



**MINUTES**  
**26<sup>th</sup> Quarterly Review Meeting of**  
**Finance Controllers of State**  
**Implementation Societies**

**5<sup>th</sup> and 6<sup>th</sup> August, 2010**

**Chandigarh, Punjab**

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## Minutes of 26<sup>th</sup> Quarterly Review Meeting of Finance Controllers

1. The 26<sup>th</sup> Quarterly Review Meeting of Finance Controllers of State Implementation Societies of Sarva Shiksha Abhiyan was held on 5<sup>th</sup> and 6<sup>th</sup> August, 2010 at Chandigarh, Punjab.
2. The Meeting was chaired by Ms. Neelam S. Rao, Director, Ministry of Human Resource Development, New Delhi.
3. The List of participants of the meeting is at Annexure A.
4. The agenda of the meeting is at Annexure B.
5. Shri Krishan Kumar, SPD, SSA, Punjab welcomed the participants of the meeting and made a presentation on the progress of SSA in Punjab. A copy of the presentation is at Annexure C. The main highlights of the presentation are as under:-
  - (i) The overall literacy rate in Punjab is 69.7%.
  - (ii) The administrative set up of Department of School Education and the SSA in the State is under Director General School Education who is also SPD.
  - (iii) There are five vacancies in finance & accounts as against the sanctioned strength of 17 personnel at SPO level.
  - (iv) Activity wise allocation & expenditure upto 30<sup>th</sup> June, 2010. Against an outlay of Rs. 478.65 crore, the expenditure incurred upto 30.06.2010 was Rs. 148.49 crore which works out to 31% of the outlay. No expenditure was incurred under free textbooks, TLE, maintenance grant, community training and NPEGEL.
  - (v) The State Government is committed to release the matching State share under SSA. There is no backlog of State share. However, the State has released Rs. 60.00 crores only in the current year out of the sanctioned amount of Rs. 106.00 crores. Release of the balance amount is under way and is likely to be received any moment.
  - (vi) DPOs, Blocks and some schools are covered under e-transfer of funds.
  - (vii) In-house arrangements exist for conducting internal audit of SSA accounts.
  - (viii) Observations of IPAI of 1<sup>st</sup> phase study report have since been settled and action to settle the IPAI observations in 2<sup>nd</sup> phase study is under process.
  - (ix) Audit reports and annual reports upto 2008-09 have already been submitted to the Ministry.
  - (x) Process of statutory audit for 2009-10 has already been initiated and audit will be completed by September, 2010.

- (xi) For procuring goods and services proper procurement procedures are being followed. Transparency in procurement procedures is encouraged at all levels.
6. Ms. Neelam S. Rao, Director, Ministry of Human Resource Development welcomed the participants and thanked Shri Krishan Kumar, SPD, SSA, Punjab to have agreed to host the conference at Chandigarh. She also thanked all the team members of SSA, Punjab for making necessary arrangements for the success of the conference.
- (i) She stated that there is a significant improvement in the level of expenditure in SSA, Punjab over the previous years.
- (ii) SSA will now be the vehicle to implement the provisions of RTE Act.
- (iii) Outlays are likely to be enhanced in terms of RTE Act and the States / UTs will be required to achieve higher levels of expenditure. The total outlay for 2010-11 is likely to be of the magnitude of about Rs. 45 thousand crores.
- (iv) Many of the States have approached the Government of India to improve the financial norms i.e. pupil teacher ratio, more classrooms and revision of funding pattern between GoI and States. The points made by the States are under active consideration of the Government of India.
- (v) 13<sup>th</sup> Finance Commission has allocated ` 24 thousand crores for elementary education.
- (vi) There are revised norm for community training, community mobilization, school libraries, IED, KGBV and NPEGEL. Some other norms are also likely to be revised shortly which include teachers as per RTE.
- (vii) Upper primary schools will now be set up in the neighborhood as decided by the States. More number of upper primary schools are to be set up under RTE Act. The present ratio of 2:1 for UPS may become redundant.
- (viii) Class-V and Class-VIII are to be integrated in the system of elementary education in all the States. Additional funds on account of TLE will be provided to the concerned States.
- (ix) Enhancement in the funds for REMS will also be revised upwardly. The structure of blocks and clusters will be strengthened by providing programme managers, resource persons, data entry operators, accountants etc.
7. Director, MHRD asked whether the States have received the minutes of the 25<sup>th</sup> Quarterly Review Meeting of Finance Controllers and whether they have any points to make regarding the minutes of the previous FCs meeting. At this stage the Finance Controller of West Bengal stated that the clarifications issued by the Chief Controller of Accounts, Ministry of HRD may require further discussions. Position of internal audit in West Bengal as recorded in the Minutes is not correct. He was advised that the matter regarding the clarifications issued by CCA will be discussed later on. He was also informed that the position of internal audit as recorded in the minutes is as per the position submitted by the State. Thereafter, the minutes of the 25<sup>th</sup> Quarterly Review Meeting of Finance Controllers were confirmed.

8. Director, MHRD appreciated the action taken by the Finance Controllers in submitting the financial information upto the end of June, 2010. She also advised the Finance Controllers to keep up the efforts made in this direction and ensure timely submission of financial information in future as well. Thereafter, the financial indicators were reviewed in the meeting and the position is as under:

- (i) The financial status in respect of SSA as on 30-06-2010 is at Annexure D. The States/UTs have spent Rs. 459025.85 lakhs upto 30-06-2010 out of the available funds of Rs. 1424904.23 lakhs leaving an unspent balance of Rs. 965066.55 lakhs. This comes to 32.21% of the available funds and 12.75% of the approved outlay. Following States/UTs have spent less than 10% of the approved outlay:

% of expenditure against outlays	Name of State
<10%	Andhra Pradesh (2.76%), Arunachal Pradesh (2.39%), Assam (6.26%), Chhattisgarh (2.00%), Dadar & Nagar Haveli (6.13%), Daman & Diu (5.69%), Goa (1.84%), Haryana (1.22%), J & K (3.65%), Karnataka (7.87%), Lakshadweep (7.66%), Maharashtra (5.37%), Manipur (0.09%), Meghalaya (5.75%), Mizoram (2.18%), Nagaland (0.08%), Orissa (6.30%), Sikkim (7.14%), Tripura (6.26%) and West Bengal (7.62%).

- (ii) The financial status of NPEGEL as on 30-06-2010 is at Annexure E. Out of the total available funds of Rs. 34768.35 lakhs, States / UTs have spent Rs. 1148.07 lakhs only. This comes to 3.30% only of the available funds and 2.95% of the approved outlay. There is an urgent need to review the reasons for not achieving the expected level of expenditure. States should take steps to enhance the level of expenditure under NPEGEL to the expected level in the next quarter ending September, 2010.
- (iii) The financial status of KGBV as on 30-06-2010 is at Annexure F. The States have spent Rs. 4535.05 lakhs out of the available funds of Rs. 58536.77 lakhs. The expenditure comes to 7.75% of the available funds and 5.34% of the approved outlay. The level of expenditure in KGBVs is far below the expected level except in the States of Assam, Himachal Pradesh, Jharkhand, Meghalaya, Punjab, Rajasthan, Tamil Nadu and Tripura who have spent more than 10% of the available funds. All the States/UTs need to take steps to increase the level of expenditure of KGBV in the next quarter ending September, 2010.
- (iv) The overall financial status of SSA, NPEGEL, KGBV as on 30-06-2010 is at Annexure G. The States/UTs which have spent less than 10% of available funds are **Chhattisgarh, Goa, Haryana, Manipur, Nagaland and Sikkim**. These States need to conduct an analysis of low level expenditure and take steps to accelerate the pace of expenditure of SSA, NPEGEL and KGBV in the next quarter ending September, 2010.
- (v) The Status of release of State share for SSA, NPEGEL and KGBV as on 30-06-2010 is at Annexure H. The State wise amount of shortfall in State share is given below:

S. No.	Name of State	Shortfall in State share
1	Andaman & Nicobar	Rs. 723.95 lakhs
2	Andhra Pradesh	Rs. 48489.09 lakhs
3	Arunachal Pradesh	Rs. 2811.70 lakhs

4	Chhattisgarh	Rs. 38330.05 lakhs
5	Delhi	Rs. 437.59 lakhs
6	Gujarat	Rs. 3342.77 lakhs
7	Haryana	Rs. 10242.92 lakhs
8	Himachal Pradesh	Rs. 5365.92 lakhs
9	Jammu & Kashmir	Rs. 7951.45 lakhs
10	Jharkah	Rs. 27142.21 lakhs
11	Karnataka	Rs. 12464.51 lakhs
12	Kerala	Rs. 7488.90 lakhs
13	Madhay Pradesh	Rs. 38296.45 lakhs
14	Maharashtra	Rs. 40317.59 lakhs
15	Meghalaya	Rs. 288.78 lakhs
16	Orissa	Rs. 35327.35 lakhs
17	Pondicherry	Rs. 7.31 lakhs
18	Punjab	Rs. 8648.84 lakhs
19	Rajasthan	Rs. 24853.88 lakhs
20	Sikkim	Rs. 306.32 lakhs
21	Tamil Nadu	Rs. 29289.66 lakhs
22	Tripura	Rs. 852.63 lakhs
23	Uttar Pradesh	Rs. 64428.17
24	Uttarakhand	Rs. 4472.17 lakhs
25	West Bengal	Rs. 70109.01 lakhs

Only 10 States / UTs have released their due State share. The above mentioned States / UTs need to release their due State share to SSA accounts on priority basis. Delay in release of State share adversely affects the programme implementation of SSA.

- (vi) The status on mode of transfer of funds as on 30-06-2010 is at Annexure I. The States/UTs which are still transferring funds through cheques are A & N Islands, Nagaland and Sikkim. They should immediately shift to e-transfers. All others should take measures in consultation with the banks to adapt the mode of e transfer of funds upto the sub-district levels and wherever possible upto the school level.
- (vii) The status on issue of revised VEC Manual is at Annexure J. Only Andhra Pradesh, Himachal Pradesh and Orissa have revised the VEC Manual in line with the revised Manual on Financial Management & Procurement. SIS Madhya Pradesh has initiated the revision of the VEC Manual. All other States / UTs are at various stages of preparation of revised VEC Manual.
9. Financial Management & Monitoring issues were also reviewed, these are as follows:
- (i) The Quarterly Progress Report of States/UTs indicating the performance indices both in terms of finance and physical along with the observations of the MHRD as on 30-06-2010 is at Annexure K. **[will be sent separately]**
- (ii) The status of submission of Audit Report is at Annexure L. The submission of audit report for the year 2008-09 was badly delayed by the States of Arunachal Pradesh, J & K and Manipur. **These States should take steps to avoid delay in submission of the Audit Report for 2009-10.**
- (iii) The status of submission of Annual Report is at Annexure M. The Annual Reports are due to be submitted by the States / UTs for the years indicated

against them in bracket. Daman & Diu (2008-09), Delhi (2006-07, 2007-08 and 2008-09), Haryana (2007-08 and 2008-09), Maharashtra (2008-09), Manipur (2008-09), Meghalaya (2008-09) and Nagaland (2008-09). **These States to submit the pending Annual Reports on priority basis. It is reiterated that Ministry is required to lay the annual reports on the Table of the House (Parliament) latest by December.**

- (iv) The status of System for web based monitoring of funds is at Annexure N. The States / UTs of Bihar, Chhattisgarh, Daman & Diu, Delhi, Haryana, Jharkhand, Kerala, Lakshadweep, Maharashtra, Manipur, Meghalaya, Nagaland, Orissa, Puducherry, Sikkim, Tripura, and Uttarakhand have not yet fully started making use of the web for monitoring the availability of funds. **All States / UTs are required to start making use of the web portal for monitoring the availability of funds with the SSA implementing agencies and also regularly update the information on the web.**
- (v) The status of Bank Reconciliation statement as on 30-06-2010 is at Annexure O. The States / UTs of Bihar, Dadar & Nagar Haveli, Goa, Maharashtra, Meghalaya, Puducherry, Tamil Nadu and Tripura have not prepared the Bank Reconciliation Statements upto June, 2010. **The States / UTs are advised to get the Bank Reconciliation Statement prepared in respect of each bank account on a regular monthly basis.**
- (vi) The status of operationalisation of Internal Audit of SSA accounts is at Annexure P. There are accounts of large number of SSA implementing units, which have not been covered in internal audit in the States / UTs of A & N Islands, Assam, Chhattisgarh, Dadar & Nagar Haveli, Daman & Diu, Goa, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Mizoram, Nagaland, Orissa, Punjab, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand and West Bengal. **The States / UTs are to ensure that the SSA accounts are covered in internal audit as per the provisions of the Manual on Financial Management & Procurement before the statutory audit starts.**
- (vii) The status of training of staff of accounts and internal audit as on 30-06-2010 is at Annexure Q. The States / UTs which have not taken any action for capacity building of the staff dealing with SSA accounts and internal audit are A & N Islands, Dadar & Nagar Haveli, Daman & Diu, Delhi, Jharkhand, Maharashtra, Sikkim and West Bengal. There is a provision of 5 days' mandatory training of accounts & finance and internal audit staff every year. **States / UTs are advised to take steps urgently to organize capacity building for the staff.**
- (viii) The status of staffing in accounts and internal audit is at Annexure R. There are vacant positions of accounts staff at SPO level in Arunachal Pradesh (2), Assam (5), Bihar (3), Chandigarh (2), Chhattisgarh (4), D & N Haveli (1), Delhi (1), Gujarat (1), Haryana (11), Jharkhand (5), Maharashtra (1), Meghalaya (3), Puducherry (3), Punjab (2), Rajasthan (1), Tripura (3), Uttar Pradesh (9), Uttarakhand (1), West Bengal (3). The unfilled positions of accounts staff at DPO level in the States are Assam (3), Bihar (81), Chhattisgarh (69), Gujarat (13), Haryana (4), Himachal Pradesh (5), Jharkhand (11), Kerala (5), Madhya Pradesh (17), Maharashtra (14), Manipur (9), Meghalaya (13), Nagaland (3), Rajasthan

(93), Sikkim (3), Tamil Nadu (23), Tripura (4), Uttar Pradesh (62), Uttarakhand (11) and West Bengal (16).

**States / UTs to ensure that the vacancies of accounts staff both at SPO and DPO level are filled up very early.**

10. A presentation on the **maintenance of books of accounts in SSA** was made by Chief Consultant, Financial Management, TSG and Finance Controller, SSA, West Bengal. A copy of the presentation is at Annexure S. The main highlights are as under:
- (i) State Implementation Societies are to maintain the books and accounts and registers as per para 52 of FM&P. However any other books of accounts may also be maintained if considered necessary by the Society.
  - (ii) Society should prepare a district-wise abstract to indicate the monthly expenditure. Consolidated records of receipts & payments should be maintained both at district and State project office.
  - (iii) Register of fixed assets should be maintained at all levels wherever the assets are created out of SSA funds. Physical verification of the assets should be conducted at least once a year.
  - (iv) State Project Office should prepare annual accounts of the Society immediately after the close of the financial year and get them audited by a Chartered Accountant firm.
- 10.1 SSA accounts in West Bengal are maintained in double entry system as per the provisions of Manual on FM & P upto CLRC level. Cash book and vouchers are the basis for preparation of accounts in VECs / WECs.
- (i) Separate cash book is not maintained in VECs / WECs. Expenditure statement is prepared on the basis of common cash book supported by the Bank Passbook.
  - (ii) CLRCs maintain scheme wise cash book, cheque issue register, register of advances, Bank Passbook, Bank Reconciliation Statement and Ledger.
  - (iii) Statement of accounts only is maintained at VEC level. Vouchers are prepared and preserved. Statement of civil works cost is prepared separately and utilization certificate is also prepared at VEC level.
  - (iv) At SPO and DPO level accounts are prepared on Tally software. In all other offices accounts are maintained manually.
  - (v) All district accounts in SSA, West Bengal were completed before 30.06.2010. SPO completed their accounts by end of 2<sup>nd</sup> week of July, 2010.
  - (vi) Executive Committee of SSA, West Bengal approved the appointment of statutory auditors from the panel of CA firms sent by MHRD for 2009-10 in November, 2009. Selection process for appointment of statutory auditors was completed in April, 2010 and five CA firms along with a lead auditor were appointed in May, 2010. It is expected that the statutory audit will be completed by mid of August and the report of auditors will be submitted to MHRD by end of August, 2010.

11. A presentation on **preparation of Bank Reconciliation Statement** was made by Chief Consultant, Financial Management, TSG and Finance Controller of SSA, Assam. A copy of the presentation is at Annexure T. Main highlights of the presentation are as under:

- (i) State implementation Society should deposit the grants received from Government of India and State governments and any other receipts in a joint signatory savings bank account in any nationalized or scheduled bank.
- (ii) A cash book should be maintained on daily basis for recording the receipts & payments in two columns of cash and bank on both the sides of the cash book.
- (iii) Society should prepare a Bank Reconciliation Statement in respect of each savings bank account every month to see that the closing balance as per the cash book and the Bank passbook tallies.

11.1 Highlights of Assam presentation are as follows:

- (i) A bank reconciliation statement offers checks and balances for SSA accounts and bank's account.
- (ii) The errors which are committed either in the cash book or in the Bank Account by Bank are detected. The reconciliation statement will also indicate any undue delay in the clearance of cheques by the Bank. If any acts of embezzlement of funds is committed by any staff of SSA or the bank it can be detected immediately through Bank Reconciliation.
- (iii) Monthly Bank Reconciliation should be carried out on a regular basis at SPO, DPO, BRC and other levels; Bank Passbook should be got updated regularly in respect of each account; Monthly Bank Statement should be obtained from the bank regularly.
- (iv) Bank Reconciliation Statement is regularly prepared in SSA at SPO, DPO and BRC levels except in the case of DPO Kamrup where Bank Reconciliation is in arrear for a month.

11.2 Some of the Finance Controllers raised queries regarding preparation of Bank Reconciliation Statement. Director (NR) asked the Finance Controllers of SSA, Bihar and SSA Assam to look into the issues raised by the participants and make a presentation on 6<sup>th</sup> August, 2010.

11.3 Accordingly, a presentation on issues relating to Bank Reconciliation, based on the issues raised by the participants, was made by Finance Controller SSA, Bihar. A copy of the presentation is at Annexure T1. Main highlights of the presentations are:

- (i) Bank Reconciliation Statement is an important tool to ensure the transactions recorded in the bank are as per the instruments issued by the account holder.
- (ii) 3 steps indicated below are involved in the preparation of Bank Reconciliation Statement:

- (a) Updating of bank pass book from the bank.
  - (b) Carry out the reconciliation of the entries of bank pass book with that of cash book.
  - (c) Identification and classifications of the discrepancies.
- (iii) He has explained in detail the various causes of differences and remedies for its rectification.
12. A presentation on compliance of observations of IPAI was made by Chief Consultant, Financial Management, TSG and Finance Controller of SSA, Madhya Pradesh. A copy of the presentation is at Annexure U. Main highlights of the presentation are as under:
- (i) In terms of para 102 of FM&P, Government of India hired the services of Institute of Public Auditors of India (IPAI) to undertake concurrent monitoring of financial management & procurement of SSA.
  - (ii) IPAI covered the accounts of SSA on selective basis of all the 35 States and UTs in 1<sup>st</sup> phase.
  - (iii) Only 15 States / UTs have so far been able to get the observations of IPAI settled with the concurrence of Government of India.
  - (iv) 2<sup>nd</sup> phase IPAI observations have so far not been settled by any State / UT.
- 12.1 Observations of IPAI have been categorised as general observations and specific observations in SSA Madhya Pradesh.
- (ii) General observations pertain to meetings of GC / EC not been conducted in the State, excess expenditure over budget allotments, delay in release of funds by SPO to districts, huge outstanding advances etc.
  - (iii) Specific observations pertain to irregularities in maintenance of accounts of SSA.
13. A presentation on Financial Monitoring under SSA was made by Consultant, FM, TSG and Finance Controller of SSA, Jharkhand. A copy of the presentation is at Annexure V. Main highlights of the presentation are as under:
- (i) Financial monitoring under SSA needs to be strengthened at National, State, District, BRC / CRC and VEC levels.
  - (ii) Monitoring at National level is done through quarterly review meetings, web portal, video conference, Joint Review Missions and field visits by TSG Consultants / MHRD officials.
  - (iii) Principles of strength, weakness, opportunities and threats (SWOT) analysis need to be followed for strengthening the financial monitoring of SSA.
- 13.1 SSA, Jharkhand is exercising financial monitoring through prompt collection of utilization certificates, adjustment of advances within a scheduled time frame.
- (i) Fixing responsibilities of finance & accounts personnel to carry out the financial monitoring of various issues on monthly basis.

14. A presentation on Internal Audit of SSA Accounts was made by Consultant, FM, TSG and Finance Controller of SSA, Uttar Pradesh. A copy of the presentation is at Annexure W. Main highlights of the presentation are as under:
- (i) Status of internal audit is as follows:
    - (a) 15 States on concurrent basis.
    - (b) 100% coverage of SPO in 15 States and DPOs in 16 States.
    - (c) 1/3<sup>rd</sup> of DPOs covered in 22 States.
  - (ii) The States / UTs of A & N Islands, Bihar, J & K, Nagaland and Tamil Nadu are not conducting internal audit of SSA accounts on regular basis.
  - (iii) The coverage of SSA accounts in internal audit is not upto the mark in the States / UTs of Arunachal Pradesh, Chhattisgarh, D & N Haveli, Daman & Diu, Delhi, Goa, Haryana, Jharkhand, Karnataka, Kerala, Lakshadweep, M.P., Maharashtra, Manipur, Mizoram, Orissa, Punjab, Rajasthan, Sikkim, U.P., Uttarakhand and West Bengal
  - (iv) States where concurrent audit is not conducted are Andaman & Nicobar Islands, Bihar, Haryana, J&K, Karnataka, Kerala, M.P., Manipur, Nagaland, Meghalaya, Rajasthan and Tamil Nadu.
- 14.1 A presentation on internal audit was made by Finance Controller, SSA, Uttar Pradesh and a copy of the same is at Annexure W1. The highlights of his presentation are as follows:
- (i) The term audit is derived from the Greek word Audire which means to hear. Audit started for the first time in Egypt. In India, Kautilya also wrote that the King should appoint loyal, shrewd and experienced person to monitor the expenditure of the State. Audit is of four type viz. Statutory audit, internal audit, performance audit and technical audit. In addition, social audit has also come into vogue. In Uttar Pradesh internal audit wing was set up under various departments in 1960.
  - (ii) In the year 2000 a post of State Internal Auditor was created in the Finance Department of State Government of Uttar Pradesh.
  - (iii) Every year an internal audit programme in SSA to cover the accounts of SPO, DPO, BRC, CRC and VECs is chalked out and implemented.
  - (iv) The internal audit is conducted as per the provisions of the Manual on Financial Management & Procurement.
  - (v) Internal audit teams look into cash books of all schemes, ledger, cheque issue register, bank reconciliation statement, passbook / bank statement, utilization certificate, physical verification report, dead stock register, stationary / consumable register, salary register, payment voucher, T.A. bill/medical reimbursement register, service book / personal file of re-deployed employee, logbook of vehicle/ generator, grant register, electricity / telephone register, tender / quotation file, fund transfer file, proceedings of purchase committee, advance register, audit objection register and asset register.

- (vi) Part 1 A of the report indicates the particulars of auditee and the auditors, period of internal audit. Part 2 A of the internal audit report relates to cases of irregularities, misuse of funds, excess payments etc. Part 2 B contains cases of general financial irregularities detected during internal audit. Part 3 mentions cases of records / documents not produced to internal auditors for verification.
  - (vii) Internal audit report is sent to the concerned districts for compliance. The compliance report is put up to the sub-committee. In case the report remains unsettled, it is submitted to the committee at the government level for necessary directions.
  - (viii) Recoveries and penalties imposed on the basis of internal audit are more than those reported in the statutory audit.
15. A presentation on capacity building of accounts staff was made by Sr. Consultant, Procurement, TSG and Finance Controller of SSA, Andhra Pradesh. A copy of the presentation is at Annexure X. Main highlights of the presentation are as under:
- (i) It is mandatory to impart a training of 5 days to each staff dealing with accounts every year.
  - (ii) Subjects covered in the training programme are Planning, Budgeting including financial norms, Accounting, Fund flow arrangements, Financial reporting, Internal Audit, Annual Audit and Procurement.
  - (iii) Capacity building is a continuous activity to equip the finance and internal audit staff with the latest information / knowledge relating to their area of work.
  - (iv) Separate training content for different target groups at different levels such as VECs, Cluster, Block, DPO and SPO.
  - (v) Needs to develop a training content covering all areas of work in accounts and internal audit.
- 15.1 A presentation on capacity building in Andhra Pradesh was made by Finance Controller, SSA Andhra Pradesh and a copy of the same is at Annexure X1. The highlights of his presentation are as follows:
- (i) Intensive trainings are imparted up to Block level. SMC level trainings are planned from September, 2010.
  - (ii) Trainings are imparted on double entry system, accounting, auditing, procurement and planning.
  - (iii) Resource persons are drawn from SPO, CA firms and TSG, New Delhi.
  - (iv) Regional level trainings were organized. District level trainings were organized to cover block level officials.
  - (v) Measures were taken to overcome the challenges faced in providing training.
16. A presentation on Statutory Audit of SSA Accounts for 2009-10 was made by Sr. Consultant, Disbursement, TSG and Finance Controller of SSA, Gujarat. A copy

of the presentation is at Annexure Y. Main highlights of the presentation are as under:

- (i) States / UTs are requested to get the statutory audit for 2009-10 completed as per the prescribed dates in the Manual on Financial Management & Procurement. An implementation schedule for audit already circulated to the States on 23<sup>rd</sup> July, 2010.
- (ii) Annual financial statements should be properly prepared and handed over to auditors to facilitate timely audit.
- (iii) Expenditure should be booked in the activity heads as approved by the PAB.
- (iv) Audit report for 2009-10 complete in all respect duly approved by Executive Committee should be submitted to GoI by 31<sup>st</sup> October, 2010.
- (v) In terms of Para 106 of Manual on FM&P, State Implementation Society has to appoint a CA firm to conduct the statutory audit of SSA accounts.
- (vi) Statutory auditor needs to authenticate the annual accounts of the society.
- (vii) CA firm is required to complete the statutory audit by September every year.

16.1 SSA Gujarat has prepared a time schedule for conducting the statutory audit after discussions with all concerned. DPOs have been asked to keep the records ready for verification by the statutory auditors.

- (i) 1/3<sup>rd</sup> of VECs getting more than Rs. 1.00 lakh selected for audit.
- (ii) Audit teams to ensure that the format of audit report is uniform so that consolidation of audit report is carried out smoothly.
- (iii) Statutory auditors asked to verify all the documents as required under the provisions of the Manual on FM&P. They should also enclose their management letter with the audit report.

17. A presentation on compliance of audit observations was made by Sr. Consultant, Disbursement, TSG and Finance Controller of SSA, Orissa. A copy of the presentation is at Annexure Z. Main highlights of the presentation are as under:

- (i) The observations of auditors are conveyed by the Ministry to the SPOs for action taken reports.
- (ii) State Implementation Societies are required to maintain a register in the format as at Annexure XXIV of the Manual on FM & P.
- (iii) Progress of settlement of audit observations to be reviewed by SPD every month.
- (iv) Statutory auditor needs to verify the compliance of audit observations.
- (v) The register of audit observations should be produced to the statutory auditor for verification.

- (vi) A quarterly report of the position of settlement of audit observations should be submitted to the Ministry in the format as at Annexure XXV of the Manual on FM & P.
- 17.1 SSA accounts in Orissa are covered in audit by IPAI Accountant General Audit (Civil) / Orissa, Efficiency Audit by Finance Department of Government of Orissa, Departmental Audit of School & Mass Education department, Government of Orissa, Internal Audit by CA firms and Statutory Audit by CA firms.
- (i) Responsibilities for compliance of audit observations have been clearly defined in the State Project Office.
  - (ii) Audit observations pertaining to BRCs / CRCs / VECs are to be verified by the District Project Office.
  - (iii) Observations of auditors are entered in the prescribed register
  - (iv) Internal auditors continue to review the settlement of observations with the DPCs and other intervention heads.
  - (v) SSA Orissa is planning to develop proto-type software to enable it to periodically review the major observations jointly by FA & CAO and State Project Director.
18. A presentation on 12<sup>th</sup> JRM recommendations relating to Financial Management was made by Sr. Consultant, Procurement, TSG. A copy of the presentation is at Annexure AA. The portion pertaining to financial management of JRM Aide Memoire is in Annexure AAI. Main highlights of the presentation are as under:
- (i) 12<sup>th</sup> JRM was held from 19<sup>th</sup> to 30<sup>th</sup> July, 2010.
  - (ii) Desk review was conducted by JRM based on MHRD progress overview, statutory audit reports for 2008-09, IPAI review report of 2<sup>nd</sup> phase, minutes of 25<sup>th</sup> quarterly review meeting of FCs and presentation made by some selected States.
  - (iii) JRM recommended that MHRD and States should fully implement their respective action plans and the progress to be assessed during quarterly review meeting of Finance Controllers.
  - (iv) Special focus should be placed on staffing and audit issues particularly in 9 largest spending States.
  - (v) A progress report on implementation of action plan need to be shared with next JRM to be held in January, 2011.
  - (vi) Variations in opening balance as per FMR and closing balance as per audit reports were observed in Arunachal Pradesh, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Manipur, Orissa, Puducherry, Rajasthan, Sikkim and Uttar Pradesh.
  - (vii) Realistic planning or rigorous implementation of the planned activities is needed especially in the States which are lagging behind in incurring expenditure upto the expected level.

- (viii) Action plans of Bihar and Chhattisgarh have not taken into account of observations appearing in audit reports. Uttar Pradesh also do not consider treatment of advances to be an issue though highlighted by the JRMs and audit reports. States should prepare more specific plans.
  - (ix) Most of the States provide teacher salary funds to the treasuries of the States. State society should monitor the end of these funds.
  - (x) States of Tamil Nadu, Nagaland and J & K have not been conducting the internal audit. Haryana, Manipur, Sikkim and Daman & Diu are also lagging behind in conducting the internal audit of SSA accounts. States to take steps to bring improvements in internal audit system.
  - (xi) Large amounts are continuing as advances in Bihar, Chhattisgarh, Jharkhand and West Bengal. These States should take special steps to adjust the old outstanding advances.
  - (xii) Advances are being treated as expenditure in Maharashtra, Uttarakhand and Orissa. The States need to follow the provisions of the Manual on FM & P.
  - (xiii) Preparation of Bank Reconciliation Statement is irregular in Bihar, Maharashtra and Madhya Pradesh. This is an important tool for control. States to ensure that the Bank Reconciliation Statement is prepared regularly every month.
  - (xiv) Adaptation of e-procurement by Andhra Pradesh, Gujarat and Karnataka is commendable. Other States should follow the practice adapted for e-procurement by these States.
  - (xv) All States / UTs should make special efforts to update the asset registers.
19. A presentation on Procurement procedures and preparation of procurement plan for 2010-11 was made by Sr. Consultant, Procurement, TSG and Finance Controller of SSA, Karnataka. A copy of the presentation is at Annexure AB. Main highlights of the presentation are as under:
- (i) States to follow a transparent system of procurement of goods and services by following the prescribed methods of procurement viz open tender (e-procurement), limited tender and participation of community in civil works at school level.
  - (ii) E-procurement system is easy and transparent, for parties who have software to handle entire end-to-end process.
  - (iii) Benefits of e-procurement system are Easy to create tenders and publish, easy to download and evaluate. It makes mandatory for the bidders to give details of all the documents as per the e-tender uploaded. Purchaser can easily communicate all the information to bidders such as pre-bidding meeting details, corrigendum, addendum, proceedings of pre-bidding meeting, technical evaluation & financial evaluation as well, Electronically EMDs are received and also refunded immediately after the completion of evaluation without any bidder to approach the office.

- (iv) Items have been segregated for procurement at the level of SPO, DPO and Community. Services can be procured through limited tender or open tender based on financial ceilings. Services of third party quality and technical audit should be procured through open tender; and Auditors are to be engaged by following the procedure prescribed in Para 106.4 of revised Manual on FM&P.
  - (v) States are required to prepare their procurement plan based on the AWP&B of 2010-11. Procurement plan should indicate the particulars of goods to be procured, quantity, method of procurement, estimated cost, and the period by when the items are to be procured. The procurement plan 2010-11 needs to be uploaded on the State web site.
  - (vi) The preparatory work such as preparation of specifications & bid documents, issue of invitation to bid, open bids, evaluation of bids, award of contracts and delivery of goods should be prepared in advance. Main considerations in procurement are economy, efficiency, equal opportunity and transparency.
  - (vii) State society strictly follows the procedure prescribed in the Manual on FM & P and also keeps in view the financial ceilings prescribed for procurements.
- 19.1 SSA Karnataka follows the provisions of Para 112 of Manual of FM & P in respect of procurement at the level of schools / community / KGBV, CRC / BRC, districts and SPO.
- (i) SSA Karnataka is following the prescribed methods of procurement in the Manual on F M & P both in respect of goods & services.
20. A presentation on analysis of monthly monitoring reports was made by Dr. Anamika Mehta, Consultant, Monitoring, TSG. A copy of the presentation is at Annexure AC. Main highlights of the presentation are as under:
- (i) States / UTs have planned to track funds flow through monthly monitoring reports. Sikkim has decided that SPO will be monitoring the cash balances through MMR.
  - (ii) There were differences in the figures submitted by SIS, Uttarakhand. The State is required to analyze the reasons and take remedial action.
  - (iii) SIS Madhya Pradesh has fixed the responsibility of APC Finance at the district level to submit the MMR in time. SIS West Bengal has planned to monitor the monthly expenditure in the monthly review meetings at the level of SPO.
  - (iv) All the three reports have been submitted by A & N Islands, Delih, Kerala, Lakshadweep, Meghalaya, Rajasthan, HP, Mizoram.
  - (v) Only two reports have been submitted by Andhra Pradesh, Gujarat, Puducherry, West Bengal, Tripura, Nagaland, Punjab, Daman & Diu, Sikkim, Tamil Nadu.
  - (vi) The States of Chandigarh, Madhya Pradesh, Maharashtra, Uttarakhand, UP, Goa, Orissa have submitted only one report.

- (vii) There is a difference in the expenditure in 1<sup>st</sup> quarter as per the monthly expenditure plan and as indicated in the MMR in the case of Daman & Diu, Delhi, Gujarat, Kerala, Lakshadweep, Madhya Pradesh, Maharashtra, Meghalaya, Mizoram, Orissa, Puducherry, Sikkim, Tamil Nadu, Uttarkhand, West Bengal and Goa.
  - (viii) There are differences in the figures of expenditure for the year 2009-10 as reported through MMR and in FCs meeting in respect of States / UTs of Daman & Diu, Delhi, Gujarat, J & K, Madhya Pradesh, Maharashtra, Orissa, Puducherry, Rajasthan, Sikkim, Uttar Pradesh, Uttarakhand and West Bengal. States to take steps to avoid such differences in figures in future.
  - (ix) To enable the GoI to track the fund flow, it is necessary to submit the MMR regularly, there should be no differences in figures of expenditure as per monthly expenditure plan and MMR. MMR should be submitted in the prescribed format to MHRD with copy to TSG.
21. A presentation on terms of reference for financial review of SSA by IPAI in 3<sup>rd</sup> phase was made by Sr. Consultant, Procurement, TSG. A copy of the presentation is at Annexure AD. Main highlights of the presentation are as under:
- (i) Government of India can get the financial progress of SSA in the States reviewed concurrently under para 102 of the Manual of FM&P.
  - (ii) Government of India has engaged IPAI for conducting 3<sup>rd</sup> phase concurrent financial review of SSA.
  - (iii) The existing ToR (Terms of Reference) was not adequate as it was not comprehensive.
  - (iv) A revised ToR has been developed by GoI in consultation with the Finance Controllers of State Implementation Societies.
  - (v) The time schedule for completion of field work by IPAI team has been revised keeping in view the convenience of the States.
  - (vi) Scope of work for IPAI has been clearly specified to avoid any ambiguities.
22. District Project Coordinators and District Finance & Accounts Officers of SSA Punjab also participated in the deliberations of the meeting. It emerged from the deliberations at the meeting that they immensely benefited from the deliberations in the meeting and the experience gained will be very useful for them in implementation of the programme in the districts.
23. Director, MHRD further highlighted the following issues requiring immediate attention of the States:
- (i) There has been steep rise in the approved outlays as well as in expenditure. States should take steps to further accelerate the pace of expenditure in view of the increased outlays in the current year. MHRD has already released Rs. 9300 crores to most of the States in the first tranche.
  - (ii) PAB has approved Rs. 37,235 crores for the year 2010-11. This is likely to go up by about Rs.11,000 crores on account of implementation of

provisions of RTE Act. States to build up capacity to absorb the enhanced level of funds.

- (iii) States to submit their request for release of 2<sup>nd</sup> instalment by September, 2010 after complying with all the conditionalities.
- (iv) There are 14 States / UTs who have to release the due State share
- (v) Trend of uneven quarterly expenditure has been observed in 2009-10. States to take step to ensure that the expenditures are incurred as per monthly expenditure plan.
- (vi) States / UTs of D & N Haveli, Karnataka, Kerala, Puducherry and Punjab had advances equal to about 25% of the expenditure of 2008-09. Delhi, Goa, Maharashtra, Nagaland and Tamil Nadu had advances equal to about 50% of expenditure of 2008-09. In the case of Andhra Pradesh, Bihar, Chandigarh, Haryana, J & K, Madhya Pradesh and West Bengal, advances were equal to more than 50% of the expenditure.
- (vii) Only 15 States are doing internal audit concurrently and internal audit in 11 States is in progress for 2009-10. 100% coverage in internal audit of SPOs is only in 15 States and DPOs in 16 States. States / UTs to ensure complete coverage of SSA accounts in internal audit as prescribed in the Manual on FM & P.
- (viii) Audit report for 2008-09 received from all States but it was delayed by some States beyond the prescribed date. States should ensure that the statutory audit of 2009-10 is completed by September, 2010 and the audit report submitted to MHRD by first November, 2010. Comprehensive guidelines for ensuring timely statutory audit were issued on 4<sup>th</sup> June, 2010 and a detailed implementation schedule to guidelines was also issued to the States. Statutory auditors have been engaged by 32 States, Kerala, J & K and Mizoram are yet to appoint the statutory auditors.
- (ix) It is necessary to build the capacity of the staff dealing with accounts to ensure timely closing of annual accounts by the society and getting them audited by the statutory auditors.
- (x) Large number of vacancies both at SPO and DPO level are continuing in Bihar, Chhattisgarh, Rajasthan, Uttar Pradesh and West Bengal. These States should take steps to fill up the vacancies on priority basis.
- (xi) MHRD is concerned that 20 States have not yet settled the IPAI observations appearing in the first phase study reports and none of the States have settled the observations of IPAI second phase report. The terms of reference for the third phase review of SSA accounts by IPAI have been revised comprehensively.
- (xii) The expenditure is far below the expected level in first quarter of 2010-11 in Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, D & N Haveli, Daman & Diu, Delhi, Goa, Haryana, J & K, Karnataka, Lakshadweep, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and West Bengal. These states to take steps immediately to accelerate the pace of expenditure.

- (xiii) In the end, States are advised to settle the old outstanding advances, increase the level of staffing and training, adapt automation in accounting functions, increased use of web based monitoring of funds, fast track the audit and accelerate the pace of expenditure in the current year.
- 24. The representatives from the States were given a chance to highlight issues, if any, requiring clarifications or assistance from the MHRD. All the States / UTs stated that there are no issues in this regard at present.
- 25. The meeting ended with a vote of thanks to the Chair.