

Part- Two
Implementation of the
Scheme

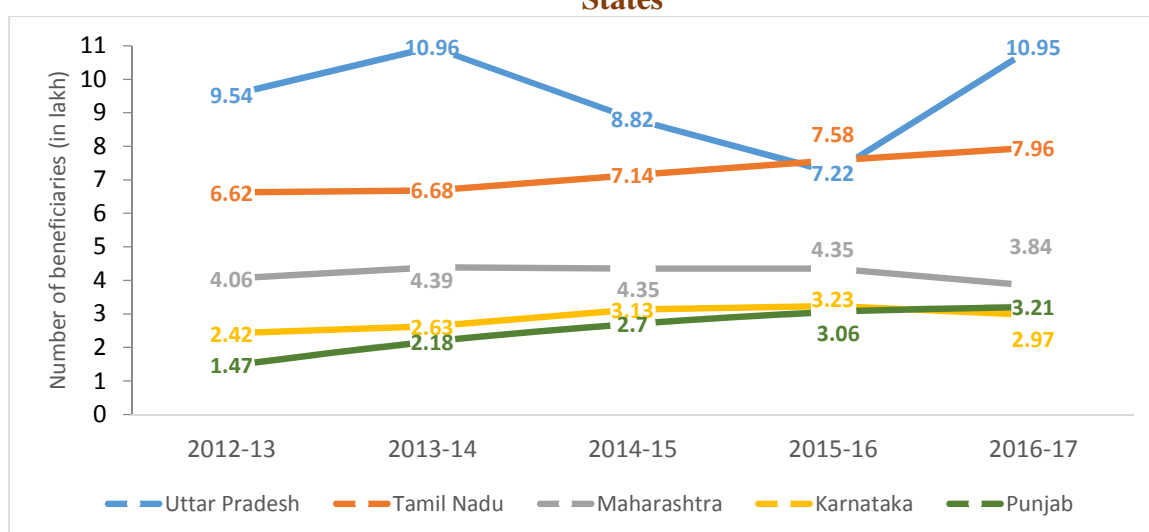
Implementation of the Scheme

Beneficiaries in five selected States

2.1 Trend of beneficiaries in five selected States

The year-wise trend of beneficiaries in the five selected States is depicted in **Chart-3:**

Chart-3: Trend showing number of beneficiaries during 2012-17 in selected States



Source: State Governments records (These figures do not match with Ministry's records)

The number of beneficiaries increased in **Punjab** and **Tamil Nadu** whereas it decreased in the remaining three States of **Karnataka**, **Maharashtra** and **Uttar Pradesh** in 2016-17.

In **Karnataka**, the reasons for decrease were not available with the Department.

In **Maharashtra**, the reasons for decrease in scholarships from 4.35 lakh in 2015-16 to 3.84 lakh in 2016-17 was due to the fact that only 82 *per cent* of the scholarship applications received (4.66 lakh) could be approved by the State Government during the year as seven and 10 *per cent* of the scholarship cases were pending at college and district level respectively.

In **Uttar Pradesh**, the number of beneficiaries decreased from 10.96 lakh in 2013-14 to 7.22 lakh in 2015-16 as three lakh scholarship applications pertaining to the year 2015-16 remained pending with the department for sanction. The District Social Welfare Officer, Allahabad, stated (December

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2017) that a large number of applications got rejected on Saksham (an online portal) in 2014-15 and 2015-16 due to stricter scrutiny and lack of proficiency of institutes/students in online submission of applications through Saksham. He added that the Government had taken cognizance of the problem and advised institutes/students to address the deficiencies in applications which had resulted in increase in number of beneficiaries in 2016-17.

Gaps in scheme guidelines

The guidelines for any centrally sponsored scheme are expected to be comprehensive outlining every factor of the scheme and the methodology/mechanism for the various processes required for achievement of the scheme's objective. Audit observed the following gaps in the scheme guidelines.

3.1 Preparation of annual work plan/perspective plan

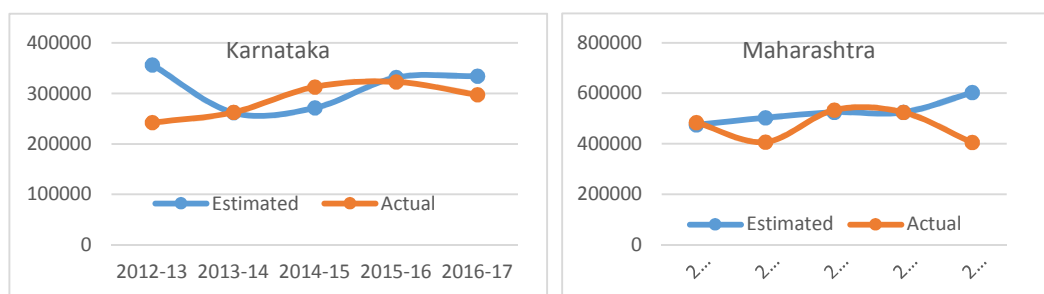
Preparation of annual action plan is essential for ensuring systematic and realistic assessment of requirement of funds for providing effective coverage to all eligible beneficiaries under the scheme. Audit identified the following deficiencies in the planning process:

(i) Absence of any annual action plan or perspective plan: No timelines had been prescribed in the guidelines nor any orders/directions issued by the Ministry for preparation and submission of annual action plans. Field audit in five selected States revealed that no annual action plan or perspective plan had been prepared during the years 2012-17 for assessing the number of eligible beneficiaries under PMS scheme and the strategy for their timely coverage.

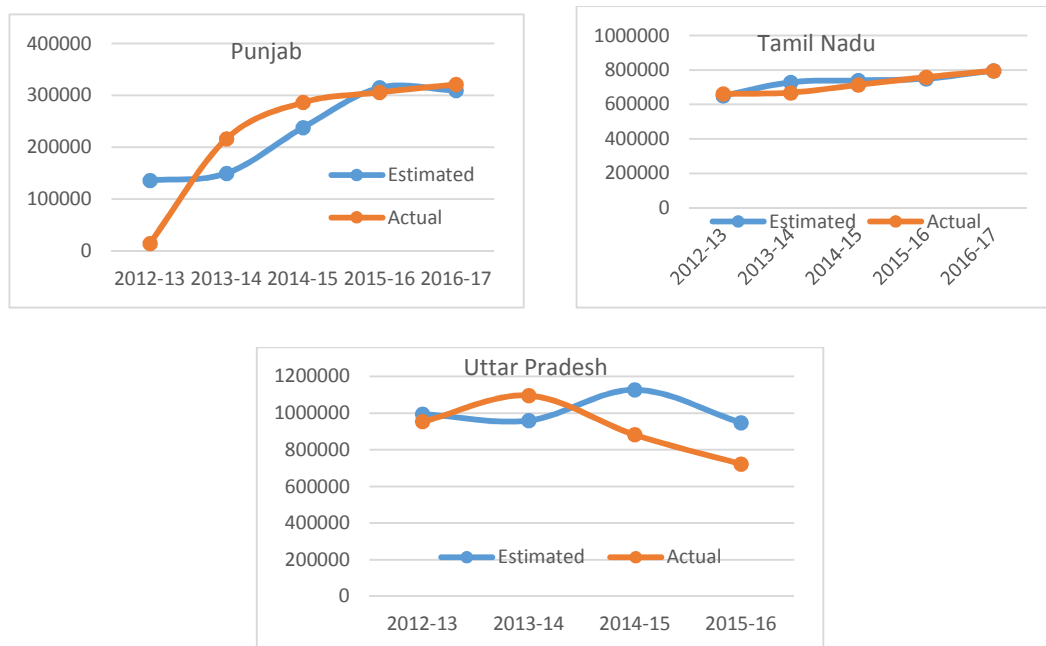
(ii) Absence of any database of eligible students: Further, none of the five selected States had prepared any year-wise database which could be used to arrive at estimates for succeeding year(s) during 2012-17. In **Maharashtra**, the Commissioner of Social Welfare arrived at an estimated figure of students during the academic year by increasing the number of students without any basis and sought funds for the same from the Government of India.

In the absence of annual work plan and database of eligible students with the selected States, there was wide variation in estimated number of beneficiaries vis-à-vis actual number of beneficiaries in the States except **Tamil Nadu** as depicted in the **Chart-4**:

Chart-4: Estimated and actual number of beneficiaries in selected States



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There was thus no institutional process for arriving at accurate estimates/plans for scholarships to be granted to eligible students in a particular year.

3.2 Absence of specific timelines for scholarship disbursal

The scheme guidelines stipulate that all State Governments/UT Administrations will announce in May-June each year the details of the scheme and invite applications by issuing an advertisement in leading newspapers of the State and through their respective websites and other media outfits. The applicant should submit the completed application to the prescribed authority before the last date prescribed for receipt of applications. The application is verified, processed and sanctioned by the prescribed authority after which the scholarship is granted to the student from the State Treasury. A diagrammatic representation of the process of implementation in selected five States by the respective authorities is given in **Annexe-2**.

In 1986, a Committee set up by the erstwhile Ministry of Welfare to review the scheme had recommended the following time schedule to be strictly adhered to in implementation of PMS-SC by the State Governments/UT administrations:

a)	Announcement of the scheme through mass media	By 31 st May
b)	Submission of applications by students	31 st July or one month after the admissions are over
c)	Scrutiny of forms	31 st August or within 30 days on receipt of application
d)	Sanction and payment of scholarship	By 30 th September

The Ministry did not implement the above recommendation except for announcement of the scheme by State Government in May-June every year. No dates are prescribed for subsequent events viz. the time by which a student has to submit his application, an institute has to forward the application to the District Social Welfare Officer, the District Social Welfare Officer has to approve the applications and sanction payment of scholarship.

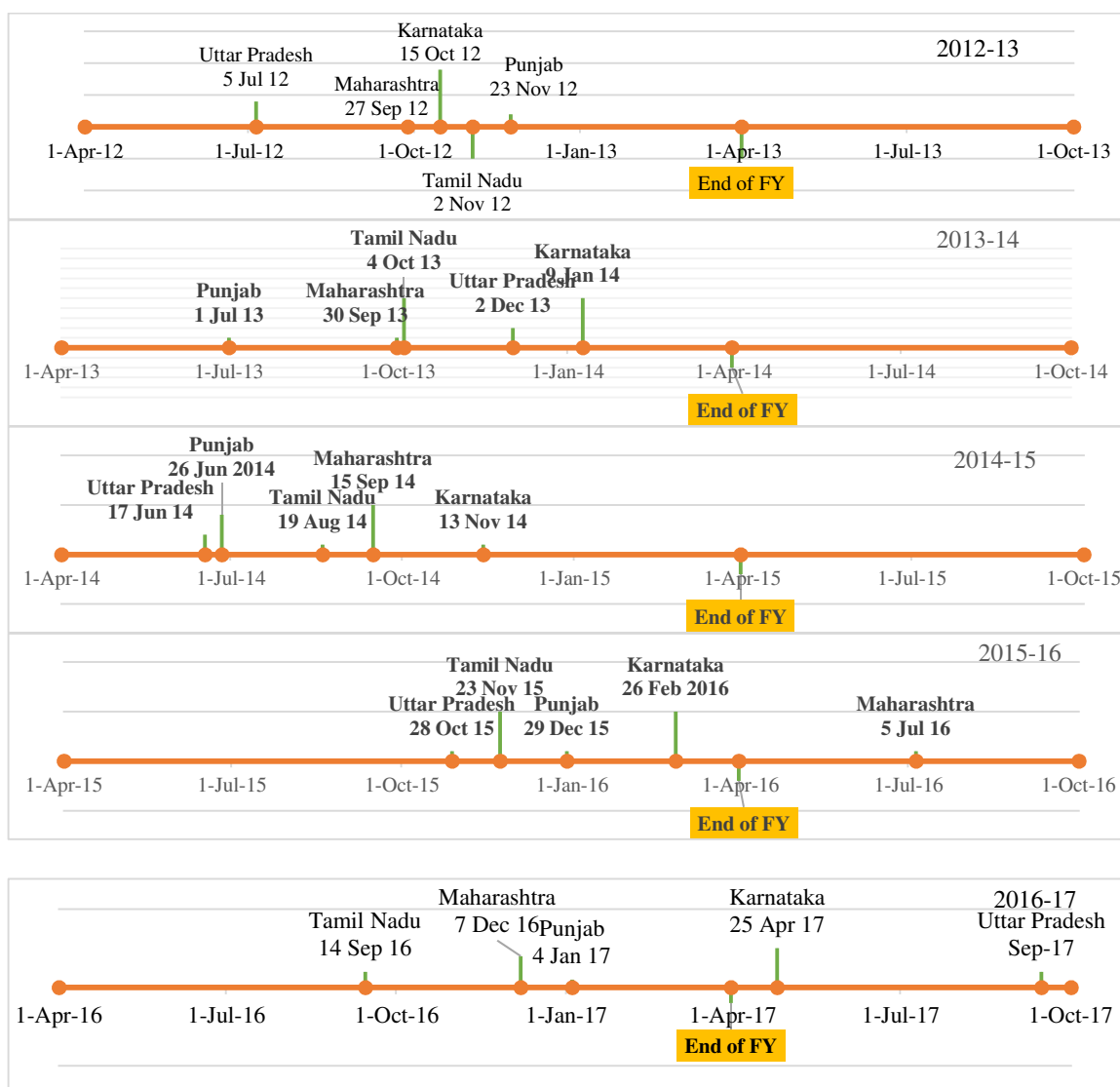
In **Karnataka**, no timelines were prescribed for receipt and processing of application at various stages and the online portal was kept open throughout the year for submission of applications. In **Tamil Nadu** too, no timelines were prescribed for processing of the applications at any level.

In **Maharashtra**, the applicants were to submit the completed application to the prescribed authority before 31 October each year. We noticed that the Department extended the stipulated date repeatedly till the end of March each year. The Commissioner of Social Welfare (November 2017) stated that admission processes for professional courses were delayed due to court cases and delay in obtaining various certificates by students. Extensions were given with the objective of not depriving the students the opportunity to avail scholarship.

In **Uttar Pradesh**, the last dates (i) for candidate to submit application on 30 September 2016 was extended four times (7 October 2016, 26 October 2016, 15 December 2016 and 18 December 2016), (ii) for Institute to forward application to concerned department was extended thrice (15 October 2016, 19 October 2016 and 05 November 2016) and (iii) for Social Welfare Department for payment of scholarship to student extended twice (31 December 2016 and 08 January 2017).

States submitted their proposals (demand for central assistance) for the period 2012-17 to Ministry at varied points of time each year as shown in the **Chart-5**:

Chart-5: Actual Dates of receipt of proposal from selected State



There was thus no uniformity amongst States in furnishing proposals to the Ministry. There is no uniformity from year to year even for a particular State. On three occasions, proposals were received after close of the financial years (**Maharashtra 2015-16; Karnataka 2016-17 and Uttar Pradesh 2016-17**).

The entire process of submitting and processing of proposals is thus deficient as there is neither any timeline for States for receiving the applications for scholarship nor submission of proposals by States to Ministry.

In a review of the scheme done by a joint team of NITI Aayog and Ministry in three States of Maharashtra, Punjab and Telangana in October-November 2015, it was observed that the absence of cut-off date for receipt of applications for grant of PMS had made it extremely difficult to determine the year-wise claims of central assistance under the scheme as previous year's backlog gets carried over to the succeeding year.

The Ministry stated (January 2018) that State Governments announce the details of scheme in the month of May-June which also includes last date of submission of applications. It varies from State to State as per local requirements. In the proposed revision of the scheme, provision has however been made for specific timelines regarding submission of applications, submission of proposal for demand of Central assistance, etc.

There were also no specific timelines for payment of scholarship to a student under the scheme. Scheme guidelines, however, stipulate that in order to ensure timely payment of scholarship amount to the beneficiaries, payment of scholarship should be made to beneficiaries through their accounts in post offices/banks, instead of payment in cash. In four States of **Maharashtra**, **Punjab**, **Tamil Nadu** and **Uttar Pradesh**, audit observed delay in payment of scholarship to 18.58 lakh students ranging between one to six years. The delays are tabulated in **Table-4**.

Table-4: Details of delay in payment of scholarship

Name of State	Total number of applications received	Number of applications delayed	Year	Remarks
Maharashtra	23.06 lakh	1.67 lakh	2012-17	The department attributed the delays to reasons such as late submission of application by students, shortcomings noticed in application, etc. (Year-wise details in Annexe-4)
Punjab	9.41 lakh	9.41 lakh	2012-16	The department attributed the delay to late/non-release of funds by the Ministry/State Government during the year
	3.21 lakh	3.21 lakh	2016-17	No scholarship has been disbursed in respect of 2016-17 as of November 2017.
Tamil Nadu	1.51 lakh	21,706	2012-17	The students in seven ¹ out of eight selected districts were sanctioned scholarships after the close of the academic year.
Uttar Pradesh	41.19 lakh	4.07 lakh	2014-17	The applications were initially categorized as 'suspect' ² and were yet to be verified by respective DSWOs.
Total	78.38 lakh	18.58 lakh		

Further, in **Maharashtra**, scholarship claims amounting to ₹ 10.58 crore in respect of 7,225 students of 879 colleges in Pune district for the period 2013-14 and 2014-15 were pending with ACSW³ Pune till date. Since these claims were more than one year old, they had become time barred and were required to be forwarded again to the State Government for approval. Reasons for delay in

¹ Coimbatore, Cuddalore, Madurai, Pudukottai, Salem, Tiruvallur and Virudhunagar.

² The data which is verified online on the basis of various parameters is segregated into 'Correct' and 'suspect' data by the Scholarship payment System (Saksham Web-Portal). Both type of data are sent to DSWO for verification. The main difference between 'correct' and 'suspect' data is that scholarship in former case cannot be rejected without recording valid reasons whereas in the latter case scholarship can be paid only after recording proper justification.

³ Assistant Commissioner of Social Welfare.

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making the payment of above scholarship funds were sought from ACSW Pune but not received.

Apart from above, delays in approval of applications pertaining to students pursuing Commercial Pilot licence course⁴ were also observed both at Ministry and State levels. During the period 2012-17, out of 130 applications received from all States/UTs, 114 applications with fee of ₹ 33.77 crore were approved by the Ministry. For the five selected States, delay ranging from seven months to over two years in approval of 32 out of 69 cases of CPL during 2012-17 were noticed at the Ministry level which was attributable to delay in receipt of proposals from certain States resulting in delay in consolidation, flying institute/club not being functional due to non-availability of flying instructor on the date of consideration of such cases for approval and delayed/non-receipt of clarification regarding recognition of flying institute from DGCA.

Further, there were delays at State level both in forwarding the cases to Ministry and disbursement of scholarships after receipt of approval of Ministry. In **Tamil Nadu**, only two out of eight applications were forwarded to Ministry within six months of their receipt. Remaining six were forwarded with delays ranging from seven to 21 months due to non-receipt of verification report of certificates of students. Three out of seven cases sanctioned by Ministry were pending for disbursement as of October 2017 due to non-confirmation of candidature by flying Institute (2 cases) and non-receipt of bank account details (remaining one case). In **Maharashtra**, 12 out of the 39⁵ cases were forwarded to the Ministry with delay exceeding six months. Four out of 39 cases were paid after a delay of more than six months of date of approval from Ministry. Delays in 12 applications paid in **Uttar Pradesh** ranged from one to 42 months.

Thus, absence of timelines for both receipt and processing of applications resulted in delay in disbursement of scholarships to the eligible beneficiaries.

⁴ Under the scheme of PMS-SC, scholarship is also awarded to SC students who undergo training of Commercial Pilot Licence (CPL) Course from approved flying clubs/institutes. Consequent upon receiving applications from concerned students, the respective State Governments scrutinize them for determining their eligibility and recommend the eligible applicants for CPL training each financial year to the Ministry. Upon receipt of such information, the Ministry enquires about the validity of the flying clubs/institutes from the Directorate General of Civil Aviation (DGCA). Subsequently, the Ministry approves the cases on the basis of criteria like annual income of the applicant etc. and conveys its recommendation for grant of scholarship to the concerned States/UTs on first-come-first-served basis up to 50 awards for the country as a whole.

⁵ Total 42 cases were actually forwarded. Information in respect of three cases not available.

3.3 Mandatory returns not prescribed from institutes regarding completion of education, cancellation/stoppage/withholding of scholarship

The objective of the scheme is to provide financial assistance to Scheduled Caste students studying at post-matriculation or post-secondary stage to enable them to complete their education. Audit observed the following shortcomings in the scheme guidelines:

a) No returns have been prescribed in the scheme guidelines for State Governments to assess the number of beneficiaries who have successfully completed their education after availing the scholarship.

b) Clause X (i) of the scheme guidelines stipulates that 'if it is reported by Head of Institution at any time that a scholar has by reasons of his/her own act of default failed to make satisfactory progress or has been guilty of misconduct such as reporting to or participating in strikes, irregularity in attendance without the permission of the authorities concerned etc., the authority sanctioning the scholarship may either cancel the scholarship or stop or withhold further payment for such period as it may think fit'. We noticed that none of the selected institutes reported such cases except in Bijnor (UP) where two institutes had once reported for stoppage of scholarship of 56 students for non-filling of examination forms (details in succeeding paragraph). As it is not mandatory for the Head of the institution to furnish this information at periodic intervals coupled with the fact that the institution stands to lose on compulsory non-refundable fee collected in respect of the defaulting candidate, there is a risk that the institution may not report such cases.

3.4 No monitoring framework in the guidelines

The guidelines of the scheme do not contain any provision for monitoring and evaluation. The Ministry, however, prescribed a few modalities for the States/Districts to monitor the implementation of the scheme vide its orders of August 2009 and September 2015 as discussed in paragraph 8.2 of the report.

3.5 Audit summation

Scheme guidelines critical for laying down mechanism for various processes were found deficient in many aspects. No mechanism was prescribed for any of the planning exercises viz. preparation of any action plan/perspective plan for identification of eligible beneficiaries in the States before submission of their proposals for central assistance to the Ministry. The guidelines do not prescribe

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any timelines at State level for submission of application by students, scrutiny of applications by implementing agencies and sanction/ disbursal of scholarship nor for submission of estimates by States to the Ministry. There was no framework laid down to assess the achievement of the scheme i.e. number of students successfully completing their education after availing the scholarship. In four States of Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh, audit observed delay in payment of fees to 18.58 lakh students ranging between one and six years. The guidelines of the scheme do not contain any provision for monitoring and evaluation. The possible risks associated with these factors have been tabulated below:

Factors	Risk involved
Non-preparation of annual work plans	Variations in estimating the number of beneficiaries which may in-turn affect financial estimates.
Absence of specific timelines for application, sanction and disbursal of scholarship	Applications received till end of the year. No idea of actual number of valid applicants to be catered during the year. Undue delay in disbursal of benefits to eligible beneficiaries causing financial hardship.
Non-monitoring of successful completion of education	State may not be able to assess the number of students actually getting the intended benefit of the scheme. Scholarship benefits may be disbursed to non-serious students at the cost of genuine applicants. Institutes may attract non-serious candidates for the sole purpose of claiming fee for themselves.

Financial Management

Efficient financial management including proper budget estimates and allocation of funds commensurate with requirements is important for effective delivery of benefits in any centrally sponsored scheme. We noticed instances of allocation of inadequate financial resources to States, diversion of funds and deficient record maintenance as discussed below.

4.1 Inadequate budgetary support

The Ministry releases its portion of central assistance to States/UTs on the basis of demands projected by the States/UTs considering the estimated expenditure to be incurred in that year on the estimated beneficiaries reduced by the amount of committed liability to be borne by them. Arrears of central assistance in respect of previous years, if any, are also claimed by States/UTs in their demands.

The Budget estimates proposed by the Ministry and approved by the Ministry of Finance *vis-à-vis* demand for Central Assistance (CA) received from the states and released during 2012-17 are in **Table-5**:

Table-5: Budget Estimates, Demand and Central Assistance Released

(₹ in crore)

Year	Demand by States	Budget proposed by Ministry	Budget Estimates	Revised Estimates	CA released	Arrears	Cumulative arrears [#]
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (2)–(6)	(8)
2012-13	2,755.58*	1,700.00	1,500.00	1,500.00	1,654.65 ^{##}	1,100.93	1,558.16
2013-14	3,597.72	1,700.00	1,500.00	1,908.87	2,153.50 ^{##}	1,444.22	2,209.00
2014-15	4,199.50	2,375.00	1,500.00	1,904.78	1,963.38 ^{##}	2,236.12	4,588.99
2015-16	4,532.31	4,500.00	1,599.00	2,216.05	2,213.88	2,318.43	6,182.16
2016-17	4,246.84**	4,500.00	2,791.00	2,820.70	2,798.77	1,448.07	7,579.64
Total	19,331.95	14,775.00	8,890.00	10,350.40	10,784.18		

[#] The amount of cumulative arrears in column (8) does not match with cumulative totals of arrears during any year at the time of placing the demand for next year, the states furnished revised figures of arrears for previous year based on their actual expenditure of that year.

* After adjustment of the arrears or unspent balance of previous year, if any, with the States.

^{##} The expenditure over Revised Estimates was made from savings of other schemes.

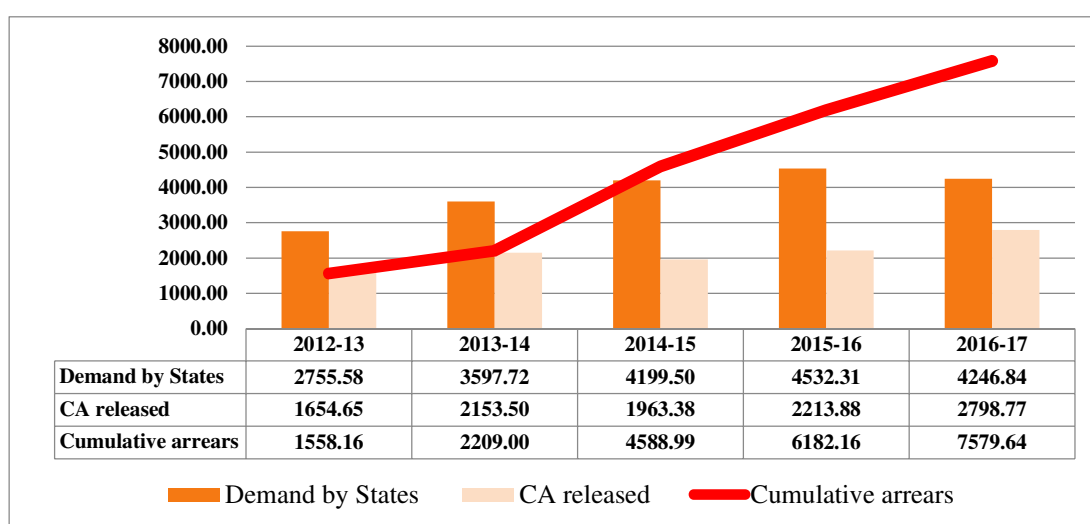
** This figure does not include demands of five States of Bihar, Gujarat, Jharkhand, Meghalaya and Uttar Pradesh and four UTs of Chandigarh, Daman and Diu, Delhi, Puducherry which were either not received by end of the year or were received through web-portal and not incorporated by the Ministry.

Against the Budget Estimates of ₹ 14,775 crore proposed by the Ministry during 2012-17 for implementation of the scheme, the Ministry of Finance approved only ₹ 10,350 crore (70 per cent).

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The Ministry estimated the fund requirement for 2012-13 as ₹ 1,700 crore out of which ₹ 1,500 crore were provided by Ministry of Finance. Since these funds were not sufficient to meet the demand, arrears of ₹ 1,101 crore accumulated at the end of the year. In the year 2013-14, the Ministry submitted a budgetary proposal of ₹ 1,700 crore despite being aware of (i) previous year's demand of ₹ 2,755 crore and (ii) increase in demand across all states on account of revision in income ceiling from existing ₹ 2 lakh to ₹ 2.5 lakh per year. The Ministry continued to estimate the requirement lesser than previous years' demand in 2014-15 and 2016-17. **Chart-6** depicts the trend of growth of arrears as a result of persistent short release:

Chart-6: Growth of Arrears during 2012-17



Thus, persistent short release of central assistance by the Ministry resulted in accumulation of arrears amounting to ₹ 7,580 crore. After 2014-15, the accumulation of arrears led to a situation where the gap between availability of funds with Ministry and demand raised by the States started widening. The Ministry took up the matter to provide additional funds to meet the arrears with the Ministry of Finance as late as in June 2015. However, the projections for 2016-17 again did not take into account the arrears of ₹ 6,182 crore accumulated till the end of 2015-16.

The Ministry stated (January 2018) that as the scheme is open ended and the expenditure depends upon a number of factors like number of beneficiaries, tuition fees, number of courses, regulation of fees, etc. the estimated figures are likely to vary. Further, as States do not prepare any annual action plan for

assessing the estimated number of beneficiaries, the figures of estimated demand projected by them is inaccurate.

Audit observed that the Ministry did not take into account the arrears of previous years while projecting the budget requirements. The increasing arrears would lead to States having to bear a larger proportion of the expenses under the scheme in order not to deny the benefits to eligible students as well as possible delay in release of the benefits to the students.

The Ministry stated (January 2018) that so far as expenditure by States towards committed liability is concerned, it considers the release of central assistance assuming that the State has already utilized its committed liability and expenditure over and above the committed liability is released based on available funds. The Ministry added that the definition of committed liability would be modified in the proposed revision of the scheme to provide more clarity to the States.

4.2 Additional Committed Liability

The expenditure incurred by a State during terminal year of the last five year plan is transferred as committed liability for that State for every year during the succeeding five year plan. This mode of sharing liability between the Centre and States underwent a change during 2012-17 as the income limit for admissibility of scholarship under the scheme was increased from ₹ 1 lakh to ₹ 2 lakh with effect from 1 July 2010 i.e. at the end of the 11th Five Year Plan. The Government of India decided, as a special case, that this increase termed as Additional Committed Liability (ACL), will be transferred to the States at the end of the 12th Five Year Plan i.e. with effect from 31 March 2017 and not at the end of 11th plan.

The Ministry however neither worked out the amount of ACL nor did it have any planning in place to transfer the same after 1 April 2017 to States as envisaged.

The Ministry stated (January 2018) that the matter of ACL has been addressed in the proposed revision of scheme which was still under process.

4.3 Fund management in States

Out of the arrears of ₹ 7,580 crore (details in **Annexe-5**) at the end of the year 2016-17, arrears of ₹ 5,368 crore (71 *per cent*) pertained to the five selected States. Audit observed the following:

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(a) Karnataka

During 2012-17, against the total available funds of ₹ 1,733.39 crore⁶, only ₹ 1,505.46 crore was utilized leaving unspent balances at the end of each of the year ranging from ₹ 17.67 crore (2012-13) to ₹ 108.28 crore (2016-17). Despite these unspent balances, arrears of scholarship committed but not paid during each of these years ranged from ₹ 12.25 crore (10,250 students in 2016-17) to ₹ 76.36 crore (38,573 students in 2014-15).

(b) Maharashtra

Availability of funds was less than requirement during each of the years in 2012-17 and the arrears accumulated⁷ to ₹ 1,155.09 crore at the end of 2016-17. During 2016-17, spill-over of accumulated arrears amounting to ₹ 850 crore of previous years resulted in coverage of only 17 per cent of the eligible applicants for that year thus depriving balance 83 per cent of the beneficiaries of the timely benefit which became arrears of payment.

In 2015-16, Commissioner of Social Welfare allowed supplementary grant of ₹ 100 crore which was approved to clear backlog of 1.92 lakh applications accumulated upto March 2015 to lapse.

(c) Punjab

During 2012-17, against the total budgeted demand for CA of ₹ 1,403.14 crore, the Ministry released only ₹ 1,031.06 crore leaving arrears of ₹ 372.08 crore. Similarly, against the total budgeted provision of ₹ 306.71 crore during 2012-17 as its own committed liability, State Government released only ₹ 273.48 crore resulting in short release of ₹ 33.23 crore. Due to short release of CA by Ministry, State Government did not disburse scholarship to beneficiaries as narrated in paragraph no. 3.2

Further, against ₹ 280.81 crore received as CA for the year 2013-14, State Government released only ₹ 279.77 crore and balance amount of ₹ 1.04 crore was retained by it.

(d) Tamil Nadu

Despite release of additional funds of ₹ 883.65 crore during 2013-17 by the State Government over and above the committed liability, the scholarships committed during each year of the period 2012-17 could not be paid resulting in accumulation of arrears to ₹ 1,201.95 crore (2016-17).

⁶ This includes - ₹ 186.42 crore as CA, ₹ 82.95 crore as unspent balance of CA of previous year(s), ₹ 914.35 crore as State's committed liability and balance ₹ 549.67 crore released by State over and above its committed liability.

⁷ Excluding arrears of Central assistance on account of scholarship committed but not paid as at the end of 2016-17.

(e) Uttar Pradesh

During 2012-17, the State Government approved scholarship of ₹ 7,361.39 crore of which State government's liability was ₹ 3,306.50 and remaining ₹ 4,054.89 crore was to be released by Ministry as CA. Against the total requirement of CA of ₹ 4,054.89 crore, the Ministry released ₹ 2,225.59 crore resulting in accumulation of arrears of ₹ 1,829.30 crore.

We also noticed that out of the overall release of funds of ₹ 9,580.43 crore⁸ (including committed liability and CA) during 2012-17, only ₹ 7,332.72 crore was disbursed by State Government. This amount comprised of arrears which ranged between 12 and 48 *per cent* of total payments indicating inefficiencies in processing, approval and disbursement of scholarships.

4.4 Undisbursed scholarships

A successful transaction of payment of scholarship is dependent on such factors as submission of correct information of bank account and other related details by the beneficiary on scholarship portal and/or otherwise and its subsequent verification by educational institute/department. In three States of **Maharashtra, Tamil Nadu and Uttar Pradesh**, we noticed instances of undisbursed scholarships of ₹ 375.30 crore due to mismatch of bank details which resulted in depriving scholarships to the students as brought out in **Table 6**.

Table-6: Details of undisbursed scholarships

Name of State	Amount (₹ in crore)	Period	Current status of scholarship funds	Reasons
Maharashtra	2.50	2015-16	Lying in Bank accounts of Assistant Commissioners of seven districts ⁹	Invalid bank account number, closed bank account, incorrect details and closure of e-portal
	14.70	2016-17		
Tamil Nadu	14.81	2013-17	Lying in Savings Bank account of CADW ¹⁰	Incorrect bank account number, dormant account and the amount held by the bank not remitted back to Government account
Uttar Pradesh	196.52	2012-13	Treated by State Government as receipts in accounts ¹¹	These unutilized funds were returned by various districts to the nodal department.
	107.31	2013-14		
	39.46	2014-17	Credited back to treasury.	Dormant status of student bank accounts and lower credit limit
Total	375.30			

⁸ This includes - ₹ 2,225.59 crore as CA, ₹ 3,306.50 crore as State's committed liability and balance ₹ 4,048.34 crore released by State over and above its committed liability.

⁹ Thane, Solapur, Kolhapur, Ahmednagar, Nagpur, Aurangabad, Amravati

¹⁰ Commissioner, Adi Dravidar Welfare

¹¹ General Provisions contained in List of Major and Minor Heads of Account of Union and States stipulate that refund of unspent balance of grant/contribution shall be recorded as reduction of expenditure under the concerned major/sub-major head

4.5 Diversion of funds

Audit scrutiny revealed two cases of unauthorized diversion of funds in selected States. In **Maharashtra**, it was noticed from the records of Commissioner of Social Welfare, Pune, that an expenditure of ₹ 28.60 crore (excluding unpaid liability of ₹ 0.15 crore) was incurred towards maintenance of e-scholarship portal during 2012-17. In **Karnataka**, an amount of ₹ 0.34 crore was diverted by two¹² Taluk Social Welfare Offices of Bengaluru Urban District from scheme funds for the purchase of stationary, computers, computer peripherals etc. in four years during 2013-17. Both the items of expenditure are not part of the scheme and hence the expenditure of ₹ 28.94 crore was irregular.

4.6 Submission of Utilisation Certificates

Utilisation certificates (UCs) in respect of the central assistance released by Ministry were to be submitted along with the demand proposals for ensuing years. Since State Governments were releasing funds to districts/institutes, submission of UCs by these agencies to State Governments become essential. Test check of records in selected States revealed the following:

➤ In **Maharashtra**, UCs from institutes to be submitted to the Assistant Commissioner of Social Welfare were neither asked for nor obtained in six¹³ of the nine selected Districts. Assistant Commissioner of Social Welfare also did not submit UCs to the Commissioner of Social Welfare. In other three¹⁴ selected districts, there was a delay in submission of UCs by Institutions.

➤ In **Tamil Nadu**, during the years 2012-13 and 2013-14, CADW released ₹ 377.49 crore and ₹ 899.49 crore respectively to DAD&TWOs in 32 districts but the utilization certificates for the same have not been furnished by them as of date. From the year 2014-15 onwards, funds released by the State Government were being deposited in the Personal Deposit account of DADW and scholarship was being credited into the bank account of the student and the institute and no UCs were being called for.

4.7 Audit summation

Government of India could not meet the growing demand for funds for scholarship from the States which resulted in accumulation of arrears amounting to ₹ 7,580 crore at the end of 2016-17. Of these arrears, ₹ 5,368 crore (71 per cent) pertained to the five selected States. In three States of Maharashtra, Tamil

¹² Anekal and Bengaluru South

¹³ Ahmednagar, Kolhapur, Nasik, Pune, Solapur, Thane

¹⁴ Amravati, Aurangabad and Nagpur

Nadu and Uttar Pradesh, we noticed instances of undisbursed scholarships of ₹ 375.30 crore due to mismatch of bank details which resulted in depriving eligible students of the scholarships. An amount of ₹ 28.94 crore of scholarship funds was diverted in Karnataka and Maharashtra for maintenance of e-scholarship portal and purchase of stationery, computers, etc., during 2012-17. The possible risks associated with these factors have been tabulated below:

Factors	Risk involved
Inadequate budgetary support by Government of India to States	States having to bear larger proportion of the expenses under the scheme in order not to delay the benefits of the scheme to the students. Delay in release of benefits to the students.
Undisbursed scholarship	Denial of benefit to eligible students.
Diversion of funds	Delay in payment of scholarship to students. Undue financial burden on Central Government.
Non-submission of UCs	No assurance about proper utilisation of the funds placed at the disposal of the implementing authority.

Non-compliance of scheme guidelines and orders

It is essential that the implementing authorities at all levels follow the scheme guidelines formulated by the administrative Ministry. Following instances of non-adherence to scheme guidelines by States came to notice.

5.1 Discontinuance of education by beneficiaries

As per the scheme, the award of scholarship once made will be tenable from the stage at which it is given to the completion of course subject to good conduct and regularity in attendance. It will be renewed from year to year provided that within a course which is continuous for a number of years, the scholar secures promotion to the next higher class. If a scholar fails in the examination, the award is not renewable until he/she secures promotion to the next higher class. Moreover, if a scholar is unable to appear in examination owing to illness or other unforeseeable event, the award may be renewed for the next academic year on submission of medical certificate and/or other documentary proofs.

Scheme Guidelines further stipulate that the scholarship is dependent on the satisfactory progress and conduct of the scholar and if it is reported by the Head of the Institution at any time that a scholar has failed to make satisfactory progress or has been guilty of misconduct such as resorting to or participating in strikes, irregularity in attendance without the permission of the authority concerned, etc., the authority sanctioning the scholarship may either cancel the scholarship or stop or withhold further payment for such period as it may think fit. It is further provided that a scholar is liable to refund the scholarship amount, at the discretion of the State Government, if during the course of the year, the studies for which the scholarship has been awarded, is discontinued by her/him.

Test check in audit revealed instances of non-recovery of scholarship in cases of cancellation of scholarship and discontinuance of studies by students as discussed below:

5.1.1 Reimbursement of fee in cases of cancellation of scholarship

In three States of **Punjab**, **Tamil Nadu** and **Uttar Pradesh**, instances of non-recovery of scholarship amounting to ₹ 2.14 crore from 4,267 students who had either left the course mid-session, were long absent or obtained transfer certificate were noticed as below:

In **Punjab**, 3,684 out of 57,986 post matric students of 49 out of 60 selected institutes in six selected districts left the courses mid-session during 2012-17

(details in **Annexe-6**). However, fee as well Maintenance Allowance of ₹ 14.31 crore in respect of these students had been claimed by these institutions from the DWSCBC. Out of this, an amount of ₹ 0.47 crore was paid for 2012-14 in contravention of the guidelines. The Department stated (October 2017) that they had stopped the payment for the year 2014-15 and amount paid for the year 2012-14 and 2015-16 will be adjusted while making the next payment. No payment was made for the year 2016-17.

In **Tamil Nadu**, in 39 (details in **Annexe-7**) out of 80 selected institutes, 527 out of 66,370 students had either discontinued studies/were long absent/obtained transfer certificates during 2012-17 without completing the course but scholarship amounting to ₹ 1.61 crore paid to them had not been recovered from them.

In **Uttar Pradesh**, two¹⁵ out of 10 selected institutes of district Bijnor informed (March 2017) DSWO for stoppage of scholarships of 56 students (out of 6,627 students), amounting to ₹ 5.63 lakh for 2016-17 as they had not filled the examination forms of the University for the courses in which they had been enrolled. However, no action had been taken by DSWO as of November 2017.

Thus, the institutes did not inform the nodal department/DSWO/line departments about discontinuance of studies by students and wherever the former had informed the latter about such cases, the latter failed to stop the payment of scholarship/recover the scholarship already paid.

5.1.2 Dropout/renewal of students

The drop-out rate for beneficiaries should ideally be 'nil' or minimum. Conversely, the renewal rate of beneficiary students in 2nd, 3rd or subsequent years of the courses in which they are enrolled should be 100 *per cent*. Poor renewal rate in next year of the course is indicative of discontinuance of education by the beneficiary due to reasons such as failure in examination, obtained transfer certificates without completing the course, etc. Test check of records/database in three States of **Karnataka**, **Tamil Nadu** and **Uttar Pradesh** revealed low renewal rates in certain courses as narrated below.

In **Karnataka**, test check of 80 institutes in eight selected districts revealed that renewal of students in second year in case of professional courses and other courses was 62-63 *per cent* (2,955 out of 4,683 students) and for courses of

¹⁵ Devata Mahavidyalaya, Bijnor (50 students: ₹ 5.12 lakh) and Rajnees Pratap Singh Degree College, Bijnor (six students: ₹ 0.51 lakh).

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B.Ped, M.Ped, Polytechnic, BHMS, M.Tech, B.F.A./B.V.A.¹⁶ was below 50 per cent (122 out of 257 students). The State Government did not ascertain the reasons for poor renewal rate of students.

In **Uttar Pradesh**, test check of records in 100 institutes in 10 selected districts revealed that the renewal rates of students in second year of the course in case of professional courses (45 per cent) were considerably low as compared to other courses (89 per cent). Audit observed that the Government did not ascertain the reasons for poor renewal rate of students pursuing professional courses. Consequently, amount returnable by the students who left the course midway could not be ascertained.

In **Tamil Nadu**, analysis of the database for the period 2015-2017 of all self-finance management colleges revealed that students who were available in the database in the academic year 2015-16 were not found in the academic year 2016-17 indicating that they were not pursuing their studies in the second year of their course. For the year 2013-15, it was noticed that 25,531 students who joined a course in 2013-14 were not available in 2014-15 and 9,108 students who joined a course in 2015-16 were not available in 2016-17.

Thus, while the scheme guidelines prescribe a mechanism of reporting by Institutes about the discontinuance of education by beneficiaries, the State Governments did not ensure receipt of such information from Institutes in order to initiate corrective steps for improving the renewal rate.

5.2 Non-adherence to norms of income ceiling

5.2.1 Non-revision of income ceiling

The scheme guidelines stipulate that 'Scholarships will be paid to the students whose parents/guardians' income from all sources does not exceed ₹ 2.5 lakh per annum with effect from academic session 2013-14'. Scrutiny of records in Ministry revealed that two States of **Maharashtra** and **Uttar Pradesh** had not revised the income ceiling to ₹ 2.5 lakh per annum but retained the earlier ceiling of ₹ 2 lakh per annum. The Ministry had asked the State Government of Uttar Pradesh (4 December 2015 and 18 July 2016) to explain the reasons for non-implementation of the revised income ceiling under PMS-SC. In **Maharashtra**, the proposal for revision of income ceiling from ₹ 2 lakh to

¹⁶ B.Ped- Bachelor of Physical Education, M.Ped- Master of Physical Education, Polytechnic, BHMS- Bachelor of Homoeopathic Sciences, M.Tech.- Master of Technology, BFA/BVA- Bachelor of Fine Arts/Bachelor of Visual Arts.

₹ 2.5 lakh per annum was pending at the State Government since January 2014 onwards.

Thus, students whose parental/guardian's income was between ₹ 2 lakh to ₹ 2.5 lakh per annum were deprived of scholarship under the scheme.

5.2.2 Incorrect criteria for computing parental income

As per the scheme guidelines¹⁷, scholarships will be paid to students whose parental income from all sources does not exceed ₹ 2.5 lakh per annum¹⁸. House Rent Allowance (HRA) is exempt¹⁹ while computing income of a parent/guardian. In **Tamil Nadu**, the State Government, in addition to HRA, issued orders (September 1981) exempting Dearness Allowance (DA) and Dearness Pay (DP) in the calculation of income of a parent/ guardian working in its some offices²⁰. This resulted in coverage of ineligible beneficiaries whose parents' income including DA and/or DP was more than the limit prescribed under the scheme guidelines and further resulting in creating extra burden on public exchequer.

Ministry stated (September 2017) that the guidelines were silent on relaxation of criteria by States and the matter has been taken up with the States.

5.3 Exclusion of certain components of the scholarship

As per scheme guidelines, the scholarship included (i) maintenance allowance, (ii) reimbursement of compulsory non-refundable fees, (iii) study tour charges, (iv) thesis typing/printing charges for research scholars, (v) book allowance for students pursuing correspondence courses, (vi) book bank facility for specified courses and (vii) additional allowance for students with disabilities, for complete duration of the course. In the selected States, audit observed exclusion of certain components of the scholarship as tabulated in **Table-7**:

¹⁷ Provision No. IV. Means Test

¹⁸ With effect from academic session 2013-14

¹⁹ Note 2 below point no. IV pertaining to 'Means Test'

²⁰ Government Employees, Teaching/Non-Teaching, staff of Local Bodies, Teachers in Aided Institutions, Quasi-Government employees, other autonomous bodies and Corporations and Government undertaking

Table-7: Details of exclusion of certain components of the scholarship

Period	Components not Implemented	Remarks
Karnataka		
2012-17	Book Bank (partially implemented only)	Out of 14,071 total institutes in the State, Book Banks were established in 237 institutes.
Punjab		
2013-17	Thesis/typing charges, additional allowance for students with disabilities and Book allowance (except 2013-14)	State did not implement the same.
2012-17	Book Bank facility	Nodal department did not release the funds.
Maharashtra		
2012-17	Study tour charges, thesis typing/printing charges for Research Scholars, book allowance, additional allowance for students with disabilities and Book Bank facility	Only 52 per cent of the allocated budget for book bank was utilized for establishment of book banks. Instances ²¹ of non-establishment of Book Bank facility in some of the professional institutes were noticed.
Tamil Nadu		
2012-17	Study tour charges, thesis typing/printing charges for Research Scholars and Book Bank	The department attributed the same to lack of clarity on implementation.
2013-17	Book allowance	The department attributed the non-implementation to difficulty in exercising control over payment of allowance as different fee was claimed by various study centers for same course.
2012-17	Additional allowance for students with disabilities	The department attributed the same to existence of separate scheme for differently abled students.
Uttar Pradesh		
2012-17	Study tour charges, typing/printing charges, book allowance, book bank facility and allowance to the students with disabilities	State did not implement the same.

In **Maharashtra**, in Amaravati district, ₹ 12.81 lakh and ₹ 32 lakh was released by State and Central government respectively for Book Bank during 2015-16 though as per prescribed norms²², the expenditure on book bank component was to be shared on 50-50 basis between Centre/States. Out of the total available

²¹ For example, BJ Government Medical College Pune stated that they were not aware of this scheme.

²² As per Ministry's letter (September 2015) regarding proposals from States for seeking central assistance during 2015-16.

fund of ₹ 44.81 lakh, Assistant Commissioner Social Welfare, Amravati released ₹ 24.44 lakh and surrendered the balance amount of ₹ 20.37 lakh to the State Government. Due to less release of fund for book bank by the State government, SC students could not get benefit of books costing ₹ 20.37 lakh.

5.4 Irregular practice of charging fee from SC students

In April 1995, the erstwhile Ministry of Welfare issued guidelines for streamlining sanction and disbursement procedure for the scheme wherein it directed all State Governments to *inter-alia* give directions to the educational institutions, including private institutions, to ensure that no compulsory non-refundable fee are collected from the eligible SC students since these would be provided directly to the institutions by the State Government/sanctioning authority. In contravention of these directions, we found instances of collection of fee from eligible SC students in four States of **Karnataka, Maharashtra, Punjab** and **Tamil Nadu** during 2012-17 as below:

In **Karnataka**, in three²³ selected districts, 52 out of 80 selected Institutions admitted SC students after obtaining full fee from them. The details of fee obtained from these students were not available. Instances noticed where the institutes first collected fee from eligible SC students and later did not reimburse the same after receiving the same from government are mentioned in paragraph no.5.6.

In **Maharashtra**, one institute collected an amount of ₹ 52.62 lakh as fee from 101 students during 2012-17 in violation of the above orders.

In **Punjab**, during 2013-17, 29 institutes²⁴ (listed in **Annexe-8**) out of selected 60 institutes had charged an amount of ₹ 10.14 crore from 39,213 students on account of examination fee/school funds/registration fee/etc.

Consequent upon judgment (October 2014) of Hon'ble Punjab & Haryana High Court, private institutions were allowed to collect the fee from the SC students subject to the condition that that they will not claim the reimbursement of fee from the Government. Therefore, in such cases, full scholarship should have been disbursed directly to the account of beneficiary. Cases where private institutions collected fee from students and also claimed the same from State Government but did not reimburse the same to the students have been commented upon in paragraph no.5.6. Audit observed that the State portal

²³ Belagavi, Shivamogga and Yadgir

²⁴ Includes 14 Private institutes as mentioned in paragraph no.5.6

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however lacked the column necessary for identification of these cases where fee was to be reimbursed to students instead of institutions.

In **Tamil Nadu**, the State Government ordered (September 2012) that self-finance Private Colleges admitting SC students under Management Quota in Government approved courses should not collect fees fixed by Fee Fixation Committee from the eligible SC students which will be given as scholarship. The Commissioner of Adi-Dravidar Welfare (CADW²⁵) should in each year allocate to the respective self-finance private colleges the required funds under PMS at the beginning of the year itself. In four²⁶ out of eight selected districts, audit observed that in contrary to the instructions of State Government, out of 56 self-financing institutions, seven²⁷ institutions collected fees amounting to ₹ 7 crore upfront from 8,491 SC students who were eligible for scholarship and reimbursed the fees after receipt of the same from State Government. Further, in five²⁸ colleges, undisbursed scholarship amounting to ₹ 23.38 lakh for the period 2005-17 was lying in bank account of the institutes as of November 2017.

Non-adherence to Ministry's guidelines by the States to ensure that fees are not collected from eligible students cast an unintended financial burden upon the students and undermined the objectives of the scheme. Further, there is no mechanism to ensure that the fee so collected from students has been refunded to them by the institute after receipt of the same from State Government.

5.5 Approval of fee structure of Institutes by Fee Fixation Committee

The Ministry had asked (September 2015) all States to ensure that the fee claims of institutions are to be regulated by the Fee Fixation Committee (FFC) in terms of Supreme Court orders of WPC350 of 1993 in the Islamic Academy of Education and another vs. State of Karnataka & Others. Besides, State Governments also fix the amount of fee to be levied by institutes for various courses run in their State.

²⁵ Commissioner of Adi-Dravidar Welfare (CADW) is the nodal officer for disbursement of scholarship under the scheme in Tamil Nadu.

²⁶ Madurai, Virudhunagar, Pudukottai and Kancheepuram

²⁷ Mepco Schlenk Engg. College (Private), District Institute of Education and Training (Government), Arputha College of Arts and Science, Pudukottai, Sri Bharathi Arts and Science College for women, Pudukottai, Sri Sankara Arts and Science College, Kancheepuram, SDMB Vaishnava Arts and Science College, Kancheepuram, Dr.Arulappa Higher Secondary School, Neerpair, Kancheepuram,

²⁸ SDNBV Arts and Science college, Dr.Arulappa Hr. Sec. School, Neerpair, Kancheepuram district, Jaya Polytechnic, Tiruninravur, Tiruvallur, Thiagarajar Engineering College, Madurai Kamraj University, Distance Education Centre,

Audit scrutiny revealed that no Fee Fixation Committee was constituted in **Karnataka**. However, the State Government fixed fees for various professional courses run by Government aided/ unaided/deemed universities.

In **Tamil Nadu**, in seven²⁹ (four colleges, one school, one District Institute of Education and Training and one University) out of 80 selected Institutes, the management collected fee of ₹ 4.55 crore in excess of the fees fixed by the Fee Fixation Committee of the State Government during the period 2012-17 from 1,552 eligible SC students.

The State Government fixed fee structure for all courses in self-finance colleges, medical and engineering courses except certain courses like BCA, B.Sc. (Nursing), M.Sc. (CS&IT) for reasons not on record. Due to non-fixation of tuition fee for certain courses, SDNB Vaishnava Arts and Science College changed the name/code of the course to the courses for which the fee was fixed e.g. B.Com., B.Sc., etc. on scholarship portal for 668 students during 2012-13 to 2016-17 so that they could claim scholarship. This resulted in irregular disbursement of scholarship of ₹ 12.65 lakh to the students. Other instances where the eligible SC students were deprived of benefit of scholarship due to non-fixation of fee for certain courses have been mentioned in paragraph no.5.6.

Non-fixation of fee charged by institutions could lead to institutions charging arbitrary fees for their courses resulting in undue financial burden on the scheme.

5.6 Denial/short reimbursement of scholarship in contravention of prescribed norms

We noticed that 31,290 eligible students in three selected States were either denied scholarship or were short reimbursed totalling ₹ 6.89 crore during the period 2012-17 due to unjustified reasons such as imposing incorrect income criteria, non-fixation of fee by Fee Fixation Committee, etc. as in **Table-8**:

²⁹ Bharathi Arts & Science College, Pudukottai; Arputha College of Arts and Science, Pudukottai; Vellammal College of Nursing; Vellammal School of Nursing; Mepco Schlenk Engg. College; District Institute of Education and Training; Annamalai University

Table-8: Details of denial/short reimbursement of scholarship

State	Number of beneficiaries	Amount (₹ in crore)	Period	Remarks
Karnataka	4,221	1.52	2012-17	In violation of scheme norms, Institute collected the fee but did not reimburse the same to the students who had passed out of the Institutes.
Punjab	32	0.01	2013-16	The students were denied scholarship without any reason or imposing pass percentage and income criteria of ₹ 2 lakh, which were not part of the scheme.
	9,696	1.45	2012-17	In violation of scheme norms, 11 out of 18 selected government institutes collected the fee from 11,830 students (details in Annexe-9) and claimed the said amount from State Government. Out of these students, fee was not reimbursed to at least 9,696 students. Further, these students had left the Institutes (except 1 st year students of 2016-17).
	17,288	3.65	2013-17	In violation of scheme norms, 14 institutes collected the fee but did not reimburse the same to the students.
Tamil Nadu	40	0.25	2014-17	There was short reimbursement of tuition fee to these students as the new rates of fee fixed by FFC were not incorporated in the online system disbursing scholarship.
	13	0.01	2013-17	CADWO did not sanction tuition fee due to non-fixation of fee for the course.
Total	31,290	6.89		

In addition to above, there were also instances of denial of scholarship due to reasons such as non-approval of courses of correspondence/distance education, non-fixation of fee by FFC and rejection of application due to non-availability of Aadhaar details where the financial implications could not be ascertained as summarised below:

Maharashtra

➤ As per the clause (ix) of para III of the scheme guidelines, students registered under the scheme of continuing education were eligible for availing

scholarship under the scheme. Audit observed that 1,926 eligible SC students of IGNOU (Nagpur Regional Centre) who were registered during the period January 2012 to July 2017 were denied the benefits of the scheme.

➤ SJSAD³⁰ decided in 2015 not to grant scholarship to correspondence courses as they were finding it difficult to verify the affiliation of the Institutes and the recognition of the courses offered by them.

Tamil Nadu

➤ The State Government fixed fee structure for all courses in self-finance colleges, medical and engineering courses except certain courses e.g. BCA, B.Sc. (Nursing), M.Sc. (CS&IT), etc. for reasons not on record. In eight out of 16 Arts and Science colleges selected for test-check, 379 eligible SC students pursuing three courses were deprived of scholarship during 2012-17 due to non-fixation of fee by State Government.

➤ Further, 27 students who did not update their applications with Aadhaar details were denied scholarship in selected ten institutions in Madurai district though the Ministry had clarified that a student should not be denied his due benefits if he is unable to submit his Aadhaar ID.

➤ Scholarship to 1,437 students in Madurai Kamaraj University and 18 students in Bharathiyar University Coimbatore who were pursuing courses under Distance Education during the years from 2013-14 to 2016-17 were not sanctioned scholarship as State Government had discontinued payment of scholarship for students pursuing studies through correspondence/ distance education courses from 2013-14 which was in violation of scheme guidelines. The Department stated (December 2017) that this decision was taken as there was no mechanism to check whether the students of distance education were actually studying and some of study centres operated through franchise mode were collecting fees from students which was more than the fee charged by the University for such students. Denial of benefit of scheme to the students of distance education on the ground of absence of mechanism for verification of the details is not tenable.

5.7 Audit summation

Non-adherence to scheme guidelines led to non-recovery of scholarship amounting to ₹ 2.14 crore from 4,267 students who had either left the course

³⁰ In Maharashtra, the Department of Social Justice and Special Assistance Department (SJSAD) is the Administrative Department for implementation of the scheme.

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mid-session, were long absent or had obtained transfer certificate in three States of Punjab, Tamil Nadu and Uttar Pradesh. Further, Maharashtra and Uttar Pradesh had not revised the income ceiling to ₹ 2.5 lakh per annum while Punjab, Maharashtra, Tamil Nadu and Uttar Pradesh did not implement certain components of the scheme. In Karnataka, Maharashtra, Punjab and Tamil Nadu, there were instances of collection of fee by institutes from eligible SC students during 2012-17 in contravention of scheme provisions. Fee Fixation Committee was not constituted in Karnataka and 31,290 eligible students in three States of Karnataka, Punjab and Tamil Nadu were denied scholarship/short reimbursement of scholarship of ₹ 6.89 crore during the period 2012-17 due to unjustified reasons such as imposing incorrect income criteria, non-fixation of fee by Fee Fixation Committee. The possible risks associated with these factors are tabulated hereinafter:

Factors	Risk involved
High drop-out/low renewal rate of students	Non-achievement of intended objective of the scheme.
Non-adherence to income ceiling	Denial of benefit to the potential eligible beneficiaries who otherwise would have been covered under the scheme.
Non-implementation of certain components	Denial of complete benefit of the scheme to eligible beneficiaries.
Exemption of Dearness Allowance/Pay while computing the parental income	Additional burden on Government of India as scheme benefit may extend to otherwise ineligible students.
Irregular practice of charging fee from SC students	Undue financial hardship to poor SC students who may discontinue studies permanently.
Non-approval of fee structure of Institutes by Fee Fixation Committee	Financial hardship to poor SC students who may have to bear the additional portion of fee beyond the prescribed limit.

Inadequate scrutiny and processing of applications

Steps involved in the grant of scholarship include verification of income/ caste/ occupation certificates submitted by the eligible candidates (either online or hard copies) by DSWO/institutes with the concerned issuing authorities viz. State Education Board, Revenue authority, etc. for verifying the genuineness of the eligible candidate. We noticed the following instances of mismatch of such certificates which may result in payment of scholarship to ineligible students.

6.1 Mismatch between certificates and departmental records/database

In two States of **Tamil Nadu** and **Uttar Pradesh**, out of 2,420 test checked applications, there was a mismatch in 117 applications between certificates and/or other particulars between those available online, departmental records and physical application forms which raises the risk of ineligible students availing of benefits under this scheme.

Tamil Nadu

- Audit noticed differences in the income/caste/occupation certificates in respect of 12 out of 160 students (in eight³¹ out of 64 selected institutes) when records of institutes were compared with actual copies of the certificates and information available on on-line portal.
- Out of 1,600 applications test checked, income/caste certificates in respect of 53 applications pertaining to 15 colleges/ schools³² where scholarship of ₹ 10.64 lakh was disbursed were not found on record.
- Cross verification of certificates submitted by seven out of 140 students of seven institutes out of 50 selected institutes in five districts³³ with the concerned issuing authorities revealed instances of submission of false income/community certificate, false declaration of occupation of parent by students, alteration in the official seal/date of issue of certificate and non-matching of address with other documents submitted.

³¹ SRR Engg. College; Sri Sankara Arts & Science College; PSG College of Arts and Science; Ranganathan Engg. College; Sakthi Engg. College; Easwari Engg. College; Jaya Polytechnic college; Jaya college of Engg. & Tech

³² Easwari Engineering College, Tiruvallur district, Venkateswara Engineering College, Tiruvallur, RMJ Government Higher Secondary School, LN Government College, Tiruvallur, Two Government Higher Secondary Schools, at Senjeriputhur and Madukkarai, Coimbatore, P.S.G. College of Arts and Science, Sakthi Engineering College and Ranganathan Engineering College, Coimbatore, Government Arts College, Coimbatore, Chenglepet Medical College, Government Arts and Science College, Uthiramerur, Kancheepuram, Sri Krishna Institute of Technology, Kancheepuram, Dr.Arulappa Higher Sec. School, Government HSS for Girls ,

³³ Coimbatore, Cuddalore, Kancheepuram, Pudukottai and Tiruvallur

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- Further verification of 15 community certificates in Taluk Office, Coimbatore (South) revealed that four certificates were not genuine.

Uttar Pradesh

- Income certificates of 30 out of 600 students available on scholarship portal did not match with the documents available with the respective institutes in three selected districts (Agra, Allahabad and Mathura).
- Caste certificates of nine out of 180 students in nine³⁴ institutes and high school certificates of two out of 40 students in two³⁵ institutes available in scholarship portal did not match with the copies of the certificates available with the institutions.

Beneficiary survey in **Tamil Nadu** also revealed mismatch in the occupation of parent declared by the student in the application as compared to that from survey questionnaire in three cases. Beneficiary survey in **Uttar Pradesh** revealed similar mismatch in case of 49 out of 973 students surveyed.

6.2 Scholarship paid to ineligible students/inadmissible claims of scholarship

We noticed instances of ineligible students getting the benefit of scholarship as well as double/inadmissible claims of scholarship getting approved.

6.2.1 Scholarship paid to ineligible students

Irregular payment of scholarship amounting to ₹ 1.95 crore to 374 ineligible students was noticed in **Uttar Pradesh** as discussed hereinafter.

- Payment of scholarship of ₹ 1.95 crore to 367 students of two institutes³⁶ of district Bijnor in 2015-17 was made even after declaring the institutes ineligible in December 2014 by Dy. Inspector of School who verifies correctness of an institute's data.
- In two districts of Bijnor and Mathura, seven students (six whose parental income exceeded ₹ 2 lakh and one whose parental income was ₹ 5 lakh) were paid scholarship ₹ 57,669/- during 2015-16. DSWO Bijnor wrote

³⁴ Agra: Raghuram College Kagarol, Raja S P Singh Degree College Itaura, Seth Ram Swaroop Govindi Devi Memorial Degree College and Shri Lal Singh Degree College Avidgarh, Allahabad: Sardar Patel Inter College Sikro, Raj Narayan Pandey P G College and Pratap Narayan Subhadra Devi Degree College and Mathura: Brij Hitkari Inter College Bajna and USHA Educational Institute.

³⁵ Mathura: Shri Babulal Mahavidyalaya, and Jaswant Singh Institute of technology Mathura.

³⁶ Dharmveer Degree College Bijnor and Dharamveer College of Education Bijnor.

(February, March 2016) letters to the concerned Banks for stoppage of scholarship. No action was, however, taken as of November 2017.

6.2.2 Inadmissible claims of scholarship

In **Punjab**, analysis of electronic data (85,166 beneficiaries for 2013-14) and 17 institutions³⁷ (13,997 beneficiaries for 2012-17) in four³⁸ out of six selected districts revealed that the particulars of 115 SC students viz. name, father's name, date of birth, etc. appeared twice indicating that these students as well as the concerned institutions had claimed the fee and Maintenance Allowance amounting to ₹ 59.12 lakh twice by submitting false statements. The Department had stopped the payment of ₹ 9.92 lakh for the year 2014-15 and payment of ₹ 1.28 lakh for the year 2016-17 was yet to be made. The Department stated (October 2017) that the amount paid for the year 2013-14 and 2015-16 will be adjusted while making the next payment and no payment was made for the year 2016-17.

In another case, Hi-Tech Polytechnic College, Bathinda, collected the documents of nearby SC students by advertising about the scheme and helped them to upload the applications forms for scholarship during 2015-16. Out of these students, 81 students did not attend the Institute and the Institute too did not intimate DWSCBC in this regard. Cross verification of records of the Hi-Tech Polytechnic College, Bathinda with the portal data revealed that the said college claimed fees and MA for 479 students on the portal against the actual 398 students and the said claim had been paid by the department to the concerned institutions resulting in reimbursement of ₹ 26.02 lakh against 81 bogus students. The Department stated (October 2017) that amount paid in excess will be adjusted while making the final payment and directions will be issued to the implementing department to initiate necessary action against the institute.

6.3 Discrepancies in bankers' cheques

In districts of Allahabad and Saharanpur in **Uttar Pradesh**, audit observed that the names of beneficiaries and the banks in respect of 230 bankers cheques amounting to ₹ 9.42 crore (Allahabad: ₹ 0.03 crore and Saharanpur: ₹ 9.39 crore) were not available in the records maintained by the DSWOs.

³⁷ Nancy Polytechnic College; Adarsh Polytechnic College; Patiala Polytechnic College Rakhra; Punjabi University; ITI Patiala; GSSS Nabha G; GSSS Hoshiarpur; GGSSS Bagha Purana; GGSSS Moga; Mehar Chand Polytechnic College Jalandhar; Satyam College of Polytechnic; DAV College of Edu; SGGs Khalsa College; Sant Hari Singh Memorial College for Women; DAV College, Hoshiarpur; Govt. College Hoshiarpur; BCMS Polytechnic, Attalgarh

³⁸ (i)Hoshiarpur; (ii) Jalandhar; (iii) Moga; and (iv) Patiala.

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Hence, there was no assurance that the scholarship amounts of ₹ 9.42 crore had actually been credited to beneficiary accounts and the funds have not been diverted elsewhere.

Further in Meerut district, bankers' cheques of ₹ 5.91 crore were not deposited in student's bank accounts by the bank due to incorrect name/account number/IFSC code/*etc.* and were returned to DSWO. DSWO instead of taking necessary action for rectifying the deficiencies and ensuring payment to the beneficiaries concerned, deposited ₹ 1.51 crore in the receipt head of account of the department. Details of the remaining amount of ₹ 4.40 crore was not available.

6.4 Denial/short-reimbursement of scholarship due to improper processing of claims

Instances of denial of scholarship due to factors such as exclusion of certain components by State Governments, non-compliance of GoI orders, irregular practice of charging fee etc., have been described in paragraph no.5.4. We also noticed other instances of short coverage/denial of coverage of eligible beneficiaries due to improper processing of the claims by implementing authorities and non-compliance of orders of State Government in **Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh** under the scheme which are discussed below.

Maharashtra

➤ As per directive issued (February-March 2016) by the Commissioner, Social Welfare, mapping of new colleges, institutes and courses was required to be done to include them into *e-scholarship* online software system to extend benefit of PMS to students. The Assistant Commissioner, Social Welfare Aurangabad forwarded (March 2017) a proposal for mapping of 16 colleges during 2016-17 to Commissioner Social Welfare, Pune. However, the mapping was not done by Commissioner Social Welfare, Pune. Consequently, 896 out of 3,014 students enrolled in eight colleges could not register and submit online scholarship applications and were deprived of the scholarship.

➤ In Nagpur district, there were nine out of 11 educational institutions that have not been mapped resulting in depriving 133 SC students of these colleges from scholarship.

Punjab

- Three³⁹ out of 18 selected government institutions had not disbursed scholarship of ₹ 2.79 lakh to students transferred by DWSCBC on account of reimbursement of fee during 2015-16 and 2016-17 as details of students as well as years to which it pertained was not provided by DWSCBC.
- During the period 2012-17, out of ₹ 235.70 crore claimed by 59 institutions (details in **Annexe-10**), only ₹ 117.74 crore was reimbursed by the Department and balance amount of ₹ 117.96 crore was still pending to be reimbursed. The nodal department stated (October 2017) that reimbursement of claims to the institutions could not be made due to short release of funds by Government of India.

Tamil Nadu

- All the seven applicant students of VPMM Nursing College for Women, Virudhunagar, were denied scholarship (reimbursable tuition fee component of ₹ 2.10 lakh) during 2012-17 despite being eligible without any recorded reasons. Further, during 2012-17, 589 out of 2,156 eligible students whose applications were forwarded by respective seven⁴⁰ institutes to CADW were not sanctioned either tuition fee or maintenance allowance or both amounting to ₹ 66.49 lakh without any reasons on record.
- In other seven⁴¹ Institutes, it was observed that all the 924 eligible students were denied scholarship (reimbursable tuition fee component of ₹ 25.80 lakh) due to usage of wrong code of course, though the students already paid ₹ 95.52 lakh to the Institutes as tuition fees.

Uttar Pradesh

- During 2014-17, out of 8.41 lakh applications approved, payment to 1.16 lakh students in selected 10 districts was not made.

³⁹ DIET Ajjowal (Hoshiarpur); DIET Jalandhar; Government senior secondary girls school Giddarbaha (Mukhtasar)

⁴⁰ PSR Polytechnic College Virudhunagar District, Mepco Engineering College, Ramco Institute of Technology, PSR Engineering College, of Virudhunagar district, Sri Sankara Arts and Science College, Kancheepuram, Mount Zion College of Engineering, Government Girls' Higher Secondary school, Pudukottai

⁴¹ Rajapalayam Raju's College, Ayya Nadar Janaki Ammal College, Madura College, Madurai, Arul Anandar College, Madurai, Vellaichamy Nadar College, Madurai, PSG Arts and Science College, Coimbatore, Sri. Ramakrishna Mission Vidyalaya college of Arts and Science,

6.5 Excess reimbursement of scholarship claims

Audit noticed instances of excess payment of scholarship amounting to ₹ 49.67 crore to 1.88 lakh students against the prescribed norms under the scheme and orders of the State Government and overpayment due to incorrect calculation in three States of **Punjab**, **Tamil Nadu** and **Uttar Pradesh** during 2012-17 as tabulated in **Table-9**:

Table-9: Details of excess reimbursement of scholarship claims

Scholarship Component	Number of students	Amount of excess payment (₹ in lakh)	Remarks
Punjab			
Study Tour Charges (₹ 1600 per annum per student)	49,422 students of 769 institutes (details in Annexe-11)	2,509.00	The Department stated (October 2017) that the amount paid in excess will be adjusted in the next claim.
Book allowance (admissible for distance education scholars only)	4,421 regular students of Nursing, medical and para-medical colleges (details in Annexe-12)	54.55	
Maintenance allowance (payable at one-third of hosteller's rate to scholars availing free boarding and lodging)	2,518 students of six ⁴² Schools pertaining to 2014-17	13.08	The Department stated (October 2017) that recovery in such cases is difficult but directions will be issued to implementing department for further necessary action.
Scholarship Claim	1500 students of two institutes ⁴³	35.29	
Tamil Nadu			
Maintenance allowance	62 students of five institutes ⁴⁴	1.27	Maintenance allowance is payable at one-third of hosteller's rate to scholars availing free boarding and lodging.
Compulsory non-refundable Fee	40 students of Mepco Schlenk Engineering College, Virudhunagar	2.00	Tuition fee reimbursed by State Government as per rates applicable for accredited courses despite the fact that the courses were non-accredited during the period 2012-13.

⁴² Six Government Senior Secondary Residential Schools (GSSRS) were (i) GSSRS, Amritsar; (ii) GSSRS, Bathinda; (iii) GSSRS, Jalandhar (school shifted to Hoshiarpur in 2016-17); (iv) GSSRS, Ludhiana; (v) GSSRS, Mohali; and (vi) GSSRS, Patiala. Claims of ₹ 98.30 lakh were submitted against the admissible amount of ₹ 32.77 lakh (one-third) resulting in excess claim of ₹ 65.53 lakh. Out of this amount, maintenance allowance of ₹ 13.08 lakh for 2014-15 had already been disbursed.

⁴³ DAV college, Jalandhar and Adarsh Polytechnic college, Dhanthal, Patiala

⁴⁴ Government Arts and Science College for Women, (Pudukottai); Madurai Kamaraj University (Madurai); Madura College (Madurai); Vellaichamy Nadar College (Madurai); Madurai Constituent College, Sattur (Virudhunagar)

Scholarship Component	Number of students	Amount of excess payment (₹ in lakh)	Remarks
Uttar Pradesh			
Compulsory non-refundable Fee	1,29,618 students	2,352.00 ⁴⁵	State issued instructions (July 2003) prescribing fee for graduate courses (BA, B.Sc and B.Com) at a maximum of ₹ 5,000 per year for all State universities and their affiliated colleges. It further stipulated (September 2014) that the reimbursement of fee will be made at the rates fixed by the Government.
Total	1,87,581	4,967.19	

6.6 Audit Summation

The audit findings were indicative of lack of due diligence on the part of implementing authorities and line departments in verifying the documents and weaknesses in internal controls and checks. Mismatch between certificates and/or other particulars between those available online, departmental records and physical application forms raises the risk of ineligible students availing of benefits under this scheme. The overall financial implication of irregular payment of scholarship in Uttar Pradesh and Punjab, short coverage/denial of coverage of eligible beneficiaries due to inefficiency of the implementing authorities in Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh and excess payment of scholarship due to incorrect calculation in Punjab, Tamil Nadu and Uttar Pradesh amounted to ₹ 171.40 crore. The factors highlighted above can pose the following risks:

Factors	Risk involved
Mismatch between certificates and/or other particulars between those available online, departmental records and physical application forms.	Any <i>mala fide</i> intention on the part of DSWO/student/institution may go unnoticed which can result in ineligible students getting scheme benefit.
Incomplete application forms on record.	

⁴⁵ Only those records had been considered where fee taken was between ₹ 5001 and ₹ 10,000 for specialized B.A./B.Sc./B.Com. courses.

Factors	Risk involved
Submission of false statements of name, father's name, date of birth, etc.	Ineligible applicants getting the benefit of the scheme.
Improper scrutiny of scholarship claims by implementing authorities.	Denial/short reimbursement of benefit to eligible students. Extra payment of scholarship beyond the prescribed norms

Lack of Controls at IT System level

IT controls in a computer system are all the manual and programmed methods, policies and procedures that ensure the protection of the entity's assets, the accuracy and reliability of its records and the operational adherence to the adopted standards. We noticed that IT systems (web-portals) disbursing scholarship in States were deficient in general, input, processing and validation controls as discussed below.

7.1 Non-payment of Scholarship through National Scholarship portal leading to disbursement through State portals

During 2016-17, Ministry incorporated Post Matric Scholarship for Scheduled Caste Students (PMS-SC) in the National Scholarship Portal⁴⁶ (NSP) on trial basis for Union Territories. However, payment for PMS-SC could not be disbursed during 2016-17 as (i) NSP was not able to configure with the treasuries of UTs, and (ii) lack of incorporation of digital signatures for beneficiary data by UT nodal/Welfare Office.

It was then decided to implement PMS-SC through State portals. All State Governments/UT Administrations were to ensure that the scholarship is paid to the students through Post Offices/Bank accounts by opening accounts in the name of beneficiary through Direct Benefit Transfer (DBT) mode and that bank accounts of beneficiaries are Aadhaar seeded. Databases from these web-portals in the five selected States were analysed and the deficiencies noticed are discussed in succeeding paragraphs.

7.2 Deficient application controls on State web portals

Applications controls have a direct impact on processing of individual transactions and provide assurance that all transactions are valid, authorized, complete, accurate and recorded. Applications are further sub-divided into input controls and processing controls. Input controls ensure that the procedures and controls reasonably guarantee that the data received for processing are genuine, complete, not previously processed, accurate, properly authorized and are entered accurately and without duplication. On the other hand, adequate processing controls ensure complete and accurate processing of input and generated data.

⁴⁶ <https://scholarships.gov.in/>

Ministry launched NSP on 1 July 2015 on pilot basis, wherein two other schemes i.e. (i) 'Pre-matric Scholarship for SC Students' and (ii) 'Schemes of Top Class Education for SC Students' were also taken up for implementation.

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IT audit of State web portals disbursing scholarship revealed that system was not only allowing junk/duplicate data but was also processing the same for payment of scholarship as follows.

(a) Payment of scholarship in respect of data with duplicate bank account numbers

In **Uttar Pradesh**, data analysis of 47.49 lakh students (2012-17) by audit brought out that bank account numbers were being repeated in applications of 1.62 lakh students pertaining to 2012-15 involving scholarship payments of ₹ 118.45 crore. Release of scholarship in the bank account of others is not only in violation of rules but also involves risk of non-payment of scholarship to the actual beneficiary.

(b) Payment of scholarship amount more than once for a same student in same academic year under different student ID in colleges

Data analysis (6,29,668 cases pertaining to 2015-17) in **Punjab** revealed that 1,709 and 1,564 Aadhaar numbers were used in 3,428 and 3,163 cases involving scholarship of ₹ 6.82 crore and ₹ 8.81 crore respectively thereby indicating that one Aadhaar number was entered more than once in the system indicating fraudulent means to claim scholarship.

Data analysis in **Tamil Nadu** revealed⁴⁷ disbursement of scholarship more than once in same academic year for a same course to the same student for the years 2012-13 to 2016-17. In the State as a whole, 450 students (433 students – two times, 12 students- three times, five students - four times) had claimed scholarship more than once in an academic year for the same course with different student ID for the years 2012-13 to 2016-17 resulting in excess payment of ₹ 22.17 lakh.

There was evidently lack of input validation control in the application software to reject more than one entry for the same student in the same academic year and course year which resulted in multiple disbursement of scholarship to the same student.

⁴⁷ Criteria: Same institution same academic year, same course year, same student name, same parent name and same DOB - Source: t_student_scholarship_details and m_student_details

(c) *Multiple Payment on same caste certificate number/high school roll number*

In **Uttar Pradesh**, High School Roll Number, Caste Certificate Number, Bank Account Number have been used for unique identification of the students in the portal. Data analysis revealed that out of 47.49 lakh cases-

- 1.76 lakh cases where students were paid ₹ 233.55 crore as scholarship on the basis of same caste certificate numbers during 2012-17.
- 34,652 cases where students with same high school roll numbers were paid scholarships of ₹ 59.79 crore during 2012-17.
- In 13,303 cases, students obtained scholarships of ₹ 27.48 crore during 2012-17 on the basis of same caste certificate and same board roll number.

Interestingly, the above cases included 1,566 students (pertaining to 2016-17) who were identified as ‘correct’⁴⁸ data by the system (Saksham Portal) despite having same caste certificate and/or Board roll numbers which indicated failure of scrutiny by the system, institute and the State Social Welfare Department. This was despite the fact that the Saksham portal was improved in 2014-15 incorporating controls for stricter scrutiny.

(d) *Acceptance of applications where parental income exceeded the ceiling prescribed*

In two States of **Tamil Nadu** and **Uttar Pradesh**, the system was not only accepting the applications from ineligible students i.e. whose parental income was more than the limit prescribed but were also processing these applications for payment of scholarship.

In **Tamil Nadu**, due to input process failure in the application software, ineligible applications of 1,577 students whose annual parental income was more than ₹ 2.5 lakh were processed and payment released through ECS as scholarship of ₹ 43.54 lakh, for the years 2012-13 to 2016-17.

⁴⁸ The data which is verified online on the basis of various information obtained from the websites of concerned departments and found to be correct is categorised as ‘Correct’ data. Scholarship in respect of this correct data cannot be denied without sufficient justification on record. The remaining data is categorised as ‘suspect’ data and scholarship in these cases can be paid only after sufficient justification to be recorded.

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In 57 cases in **Uttar Pradesh**, students were paid ₹ 23.45 lakh scholarship during 2012-13 and 2015-16, despite their parental income being more than the prescribed⁴⁹ limit of ₹ 2.00 lakh.

(e) Excess payment of maintenance allowance

In **Tamil Nadu**, audit of scholarship portal also revealed that the maintenance allowance had been calculated and paid for more than 12 months in an academic year to 689 hostellers and 1022 day scholars amounting to ₹ 10.02 lakh and ₹ 9.44 lakh respectively for the years 2013-14 to 2016-17.

(f) Acceptance of incorrect data by Systems

Audit observed deficiencies such as acceptance of incorrect data by system and absence of other input controls, etc. which resulted in drawal of scholarship by multiple students on one bank account number, disbursal of scholarship without verification of genuineness of the student, etc. in the State portals of **Maharashtra, Punjab and Tamil Nadu** (details in **Annexe-13**).

The above discrepancies indicated lack of input and processing controls as the system had not flagged the invalid and duplicate entries at the time of initial data entry raising the risk of ineligible students availing the benefits under the scheme. Non-mapping of business rule in the application software further resulted in disbursement of scholarship amount to ineligible students.

7.3 Absence of general controls

General controls include controls over system software acquisition and maintenance, access security and application system development. They create the environment in which IT applications and related controls work. Main general controls, inter-alia, include organizational and management controls, logical access controls, program change controls, etc.

In **Karnataka**, audit noticed that the vital information i.e. user id and default passwords of students was displayed on home page of the portal. Since this information is required to gain access into the system, it could lead to unauthorised access by impersonation besides other associated risks. The department stated (December 2017) that NIC has since rectified the issue.

⁴⁹ Uttar Pradesh has not implemented the increased parental income limit, as discussed in paragraph No. 5.2.1.

In **Punjab**, line departments i.e. Technical Education, Medical Education, etc. were restricting the amount of fees to be paid for respective courses. However, the capping was not reflected in the State portal for disbursement of scholarship. Further, as already mentioned in paragraph no. 5.4, the web portal lacked the column necessary for identification of cases where fee was to be reimbursed to students instead of institutions.

In **Karnataka** and **Uttar Pradesh**, Audit noticed that in the scholarship portals, users interaction with the server was on an unencrypted channel i.e. HTTP⁵⁰ instead of HTTPS which does not guarantee confidentiality and integrity of the data transferred.

7.4 Partial operation of portal

In **Maharashtra** the scholarship portal was earlier developed through a private company. As the agreement with the private company was expiring in April 2016, the State extended the agreement with the private company for one year i.e. till April 2017 and simultaneously decided to operate it through MahaDBT⁵¹ portal. However the Department of Information Technology (Maharashtra) denied (May 2017) permission for the same resulting in non-operation of the portal from May till November 2017. This resulted in non-clearance of scholarship claims for this period and claims representing arrears of scholarship of earlier years.

7.5 Audit Summation

The Ministry was unable to implement PMS-SC through National Scholarship Portal due to technical issues and implemented the same through State portals. State portals however lacked both application and general controls required for ensuring access security and providing assurance that transactions are valid, authorized, complete and accurate. The web portal systems in Punjab, Tamil Nadu and Uttar Pradesh were not restricting invalid and duplicate entries at the time of initial data entry raising the risk of ineligible students availing the benefits under the scheme. Given the discrepancies in data generated by the State portals with financial implication of ₹ 455.98 crore determined by audit, the Ministry as well as the State Governments should ensure a comprehensive investigation of all cases to obviate the risk of irregular payment and malfeasance. These factors could pose the following risks:

⁵⁰ Hyper Text Transfer Protocol Secure (HTTPS) and Hyper Text Transfer Protocol (HTTP)

⁵¹ State's DBT portal being developed by its Department of IT

Factors	Risk involved
Acceptance of duplicate data in identification fields	Inadmissible claims may be processed. Ineligible students not only getting the irregular benefit of scheme but also of future employment irregularly. Fraudulent withdrawal of scholarship/ manipulation of the scholarship payment system may also lead to loss for state exchequers.
Acceptance of invalid/junk data	System may not be able to filter out the duplicate data which may result in multiple drawal of scholarships by the same student
Display of sensitive information	Unauthorised access into the system, which may further lead to fraudulent withdrawals of scholarships.
Communication over insecure channel	Insecure channel does not guarantee confidentiality and integrity of the data transferred. Application is vulnerable ⁵² to exposure of the biometric information.

⁵² Open Web Application Security Project (OWASP) top 10 -2013 – A6 Sensitive data exposure.

Ineffective Monitoring and Evaluation

Monitoring and evaluation is an integral part of any scheme as it helps the administrative Ministry to identify the problems in implementation of the scheme so that it can take necessary corrective steps to rectify the same.

8.1 Internal controls at State and district level

Internal audits were not being conducted except in **Uttar Pradesh** where the internal control in the form of internal audit was weak in performing the auditing task of the scheme. The Internal Audit Cell at the Directorate of Social Welfare Department issued 18 Audit Reports of the audit of different District Social Welfare offices during 2012-17 pointing out irregular release of ₹ 9.48 crore but the amount could not be recovered as of November 2017.

8.2 Monitoring of implementation of the scheme

8.2.1 Quarterly Progress Reports

In August 2009, the Ministry asked all States/UTs to submit Quarterly Progress Reports in the prescribed format by 30th of the month following each quarter (starting from April-June every year) and reiterated these directions in September 2015 and June 2016. States have, however, not been submitting quarterly progress reports regularly.

8.2.2 Annual inspection of educational institutions

The Ministry had asked (September 2015) all States/UTs to ensure annual inspection of educational institutions by a State Government Officer not below the level of a Group 'A' officer in Government of India and intimate the number of institutes cancelled after verification.

In **Punjab** and **Karnataka** no inspections of institutes were carried out during 2012-17. In **Maharashtra**, out of nine selected districts, no physical inspection was carried out in five⁵³ districts during 2012-17. In other four⁵⁴ districts, shortfall in inspection ranged between 67 to 94 *per cent*. The Commissioner of Social Welfare stated (November 2017) that it was impossible to inspect each college each year due to manpower constraints.

⁵³ Ahmednagar, Pune, Kolhapur, Solapur and Amravati

⁵⁴ Nagpur (88 *per cent*), Aurangabad (67 *per cent*), Thane (94 *per cent*) and Nashik (90 *per cent*)

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In **Tamil Nadu**, no inspection was conducted during 2014-15 to 2016-17 in test checked eight districts except in Virudhunagar district where the shortfall⁵⁵ was 98 per cent.

In **Uttar Pradesh**, State Government stipulated that annual inspection will be carried out by a district level Monitoring and Inspection Committee in three cases viz. (i) Private Institutes admitting SC students more than 30 per cent of their sanctioned seats, (ii) Institutes demanding fee reimbursement more than ₹ 1 crore or more, and (iii) at the discretion of Committee randomly; instead of all Institutes as prescribed by Ministry. In the selected 10 districts, the said committee was not constituted and therefore inspections were not carried out.

8.3 Grievance Redressal Mechanism at State level

The guidelines of the scheme (w.e.f. December 2010) provide that all States will designate Grievance Redressal Officers at the State and district levels to ensure expeditious redressal of grievances of SC/OBC students. These grievance redressal mechanisms were, however, not in place. Grievance Redressal Officers were not appointed at the district level or at the State level for redressal of grievances. In **Tamil Nadu**, the complaints/grievances were addressed to the Director of Adi Dravidar Welfare and action was stated to have been taken as per rules. In **Uttar Pradesh**, the actual number of grievances received and addressed could not be made available to audit. In the online portal, there was no provision of online grievance redressal system.

Ministry stated (September 2017) that most of the States are redressing the grievances of the students at the level of District Social Welfare Office and Principal Secretary (SW) office which tantamounts to conflict of interest because grievances can also be against the District Social Welfare office.

8.4 Grievances redressal at Ministry level

The Ministry also received complaints from individuals, students, student federations and newspaper reports regarding malpractices in the implementation of the scheme in **Uttar Pradesh** and **Punjab**. The Ministry forwarded these complaints/reports to the concerned States for necessary action and issued reminders in December 2016 and July 2017. No action taken report from States in respect of these complaints/ reports was found on record in the Ministry.

⁵⁵ 23 Institutes inspected in 2016-17 only out of total 1185 colleges during 2012-17

8.5 Inadequate monitoring for Commercial Pilot Licence Course

DGCA had asked the Ministry in May 2014 to develop a mechanism to monitor the scholarships granted by them so that public funds are not misused by the Flying Training Organizations and the benefits are passed to the actual candidates. Staggering of disbursement of the scholarship amount in phased manner based on verification of actual training being carried out by the applicant was also advised. Audit ascertained this information from DGCA to confirm the grant of CPL in respect of all 114 cases. Out of 114 cases approved during 2012-17, DGCA could confirm the status in respect of only 41 applicants with sanctioned scholarship of ₹ 12.76 crore

We noticed that out of these 41 students,

- (i) Only eight have completed the training successfully whereas other 24 were undergoing the training as of date;
- (ii) Four students, sanctioned scholarship of ₹ 1.25 crore, had left the course/dropped out;
- (iii) Three students who had been sanctioned scholarship of ₹ one crore did not report for training;
- (iv) One student of Haryana was sanctioned scholarship of ₹ 35.50 lakh out of which ₹ 3.59 lakh was incurred was terminated due to fraudulent activity; and
- (v) Details in respect of one other student of Bihar (sanctioned scholarship of ₹ 34.79 lakh) are not available with the flying Institute.

In five selected States, there is no mechanism to monitor the performance of candidates getting scholarship for CPL under PMS. In **Maharashtra**, out of 42 candidates who availed the scholarship, only one candidate who had completed CPL training, had got employment. Details of candidates who had completed their CPL course were not on record.

The States as well as the Ministry are, thus, not aware of number of students who have passed the course and got gainful employment. The Ministry is approving substantial grant of scholarship for CPL course without the requisite monitoring mechanism in place for this course.

8.6 Evaluation of the scheme

The Committee on restructuring of Centrally Sponsored Schemes (CSS) by Planning Commission emphasized (September 2011) the need for independent evaluation of all CSS on regular basis as it had observed that the monitoring and evaluation is generally poor due to gaps in design of scheme and lack of ownership among States and no emphasis was being laid on outcomes or impact of these schemes.

No comprehensive evaluation of the scheme country-wide had been carried out during the XIIth five year Plan. No specific outcome indicators were available for measuring the impact of the scheme.

During 2012-17, four* evaluation studies were carried out which observed (i) absence of any cut-off date for receipt of applications of scholarship, (ii) wide variation in rates of fees for same courses across the government, (iii) absence of foolproof attendance marking system in Institutes, (iv) higher drop-out percentage in most of the Institutes, etc. The Ministry had forwarded the findings and recommendations of these inspection reports to these States for remedial action in October 2016. However, no action taken reports on these findings were received from the States.

The Ministry stated (January 2018) that revised guidelines for the scheme are under process for approval of CCEA.

8.7 Outcome Review of the Scheme and its Continuance beyond Twelfth Five Year Plan

The Ministry of Finance circulated (August 2016 and February 2017) instructions for continuance of ongoing schemes beyond 12th Five Year Plan to all Ministries/Departments wherein they were directed to undertake outcome review of their ongoing Schemes at the end of 12th Five Year Plan and for further continuation, re-submit the same for appraisal and approval unless the scheme has already been made co-terminus with the 14th Finance Commission (FFC) period or beyond. The appraisal was to be submitted by the end of March 2017.

* (1) Joint evaluation of NITI AAYOG and the Ministry in Maharashtra, Punjab and Telengana - October-November 2015, (2) Survey/inspection of 33 educational institutes in Uttar Pradesh by Ministry-(July 2016), (3) Survey/inspection of 16 educational institutes in Maharashtra by Ministry - (July 2016) and (4) Survey/inspection of 14 educational institutes in Odisha by Ministry – (August 2016)

We observed that Ministry had not undertaken any outcome review of the Scheme for its continuance beyond the 12th Plan period. The Scheme was in operation up to March 2017 as per the period of Twelfth Five Year Plan. The Ministry released central assistance to the States/UTs during 2017-18 for clearing arrears accumulated up to 2016-17.

The Ministry stated (January 2018) that revision/continuation proposal is under process for approval of CCEA and that third party evaluation of the scheme is also under process.

8.8 Audit summation

The institutional mechanisms for effective monitoring and grievance redressal were either non-existent or weak in operation. Directions of the Ministry to States to furnish quarterly progress reports, carry out annual inspections of institutes and establish grievance redressal mechanism, were either not complied with or partially complied with by the five selected States. There was also no evaluation of the scheme during the 12th Five Year Plan to assess its effectiveness at the ground level. The factors mentioned above may lead to following possible risks:

Factors	Risk involved
Deficient internal audits	The failure of internal control mechanism in the implementation of the scheme will go unnoticed and may result in faulty scheme execution.
Non/partial receipt of quarterly progress reports from States	The physical and financial progress of the scheme may not be ascertained.
Shortfall in inspection of institutes	Any <i>mala fide</i> activity in implementation of the scheme may go unnoticed.
Deficient grievance redressal mechanism	The grievances may not be addressed resulting in denial of benefit to the aggrieved party.
Non-conducting of evaluation	The deficiencies in the implementation of the scheme as well as gaps in scheme guidelines may remain unnoticed.
