

Financial Management

9.1 Funding pattern

Under the ICDS Scheme, funds are provided to the State Governments/UT Administration under two heads, viz. the ICDS (General (G)) and the Supplementary Nutrition (SN) (details of funding pattern are given in paragraph 1.5 of this report). The Ministry releases grants in four or more instalments in a year subject to furnishing of quarterly/annual Statements of Expenditure (SOEs) and Utilisation Certificates (UCs) by the States. The first two instalments are released on indicative basis (based on norms, number of beneficiaries, operational projects and operational AWCs). Subsequent instalments are released on the basis of SOEs as on 30th June and 30th September and the SOE of the previous year.

9.2 ICDS (Supplementary Nutrition)

9.2.1 Non-submission or delayed submission of Statements of Expenditure (SOEs) and Utilisation Certificates (UCs)

As per the Scheme guidelines, the States/UTs are required to furnish SOEs/UCs in respect of first and second instalment of grants (which are released on indicative basis) by 31st July and 31st October of the respective financial year. The third and fourth instalments of the grant are to be released after taking into account the expenditure figures against the previous releases.

Audit noted that the SOEs/UCs in respect of the SN component of the Scheme were not being sent by the States/UTs to the Ministry regularly. Analysis of records in the Ministry related to the release of funds to 28 States revealed that out of 560 quarterly SOEs /UCs due during the period 2006-11, 150 (27 *per cent*) SOEs/UCs had not been received in the Ministry. Thus, the Ministry had incomplete information on periodical progress on physical and financial indicators of the Scheme rendering the monitoring by the Ministry ineffective.

Audit also noted that out of the 410 quarterly SOEs/UCs which were received in the Ministry, 360 were received with a delay ranging from 10 days to 200 days. Delay in submission of SOEs by the States resulted in delayed release of funds by the Ministry to the States for the SN.

It was observed that out of 140 annual SOEs due during the period 2006-11, 55 (39 *per cent*) SOEs were not received in the Ministry.

However, the entitlement of the funds in such cases was calculated on the basis of details of the Statements of Expenditure (SOEs) of the fourth quarter of the previous year. The details of non-receipt of SOEs or late receipt of SOE are given in the **Annex 9.1**.

Further, Audit noted delays occurring at the Ministry's level in the release of funds to the States. An analysis of sanction letters of 29 test checked States during 2010-11 was made on the basis of date of receipt of SOEs and the date of issue of sanction letters by the Ministry. Out of 36 sanction letters issued by the Ministry during 2010-11, 10 were issued for release of first two instalments and the remaining 26 for release of last two instalments (i.e III and IV) of the year. It was seen that the time taken by the Ministry for release of funds for III and IV instalments after receipt of mandatory SOE/UC from the State Govt ranged from 20 to 141 days. Time taken at various stages in the Ministry for release of funds is detailed in **Annex 9.2**.

The Ministry (April 2012) stated that delay in release of funds primarily occurred due to delayed receipt of SOEs from the States/UTs.

Audit noted that delay in release of funds was attributable not only to the delayed receipt of SOEs but also delays in their processing by the Ministry for releasing third and fourth instalments.

9.2.2 Statements of Expenditure (SOEs)/Utilization Certificates (UCs) not indicating true and correct figures

A test check of the annual SOEs/UCs furnished by the States during 2006-11 revealed that there was mismatch between the amount indicated as received by the State and the amount actually released by the Ministry during the year. This resulted due to adjustment of unspent balance/ excess expenditure of the previous year by the Ministry, which was not communicated to the States. Due to this, the amount adjusted was not reflected by the State in the UCs. The cases noticed are given in the **Annex 9.3**. However, it was seen that the Ministry while examining the annual SOEs/UCs did not take notice of the discrepancy. This indicated that the examination of SOEs/UCs in the Ministry was perfunctory.

The Ministry stated (November 2012) that it had noted the observation of the Audit for bringing in improvement in the system through adequate manpower for dealing with the release of funds.

Recommendation

- ***The Ministry should ensure that the utilisation certificates are obtained from the States/UTs for actual release of funds and actual expenditure.***

9.3 ICDS General (G)

As per the Scheme, the funds for salaries of employees of State Cell, District Cell and Projects are required to be released by the Ministry on actual basis and honorarium to Anganwadi Worker (AWW)/Anganwadi Helper (AWH) and also for other components such as petrol, oil and lubricants, contingencies, monitoring, rent, medicine kits, pre-school kits, Information Education and Communication, flexi funds and uniforms are to be provided as per approved financial norms.

9.3.1 Unrealistic budgeting for payment of salaries

The requirement of funds for meeting operational cost of State Cell, District Cell and Projects is calculated at fixed rates for the staff of the operational projects assuming full sanctioned staff strength at the following rate per annum:

State ICDS Cell:	₹ 9.6 lakh (₹ 34.08 lakh w.e.f. April, 2009)
District Programme Office:	₹ 9 lakh (₹ 7.8 lakh w.e.f April, 2009)
Project Office:	₹ 13.14 lakh

During the period 2008-11, a sum of ₹ 1,753 crore was released towards the salaries of staff in State Cells, District Cells and Projects, against which the States reported utilisation of ₹ 2,853 crore. The year-wise break up is given in table 9.3 (the State-wise details are given in **Annex 9.4**).

Table 9.3: Funds released and actual expenditure on staff salaries

(₹ In crore)

Year	No. of States involved	Funds released	Actual Expenditure	Shortfall in release of funds	Percentage shortfall
2008-09	13	516.53	748.61	232.08	44.93
2009-10	15	609.54	996.25	386.71	63.44
2010-11	15	626.45	1108.13	481.68	76.89
Total		1752.52	2852.99	1100.47	62.79

Thus, the actual expenditure exceeded the funds released by the Ministry on salary component to the States by 45 to 77 *per cent*. The excess expenditure on salary was incurred despite the fact that out of sanctioned posts for the operational projects, 20 to 40 *per cent* posts were lying vacant. This indicates that the assessment of funds released was not done by the Ministry in a realistic manner.

The Ministry stated (July 2012) that during 2006-11, various State Governments revised the salary of their employees in view of the implementation of Sixth Pay Commission recommendations with effect from January 2006. This resulted in payment of huge arrears for these years. From the year 2011-12, it took into account the actual expenditure on salary, while working out the indicative requirements. The Ministry further stated (October 2012) that in order to meet the

shortage of funds under salary, the State Governments diverted the funds released to them for other components such as procurement of medicine kits, providing flexi funds to Anganwadi Centres (AWCs), procurement of pre-school education kit and Information Education and Communication (IEC) (shortfall in expenditure on these components are pointed out in Paragraph 4.5, 4.6, 7.3 and 8.1.1 of this Report).

Thus, the Ministry failed to assess the actual requirement of funds for salary and take into account the impact of the implementation of Sixth Pay Commission recommendations while assessing the requirement of funds under the Scheme. This resulted in shortfall in expenditure on other components of the Scheme, which affected the quality of service delivery under the Scheme.

9.3.2 Excess release of funds

9.3.2.1 Unspent balance not accounted for

Test check of files relating to release of funds for the period 2006-11 revealed that the unspent balance of the previous year available with the States were not taken into account correctly by the Ministry while releasing funds for the subsequent year. This led to excess release of funds to Jharkhand (₹13.64 crore in 2011-12). In a similar case, an excess expenditure of ₹ 11.15 crore incurred by Haryana during the year 2008-09 was incorrectly reimbursed by the Ministry to the State Government while releasing the funds for the year 2009-10.

The Ministry stated (November 2012) that after examination of the Statements of Expenditure (SOEs) of Jharkhand for the year 2011-12 and for the 1st quarter of 2012-13 an amount of ₹ 96.19 crore was found as unspent balance with the State Government as on 01 April 2012 which was being adjusted in the 3rd quarter release.

In the case of Haryana the Ministry stated that while calculating the release for the third instalment to the State the excess expenditure reported as ₹ 11.15 crore was reduced to ₹ 720.90 lakh and accordingly the third quarter release was made. Thus, the discrepancy was sorted out while releasing the third instalment in 2009-10. The reply of the Ministry was not tenable as it had twice adjusted the excess expenditure reported by the State.

9.3.2.2 Excess reimbursement of expenditure of ₹ 37.53 crore to States for opening of additional Projects and AWCs

During the expansion of ICDS Scheme, additional projects and AWCs in three phases were sanctioned to all the States/UTs. For opening of additional Projects and AWCs, non-recurring grant @ ₹ 91,700 (increased to ₹ 1,50,000 w.e.f. 1.4.2009) and ₹ 5,000 for setting up of a

project and Anganwadi Centre (AWC) respectively were approved for reimbursement to all States/UTs.

Test check of annual Statements of Expenditure (SOEs) for the years 2006-11 available at the Ministry revealed that four States claimed excess expenditure amounting to ₹ 37.53 crore on account of setting up of additional projects and AWCs beyond the norms as per details given below:

Table 9.4: Excess reimbursement on setting up of new AWCs

(₹ In crore)

State	No. of Projects sanctioned	No. of AWCs sanctioned	Funds required for setting up projects/ AWCs as per norms	Actual Amount reimbursed	Excess reimbursement
Assam	12	36737	17.65	49.69	32.04
Nagaland	5	685	0.41	4.65	4.24
Mizoram	6	619	0.39	0.85	0.46
Tamil Nadu	Nil	11762	4.89	5.68	0.79
Total	23	49803	23.34	60.87	37.53

Thus, the Ministry failed to restrict the expenditure reported by the States in accordance with the financial norms leading to excess reimbursement.

The Ministry stated (November 2012) that the observations would be taken up with the respective states for corrective measures including reimbursement/adjustment of the amount.

Recommendation

- ***The Ministry may assess the requirement of funds accurately so as to ensure minimum unspent balance with the States and to avoid excess expenditure.***

9.4 Other financial irregularities

9.4.1 Diversion of funds

Test-check of records in the States disclosed the following instances of irregular diversion of funds aggregating to ₹ 57.82 crore during 2006-11:

- In Haryana ₹ 38.6 crore received for supplementary nutrition (SN) was diverted during the period 2006-11 to Ladli Scheme, payment of honorarium to AWWs/AWHs and for purchase of furniture for new AWCs
- In Uttar Pradesh, during the year 2008-09 ₹ 1.00 crore received for Information, Education and Communication (IEC) activities was diverted to State sponsored scheme 'Mahamaya Garib Balika Ashirwad Yojna' for publicity and printing of pamphlets and application forms. In another case, ₹ 6.08 crore received for IEC

activities during the year 2010-11 were diverted for purchase of computers for DPO/CDPO offices.

- In Odisha, during the period 2006-10, an amount of ₹ 1.41 crore was diverted for various purposes like payment of pension, vehicle hire charges and other contingent expenditure.
- In Karnataka, funds aggregating to ₹ 1.10 crore were diverted during the period 2006-07 to 2010-11 by Child Development Project Officer (CDPO)/Deputy Directors in three districts for purchase of furniture and payment of salary of ICDS staff working in Zilla Panchayat.
- In Rajasthan, out of the amount of ₹ 43.07 crore received during the year 2008-09 for payment of arrears of honorarium, ₹ 9.63 crore were diverted to other items of ICDS (G).

The Ministry stated (November 2012) that the observations would be taken up with the respective States for corrective measures including reimbursement/adjustment of the amount.

Recommendation

- ***States/UTs should ensure that the funds are utilised as per guidelines and there are no instances of diversion of Scheme funds.***

9.4.2 Parking of funds

In five sample States, ₹ 70.11 crore were retained in Civil Deposits/Personal Ledger Accounts/bank accounts/treasury accounts. This not only resulted in blocking of funds but also adversely affected the Scheme implementation. The cases are detailed below:

- In Madhya Pradesh, central assistance amounting to ₹ 16.87 crore was parked under Civil Deposits during 2006-11 to avoid lapse of budgetary provisions. However, ₹ 11.67 crore had lapsed up to March 2011 and ₹ 5.20 crore remained parked in civil deposits as of March 2011. The amount due to be spent on medicine kit, Pre-school Education (PSE) kit and furniture lapsed for want of decision to procure these items at State level purchase committee.
- In Uttar Pradesh, a sum of ₹ 24.91 crore meant for purchase of medicine kits, pre-school kits, furniture for AWCs, material for Information Education and Communication (IEC), weighing machines, computer hardware, construction of AWCs, and CDPO offices-cum-godowns was deposited in Personal Ledger Account of Uttar Pradesh Samaj Kalyan Nigam during March 2006-09 and

it was finally credited to treasury under the receipt head in March 2010 due to its non-utilisation.

- In Bihar, in 16 test checked project offices a sum of ₹ 21.16 crore was withdrawn from the treasuries on 31 March 2011 and kept in bank accounts.
- In Jharkhand, District Social Work Officer (DSWO), Dhanbad records revealed that during 2006-11 the funds pertaining to the supplementary nutrition (SN) were saved every year aggregating to ₹ 3.63 crore and deposited in the Treasury.
- In Andhra Pradesh, it was observed from the Undisbursed Pay Register (UDP) that an amount of ₹ 15.21 crore was lying in the Drawing and Disbursing Officer account of Women Development and Child Welfare Department, Hyderabad for a period ranging from 2 months to 12 months without disbursement to the concerned firms.

The instances of diversion of funds indicated insufficient internal controls which also led to non-achievement of programme objectives.

The Ministry stated (November 2012) that the observations would be taken up with the respective States for corrective measures including reimbursement/adjustment of the amount.

9.4.3 Non-Reconciliation of funds released

The figures relating to expenditure booked under the Major Head of accounts 3601 and 2235 furnished to Audit by the Pay and Accounts Office (Ministry of Women and Child Development) and Budget Section of the Ministry revealed variations as detailed below:

Table 9.5: Non-Reconciliation of funds

(₹ in crore)

Major Head	Year	Figures furnished by the Budget Section	Figures furnished by the PAO	Difference
3601	2007-08	5166.12	5161.07	5.05
	2006-07	19.38	15.49	3.99
2235	2007-08	10.32	06.77	3.55
	2008-09	18.85	19.13	0.28

This was due to non-reconciliation of the funds released by the Drawing and Disbursing Office (DDO) with the records of the Pay and Accounts Office, as required under Rule 66 of General Financial Rules. The Ministry stated that the figures change subsequently due to various reasons at different stages of appropriation account.

Further, comparison of the figures of state-wise release of funds for the period 2006-07 to 2010-11 with those accounted for by the respective State governments disclosed variations in the following cases:

Table 9.6: Funds as per State Govt. Records and Ministry's records

(*₹ In crore*)Chapter – 9
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States	Period	Funds received as per records of State Government	Funds received as per Ministry's records	Difference (+) excess/ (-)Shortfall
ICDS(G)+SN				
Chhattisgarh	2006-11	901.78	893.6	8.17
Haryana	2006-11	653.45	684.76	-31.31
Meghalaya	2006-11	233.85	240.56	-6.71
Madhya Pradesh	2006-11	1947.41	2126.14	-178.73
Total		3736.49	3945.06	-208.58
ICDS(G)				
Andhra Pradesh	2006-11	1619.33	1448.15	171.18
Karnataka	2006-11	926.74	921.47	5.27
Total		2546.07	2369.62	176.45

Further, in Chhattisgarh, Jharkhand, Gujarat, Karnataka, Madhya Pradesh, Odisha and Rajasthan there was considerable difference between the funds released by the State Nodal Department and those received by the District Programme Offices (DPOs). During 2006-11, figures of funds received by DPOs in three states were less by ₹ 104.23 crore, ₹ 39.52 crore and ₹ 1.92 crore respectively from the figures of the funds released by State Nodal Departments. On the contrary, funds received by DPOs in three other States were in excess by ₹ 72.18 crore, ₹ 55.88 crore and ₹ 4.31 crore respectively (the details are given in **Annex 9.5**). This indicated absence of system of reconciliation of the fund flow from State Nodal Department to DPOs in these States.

The Ministry stated (November 2012) that it would take adequate measures for proper reconciliation of accounts with Budget Section and Pay and Accounts Office of the Ministry.

9.4.4 Improper/non-maintenance of records

Audit noted that the Registers of grants-in-aid for the period 2006-11 for releasing ICDS (G) funds were not properly maintained in the Ministry. Further, in seven sample States, it was observed that some of these control registers and subsidiary books of accounts such as cash book, stock register, log books etc. were not maintained at all or were maintained improperly. Details of these cases are listed in **Annex 9.6**.

9.4.5 Non-receipt of reports on process indicators

The Ministry prescribed a quarterly report on process indicators to be furnished by States/UTs for monitoring the flow of funds up to the Project level. Test check revealed that neither were these reports being regularly furnished by the States/UTs nor were being insisted upon by the Ministry during the period 2006-11. Further, few reports which were

received during the period in the Ministry were not being examined to take remedial measures.

Recommendation

- ***The States/UTs should ensure proper maintenance of accounts and prescribed records.***

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