

**Minutes of
10th Review Meeting of
Finance Controllers of SIS
(28th & 29th July, 2006)**

Patliputra Hotel, Patna

Minutes of the 10th Review Meeting of Finance Controllers

1. The 10th Review Meeting of Finance Controllers of SIS of SSA was held on 28th and 29th July 2006 at Hotel Patliputra, Patna, Bihar.
2. The review meeting was chaired by Shri K.R.Meena, Deputy Secretary, Department of Elementary Education and Literacy, MHRD, New Delhi.
3. List of Participants is at Annexure-A.
4. The agenda of the meeting is at Annexure-B.
5. Shri A.K. Singh, SPD/Bihar welcomed the participants to the 10th review meeting of the Finance Controllers of SISs. He thanked the MHRD for accepting most of the recommendations of SSA-Bihar in respect of the AWP&B for 2006-07. Bihar-SSA has got an ambitious budget of Rs. 241407.75 lakhs for 2006-07. This has put a very heavy responsibility on State SSA machinery for achievement of targets fixed in AWP&B-2006-07. He assured MHRD that all the approved physical and financial targets would be met with. We have to find out the ways as to how to handle the increased workload on account of the ambitious budget. He acknowledged that accounts wing of Bihar, SSA is weak and needs to be strengthened. He was quite hopeful of strengthening its position by recruiting qualified staff through Ed.CIL. He also acknowledged shortage of staff in civil works wing. He informed that to overcome such difficulties, State has decided to introduce simplified procedures for improving completion rate. Quality check of civil works is being done by involving community in a more creative manner.
6. Shri K.R. Meena, Deputy Secretary expressed his thanks to SPD, Bihar for getting organized the meeting at Patna. He said that allocations for SSA, this year have gone up steeply. The allocation was Rs. 13 thousand crores in 2005-06 which has gone up to almost Rs. 20 thousand crores this year. Needless to say that this requires an enhanced capacity with the State to effectively carry out the task.
 - 6.1. 3rd JRM stated that internal audit is a weak link and there is an urgent need to strengthen it by making in-house arrangement for conducting Internal Audit. In case an in-house team is not available, a Chartered Account Firm can be engaged.
 - 6.2. Shri Meena extended his thanks for ensuring statutory audit regularly by a CA firm. Though the audit is being conducted as per schedule, the audit reports are

not uniform. Some times, a very important document viz. management letter is missing from the audit report. Audit report on procurement is not submitted regularly. Shri Meena wanted the FCs to see that the closing balance of the previous year should tally with the opening balance of the current year. He wanted that the FCs should keep a watch on this aspect personally.

- 7.0 Shri K.R. Meena asked for the views of the States/UTs as to whether there should be a single statutory auditor or multiple statutory auditors for all districts in a State/UT. It revealed that majority of the States/UTs prefer to have single statutory auditor for auditing their annual accounts. However a sizeable number of States/UTs wanted to have more than one statutory auditor with one of them acting as a lead auditor who is responsible for consolidation and submission of the audit report. The matter of appointing the statutory auditor is therefore left to the discretion of the States/UTs.
- 8.0 Shri K.R. Meena, Deputy Secretary made a presentation on financial performance of SSA in 2005-06. The presentation reviewed all aspects of the financial management. The areas, which require to be improved, were highlighted. States/UTs were asked to make efforts to improve their performance in the current year. A copy of the presentation is enclosed at Annexure-C.
- 9.0 Shri K. Gopalan, Sr. Consultant, TSG made the presentations on;
- (a) Accounting System in SSA,
 - (b) Web Based Monitoring System in SSA, and
 - (c) Performance Audit Compliances.
- 9.1 Shri Gopalan explained in details the various aspects of accounting system in SSA. A copy of his presentation is at Annexure – D.
- 9.2 The presentation on Web Based Monitoring System in SSA relates to tracking cash balances at the district level. It will facilitate quick decision by managers at State level to release funds to those districts which are having less unspent cash balances in Bank. It is being implemented in collaboration of Canara Bank. A copy of the presentation is given in Annexure-E.

- 9.3 The DGACR conducted a Performance Audit in all the States/UTs except Goa and Daman and Diu. The States/UTs comments on the performance of Audit Reports alongwith the GoI comments have been given in the presentation. States/UTs are to review their comments in the light of the comments of GoI. A copy of the presentation is given in Annexure-F.
- 10.0 **Review of financial indicators**
- 10.1 Shri K.R. Meena, Deputy Secretary reviewed the status of various financial indicators with the representatives of the States/UTs.
- 10.2 **Roll out of Manual on Financial Management and Procurement.** All other States/UTs are implementing the Manual on Financial Management and Procurement. Latest status is given in Annexure-G.
- 10.3 **Internal Audit**
- Delhi and Goa are yet to take up internal audit of SSA accounts. All other States/UTs are getting the internal audit conducted either through in house teams or by CA-Firms. In the case of Tamil Nadu, it is being conducted by State Finance Department. The latest position in respect of A&NI, Chandigarh, Dadra & Nagar Haveli, Lakshadweep, Manipur, Pondicherry and Sikkim could not be obtained as no body from these States/UTs attended the meeting. These States should provide detail of internal audit to TSG by 15 Sept, 2006. States/UTs wise status is at Annexure-H.
- 10.4 **VEC Manual**
- Daman and Diu did not submit the latest status. Delhi, Goa, Meghalaya, Mizoram, Tripura and Uttar Pradesh have not yet finalized the VEC manual. Latest position could not be ascertained in respect of A&N Island, Chandigarh, Dadra & Nagar Haveli, Lakshadweep, Manipur, Pondicherry and Sikkim as none from these States/UTs attended the meeting. They should provide status by 15 Sept, 2006. Latest status is given at Annexure-I.
- 10.5 **Bank Reconciliation**
- The process of monthly bank reconciliation has started in all the States/UTs. Latest position of the absentee States/UTs could not be

obtained. It is not being done regularly in Arunachal Pradesh, Bihar, Daman & Diu, Haryana, J&K, Jharkhand, Karnataka, Kerala, M.P. Meghalaya, Mizoram, Nagaland, Orissa, Tripura, U.P. & Uttaranchal. The position of monthly bank reconciliation is given in Annexure-J.

10.6 Audit Report 2004-05

All the States/UTs have submitted the Audit Report for 2004-05 except (Manipur and Sikkim). These States should submit their position by 15 Sept. 2006. Status is at Annexure-K.

10.7 Annual Report for 2004-05 has not yet been submitted by Arunachal Pradesh, Bihar, Chandigarh, Chhattisgarh, J&K, Lakshadweep, Manipur, Orissa and Sikkim. They should submit it by Sept. 2006. Latest position is at Annexure-K.

10.8 Annual Report for 2005-06: States/UTs have taken up the preparation of annual report of 2005-06. Andhra Pradesh has promised to submit it by end of August 2006, Jharkhand by October 2006 and Maharashtra by September 2006. Status is at Annexure-K.

10.9 Utilization Certificate for 2004-05

It has not yet been submitted by Bihar, Chandigarh, J&K and Lakshadweep. Latest status is given in Annexure-K.

10.10 Positioning of Accounts Staff and Training

There are still vacancies at different levels in Finance and Accounts wing of SIS. Latest status of posting and training of account staff is given Annexure-L.

10.11 State share

During the 1st quarter of the year, many of the States/UTs are falling short of their due share vis-à-vis the release of funds by the GoI. The States which have huge backlog of State share to release are Arunachal Pradesh, Assam, Delhi, Gujarat, HP, Haryana, J&K, Karnataka, Kerala, M.P., Mizoram, Orissa, U.P. and West Bengal. The latest status of release of State share is given in Annexure-M.

11.0 **Quarterly Progress Report for QE June 2006:-** Arunachal Pradesh, Bihar, Chandigarh, Dadra & Nagar Haveli, Daman & Diu, Delhi, Goa, Jammu & Kashmir, Lakshadweep, Manipur, Pondicherry and Sikkim have not provided the

Quarterly Progress Report for QE June 2006. These States should submit the QPR for QE June 2006 by Sept. 2006.

- 11.1 Most of the States are still not preparing the QPR properly. The common errors noticed are (a) Non-adoption of format prescribed in Annex-IX of the Manual on Financial Management and Procurement by **the States of Assam, Karnataka, Maharashtra and Orissa** (b) non-indication of physical achievement for some of the interventions by the States of **A.P., Assam, Gujarat, Jharkhand, Orissa, Punjab, Tamil Nadu, U.P., Uttaranchal and West Bengal** (c) non completion of column number 4, 5, 19 and 20 for some of the interventions by the States of **Karantaka, Kerala, Maharashtra, Mizoram, Orissa, Punjab, Tripura and U.P relating to cumulative expenditure from the beginning of the programme**, (d) non indication of the outlay approved by PAB or incorrect indication of the outlay by Chhattisgarh, Orissa and West Bengal. (e) non preparation of the civil works portion in the prescribed format or its improper completion etc. by the States of A.P., Karnataka, Meghalaya, Rajasthan and Tamil Nadu. The States should pay adequate attention in completing the QPR properly in future.
- 11.2 During QE June 2006, the following States have reported either excess expenditure or without approved allocation as indicated against each under certain interventions. These States should take immediate action to regularize the excess/without allocation of expenditure and report the progress made in the matter to MHRD by 15 Sept. 2006.
- (a) **Andhra Pradesh – Rs. 3.11 lakh** - .BRC – Others (Rs.0.63 lakh- without allocation), AIE – Innovative Scheme (Rs.2.14 lakh without allocation), and Teacher Training - others (Rs.0.34 lakh without allocation)
- (b) **Gujarat - Rs. 29.57 lakh** - Kitchen Shed under civil works (Rs.27.70 lakh excess expenditure and NPEGEL - additional incentive (Rs.1.87 lakh without allocation). Physical achievement under teacher training is more than the approved target.
- (c) **Jharkhand – Rs.2.07 lakh** – EGS Primary (Rs.0.07 lakh without allocation) and EGS upper primary (Rs.2.00 lakh without allocation)

- (d) **Madhya Pradesh – Rs.4.72 lakh** - SIEMAT (Rs.4.72 lakh without allocation).
- (e) **Maharashtra – Rs.111.70 lakh** – Civil Works – Boundary walls (Rs.111.70 lakh excess expenditure).
- (f) **Uttar Pradesh – 5.35 lakh** - SIEMAT (Rs.5.35 lakh without allocation).
- 11.3 The consolidated QPR for QE March 2006 is given in **Annexure-N**.
- 11.4 Variations in expenditure for QE June 2006 have been noticed between QPR and the expenditure reported by the Finance Controllers at Patna in respect of the following States: -

(Rs. in lakh)

S. No.	State	Expenditure as per QPR June 2006	Expenditure for QE June 2006 reported by FC in Review Meeting at Patna	Variations
1.	Andhra Pradesh	2129.07	2139.09	-10.02
2.	Chhattisgarh	2145.88	2141.50	4.38
3.	Gujarat	6404.92	6413.34	-8.42
4.	Meghalaya	224.02	871.08	-647.06
5.	Rajasthan	2079.87	2076.39	3.48 (Totalling error)

- 11.5 The above States/UTs may verify the expenditure figures reported in QPR and a revised QPR for quarter ending June 2006, wherever necessary, be furnished to MHRD to us by 15 Sept., 2006.
- 11.6 Variations in outlay approved by PAB for 2006-07 and the outlay reported in QPR for QE June 2006 have been noticed in respect of the following States: -

(Rs. In lakh)

S.No.	State/UT	Outlay approved for 2006-07 as per PAB	Outlay indicated in QPR for QE June 2006	Variations	Interventions affected
1	Andhra Pradesh	130524.54	130428.36	96.18	TLE and NPEGEL
2	Assam	104206.63	104082.91	123.72	IED, REMS, Management cost and NPEGEL
3	Chattisgarh	82131.67	60792.89	21338.78	All interventions
4	Nagaland	6203.88	6152.68	51.20	Civil works – BRC construction.
5	Rajasthan	125337.14	126095.00	-757.86	Totalling error
6	Uttar Pradesh	367901.44	363689.3	4212.14	Outlay under IED (Rs. 4213.01 lakh) not indicated in QPR and the outlay for other interventions has been rounded off to Rs. in lakh

11.7 Physical achievements of the interventions have either not been indicated at all or partially indicated in the QPR by the following States/UTs.

- (a) Andhra Pradesh
- (b) Jharkhand (not given for teacher's training, training of community leaders, CWSN, BRC, CRC, out of school children and NPEGEL).
- (c) Kerala (not given for free text books and under AIE the physical achievement (14767) is more than the approved target (13677))
- (d) Orissa (not given for BRC, CRC and textbook). Achievement in respect teachers' salary, free textbooks, TLE, school grant, teachers' grant, teachers' training, CWSN, innovative activities, BRC, CRC, interventions for out of school children etc is clubbed together instead of indicating against each activity as approved by the PAB. The State should submit the QPR in the proper manner.
- (e) Punjab (not given for CWSN and teachers' salary)
- (f) Tamil Nadu (not given for BRC, CRC, EGS/AIE, teachers' training and community training).
- (g) Uttar Pradesh (not given for textbook, repair and maintenance grant, teachers' salary, teachers' training and community training).
- (h) Uttaranchal (not given for BRC, CRC, EGS/AIE and teachers' training)

12.0 A field visit was undertaken by all the participants. Two teams were constituted which were coordinated by Shri K. Gopalan and Shri Ved Prakash. The findings of field visit are given at Annex-N-1.

13.0 Second Day of the meeting (29.7.06)

- Shri K.R. Meena asked the FCs of SIS to intimate the figures of opening Balance as on 01.04.2006 and desired that these should not be different from the figures of closing balance as on 31.03.2006. All the States were asked to give figure of release of funds by the GoI and State Governments. Latest status of release of funds by the States is at Annexure-M.
- 14.0 Chief Consultant/Financial Management made a presentation regarding Internal Audit in SSA. He reiterated in brief the provisions of the Manual on Financial Management and Procurement in regard to Internal Audit. States were asked to submit their views in regard to the proposed Guidelines for conducting Internal Audit in SSA. General view expressed by the States was that the draft Guidelines are alright and be circulated to the States for implementation. A copy of presentation is at Annexure-O.
- 15.0 Representative from Tamil Nadu made a presentation regarding Jamabandi model of checking of SSA accounts including VEC accounts. A copy of the presentation is at Annexure-P.
- 16.0 Finance Controller of SIS of SSA Gujarat made a presentation regarding conducting internal audit of the account of various SSA implementing agencies in the State of Gujarat. The presentation is very comprehensive and deals with all aspect of checking of the accounts of the units periodically. A copy of presentation is enclosed at Annexure-Q.
- 17.0 FA and CAO of SSA, Orissa made a presentation regarding E-Transfer of funds from GoI to SPO to DPO. Where a electronic connectivity is not available, funds are transferred through Bank advices through special messengers. A copy of the presentation is placed at Annexure-R.
- 18.0 The progress of expenditure in the first quarter from April to June, 2006 was reviewed with the States/UTs. Shri K.R. Meena, Deputy Secretary expressed concern over the abysmally low pace of expenditure in the quarter. Latest status of expenditure upto June 2006 is placed at Annexure-S.
- 19.0 States/UTs were asked to submit the details of expenditure incurred on internal audit during 2004-05 and 2005-06. The status of expenditure on internal audit during last two years is given in Annexure-T.

- 20.0 Shri Ved Prakash, Sr. Consultant made a presentation on Audit of Accounts, Audit Report and Proper Maintenance of Project Accounts. In his presentation he put a special emphasis on maintenance of uniformity in audited accounts of States. A copy of presentation is enclosed at Annexure-U.
- 21.0 Dr. Anamika Mehta, Consultant made a presentation on Monthly Monitoring Report of key items. The presentation highlights the importance of MMR as an important tool for monitoring SSA programme. Attention was drawn to major discrepancies noticed in the reports submitted by the States. Variations between Quarterly Progress Reports and MMR in various items were also highlighted. A copy of the presentation is placed at Annexure-V.
- 22.0 Representatives from States/UTs were asked to give suggestions/comments. Chhattisgarh stated that there is no element of management cost in the budget of KGBV. **It was clarified that KGBV scheme is primarily implemented by Mahila Samakhya society and if such society is not there then by SSA society, therefore there is no need for separate management cost.**
- 23.0 As regards the EMD and Performance Security for small value contracts, **it was advised that the instructions as per the Financial Management and Procurement Manual should be followed. If these are silent then the rules of the State Government be followed.**
- 24.0 Representatives from Delhi wanted to know as to what is the maximum amount which can be paid to a consultant appointed on contract basis. **He was advised either to approach Ed.CIL for necessary guidance or submit the case to EC for decision.**
- 25.0 **Representative from Nagaland stated that the financial assistance paid to members of the community for training is low and needs to be increased. DS/KRM clarified that the amount provided is a token to ensure involvement of community members considering local expenses.**
- 26.0 The meeting concluded with a vote of thanks to the chair.

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