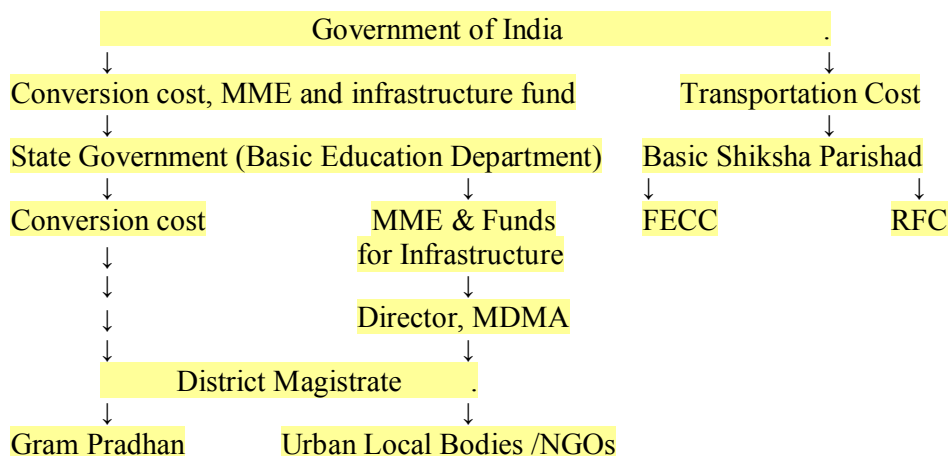


## CHAPTER-3

### FINANCIAL MANAGEMENT

The GOI provided financial assistance to the State for the MDM scheme in the shape of (i) food grains free of cost through FCI godowns, (ii) conversion cost, (iii) MME funds, (iv) infrastructural funds and (v) transportation cost of food grains from FCI godowns to schools by reimbursement on receipt of transportation bills. Flow of funds from GOI to implementing agencies was as under:



### 3.1 Financial Performance

Release of conversion cost and MME funds by GOI and their utilization are discussed in this Chapter and those relating to food grains, transportation and infrastructure are discussed in Chapters 4, 5 and 7 respectively.

The State Government made provision in its budget estimates/ revised estimates in anticipation of release of funds by GOI against the Annual Work Plans and released the conversion cost to DMs for transfer to the Gram Pradhan/ Nagar Panchayat/ Non-Government Organisations (NGOs). MME and infrastructure funds were released to the MDM Authority.

#### 3.1.1 Conversion cost

Conversion cost of ingredients such as pulses, vegetables, cooking oil, condiments, cost of fuel and wages for cooking was payable at the rate of Re one per child per school day from September 2004 in addition to 15 per cent of the Central assistance being provided under Pradhan Mantri Gramodaya Yojna. The rate was increased (15 August 2006) to Rs two (including State share of Rs 0.50) per child per school day. As the State Government had neither established any mechanism to obtain reliable data of enrolment of children nor carried out the base line study to ascertain the actual number of students in PSs/ centres etc., provision in the budget was made on unrealistic data and proved excessive. Details of funds released by the GOI

and the State Government through budget and utilization thereof were as under:

**Table 2**

(Rs in crore)

Year	Released by GOI	Released by State Government		Total releases	Closing balance of previous year	Total Funds available	Expenditure	Closing balance (per cent to funds released)
		GOI Share	State Share					
2004-05	170.67	204.00	NIL	204.00	----	204.00	175.42	28.58(14)
2005-06	295.53	333.36 <sup>2</sup>	NIL	333.36	28.58	361.94	280.36	81.58(24)
2006-07	436.48	436.48	84.16	520.64	81.58	602.22	497.13	105.09(20)
<b>Total</b>	<b>902.68</b>	<b>973.84</b>	<b>84.16</b>	<b>1058.00</b>			<b>952.91</b>	

<sup>2</sup> Rs 264.20 crore of MDM scheme and Rs 69.16 crore<sup>2</sup> of Special Component Plan

Note: Cooked mid-day meal scheme was started in September 2004 in the State.

14 to 24 per cent conversion cost was not utilised

Rs 69.16 crore of SCP fund was irregularly diverted

It will be seen from the table that between 14 and 24 per cent of the funds released remained unspent at the end of each year during 2004-07 indicating excess provisioning of funds in the budget.

Further, the State Government during 2005-06 diverted Rs 69.16 crore from Centrally sponsored scheme viz., Special Component Plan meant exclusively for Welfare of Scheduled Castes for conversion cost though available funds of Rs 292.78 crore (Rs 264.20 crore released in that year and Rs 28.58 crore unspent balance of the preceding year) under the MDM scheme were sufficient to meet the conversion cost. The diversion was irregular and unnecessary as GOI had already provided conversion cost for SC children also in the MDM scheme. Of the diverted amount, Rs. 12.60 crore remained unutilized by the end of March 2006.

### 3.1.2 Conversion cost at District level

The conversion cost was to be released by the concerned DMs to the implementing agencies through BSAs and utilization certificates (UCs) were to be obtained for proper control over expenditure. The schools were also to be informed of the financial sanctions accorded for meeting the conversion cost of the MDM. Records of BSAs in the test checked districts, however, showed the following:

Primary Schools were not informed about release of conversion cost

UCs of Rs 952.91 crore were not obtained

- Schools were not informed about the release of conversion cost to the implementing agencies.
- Rupees 952.91 crore for conversion cost were transferred to the bank accounts of the implementing agencies, but UCs for the expenditure incurred by them were not obtained from implementing agencies.
- Rupees 14.26 crore (for 2004-05: Rs 2.47 crore, 2005-06: Rs 4.56 crore and 2006-07: Rs 7.23 crore) were lying unutilized with the DMs of the test checked districts as of March 2007 (*Appendix-III*).
- In Jhansi district, 13 cheques amounting Rs 9.85 lakh issued by the BSA in March 2007 were handed over to the Assistant BSAs for depositing these in the bank accounts of Gram Pradhans concerned. The Assistant BSAs did not deposit the cheques in time and these became time barred.
- The Executive Officer, Nagar Palika Parishad, Ballia, refunded Rs 7.58 lakh (2004-05: Rs 2.27 lakh and 2005-06: Rs 5.31 lakh) of un-utilised

<sup>2</sup> Rs. 69.16 crore was released against the budget provision of Rs. 71.25 crore.

conversion cost in October 2007 after audit had pointed out retention of the amount.

- Nagar Ayukta<sup>3</sup>, Lucknow did not surrender the unutilized amount of Rs 21.93 lakh lying since 2004-05, as of December 2007.

The above findings indicated that utilization of funds for the conversion cost was not managed and monitored properly at the district level.

The Director replied (October 2007) that the Government released conversion cost directly to the districts and therefore, information regarding unutilized balances of conversion cost would be available with the Government. On the other hand, the State Government stated (September 2007) that information would be made available after collecting it from Finance Controller of the MDM Authority. This indicated poor monitoring and poor management of conversion cost funds at the Government and Authority level as well.

### 3.2 Management, Monitoring and Evaluation

The GOI provided funds equivalent to 0.9 *per cent* up to March 2005 and thereafter 1.8 *per cent* of the total assistance on food grains, transportation and conversion cost under the MDM scheme for effective MME. The MME fund was to be utilised for school level expenses (50 *per cent*), management, supervision, training, internal monitoring and evaluation (35 *per cent*) and external monitoring and evaluation (15 *per cent*) The details of funds received from GOI, released by the State Government and utilized by the MDM Authority were as under:

**Table 3**

(Rs in crore)

Year	Opening balance	Release by GOI	Release by State	Total Fund available	Expenditure	Balance (Per cent)
1	2	3	4	5 (2+4)	6	7
2004-05	Nil	Nil	Nil	Nil	Nil	Nil
2005-06	0.00	6.47	3.88	3.88	3.34	0.54(14)
2006-07	0.54	8.13	11.26	11.80	0.75	11.05(94)
<b>Total</b>		<b>14.60</b>	<b>15.14</b>		<b>4.09</b>	

Note: Cooked mid-day meal scheme was started in September 2004 in the State.

It was observed that:

- No fund was released by the GOI in 2004-05 for want of approval of the National Steering-cum-Monitoring Committee set up in the Ministry of Human Resource Development for monitoring the MDM scheme. It was envisaged that the management task would be carried out through contract appointees and external monitoring/ evaluation would be outsourced to reputed organizations by the State Government. This was not done.
- The State Government in the UCs furnished to GOI, reflected a closing balance of Rs 7.92 crore at the end of March 2007. However, the cash book of the MDM Authority showed the actual closing balance at Rs 11.05 crore. Further scrutiny revealed that Rs 2.59 crore released by the State Government in December 2006 was accounted for by the MDM Authority in its cashbook in March 2007. Though the amount was not utilized it was

**Receipt of  
Rs 2.59 crore  
was not  
accounted for  
in the UC**

<sup>3</sup> In Lucknow, the implementation of the scheme in urban areas was with Nagar Ayukta (Municipal Commissioner).

not included in the closing balance in the UC for 2006-07. Reason for the difference of the remaining amount of Rs 54 lakh was not furnished by the MDM Authority.

- Interest amounting to Rs 3.40 lakh earned on the funds kept in two different banks during 2005-07 was neither accounted for in the books of the MDM Authority nor shown in the UC sent to the GOI.
- Seventy BSAs and 17 regional offices were provided (April 2006) Rs one lakh each for procurement of computers but UCs were not obtained as of August 2007. Computers were purchased in eight<sup>4</sup> of the 16 test checked districts and computer operators were engaged on contract basis up to March 2007. Thereafter, no operator was deployed. The computers were either lying idle or were used for works not related to the MDM scheme.
- The MDM Authority released Rs. 95.32 lakh to the District BSAs for 95,324 schools at the rate of Rs 100 each as contingency for purchase of registers for maintenance of health records of students but the UCs were neither obtained nor was the progress of maintenance of health records monitored at the Authority level.
- Fifteen *per cent* of MME funds were to be incurred on annual evaluation of the scheme. The Director did not initiate any action in this regard despite availability of Rs 2.27 crore<sup>5</sup>. This resulted in non-location of cases of malnutrition, non-assessing of nutritional status of children and identification of weak areas in functioning of the scheme.

Evaluation of scheme not done despite of availability of Rs 2.27 crore

The Government stated (January 2008) that instructions of the GOI regarding interest amount had been sought and UCs for purchase of computers were being obtained.

Failure to obtain the UCs of the funds for computers even after 21 months of their release showed poor monitoring at the State Government level.

### 3.3 Conclusion

Budget provisions were excessive leading to huge unspent balances at the end of each year. UCs for the amount released for meeting conversion cost were not obtained and monitoring/ evaluation of the scheme by an external agency was not undertaken inspite of availability of funds.

### 3.4 Recommendations

- Budget provisions should be based on the realistic enrolment data of children in primary school, EGS and AIEs.
- Utilisation certificates of the amount released should be obtained for proper financial management.
- Schools should be informed about the release of conversion cost.

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<sup>4</sup> Ballia, Bareilly, Etah, Ghazipur, Kanpur Nagar, Kannauj, Shahjahanpur and Shrawasti.  
<sup>5</sup> 15 *per cent* of Rs 15.14 crore