

Minutes of 15th Quarterly Review Meeting of Finance Controllers

1. The 15th Quarterly Review Meeting of Finance Controllers of State Implementation Societies of Sarva Shiksha Abhiyan was held on 25th & 26th October, 2007 at Hotel Kanha Shyam, Allahabad, Uttar Pradesh.
2. The meeting was chaired by Sh. K.R. Meena, Deputy Secretary, Department of School Education & Literacy, Ministry of Human Resource Development, New Delhi.
3. The list of participants is at Annexure – A.
4. The agenda of the meeting is at Annexure – B
5. Since no comments were received from the States/UTs, the minutes of the 14th Review Meeting held on 8th & 9th August, 2007 were confirmed.
6. On behalf of State Project Director/Uttar Pradesh, Finance Controller of State Implementation Society, Uttar Pradesh welcomed the participants from Government of India and States/UTs.
7. Remarks of Sh. K.R. Meena, Deputy Secretary, Ministry of Human Resource Development.
 - 7.1 The meeting venue of Finance Controllers has this time been fixed at a District Head Quarter instead of the State Head Quarter, primarily to get the participants acquainted with the practices of account keeping at DPO level, BRC level and the VEC level.
 - 7.2 Uttar Pradesh is known to have implemented various programmes in the field of education like Uttar Pradesh Basic Education Programme and DPEP programme in collaboration with various external funding agencies. The State is now implementing SSA in which its share is almost 1/6th of the total funds available for SSA. Considering its vast experience, the 15th Quarterly Review Meeting was decided to be held in Uttar Pradesh to share its best practices with other States/UTs.
 - 7.3 Uttar Pradesh has done remarkable work in transferring funds to grass root level functionaries through e-mode. It is e-transferring the funds from the SPO level direct to the VEC level. The experience of Uttar Pradesh in e-transferring the funds will be useful to the participants. Moreover Uttar Pradesh has been reporting no differences in their figures of reported expenditure and the audited expenditure. Participants can get a first hand experience of the mechanism adopted by Uttar Pradesh in settling the amount of advances and getting the utilization certificates from grass root level functionaries.
 - 7.4 The funding pattern of SSA has since been revised and the State Share has now been reduced to 35% from 50% and in the case of North Eastern States it has been brought down to 10% from 50%. The States/UTs should accordingly change their strategies to implement the programme.

- 7.5 Manual on Financial Management & Procurement has been developed by the Ministry of Human Resource Development in 2004-05 and has been shared with all the States/UTs. States/UTs are now required to disseminate the provisions of the Manual to the DPOs and all other Sub-District level Units of SSA implementation. Most of the States have already developed VEC Manual for the convenience of grass root level functionaries. Others are required to develop such Manuals in local language for the guidance of VECs in account maintenance. The small States/UTs can adopt VEC Manual of neighboring States/UTs which is convenient to them.
 - 7.6 Except a few States like Gujarat, Chhatisgarh and Tripura, most of the States have not yet submitted their audited accounts for the year 2006-07. All the States should take immediate steps to submit audit report positively by December, 2007.
 - 7.7 Performance audit conducted by the C&AG of India on the accounts of SSA revealed many cases of diversion of funds. States should take a note that such instances should not recur in future. Effective arrangement of internal audit will be a right step in this direction.
 - 7.8 Action taken report on C&AG's performance audit report is required to be submitted by end of this month as this is to be submitted to the PAC of Parliament. The States/UTs of Assam, Bihar, Chandigarh, Dadar & Nagar Haveli, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Meghalaya, Punjab, Tamil Nadu, Tripura and West Bengal are still to submit their comments on performance Audit.
 - 7.9 Compliance of audit objections raised by the Statutory Auditors are required to be settled promptly as per the provisions of the Manual.
 - 7.10 It has been observed that unspent balances of pre-project activities and DPEP are still lying with the States/UTs despite several letters from the Ministry to refund the same. States/UTs should immediately take actions to refund this amount to Government of India with interest otherwise this amount will be adjusted against SSA State Share.
8. Sh. K.R. Meena made a presentation on the financial progress of SSA upto June, 2007 and a copy of same is at Annexure – C.

The main highlights of his presentation are as under :-

- 8.1 Some of the States/UTs such as Chandigarh, J&K, Lakshadweep, Manipur and Pondicherry have not yet developed a VEC Manual on maintenance of accounts. These States/UTs are required to develop the VEC Manual and circulate it to all the VECs.

- 8.2 States/UTs are required to ensure that Manual on Financial Management & Procurement, VEC Manual and other guidelines if any, are available at Districts and Sub-District Units. These should be properly used in implementation of SSA.
- 8.3 Finance & Accounts Wings are yet to be properly staffed at SPO level in A&N, Chandigarh, Haryana, Jharkhand, Manipur and Uttarakhand and at DPO level and below in AP, Assam, Bihar, Chhatisgarh, Gujarat, Haryana, HP, Jharkhand, Maharashtra, Orissa, Rajasthan, Uttar Pradesh, Uttarakhand and West Bengal. They should initiate immediate steps to fill up these vacancies.
- 8.4 No information about training provided to Accounts Staff has been given by AP, Bihar, Delhi, Goa, Haryana, J&K, Kerela, Maharashtra, Manipur, Nagaland and Sikkim. Government of India wants that a minimum of 5 days training per year to accounts staff must be provided. The State/UTs should ensure it from current year itself.
- 8.5 States/UTs are required to ensure audit of SSA/Accounts by their Accountant Generals in addition to Statutory Audit by the CA Firm.
- 8.6 Audit Reports for the year 2005-06 are yet to be received from J&K and Manipur. Audit report for 2006-07 has been received from Gujarat, Chhatisgarh and Tripura only. Other States should ensure to submit audit report by December, 2007.
- 8.7 2nd phase of concurrent financial review of nine States has already been completed by the IPAI and the States are required to urgently submit the comments so as to get the reports finally settled.
- 8.8 C&AG of India pointed out the cases of diversion of funds and other financial irregularities through the Performance Audit Report. Process of adjustments from States Share has already been initiated in the case of Assam, Bihar, Karnataka, MP, Tamil Nadu and West Bengal. States of Assam, Haryana and Tripura are required to work out the cost of free text books supplied to ineligible students and intimate the amounts to Ministry of Human Resource Development urgently. Other States should also work-out the amount involved in diversion etc. otherwise Government of India will take unilateral stand on that.
- 8.9 States should take adequate measures to settle the audit objections of Statutory Auditors.

- 8.9.1 All the audit paras remaining outstanding for the years 2003-04, 2004-05 and 2005-06 are required to be settled on priority basis by next meeting i.e. January, 2008.
- 8.10 States/UTs are urgently required to refund to Government of India the unspent balances of Pre-Project activities of SSA lying with them.
- 8.10.1 The States of Andhra Pradesh, Bihar, Haryana, Jharkhand, Madhya Pradesh, Rajasthan, Uttarakhand and West Bengal are yet to refund the unspent balances of DPEP project. These States should ensure refund of this amount immediately.
- 8.11 The pace of expenditure upto June 2007 as compared to June 2006 is low in the States of Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Goa, Haryana, Nagaland, Punjab, Uttar Pradesh and West Bengal. All the UTs performance is below average. They should take immediate step to improve it in 3rd Quarter.
- 8.12 Fund sharing pattern between Government of India and the States has since been changed to 35% from 50% for all State/UTs. It has been further reduced to 10% for NE States including Sikkim.
9. Presentation by Uttar Pradesh.
- 9.1 The Financial Controller of SSA, Uttar Pradesh made a presentation on maintenance of SSA accounts. The highlights of the presentation are as under :-
- a. Internal audit has now been started in the district and the accounts of Sub-District Units will also be undertaken for internal audit from this year.
 - b. State has made a study of the availability of banks at the level of Districts, BRCs and the VECs. Accordingly the funds are e-transferred from the SPO level to the branches of various banks which are available at the level of District and Sub-District Units like VECs etc.
 - c. It has been ensured that the Sub-District Units prepare their UCs and submit them to their districts in such a manner that UCs for the expenditure incurred at the level of District and other Sub-District Units are promptly sent to SPO level.
 - d. A copy the presentation is at Annexure – D.
10. Sh. P.K. Bandhopadhyay from IPAI under whose guidance, Concurrent Financial Review of nine States was conducted, made a presentation on their findings during the visit. The main highlights of his presentation are as under :-
- a. In some States diversion of funds for non SSA activities
 - b. Shortfall in expenditure.
 - c. The funds demanded/available were not spent.
 - d. SSA targets not achieved in some States.

A copy of his presentation is at Annexure – E.

11. The States in which IPAI conducted the Concurrent Financial Review made presentations covering the points raised by the IPAI and the action being taken thereon by the States. The States are required to submit their comments on the IPAI reports immediately to Ministry of Human Resource Development for examination.
12. Review of financial indicators by Sh. K.R. Meena, Deputy Secretary, Ministry of Human Resource Development.
 - 12.1 A review of the QPR submitted by the States revealed that Chandigarh has spent more funds than provided for the purchase of text books. The prescribed format of Civil Works was not attached with the QPR. In the case of Goa, physical progress was not shown. Excess expenditure has been incurred and the prescribed Civil Works format was not attached by the State of Goa. Similar short comings were noticed in the States like Haryana, Gujarat, HP and Jharkhand.
 - 12.2 The Financial Controller of Karnataka wanted to know if the financial guidelines issued for SSA are applicable in the case of KGBVs. Deputy Secretary, Ministry of Human Resource Development explained that Ministry is examining the issue and outcome of the same will be communicated to the States/UTs soon.
 - 12.3 **Expenditure as on 30th September, 2007** : The total expenditure in respect of SSA, NPEGEL and KGBV till 30th September, 2007 is Rs. 470291.47 lakhs which is 53.15% of the total available funds. The expenditure statement for SSA and NPEGEL is at Annexure - F. The financial status of SSA, NPEGEL and KGBV as on 30/09/2007 is at Annexure – G. The expenditure statement of DPEP is at Annexure –H.
 - 12.4 **Release of State Share** : The Statement on release of State Share and year-wise release of funds are at Annexure - I and J respectively. The amount of shortfall in the State Share in respect of these States is Rs. 9280.51 lakhs (Andhra Pradesh), Rs. 2099.79 lakhs (Arunachal Pradesh), Rs. 35.61 lakhs (Daman & Diu), Rs. 1329.18 lakhs (Delhi), Rs. 3999.96 lakhs (J&K), Rs. 1172.14 lakhs (Kerala), Rs. 1458.02 lakhs (Maharashtra), Rs. 4935.27 lakhs (Orissa), Rs. 4.33 lakhs (Pondicherry), Rs.2630.38 lakhs (Punjab), Rs. 378.76 lakhs (Sikkim), and Rs. 132.47 (Tripura). The concerned States/UTs should ensure that the amount of their matching share is released to their State Implementation Society immediately.
 - 12.5 **Kasturba Gandhi Balika Vidhyalaya** : The Financial Status of KGBVs as on 30/09/2007 is at Annexure – K.

12.6 **Quarterly Progress Report** : The consolidated QPR of States as on 30th September, 2007 is at Annexure – L and the observations of Ministry of Human Resource Development thereon are at Annexure – M.

12.7 **The progress of other financial indicators is as under :**

- a. Annual Report : Most of the States/UTs have submitted their annual reports for 2005-06 except Daman & Diu, Delhi, HP, J&K, Jharkhand, Lakshadweep, Maharashtra, Manipur, Orissa, Pondicherry, Punjab, Rajasthan, Sikkim. Detailed status is at Annexure – N.
- b. Audit Report : Audit reports for the year 2005-06 have been submitted by all the States/UTs except J&K, Lakshadweep and Manipur. The audit report for 2006-07 has already been delayed. It should have been submitted to Government of India within nine months of the close of the financial year in terms of para 130.3 of Financial Management & Procurement. The State wise status of submission of audit report is at Annexure –N.
- c. The status on submission of soft copy of Audit Report for 2005-06 is at Annexure – O.
- d. Adoption of Manual on Financial Management & Procurement : All the States/UTs have adopted the manual on Financial Management & Procurement for being implemented in the States. Detailed status is at Annexure – P.
- e. Bank Reconciliation : There are arrears in conducting bank reconciliation of each account with the Bank Pass Book and the Cash Book. The State-wise status is at Annexure – Q.
- f. VEC Manual : Most of the States have developed the VEC Manual for the guidance of VEC members for preparation of SSA accounts. However, Chandigarh, J&K, Lakshadweep, Manipur and Pondicherry are yet to issue the VEC Manual. The detailed status is at Annexure – R.
- g. Internal Audit : Internal Audit is a cause of concern as some of the States are yet to start the internal audit. In some other States, the internal audit is not complete in all the districts and Sub-District Units. The quality of internal audit reports needs improvement. The Statewise status of internal audit is at Annexure – S.
- h. Staffing & Training : There are still vacancies of accounts staff at the level of SPO, DPO and Sub-District Units in A&N, Bihar, Haryana, Jharkhand and West Bengal. The position of account staff has not been made available by the States like J&K, Lakshadweep, Pondicherry and Manipur. The status of staffing and training is at Annexure – T.

13. Three teams of all the participants were constituted. They visited the offices of DPO, BRC/CRC, KGBVs and VECs on 26/10/2007 to understand the various good practices adopted in financial management and accounting such as e-transfer of funds and adjustment of advances prevalent in the State of Uttar Pradesh. All the teams made presentations based on their experience during field visits and their

observations and the factual status of the maintenance of accounts in the offices of DPO, BRCs/CRCs, KGBVs and VECs are at Annexures – U, U (a) and U (b).

13.1 The main highlights of the Study Team are as under :

- a) Cash Book is maintained in the format provided by the SPO at DPO level.
- b) Each entry in Cash Book is not attested by the DDO.
- c) Advance Register is not maintained.
- d) All advances are treated as expenditure.
- e) There is no mechanism to adjust these advances.
- f) Bill register, establishment register, register of works and Asset Register are not being maintained.
- g) One bank account has been opened in Gramin Bank which is not permitted in SSA.
- h) Physical verification of asset has not been done.
- i) Annual grants are released without verification of schools.
- j) Cash Book is not maintained properly as required at the school level.
- k) Subsidiary registers are not maintained.
- l) Training in accounts to the teacher and VEC members who deals with accounts at school level was not being organized.
- m) There is no display board in the school premises.
- n) A copy of Manual of Financial Management & Procurement and VEC Manual was not available at BRC and schools.
- o) Cash Book is maintained at BRC but each entry in the Cash Book is not attested by the DDO.
- p) No Bank Reconciliation has been conducted.

State Implementation Society of Uttar Pradesh is required to submit an action taken report on the above points to Ministry of Human Resource Development.

14. Presentation by Financial Controller of Tamil Nadu :

The Finance Controller of Tamil Nadu made a presentation on maintenance of accounts of SSA in the State. The accounts from 2002-03 to 2004-05 were prepared on single entry basis. Accounts are now being maintained in double entry. The audit fee which was fixed @ Rs. 5000/- per Rs. 1 crore of expenditure, has now been got reduced to Rs. 3000/- per Rs. 1 crore by adopting the system of open tendering. Performance of the sub units is being measured by a ranking system. Cash transactions have been reduced to the minimum. A copy of his presentation is at Annexure – V.

15. Details of expenditure as per FMR as on 30th September, 2007 are at Annexure – W.

15.1 Details of Elementary Education Project Expenditure Report Summary (Entire Programme) 1.4.2007 to 30.9.2007 is at Annexure – W (a)

- 15.2 Brief comments in respect of expenditure upto 30th September, 2007 with respect to figures given by the States in expenditure statement and for FMRs are as under :-
- 15.3 There is a difference in figures of expenditure as given by the States/UTs for the Statement of Expenditure (Annexure – F) and the Summary Budget Analysis, FMR-I (Annexure – W) in the States, Assam, Gujarat, Haryana, HP, Maharashtra & West Bengal. These States should immediately reconcile the figures under intimation to Ministry of Human Resource Development.
- 15.4 The States/UTs, Bihar, Dadar & Nagar Haveli, Daman & Diu, Karnataka, Lakshadweep, Manipur, Meghalaya, Nagaland, Punjab and Sikkim have not submitted figures for FMR-I. These States/UTs should send the figures of expenditure immediately to Ministry of Human Resource Development.
- 16 Sh. K.R. Meena, Deputy Secretary, Ministry of Human Resource Development asked the States to improve the level of expenditure as it is only 54.11% of the funds available as on 30/09/2007 as against 60.24% during the same period in the previous year. The States which have not yet paid their due share should pay it immediately. Internal audit is a cause of concern and it should be improved both in terms of quality and quantity. He also desired the States to comply with all the audit objections on a priority basis.
17. The meeting ended with a vote of thanks to the Chair.