



Chapter II
Financial Management

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Section 7 (1) of the Act states that the Central Government and the State Governments shall have concurrent responsibility for providing funds for carrying out the provisions of this Act. However, there was no separate budget for implementation of the RTE Act in the State. The activities under provision of the RTE Act were carried out through the funds available under SSA.

2.1 Budget estimate and expenditure

The budget proposals under SSA are prepared in the form of Annual Work Plan and Budget (AWP&B), covering all the interventions specified in the SSA framework. Item wise budget demands for one year are included in the AWP&B, which are reviewed and approved by Project Approval Board (PAB). Each year, Government of India releases funds to State Government for implementation of SSA based on the approved outlay for the State by PAB.

The 13th Finance Commission (FC) had also allocated ₹ 2,216.00 crore for elementary education in the State. Out of which, ₹ 1,679 crore was released to State during 2010-14. The PAB approved outlay for SSA is reduced to the extent of 13th FC funds and the GoI and State's share in the prescribed ratio is then worked out.

The funding pattern for SSA between the Central and State Government was in ratio 65:35 from the year 2010-11 to 2014-15 and 60:40 from 2015-16. Government of India till the year 2013-14 released funds directly to RSK for implementation of SSA programme. From the year 2014-15, funds were released to State Government and the State Government transferred the funds to RSK through budget provision.

The details of allocation and expenditure against the approved AWP&B under SSA during the year 2010-11 to 2015-16 are shown in **Table 2.1**.

Table 2.1: Status of expenditure against AWP & B

(₹ in crore)

Year	Approved AWP & B	Allocation of funds (percentage)	Expenditure (percentage)
2010-11	3994.39	3289.52 (82)	2181.80 (55)
2011-12	4447.36	3322.27 (75)	3623.03 (81)
2012-13	4196.88	2625.99 (63)	3462.92 (83)
2013-14	3695.35	3625.45 (98)	3692.31 (100)
2014-15	4440.84	2225.67 (50)	2839.09 (64)
2015-16	4606.34	2470.65 (54)	2106.74 (46)

(Source: AWP&B and statutory audit reports of RSK)

The allocation of funds for implementation of SSA during 2010-16 was not at the level of outlays approved by AWP&B. The allocation of fund during the years 2014-15 and 2015-16 were substantially less at 50 per cent and 54 per cent. The expenditure during these years was 64 per cent and 46 per cent

Department failed to utilise available fund for SSA, which resulted in large unspent balances and less release of fund from GoI.

respectively of approved outlay. Department attributed (November 2016) less expenditure to short receipt of funds from GoI and State Government. However, audit scrutiny revealed that Department was unable to utilise funds available to it under SSA, which resulted in large unspent balances and less release of grants-in-aid from GoI in subsequent years.

2.1.1 Failure to utilise available fund for SSA

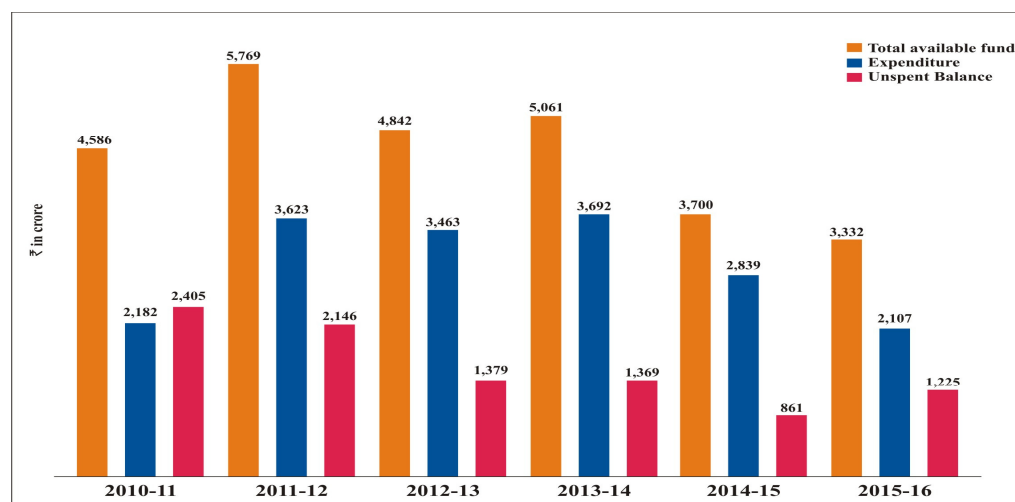
During the period 2010-16, out of the available ₹ 19171.30 crore for SSA, ₹ 17905.89 crore was utilised leaving an unspent balance of ₹ 1265.41 crore. The year wise details of total available fund for SSA, expenditure and unspent balances during 2010-16 were as given in **Table 2.2** and **Chart 2.1**.

Table 2.2: Status of available fund, expenditure and unspent balance under SSA
(₹ in crore)

Year	Opening balance	GoI releases	State Government releases	13 th FC releases	Interest and other receipts	Total available fund	Expenditure	Unspent Balance (per cent)
2010-11	1263.65	1767.83	1201.69	320.00	33.23	4586.40	2181.80	2404.60 (52)
2011-12	2404.60	1904.27	1034.00	384.00	42.20	5769.07	3623.03	2146.04 (37)
2012-13	2146.04	1353.43	820.56	452.00	69.90	4841.93	3462.92	1379.01 (28)
2013-14	1379.01	2004.09	1098.36	523.00	56.95	5061.41	3692.31	1369.10 (27)
2014-15	1369.10	1490.95	734.72	Nil	104.82	3699.59	2839.09	860.85 (23)
2015-16	860.85	1601.98	868.67	Nil	41.00	3331.91	2106.74	1225.17 (37)
Total		10122.55	5758	1679	348.10	19171.30	17905.89	

(Source: Statutory audit reports of RSK)

Chart 2.1: Chart showing available fund, expenditure and unspent balance



(Source: Statutory audit reports of RSK)

As evident from Chart 2.1, Department could not ensure optimum utilisation of available resource under SSA. The unspent balance during 2010-11 to 2015-16 ranged from 23 per cent to 52 per cent. Audit noticed that unadjusted outstanding advances and delayed release of funds to RSK and districts were the main reasons of unspent balances. The advance of ₹ 720.71 crore remained unadjusted as on March 2016, of which ₹ 275.91 crore was lying with Parent Teacher Associations. Funds provided to districts and construction agencies

for civil works were not utilised. Large number of civil works were remained incomplete due to slow progress of works.

As on March 2016, ₹ 182.69 crore was lying in the bank account of RSK and ₹ 146.29 crore was available at district level bank accounts of SSA. RSK did not carry out different activities under SSA for which amount of ₹ 215.02 crore was provisioned during 2010-16. Further, ₹ 1.57 crore of closed scheme National Programme for Education of Girls at Elementary Level (NPEGEL) were lying in the bank accounts of district/block level agencies as on March 2016. These outstanding balances were not transferred to RSK, despite the order (June 2014) of RSK.

2.1.2 Delays in release of funds

Central share of ₹ 345.82 crore and State share of ₹ 433.63 crore were released towards the end of financial year during 2010-14. Further, the Central share of ₹ 110.31 crore for the year of 2014-15 was received in the year 2015-16 and ₹ 399.12 crore for the year 2015-16 released in March 2016 was not received by RSK from State during the year 2015-16.

Audit scrutiny revealed that RSK released ₹ 837.45 crore in the month of March to districts during 2010-16. Of these releases, ₹ 299.47 crore was released on the last day of financial years. Release of funds to State by GoI and from State to districts in the month of March led to blockage of fund in the bank accounts or remained as unadjusted advances.

2.1.3 Negative balances in Utilisation Certificates

GoI released funds separately under general head and capital head from the year 2011-12. However, separate utilization certificates for general and capital head was prepared and sent to GoI from the year 2012-13. Audit scrutiny revealed that the closing balance of funds at the end of March 2012 was not taken into account while preparing the utilization certificates of capital head for the year 2012-13. As a result, there was negative unspent balance of ₹ 119.10 crore as on March 2016 under capital head. RSK informed (June 2016) that the negative balances would be adjusted in next statutory audit report.

In the exit conference, Department stated (November 2016) that GoI share including State matching share, released at the end of financial year, was drawn from treasury and released to districts as per their requirement. As a result, unspent balances remained in bank accounts. Adjustment of advances was a continuous process and adjustments of account were done after getting utilisation certificates and works completion certificates. Action for adjustment of advances was under process.

The reply is not acceptable, as Department was not able to utilise available funds against the approved items of works in AWP&B. Further, large number of approved civil works remained incomplete, which resulted in unadjusted advances with construction agencies and districts.

2.2 Grant of ₹ 537 crore under 13th Finance Commission not released

GoI allotted ₹ 2216.00 crore for elementary education in the State under 13th Finance Commission for the period 2010-11 to 2014-15. Funds of ₹ 320 crore

GoI did not release ₹ 537 crore of 13th FC grant for elementary education in the State, as the Department failed to fulfil the condition for release of the grant.

was released without any condition during 2010-11. However, for release of fund during 2011-12, the Budget Estimate for 2011-12 was required to be more than eight *per cent* of Revised Estimate for 2010-11. For the year 2012-13, the Budget Estimate for 2012-13 was required to be more than eight *per cent* Revised Estimate for 2011-12 and the actual expenditure of the year 2010-11 was to be more than eight *per cent* of the actual expenditure of the year 2009-10. For release of funds during the years 2013-14 to 2014-15 similar condition was applicable.

Scrutiny of records revealed that 13th FC grant of ₹ 537 crore for the year 2014-15 was not released by GoI as the expenditure in 2012-13 was only 7.36 *per cent* more than the expenditure of 2011-12, which was less than the required norms of eight *per cent* for release of 13th FC. Therefore, despite the request of State for release of 13th FC grant of 2014-15, GoI did not release the same and intimated (February 2015) that the State was not eligible to receive the grant.

During the exit conference (November 2016), Department stated that attempt was made to receive the fund from GoI.

The fact remains that Department failed to fulfil the condition for releasing 13th FC grant, which deprived the State of 13th FC grant amounting to ₹ 537 crore during 2014-15.

2.3 Short releases of funds by Government of India/State Government

GoI and State Government short released ₹ 7,284.61 crore for SSA against approved AWP&B outlay during 2010-16.

As per financial manual of SSA, the Government of India was to release funds to the RSK in April and September every year and the participating State was to release its share within 30 days of the receipt of central contribution. The share of Central and State Government was to be calculated after deducting the allocation of 13th FC grant from the approved AWP&B outlay.

Audit scrutiny revealed the shortfall in releases of funds by both the GoI and the State Government against the approved AWP&B outlay during 2010-16, as detailed in **Table 2.3**.

Table 2.3: Short release of fund by GoI and State Government under SSA

(₹ in crore)

Year	Approved outlay of AWP&B after deducting 13 th FC grant	Government of India share	Actual Government of India releases	Shortfall by Government of India	State share	Actual State releases	Short-fall by the State	Total short fall (percentage)
2010-11	3674.39	2388.36	1767.83	620.53	1286.04	1201.69	84.35	704.88 (19)
2011-12	4063.36	2641.18	1904.27	736.91	1422.18	1034.00	388.18	1125.09 (28)
2012-13	3744.88	2434.17	1353.43	1080.74	1310.71	820.56	490.15	1570.89 (42)
2013-14	3172.35	2062.03	2004.09	57.94	1110.32	1098.36	11.96	69.90 (2)
2014-15	3903.84	2537.49	1490.95	1046.54	1366.34	734.72	631.62	1678.16 (43)
2015-16	4606.34	2763.80	1601.98	1161.82	1842.54	868.67	973.87	2135.69 (46)
Total	23165.16	14827.03	10122.55	4704.48	8338.13	5758	2580.13	7284.61 (31)

(Source: AWP&B, statutory audit reports and information furnished by RSK)

As against approved AWP&B of SSA, the short release of the Central share was ₹ 4704.48 crore and State share was ₹ 2580.13 crore during the period 2010-16. The overall shortfall amounting to ₹ 7284.61 crore was 31 per cent of the approved outlay after reducing 13th FC allocation. The annual shortfall in release ranged between two (2013-14) and 46 (2015-16) per cent.

During the exit conference (November 2016), Department attributed the shortfall in release of State share to short release of the approved Central share.

The reply is not acceptable, as there were large unspent balances with the Department at the end of each year, which resulted in short release of GoI share.

2.4 Fixation of financial ceiling

Annual Plan for SSA was prepared in the State on the basis of ceiling of expenditure fixed by the State Planning Commission each year. AWP&B prepared by the State covering all the interventions of SSA norms was got approved from PAB. The approved outlays specified in the AWP&B is the financial targets for various interventions.

Fixation of lower financial ceiling than the approved AWP&B affected the release of fund for SSA.

Central share was directly transferred to RSK during the period 2010-11 to 2013-14 and the State share was provided through budget provision. From 2014-15, Central share was released to State Government and the funds for SSA (Central Share and State Share) were provided through budget provision of the State. Therefore, the financial ceiling for budgeting under SSA was to be fixed by the State Planning Commission in view of proposed/approved share of State in the AWP&B during 2010-14 and total proposed/approved outlay on SSA in the AWP&B during 2014-16.

Audit noticed that the financial ceiling fixed by State Planning Commission for SSA were less than the financial targets in AWP&B during 2010-16 as shown in **Table 2.4**.

Table 2.4: Financial ceiling

(₹ in crore)

Year	AWP&B	GoI share	State share	Financial ceiling
2010-11	3994.39	2388.36	1286.04	863.63
2011-12	4447.36	2641.18	1422.18	1103.10
2012-13	4196.88	2434.17	1310.71	1432.00
2013-14	3695.35	2062.03	1110.32	1584.79
2014-15	4440.84	2537.49	1366.34	3000.00
2015-16	4606.34	2763.80	1842.54	3500.00

(Source: AWP&B, statutory audit report and information furnished by RSK)

Thus, the financial ceiling was less than the State share as per AWP&B during the year 2010-12 and 2013-14. Further, during 2014-16, the financial ceiling was less than total approved outlay of AWP&B. Since the budgetary provision were based on the financial ceiling fixed by the State Planning Commission, the fixation of lower financial ceiling than the approved AWP&B affected the release of fund for SSA.

During the exit conference (November 2016), Department stated that PAB approved the AWP&B of the SSA. The Central share was less than the PAB approval as a result of which the State Planning Commission and State Finance Department made budget provision less than the financial ceiling. The targets of SSA could not be achieved due to shortage of funds. Department further stated that RSK had requested State Planning Commission and State Finance Department to provide sufficient financial ceiling in State Budget for coming years.

The reply is not acceptable, as the financial ceiling fixed for SSA during 2010-16 could not meet the requirement assessed in the AWP&B, which affected the release of fund for SSA.

2.5 Reimbursement of fees to private unaided school

Section 12 of the RTE Act provides that private unaided schools, providing free and compulsory education under the Act, shall be reimbursed expenditure incurred by them to the extent of per child expenditure incurred by the State, or actual amount charged from the child, whichever is less. Further, Rule 8 of MP RTE Rules specifies that the reimbursement shall be made at the end of academic session of every year in March as decided by the State Government from time to time.

As per the procedure laid down by Department, the submission of proposal for reimbursement of fees by schools, their sanctions by DPCs and release orders for payment to schools are done through the online RTE module developed by the Department in the Education Portal. DPC sanctions the proposal of school after verification by nodal officer. Thereafter, an advice is generated through the portal for issuing release order to the nodal bank for transferring the amount to the school's bank account.

Audit scrutiny revealed that the Department fixed the annual per child expenditure as ₹ 2,607 in the year 2011-12, ₹ 3,065 in the year 2012-13, ₹ 3,478 in the year 2013-14, ₹ 3,826 in the year 2014-15 and ₹ 4,209 in the year 2015-16. Out of ₹ 426.54 crore released to districts for reimbursement of fees, ₹ 357.70 crore was utilised as on March 2016. The proposal submitted by the private schools for reimbursement of fees in Education Portal and the number of sanctioned cases in the State during 2011-12 to 2015-16 are shown in **Table 2.5**.

Table 2.5: Status of proposal and sanction of fees reimbursement

(Figures in number)

Year (academic session)	Proposal submitted by schools		Sanctioned cases	
	No. of schools	No. of students	No. of schools	No. of students
2011-12	18,105	1,40,920	14,748	1,15,892
2012-13	18,430	2,88,728	17,675	2,63,288
2013-14	18,195	4,34,822	18,005	4,18,156
2014-15	19,248	5,24,837	18,939	5,28,391
2015-16*	19,950	7,04,647	19,324	6,75,537
Total	93,928	20,93,954	88,691	20,01,264

(Source: Information furnished by RSK) *payment for 2015-16 was in progress

Thus, reimbursement of fees for 20.01 lakh students of 88,691 schools were sanctioned in the State during 2011-16. However, the number of proposals sanctioned during the year 2014-15 was more than the number of proposal submitted in the portal. Audit noticed following deficiencies in reimbursement of fees in test-checked districts:

In three test checked districts, fee reimbursement of ₹ 1.01 crore was paid to 303 unrecognised schools. There were cases of excess payment and double payments to schools for fee reimbursement.

- Only recognized schools were entitled for fees reimbursement under the RTE Act. However, in three districts (Burhanpur, Dhar and Jhabua), ₹ 1.01 crore was paid to 303 unrecognised schools for 4,361 students during 2011-15. We also noticed reimbursement of fees to 231 unrecognised schools in Balaghat during 2011-13.
- Payment of ₹ 1.63 crore was not made to schools in four districts (Balaghat, Datia, Dhar and Ratlam)¹ during 2011-16 due to wrong entry of account numbers in the portal of the Department and the amount was lying in the bank accounts of respective DPCs. As a result, the schools were deprived of their legitimate dues.
- In the test-checked districts, out of ₹ 132.62 crore received for fees reimbursement, ₹ 111.44 crore was utilized and ₹ 21.18 crore was lying unspent in the bank accounts of DPCs. Despite availability of fund, the reimbursement was not made in time and reimbursement for the year 2012-13 was made in 2014-15 and for the academic year 2013-14, fee were reimbursed in 2015-16.
- In test checked districts, except districts Bhopal and Morena, the actual reimbursement was made to 7,338 schools for 1.07 lakh students as against sanction to 6,896 schools for 0.97 lakh students. This resulted in excess reimbursement of fees to 552 schools for 10,253 students for the academic session 2011-15. Scrutiny of records revealed double payment of ₹ 6.12 lakh in 174 cases² in the districts, Balaghat and Ratlam. Further, in test checked districts (except district Shahdol), fees reimbursement to 634 schools for 13,375 students was not made for the academic session 2011-15, though sanctioned by DPCs.
- As per direction (February 2014) of the Department, the monthly inspection of the school was to be conducted by the nodal officer to examine the attendance of students and to ensure that double admissions were not made. The BRCC and DPC had to conduct random verification of fee reimbursement cases. However, inspection of nodal officer was not ensured due to absence of any monitoring mechanism. As a result of which, 75 per cent attendance of students, a mandatory requirement for fees reimbursement could not get independently verified by the department and the claims made by the schools were treated as final. The random verification of cases by the nodal officer was also not done by the BRCC and DPC.
- Manual reimbursement of fees was prohibited and release order was to be issued by generating advice in the education portal. However, audit scrutiny revealed that payments were not made by DPC as per release order in the portal. The actual amount of fees reimbursement was less than the amount

¹ Balaghat (₹ 10.90 lakh), Datia (₹ 2.06 lakh), Dhar (₹ 129.92 lakh) and Ratlam (₹ 19.68 lakh).

² Balaghat (₹ 3.33 lakh, 29 cases) and Ratlam (₹ 2.79 lakh, 145 cases).

of release order issued through portal. Further, the payments were also released by preparing manual lists. We noticed that show cause notice was also issued (May 2014) by RSK in one of such cases to the DPC, Ratlam.

- The utilization certificate of reimbursed amount of ₹ 104.56 crore was not received from schools in 11 districts, as directed (April 2015) by RSK. The DPCs stated that the utilisation certificates would be obtained from the schools.
- The Department had not prescribed any time limit for feeding the school wise number of students in the portal and no time limit was fixed for reimbursement, in the absence of which timely fees reimbursement could not be ensured. Priority was to be given to schools on first come first serve basis. However, no such record was found maintained in DPC office to ensure transparency in feeding the cases in portal.
- There was no provision for reimbursement of fee in respect of child enrolled in a private school for elementary education on transfer from another private school due to not having elementary level higher classes. RSK informed (June 2017) that the reimbursement in such cases was not admissible in view of Section 5(1) of the RTE Act.

In the exit conference, Department stated that excess sanction against proposal submitted in the year 2014-15 was a typographical error, which would be corrected with the help of National Informatics Centre (NIC). Department further stated that the claim was processed after due verification. Thus, less payment was made against the claim submitted in many cases. Department stated that the State government was considering making reimbursement of fees to private schools bi-annual.

Department assured that cases of excess payment and double payment would be enquired into and suitable action would be taken. The verification of 75 per cent attendance by nodal officer would be ensured. The districts which had not collected UCs from the private schools would be directed to ensure it.

2.6 Irregular reimbursement of fees to private aided schools

Under the RTE Act, there is no provision for reimbursement of fees to private aided schools. However, audit scrutiny revealed that reimbursement of fees amounting to ₹ 13.27 lakh was made to 30 private aided schools for 533 students by DPC of three³ districts, which was irregular.

In the exit conference, Department stated (November 2016) that matter would be enquired into and suitable action would be taken.

2.7 Recommendations

- Department should make efforts to utilise the available funds provided by GoI and State Government to achieve the financial targets set in Annual Work Plan and Budget.

³ Bhopal (71 students, ₹ 2.98 lakh), Burhanpur (152 students, ₹ 3.27 lakh) and Indore (310 students, ₹ 7.02 lakh)

Department stated (November 2016) that RSK has given instructions to make activity wise monthly expenditure plan in all districts to ensure timely utilisation of available funds.

- Department should take initiative by launching special drive for settlement of outstanding advances lying at different levels.

Department stated (November 2016) that efforts had been made to settle the outstanding advances by holding monthly meetings and reviewing the progress in video conferencing and initiating a special drive programme.

- Timely release of funds to district implementing agencies should be ensured to avoid blockage of funds in bank accounts.
- The financial ceiling in the State Budget should be according to the financial targets of Annual Work Plan and Budget.

Department stated (November 2016) that RSK had requested State Planning Commission and State Finance Department to provide sufficient budget provision ceiling in State Budget for coming years.

- The expenditure control mechanism should be strengthened.

Department stated (November 2016) that RSK was strengthening the expenditure control mechanism for better financial monitoring through monthly review meeting, video conferencing, field visit and quarterly audit process.

- Department should develop mechanism to ensure the monthly inspection conducted by the nodal officer, in order to ensure verification of 75 per cent attendance of children required for fees reimbursement.

Department stated (November 2016) that instructions had been issued in this regard.

- Proper records of receipt of fee reimbursement proposals at DPC level should be maintained to ensure transparency in feeding the cases in portal on first come first serve basis. Department should ensure timely reimbursement of fees to private schools.

