CHAPTER - II
FINANCIAL MANAGEMENT

2.1 Background

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. Each year, Ministry of Finance provides/allocates the budget (Budgeted Estimates (BE)/ Revised Estimates (RE) for implementation of the norms under SSA based on the approved outlay for each state by the Project Approval Board (PAB) as per the norms contained in the revised Framework for Implementation of SSA programme. The budget of SSA includes provisions of RTE.

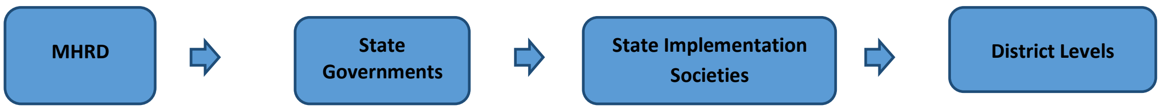
The 13th Finance Commission (FC) had also earmarked funds for elementary education. The total amount of funds to be disbursed to the States during 2010-15 was ₹ 24,068 crore. The PAB approved outlay of a State is reduced to the extent of FC funds and the GoI and State's share in the prescribed ratio is then worked out.

The budget proposals under SSA are prepared in the form of Annual Work Plan & Budget (AWP&B), covering all the interventions specified in the SSA framework. Item wise budget demands for the year are included in the AWP&B. The AWP&B proposals are envisaged in two parts, the plan for the current financial year and the progress overview of the previous year including the spill over activities proposed to be carried over to the current year. The plans are examined by the Appraisal Team and then reviewed by the Project Approval Board (PAB) constituted under the Chairmanship of Secretary Elementary Education in the Ministry of Human Resource Development with representatives from the Planning Commission, Integrated Finance Division, Ministry of Labour, Department of Women and Child Development, Ministry of Social Justice and Ministry of Tribal Affairs, National Council for Educational Research & Training, National Institute of Educational Planning and Administration, National Council of Teacher Education, representatives from the States, members of Appraisal Mission etc. The PAB approves item wise outlays and a consolidated outlay is finally approved.

The GoI share is released in two instalments in a year, in April and in September. The 1st instalment is released in two tranches, i.e. 1st tranche as ad-hoc instalment & 2nd tranche as balance of the 1st instalment. The ad-hoc instalment is released in April-May to the tune 25 *per cent* to 30 *per cent* of the expenditure made in the previous financial year. In order to maintain the steady fund flow, the balance of the 1st instalment is released in the month of June-July subject to state's matching share & provisional utilization certificate of previous year. The 2nd instalment is released in the month of September-October based on the pace of expenditure; receipt of commensurate state share, audited accounts, adjustment of outstanding advances, etc. and provisional utilization certificate for the current year. However, apart from SSA, there were some other schemes related to the development of education standards especially under primary and secondary level i.e. Rashtriya Madhyamik Shiksha Abhiyan, Teachers Training, Kasturba Gandhi Balika Vidalaya (KGBV) and National Programme for Education of Girls at Elementary Level (NPEGEL upto 2013-14). The last two schemes were the two additional components under SSA having separate budget provisions and the fund flow is as under:

Chart 2: Fund flow chart up to the year 2013-14

Chart 3: Fund flow chart from the year 2014-15



2.2 No separate budget provision for expenditure under the Act

As per Note for Cabinet (October 2008), the financial requirement under the Act, based on population estimates in the age group of six to fourteen years, was estimated as ₹ 2.28 lakh crore for the period 2008-09 to 2014-15.

As per Section 7(2) of the Act, the Central Government was to prepare estimates of capital and recurring expenditure for the implementation of the provisions of the Act. However, GoI has not provided any separate budget for implementation of the Act till date.

MHRD stated (December 2015) that since SSA had been chosen as vehicle for implementation of the provisions of the Act, the BE/RE were allocated for SSA and no separate allocation was made under the Act. MHRD further, stated (May 2017) that the entire Budget provision under SSA (including KGBVs) is made for infrastructure development, management and monitoring the implementation of the Act.

2.3 Budget estimates and expenditure

Section 7 (3) of the Act provides that the Central Government shall provide to the State Governments, as grants-in-aid of revenues, such percentage of expenditure as it may determine, from time to time, in consultation with the State Governments. GoI has not specified its funding pattern as required by the Act with reference to RTE but has specified the funding pattern for SSA as 65:35 to be shared between Centre and States/ UTs (90:10 for the eight states in the North Eastern Region (NER)) till 2014-15 and later revised it to 60:40 (90:10 for the eight NER states and the two Himalayan states of Himachal Pradesh and Uttarakhand) with effect from 2015-16. GoI fully contributes for the expenditure in the Union Territories w.e.f. 2015-16.

Ministry of Finance issues Budget Circular in the month of August/ September every year for furnishing the Budget proposals to Ministry of Finance by October/November every year. Accordingly, MHRD issues circulars to the states for forwarding their AWP&B.

As per Para 50.1 of Manual of Financial Management and Procurement, the Budget process starts from 1 January every year with the preparation of AWP&B by the States and approval by PAB by 15 April. As the budget proposals are submitted by MHRD in October/November to Ministry of Finance, the same are adhoc in manner and not based on the PAB approved outlays which are finalised by April of succeeding year. The details of proposals received from State, PAB approvals and GoI budget provisions during 2010-11 to 2015-16 for SSA are given below:

Table 1: Proposal received from State vis-à-vis Approval & GoI budget provisions for SSA

(₹ in crore)

Year	State proposal	Outlay approved by PAB	Centre share as per approved outlay	Budget provision in GoI*
1	2	3	4	5
2010-11	No proposal	44609.98	29610.38	19838.23
2011-12	81886.31	60347.53	40100.43	21000.00
2012-13	105244.62	68136.46	45421.35	23875.83
2013-14	96769.42	43810.08	25740.74	27258.00
2014-15	91482.06	51396.02	31947.36	28258.00
2015-16	91485.12	61036.53	38069.99	22000.00

Source: PAB minutes, UCs prepared by MHRD and data furnished by Ministry
* includes budget provision for J&K also.

Further, State proposals for budget allocation under SSA were consistently higher and were curtailed by the Project Approval Board (PAB) due to non-preparation of the same as per the norms of SSA. Government of India (GoI) budget provisions were not based on the PAB's approved outlay as the time schedule for approval of outlays by PAB are not in alignment with the schedule of budget exercise of GoI.

The details of expenditure against the funds released by MHRD and the State/ UTs under SSA during the years 2010-11 to 2015-16 is given below:

Table 2: Outlay available vis-à-vis Expenditure

(₹in crore)

Year	Opening Unspent Balance	Centre release	State release	Other receipt	Total outlay available	Expenditure	Percentage of short utilization
1	2	3	4	5	7	8	9
2010-11	10680.76	17894.37	9631.47	591.48	38798.08	25563.08	34
2011-12	14398.23	18606.23	9596.50	1345.48	43946.44	25804.32	41
2012-13	12259.46	19756.82	11329.50	1245.55	45917.10	33852.77	26
2013-14	16963.77	21187.22	13249.87	1675.06	56538.84	38278.16	32
2014-15	17281.66	23360.02	10984.80	865.25	52491.73	39177.16	25
2015-16	14112.90	21739.19	15652.10	1366.40	52870.59	41831.80	21

Source: Data compiled from UCs prepared by MHRD. The following UCs were not provided – Meghalaya (2010-11); Madhya Pradesh (2011-12); Rajasthan (2012-13); Himachal Pradesh (2015-16); Maharashtra (2015-16); Uttarakhand (2015-16).

The above table indicates that the State Governments/ State Implementing Societies were constantly unable to utilize the funds ranging from 21 *per cent* to 41 *per cent* during 2010-11 to 2015-16. Further, scrutiny of UCs issued by the MHRD revealed that the unspent/closing balance at the close of the year did not tally with the opening balance of the succeeding years for all the years during 2010-11 to 2015-16.

MHRD in its reply (May 2017) accepted that the GOI budget estimates were based of the annual plan and not on the basis of the State AWP&B and PAB Approved estimates. It further stated that the unspent/closing balance at the close of the year was always reconciled with the opening balance from the subsequent year. The reply of the Ministry is not tenable as UCs provided to Audit shows that unspent/closing balance at the close of the year do not tally with opening balance of succeeding years.

2.4 Release of Grant under the Thirteenth Finance Commission

The Thirteenth Finance Commission's (XIII FC) award *inter-alia*, aimed at bridging the gap between the States' provisions as their share for SSA and what the States were required to contribute. It was to be released to the Finance Departments of the respective States for each year (2010-2015) who in turn, were to transfer the entire funds to the State Implementing Society for utilization under RTE/SSA. The grants were an additional assistance for meeting the recurring expenditure of the States for Elementary Education. The grants were released with the stipulation that the expenditure (Plan *plus*

Non-Plan) under Elementary Education, exclusive of salary by the State, should increase by at least eight *per cent* annually.

The 13th Finance Commission (FC) earmarked funds amounting to ₹ 24,068 crore for elementary education to be disbursed to the States (including Jammu & Kashmir) during 2010-15 for the purpose of providing financial assistance to the State. Ministry of Finance released an amount of ₹ 22,159 crore during 2010-15. Non-fulfilment of the stipulation of 13th Finance Commission deprived 15 States of ₹ 1,909 crores and hence, implementation was affected.

2.5 Huge unutilised balances

Retention of huge balances by the State Government, year after year at the close of each financial year was indicative of poor internal control by the concerned authorities in the State/ Centre. During 2010-11 to 2015-16, it was observed that in 35 States/UTs, the unutilized amount at the close of each year ranged between ₹ 12,259.46 crore to ₹ 17,281.66 crore **(*Appendix II*).**

This reflects poor planning and execution by State Governments resulting in non-accomplishment of goal to provide infrastructure in three years and it remained distinct target even after six years of implementation of the Act.

MHRD stated (May 2017) that the quantum of unspent balances is adjusted against funds released to States and UTs and is also reviewed regularly by the Department. The reply however is silent about the reasons for heavy unutilised balances.

2.6 Outstanding advances

As per Para 74.1 of Manual on Financial Management and Procurement (FM&P), the funds released to the districts and sub-district level are initially classified as advances and shown in the books of accounts accordingly. Advances if, not actually spent for which accounts have not been settled should be shown as advances and not as expenditure. Similar procedure shall be followed for funds released at district and sub-district level.

As per Para 93.1 of above manual, the advances must be treated as expenditure for the purpose of reporting. However, these advances shall continue to remain in the books of accounts as advances till the utilisation certificates/expenditure statements were received and adjusted in the books of accounts. The norms for regulating/ adjusting of advances are detailed in

Para 75 of the FM&P. GFR provisions also define adjustment of Advances within one year.

Scrutiny of the records of the Ministry revealed that there were consistently huge outstanding advances amounting to ₹ 10,984.85 crore, ₹ 15,053.63 crore and ₹ 4,474.79 crore lying with the SISs at the end of 2013-14, 2014-15 and 2015-16 respectively (***Appendix III***). This indicated that MHRD and the SISs failed to exercise adequate oversight in the matter. The State/ UT wise position of outstanding advances, both under Capital and General head, is reviewed by GoI in the Quarterly Review Meeting of the Financial Controllers of State Implementing Societies. The last such meeting was held in November 2015 wherein the status of outstanding advances as of 30 September 2015 was discussed and early settlement of all outstanding advances, particularly the outstanding advances for the prior and upto 31 March 2014 amounting to ₹ 2,136.01 crore was emphasized. Records of further review meetings were not made available.

MHRD while accepting (May 2017) the facts stated that the level of outstanding advances was brought down in the year 2015-16 as compared to 2014-15.

2.7 Release of grant-in-aid at the end of financial year

As per para 9.11.6 of SSA framework 'there would be two instalments each year, one in April for expenditure between April and September and the second in September, for expenditure between October to March. GoI would release an ad-hoc grant in April every year. This would be subsequently adjusted based on the approval of AWP&B for the year. The second instalment will be based on the progress of expenditure and the quality of implementation.

Scrutiny of the records pertaining to release of Grants-in-aid by GoI in the month of March during the years 2010-16 is given below:

Table 3: GoI releases in the month of March

Year	Releases (₹ in crore)
2010-11	2,034.10
2011-12	1,014.68
2012-13	2,545.18
2013-14	1,353.52
2014-15	984.07
2015-16	1,752.76

Source: UCs prepared by MHRD

Release of funds in March by GoI and subsequent release by State to the implementing agency indicates poor fiscal discipline.

MHRD stated (May 2017) that the delay was due to re-appropriation and delay in receipt/discrepancies in the requisite documents.

2.8 Delay in release of funds at various levels

Para 9.11.15 of SSA framework stipulates that State government to transfer its share to the State Society within thirty days of the receipt of the Central contribution, as per the approved sharing arrangement. Further, wherever, possible states/UTs administrations may consider electronic transfer of funds from state to school level through banking channels. Audit observed instances of delay in release of funds at various levels viz. from Centre to State, State to Nodal Department, from Nodal Department to various implementing authorities at districts/ blocks/ school level in states as shown below which led to interruption in implementation of the Act in schools.

Table 4: Delays in release of funds

Sl. No.	Name of state	Year	Average Delay in release of fund to State Nodal agency	Delay in release of fund from State Nodal Department to District over and above 15 days (Average)
1.	Meghalaya	2010-11	Nil	32 days
		2011-12	Nil	34 days
		2012-13	Nil	44 days
		2013-14	Nil	6 days
		2014-15	Nil	69 days
		2015-16	Nil	57 days
2.	Goa	2010-11 to 2015-16	30 days	30 days
3.	Rajasthan	2010-11	30 days	Not Available
		2011-12	30days	Not Available
		2012-13	37 days	Not Available
		2013-14	32 days	Not Available
		2014-15	25 days	Not Available
		2015-16	30 days	Not Available
4..	Nagaland	2010-11	-	30 to 150 days
		2011-12	-	30 to 240 days
		2012-13	-	30 to 270 days
		2013-14	-	30 to 270 days
		2014-15	112 to 373 days	30 to 60 days
		2015-16		30 to 90 days
5.	Arunachal Pradesh	2010-11	-	30 to 180 days
		2011-12	-	30 to 210 days
		2012-13	-	30 to 150 days
		2013-14	-	30 to 300 days
		2014-15	30 to 60 days	30 days
		2015-16	30 to 90 days	30 to 150 days
6	Mizoram	2014-15	25 to 118 days	Not Available
		2015-16	10 to 33 days	Not Available

MHRD accepted (May 2017) the facts and stated that the delay was due to change in the fund flow policy of the Central Government from the year 2014-15. In order to effectively monitor the flow of funds under all centrally sponsored schemes, directions have been issued to implement the Public Financial Management System up to the last level from the year 2017-18.

2.9 Irregular release/ utilization of funds

Diversion of fund for expenditure on any other item, not provided for in sanctioned budget estimates, is forbidden[6] unless the diversion is approved by PAB[7] of SSA. Irregularities noticed in six States/ UTs in release of funds, diversion and utilization of funds in contravention of norms under SSA are detailed below:

Sl. No.	State	Audit Observation
1.	Chandigarh	➢ Rule 129 of GFR and Para 2.1 of CPWD Works Manual provided that no work should be commenced or liability incurred in connection with it, until administrative approval/expenditure sanction accorded has been obtained from the appropriate authority, and allotment of funds made. Audit scrutiny revealed that Education Secretary-cum-Chairman, SSA, Chandigarh Administration accorded sanction of ₹ 7.50 crore on account of construction of new building of Govt. Primary School, Dhanas and for some additional class rooms in other schools and deposited ₹ 7.50 crore with Executive Engineer, CP Division No. 4, U.T Chandigarh without taking prior approval from Finance Department, Chandigarh Administration. This resulted in irregular transfer of funds of ₹ 7.50 crore. In its reply, UT administration stated that all the funds under the Act were deposited into the account of SSA society. As per practice, after obtaining the prior approval from Finance Department, UT Chandigarh, expenditure was being incurred on different activities of SSA/RTE. In this case, without obtaining prior approval of Finance Department for ₹ 7.50 crore on account of construction of new building of school and for some additional work, funds were released by the SSA society. ➢ Expenditure of ₹ 8.72 crore was incurred (₹ 6.41 crore – November 2011) on a school building which was on a disputed land and the dispute was in the court since 2004. The court gave decision in the favour of the petitioner in July 2013. Further, Hon'ble Supreme Court of India also dismissed (March 2014) the special leave petition filed by Chandigarh Administration. Meanwhile, additional budget allotment of ₹ 2.31 crore was made in July 2015. Failure of

[6] Paragraphs 86.2 and 86.3 of Manual on Financial Management and Procurement
[7] Paragraphs 4.10.1.2 and 4.10.1.3 of Manual for Planning and Appraisal

		Department of Education /Chandigarh Administration to ascertain the feasibility upfront led to irregular utilization of fund of ₹ 8.72 Crore.
2.	Andhra Pradesh	➢ An amount of ₹ 8.95 crore was diverted from SSA grant to National Programme for Education of Girls at Elementary Level (NPEGEL) scheme during 2013-14. Also, an expenditure of ₹ 0.55 crore was incurred in 2014-15 on NPEGEL scheme by diverting funds from SSA grant again even after NPEGEL scheme was discontinued by MHRD since 2014-15. ➢ Funds were diverted during 2012-13 to 2015-16 in the form of Advances to other Departments/Officers which did not fall under the framework of SSA resulting in irregular release of payments (pending advances of Telangana region are for the period 2012-13 and 2013-14) as detailed below: (Table 5 follows)
3.	Uttar Pradesh	In 2010-11 and 2011-12, funds amounting to ₹ 5.30 crore and ₹ 85.61crore (total ₹ 90.91 crore) respectively was diverted from SSA to National Programme of Education for Girls at Elementary Level (NPEGEL) whereas in 2012-13, 2013-14, 2014-15 and 2015-16 ₹ 26.14 crore, ₹ 5.17 crore, ₹54.86 crore and ₹6.00 crore (total ₹ 92.17 crore) respectively was diverted from NPEGEL to SSA, though funding for NPEGEL was stopped from 2013-14.
4.	Gujarat	Para 27.4 of FM&P provides that schools up to three classrooms will be eligible for maintenance of grant up to a maximum of ₹ 5,000 per schools per year, while schools having more than three classrooms would get a maintenance grant up to a maximum of ₹ 10,000 per school per year subject to the condition that the overall eligibility for the district would be ₹ 7,500 per school per year. HM room and office room would

Table 5: Expenditure outside the scope of SSA

(₹in crore)

Sl. No.	Activity	Amount
1.	CEO, Society for Elimination of Rural Poverty	4.73
2.	AP Government Printing Press	0.43
3.	Commissioner of School Education	0.25
4.	Director General, NIRD, Rajender Nagar	0.08
5.	Controller, ANGRAU, Rajendra Nagar	0.06
6.	Registrar, Andhra University	0.05
7.	Finance Officer, University of Hyderabad	0.05
8.	IDRA, Tirupati	0.02
9.	Moulana Azad University, Hyderabad	0.02
10.	S.V. University, Tirupathi	0.02
11.	Principal NSR College, Hyderabad	0.01
12.	Principal IASE, Osmania University	0.01
	Total:	**5.73**

<table>
<tr><td></td><td></td><td>not count as classrooms for this purpose. Maintenance grant to the 1,268 schools[8] having up to three class rooms were paid at the rate of ₹ 7,500 per school per annum. Further, three Primary Schools which had no class room also got maintenance grant in Mahisagar district at the rate of ₹ 7,500 per annum. Thus, non-adherence to the guidelines for payment of maintenance grant by the DPCs, led to an excess payment of ₹ 31.70 lakh.</td></tr>
<tr><td>5.</td><td>Manipur</td><td>₹ 3.31 crore meant for construction of school buildings was unauthorisedly diverted by the State Project officer for the following works:
Table 6: List of works
(₹in crore)
<table>
<tr><th>Sr.</th><th>Name of work</th><th>Amount</th></tr>
<tr><td>1</td><td>Renovation of SPO and Garage, SPO, SSA/SMA, Babupara</td><td>1.81</td></tr>
<tr><td>2</td><td>Renovation of Chowkidar Quarter of SPO, SSA/SMA, Babupara</td><td>0.11</td></tr>
<tr><td>3</td><td>Development of Lawn yard of SPO, SSA/SMA, Babupara</td><td>0.10</td></tr>
<tr><td>4</td><td>Strengthening of Compound wall around the complex of SPO, SSA/SMA, Babupara</td><td>0.09</td></tr>
<tr><td>5</td><td>Purchase of Laptop, TA/DA to the officials, trainings, purchase of Television, hiring of vehicle, purchasing of furniture for SPO office etc.</td><td>1.20</td></tr>
<tr><td colspan="2">Total</td><td>3.31</td></tr>
</table>
</td></tr>
<tr><td>6.</td><td>Andaman & Nicobar Islands</td><td>Government Middle School (GMS) at Kanyapuram in Wimberlygunj had (2012-13) 17 elementary classrooms for 320 students in primary and upper primary classes. In comparison to the norms and standards of the Act 2009, the school had six classrooms were in excess of requirement. However, the PAB of SSA, and UT Mission Authority approved fund during 2012-13 for four additional classrooms. The work was completed in March 2016 at a cost of ₹ 62.63 lakh. Thus, construction of additional classrooms without requirement resulted in avoidable expenditure of ₹ 62.63 lakh.

The authority replied that 10 out of 17 class rooms were used for other purposes and only seven rooms were used for teaching purposes and hence as per norms there was shortage of four classrooms which were constructed under SSA for GMS Kanyapuram. Reply of the authority is not acceptable as only 11 class rooms were required as per norms. Out of 10 rooms which were utilized for other purposes, four rooms could have been utilized for teaching purpose. Further, the authority under which rooms were used for the other purpose was also not explained.</td></tr>
</table>

The diversion of fund indicates weak internal control mechanism.

[8] 287 schools of Bharuch (2013-14), 703 schools of Mahisagar (2015-16) and 139 + 139 schools of Balasinor and Virpur Taluka previously in Nadiad district (2010-11 & 2011-12).

2.10 Misappropriation of funds

Suspected cases of misappropriation of funds are given below:

Sl. No.	State	Audit Observation
1	Odisha	**Misappropriation by Head Masters (HMs):** In five sampled districts, ₹ 1.04 crore was withdrawn and retained by 58 HMs without executing 80 infrastructure works allotted to them. Out of those 58 HMs, 14 retired; 4 expired and 2 absconded, while 38 others were continuing in service. Although Distt. Project Coordinators were instructed in May 2016 for recovery of the amount and initiation of disciplinary action against defaulting HMs, except in case of one HM, no action was initiated against the remaining 57 HMs. **Misappropriation of SSA fund by Senior Technical Consultant (Sr.TC):** In order to provide safe drinking water in urban government schools, 13 works were taken up by Distt. Project Officer, Sonepur @ ₹ 1.00 lakh per work under SSA. An advance of ₹ 8.00 lakh was released (August 2011) by Distt. Project Coordinator to then Sr. Technical Coordinator[9], the Sr.TC produced vouchers amounting to ₹ 11.03 lakh for 14 schools. It was observed that vouchers submitted by the Sr.TC towards materials and digging cost were fake. In the case of 25 works valuing ₹ 1.36 crore in Mayurbhanj District, the entire fund was drawn (2009-10 to 2012-13) by the HMs without completing the work. The technical consultant failed to monitor the progress of works and report to respective DPC/DEO. The concerned DPC/DEOs were responsible for initiation of departmental action against the defaulting HMs and other staff but no action was taken till date.
2.	Bihar	During test check of the records of DPOs and schools, it was noticed that HMs of 234 schools[10] in six districts had withdrawn funds of ₹ 12.06 crore[11] up to 2014-15 meant for civil works from the account of Vidyalaya Shiksha Samiti (VSS). But, the concerned civil works were still incomplete and targeted basic facilities were not achieved within a period of three years from commencement of the Act. Besides, the HM of schools neither submitted adjustment vouchers nor deposited the amount even though FIR/court cases were lodged against them. Non-recovery of amount (July 2016) from the recipient was fraught with risk of misappropriation.

[9] Shri. A.K. Khandual (presently working at DPC, Nuapara)

[10] E.Champaran: 43 schools, Jamui: 09 schools, Madhubani: 31schools, Munger:30 schools, Nalanda: 17 schools and Patna: 104 schools, **Total = 234 schools**

[11] E.Champaran: ₹ 2.06 crore, Jamui: ₹ 0.53 crore, Munger: ₹ 0.90 crore, Madhubani: ₹ 1.52 crore, Nalanda: ₹ 0.38 crore and Patna: ₹ 6.67 crore, **Total =₹ 12.06 crore**

3.	Assam	In selected districts of Dhubri, Kokrajhar, Lakhimpur and Darrang, during 2010-11 to 2014-15, ₹ 339 crore was sanctioned and released to different School Management Committees (SMCs) for 11,268 civil construction works, such as additional class rooms, boys' toilet and HM room etc., of which 842 works, estimated to cost ₹ 21.92 crore, remained incomplete (as of May 2016). Against the estimated amount of ₹ 21.92 crore (released amount ₹ 17.69 crore), ₹ 10.87 crore was utilised in civil construction works and ₹ 5.47 crore remained in the SMCs accounts. The balance ₹ 1.35 crore was reported by District Monitoring Committees as being misappropriated by the Secretary/President of the SMCs.

Misappropriation of funds indicates poor internal control.

2.11 Short utilization of funds in implementation and monitoring

2.11.1 Research, Evaluation, Monitoring and Supervision (REMS)

Research, Evaluation, Monitoring and Supervision is one of the interventions that focuses on the quality dimensions of education under SSA. Para 7.14 of SSA framework stipulates that funds under REMS will be used for undertaking research activities, conducting achievement tests/ evaluations and creating a pool of resource persons at various levels for effective field based monitoring. Under REMS, ₹1,450 per school per year is available with the State SSA mission for division of resources from the state to schools at various levels. The status of funds allotted and utilised in nine states is detailed below:

Table 7: Utilization of funds under REMS

(₹in crore)

Sl. No.	State/ UT	Years	Fund allotted	Expenditure/ Utilisation	Short Utilisation (%)
1.	Andhra Pradesh	2010-16	2.85	1.53	1.32 (46.31)
2.	Daman & Diu	2010-16	4.83	3.03	1.80 (37.26)
3.	Delhi	2010-16	2.54	1.64	0.90 (35.43)
4.	Gujarat	2011-16	20.77	18.86	1.91 (9.21)
5.	Jharkhand	2010-16	29.15	10.29	18.86 (64.69)
6.	Maharashtra	2010-16	17.52	11.93	5.59 (31.90)
7.	Rajasthan	2010-16	57.37	26.33	31.04 (54.10)
8.	Uttar Pradesh	2010-16	34.59	18.40	16.19 (46.80)
9.	Nagaland	2010-16	1.68	0.77	0.91 (54.61)

The above table indicates short utilization of funds by states ranging from 9 (Gujarat) to 65 (Jharkhand) *per cent*. The reason for short utilisation of funds was delayed release of funds by GoI and respective State Governments.

Monitoring and evaluation of all aspects of pedagogical inputs like curriculum and textbook development, teacher training packages and classroom process is important for sustainable development and improvement of education. Short utilization of funds under REMS in conducting evaluation and research activities hampered achievement of RTE objectives.

MHRD stated (May 2017) that the funds were released to the states in lump sum and not intervention wise. Hence the Central Government has no direct control over the ways and pattern of expenditure. It, however, stated that from 2016-17 all interventions have been categorised under three categories and States have been advised to spend certain portion of funds for intervention on quality improvement.

2.11.2 Learning Enhancement Programme (LEP)

Appendix-1, norm 11 of the SSA framework provides for support under 'Learning Enhancement Programme' to initiate and institute curricular reform, including development of syllabi, textbooks and supplementary reading material keeping with the child centric assumptions. The status of funds allotted and utilized in eight states is tabulated below:

Table 8: Utilization of funds under LEP

(₹in crore)

Sl. No.	State/ UT	Years	Fund allotted	Expenditure/ Utilization	Short Utilization (%)
1.	Andhra Pradesh	2010-16	15.40	6.43	8.97 (58)
2.	Jharkhand	2010-16	64.14	33.37	30.77(48)
3.	Madhya Pradesh	2010-16	142.79	121.22	21.57 (15)
4.	Maharashtra	2010-16	126.30	101.86	24.44 (19)
5.	Meghalaya	2010-16	14.47	1.67	12.80 (88)
6.	Rajasthan	2010-16	129.91	45.84	84.07 (65)
7.	Uttar Pradesh	2011-16	118.86	85.74	33.12 (28)
8.	Nagaland	2010-16	1.77	1.00	0.77 (43)

The above table indicates short utilization of funds by states ranging from 15 to 88 *per cent*. The reason for short utilisation of funds was improper planning by State Governments/ State Implementation Societies and delayed release of funds by GoI, respective State Governments.

Short utilization of funds under LEP resulted in children being deprived of child centric curriculum reforms by the academic authority and hence, affecting teaching learning process of students.

2.11.3 Community Mobilization (CM)

Appendix-1, norm 25 of the SSA framework provides for Community participation to be a central and overreaching factor in planning, implementation and monitoring interventions for universal elementary education. SSA would work towards enhancing participation of the community, parents, teachers and children by awareness generation, interventions for community mobilisation. The status of funds allotted and utilized in seven states is tabulated below:

Table 9: Utilization of funds under Community Mobilization

(₹in crore)

Sl. No.	State/ UT	Years	Fund allotted	Expenditure/ Utilization	Short Utilization (%)
1	Andhra Pradesh	2010-16	5.24	2.69	2.55 (49)
2	Madhya Pradesh	2010-16	47.45	21.48	25.97 (55)
3	Maharashtra	2010-16	46.15	22.24	23.91 (52)
4	Meghalaya	2010-16	6.68	2.64	4.04 (60)
5	Rajasthan	2010-16	72.55	37.23	35.32 (49)
6	Uttar Pradesh	2010-16	37.96	28.91	9.05 (24)
7	Delhi	2010-16	2.37	1.06	1.31 (55)

There was short utilization of funds ranging from 24 to 60 *per cent* due to delayed release of funds by GoI and respective State Governments.

Short utilization of funds defeated the purpose of community mobilisation for awareness of SSA-RTE. Activities planned under the intervention could not be conducted fully and objectives of community mobilisation were partially achieved.

2.12 Irregular depictions in Annual Accounts of SISs

As per para 106.2 of FM&P of SSA, SISs shall maintain proper accounts and other relevant records and prepare annual accounts comprising the receipts and payments accounts and Statement of liabilities in such form as may be prescribed by the Registrar of Societies.

Some irregularities noticed in the annual accounts of four states is detailed below:

Sl. No.	State	Irregularities noticed
1	Rajasthan	Scrutiny of annual accounts of Rajasthan Council for Elementary Education (RCEE), revealed that in schedule of the 15 district level units, an amount of ₹156.06 crore was outstanding as on 31.03.2015. However, the amount of outstanding in RCEE main annual account was depicted as ‘Nil’.
2	Uttar Pradesh	The total expenditure of ₹ 47,403.24 crore reported to GoI during 2010-16, whereas the actual expenditure shown in the audited financial statement for the same period was ₹ 45,797.05 crore.

<table>
<tr><td>3.</td><td>Sikkim</td><td>Cash book is the principal record of all money transactions which take place every day and all other registers are subsidiary to it. It was observed that the funds received from the Centre / State Governments were not accounted for in the cash books on a number of occasions as shown below:

Table 10: Fund received vis-à-vis Amount taken to Cash Book
(₹in crore)

<table>
<tr><th rowspan="2">Year</th><th colspan="2">Funds received</th><th colspan="2">Actual amount entered in receipt side cash books</th></tr>
<tr><th>GoI share</th><th>State share</th><th>GoI share</th><th>State share</th></tr>
<tr><td>2010-11</td><td>44.69</td><td>2.62</td><td>34.69</td><td>2.27</td></tr>
<tr><td>2011-12</td><td>40.23</td><td>3.00</td><td>43.21</td><td>0</td></tr>
<tr><td>2012-13</td><td>26.94</td><td>4.99</td><td>0</td><td>0</td></tr>
<tr><td>2013-14</td><td>41.95</td><td>4.00</td><td>41.95</td><td>4.00</td></tr>
<tr><td>2014-15</td><td>45.26</td><td>5.00</td><td>11.60</td><td>0</td></tr>
<tr><td>2015-16</td><td>40.54</td><td>6.27</td><td>33.26</td><td>2.00</td></tr>
<tr><td>Total</td><td>239.61</td><td>25.88</td><td>164.71</td><td>8.27</td></tr>
</table>
Source: Departmental data

Thus, extant provisions were not complied with.</td></tr>
<tr><td>4.</td><td>Haryana</td><td>An amount of ₹ 2,147.14 crore was released by Director, Elementary Education (DEE) to Haryana School Shiksa Pariyojna Parishad during 2009-15, but verification of annual accounts prepared/ maintained by the Parishad revealed that only ₹ 2,027.36 crore was accounted for and balance of ₹ 109.78 crore was not accounted for in accounts.

The Parishad in June 2016 stated that DEE had released funds for supply of free uniform/text books and repair work also. Only the funds received for SSA were shown in accounts. It was further stated that the difference of ₹ 15.26 crore in the year 2009-10 was yet to be reconciled whereas ₹ 21.50 crore in the year 2010-11 were adjusted against payment of salary to teachers. The reply was not tenable as proper accounts were not maintained and remaining amount was not reconciled by the Parishad.</td></tr>
</table>

2.13 Certification of accounts by Chartered Accountant Firms

Chapter VIII of FM&P of SSA stipulates that the annual accounts of SIS would be audited by CA firm selected from the C&AG/State AG's empanelled list. The CA firm is to complete the audit of the accounts by 31 August and submit its report by 30 September every year, certifying that the accounts are true and fair to the best of their knowledge. The State Government would forward the audit report to Government of India for acceptance by 1 November every year.

Test check of record of certification of accounts of SIS for 2014-15 of 27 States/UTs[12] revealed that in only 8 states viz Andhra Pradesh, Bihar,

[12] Andhra Pradesh, Assam, Bihar, Chandigarh, Chhattisgarh, Daman & Diu, Delhi, Dadra Nagar Haveli, Goa, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Kerala,

Chandigarh, Chhattisgarh, Daman & Diu, Delhi, Punjab and Sikkim, CA firm completed the audit within the prescribed time and in another nine states/UTs viz Andhra Pradesh, Bihar, Chandigarh, Chhattisgarh, Delhi, Sikkim, Uttar Pradesh, Rajasthan and West Bengal the CA firm submitted the report within the prescribed time. Further none of the State Governments forwarded the Audit Report to Government of India by the prescribed date.

Audit examination further revealed that Annual Report and audited accounts of 11 SIS for the year 2014-15 were not presented in Parliament by the due date (31 December 2015).

Non adherence to time limit in certification of accounts of SIS by CA firms reflected poor financial discipline.

MHRD stated (May 2017) that the non-adherence to time limit for certification of accounts should be tackled by the States/UTs. The reply is not acceptable as it is the duty of MHRD to present annual report and audited accounts of SIS in Parliament in the prescribed time for which necessary monitoring needs to be done by Ministry.

2.14 Conclusion

There is no separate budget for RTE and it is subsumed in the SSA budget. The AWP&B was not used as an input for the budgeting exercise in GoI and States. The unspent balances at the end of the year did not match with the opening balance of the succeeding years for all the years during 2010-16 as per the Utilization Certificates of MHRD. There were persistent closing balances and advances pending adjustment with the SIS. Cases of diversion/irregular release of funds, misappropriation of funds, and irregular utilisation of grant, irregular depiction in annual accounts of SIS and delays in release of funds at various levels were noticed. Non adherence of time limit in certification of accounts of SIS by CA firms reflected poor financial discipline.

2.15 Recommendations

We recommend that,

i. The timelines for finalization of AWP&B may be reviewed to make it aligned to the budget formulation exercise in GoI and the States to effectively utilise inputs from AWP&B.

Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Punjab, Odisha, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh, Uttarakhand, and West Bengal

ii. The Ministry may reconcile the unspent balances at the end of the year with the opening balance of the succeeding years.

iii. Outstanding advances need to be reviewed regularly and adjusted by the implementing agencies

iv. Empanelled CA's & SIS may strictly follow FM&P Manual and adhere to time schedule.