

Minutes of 16th Quarterly Review Meeting of Finance Controllers

1. The 16th Quarterly Review Meeting of Finance Controllers of State Implementation Societies of Sarva Shiksha Abhiyan was held on 11th & 12th February, 2008 at Hotel Orbett, Pune, Maharashtra.
2. The meeting was chaired by Shri. K.R. Meena, Director, 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 15th Review Meeting held on 25th & 26th October, 2007 were confirmed.
6. On behalf of State Project Director/Maharashtra, State Project Controller of MPSP, Mumbai, Maharashtra welcomed the participants from the Government of India and States/UTs.
7. After the introduction of the participants, Shri. K.R. Meena, Director, Ministry of Human Resource Development highlighted following issues for the participants:
 - 7.1 He informed that periodical reports specially the Monthly Monitoring Reports and Quarterly Reports are not being submitted by the States/UTs in time. During current Quarter, quarterly report was not submitted by some of the States even in the month of February. It was impressed upon that quarterly report should be reached to Ministry latest 20th of the following month of quarter so that Ministry can analysis the data submitted by the States/UTs before reviewing the same in the quarterly meetings.
 - 7.2 It has been observed that advances given to the SSA implementing agencies are remained unutilized for a long period and there are less efforts from the State to ensure timely conversion of advances into Utilization Certificates as per the provision of Manual. This issue has also been widely reported by Statutory Audit and Concurrent Financial Review conducted by IPAI. The States/UTs therefore should put in place a robust mechanism to ensure conversion of advanced into UCs as per the time frame prescribed in the Manual.
 - 7.3 The another issue which is also widely reported by monitoring mechanism is less attention of the States/UTs to maintain prescribed books of accounts at level below district. Since more than 50% funds are being utilized at the level below district. It becomes at most important to build capacity of accounting at this level. The States/UTs therefore should take immediate measures to deploy adequate account personnel and build their capacity at the block level to maintain accounts books properly.
 - 7.4 Some of the States have taken good measures to maintain account books in computerized software and they are also taking help of bankers to ensure monitoring of fund flows as well as speedy release of funds to the grass root level. The other States should also adopt such good practices in their respective States/UTs.
 - 7.5 Though sizable number of states have started internal audit of their account but the coverage is still cause of concern. Moreover, a large number of States during current year, failed to submit CA audit report in timeframe as prescribed in the Manual which may affect their fund releases in year 2008-09. The State/UT should therefore immediately ensure submission of these audit reports to GOI latest by 20th February 2008.

8. Sh. K.R. Meena made a presentation on the financial progress of SSA to end of December, 2007. A copy of the presentation is at Annexure – C.

The main highlights of his presentation are as under :-

- 8.1 MHRD is continuously in touch with the stakeholders of SSA and gets their feedback in regard to implementation of SSA. Keeping in view their views and wherever considered desirable, amendments to the provisions of FM&P are issued. Uptill now, Ministry of Human Resource Development has issued 8 amendments. A printed booklet containing these amendments has already been shared with the States/UTs.
- 8.2 Though a Manual on Financial Management & Procurement has long been developed and shared with the States/UTs, 7th JRM of SSA reported to the Ministry that a copy of the Manual was not available at some Districts and Sub-Districts levels. The JRM also reported non-availability of the VEC Manual in schools. All States/UTs should re-distribute copies of the Manual to Districts/Blocks and VEC Manual to all VECs.
- 8.3 Vacant positions in Finance & Accounts at SPO level are still persisting in the States of Assam, Bihar and West Bengal. At District level there are still vacancies in Andhra Pradesh, Assam, Bihar, Chhatisgarh, Gujarat, Haryana, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Uttarakhand & West Bengal. A&N, Arunachal Pradesh, Dadar and Nagar Haveli, Daman & Diu, Delhi, J&K, Lakshadweep, Manipur, Meghalaya, Nagaland, Pondicherry, Punjab, Sikkim & Tripura failed to submit any information in regard to staffing in Finance & Accounts wing. The States should fill up all vacancies and build their capacity. States which have not submitted position should ensure it by end of this month.
- 8.4 Most of the States have started internal audit of their SSA. But the coverage of the period of accounts and the units needs to be improved to the optimum level. Ministry is concerned to note that Delhi, Goa, Lakshadweep, Manipur and Nagaland have not yet started internal audit of their accounts. Dadar and Nagar Haveli, Daman & Diu and Pondicherry have not submitted any information in this regard. They should immediately put in place internal audit either through Education Department or by engaging CA Firms.
- 8.5 A minimum of 5 days training to Accounts Staff every year is mandatory. It is however noted with concern that A&N, Delhi, J&K, Manipur, Nagaland and Sikkim have not taken any initiative in capacity building of their accounts staff. Dadar and Nagar Haveli, Daman & Diu, Lakshadweep and Pondicherry have not sent any information in regard to capacity building measures taken by them. States/UTs should ensure this.
- 8.6 In terms of para 101.9 of Manual on Financial Management & Procurement, CA's annual audit report should have been submitted by 30th September. Many of the States/UTs have not yet submitted their audit report of 2006-07. Defaulting States may face problem in getting further funds from GOI, in case they do not submit their audit report.
- 8.7 As per para 103.3 of Manual on Financial Management & Procurement the annual report incorporating the audited accounts of the society is required to be furnished

to GOI within nine months of the close of the financial year for being placed before Parliament. It has however been noted that large number of States/UTs have not yet submitted their annual report to the MHRD.

- 8.8 The organization of C&AG of India conducted a performance audit of SSA accounts upto March, 2005. Certain serious cases of financial irregularities/diversion of funds of SSA for non-SSA activities were pointed out in the performance audit report of C&AG of India. The States/UTs are yet to submit their compliance reports in this regard. If compliance is not received in time then GOI would adjust amount involved from State SSA share.
- 8.9 The IPAI has already conducted the review of accounts of the 22 States/UTs. The review of accounts of the remaining 13 States is in progress and is likely to be completed by March, 2008. From the reports of IPAI, it is observed that other internal control mechanisms also point out the same type of irregularities. States/UTs should take remedial measures with a view to avoid recurrence of financial and other irregularities.
- 8.10 Unspent balance of DPEP and SSA pre-project activities have not yet been refunded by A&N, Arunachal Pradesh, Bihar, Chandigarh, Chhatisgarh, Dadar and Nagar Haveli, Daman & Diu, J&K, Lakshadweep, Manipur, Meghalaya, Mizoram, Madhya Pradesh, Nagaland, Orissa, Rajasthan, Sikkim, Tamil Nadu, Tripura and Uttarakhand. Some of the States/UTs have refunded the unspent balance while some have partly refunded it. The Ministry has now decided to adjust the funds with interest from the SSA State Share.
- 8.11 MHRD has started transferring funds by electronic transfer or through RTGS as the case may be. Most of the States are now transferring funds through electronic mode upto District level. However States of Andhra Pradesh, Karnataka, Orissa, Tamil Nadu and Uttar Pradesh are transferring to Sub-Districts levels also through electronic mode. Other States should also ensure transfer of funds to Sub-Districts level through electronic mode.
- 8.12 States/UTs are to prepare a procurement plan alongwith AWP&B. All the Tender notices should be displayed on the website for giving wider publicity. States/UTs should also maintain record of all the contracts valuing Rs. 5 lakhs and above. CVC's guidelines in regard to conducting of negotiations should be followed strictly.
- 8.13 Upto December 2007, States/UTs have spent 62.7% of the available funds. The performance in comparison to allocation is enormously low. The States/UTs of Manipur, Nagaland, Lakshadweep, A&N, J&K, Bihar, Madhya Pradesh, Andhra Pradesh, Punjab and Arunachal Pradesh need to improve their performance substantially during 2007-08.
- 8.14 MHRD is concerned to note that the level of expenditure in 2007-08 upto December, 2007 is lower by 8% when compared with the corresponding period of 2006-07.
- 8.15 There is a backlog in release of State Share in Arunachal Pradesh (22.49 crore), Daman & Diu (9.36 crore), Delhi (7.22 crore), Himachal Pradesh (11.14 crore), J&K (43.62 crore), Maharashtra (121.70 crore), Rajasthan (266.82 crore), Sikkim (3.79 crore) and Uttarakhand (19.79 crore). These States/UTs are required to take up the matter with the State to get their share released immediately.

9. Presentation by Maharashtra.

9.1 The Finance Controller of SSA, Maharashtra made a presentation on implementation of SSA and maintenance of its accounts in Maharashtra. A copy of the presentation is at Annexure – D. The main highlights of the presentation are as under :-

- a. Maharashtra has developed an in-house Financial Management System.
- b. It is in operation at SPO and is used to maintain accounts of various schemes. It is used to generate reports of expenditure in respect of intervention, activity, sub-activity and consolidated statement of District and SPO, release of funds to Districts, Receipt of funds from State & GOI and various types of advances.
- c. With the help of Financial Management System, repetitive work has been reduced, reporting formats standardized, check of utilization of funds intervention-wise made easier and arithmetical errors avoided.
- d. Streamlined the system of appointment of Internal Auditors and Statutory Auditors by adopting scientific parameters.
- e. Audit programme has been chalked out and the Internal Auditors have been appointed separately for each district.

10. The States of Andhra Pradesh and Chhatisgarh were required to make a presentation on compliance of IPAI Report in respect of their State. No representative from Andhra Pradesh was available at the meeting to make the presentation and the FC of Chhatisgarh promised to make the presentation in the next Quarterly Review Meeting. The States/UTs should come with preparation to brief findings of IPAI Report to other States. It will provide a good feedback to other States to improve their Financial Management System.

10.1 States of Jharkhand, Orissa and Tripura made presentations about the compliance of IPAI reports. The States are required to submit their comments on the IPAI reports immediately to MHRD for examination.

11. Presentation by West Bengal.

11.1 FC/West Bengal made a presentation on the financial status and accounting system of Paschim Banga Sarva Shiksha Mission (West Bengal). A copy of presentation is at Annexure – E.

12. Review of financial indicators by Sh. K.R. Meena, Director, Ministry of Human Resource Development.

12.1 **Expenditure as on 31st December, 2007** : The total expenditure of SSA, NPEGEL and KGBV to end of December, 2007 is Rs. 835694.47 lakhs. It is 61.02% of the total available funds of Rs. 1369478.76 lakhs. The expenditure statement of SSA and NPEGEL is at Annexure – F. The financial status of SSA, NPEGEL and KGBV as on 31/12/2007 is at Annexure – G. the expenditure statement of DPEP is at Annexure – H.

12.2 **Release of State Share** : State-wise statement of release of State Share is at Annexure – I. The statement indicating shortfall in State Share is at Annexure – J. There is shortfall in Arunachal Pradesh (Rs. 2249.25 lakhs), Daman & Diu (Rs. 93567 lakhs), Delhi (Rs. 1155.20 lakhs), Himachal Pradesh (Rs. 1113.72 lakhs), J&K (Rs. 4361.52 lakhs), Kerela (Rs. 659.31 lakhs), Maharashtra (Rs. 12169.95 lakhs), Orissa (Rs. 0.02 lakhs), Pondicherry (Rs. 158.70 lakhs), Rajasthan (Rs.

26681.79 lakhs), Sikkim (Rs. 378.76 lakhs), Tripura (Rs. 151.02 lakhs) and Uttarakhand (Rs. 1981.81 lakhs). These States/UTs should release their share to the State Implementation Society on priority basis.

12.3 **Kasturba Gandhi Balika Vidyalaya** : The financial status of KGBVs as on 31st December, 2007 is at Annexure – K.

12.4 **Quarterly Progress Report** : The consolidated QPR of States as on 31st December, 2007 is at Annexure – L. The observations of MHRD on the QPR are at Annexure – M.

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

- a. Annual Report : Most of the States/UTs have submitted their annual report for 2005-06 except Daman & Diu, Delhi, J&K, Jharkhand, Lakshadweep, Manipur, Pondicherry, Punjab, Rajasthan (Hindi Version) and Sikkim. The annual report for 2006-07 was due to be submitted by December, 2007. It has been received only from Assam, Gujarat, Karnataka, Tripura and West Bengal. The State-wise status is at Annexure – N.
- b. Audit Report : Audit Reports for 2005-06 have been submitted by all the States. The audit report for the year 2006-07 should have been submitted by September, 2007. It has been submitted by 19 States only. The States/UTs of A&N, Andhra Pradesh, Bihar, Chandigarh, Daman & Diu, Delhi, Goa, Haryana, Himachal Pradesh, J&K, Lakshadweep, Madhya Pradesh, Manipur, Sikkim, Tamil Nadu, and Uttaranchal should submit their audit reports immediately to MHRD. The State-wise latest status 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. The State-wise status is at Annexure – P.
- e. Bank Reconciliation : The State-wise status of bank reconciliation of the Cash Book with the Bank Pass Book/Statement is at Annexure – Q.
- f. VEC Manual : Except Chandigarh, J&K, Lakshadweep, Manipur and Pondicherry, all other States have developed a Manual for guidance of the VEC members for maintenance of accounts. Status is at Annexure – R.
- g. Internal Audit : Though majority of the States have started internal audit of their accounts, the coverage is still to be improved both in terms of quality and quantity. The State-wise status is at Annexure – S.
- h. Staffing & Training : The State-wise status of staffing and training is at Annexure – T & T (i). It would be observed that there are still vacant positions at SPO, DPO and Sub-Districts level. States/UTs of J&K, Lakshadweep, Pondicherry and Manipur have not so far submitted information about their accounts staff.
- i. The status on Mode of Transfer of funds as on 31st December, 2007 is at Annexure – U.

13. All the participants of meeting were divided into three teams. The teams visited the offices of DPO, BRC/CRC, KGBVs and VECs on 12th February, 2008 to understand the good practices adopted by the State of Maharashtra in maintenance of SSA accounts. All the teams made their presentations based on their observations during the field visits. The factual status of the maintenance of accounts in the offices of DPO, BRCs/CRCs, KGBVs and VECs are at Annexure – V (i), V (ii) & V (iii). The main

highlights of the observations by the Study Teams are at Annexure – V (iv). State Implementation Society, Maharashtra is required to submit an action taken report on the points raised by the Study Team to MHRD.

14. Sh. K.R. Meena, Director, Ministry of Human Resource Development stated that the total expenditure of SSA & NPEGEL to end of December, 2007 is Rs. 827082.55 lakhs as against Rs. 977065.25 for the corresponding period during 2006-07. It is a matter of great concern for the Ministry that the expenditure upto December, 2007 is lower from the previous year. The States/UTs should ensure that the level of expenditure is improved to the matching levels of availability of funds with them during remaining part of 2007-08.
 - 14.1 The States/UTs which have not yet paid their due share should immediately release their share to SSA account.
 - 14.2 7th JRM of SSA also stated that the process of internal audit needs to be strengthened in the States/UTs. Internal audit continues to be a cause of concern for the Ministry. The quantity and quality of internal audit is to be improved on priority basis. States/UTs can appoint Chartered Accountant firms to undertake this job.
 - 14.3 Compliance of audit reports-2005-06 : The States/UTs of Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chhatisgarh, Daman & Diu, Haryana, himachal pardesh, Jharkhand, J&K, Lakshadeep, Madhya Pradesh, Mizoram, Manipur, Nagaland, Pondicherry, Punjab, Sikkim, Uttarakhand and West Bengal should immediately comply with the pending issues in respect of audit reports of 2005-06.
15. The meeting ended with a vote of thanks to the chair.