

Minutes of 14th Review Meeting of Finance Controllers

1. The 14th National Review Meeting of Finance Controllers of SIS of Sarva Shiksha Abhiyan was held on 8th and 9th August 2007 at Hotel Maharani Palace, Jaipur.
2. The meeting was chaired by Shri K. R. Meena, Deputy Secretary, Department of School Education and Literacy, MHRD, 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 any State/UT, the minutes of the 13th Review Meeting held on 20th April, 2007 were confirmed.
6. Ms. Shubhra Singh, SPD Rajasthan, welcomed participants from GOI and all States/UTs.
7. Shri. K. R. Meena made a presentation on the progress of Financial Management and a copy of his presentation is at Annexure-C. In addition, he highlighted the following issues to the participants:
 - 7.1 VEC Manuals /Hand Outs/ Simple booklets developed by States/UTs in local languages should be made available at each and every school so that it can be used as a reference book by the people handling accounts at VEC level. He added that UTs of Lakshadweep, A&N Island should ensure it either by developing themselves or borrowing VEC Manual from neighboring States.
 - 7.2 He updated the participants on the changes made to the Manual on FM&P based on the feedback received from various stakeholders. Six such amendments have been issued and a printed booklet on the same would be circulated to all States/UTs soon.
 - 7.3 He informed that staff position is satisfactory at SPO level in most of the States/UTs. However, situation needs to be improved at district and sub-district level. Moreover he re-emphasized the need for capacity building of the staff appointed. GOI has issued instruction to States/UTs to provide 5 days compulsory training on accounts for personnel handling accounts at all levels. The cost of the same can be met from the management cost of State or district. Resource person from TSG, ED, CIL are also available for the purpose on demand.
 - 7.4 He pointed out that CA audit report has been received from 32 States/UTs for the year 2005-06 but the States are not maintaining time frame provided to submit these reports. Only 17 States/UTs submitted audit reports by month of December the time frame provided to submit these report to GOI. 3 States/UTs i.e. Jammu & Kashmir, Lakshadweep and Manipur are still to submit the audit report for 2005-06. He requested States/UTs to plan in advance to avoid such delays in future. Moreover, States/UTs should give due preference to the CA firms empanelled with C&AG while engaging auditor for audit of 2006-07 and years ahead to maintain quality in audit.

- 7.5 In view of providing strict internal control State Accountant General of each State/UT has been requested to carry out audit of SSA accounts every year. Further an amendment has been carried-out in the Manual to ensure audit of all VECs/SDMCs/SMCs, whose annual expenditure is more than Rs. 1 lakh. During the current year, the States/UTs are required to make sufficient arrangements to ensure timely audit of VECs' accounts along with State/district accounts.
- 7.6 He urged the States/UTs to strengthen the internal audit system in their States/UTs which is still the weak area of the programme.
- 7.7 He informed that web based monitoring of fund flow which was implemented in AP on pilot basis is being extended to Karnataka, TN and Pondicherry. He requested all other States/UTs to take initiative for such system in their States/UTs with their lead Banks. In this regard help of Canara Bank can be sought if required as Canara Bank has volunteered to share the software developed by it for the purpose.
- 7.8 The findings of concurrent review carried out by IPAI in 12 States have already been shared with the States/UTs. Most of the observations are common for all the 12 States except some serious observation from few States pertaining to irregularities and diversion of SSA funds. We have shared these observations to the State with a remark that diversion of funds and irregularities as observed would be adjusted from State share in case the satisfactory comments are not received from the respective States. The GOI has again received reports of 9 more States covered in IInd Phase. These reports have been shared with the States and comments are awaited from them. The States should expedite there comments on these reports.
- 7.9 He pointed out that there is huge difference between Reported and Audited expenditure especially in the State of Bihar, Jharkhand, M.P., Punjab and Tamil Nadu. The main reason of this difference is lack of effective mechanism to settle the advances at district and below. The State should ensure sound mechanism at district and below to avoid huge difference between reported and audited expenditure. He informed that GOI in planning to send special team to these States to check their advance settlement mechanism.
8. The State of Rajasthan made a presentation on the various aspects of financial management system that is being followed in the State. It covered system of release of funds, adjustment of advances/collection of UC, book keeping, procurement methods, etc. The details are given at Annexure-D.
9. Karnataka made presentation on web-based monitoring system for fund flows, which they adopted recently. A copy of the presentation is at Annexure-E.
10. SPD, AP threw light on the banking arrangements adopted in the State with reference to implementation of web-based monitoring system. He stated that:-
- Canara bank which is implementing the system has branches in all districts except 2 districts. The banks other than Canara Bank are sharing information

of cash balances with Canara Bank which is downloading this information on web-based monitoring system to provide position of cash balances of all districts.

- There was competition among other banks to get involved in the system. Hence, at State Govt. level a decision was taken to involve the lead banks of the respective districts.
- Certain resistance from District Collectors and Accounts Personnel was observed which gradually settled.

11. The State of Gujarat shared its experience on the Internal Audit mechanism followed in the State. Copy of the presentation is at Annexure-F.
12. Presentation on amendments made in the Manual till now was made by Ms. Amita Singla. The detail is placed at Annexure-G.
13. Review of financial performance for 1st Quarter was taken by Shri. K.R. Meena; Deputy Secretary (EE), which is as under:-

- a. **Expenditure as on 30th June 2007:** Total expenditure for 2007-08 till 30th June 2007 is Rs. 138143.03 lakhs which is 26.91% of total available funds. The expenditure statement for SSA and NPEGEL together is at *Annexure-H*.

The expenditure statement for DPEP which is operational in 2 States (Orissa and Rajasthan) is at *Annexure-I*.

- b. **Release of State Share:** The State wise statements on release of State share and year-wise release of funds are given at Annexure-J and K respectively. There is a shortfall in release of State share in respect of Andhra Pradesh, Arunachal Pradesh, Bihar, Chhatisgarh, Daman & Diu, Delhi, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Lakshadweep, Maharashtra, Meghalaya, Mizoram, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, UP, Uttarakhand and West Bengal. These States should ensure release of State matching share positively in current quarter.

The details of the provision made in the States' Budget for SSA share is provided at *Annexure-J*.

- c. **Quarterly progress report:** The compilation of QPRs as on 30th June, 2007 as submitted by the State is at Annexure-L. Also the observations on the QPR submitted by States/UTs is at Annexure-M.

- d. **Kasturba Gandhi Balika Vidyalaya:** The status on the implementation and expenditure on KGBV is at Annexure-N.

14. Shri. K.R. Meena, Deputy Secretary (EE) asked SPD, AP to share AP's experience regarding financial embezzlement that happened in the State so that other States/UTs learn from it to take precautions and necessary steps to avoid such incidents in their respective States/UTs. SPD, AP elaborately explained the modus operandi and also precautions which should be taken by the States to avoid such incidents.

15. The progress of other financial indicators is as under:-

- a. **Adoption of Manual on Financial Management and Procurement** – The provision of Manual is being implemented by all the States/UTs. However, approval for adopting the Manual is still pending in Andaman & Nicobar. No information is available for Lakshadweep and Pondicherry. Detailed statement is at *Annexure-O*.
- b. **Status on submission of Audit Report**- Audit report for 2005-06 has been submitted by all States/ UTs except 3 States/ UTs of J&K, Lakshadweep and Manipur. Audit report for 2006-07 is due for submission in December 2007 for which the States/ UTs were requested to submit the same at the earliest. State wise status is at *Annexure –P*.
- c. **Status on submission of UC** – Utilization certificates are pending from 12 States/UTs. These are AP, Arunachal Pradesh, Chandigarh, Haryana, J&K, Kerala, Maharashtra, Manipur, Nagaland, Punjab, Triura and UP. Detailed status is at *Annexure-P*.
- d. **Annual Report** – Most of the States/UTs have submitted Annual Reports due except the following States/UTs:
 - Daman & Diu has submitted Annual Report upto 2004-05.
 - Delhi committed to send the Annual Report for 2005-06 by September 2007.
 - Himachal Pradesh has assured to submit Annual Report for 2005-06 by 17th August 2007
 - Jammu & Kashmir – has submitted Annual Report upto 2004-05. Annual Report for 2005-06 to be submitted by 24th August.
 - Jharkhand has assured to submit Annual Report for 2005-06.
 - Lakshadweep has submitted Annual Report upto 2004-05.
 - Madhya Pradesh –Hindi version for 2005-06 is to be submitted by 24th August 2007
 - Maharashtra – Hindi version for 2005-06 is yet to be submitted.
 - Manipur has submitted Annual Report upto 2004-05.
 - Orissa yet to submit Hindi version of Annual Report for 2005-06.
 - Pondicherry has submitted Annual Report upto 2004-05.
 - Punjab's Annual Report for 2005-06 to be submitted by August 2007.
 - Rajasthan yet to submit Annual Report for 2005-06.
 - Sikkim has submitted Annual Report upto 2004-05, Annual Report for 2005-06 would be submitted by end of August 2007.

Detailed status is at *Annexure-P*.

- e. **Appointment of Auditor for 2007-08** –Almost all States/UTs have appointed auditors to conduct CA audit except AP, Delhi, Haryana, MP, UP, Uttarakhand and WB. These States should expedite the process to submit audit report by December, 2007. Details are at Annexure – Q.

- f. **Bank Reconciliation** – The States/UTs, which need further follow up action, are Assam, Delhi, Madhya Pradesh, and West Bengal. State-wise details are at *Annexure – R*.
- g. **VEC Manual** – VEC Manual has been prepared and issued by all States/ UTs except Chandigarh & J&K where it has been prepared but EC approval is due. Status in respect of Lakshadweep, Manipur and Pondicherry is not available. These States/UTs should provide details in the next meeting. State-wise position is at *Annexure – S*.
- h. **Internal Audit** – Internal Audit system has been put in place by most of the States/UTs either through CA firm or through in-house teams. However, it needs further strengthening in all the States/ UTs. The system is yet to be in place in Bihar, Chandigarh, Delhi and West Bengal. These States should immediately put in place proper mechanism by September, 2007. State wise details are at *Annexure – T*
- i. **Staffing and Training** – The detailed staffing status is at Annexure-U and training is at *Annexure – V*. The States/UTs, where the staffing still remains to be a major concern are Andaman & Nicobar Islands, Bihar, Delhi, Haryana, Jharkhand, Maharashtra, Rajasthan and West Bengal. They were advised to fill up their vacancies by September, 2007.
16. Shri. K. R. Meena requested all the States/UTs to provide softcopy of the Audit Report to enable GOI to upload the same on MHRD's web-site.
17. On second day 3 teams of participants constituted with a mandate to visit office of DPO, BRCs/CRCs, KGBVs and SDMCs to understand the financial management system prevailing in Rajasthan. After the field visits, all 3 teams made presentation about their observations in the field. The checklist and the observations as made by teams are at *Annexures-W, X, Y & Z*.
18. Shri. K. Chandramouli, SPD, AP requested to arrange next meeting of Financial Controllers at Vishakapatnam, AP.

The meeting ended with a vote of thanks to the Chair.

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