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**INJUDICIOUS RELEASE OF
GRANTS**

**PUBLIC ACCOUNTS
COMMITTEE
2007-2008**

SIXTY-NINTH REPORT

FOURTEENTH LOK SABHA



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

SIXTY-NINTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(2007-2008)

(FOURTEENTH LOK SABHA)

INJUDICIOUS RELEASE OF GRANTS

MINISTRY OF HUMAN RESOURCE DEVELOPMENT
(Department of Higher Education)

&

UNIVERSITY GRANTS COMMISSION



Presented to Lok Sabha on 28 April, 2008

Laid in Rajya Sabha on 28 April, 2008

LOK SABHA SECRETARIAT
NEW DELHI

April, 2008/Chaitra, 1930 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2007 - 2008)

Prof. Vijay Kumar Malhotra—*Chairman*
Lok Sabha

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3. Shri Khagen Das
4. Shri P.S. Gadhavi
5. Shri R.L. Jalappa
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7. Shri Bhartruhari Mahtab
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- *19. Shri Suresh Bhardwaj
- †20. Shri Prasanta Chatterjee
21. Dr. K. Malaisamy
22. Shri Ravula Chandra Sekar Reddy

SECRETARIAT

- | | | |
|-----------------------------|---|-----------------------------|
| 1. Shri S.K. Sharma | — | <i>Additional Secretary</i> |
| 2. Shri A. Mukhopadhyay | — | <i>Joint Secretary</i> |
| 3. Shri Brahm Dutt | — | <i>Director</i> |
| 4. Shri R.K. Suryanarayanan | — | <i>Under Secretary</i> |
| 5. Smt. Anju Kukreja | — | <i>Committee Officer</i> |

#Ceased to be Members of the Committee on Public Accounts *w.e.f.* 6th April, 2008 on their appointment as Ministers.

*Ceased to be a Member of the Committee on Public Accounts *w.e.f.* 9th January, 2008 on his resignation from Rajya Sabha.

†Ceased to be a Member of the Committee on Public Accounts *w.e.f.* 2nd April, 2008 consequent to expiry of his term of Rajya Sabha.

INTRODUCTION

I, the Chairman, Public Accounts Committee, as authorised by the Committee, do present this Sixty-ninth Report relating to "Injudicious release of Grants" on Para 6.8 of the Report of C&AG of India for the year ended 31 March, 2006 (No. 3 of 2007), Union Government (Civil—Autonomous Bodies).

2. The Report of the C&AG of India for the year ended 31 March, 2006 (No. 3 of 2007), Union Government (Civil—Autonomous Bodies) was laid on the Table of the House on 14th May, 2007.

3. The Committee took the evidence of the representatives of the Ministry of Human Resource Development (Department of Higher Education) and University Grants Commission on the subject at their sittings held on 11th June, 2007 and 30th July, 2007. The Committee considered and finalised this Report at their sitting held on 7th April, 2008. Minutes of the sittings form Annexures to the Report.

4. For facility of reference and convenience, the Recommendations and Observations of the Committee have been printed in thick type in the body of the Report.

5. The Committee would like to express their thanks to the Officers of the Ministry of Human Resource Development (Department of Higher Education) and University Grants Commission for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

6. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

7. The Committee also place on record their appreciation for the invaluable assistance rendered to them by the officials of Lok Sabha Secretariat attached with the Committee.

NEW DELHI;
9 April, 2008
20 Chaitra, 1930 (Saka)

PROF. VIJAY KUMAR MALHOTRA,
Chairman,
Public Accounts Committee.

REPORT

PART I

BACKGROUND ANALYSIS

Injudicious release of Grants

This Report is based on the Audit review contained in Para 6.8 of the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2006 No. 3 of 2007, Union Government (Civil-Autonomous Bodies) relating to "**Injudicious release of Grants**" by the University Grants Commission (UGC).

I. Introductory

The University Grants Commission (UGC) was established under an Act of Parliament in 1956 for the purpose of coordination, determination and maintenance of standard of university education. The Act empowers the Commission, among other things, to allocate and disburse grants to universities for their maintenance and development. It continued to assist universities and colleges for development by making budgetary plan provisions for various programmes. Development Assistance Programme initiated by UGC is intended to improve infrastructure and basic facilities in universities and colleges, so as to achieve at least the thresh-hold level of infrastructure apart from bringing about qualitative development. Development grants, including grants under special schemes, are being provided to all eligible State Universities. Such grants facilitate creation, augmentation and upgradation of infrastructural facilities that are not normally available from the State Government or other sources of funds.

2. Keeping in view the disparities between Urban/Semi-urban and Backward Areas, UGC formulated two schemes during the Xth Plan Period (2002-2007) entitled 'Special Development Grant to Young Universities' (SDGYU) and 'Special Development Grant to Universities in Backward Areas' (SDGUBA). Details of these schemes are as follows:—

(i) *Special Development Grant to Young Universities (SDGYU)*

The scheme is to create basic and bare minimum infrastructure and to improve/expand the existing infrastructure of Young Universities so as to enable them to attract more students and teachers and to help introduce new courses.

(ii) *Special Development Grant to Universities in Backward Area (SDGUBA)*

The Scheme is to focus attention on universities located in backward areas and to improve infrastructure, to achieve optimum teaching equity and access at least to the threshold level. This will help the universities to evolve to a level where they are able to introduce innovations in academics and meet the challenges of globalization.

3. The prescribed norms as stated by the UGC for the eligibility of the universities for getting financial assistance under these two schemes are as under:—

- (i) The universities which have been included under Section 2(f) and declared eligible to central assistance under Section 12(B) of the UGC Act of 1956 during VIII Plan onwards were eligible to receive grants from UGC under this new scheme of Special Development Grants for Young Universities.
- (ii) All eligible universities under section 2(f) and 12(B) of the UGC Act of 1956 and physically located in backward areas (an exhaustive list of backward areas, made available by the Planning Commission) has been considered under the scheme. Special Development Grant to Universities in Backward Area, all Central and Deemed to be Universities getting 100% non-plan grant are excluded from the purview of this scheme.

4. The Committee desired to know about the system existing in the UGC for release of Grants to Universities. The UGC in a written reply stated as under:—

"The UGC takes decision based on the advice of the Expert Committee. Generally in a plan period, the allocation is decided by the Expert Committee and the grant is released in instalments on receipt of utilization certificate of the earlier sanctioned grant. This procedure for release of grants is reviewed in the beginning of each Five Year Plan and necessary improvements are incorporated."

II. Audit paragraph/findings

5. Audit scrutiny of the subject has revealed that an Expert Committee of officials of UGC met in March 2004 to assess the proposals received from different universities under the above schemes and recommended 13 universities under SDGYU and 11 under SDGUBA for release of advance grant at the rate of Rs. 21 lakh and Rs. 25 lakh respectively subject to condition that the grant may be used only after receiving item-wise final approval of the UGC. The Expert Committee also recommended that the eligible universities be called for presentation of their projects. Accordingly, UGC released (March 2004) Rs. 5.48 crore as advance grant to these 24 universities with the stipulated conditions.

6. Audit ascertained that UGC conveyed its approval for incurring the expenditure on the said schemes to 20 universities after a lapse of time ranging between 8 and 23 months and approvals to three universities under Special Development Grant to Young Universities (SDGYU) and one university under Special Development Grant to Universities in Backward Area (SDGUBA) scheme were not conveyed till March 2006. Thus pre-mature release of grant by UGC pending presentations from the universities and subsequent delay in conveying the final approvals to 20 universities and non-approval to four universities resulted in blocking of funds amounting to Rs. 5.48 crore for a period ranging between 8 and 24 months and consequent loss of interest of Rs. 59.02 lakh for the period from April 2004 to March 2006 computed at Union Government's borrowing rate of 8.4 per cent per annum.

7. In response to audit observation, the Ministry of HRD endorsed (August 2006) the views of UGC that since the universities took very long time in sending their presentations, it was decided by the latter to release an 'on account' grant to these universities. It added that interest accrued out of the grant would be treated as an additional grant.

8. The Committee have dealt with the Audit findings and the position explained by the Ministry of HRD (Department of Higher Education) and University Grants Commission in the succeeding Paragraphs.

RELEASE OF GRANTS

9. When asked about the procedure for assessing the actual requirements of funds by the universities, the UGC in a written note replied as under:—

"The proposals received by the UGC from universities are scrutinized and representatives of universities are invited for interface meetings. On the basis of the detailed discussion with representatives, Expert Committee, recommends release of funds, and the UGC allocates within the ceiling of scheme, keeping in mind the overall availability of funds."

10. While detailing the functioning of the Expert Committee further, the Ministry of HRD (Department of Higher Education) stated as under:—

"The University Grants Commission decides institution-wise allocation of a scheme with the help of an Expert Committee. The Expert Committee as was constituted for these two schemes, was to interact with the representatives of the universities and on the basis of interaction, was to recommend quantum of assistance to be provided to the universities under these two schemes.

The Committee generally meets once in a year to consider the proposals and thereafter the approval and grants are released. The frequency of meetings of the Expert Committee is decided based on the proposals received under the scheme."

11. On being asked as to why there was delay of 8 and 23 months in conveying the approval for incurring the expenditure on the said schemes to the 20 universities, the UGC explained:—

"It is true that the universities were asked to send their proposal which were to be vetted by an Expert Committee of UGC and after Committee's approval Universities were to be invited for presentation before Expert Committee. Since the universities took very long time in presenting and preparing documents for presentation, it was decided by the UGC on 31st March, 2004 to release Rs. 21.00 lakh to each of 13 Young Universities and Rs. 25.00 lakh to each of 11 universities in the Backward Area as first instalment to the identified and eligible universities under the two schemes respectively."

12. The Committee asked as to whether any reminders were issued to the concerned universities for making timely presentation of their projects. The UGC in their written submission replied as under:—

"After allocating a generic sum to each of the universities identified under both the schemes, these universities were invited on 13th & 14th September, 2004 to decide in consultation with the respective university, the item of works to be taken up. The specific problems/queries of each university were dealt with separately by way of correspondence, whenever necessitated."

13. To a query about the logic behind recommendations of the Expert Committee of officials of UGC for release of advance grant of universities with the condition that grant may be used only after receiving item-wise final approval of UGC, the UGC in a written note furnished their comments as under:—

"The logic behind recommendations of Expert Committee of the officials of UGC for release of grant to universities was to ensure early utilization of the funds of the universities for the purpose it was meant. However, since the proposal submitted by these universities were found incomplete and ambiguous, the universities were requested to indicate their priority of creating infrastructure. Till such time, it was considered appropriate to inform the universities to hold back the amount thus released to ensure that universities do not spend the funds on any other item not envisaged in the schemes. This process led to delay in starting the item of works and consequently resulted in slow utilization of funds by the universities."

14. Asked about the time limit, if any, prescribed with a view to ensuring that presentation of their projects by the universities should be made with the prescribed time schedule, the UGC in a written note submitted that they were streamlining the procedure in the matter and a calendar of events *i.e.*, inviting proposals, scrutiny, interface meeting, approval and release of grant was being introduced in XI Plan.

15. Audit scrutiny also highlighted that blocking of funds amounting to Rs. 5.48 crore for a period ranging between 8 and 24 months also resulted in consequent loss of interest of Rs. 59.02 lakh for the period from April 2004 to March 2006. Enumerating about the system for adjusting the interest amount earned by the universities due to gap between the time when the grant is received from the UGC and it is actually spent, the UGC in a written note submitted as under:—

"The grantee institution has to ensure timely utilization of grants-in-aid for the purpose for which it was sanctioned. Since there is a likely gap between the amount received from the UGC and the time by which it is really spent, the grantee institution may get simple interest on the amount that remains unutilized during the gap period.

The UGC has taken conscious decision in this context to allow the grantee institutions to utilize the interest earned by the university and such amount is treated as additional grant. The grantee institutions are, however, required to incorporate such amount of interest in the utilization certificate to be submitted to the Commission."

16. In response to the above said explanation of the UGC, the Ministry of HRD commented that they had advised the UGC that the practice of releasing funds in excess of the capacity of grantee universities to absorb the same, should be discontinued forthwith. The Commission should modulate its releases in such a manner that there is no unnecessary parking of funds with the grantee institutions.

17. As regards the mechanism existing in the UGC to monitor that the budget allocations made to the universities are utilized by them as per the prescribed norms, the UGC stated:

"The Progress monitored on the basis of Utilization Certificate, statement of expenditure and Progress Report received from the universities.

The UGC's approval is communicated to the Universities clearly indicating the items covered under the scheme and allocation for particular items with the ceiling approved. While submitting statement of expenditure, university indicates item-wise expenditure. The Statement of Expenditure and utilization certificate has to be signed by Registrar/Finance Officer/approved Chartered Accountant."

18. Replying to a query about the amount of grant against whom the Utilisation Certificates as on date are outstanding, the UGC in a written note stated that the position of utilization of grants as on 30th June, 2007 is as under:—

Name of the Scheme	Total Grant paid	Total Grant utilized	Utilization Certificates awaited
Special Development Grant to Young Universities	Rs. 1265.25 lakh	Rs. 646.96 lakh	Rs. 618.29 lakh
Special Development Grant to Universities in Backward Areas	Rs. 1172.18 lakh	Rs. 508.49 lakh	Rs. 663.69 lakh

19. As regards the system of obtaining Utilization Certificates (UCs) from the universities on priority basis, the UGC informed the Committee as under:—

"After the release of grant under the two schemes, it is being ensured by UGC that the funds are utilized and Utilization Certificates are furnished on a priority basis. The matter is being regularly followed up with the concerned universities, so that the Utilization Certificates are expedited. In cases where there is no progress despite follow up action by UGC, the concerned universities have been asked to refund the grant with interest accrued thereon."

20. The Committee asked the UGC about the measures taken to simplify the procedures of allocation of grants, the UGC in a written note informed the Committee that in order to make the process simplified, they are in the process of reducing the number of its schemes and introducing 'Block Grants'.

21. On being asked about the benefit actually derived since introduction of the scheme, the UGC replied:—

"The two schemes started in X Plan shall continue in XI Plan with a view to reduce the visible disparity between the universities situated in Metropolitan cities and semi-urban areas, and the universities located in backward areas. Similarly, the scheme of special development grant for young universities will continue to help create basic and bare minimum infrastructure and to improve/expand the existing infrastructure of young universities so as to enable them to attract students and teachers and to help introduce new courses."

22. The Committee desired to know as to whether the UGC/Ministry has reviewed the implementation of the scheme; UGC in a written submission stated as under:—

"The UGC is sending the expert committees to all the universities with a view to (i) review the implementation of the X Plan schemes, including these two schemes, (ii) to assess the financial requirements for augmenting the existing infrastructure and other developmental needs during XI Plan period."

They have further added:—

"In cases where there is no progress despite follow up action by UGC, the concerned universities have been asked to refund the grant with interest accrued thereon."

23. On being asked about the universities that have refunded the Grant the UGC informed that in case of 'young' universities, there are three such universities and one of them, namely Shri Guru Govind Singh Indraprastha University, Delhi, has already refunded the entire amount of the grant and has been asked to refund the interest as well.

24. A statement indicating progress of utilization of grant released under the two schemes as submitted by UGC is as follows:—

Name of the Scheme	No. of universities to which "On account advance grant" was released	Out of Universities in column 2, No. of Universities from which		Out of Column 3 (a) No. of Universities from which UC of 1st Installation has been		Remarks
		Detailed proposal received/ approved and grant released	Awaited/ Not approved	Received	Awaited	
1	2	3(a)	3(b)	4(a)	4(b)	5
Special Development Grant for	11	11	Nil	7	4	Out of column 4(a), project

1	2	3(a)	3(b)	4(a)	4(b)	5
Universities in Backward areas						completed in respect of two universities. Refunds sought in case of four universities in column 4(b).
Special Development Grant for 'Young' universities	13	11	2	8	3	Out of two universities in Column 3(b), one has refunded the grant while one other and two universities in column 4(b) have been asked to refund the grant. UC is awaited in case of one university.

PART II

OBSERVATIONS/RECOMMENDATIONS

25. The University Grants Commission started the Development Assistance Programme with the objective of improving infrastructure and basic facilities in universities and colleges so as to achieve at least the threshold level of infrastructure. Keeping in view the disparities between Urban/Semi-Urban and Backward Areas, the UGC formulated two new schemes during the Xth Plan Period (2002—2007) entitled, 'Special Development Grant to Young Universities' (SDGYU) and 'Special Development Grant to Universities in Backward Areas' (SDGUBA) with the objective of creating basic/minimum infrastructure and also to improve/expand the existing infrastructure of universities to achieve optimum teaching equity. The universities included under Section 2(f) of the UGC Act of 1956 and declared eligible for central assistance under Section 12(B) of the Act from VIIIth Plan onwards were considered eligible to receive grants from the UGC under the scheme SDGYU and all eligible universities under Section 2(f) and 12 (B) of the UGC Act and physically located in backward areas were considered for Grants under the scheme SDGUBA. Eligible and desirous universities were required to submit their proposals in the prescribed format to the UGC. Thereafter, selected universities were to be invited to give presentation before an Expert Committee, based on whose recommendations admissible grants were approved.

[Sl. No.1]

26. The Committee understand that the UGC take decisions for release of grants to universities under any scheme/programme based on the advice of the Expert Committee. Generally, in a plan period, the allocation is decided by the Expert Committee and the grant is released in instalments on receipt of 'Utilization Certificate' of the earlier sanctioned grant. The Expert Committee meets once in a year to consider the proposals and after approval, the grants are released. According to the UGC, this procedure for release of grants is reviewed in the beginning of each Five Year Plan and necessary improvements are incorporated.

[Sl. No. 2]

27. The Committee's examination of the subject showed that an Expert Committee of officials of the UGC met in March 2004 to assess the proposals received from different universities and recommended 13 universities under 'Special Development Grant to Young Universities' (SDGYU) and 11 under 'Special Development Grant to Universities in Backward Area' (SDGUBA) for release of advance grant at the rate of Rs. 21 lakh and Rs. 25 lakh respectively subject to condition that the grant may be used only after receiving item-wise final approval of the UGC and the eligible universities be called for presentation of their projects. Accordingly, the UGC released (March 2004) Rs. 5.48 crore as advance grant to these 24 universities.

[Sl. No. 3]

28. The Committee find that UGC conveyed its approval to the universities for incurring the expenditure on the said schemes after a lapse of considerable time ranging between 8 and 23 months and approvals to three universities under SDGYU and one university under SDGUBA scheme were conveyed well beyond this period. Thus pre-mature release of grant by the UGC pending presentations from the universities and subsequent delay in conveying the final approvals resulted in blocking of funds amounting to Rs. 5.48 crore for a period ranging between 8 and 24 months and consequent loss of interest of Rs. 59.02 lakh for the period from April 2004 to March 2006. While admitting the delay in conveying the approval for incurring the expenditure on the said schemes, the UGC attributed this to the long time taken in presenting and preparing documents for presentation by the universities. The Committee find the reply of the UGC hardly convincing. Holding the universities responsible for the delay cannot absolve the UGC of their responsibility to expedite the approvals. The fact of the matter remains that no time limit was prescribed by the UGC for ensuring that presentation of their projects by the universities be made within a prescribed time schedule. On the one hand, the UGC had shown hurry in releasing grants to the universities in the month of March, while on the other they restricted them to use the grants with the condition that these may be used only after receiving item-wise final approval of the UGC. The Committee find that this process itself was responsible for blocking of funds with the grantee universities. Evidently, there was no proper system in UGC to ensure early utilization of funds by the universities. The UGC have also conceded in their deposition that the process followed by them led to delay in commencement of works which consequently resulted in slow utilisation of the funds by the universities. The Committee deplore the fact that till now no procedure has been evolved by the UGC nor prescribed by the Ministry for management of grants. The Committee feel that absence of sound procedures in the UGC for release of grants to the universities is not a desirable situation for an organization responsible for the promotion and regulation of university education. Since the universities were dependent on the availability of funds for proper implementation of the schemes, the need for streamlining the procedures for approval and release of funds warrants urgent attention of the UGC. The Committee, therefore, recommend that the UGC should review their system of approval and release of grants to universities under different schemes so that funds are released judiciously based on the soundness of proposals without needlessly blocking the funds released pre-maturedly on half-baked proposals.

[Sl. No. 4]

29. With regard to prescribing a time limit in order to ensure that presentation of their projects by the universities should be made within the prescribed time schedule, the Committee have been informed during the course of examination of the subject that the UGC is streamlining the procedures and a calender of events *i.e.*, inviting proposals, scrutiny, interface meetings, approval and release of grants is being introduced in XIth Plan. It is only after taking up the matter by the Committee, the UGC has now initiated certain measures for approval and release of grants. Had these steps been initiated earlier, the situation of blocking of funds amounting to

Rs. 5.48 crore and consequent loss of interest of Rs. 59.02 lakh in respect of two development schemes could well have been avoided. The Committee would now expect the UGC to be more vigilant and prompt in attending to and rectifying matters which have large financial implications.

[Sl. No. 5]

30. The Committee's examination also revealed that the UGC released grants under both the schemes to the universities in the month of March in contravention of the provisions of General Financial Rules according to which rush of expenditure particularly in the closing month of the financial year would be regarded as a breach of financial propriety. Considering the fact that universities could not incur any expenditure out of the advance grant of Rs. 5.48 crore without receiving item-wise final approval from the UGC, the urgency shown by UGC in releasing the grants to universities in a mechanical manner before according approval to the proposals proved to be pointless and rather infructuous. Further, such large scale rush of expenditure in the closing month of the financial year clearly indicates lack of financial discipline and accountability. The Committee, therefore, consider it necessary that the Ministry of HRD should devise a mechanism making it mandatory for the UGC and the heads of the universities to hold monthly review meetings to monitor the expenditure and so far as practicable, ensure even flow of expenditure throughout the year.

[Sl. No. 6]

31. The Committee note that in order to ensure that grants are properly utilized by the universities for the purpose for which they were sanctioned, the certificate of utilization of grants are required to be submitted by the universities to the UGC. The Committee's scrutiny has revealed that Utilisation Certificates (UCs) amounting to Rs. 618.29 lakh under the scheme of 'Special Development Grant to Young Universities' (SDGYU) and Rs. 663.69 lakh under the scheme of 'Special Development Grant to Universities in Backward Areas' (SDGUBA) were still outstanding, which is approximately 50 percent of the total Grants paid to the universities under those schemes. The Committee take a serious view of the inordinate delay on the part of the universities concerned in furnishing the Utilisation Certificates (UCs) of such a huge amount. The Committee, would like the UGC to enquire into the matter and fix responsibility for such laxity. Needless to say, such delays in the submission of Utilisation Certificates of the earlier released grants thwart the very process of releasing further grants to the universities. The UGC should now galvanise their machinery and take up this issue strongly with the State Governments/ Universities. Prolonged delay or failure on the part of the universities to furnish the Utilisation Certificates should immediately invite stringent measures by the UGC that would go a long way in eliminating the delay in submission of these utilization certificates to the UGC. The Committee trust that necessary steps would be taken in this direction.

[Sl. No. 7]

32. The Committee note that it was specifically mentioned to the universities by the UGC that interest accruing on the funds allocated to them would be treated as additional grant. The grantee institutions are also required to incorporate such amount of interest in the utilization certificate to be submitted to the UGC. In this context, the Committee would expect the UGC to avoid releasing grants in excess of the capacity of grantee universities. The present practice of release of grants without correctly estimating the absorbing capacity of the universities should be discontinued forthwith. Further, the UGC should modulate its releases in such a manner that unnecessary parking of funds with the grantee institutions is also avoided.

[Sl. No. 8]

33. To sum up, the facts narrated in the foregoing paragraphs reveal several shortcomings in the existing system of the UGC for allocation of grants to the universities. Considering the fact that the 'Special Development Grant to Young Universities' and 'Special Development Grant to Universities in Backward Areas' schemes were meant to create basic and minimum infrastructure and to achieve optimum teaching equity, it is unfortunate that no mechanism was evolved by the Ministry/UGC to assess the actual requirement of funds by the universities, their capabilities and allocate them funds accordingly for proper implementation of these schemes. Another disquieting aspect observed by the Committee is the absence of a proper monitoring mechanism in the UGC to monitor whether the budget allocations made to the universities have been utilized by them as per the prescribed norms or not. Monitoring of progress of the universities is presently being done by the UGC merely on the basis of the utilization certificates, statement of expenditure and progress Report received from the universities. Considering the fact that a large number of utilization certificates involving huge sums of money are pending for submission by the concerned universities, the Committee urge upon the UGC to make their regulatory mechanism more effective to enable purposeful utilization of grants. The Committee recommend in this regard that the UGC should conduct a thorough review of its functioning with particular emphasis on the release and utilization of grants to universities. The Committee would like to be informed of the conclusive action taken in the matter.

[Sl. No. 9]

NEW DELHI;
9 April, 2008

20 Chaitra, 1930 (Saka)

PROF. VIJAY KUMAR MALHOTRA,
Chairman,
Public Accounts Committee.

ANNEXURE-I

MINUTES OF THE FOURTH SITTING OF THE PUBLIC ACCOUNTS
COMMITTEE (2007-2008) HELD ON 11TH JUNE, 2007

The Committee sat from 1600 hrs. to 1700 hrs. on 11th June, 2007 in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

2. Shri Khagen Das
3. Shri R.L. Jalappa
4. Shri Bhartruhari Mahtab
5. Shri Brajesh Pathak
6. Shri K.S. Rao
7. Shri Kharabela Swain
8. Shri Tarit Baran Topdar

Rajya Sabha

9. Prof. P.J. Kurien
10. Shri Janardhana Poojary
11. Shri Prasanta Chatterjee

SECRETARIAT

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|---------------------------------|---|-------------------------|
| 1. Shri A. Mukhopadhyay | — | <i>Joint Secretary</i> |
| 2. Shri Brahm Dutt | — | <i>Director</i> |
| 3. Shri M.K. Madhusudhan | — | <i>Deputy Secretary</i> |
| 4. Shri Ramkumar Suryanarayanan | — | <i>Under Secretary</i> |

Office of the Comptroller and Auditor General of India

- | | | |
|----------------------------|---|-------------------|
| 1. Shri B.K. Chattopadhyay | — | ADAI (RC) |
| 2. Shri A.K. Thakur | — | DG(CR) |
| 3. Shri Nand Kishore | — | Pr. Director (AB) |

Representatives of the Ministry of Human Resource Development (Department of Higher Education) & University Grants Commission (UGC)

- | | | |
|----------------------|---|-----------------------------------|
| 1. Shri K.M. Acharya | — | Additional Secretary |
| 2. Shri S.K. Ray | — | Joint Secretary & Finance Advisor |

- | | | |
|---------------------------|---|---|
| 3. Prof. Sukhadeo Throat | — | Chairman, UGC |
| 4. Prof. Moolchand Sharma | — | Vice-Chairman |
| 5. Ms. Anju Banerjee | — | Chairman & Managing
Director (Ed. CIL) |

2. At the outset, the Chairman, PAC welcomed the Members and Audit Officers to the sitting of the Committee. The Chairman informed the Members that the sitting has been convened to take oral evidence of the representatives of the Ministry of Human Resource Development (Department of Higher Education) and University Grants Commission on Para Nos. 6.7 & 6.8 of the Report of C&AG of India for the year ended March, 2006, Union Government (Civil—Autonomous Bodies), No. 3 of 2007 relating to "University Grants Commission (i) Irregular award of construction work; and (ii) injudicious release of grants" respectively. Thereafter, the Officers of the C&AG of India briefed the Committee on the important points arising out of the audit paragraphs.

3. Then, the representatives of the Ministry of Human Resource Development (Department of Higher Education) and University Grants Commission were called in. The Chairman read out the contents of the Direction 58 by the Speaker regarding secret nature of the proceedings of the Committee.

4. Since the Secretary, Ministry of Human Resource Development (Department of Higher Education) was unable to attend the sitting, for which prior permission of Hon'ble Chairman was obtained, the Additional Secretary, Ministry of Human Resource Development (Department of Higher Education) and the Chairman, University Grants Commission after introducing their colleagues to the Committee made a brief presentation on the points arising out of Audit paras. The witnesses also replied to the queries raised by the Members. The CMD, Educational Consultants of India Ltd., also explained the position about the role of their organization on the audit findings and the queries of the Members thereupon. As the witnesses could not give satisfactory replies to certain queries raised by the Members, the Committee decided to hold another meeting on the subject, after considering the written replies of the Ministry. The Hon'ble Chairman also directed the Ministry to furnish the information as desired by the Members in writing at the earliest particularly in regard to:

- (i) Reasons for taking project back from CPWD;
- (ii) Permission of the M/o HRD to award the work to Ed. CIL;
- (iii) Reasons for delay in implementation of project;
- (iv) Agreement/contract with Ed. CIL—safeguarding interests of UGC;
- (v) Advance of Rs. 4 crore to Ed. CIL and its utilization;
- (vi) Renewal of agreement with Ed. CIL;
- (vii) Capacity of Ed. CIL to take up construction projects; and
- (viii) Rationality in giving advance money to Universities without sanctioning the schemes/projects.

5. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

MINUTES OF THE SEVENTH SITTING OF THE PUBLIC ACCOUNTS
COMMITTEE (2007-2008) HELD ON 30TH JULY, 2007

The Committee sat from 1600 hrs. to 1730 hrs. on 30th July, 2007 in Committee Room 'E', Parliament House Annexe, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

2. Shri Raghunath Jha
3. Shri Bhartruhari Mahtab
4. Shri K.S. Rao
5. Shri Mohan Singh
6. Shri Kharabela Swain
7. Shri Tarit Baran Topdar

Rajya Sabha

8. Prof. P.J. Kurien
9. Shri Janardhana Poojary
10. Shri Prasanta Chatterjee
11. Shri K. Malaisamy

SECRETARIAT

- | | | |
|---------------------------------|---|-----------------------------|
| 1. Shri S.K. Sharma | — | <i>Additional Secretary</i> |
| 2. Shri A. Mukhopadhyay | — | <i>Joint Secretary</i> |
| 3. Shri Brahm Dutt | — | <i>Director</i> |
| 4. Shri M.K. Madhusudhan | — | <i>Deputy Secretary</i> |
| 5. Shri Ramkumar Suryanarayanan | — | <i>Under Secretary</i> |

Office of the Comptroller and Auditor General of India

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| 1. Shri B.K. Chattopadhyay | — | ADAI (RC) |
| 2. Shri A.K. Thakur | — | DG(CR) |
| 3. Shri Nand Kishore | — | Pr. Director (AB) |

**Representatives of the Ministry of Human Resource Development
(Department of Higher Education), University Grants Commission
(UGC) and Educational Consultants India Limited**

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|--------------------------|---|--|
| 1. Shri R.P. Agrawal | — | Secretary (Higher Education) |
| 2. Shri Sunil Kumar | — | Joint Secretary (Higher Education) |
| 3. Shri S.K. Ray | — | Joint Secretary & Financial Adviser |
| 4. Prof. Sukhadeo Thorat | — | Chairman, UGC |
| 5. Dr. T.R. Kem | — | Secretary, UGC |
| 6. Dr. R.K. Chauhan | — | Additional Secretary & Financial
Adviser, UGC |
| 7. Ms. Anju Banerjee | — | Chairman & Managing Director (Ed. CIL) |

2. At the outset, the Chairman, PAC welcomed the Members of the Committee, Audit Officers and representatives of the Ministry of Human Resource Development (Department of Higher Education), University Grants Commission (UGC) and Educational Consultants India Limited (Ed. CIL) to the sitting of the Committee. The Chairman informed that the sitting of the Committee has been convened to resume further evidence of the representatives of the Ministry of Human Resource Development (Department of Higher Education), UGC and Ed. CIL on the issues arising out of Paras 6.7 & 6.8 of C&AG's Report No. 3 of 2007 Union Government (Civil—Autonomous Bodies), relating to "**Irregular award of construction work**" and "**injudicious release of grants**", which had remained inconclusive on 11th June, 2007. The Chairman read out the contents of the Direction 58 by the Speaker regarding secret nature of the proceedings of the Committee.

3. The Chairman further observed that the Officials could not satisfy with their replies on the various points arising out of Audit Paragraphs and the queries made by the Members during the earlier evidence on the subject. Certain key issues remained to be resolved, such as the competence of the UGC to enter into a contract with Ed. CIL in preference to CPWD, terms of agreement with Ed. CIL and their proposed modification with adequate safeguards, inordinate delay in the execution of the project and the inability of the UGC in ensuring timely completion of the project. He desired a firm assurance from the Ministry, UGC as well as the Ed. CIL on the exact time period by which the UGC building project will be eventually completed. He also desired to know about the quantum of cost escalation that has occurred due to the delay and the total estimated project cost which UGC will now have to bear.

4. Thereafter, the Secretary, Ministry of Human Resource Development (Department of Higher Education), after introducing his colleagues to the Committee, briefly explained the points raised by the Chairman. Subsequently, the Members of the Committee sought clarifications on the points arising out of the Audit Paragraphs and the Post-evidence Information furnished by the Ministry. The Secretary (Department of Higher Education) assured the Committee that the project will be completed by December, 2009. To certain queries, for which the witnesses' replies

were not readily available, the Chairman directed the representatives of the Ministry to furnish the requisite information at the earliest. The points on which clarification was sought are as under:

- (i) Problems faced in early finalisation of project;
 - (ii) Details regarding original estimated construction cost in 1991 and the estimated cost as of today;
 - (iii) Details regarding cost escalation;
 - (iv) Renewal of agreement with Ed. CIL and Inclusion of penalty and liquidated damages clause to safeguard the interests of UGC;
 - (v) Applicability of the General Financial Rules (GFRs) to UGC *vis-a-vis* framing of specific rules for UGC as stipulated in UGC Act;
 - (vi) Steps taken to obtain clearance for construction of UGC Building from Delhi Urban Arts Commission (DUAC), Delhi Development Authority (DDA) and other agencies.
5. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

ANNEXURE-II

MINUTES OF THE TWENTIETH SITTING OF THE PUBLIC ACCOUNTS
COMMITTEE (2007-08) HELD ON 7TH APRIL, 2008

The Committee sat from 1100 hrs. to 1130 hrs. on 7th April, 2008 in Room No. "51"
(Chairman's Chamber), Parliament House, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra—*Chairman*

MEMBERS

Lok Sabha

2. Shri Kirip Chaliha
3. Shri Khagen Das
4. Shri Bhartruhari Mahtab
5. Shri K.S. Rao
6. Shri Rajiv Ranjan 'Lalan' Singh
7. Shri Kharabela Swain
8. Shri Tarit Baran Topdar

Rajya Sabha

9. Shri Janardhana Poojary
10. Shri K. Malaisamy

SECRETARIAT

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|---------------------------------|---|----------------------------|
| 1. Shri A. Mukhopadhyay | — | <i>Joint Secretary</i> |
| 2. Shri Brahm Dutt | — | <i>Director</i> |
| 3. Shri M.K. Madhusudhan | — | <i>Deputy Secretary-II</i> |
| 4. Shri Ramkumar Suryanarayanan | — | <i>Under Secretary</i> |

Officers of the office of the Comptroller and Auditor General of India

Shri Jayanta Chatterjee — Director General (AB)

2. At the outset, the Chairman, PAC welcomed the Members to the sitting of the Committee. He mentioned that two of the Members of PAC have resigned/retired from Rajya Sabha, namely, Shri Suresh Bhardwaj, resigned from membership of Rajya Sabha on 9th January, 2008 after he was elected to Himachal Pradesh Legislative Assembly and Shri Prasanta Chatterjee, who has retired from Rajya Sabha on 2nd April, 2008. He also congratulated S/Shri Raghunath Jha and V. Narayanasamy Members of PAC, who have become Ministers in the Union Government *w.e.f.* 6th April, 2008.

3. The Committee placed on record their appreciation for the valuable contribution to the Committee made by these Members.

4. Thereafter the Committee took up for consideration the following draft Reports:—

- (i) Draft Report on Para 6.8 of C&AG's Report No. 3 of 2007. Union Government (Civil-Autonomous Bodies) relating to "Injudicious release of Grants" by the University Grants Commission (UGC);
- (ii) Draft Action Taken Report on 49th Report of PAC (14th Lok Sabha) relating to "Avoidable expenditure due to delay in taking decision—Chennai Port Trust" and
- (iii) Draft Action Taken Report on 50th Report of PAC (14th Lok Sabha) relating to "Delay in finalisation of demands".

5. The Chairman invited suggestions of the members on the Draft Reports. After discussing the contents of the Draft Reports in detail, the Committee adopted the same with some verbal changes and authorised the Chairman to finalise and present these Reports in the light of factual verification done by the Audit.

6. Further, it was decided that the Committee would hold their next sitting on 21st April 2008.

The Committee then adjourned.

APPENDIX

Para 6.8 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 2006 (No. 3 of 2007), Union Government (civil-Autonomous Bodies) relating to "Injudicious release of Grants".

The University Grants Commission released advance grant amounting to Rs. 5.48 crore to 24 Universities in March 2004 in violation of the provisions of the schemes as well as General Financial Rules resulting in blocking of funds for a period ranging between 8 and 24 months and consequent loss of interest of Rs. 59.02 lakh for the period from April 2004 to March 2006.

UGC formulated two new schemes for the Xth plan period (2002-2007) namely (i) Special Development Grant for Young Universities (SDGYU) and (ii) Special Development Grant for Universities in Backward Areas (SDGUBA). The main objectives of these schemes were to create basic and bare minimum infrastructure in and to improve/expand the existing infrastructure of young universities and in the case of universities in backward areas, to improve infrastructure to achieve optimum teaching equity and access at least to the threshold level. UGC prescribed norms for the eligibility of the universities for getting financial assistance under these schemes according to which eligible and desirous universities were required to submit their proposals in the prescribed format to UGC. Thereafter, selected universities were to be invited to give presentation before an expert Committee based on whose recommendations admissible grants were to be approved.

Audit observed (October 2005) that an expert Committee of officials of UGC met in March 2004 to assess the proposals received from different universities under the above schemes and recommended 13 universities under SDGYU and 11 under SDGUBA for release of advance grant at the rate of Rs. 21 lakh and Rs. 25 lakh respectively subject to condition that the grant may be used only after receiving item-wise final approval of UGC. The expert Committee also recommended that the eligible universities, be called for presentation of their projects. Accordingly, UGC released (March 2004) Rs. 5.48 crore as advance grant to these 24 universities with the above mentioned conditions. Audit ascertained that UGC conveyed its approval for incurring the expenditure on the said schemes to 20 universities after a lapse of time ranging between 8 and 23 months and approvals to three universities under SDGYU and one university under SDGUBA scheme were yet to be conveyed as of March 2006. Thus pre-mature release of grant by UGC pending presentations from the universities and subsequent delay in conveying the final approvals to 20 universities and non-approval to four universities resulted in blocking of funds amounting to Rs. 5.48 crore for a period ranging between 8 and 24 months and consequent loss of interest of Rs. 59.02 lakh for the period from April 2004 to March 2006 computed at union government's borrowing rate of 8.4 *per cent per annum*. The release of grants by UGC was to avoid

lapse of funds which was against the provisions of the GFRs according to which rush of expenditure particularly in the closing months of the financial year would be regarded as a breach of financial propriety.

In response to audit observation, the Ministry endorsed (August 2006) the views of UGC that since the universities took very long time in sending their presentations, it was decided by the latter to release an 'on account' grant to these universities. It added that interest accrued out of the grant would be treated as an additional grant. The reply is not tenable as UGC failed to ensure that funds are not released on half-baked proposals. The fact that universities themselves took long time in sending their presentations and delay in approval in 20 cases and non approval in case of remaining four universities put a question mark on the soundness of the initial proposals based on which funds were released.