expenditure incurred and the loans and advances given, which did not constitute expenditure, were not furnished. Thus, in the absence of the required information the Department treated the entire grants as utilised by the concerned ABs/Institutes.

The Department stated (September 2016) that the observation had been noted for compliance.

### 5.4.9 Peer Review of autonomous organizations not conducted

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

During the period from 2013-14 to 2015-16, the Department released Grants-in-aid aggregating to ₹ 11824.18 crore to the 19 Autonomous

Bodies/Institutes, but no external or peer review of these ABs/Institutes was ever got conducted by the Department.

The Department stated (September 2016) that the observation had been noted for compliance.

### 5.4.10 Non submission of Performance-cum-achievement reports

Rule 212(3) (i) of GFRs stipulates that the grantee institutes or organizations should be 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 and this requirement should be included in the Grants-in-aid sanction order.

Test checks of sanction orders for Grants-in-aid issued by the Department to the Autonomous Bodies/Agencies/Institutes etc., these sanction orders did not specify this requirement and time limit within which the grantee organizations were required to submit the performance-cum-achievement report. Besides, scrutiny revealed no mechanism existed in the Department to monitor the receipt of performance-cum-achievement reports soon after the close of the financial year.

The Department stated (September 2016) that the observation had been noted for compliance.

### 5.4.11 Unrealistic Budget Estimation

Rule 209 (6)(ii) of GFRs provides that in order to avoid delay in sanction or release of Grants-in-aid to the grantee Institutes, the Ministry or Department should impress upon the Institutes or Organization desiring grants from Government, to submit their requirements 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 Institute or Organization should be informed of the result of their requests by April of the succeeding year.

Audit scrutiny revealed that the Department did not adhere to the above instructions in the following schemes to be implemented through various organisations as detailed in the **Table 5.3**. Out of total budget provision of ₹ 180.02 crore for the period from 2013-14 to 2015-16; the entire provision could not be released by the Department due to non-taking off of the scheme. This indicates unrealistic budget estimation.

**Table 5.3: Details of entire savings against the budget provision under Grants-in-aid**

*(₹ in crore)*

| S. No | Name of the scheme | Head of account | Year | Budget provision | Amount released | Savings | %age of savings | Reasons for Savings |
|---|---|---|---|---|---|---|---|---|
| 1 | National Board of Examination | 2210.05.800.05 | 2013-14 | 30.00 | 0.00 | 30.00 | 100 | Due to non taking-off of the scheme |
| | | | 2014-15 | 0.01 | 0.00 | 0.01 | | |
| | | | 2015-16 | 0.01 | 0.00 | 0.01 | | |
| 2 | Health Insurance (CGEIPS) | 2210.06.800.39 | 2013-14 | 50.00 | 0.00 | 50.00 | 100 | Due to non taking-off of the scheme |
| | | | 2014-15 | 50.00 | 0.00 | 50.00 | | |
| | | | 2015-16 | 50.00 | 0.00 | 50.00 | | |
| | | | | | **Total** | **180.02** | | |

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

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

It was observed that a complete list containing only names of grantee institutions/ organisations existed on the website of the Ministry (www.mohfw.gov.in). The details of amount and purpose of grants given to them, however, were not mentioned therewith. In the absence of disclosure of such information, receipt of grants by the grantee organisations for the same purpose from other Ministries and Departments could not be ruled out. Reply was awaited (October 2016).

### 5.4.13 Outstanding Utilisation Certificates (UCs)

Rule 212 (1) of GFR, 2005 prescribes that in respect of non-recurring grants to an institutions of organization, certificate of actual utilisation 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. The UC should contain an output based performance assessment instead of input based performance assessment. In the case of recurring grants, the Ministry or Department concerned should release amount sanctioned for the subsequent financial year only after UC in respect of grants of preceding financial year is submitted.

Further, the UC should be submitted within twelve months of the closure of the financial year by the Institute or Organization concerned. Receipt of such UC shall be scrutinized by the Ministry or the Department concerned. Where such certificate is not received from the grantee within the prescribed time, the Ministry or Department will be at liberty to blacklist such institutions or 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) of GFRs.

As per information furnished by the Department, 3786 number of Utilisation Certificates aggregating to ₹ 8,055.27 crore were outstanding as on 31 March, 2016 as detailed in **Annexure 5.1**. The earliest period of the grants sanctioned for which the UCs were outstanding pertains as back as to the year 1976. Examination of records furnished by the Department revealed that Department had neither initiated any action to blacklist the defaulter institutions/organizations nor made any efforts to reduce the pendency of the outstanding UCs after 2011-12.

Since the receipt of UCs is the only mechanism to vouch that the funds have been utilised for intended purpose, the Department should put in place a strong mechanism to ensure timely submission of UCs by the grantee bodies. The possibility of fraud/misappropriation of funds cannot be ruled out in cases where the grantee organizations have abnormally delayed submission of UCs.

Reply was awaited (October 2016).

### 5.4.14 Deficient Internal Oversight

The scheme of departmentalisation of Union Government Accounts provides for setting up of an Internal Audit Organisation to ensure accuracy in accounts and efficiency in the operation of the accounting set up.

Rule 212(1) of GFRs 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 Department functions under the administrative control of the Chief Controller of Accounts of the Ministry of Health and Family Welfare and is responsible for conducting internal audit of the units including Autonomous Bodies/Institutions, etc. under the Department.

Out of 724 units, only 97, 110 and 51 units were planned for audit in the year 2013-14, 2014-15 and 2015-16 respectively. However, only 47, 55 and 49 units were audited during the year 2013-14, 2014-15 and 2015-16 respectively. Despite significant expenditure being incurred by the Department on Grants-in-aid, the internal audit wing had not conducted review of Grants-in-aid released by the Department. Thus, the internal oversight mechanism and activities of the Department is not commensurate with the size of the expenditure. In absence of a strong and effective internal oversight, it could not be ascertained in audit as to how the Department 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.

Reply was awaited (October 2016).

## 5.5 Grant No. 77- Ministry of Power

### 5.5.1 Introduction

Electricity is a concurrent subject under the Seventh schedule of the Constitution of India. The Ministry of Power (MoP) is primarily responsible for the development of electrical energy in the country. The Ministry is concerned with perspective planning, policy formulation, processing of projects for investment decisions, monitoring of the implementation of power projects, training and manpower development and the administration and enactment of legislation in regard to thermal, hydro power generation, transmission and distribution.

There are 17 Organisations/ Bodies/ Public Sector Undertakings/ Corporations under the administrative control of the Ministry of Power.

The MoP had incurred an expenditure of ₹ 12,388.60 crore as Grants-in-aid under various schemes/project during the period from 2013-14 to 2015-16. The substantial expenditure has been made on providing access to electricity to villages/habitations and households under the schemes viz., Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) related to Rural Electrification, Integrated Power Development Scheme (IPDS) related to Strengthening of Distribution Network, and Power System Development Fund (PSDF) related to Safe Operation of Grid, for development and better quality of life. Major emphasis of these schemes was on development of power infrastructure throughout the country.

### 5.5.2 Budget and Expenditure

The total revenue expenditure of the Ministry increased from ₹ 3,736.65 crore in 2013-14 to ₹ 7,863.27 crore in 2015-16. Expenditure on Grants-in-aid was one of the major components of the revenue expenditure of the Ministry as shown in **Table 5.4.**

**Table 5.4: Budget Provision and Expenditure**

| Year | Budget Provision (₹ in crore) | | Revenue Expenditure (₹ in crore) | | | Expenditure on Grants-in-aid (₹ in crore) | | Percentage of Grants-in-aid as compared to revenue expenditure | |
|---|---|---|---|---|---|---|---|---|---|
| | Plan | Non-Plan | Plan | Non-Plan | Total | Plan | Non-plan | Plan | Non-plan |
| 2013-14 | 7337.95 | 707.90 | 3054.14 | 682.51 | 3736.65 | 3000.33 | 43.60 | 98.24 | 6.39 |
| 2014-15 | 7571.50 | 166.80 | 4395.26 | 242.25 | 4637.51 | 3972.80 | 42.14 | 90.39 | 17.40 |
| 2015-16 | 6141.44 | 178.09 | 7701.25 | 162.02 | 7863.27 | 5282.67 | 47.06 | 68.59 | 29.05 |

*Source: Information provided by MoP*

It may be seen from the above table that during the period from 2013-14 to 2015-16, expenditure on Grants-in-aid as percentage of plan revenue expenditure decreased from 98.24 *per cent* to 68.59 *per cent,* whereas in respect of non-plan revenue expenditure it increased from 6.39 *per cent* to 29.05 *per cent.*

### 5.5.3 Object head-wise expenditure

Currently, there are three separate object heads under which Grants-in-aid expenditure is recorded in the books of accounts viz. '31-Grants-in-aid General', '35- Grants for Creation of Capital Assets' and '36-Grants-in-aid Salaries'. Details of object-head wise Grants-in-aid released during the period 2013-14 to 2015-16 are given in **Table 5.5.**

**Table 5.5: Object head–wise Grants-in-aid released**

***(₹ in crore)***

| Particulars | 2013-14 | 2014-15 | 2015-16 | Total |
|---|---|---|---|---|
| 31-Grants-in-Aid-General | 126.07<br>*(4.15)* | 290.75<br>*(7.24)* | 182.98<br>*(3.43)* | 599.80 |
| 35-Grants for Creation of Capital Assets | 2917.86<br>*(95.85)* | 3724.19<br>*(92.76)* | 5146.75<br>*(96.57)* | 11788.80 |
| **Total** | **3043.93** | **4014.94** | **5329.73** | **12388.60** |

*Source: Information provided by MoP*
*Figures in parentheses indicate percentage of total Grants-in-aid*

It is evident from the above table that the expenditure on Grants for creation of Capital Assets constituted a significant proportion of the total expenditure on Grants-in-aid (ranged from 93 *per cent* to 97 *per cent*) incurred by the Ministry. Further, the Ministry had not operated the object head-'36-Grants-in-aid Salaries' during the period from 2013-14 to 2015-16 even when the Object Head was created by Ministry of Finance from the financial year 2011-12. The same has been highlighted in Para 4.5.2 of Chapter-IV of this Report.

### 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 during the period from 2013-14 to 2015-16 was examined. It was observed that the Ministry had not adhered to the above provision while releasing Grants-in-aid in any of the three years.

Large proportion of plan expenditure on Grants-in-aid was incurred in the month of September (*25.52 per cent* during 2013-14*, 53.56 per cent* during 2014-15 and *33.98 per cent* during 2015-16) and December (28.54 *per cent* during 2013-14, 21.77 *per cent* during 2014-15 and *26.94 per cent* during 2015-16), whereas negligible expenditure was incurred in the months of

April, July, August, October and January during the period from 2013-14 to 2015-16.

Ministry stated (August 2016) that Grants-in-aid under Integrated Power Development Scheme (IPDS) were released to beneficiary utilities based on the progress of the project, utilisation of funds earlier disbursed and requests from utilities for release of funds. The fact, however, remains that the provisions of the GFRs were not adhered to.

### 5.5.5 Delay in release of funds to Power Finance Corporation

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

Further, as per para 10 of Chapter-IV-Fund Disbursement Guidelines issued under MoP O.M.No. 26/1/2014-APRDP dated 3 December, 2014 use of Public Financial Management System (PFMS) for release of funds from MoP to Power Finance Corporation (PFC) and from PFC to Utilities and further, is mandatory.

The Ministry issued a Sanction Order dated 04 June 2015 for releasing an amount of ₹ 146.79 crore under the Object Head '35- Grant for creation of Capital Assets' to PFC as grant to be disbursed to State Power Utilities for operationalization of the IPDS. Audit scrutiny of sanction order revealed that the grant was credited to PFC's separate bank account on 15 July 2015 i.e. after a time lag of 29 days from the date of submission of bill, disregarding Para 2.3.1 of Civil Accounts Manual.

It was also noted that as per para 4(ii) of the sanction order, funds were to be lent to the State Utilities through PFMS only. As of 07 July 2015, only four State Utilities were registered on PFMS to which grants aggregating to ₹ 50.31 crore were released by PFC, out of the total grant of ₹ 146.79 crore for nine Utilities. Hence, PFMS mapping of remaining State Utilities and subsequent release of grant of ₹ 146.79 crore, was pending as of 07 July 2015.

MoP in its reply (August 2016) stated that funds were to be released to beneficiary Utilities upon compliance of conditionalities by them as per guidelines and furnished the date of actual disbursement of entire grant to all nine State Utilities by PFC through PFMS.

Audit noted that the MoP should have ensured adherence to all the compliances before sanction of funds to PFC. Failure to do so has resulted in delays ranging from 3 to 238 days in disbursement of funds to State Utilities.

The MoP while admitting the facts further stated (September 2016) that PFC had also requested MoP that the request for release of funds should have been made to MoP only after compliance of requisite conditionalities by Utilities. Since then, this procedure is being implemented and no delay in release of funds to the Utilities after corresponding receipt of funds from MoP has occurred.

### 5.5.6 Non-maintenance of data of capital assets created by the grantees out of Government grants

In terms of Rule 6(1) of Fiscal Responsibility and Budget Management Rules (FRBM), 2004 and subsequent Office Memorandum of Ministry of Finance dated April 2005, all the Ministries/Departments are required to maintain an Asset Register in prescribed format (Form D-4) so that appropriate disclosure about the position of assets may be made in the Budget of Govt. of India.

Rule 215(3) of the General Financial Rules also enjoins that in the case of funding of sponsored projects and schemes, stipulation should be made that the ownership in the physical and intellectual assets created or acquired out of such funds shall vest in the sponsor. From the Financial Year 2009-10, a new Object Head '35-Grants for creation of Capital Assets' was introduced to distinctly account for the grants released to the grantee institutions for creation of Capital Assets.

During the scrutiny of related records and sanctions, it was observed that out of the total Grants-in-aid of ₹ 12,388.60 crore, the Ministry released ₹ 11,788.80 crore to Implementing agencies/ grantee bodies under the Object Head '35-Grants for creation of Capital Assets' viz., Rural Electrification Corporation Limited (REC) (₹ 10,651.36 crore), Power Finance Corporation (PFC) (₹ 348.15 crore), Power Grid Corporation of India Limited (PGCIL) (₹ 310.00 crore), National Load Despatch Centre (NLDC) (₹ 361.78 crore) and Central Power Research Institute (CPRI) (₹ 117.51 crore) during the period from 2013-14 to 2015-16.

The Ministry had included a clause in the sanction orders that the assets created shall not be disposed of without the approval of the Ministry. However, no centralized records/database viz., name of the grantee, details of assets created including nature of assets created, amount of grants actually utilised for creation of Capital Assets, ownership of such assets etc. was provided by the Ministry for verification. Thus, it could not be verified if the directions envisaged in the clause were followed.

In the absence of any centralised data, it was not clear as to how the Ministry had assured that the grants amounting to ₹ 11,788.80 crore released under the said Object Head during the period from 2013-14 to 2015-16, had actually resulted in creation of Capital Assets and these assets were not being disposed of without its specific approval.

The Transmission Division of the Ministry stated that PGCIL had only acquired land for a few sub-stations and no other assets had been created. Assets register shall be maintained with creation of assets as per progress of work, which was yet to start.

The reply of MoP in respect of funds released to other implementing agencies/grantee bodies was awaited (October 2016).

### 5.5.7 Non-submission of Utilisation Certificates (UCs) in prescribed format by grantee organisations

Rule 212(1) of General Financial Rules stipulates that the UCs in Form – 19A should be submitted within twelve months of the closure of the Financial Year by the grantee Institute or organization.

Sanctions for the Grants-in-aid shall stipulate that 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. They should contain an output based performance assessment (Rule 212 of GFR).

Test-check of UCs and related records submitted by the Grantee organizations revealed that UCs submitted by the JERC did not indicate kind of checks exercised as per the prescribed format (GFR-19A). The UCs furnished by JERC and CERC did not disclose information relating to targets and achievements and also relating to any output based performance assessment as required under Rule 212 of GFR.

The Ministry may ensure that suitable instructions are communicated to the grantee organisations for submission of UCs containing full details in the prescribed format. The reply of MoP was awaited (October 2016).

## 5.6 Conclusion

The shifting paradigm of public service delivery has led to a steady increase in Grants-in-aid expenditure. As compared to the year 2014-15, the expenditure on Grants-in-aid has increased from ₹ 4,23,789 crore to ₹ 4,42,525 crore during the year 2015-16, registering an overall growth of four *per cent.* The expenditure on Grants-in-aid constituted nearly 27 *per cent* of the total revenue expenditure aggregating to ₹ 16,11,149 crore (excluding Railways) during the year 2015-16.

The analysis of Grants-in-aid in respect of Department of Health and Family Welfare revealed deficiencies in internal monitoring system such as non-conducting of external peer reviews of grantee organisations, non-submission of performance-cum-achievement reports by the grantees, non-maintenance of register of Grants-in-aid, etc. It was also noted that the Department did not maintain database of the quantity and value of assets created by the grantee bodies out of the grants released to them. There was pendency of Utilisation Certificates from the various grantee organisations though in subsequent years grants were released to these grantee organisations.

Further, the analysis in respect of Ministry of Power also showed deficiencies such as non-operation of Object Head pertaining to Grants-in-aid-Salaries, non-maintenance of data of Capital assets created by the grantees out of government grants, uneven flow of expenditure of plan grants, etc. The analysis also highlighted that the Utilisation Certificates were not submitted by the grantee organizations in the prescribed format.

**New Delhi** **(MUKESH PRASAD SINGH)**
**Dated : 01 December 2016** **Director General of Audit,**
**Central Expenditure**

**Countersigned**

**New Delhi** **(SHASHI KANT SHARMA)**
**Dated : 02 December 2016** **Comptroller and Auditor General of India**