



MINUTES
of the 21st Quarterly Review
Meeting of Finance Controllers of
State Implementation Societies

27th – 28th April, 2009

Hotel Nakshatra, Guwahati
(Assam)

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Minutes of 21st Quarterly Review Meeting of Finance Controllers

1. The 21st Quarterly Review Meeting of Finance Controllers of State Implementation Societies of Sarva Shiksha Abhiyan was held on 27th and 28th April, 2009 at Hotel Nakshatra, Guwahati, Assam.
2. The Meeting was chaired by Sh. D. K. Gautam, Deputy Secretary, 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. The SPD/SSA, Assam welcomed the participants of the review meeting of finance controllers and expressed thanks to MHRD for giving an opportunity to SSA/Assam for organizing it at Guwahati, Assam.
 - 5.1 Main highlights of the address of SPD/Assam are as under:
 - 5.1.1 The role of Finance Controller in implementation of the SSA programme is very critical.
 - 5.1.2 The programme has already reached a critical stage and requires adequate capacity building of all SSA Implementing Agencies.
 - 5.1.3 Role of SCERT in capacity building for implementation of SSA cannot be undermined.
 - 5.1.4 As the project is for a limited period, the SSA has to be mainstreamed with the main line educational system of the State.
 - 5.1.5 Timely release of funds results in better achievement of the targets of the programme.
 - 5.1.6 SSA/Assam has spent 95% of the funds available during 2008-09.
 - 5.1.7 SSA/Assam transfers the funds to the SSA Implementing Agencies through bank transfer from SPO to DPO to BRCs and VECs. It is noteworthy that no case of leakage of funds has come to light so far. However, this requires lot of efforts on the part of the SPO to ensure that funds reach the beneficiaries in time.

- 5.1.8 Monthly reporting system has been put in place and the reports from implementing agencies are received at SPO by 8th of the following month.
 - 5.1.9 Accounts of SSA at SPO and DPO level have been computerised and the principles of management by exception are being applied to focus areas.
 - 5.1.10 Advances which were lying unadjusted for many years, have been brought down Rs. 55cr at the end of 2007-08. The outstanding advances are now being regularly pursued and it is expected that these will be brought down to the minimum acceptable level shortly.
 - 5.1.11 A system has been introduced where by no advance will remain outstanding for more than 2 months. The person keeping the advance unadjusted beyond 2 months is required to submit an explanation.
 - 5.1.12 From this year onwards, efforts will be made to submit Audit Report and Annual Report by 30th of June of the year.
6. Finance Controller, SSA/Tamil Nadu stated that the short fall in State Share indicated against Tamil Nadu in annexure of the Minutes of 20th Quarterly Review Meeting is not correct. He was informed that the discrepancy in the figures has already been rectified and the correct position will be reflected in the Minutes of 21st QRM of Finance Controllers. Since no other comments were received from other States/UTs, the Minutes of the 20th review meeting held on 1st and 2nd February, 2009 were confirmed.
7. Sh. D. K. Gautam, Deputy Secretary, MHRD welcomed the participants from the States/UTs.
- 7.1 After the introduction of the participants of the meeting, Deputy Secretary briefly stated that the final recommendations of 9th Joint Review Mission regarding Financial Management have been received and shared with the States.
 - 7.2 9th Joint Review Mission has highlighted the importance of availability of Financial Manual and VEC Manual with the SSA Implementing Agencies. The Finance Controllers should therefore get these documents redistributed to all the Districts, Sub-districts and VECs and ensure that these documents reach them positively.
 - 7.3 States need to adopt electronic banking channels for fund transfer to below district levels, wherever this is possible, preferably by September 2009. A report in this regard needs to be submitted to the Ministry.

- 7.4 For efficient maintenance of accounts of SSA, States should ensure mandatory five days' training of the accounts Staff.
 - 7.5 It needs to be ensured that the Utilisation Certificates are issued based on the actual expenditure incurred by the SSA Implementing Agencies. This expenditure needs to be got audited by the Statutory Auditors.
 - 7.6 The accounts of the prescribed number of VECs should be got covered in external audit every year.
 - 7.7 It should be ensured that the school displays the information regarding the receipt of funds and the expenditure incurred for information of the community at large. This is important for social audit point of view.
 - 7.8 Relevant account records should be kept ready and produced to TSG Consultants who visit the States for conducting post review of financial progress of SSA in the States including the procurement contracts finalised by the States.
 - 7.9 Assets created from out of the SSA funds should be recorded in an Asset Register in the prescribed format. Physical verification of stock should be carried out at-least once a year.
 - 7.10 Some of the States have not submitted the comments on the observations of IPAI. It should be ensured that the comments on IPAI reports reach MHRD with in one month's period.
8. Sh. D. K. Gautam, Deputy Secretary, MHRD made a presentation. The main highlights of the presentation are as under:
- 8.1 Internal Audit: Some of the States/UTs have not yet started the Internal Audit of accounts of SSA. These States/UTs should ensure that the adequate internal audit system is placed in position and ensure that the accounts of SSA Implementing Agencies are covered in internal audit as prescribed in the Manual of Financial Management and Procurement.
 - 8.2 Audit Reports for 2007-08: Audit reports have not been received from Chattisgarh, Himachal Pradesh, Jammu & Kashmir and Manipur. The audit report of Chattisgarh was defective in many respects and has been returned to SPD/Chattisgarh for taking remedial action. The consolidated report on audit was required to be submitted to the development partners on 31st December, 2008. It could not be submitted to them on the due date as the States/UTs had not submitted the audit report in time.
 - 8.3 States/UTs should prepare their accounts in such a manner that the statutory audit is completed by September of the year and report submitted to MHRD well in time. States/UTs are also required to ensure that 1/3rd of

the VECs receiving more than Rs. 1,00,000.00 are covered in external audit.

- 8.4 Annual Reports: These are still awaited from most of the States/UTs. Annual reports are required to be placed on the table of the Parliament by 31st December every year. In case of delay, serious view is taken by the Lok Sabha Parliamentary Committee on papers laid on the table of the House.
- 8.5 Annual reports for the previous years in respect of States like Andhra Pradesh, Bihar, Chattisgarh, Dadra and Nagar Haveli, Daman & Diu, Delhi, Haryana, Lakshadweep, Meghalaya and Sikkim have still not been received in the Ministry. These States should take a special note and submit the annual reports up to 2007-08 immediately.
- 8.6 Second Phase IPAI Review Reports in respect of States of Assam, Gujarat, Haryana, Karnataka, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Uttarakhand and West Bengal have already been shared with the States for taking further follow-up action. States should ensure that the action taken report on the Second Phase IPAI Review Reports are submitted to MHRD within the prescribed time limit.
- 8.7 Staff Position: Certain positions of accounts staff are still vacant in SPO in Andhra Pradesh, Arunachal Pradesh, Assam, Goa, Jammu and Kashmir, Karnataka, Kerala, Maharashtra, Meghalaya, Puducherry, Punjab, Rajasthan, Tripura, Uttar Pradesh, Uttarakhand and West Bengal.
 - 8.7.1 Many posts of accounts staff at DPO level are lying vacant in Andhra Pradesh, Assam, Bihar, Goa, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal.
 - 8.7.2 States/UTs should ensure that all the posts at SPO and DPO level are filled up on priority basis. The desirability of posting the accounts staff at BRC level may also be considered seriously.
- 8.8 Refund of Unspent Balances: Some of the States are still withholding the unspent balance of DPEP. The States of Bihar, Chattisgarh, Jharkhand, Himachal Pradesh, Madhya Pradesh, Orissa, Uttar Pradesh and West Bengal should ensure that the complete unspent balances along with the interest accrued should be transferred to MHRD immediately.
- 8.9 The refund of unspent balance of pre-project activities is still awaited from Arunachal Pradesh, Assam, Bihar, Jammu & Kashmir, Madhya Pradesh, Meghalaya, Manipur, Mizoram and West Bengal. These States should refund the unspent balance to MHRD immediately. It should be noted that

non refund of unspent balances of DPEP and Pre-project activities will affect the further release of funds from MHRD.

8.10 Advances: All funds released to the District and Sub-districts are initially to be treated as advances and the same should be adjusted as expenditure only on receipt of Utilisation Certificates/Statement of Expenditure.

8.10.1 States should stop the practice of showing released funds to Districts and sub-districts as expenditure pending receipt of Utilisation Certificate/Statement of Expenditure. In this regard States should follow the accounting procedure prescribed in the Manual of Financial Management and Procurement. Amounts outstanding as advances in some of the States for a long time need to be properly adjusted immediately.

8.11 Financial Performance: The total expenditure incurred during 2008-09 (up to December 2008) is Rs. 11777.15 crores which is 49% of the approved outlay.

8.11.1 Low expenditure or no expenditure reported by many States under the activities of LEP, Remedial Teaching, Major Repairs, Textbooks, TLE, Inclusive Education, BRC, CRC, Teachers Training, REMS, EGS/AIE, Innovative Activities, NPEGEL etc.

8.11.2 Backlog of State share as on December 2008 is in AP (Rs. 31.93 cr), Arunachal Pradesh (Rs. 3.2 cr), Chattisgarh (Rs. 106.91 cr), Daman & Diu (Rs. 0.36 cr), Delhi (Rs. 6 cr), J&K (Rs. 57.67 cr), Kerala (Rs. 15.90 cr), Maharashtra (Rs. 13.75 cr), Manipur (Rs. 0.02 cr), Mizoram (Rs. 0.94 cr), Nagaland (Rs. 2.56 cr), Orissa (Rs. 80.77 cr), Pondicherry (Rs. 1.22 cr), Punjab (Rs. 46.23 cr), Rajasthan (Rs. 299.90 cr), Sikkim (Rs. 1.05 cr), Tamil Nadu (Rs. 44.29 cr), Tripura (Rs. 2.46 cr), Uttarakhand (Rs. 45.08 cr) and West Bengal (Rs. 0.5 cr).

8.12 Procurement Plan: States/UTs to upload the procurement Plan for 2009-10 on their website as soon as the PAB Minutes for the AWP&B for 2009-10 are received. An intimation to this effect should also be furnished to MHRD.

8.13 A copy of the presentation is at annexure C.

9. Sh. S. R. Dhall, Director Finance, MHRD addressed the participants of the quarterly review meeting. His main observations are as under:

9.1 The unspent balances lying with the States/UTs relating to pre-project activities and DPEP needs to be refunded to MHRD immediately. It

should be noted that delay in refund of unspent balances is likely to affect the process of release of funds by the Ministry during 2009-10.

- 9.2 The mechanism of Internal Audit in the States/UTs which have still not started the Internal Audit should be put in position urgently.
 - 9.3 The Internal Audit reports should be carefully examined by the Finance Controllers and ensure that the accounting procedures are properly followed.
 - 9.4 The accounts of VECs/SMCs should be got covered as per the instruction in the Manual on Financial Management and Procurement both by the Internal Auditors and Statutory Auditors.
 - 9.5 Finance Controllers should ensure that the due amount of State Share is timely received by the State Implementation Society.
10. Chief Accounts Officer SSA/Assam made a presentation on the Status of Implementation of SSA in the State. A copy of the presentation is at annexure D.
 11. A presentation on observations of Statutory Auditors and Compliance of Audit Objections by the States/UTs was made by Senior Consultant, TSG. A copy of the presentation is at annexure E.
 12. Financial Indicators were reviewed in the meeting and the position is as under:
 - 12.1 Financial Status of as SSA, NPEGEL and KGBV as on 31st March, 2009 is at annexure F. The States/UTs have spent 80% of the available funds. Ministry is concerned at the slow pace of expenditure. The States/UTs which have not spent the available funds to reasonable levels are Andhra Pradesh (77%), Bihar (60%), Chandigarh (55.51%), Dadra and Nagar Haweli (60%), Daman & Diu (66%), Goa (64%), Gujarat (60%), Haryana (78%), Jharkhand (78%), Madhya Pradesh (77%), Manipur (53%), Meghalaya (66%), Mizoram (41%), Orissa (77%). These States/UTs should review their mechanism of expenditure and take remedial actions so as to increase the level of expenditure in the current year.
 - 12.2 The Expenditure in respect of SSA as on 31st March, 2009 is at annexure G. The States whose financial performance is not satisfactory are Bihar, Chandigarh, Dadra and Nagar Haweli, Daman & Diu, Goa, Gujarat, Haryana, Jharkhand, Madhya Pradesh, Manipur, Meghalaya, Mizoram and Sikkim.
 - 12.3 Financial Status of NPEGEL as on 31st March, 2009 is at annexure H. The States/UTs whose performance is not satisfactory, are Andhra Pradesh, (24%), Assam (37%), Bihar (13%), Chattisgarh (67%), Jharkhand (62%), Karnataka (65%), Maharashtra (43%), Meghalaya (66%), Orissa (75%), Punjab (38%), Rajasthan (43%) and West Bengal (44%). The States/UTs

need to review the factors coming in the way of accelerating the pace of expenditure in implementation of NPEGEL. The excess expenditure incurred by Arunachal Pradesh (130%), Haryana (281%) and Madhya Pradesh (173%) needs to be looked in to details.

- 12.4 Financial Status of KGBV as on 31st March, 2009 is at annexure I. The financial progress of most of the States in respect of KGBV is not satisfactory. States/UTs need to take remedial measures to accelerate the rate of expenditure.
- 12.5 The expenditure statement of DPEP as on 31st March, 2009 is at annexure J.
- 12.6 The Status of release of State share as on 31st March, 2009 in respect of SSA, NPEGEL and KGBV is at annexure K. The States/UTs should pay the State share indicated against them in bracket to SSA immediately Andaman & Nicobar Islands (Rs. 38.18 lakhs), Andhra Pradesh (Rs. 26103.15 lakhs), Arunachal Pradesh (Rs. 715.29 lakhs), Chattisgarh (Rs. 356.29 lakhs), Jammu & Kashmir (Rs. 7712.38 lakhs), Maharashtra (Rs. 434.65 lakhs), Meghalaya (Rs. 992.75 lakhs), Mizoram (Rs. 961.21 lakhs), Orissa (Rs. 498.29 lakhs), Puducherry (Rs. 80.67 lakhs), Punjab (Rs. 4277.04 lakhs), Rajasthan (Rs. 5431.17 lakhs), Sikkim (Rs. 104.80 lakhs), Tripura (Rs. 23.42 lakhs), Uttarakhand (Rs. 807.64 lakhs).
- 12.7 The cumulative status of state share released for SSA till 2007-08 is at annexure L.
- 12.8 The QPR of States/UTs as on 31st March, 2009 is at annexure M and the observations on the QPR are at annexure N.
- 12.9 The status of progress of other financial indicators is as under:
 - a) **Bank Reconciliation:** The Status of Bank Reconciliation as on 31st March, 2009 is at annexure O.
 - b) **Annual Report:** The Status of Annual Report as on 31st March, 2009 is at annexure P.
 - c) **Audit Report:** The Status of Audit Report as on 31st March, 2009 is also at annexure P.
 - d) **E-transfer of Funds:** The Status of e-transfer of funds as on 31st March, 2009 is at annexure Q.
 - e) **VEC Manual:** The Status of VEC Manual as on 31st March, 2009 is at annexure R.
 - f) **Internal Audit:** The Status of Internal Audit as on 31st March, 2009 is at annexure S. It has been observed that some of the States/UTs

have not been indicating correctly, the number of SSA Implementing Agencies. In absence of correct number of units to be covered in Internal Audit, it is difficult to chalk out an Internal Audit plan with a view to cover the prescribed number of units in Internal Audit as well as External Audit every year. It is therefore of utmost importance that the SPOs should assess the exact number of SSA Implementing Agencies so that Internal Audit and External Audit are properly got conducted. Some of the States/UTs have not yet started the Internal Audit. Such States/UTs should take steps to strengthen their in-house Internal Audit teams by inducting more staff. Otherwise, firms of Chartered Accountants need to be engaged and the remaining units are got covered in Internal Audit on priority basis.

- g) **Staffing in Accounts and Internal Audit:** The status of staffing in accounts and internal audit as on 31st March, 2009 is at annexure T. There are vacant positions of staff in Accounts and Finance wing of SPOs of Andhra Pradesh (4), Arunachal Pradesh (1), Assam (5), Bihar (3), Haryana (6), Karnataka (1), Maharashtra (1), Meghalaya (1), Puducherry (1), Punjab (1), Rajasthan (2), Tripura (1), Uttarakhand (4) and West Bengal (3). Posts at DPOs needs to be filled up in Andhra Pradesh (2), Assam (21), Bihar (34), Gujarat (11), Haryana (14), Madhya Pradesh (12), Maharashtra (166), Nagaland (3), Orissa (13), Punjab (4), Rajasthan (34), Tamil Nadu (4), Uttarakhand (14) and West Bengal (22). States/UTs should take measures to fill up the vacant positions on priority basis.
- h) **Training of Staff of Account and Internal Audit:** Status of training of Staff of Accounts and Internal Audit as on 31st March, 2009 is at annexure U. It is mandatory to impart training of 5 mandays to each staff working in Finance and Account wing of a State/UT. It is however, observed that the States/UTs have not been imparting training in accounts to all the staff. The States/UTs which have not been able to impart the training to account staff due to shortage of Staff or lack of capacity, may take the help of Chartered Accountant firms or the TSG Consultants in this regard.
13. The participants of the meeting were divided in three groups for the purpose of field visits. The reports of the three teams are at annexure V1, V2, V3.
- 13.1 The observations made by the teams during the course of the field visits, were discussed in the meeting in detail. The Chief Account Officer, SSA, Assam responded to the observations of the teams of the participants and assured that all the short comings noticed by the teams in account keeping in SSA/Assam, will be rectified shortly.

14. Sh. D. K. Gautam, Deputy Secretary, MHRD highlighted the importance of submitting the Audit and Annual Reports as per the prescribed schedule. The late submission of Annual Report along with the Audit Report attracts adverse comments from the Committee of Parliament. It should be noted that Ministry does not appreciate delay in submission of these documents.
15. The progress of expenditure during the year 2008-09 has not been very satisfactory. There are many States/UTs who have not spent even 80% of the funds available with them. Ministry desires that States/UTs should stream lined the SSA Implementing Agencies so that not less than 95% of the available funds are spent in a year. It will however, be appreciated, if the expenditure is matched with the availability of funds.
16. Recommendations of 9th Joint Review Mission have already shared with the States/UTs. Finance Controllers of SISs should ensure that the recommendation of 9th Joint Review Mission relating to Finance and Accounts are implemented and an action taken report is submitted to the Ministry with in a fortnight.
17. State Implementation Society, Gujarat was asked to prepare a Manual on Internal Audit and submit the draft to the Ministry for approval. The Draft Internal Audit Manual has not yet been received in the Ministry. SSA Gujarat should take action in this respect on priority basis and submit the draft manual immediately.
18. Some of the States/UTs have not yet paid their due State Share. They should ensure that the full amount of their share is released immediately to the State Implementation Society.
19. The States/UTs which have not yet refunded the unspent balances in respect of DPEP and pre-project activities of SSA should refund balance amount lying with them to MHRD immediately.
20. The meeting ended with a vote of thanks to the chair.