

CHAPTER-IV

Financial Management

As per MDM Scheme guidelines, after approval of AWP&B of states by Programme Approval Board, the Ministry releases first instalment of central assistance in April/May each year subject to unspent balances available with the State Government/UT Administration not exceeding 20 per cent of the previous year's releases. The Ministry releases second instalment in September/October based on progress of expenditure incurred out of the first instalment. The fund flow chart is given below:



Budget estimates and expenditure

Rule 48(2) appendix 2 of GFRs provide guidance on preparation of budget and states that the budget should be prepared with due care. The details of budget estimates, releases and expenditure during 2009-10 to 2013-14 are given in **Table 4.1** below:

Table 4.1: Details of budget estimate and expenditure

(` in crore)

Year	Budget Estimate	Revised Estimate (RE)	Released	Expenditure	Excess (+)/ Deficit (-) w.r.t. to RE	Excess (+)/ Deficit (-) w.r.t. to releases
2009-10	8000.00	7359.15	6937.26	5621.67	(-)1737.48 (24 per cent)	(-) 1315.59 (19 per cent)
2010-11	9440.00	9440.00	9124.52	7786.56	(-) 1653.44 (18 per cent)	(-) 1337.96 (15 per cent)
2011-12	10380.00	10239.01	9890.72	9235.82	(-)1003.19 (10 per cent)	(-) 654.90 (6.62 per cent)
2012-13	11937.00	11500.00	10858.16	10196.98	(-) 1303.02 (11 per cent)	(-) 661.18 (6 per cent)
2013-14	13215.00	12189.16	10910.35	10873.75	(-) 1315.41 (10.79 per cent)	(-) 36.60 (0.34 per cent)
Total		50727.32	47721.01	43714.78	(-) 7012.54	(-) 4006.23

(Source: Details furnished by Ministry)

From above it may be seen that:

- (i) There were persistent savings ranging between 10 to 24 *per cent* of budget estimates during 2009-10 to 2013-14
- (ii) Consistent savings indicate that the budgeting process was unrealistic.

The main reasons for savings were excess allocation of foodgrains, under utilisation of Management, Monitoring, and Evaluation (MME) fund, transportation cost etc.

4.1 Delay in release of funds at various levels

Para 3.3 (ii) and (iii) of the guidelines stipulates that state finance department should release the funds intended for MDM expeditiously. Further, wherever possible states/UTs administrations may consider electronic transfer of funds from state to village level through banking channels. Audit observed several instances of delay in release of funds at various levels viz. from State Finance Department to Nodal Department, from Nodal Department to various implementing authorities at districts/blocks/school level in states as shown in **Annex-XV**. Delay in releasing funds at various level led to interruption in serving meal to children in schools. Delay in release of funds led to various irregularities as given in **Table 4.2** below:

Table 4.2: Cases of delay in release of funds

Sl. No.	State	Audit findings
1.	Arunachal Pradesh	Joint physical verification with Departmental officials in the test checked districts (Papumpare, East Siang and West Kameng) revealed that to prevent disruption in serving MDM Scheme, teachers procured cooking items from local stores and also made payment of honorarium to Cooks-cum-helpers from their own pocket or on credit basis.
2.	Assam	Due to delay in release of funds viz. cooking cost, the targeted days for providing meals could not be covered.

3.	Jammu and Kashmir	<p>In Kupwara, Leh and Kargil districts funds of ` 1.76 crore were diverted from School local funds towards cooking cost during 2010-11. Similarly, in Jammu funds to the extent of ` 7.84 crore were spent out of school local funds on cooking cost component. As a result, scheme funds which were received belatedly remained unutilised to the extent of ` 8.12 crore at the close of financial year.</p>
4.	Punjab	<p>The Ministry sanctioned grant of ` 50 crore and ` 25.16 crore for the financial year 2011-12. In April 2012, General Manager, MDM Cell, Government of Punjab informed that ` 75.15 crore released during 2011-12 remained unutilised as on 01.04.2012 due to non-release of these funds to MDM Cell by the State Finance Department. General Manager also requested to revalidate this amount for the year 2012-13. The State Government while submitting proposal for release of funds for the year 2012-13, reported the expenditure which included this amount. Thus, the state government misrepresented the expenditure for the year 2011-12. On seeking reason for wrong reporting of expenditure, the state government explained that funds of ` 75.15 crore were released in July 2012 for the expenditure already committed during 2011-12 by taking loans from shopkeepers to continue the MDM Scheme in the State on credit basis. The Ministry accorded its approval in October 2012 to utilise the funds of ` 75.15 crore in 2012-13.</p> <p>As per MDM guidelines, the State Government was responsible to ensure adequate budgetary provisions towards assistance for cooking cost and establishing systems for timely flow of funds towards all components of the programme, viz. cooking costs, infrastructure, procurement of kitchen devices, etc. Further, there was no clause to run the MDM Scheme on credit basis in any state.</p> <p>Thus, State Finance Department, Punjab could not release funds to MDM Cell, Punjab timely and left the school administration to continue the scheme on credit basis.</p>
5.	Tripura	<p>Due to shortage/non-availability of funds MDM was continued on credit basis or temporarily discontinued.</p>

4.2 Diversion of funds

Audit came across instances of diversion of funds amounting to ₹ 123.04 crore in eight states indicating weak financial controls and lack of accountability. State-wise extent of diversion of funds is given in **Table 4.3** below:

Table 4.3: Cases of diversion of funds

Sl. No.	State	Extent of Diversion
1.	Chhattisgarh	₹ 5.84 lakh received for kitchen shed were diverted for other miscellaneous purposes.
2.	Karnataka	State nodal department diverted ₹ 6.85 lakh towards meeting electricity charges, travel expenses, purchase of stationery, and meeting hotel expenditure.
3.	Madhya Pradesh	In six ¹⁰ districts, ₹ 553.23 lakh were diverted/utilised for purposes other than MDM, out of which an amount of ₹ 91.91 lakh could not be recouped as of 31 March 2014.
4.	Maharashtra	During 2010-11 to 2013-14, ₹ 91.78 crore were diverted from the amount meant for cooking cost and expenditure of ₹ 87.47 crore was incurred for providing micronutrients supplementation to the children.
5.	Odisha	₹ 1.13 crore ¹¹ were diverted for disbursement of old age pension, flood operation, CMRF, NREGA between June 2009 and July 2012.
6.	Punjab	₹ 41.00 lakh were diverted towards renovation and rent of headquarters' office during 2012-13. The Department stated (October 2014) that payment was made as per order of higher authorities. The reply is not valid as it attempts to justify as irregular action. In another case, the Ministry released (March 2013) ₹ 21.81 crore as recurring Central Assistance for LPG subsidy. The state government released ₹ 21.81 crore to the implementing agency during 2012-13 out of which expenditure of ₹ 1.52 crore was incurred on reimbursement of LPG subsidy and remaining ₹ 20.29 crore were diverted towards cooking cost.

¹⁰ Anuppur, Bhopal, Dhar, Mandasaur, Rajgarh and Sidhi

¹¹ ₹ 46.90 lakh by BDO, Astaranga, ₹ 66.35 lakh by BDO, Satyabadi

7.	Uttarakhand	In two districts, ₹ 2.66 crore was diverted during 2010-11 to 2013-14 from one component to another.
8.	Puducherry	Central assistance of ₹ 5.42 crore was diverted to meet the components of expenditure under state programmes during 2009-14.

4.3 Reporting of quarterly progress reports, utilisation certificates and unspent balances

The state nodal departments were to furnish monthly reports on off take of foodgrains, quarterly claims towards transport subsidy and detailed quarterly progress reports (regarding coverage of children, progress of provision of infrastructure and unspent balance of central assistance at the end of the quarter) to the Ministry. Failure to furnish information about unspent balance would affect further release of central assistance. The returns were meant to facilitate subsequent allotment of foodgrains by the Ministry and also to monitor implementation of the scheme in the states.

Utilisation certificates were required to be furnished by the 30th of June of the following financial year.

4.3.1 Quarterly progress report/UCs

In **Goa**, it was seen from the QPRs sent to the MHRD for the period 2009-10 to 2013-14 that closing balance of the last quarter in respect of the cooking cost, transportation, monitoring & evaluation and Cook-cum-Helper did not match with the opening balance of the succeeding quarter. Variations were noticed between the balance amounts carry forwarded in the QPRs and those worked by Audit as detailed below:

(₹ in lakh)

Year	Closing balance as per QPR	Actual Closing balance calculated	Difference	Remarks
2009-10	215.36	422.08	206.72	Central assistance and state share.
2010-11	51.26	234.74	183.48	(as above)

2011-12	50.83	338.34	287.51	Only central assistance
2012-13	62.86	273.22	210.36	(as above)
2013-14	117.08	614.54	497.46	(as above)

Thus, the figures furnished to the Ministry were incorrect.

Nagaland - The Ministry released adhoc grant of ` 734.16 lakh for the year 2013-14 on 22 April 2013. The adhoc grant was released by the State Government to districts on 28 August 2013. Districts released the funds on 8 September 2013 to Blocks/Schools. Thus, there was a delay of nearly 4.5 months in reaching the funds from central to block level/schools. Further, the state government submitted the Quarterly Progress Reports (QPR) to Ministry belatedly for the year 2013-14 with delays ranging from 31 to 144 days. Non submission of QPRs/Utilization Certificates and other required information timely had a cascading effect and the Ministry could not release the first and second instalments on time to state Government of Nagaland.

Commissioner and Secretary, Government of Nagaland informed that during the year 2013-14 the state managed to implement the scheme with support from state resource. However, the delay in submission of QPRs reflects the lack of effectiveness of monitoring mechanism at the state level.

Odisha- Utilisation certificate against grant of ` 756.49 crore received up to 2013-14 were not submitted to the Ministry as of September 2014. The State Nodal Office stated that the UCs could not be submitted due to non-receipt of respective UCs from District Level Offices.

Punjab- Utilisation certificate for the Central assistance of ` 5.92 crore and ` 372.39 crore received in 2009-10 and 2012-14 respectively had not been submitted to the Ministry. Department stated that UCs would be submitted shortly (October 2014).

4.3.2 Incorrect reporting of unspent balances in the utilisation certificates

Five states furnished incorrect Utilisation Certificates without ascertaining the actual position of utilisation of funds as per details given in **Table 4.4** below:

Table 4.4: Cases of incorrect utilisation certificates

Sl. No.	State	Status of Utilisation Certificates
1.	Bihar	State government reported nil unspent balance as of March 2014 under non-recurring head whereas unspent balance of ₹ 88.49 crore was reflected in the cash book.
2.	Gujarat	The Ministry released ₹ 166.27 crore to the state government between 2006-07 and 2012-13 for construction activities, purchase of kitchen devices, gas connection and MME. However, the state government furnished utilisation certificate to the Ministry for the entire amount despite the fact that construction activities were incomplete till March 2014 and funds were still lying unutilised in the bank account.
3.	Haryana	The state reported unspent balance of ₹ 18.20 crore under cooking cost in utilisation certificate as on March 2012 while the actuals were ₹ 18.37 crore.
4.	Nagaland	The state had not shown the amount of rice valuing ₹ 0.59 crore in the utilisation certificate furnished to the Ministry. In other case the nodal department kept ₹ 8.30 crore (Central assistance) in civil deposit on 25.3.2013 and the amount was withdrawn in two instalments on 30.3.2013 (₹ 3.45 crore) and 30.10.2013 (₹ 4.85 crore). However, the amount of ₹ 4.85 crore which was withdrawn in the year 2013-14 was reported as expenditure for the financial year 2012-13 in utilisation certificates submitted to the Ministry. Misreporting of expenditure figures also resulted in inflated expenditure figure for the year 2012-13.
5.	Uttar Pradesh	<ul style="list-style-type: none"> Hardoi district had shown only ₹ 2.48 crore in the UC for 2009-10 against the closing balance of ₹ 15.20 crore towards cooking cost.

- In another case UC submitted to the Ministry indicated expenditure of ₹ 72.90 crore whereas audited balance sheet indicated total expenditure as ₹ 57.88 crore on MME during 2009-13. Thus, excess expenditure of ₹ 15.02 crore was reported to the Ministry.

4.3.3 Non-reporting of unspent balances

Para 5.1.9 of MDM guidelines envisages that while submitting utilisation certificate to the Ministry, the unspent balance should be worked out after considering balance of cash at all levels i.e. state, district, block and school. Audit observed that in 9 states¹², unspent balance of ₹ 89.84 crore was not reported by the implementing agencies at block/district level to State Nodal Department. Thus, due to non-reporting of unspent balance it could not be accounted in utilisation certificates furnished by the state nodal department and entire amount of ₹ 89.84 crore remained out of purview of certified accounts of those states.

4.3.4 Weak internal control mechanism

Unspent balance towards central assistance was to be refunded to the Ministry after the close of financial year or to be adjusted by the Ministry against the central assistance to be given in next financial year. However, in **Lakshadweep**, unspent balances of the grants received under the scheme between 2009-10 and 2013-14 amounting to ₹ 130.24 lakh were neither refunded to the Ministry nor adjusted by the Ministry while releasing the central assistance for the next financial year. The funds were instead lying in the saving bank account of the UT government.

Retention of huge balances in bank by the UT government indicates weak internal control mechanism in the Ministry. The Department replied that the unspent balance of ₹ 130.24 lakh would be refunded in consultation with Ministry.

¹² Chhattisgarh- ₹ 56.54 lakh, Haryana- ₹ 38.90 crore, Karnataka- ₹ 2.54 crore, Madhya Pradesh- ₹ 3.82 crore, Manipur- ₹ 1.85 crore, Lakshadweep- ₹ 1.19 crore, Odisha- ₹ 32.73 crore, Tripura- ₹ 3.47 crore and Uttarakhand- ₹ 4.77 crore

4.3.5 Unutilized Transport Assistance

In **Uttarakhand**, scrutiny revealed that transport assistance of ` 127.01¹³ lakh was lying unspent in three districts i.e. Pauri, Pithoragarh and Udham Singh Nagar at the end of March 2012 and despite a clear indication about non requirement of transport subsidies by these districts in the following years, an amount of ` 121.55¹⁴ lakh was released to these districts during 2012-14. Further, the unspent balance of transport assistance during 2009-14 ranged between ` 21.86 lakh and ` 72.07 lakh in Almora while in Tehri it was between ` 36.61 lakh and ` 49.34 lakh was also noticed. Therefore, funds were released without assessment of actual requirement and consequently, remained unutilised.

4.4 Non-accountal of interest earned on grant

Paragraph 5.1 (9) of the guidelines provides that, release of first balance (second instalment) would be subject to previous year's unspent balance available with the State Government and unspent balance would be worked out after considering balances of stock and cash at all levels.

Audit observed that in as many ten states amount of ` 103.95 crore earned as interest on the grant at school/block/district/state level was not reported to the Ministry in the utilisation certificate for its further adjustment in subsequent releases. State-wise detail of interest earned is given in **Table 4.5** below:

Table 4.5: Details of interest earned

Sl. No.	State	Amount (` in crore)
1.	Bihar	54.46
2.	Haryana	5.80
3.	Himachal Pradesh	0.21
4.	Jharkhand	1.60
5.	Madhya Pradesh	26.55
6.	Meghalaya	2.72

¹³ Pauri-` 69.08 lakh, Pithoragarh-` 32.09 lakh and Udham Singh Nagar-` 25.84 lakh.

¹⁴ Pauri-` 50.53 lakh, Pithoragarh-` 45.63 lakh and Udham Singh Nagar-` 25.39 lakh.

7.	Odisha	5.35
8.	Uttarakhand	2.98
9.	Uttar Pradesh	4.11
10.	Chandigarh	0.17
	Total	103.95

4.5 Collection of donations by NGOs engaged in Mid Day Meal

- In **Maharashtra**, ISKCON (International Society for Krishna Consciousness) Food Relief Foundation¹⁵, Mumbai had been engaged by the Municipal Corporation of Greater Mumbai (MCGM) for providing mid day meal to children of 269 primary schools and 182 upper primary schools from 2008-09. It was noticed from the annual accounts of ISKCON for the year 2009-14 that ISKCON had collected donations amounting to ` 36.08 crore from various foreign and Indian organizations for “MDM Scheme”.
- In **Andhra Pradesh**, audit observed that the IFRF, Tirupati collected donations of ` 30.95 lakh during the years 2009-14.
- The action of ISKCON/NGOs to collect donations in the name of MDM Scheme was inappropriate as the scheme is totally financed by the Central Government/State Governments and funds for providing cooked meal to children were being released as per prescribed norms.

4.6 Funds for development of Infrastructure

4.6.1 Non-utilisation of funds for infrastructure of KCS

Audit observed that the funds of ` 283.75 crore released between 2006-07 and 2010-11 by the Ministry for construction of kitchen-cum-store (KCS) and for purchase/replacement of kitchen devices in eight states were lying unutilised as of March 2014 thereby defeating the purpose of providing meal in hygienic conditions. This indicates improper monitoring of the utilisation of the funds released by the Ministry. The state-wise specific findings are detailed in **Table 4.6** below:

¹⁵ ISKCON Food Relief Foundation a public charitable trust formed in July 2004 and registered under Bombay Public Trust Act, 1950 catering MDM in eight states under the brand name “Annamrita”.

Table 4.6: Cases of non-utilisation of funds

Sl. No.	State	Audit observations
1.	Andhra Pradesh	The Ministry released ₹ 303.18 crore for construction of 50529 kitchen-cum-stores during 2006-07 to 2008-09. Out of this only ₹ 104.85 crore were utilised leaving a balance of ₹ 198.33 crore. Similarly, out of funds of ₹ 39.23 crore released by the Ministry during 2006-08 for Kitchen devices, an amount of ₹ 14.14 crore remained unutilised.
2.	Chhattisgarh	Zilla Panchyat Mahasamund released (February 2009) ₹ 27.72 lakh to five Urban Local Bodies (ULB) to construct 71 kitchen-cum-stores in 71 urban schools located in the district but even after a lapse of five years the construction work had not been commenced while the amount idled with the executive agencies.
3.	Haryana	Funds of ₹ 8.02 crore released by the State Government to the Executing agency (Haryana School Shiksha Pariyojna Parishad) in March 2007 for construction of 1336 KCS remained unutilised.
4.	Karnataka	During 2008-09 the Ministry sanctioned construction of 1,293 kitchen cum store at a unit rate of ₹ 60,000. The State Government released (February 2009) ₹ 7.76 crore to Kalaburagi district but the same was not further released to the schools and the entire amount remained in Government accounts. (January 2015).
5.	Kerala	Out of central assistance of ₹ 7.71 crore released during 2006-07 for construction of 1285 Kitchen-Cum-Stores (KCS) the work of 483 KCS at an estimated cost of ₹ 2.90 crore was yet to be taken up. Further, the entire funds of ₹ 17.73 crore released subsequently for 1165 KCS during 2009-10 also remained unutilised.
6.	Manipur	The Ministry released (September 2009) a sum of ₹ 82.50 lakh for procurement of 1650 nos. of kitchen devices which had not been utilised by the State Government due to ban imposed by the State Finance Department. Central assistance of ₹ 29.72 crore released by the Ministry in March 2011 for construction of KCS was not sanctioned and released to the State Government.
7.	West Bengal	An amount of ₹ 3.55 crore released during 2007-11 for construction of kitchen sheds in Murshidabad and Birbhum districts could not be utilised as of March 2014.
8.	Dadra & Nagar Haveli	The Ministry released non-recurring Central assistance of ₹ 49.28 lakh in October 2011 for construction of 50 kitchen cum stores. The amount was yet to be utilised as of March 2014.

4.6.2 Injudicious sanction and release of funds on kitchen cum store

Audit observed that in four states, funds of ₹ 19.82 crore were released either to those schools where Kitchen cum stores (KCS) were already in place or the releases were made in excess of the requirement for existing number of schools. The specific cases are illustrated below:-

Meghalaya - ₹ 1.07 crore were released to two Sub-Divisional School Education Officers (SDSEO) Sohra and Amlarem for those schools already having KCS. The releases were made in convergence with Sarva Shiksha Abhiyan (SSA).

Audit further observed that during 2012-13, an amount of ₹ 1.08 crore was released to the SDSEO, Jowai and Khliehriat for construction of KCS in 40 schools as per revised rate. However, these schools had already been sanctioned with KCS at the old rate of ₹ 60,000 per unit in 2008-09. Thus, the action to issue revised sanction was irregular.

In **Odisha**, against 66388 schools covered under MDM, 69152 schools were reported to the Ministry while seeking fund for construction of kitchen sheds. On the basis of this inflated figure, Ministry released (2006-07 to 2009-10) ₹ 405.80 crore for construction of kitchens sheds in 69152 primary and upper primary schools of the state at ₹ 60000 per school and the state government received ₹ 16.58 crore in excess from Ministry as 66388 schools were available during 2009-10. This is indicative of availing excess central assistance based on wrong data on number of schools.

Similarly, in **Haryana**, bank drafts of ₹ 1.09 crore issued in March 2012 were returned by the school management committee on the grounds that the schools for which the amount was intended were already having Kitchen Cum Stores. This indicates poor planning and coordination.

4.6.3 Blocking of funds of ₹ 55.20 lakh released towards construction of Kitchen cum store for more than five years

Central assistance of ₹ 55.20 lakh was released to **Puducherry** during 2008-09 for construction of 92 kitchen-cum-stores. However, audit

observed that the funds were lying un-utilised till December 2014. This occurred because 12 central kitchens and 52 School Canteen Centres (SCCs) were already in existence to cater supply of MDM in all the schools under their jurisdiction. Thus, ₹ 55.20 lakh remained un-utilised and blocked for more than five years.

Further, the Secretary (SE&L), MHRD in review meeting (February 2012) advised that UT Government should make efforts to promote school based kitchens wherever possible and only in exceptional circumstances centralized/cluster kitchens should be promoted. However the nodal department failed to act on their directions.

4.6.4 Mis-reporting of data by the state government

Andhra Pradesh-The State Government misrepresented the data while seeking central assistance for KCS from the Ministry as detailed below:

No. of schools for which Central assistance obtained from 2006-07 to 2011-12	75,283
Total no. of schools in the State in 2011-12 (as per AWP&B 2012-13)	74,263
No. of schools wherein kitchen sheds already existed as of 2006-07	25,203
No. of schools served MDM by NGOs through centralized kitchen during 2011-12	2,420
No. of schools requiring kitchen sheds (74263-25203-2420)	46,640
No. of schools for which excess financial assistance received from Gol (75283-46640)	28,643

Thus, the State Government obtained excess central assistance by inflating the data of the schools requiring KCS.

The Ministry in December 2009 revised the cost of construction of KCS which was based on the State Schedule of Rates (SOR) and the plinth area norm depending on the number of children in the school. The cost of construction of KCS was to be shared between the Centre and the NER states on 90:10 basis and with other states/UTs on 75:25 basis.

As per the norms fixed by the Ministry there were three categories of plinth area in **Andhra Pradesh**:

Category	No. of children in school	Estimated cost (` in lakh)	No. of schools exist	No. of schools proposed to Gol
Plinth-I	Below 100	0.80	7070	Nil
Plinth-II	Above 100 and below 250	1.00	12745	Nil
Plinth-III	Above 250	1.50	4939	24754
Total		3.30	24754	24754

Audit observed State Government sought funds for construction of 24754 kitchen-cum-stores under Plinth-III category (against 4939 schools with more than 250 student strength) which was sanctioned by the Ministry in February 2012. Thus, the data submitted by the State Government was incorrect and led to excess central assistance of ` 84.91 crore.

4.7 Excess payment to ISKCON, Mumbai

The scheme provided for supply of foodgrains (Rice / Wheat) free of cost by the Ministry to implementing agencies at the rate of 100 gm and 150 gm per child per school day for primary and upper primary children respectively from the nearest FCI godown. The quantity of other ingredients (Dal, Vegetables, Masala, Oil, Salt etc.) to be used for providing the required calories and proteins in the cooked food are also prescribed under Scheme guidelines.

- Audit observed that for the meals provided during the period from 2010-11 to 2013-14 ISKCON lifted only 21511.60 quintals of rice against the prescribed requirement of 68561.18 quintals of rice. Thus the consumption of rice by ISKCON on an average was 40 gms only. Based on this criteria, the proportion of other ingredients would also be less to that extent.
- However, it was seen that payment for cooking cost¹⁶ was made to ISKCON at full rate during 2010-14 resulting in excess payment of ` 11.67 crore to ISKCON. Further, the test results of 187 meal samples prepared by ISKCON during 2010-14 revealed that meals failed to meet the prescribed standards. The actual payment made

¹⁶ Cooking cost means cost of other ingredients, vegetable and fuel

to ISKCON and the payment actually admissible for cooking cost on the basis of rice used @ 40 gms is indicated in **Table 4.7** below:

Table 4.7: Payment admissible to ISKCON on the basis of consumption of rice

(` in crore)

Year	Primary level			Upper primary level			Total payment made (Primary + Upper primary)	Payment admissible 1/3 rd of column 8
	Meals served	Payment for other ingredient made @ ` per meal	Payment made	Meals served	Payment for other ingredient made @ ` per meal	Payment made		
2010-11	7973668	2.09	1.66	6348672	2.60	1.65	3.32	1.11
2011-12	8597121	2.60	2.23	6976135	3.85	2.69	4.92	1.64
2012-13	7248008	2.80	2.02	5915936	4.15	2.45	4.48	1.49
2013-14	7070332	3.02	2.13	5915936	4.47	2.64	4.78	1.59
Total						9.43	17.50	5.83

Source: Information furnished by Municipal Corporation of Greater Mumbai (MCGM)

In reply, Municipal Corporation of Greater Mumbai (MCGM) stated (December 2014) that the payments to ISKCON were made as per the rates fixed by State Government. The fact remains that ISKCON was using only 40 gms rice per meal on an average as worked out above and the state government should have considered release of proportionate payment for “cooking cost including other ingredients” before releasing the full payment.

4.8 Embezzlement of ` 64.41 lakh

In **Chhattisgarh**, in Block Education Offices (BEOs), suspected cases of embezzlement of government money was observed as given in **Table 4.8** below:

Table 4.8: Cases of suspected embezzlement

Sl. No.	Name of BEO	Amount	Audit observation
1.	Rajnandgaon	` 29.03 lakh	During 2005-06 to 2010-11 an amount of ` 81.81 lakh was given to Cluster Academic Coordinator (CAC) to disburse cooking cost and honorarium to SHGs and CCHs of schools but only ` 52.78 lakh was disbursed in cash and the remaining amount of ` 29.03 lakh was embezzled. On this being pointed out by audit, BEO stated that FIR was lodged (February 2012) against the CAC.

2.	Chowki	₹ 35.38 lakh	An amount of ₹ 35.38 lakh was withdrawn through 36 self cheques between April 2011 and June 2013 by the BEO but not used for MDM purpose. On this being pointed department stated that FIR has been lodged against the BEO and case is pending in court.
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4.9 Short release of state share

Examination of records revealed that in three states there was short release of funds by state government of their respective share amounting to ₹ 114.78 crore during 2009-14 as given in **Table 4.9** below:

Table 4.9: Cases of short release of state share

(₹ in crore)				
Sl. No.	Name of state	Amount to be released	Actual release	Shortfall
1.	Andhra Pradesh	92.83	Nil	92.83
2.	Jharkhand	97.87	76.12	21.75
3.	Nagaland	1.61	1.41	0.20
Total				114.78

The shortfall of state share adversely affects the total availability of funds for the implementation of scheme.

4.10 Other financial irregularities

(i) Blocking of funds

Examination of records in two test checked revealed instances of blocking of funds of ₹ 2.50 crore as given in **Table 4.10** below:

Table 4.10: Cases of blocking of funds

(₹ in crore)			
Sl. No.	Name of state	Period of release	Amount
1.	Madhya Pradesh	2006-07 to 2011-12	1.75
2.	Odisha	April 2012 to August 2012	0.75
Total			2.50

(ii) In **Meghalaya**, the total amount incurred towards payment of honorarium to CCH during 2009-14 was ₹ 62.76 crore, however, as per norms the total admissible expenditure for honorarium should be ₹ 61.96 crore (worked out at ₹ 1000 p.m. per CCH for 10 months in a year). This resulted in excess expenditure of ₹ 80 lakh during 2009-14.

iii) **Excess payment of VAT-** As per Uttarakhand Value Added Tax 2005, sale of foodgrains through PDS are exempted from levying of VAT but audit observed that FCI had charged VAT on foodgrains for MDM during 2010-14 and an amount of ₹ 2.16 crore was paid as VAT by the District Nodal Offices of the State resulting in excess expenditure of ₹ 2.16 crore.

iv) In test checked district Ghazipur of **Uttar Pradesh** audit observed that excess expenditure of ₹ 20.45 lakh was incurred on cooking cost against the norms during 2011-14.

v) **Avoidable expenditure of ₹ 5.61 crore on cooking cost due to delay in commissioning and non-optimal utilization of cluster kitchens**

In **Chandigarh**, seven cluster Kitchen-cum-Stores with cooking capacity of 10,000 to 15,000 meals per day per kitchen were constructed at the total cost of ₹ 1.51 crore during the year 2009-10 to supply cooked meal to all 116 schools of Chandigarh.

While one cluster kitchen was commissioned in April 2012, the remaining six were commissioned in July 2013. Audit observed that the cluster kitchens were not utilised to their optimal capacity as meals in these kitchens were cooked only for the seven schools in which these were situated. Meals for the remaining 109 schools were supplied by three cooking institutes (CIHM, AIHM, CITCO). The average cooking cost of ₹ 5.71 per meal in cluster kitchens was less than the average cooking cost of ₹ 7.25 per meal paid to the cooking institutes. Thus, department failed to reap the intended benefits of cluster kitchens and as a result a sum of ₹ 1.51 crore used on their construction was largely rendered unfruitful. In the process, it also incurred excess expenditure of ₹ 5.61 crore towards higher cooking cost paid to cooking institutes for supplying 3,64,28,646 meals during 2011-12 to 2013-14.

The Department in its reply (December 2014) stated that there was no excess expenditure as audit did not calculate labour and other overhead charges. Reply of the department was not tenable as audit had considered all essential components viz. cost of eatables, cost of labour, cost of LPG and other incidental charges while calculating average cost of meal cooked by school based cluster kitchens.

vi) Disposal of gunny bags

FCI provides foodgrains for providing cooked meal to children. The foodgrains were being transported by various agencies from FCI to schools in gunny bags. The scheme guidelines issued (December 2004) by Ministry envisaged that empty bags of foodgrains should be disposed of by the Village Education Committee/ Parents Teachers Association/School Management cum Development Committee/ School Management in a transparent manner so as to fetch the best possible price and sale proceeds of the same should be utilized for further enrichment of the MDM Scheme. However, the MDM guidelines 2006 were silent about disposal of empty gunny bags. In the absence of any guidelines, the schools did not take any action to dispose of the empty gunny bags. As a result, opportunity to earn revenue on account of sale proceeds of gunny bags was lost. In six states alone, the empty gunny bags valuing ₹ 87.85 crore remained unaccounted. Details are given in **Annex-XVI**.