

CHAPTER-V

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ARRANGEMENTS IN GOVERNMENT DEPARTMENTS

Internal Control System in Secondary Education Department

Highlights

Internal controls are the policies and procedures by which an organization governs its activities. Such a system provides a reasonable assurance that programmes achieve their intended results; resources are used consistent with objectives and are protected from waste, fraud, and mismanagement; laws and regulations are followed; and reliable and timely information is maintained, obtained, reported and used for decision making.

An evaluation of the internal control framework in the Secondary Education Department for the period 2002-03 to 2006-07 revealed deficiencies due to non-compliance with norms and procedures in the areas of budgetary, manpower, operational and financial controls. The main findings are highlighted below:

➤ *Non-adherence to budgetary procedures led to inefficient allocation of funds and persistent savings every year.*

[Paragraph: 5. 7.1]

➤ *Poor planning resulted in lapse of Rs.21.95 crore of Plan Funds received for creation of critical infrastructure in secondary education*

[Paragraph: 5.7.1.1]

➤ *Department provided Rs.5.10 crore to a private society without budgetary provision.*

[Paragraph: 5.7.1.4]

➤ *Only seven Rajiv Gandhi Navodaya Vidyalayas were opened against the target of 13 upto June 2007, of which four were functioning with 79 to 84 per cent shortage of teachers and one with not even a single teacher.*

[Paragraph: 5.7.4.3]

➤ *Disproportionate deployment of teachers in hilly areas as compared to plain areas adversely affected the performance of the students.*

[Paragraph: 5.7.5.1]

➤ *Transfers and postings of teachers were done mainly on political recommendations and the designated committees constituted for the purpose were rendered moribund.*

[Paragraph: 5.7.5.2]

➤ *SCERT did not arrange teachers' training under a centrally sponsored scheme and Rs.1.35 crore pertaining to year 2004-05 and 2005-06 remained unutilized.*

[Paragraph: 5.7.5.3 (ii)]

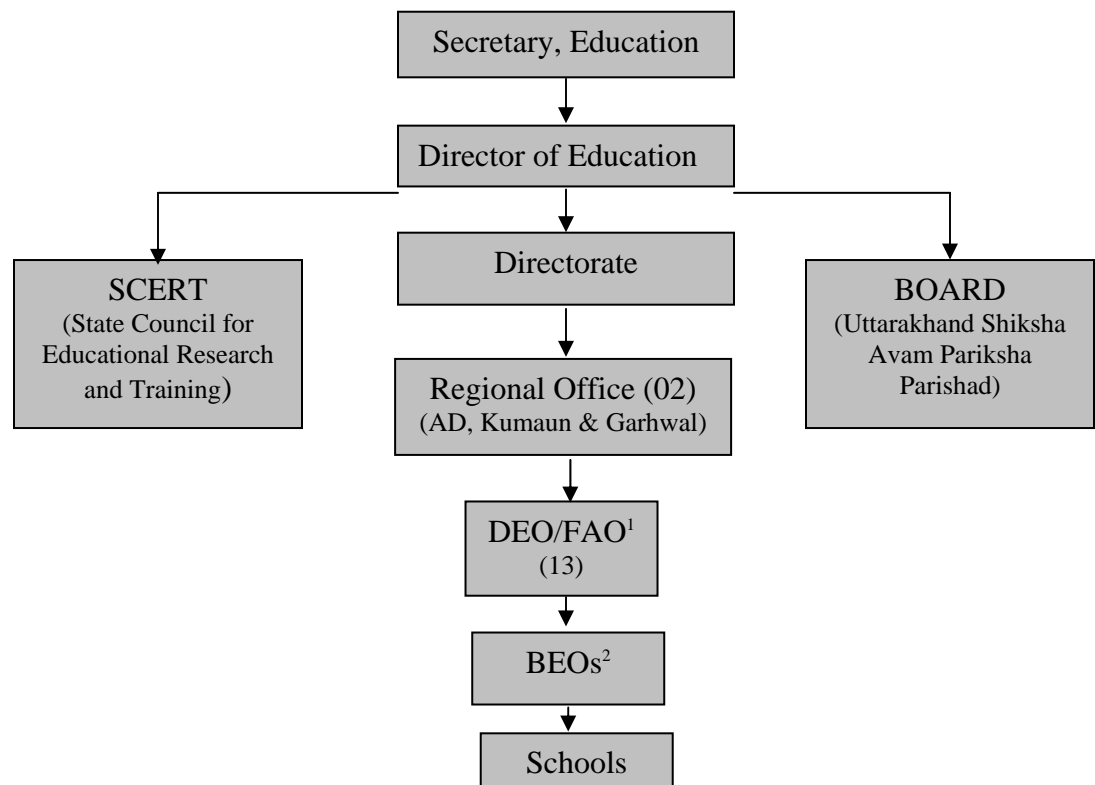
5.1 Introduction

Secondary Education in Uttarakhand refers to schooling from class IX to XII. There are 1755 Government, 273 Government aided and 235 private / self financed schools and colleges in the State.

The Government schools and colleges function under the administrative control of Education Department. Financial assistance to aided institutions is restricted to salary of staff and teachers.

5.2 Organizational set up

The organizational set-up of the Secondary Education Department is given below:



5.3 Audit objectives

The objectives of audit were to assess the adequacy and effectiveness of:

- budgetary, financial and accounting controls;
- operational control;
- manpower control;
- system of internal audit; and
- supervisory / monitoring mechanism.

¹ DEO/FAO: District Education Officer/Finance and Accounts Officer

² BEO: Block Education Officer

5.4 Audit criteria

The audit criteria set for achieving the audit objectives were:

- Provisions of the State Financial Handbook, Budget Manual and the Treasury Rules;
- Education code and departmental manuals;
- Prescribed guidelines of various schemes operational in the Department;
- Government orders and departmental policies issued from time to time;
- Inspection and monitoring mechanism prescribed in the Department.

5.5 Scope of audit

Effectiveness of the internal control system in the Department for the period 2002-03 to 2006-07 was reviewed between May to August 2007 through a test check of records in the offices of the Director of Education (DE), State Council for Educational Research and Training (SCERT) and Additional Director (AD), Garhwal Region. District Education Officers (DEOs)/ Finance and Accounts Officers (FAOs) of four out of 13 districts (Dehradun, Pauri, Pithoragarh, Tehri) and two District Institutes of Educational Training (Pithoragarh and Haridwar) were selected. Audit findings in the pilot study conducted in Udham Singh Nagar have also been included in the report where appropriate.

5.6 Audit methodology

Before commencing audit, the audit objectives, criteria and scope were discussed (March 2007) with the DE and his authorities in an entry conference. District units were selected using statistical sampling method of probability proportional to size with replacement (PPSWR). Audit conclusions were drawn after a scrutiny of the records, analysis of the available data and response to questionnaires and audit memoranda. The audit findings were also discussed (November 2007) with the Secretary of Education in an exit conference and the views of the Department were suitably included in the relevant paragraphs, wherever found appropriate.

5.7 Audit findings

The results of audit are discussed below:

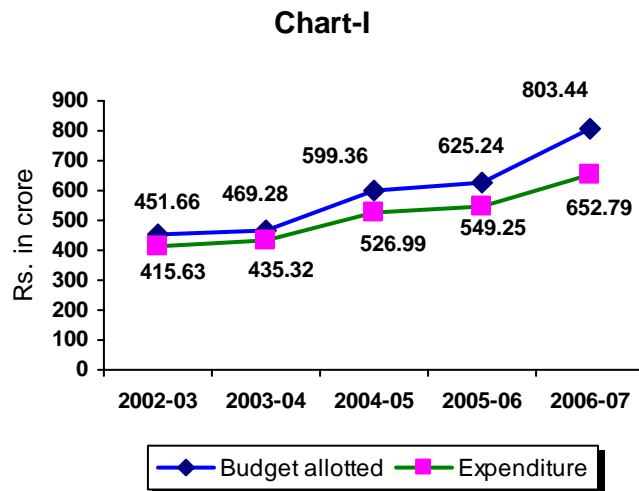
5.7.1 Budgetary controls

Budgetary controls ensure that revenue and expenditure, in particular, the liabilities are accurately assessed, funds are allocated commensurate with objectives and development of prioritized/approved activities, release of funds is timely and that expenditure is incurred for the purpose it was granted and is within the allocation. The objective is that funds do not remain idle and operational activities are not hampered due to inadequacy of funds. Towards this objective, the provisions of budget manual provide that:

- Each Head of Department (Controlling Officer/HOD) should prepare the budget estimates (BEs) on the basis of the requirement obtained from subordinate Drawing and Disbursing Officers (DDOs), for each head of account, by 31st October and forward the same to the Finance Department latest by November 15 of each year.
- Each controlling officer has to ensure that the grant of the year is utilized / spent fully and anticipated savings are reported to the Finance Department latest by 25 January every year.

Records of the Directorate and in the DEOs test-checked in audit revealed that the Department prepared demand for grants without inputs from districts. Thus the demands were not need based or user specific and hence, not realistic or developmental in nature. In fact, the requirements from districts were received after the completion of the budget each year³ during the entire period of review. Further, the Department did not submit the BEs to the Finance Department within the scheduled time⁴ indicating the casual approach of the Department as also the fact that the budget proposals were not backed by conviction.

The faulty and foundationless budgetary process resulted in persistent savings, which increased from 8 per cent in 2002-03 to 18.75 per cent in 2006-07. The persistent savings strengthen the weaknesses and delays in project execution and the casual approach to preparation of budget estimates. The anticipated savings



were neither monitored nor reported or surrendered as per codal provision and they lapsed at the end of the year. Due to this, these funds could not be used by other needy departments where expenditure was in excess of allotments. Despite substantial savings in the earlier years, the allocation for subsequent years was enhanced and supplementary grants were demanded and received, although the actual

expenditure in each year was lower than the budget estimates (details are in *Appendix – 5.1*). For instance, there was a saving of 12.2 per cent in 2005-06, yet the allocation for 2006-07 was increased by 28.5 per cent; the expenditure rose by only 18.9 per cent, resulting in saving of Rs. 150.65 crore. Yet the Department did not surrender the funds in time. This indicated the absence of budgeting concept in the Department. The Department stated (June 2007) that increased allocation was to provide for recruitment during the years and hence a

³ Delayed by: Dehradun (1 to 5 months), Pauri (5 to 6 months), Pithoragarh (1 to 6 months) and Tehri (1 to 5 months).

⁴ BEs were submitted on 27.12.2002 (for 2003-04); 1.1.2004 (for 2004-05); 23.11.2004 (for 2005-06) and 28.12.2005 (for 2006-07)

rise in establishment expenditure was anticipated. While the Department recruited 7860 teachers during the period, the budgeted figures in all the years exceeded the requirement by 13.42 *per cent* on an average. Further recruitment involves fixed procedure of advertising vacancies, examination, interviews, verifications and appointment, and if appointments are not made in time funds should have been surrendered.

5.7.1.1 Non-utilisation of Plan Funds

An outlay of Rs. 547.69 crore was approved for secondary education under Tenth Five Year Plan (2002-03 to 2006-07) but the Department could utilize only Rs. 525.74 crore (96 *per cent*) and the unutilized balance of Rs. 21.95 crore lapsed at the end of the Plan. Utilisation of funds was particularly poor in respect of the following schemes:

Table: 5.1

(Rupees in lakh)

Name of scheme	Approved Outlay	Expenditure during the plan period (% of utilization)	Expenditure in 2006-07	Delay attributed to
Opening of New Schools and Subjects	210.26	36.31(17%)	26.05	Non-creation / sanction of post of teachers
Const./Re-const. of School buildings under Tribal Sub-Area Plan(TSP)	90.00	21.00(23%)	21.00	Delay in approval of capital works
EDUSAT ⁵	95.00	Nil	0	Equipment not provided by GOI
Const./Re-const. of School buildings under SC Area Sub-Plan(SCP)	80.00	29.18(36%)	29.18	Delay in approval of capital works
Science Kit	199.53	99.53(50%)	Nil	Non-finalization of proposals
Up-gradation of UPS to High School under SCP	5300.00	2962.75(56%)	1827.75	Non-finalization of proposals

Source: Information obtained from the DE.

The above schemes were for creation of critical infrastructure for secondary education in the State. Poor utilization of allocations in the above plan schemes was because of delayed implementation. As can be seen from the table, the implementation of schemes gathered momentum only in the last year of the Plan (2006-07) when 60 *per cent* of the allocation was spent. Thus, delay in creation of posts and approval of capital works shows poor planning and implementation of departmental programmes. As a result the benefits envisaged from these schemes could not reach the people of the State.

The following findings further show the inadequate budgetary control exercised by the Department:

5.7.1.2 Lapse of funds received under supplementary demand

Supplementary demand⁶ of Rs. 3 crore was raised (September 2006) for providing special facilities to girls belonging to the below poverty line (BPL) families. But

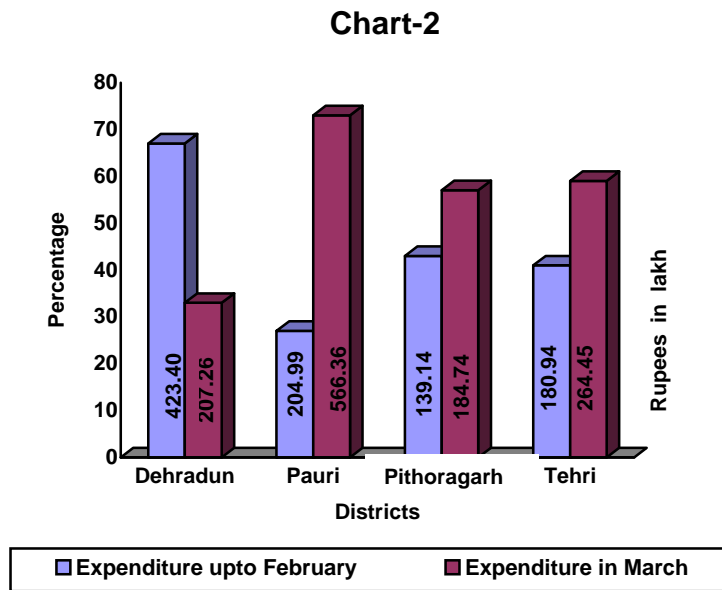
⁵ Education through satellite.

⁶ When budgetary allocations appear short of requirement, the Government obtains supplementary grants from the Legislature during the year.

the funds lapsed without utilization at the end of the financial year 2006-07. The DE replied (June 2007) that the funds could not be spent because modalities of the scheme were not finalized. Funds were demanded and obtained without finalization of scheme and without determining likely expenditure between September 2006 and March 2007. Thus the purpose of seeking supplementary demand was defeated. Further, girls of BPL families were deprived of the benefits.

5.7.1.3 Rush of expenditure at the close of financial year

Audit scrutiny in test checked districts (DEOs) showed that there was rush of expenditure towards the end of financial years during 2002-03 to 2006-07. 33 to 73 per cent expenditure



was incurred (except salary head) in the month of March as shown in the chart. In the absence of records on quarter-wise release of funds by the Department to the DEOs, further analysis of reasons for rush of funds could not be made in audit. DEOs replied (between May and August 2007) that the crowding of expenditure in March was because the schools submitted their bills in the last months of the financial year. The reply is not acceptable as rush of expenditure towards end of financial year is not prudent and indicates absence of financial control including monthly monitoring of expenditure. Further, the DEOs themselves had not submitted proper budget proposals. It also indicates that the rush of expenditure in March was to avoid lapse of funds and to ensure that there is no curtailment in the next years budget.

5.7.1.4 Diversion of funds

The Department provided Rs. 5.10 crore⁷ to a society “Doon Library and Research Centre, Dehradun” towards creation of a corpus fund by diversion of departmental savings on last day of financial years. The DE replied (June 2007) that funds were released on orders from the State Government. The reply is not

⁷ Rs. 3.30 crore in 2005-06 and Rs. 1.80 crore in 2006-07.

tenable as the institution is a private society and the assistance was not provided for in the departmental budget. Moreover, funds were released on the last day of the financial years out of departmental savings to avoid lapse of funds. These funds could have been utilized in critical areas such as providing infrastructure facilities, the shortage of which has been pointed out in *Paragraphs 5.7.4.2 (i) & (ii)*.

5.7.1.5 Non-provisioning for liabilities

- The Department made no provision for Rs. 37.84 crore on account of interest due on General Provident Fund (GPF) of employees working in the State Government- aided institutions for the period 2004-05 to 2006-07. In reply, it was stated (June 2007) that the provision could not be made because the State Government did not sanction the funds.
- Under the new pension scheme⁸, Government is required to match the employees' contribution (representing 10 *per cent* of the salary). However, the Government has not created a provision for pension contribution relating to employees of Government aided institutions as of July 2007. On this being pointed out, the DEOs replied that delay was because the Government was yet to decide on the head of account to which the contribution should be charged.

5.7.1.6 Failure to obtain reimbursement from Central Government

- Pay and allowances of instructional staff recruited under GOI-sponsored scheme of National Fitness Corps (NFC) were required to be reimbursed by GOI. Test check of records of DEO, Dehradun revealed that reimbursement amounting to Rs. 35.43 lakh on account of pay and allowances for the period from November 2000 to June 2006 of three Physical Training Instructors⁹ posted in the district (presently retired) were not claimed from GOI.
- A sum of Rs. 1.24 crore paid (March 2006) as honorarium (for the period 2000-01 to 2005-06) to part-time teachers employed under the GOI sponsored scheme "Vocationalisation of Secondary Education" was not reimbursed by GOI on the ground that the State Government did not enter into the required MOU with the Central Government for the purpose. Further details on this issue are at *Paragraph 5.7.4.4*.

5.7.2 Financial controls

Financial controls are required to provide reliable financial data to the organization, safeguard assets and ensure adherence to prescribed policies, rules and norms. They are essential to prevent frauds, errors and mismanagement of funds and other resources.

⁸ The new scheme is compulsory for all employees recruited after 01 October 2005.

⁹ Shri Santosh Bhatia, Smt. Pushpa Garg and Smt. Kusumlata Sharma.

Audit analysed records at the Directorate and DEOs to check the efficacy of financial controls with regard to adherence to norms. The findings are discussed below:

5.7.2.1 Irregular assignment and avoidable expenditure

Under the provisions of Financial Hand Book, the Public Works Department (PWD) is responsible for execution of all building works of Civil Departments. 'Rural Engineering Services' (RES) executes works in rural areas. No centage charges are payable to these working agencies for such works.

Test check of records of the Directorate revealed that 108 out of total 117 works were assigned to agencies other than PWD and RES in contravention of the above provisions. The Department thus incurred an avoidable liability of Rs. 10.28 crore as centage charges at the rate of 12.5 per cent of construction cost and this will be Rs. 16.99 crore after completion of all these works as shown in the following table:

Table : 5.2

(Rupees in crore)

Name of working agency	No. of works	Estimated cost	Centage charges payable	Upto date expenditure		
				Cost of works	Centage charges	Total
Uttar Pradesh Rajkiya Nirman Nigam	70	131.31	14.59	70.39	8.80	79.19
Uttranchal Peya Jal Nirman Nigam	38	21.55	2.40	11.88	1.48	13.36
Total	108	152.86	16.99	82.27	10.28	92.55

Source: Information obtained from DE (activity report on civil works).

The DE replied (June 2007) that the assignment was done by the Government at the time of sanction itself. The reply is not acceptable as it was against the aforesaid financial rules.

5.7.2.2 Procurement without tender

Financial Hand Book stipulates that tender should be invited in each case (unless the value of order to be placed is small) so that Government gets a fair return through competition. Further no payment should be made till the installation and testing of plant & machinery is done.

Records of the Directorate revealed that 9015 computers were purchased through 12 agreements executed during the period 1999 to March 2007 valuing Rs. 53.21 crore with a State PSU, M/s. HILTRON Limited, Dehradun without tendering. Moreover, the Department agreed to pay Rs. 53.21 crore as advance to the supplier in the agreements itself without linking the payments to installation and testing. It was also seen in audit that the supplier did not submit any bill to the Department for adjustment of the advances.

On this being pointed out, the DE replied (June 2007) that procurement of computers through M/s. HILTRON Limited was done as per rate contract issued by Information and Technology Department of the State Government. The reply

is not tenable because rate contract issued by Government is applicable to retail purchases of stores / equipments only and not for bulk purchases of high value items.

5.7.2.3 Non-adherence to norms and undue aid to supplier

Rate contracts issued by the Information and Technology Department of the State Government for supply of computers provided that (i) installation will be done free of cost by every vendor across Uttarakhand at district headquarters whereas Rs. 500 will be paid for non-district headquarters; (ii) equipment shall have a comprehensive onsite warranty of three years; and (iii) all vendors are required to impart adequate training to concerned officials for a duration of five days in a group of 10 persons, at the site of installation, free of cost.

Audit scrutiny revealed that in contravention of the above provisions, the Department agreed to pay 5 per cent of the total contract amount i.e., Rs. 2.52 crore as service charges and execution expenses to M/s Hiltron. Further Rs. 6.45 crore was paid to the supplier for providing computer training to the teachers and staff in the schools/ colleges.

The DE replied (June 2007) that the payments were made as per Government instructions. The reply is not acceptable as it was in violation of procedure prescribed by the Government for rate contracts. Thus acceptance of additional conditions of supplier resulted in extra financial burden of Rs. 8.97 crore to the Government and undue aid to the supplier.

5.7.2.4 Non-adherence to norms on construction of science laboratories

The Department fixed norms of Rs. 5 lakh as construction cost of science laboratory, later revised to Rs. 5.45 lakh in 2004-05. Construction was required to be done through Parent Teachers' Association (PTA) for which standard drawings were also drawn up. However, test check in audit revealed that six laboratories were constructed (during the period 2002-03 to 2004-05) at significantly higher cost than the norms as shown in the following table:

Table : 5.3

(Rupees in lakh)

Name of inter college/ school	No. of labs	Sanctioned cost	Executing agency	Comments
GIC, Bara, US Nagar	03	40.83	UP Jal Nigam	Constructed in 2002-03 at a cost of Rs. 39.75 lakh.
GIC, Mahuakhera, US Nagar	03	26.34	UP Jal Nigam	Only the foundation has been laid at a cost of Rs. 4.66 lakh; contractor abandoned work for want of funds in 2005.

Scrutiny of the records in the test checked districts showed that laboratories were being constructed as per the prescribed norms except in the above cases. The reasons for significant departure from norms in these cases by the Department with regard to assignment of work to UP Jal Nigam and exceeding the normative construction cost could not be substantiated from records.

5.7.3 Accounting controls

The adequacy of accounting control by the Department was examined with reference to laid down accounting procedures for recording transactions and maintenance of records. The deficiencies noticed during audit are discussed below:

5.7.3.1 Non- maintenance of records

- Financial rules provide that a simple cash book (Form No. 2) should be kept in every office for all money received by Government servants in their official capacity and money withdrawn from treasury.

Records of selected districts revealed that no cash book was maintained by the DEOs for transactions relating to aid to Government Aided Institutions, which the Department justified on the ground that grant registers have been maintained for the purpose. The reply is not tenable because maintenance of cash book for every DDO is mandatory as per financial rules.

- Test check of records of selected districts revealed that the basic records like: 'Asset Register', 'Register of Major & Minor Works', 'Advance Register', 'Ledger', 'Departmental Disciplinary Register', Representation / Appeal Register, Register of Disposal items, Complaint Register, Index Register were not being maintained in the Department.

5.7.3.2 Unauthorized operation of bank accounts

Financial rules stipulate that no money shall be drawn from the treasury unless required for immediate disbursement. Depositing money withdrawn from the treasury into any bank account is not allowed except with specific sanction of the Government.

Records of test checked offices revealed that Rs. 2.52 crore was held by these offices in bank accounts showed in table below, in-contravention of the financial rules. The amount was drawn from treasury in favour of various schools / colleges and for other activities of the Department and was deposited and retained in these accounts for long periods. However, it could not be ascertained as to since when these bank accounts were being operated because these details were not provided by these offices. Further, it was also noticed that interest earned on these accounts was not deposited into treasury by the concerned offices. Details are as under:

Table : 5.4

Name of office	Details of Bank Account	Balance as on date of audit (Rs.)	Interest amount (Rs.)
DEO, Dehradun	SBI, Dehradun	4,14,738	45,176
DEO, Pauri	SBI, Pauri	71,33,105	Current A/c.
DEO, Pithoragarh	SBI, Pithoragarh	21,12,312	Current A/c.
		32,90,451	1,92,237
DEO, Tehri	SBI, Narendra Nagar, Tehri	8,40,208	Current A/c.
DEO, U.S. Nagar	SBI, Rudrapur	29,00,165	Current A/c.
SCERT, Narendra Nagar, Tehri	SBI, Narendra Nagar, Tehri	84,72,258	Current A/c.
Total		2,51,63,237	

Source: Information obtained from test checked offices.

On this being pointed out, the DEOs / SCERT replied that these amounts pertain to incomplete civil works and undisbursed scholarship. The reply is not acceptable as the action was against the financial rules.

Thus Rs. 2.52 crore was locked up in bank accounts unauthorisedly, even as basic infrastructure facilities were yet to be provided in the schools/ colleges.

5.7.4 Operational controls

Effective operational controls are required in an organization to ensure that the goals of the organization are being achieved, budgetary and other policy decisions are implemented efficiently and effectively and that reliable information about the operations is provided at appropriate levels for timely and quality interventions.

Audit analysed the operational controls existing in the Department with reference to its objective of providing quality education and also with reference to its flagship schemes and programmes.

5.7.4.1 Quality of education

The only objective criteria for measuring achievement of the Department against the main objective of providing quality education was the performance of the students in Board examinations. The details of performance of the student appearing in board examinations were as under:

Table : 5.5

Year	Enrolment			Number of students passed (%)	Performance of students as measured by marks (Percentage)		
	Boys	Girls	Total		Above 60%	59%-45%	44-33%
Class X							
2002-03	124206	73337	197543	80853 (41)	4677 (6)	43429 (54)	32747 (40)
2003-04	114865	70746	185611	78252 (42)	5709 (7)	43210 (55)	29333 (38)
2004-05	112565	73847	186412	80258 (43)	5837 (7)	43897 (55)	30524 (38)
2005-06	106991	74906	181897	92202 (51)	7444 (8)	53580 (58)	31178 (34)
2006-07	98939	73630	172569	83236 (48)	8724 (11)	50119 (60)	24393 (29)
Class XII							
2002-03	45573	31461	77034	48387 (63)	5049 (10)	30303 (63)	13035 (27)
2003-04	48959	36490	85449	55223 (65)	5670 (10)	36003 (65)	13550 (25)
2004-05	58114	42614	100728	65717 (65)	6312 (10)	40704 (62)	18701 (28)
2005-06	56627	42216	98843	71957 (73)	9096 (13)	47715 (66)	15146 (21)
2006-07	55038	44583	99621	71540 (72)	8820 (12)	47316 (66)	15404 (22)

Source: Information obtained from Board of School Education, Uttarakhand.

The All-India average of students who passed in the CBSE Board examinations during this period ranged from 78.8 to 98.5 *per cent* for Class X and 89.4 to 100 *per cent* for Class XII. Whereas in the State, it ranged between 41 *per cent* to 51 *per cent* for class X and 63 *per cent* to 73 *per cent* for class XII indicating that the State Education Department still had a long way to go to match national level. Analysis also showed that the performance of the students scoring below 45 *per cent* marks was 36 *per cent* in class X and 25 *per cent* in class XII on an average of the students who passed the Board examinations.

Scrutiny further revealed that the number of students dropping out from schools in secondary education was on an average 5739 in high school and 3787 in Intermediate every year, needing urgent attention of the Government. The details of students dropped-out were as under:

Table : 5.6

Year	Number of students enrolled	Number of students passed	Number of students dropped out	Drop out as percentage of enrolment
Class X				
2002-03	197543	80853	7199	3.64
2003-04	185611	78252	5869	3.16
2004-05	186412	80258	6206	3.33
2005-06	181897	92202	5244	2.88
2006-07	172569	83236	4178	2.42
Class XII				
2002-03	77034	48387	3728	4.84
2003-04	85449	55223	3617	4.23
2004-05	100728	65717	4084	4.05
2005-06	98843	71957	3629	3.67
2006-07	99621	71540	3877	3.89

Source: Information obtained from Board of School Education, Uttarakhand.

There was no institutionalized mechanism in the Department to review the performance of students, identify the causative factors and take policy decisions to rectify the procedures, pointing to very poor operational control. The severe shortage of teachers would undoubtedly be an important factor in the poor performance. Further details on this issue are at *Paragraph 5.7.5.1*.

5.7.4.2 Provision of basic infrastructure in schools

(i) Shortage of furniture and science equipment

Records of the Directorate revealed that there was heavy shortage of class room furniture and science equipments in the schools / colleges. Out of 1755 Government schools / colleges, only 272 (15.5 per cent) had furniture in all classes and 760 (43.3 per cent) had for some classes. But 723 schools / colleges, representing 41.2 per cent of the total, had not been provided with any furniture. Similarly, only 417 schools / colleges (23.8 per cent) have sufficient science equipment, 543 (30.9 per cent) have partially and rest 795 (45.3 per cent) were without any science equipment. This indicated the casual approach of the Department towards its main objective of providing quality education to students. Shortage of funds was not an excuse as there were savings every year.

(ii) Inadequate maintenance of buildings

Financial rules envisage that every HOD will fix the amount to be spent on annual repair and quadrennial repairs for each building or group of buildings in his charge and provision should be fixed for each year accordingly. Scrutiny revealed that no such norms in this regard had been fixed in Education Department.

Education Department owns the largest number of building assets in the State Government but its expenditure on maintenance was quite low. The details of budget allotment and expenditure on maintenance of departmental buildings (including schools and colleges) are as under:

Table : 5.7

(Rupees in lakh)

Year	Total Expenditure of the Department	Budget for maintenance	Expenditure on maintenance	Percentage of maintenance expenditure to total expenditure
2002-03	41562.57	27.00	20.87	0.05
2003-04	43532.26	29.00	21.33	0.05
2004-05	52698.86	39.00	34.40	0.06
2005-06	54925.28	39.50	9.61	0.02
2006-07	65279.47	52.00	18.56	0.03

Source: Information obtained from the DE.

It is evident from above table that the maintenance of buildings occupied very low priority in the Department impinging on the environment provided for learning in the schools and colleges. On this being pointed out, the DE accepted (June 2007) that funds received for maintenance are few and insufficient. The reply is not tenable, as the Department failed to utilise even the funds provided for maintenance.

5.7.4.3 Rajiv Gandhi Navodaya Vidyalaya Scheme

Rajiv Gandhi Navodaya Vidyalaya (RGNV) scheme was launched (April 2003) by the State Government in line with the Jawahar Navodaya Vidyalaya scheme of the GOI. The objectives of this scheme were: (a) to establish a free boarding / lodging residential facilities in all districts by the end of 2005-06¹⁰; (b) to provide quality education from Class VI to Class XII to talented and poor children of rural (75 per cent) and urban (25 per cent) areas; (c) to provide co-education (50:50) to the children of people living in hilly and remote areas of the State.

The implementation of the scheme was tardy. Against plans to open 13 RGNVs during the period 2003-06, only seven were opened up to June 2007. Four out of the seven schools were functioning without proper infrastructure and with shortage of staff as detailed below:

Table : 5.8

Name of district	Year of formation	Classes upto	Present status of building	Percentage shortage of staff	
				Teaching Staff	Others
Almora	2005-06	VII	Schools running in Govt. Inter College buildings.	100	100
Champawat	2003-04	XII		79	100
Nainital	2003-04	XI		84	-
Pithoragarh	2003-04	XI		84	67
Dehradun	2002-03	XII	Schools running in partly completed buildings.	24	-
Haridwar	2003-04	XI		41	100
Pauri	2004-05	IX		79	100

Source: Information obtained from DE.

¹⁰ In one district in 2002-03, four districts in 2003-04, four districts in 2004-05 and rest four districts in 2005-06.

One school in Almora was non-functional because of 100 *per cent* shortage of teachers and other staff, although it was established in 2005-06.

Inspection reports (03 RGNVs inspected in June 2006) prepared by the Directorate officials further point to the neglect of the schools and their students. In Champawat, RGNV had four rooms used as class rooms and for residential accommodation and the results were so poor that only 17 (39.5 *per cent*) out of 43 students enrolled in Class X passed the Board examination. Principal of RGNV, Nainital reported (July 2006) to the Directorate that students were applying for transfer due to shortage of teachers.

Debilitating shortage of teachers and staff (critical because RGNVs are residential schools) as well as lack of physical infrastructure defeated the objectives of the scheme.

In addition, rules and regulations governing the operation of RGNVs were yet to be framed by the Department as of June 2007.

5.7.4.4 Vocational Education

A Centrally sponsored scheme “Vocationalisation of Secondary Education” was introduced in 1987-88 to provide diversified educational opportunities to the students, enhance individual employability and reduce the mismatch between demand and supply of skilled manpower. The scheme was to be implemented through part-time teachers on honorarium basis.

Test check of records of the DE revealed that after bifurcation from erstwhile Uttar Pradesh, the Department did not make any budget provision for the scheme (upto 2004-05) nor approached GOI for funds. The scheme was closed (December 2005) by the Department and an amount of Rs. 1.24 crore was paid (March 2006) as arrear of honorarium to the teachers for the period 2000-01 to 2005-06 by diverting departmental savings.

The fact that the Department incurred no expenditure on items like curriculum development, equipment and raw materials during the period 2000-06, implies that vocational training was not given adequate attention in the schools. Thus the payment of honorarium was not against any achievements for imparting vocational education.

Moreover, Central Government did not reimburse the expenditure on the ground that the State Government had not signed any MOU with the former for this purpose.

Thus as of August 2007, the Department is not providing any vocational education in its schools/ colleges despite the opportunity of funding the same with Central Government assistance.

5.7.4.5 Computer Education

A Computer Education Scheme named “Arohi Prayojna” was launched (1999) by the Government to provide computers to all schools/ colleges of Secondary Education Department by October 2006. Further, another computer scheme

sponsored by Central Government named “Information and Communication Technology (ICT)” was launched (February 2006) for making 25 smart colleges in each district of the State.

9015 computer¹¹ sets were supplied to 1933 schools and nine DIETs (during the period 1999-2007) at a total cost of Rs. 53.21 crore through 12 agreements with a State Public Sector Undertaking¹². Test check of records of the Directorate revealed that 345 computer sets installed in 184 schools / colleges were non-functional by the end of academic year 2006-07. The agreements with the supplier included a warranty and maintenance clause for which additional payments were made, but the Department could not enforce this clause despite repeated reminders from the schools.

Audit scrutiny revealed that 85 Computers (85 CPU and 51 Monitors), 45 UPS, 6 Printers and other computer accessories (21 Mouse, 31 Speakers, 14 Key Boards and 2 Modem) were reported stolen from 23 colleges during the period March 2003 to October 2005 but the Department was yet to fix responsibility as of June 2007.

Further, out of 3831 computers supplied in 77 schools/colleges in districts test checked in Audit, 317¹³ computers were not installed (June 2007) due to non-availability of infrastructure like rooms and power. Year-wise, district-wise details are available in **Appendix 5.2**.

Audit scrutiny revealed that the scheme did not identify clear cut milestones to measure the success of the scheme in developing computer skills among the students. “Computers” has not been included as a subject in the curriculum in the schools / colleges. There was no internal control to assess the outcome of the scheme at the Directorate as well as at District level.

5.7.4.6 Scholarships

The Education Department provides scholarships to all meritorious students in academics and sports. Scrutiny of records of the Directorate revealed that most of the scholarships have not been revised since 1981-82. The amount of scholarship ranges from Rs. 10 to Rs. 15 in High School and Rs. 16 to Rs. 60 per month in Inter Colleges. Such paltry sums make the scholarship irrelevant and defeat the very purpose of granting them (details are given in **Appendix 5.3**). Further, only Rs.111.23 lakh (58.2 per cent) was utilized against the sanctioned amount of Rs.191.14 lakh for scholarships during the year 2002-03 to 2006-07.

5.7.5 Manpower control

Manpower controls necessitate that appropriate and transparent policies are framed and adhered to, for recruitment, training and evaluation of staff. These controls ensure that appropriate mix of skills and experience is available to the

¹¹ 1660 Govt. schools : 7376 computers; 273 Aided schools : 1545 computers; and 9 DIETs : 94 computers.

¹² M/s HILTRON Ltd., Dehradun.

¹³ Dehradun: 24, Pauri: 96, Pithoragarh: 88 and Tehri: 109.

organisation for achieving its goals. The following paragraphs examine adequacy of manpower controls in the Secondary Education Department.

5.7.5.1 Deployment of Teachers

The Education Department is the largest employer in the State Government. Audit scrutiny revealed that there is 31.2 per cent overall shortage of teachers in secondary education in the State. The grade-wise details (as on 31st May 2007) are as under:

Table : 5.9

Particular	Sanctioned strength	Men-in-position	Shortage	Percentage of vacant posts
Principals	1778	1045	733	41.23
Lecturers	9243	5936	3307	35.78
L.T. *	16793	12162	4631	27.58
Total	27814	19143	8671	31.17

Source: Information obtained from the DE.

* Holders of License of Teaching Grade.

Further analysis showed that the deployment of teachers was largely skewed to the disadvantage of remote and inaccessible areas in the State as discussed below:

- Vacancies (as on 31st May 2007) in the grade of lecturers was 40.03 per cent in the hilly districts against 20.51 per cent shortfall in plain districts as shown in the table:

Table : 5.10

Description	Name of districts	Sanctioned Posts	Men-in-position	Vacant Posts	Percentage of vacant posts	
Plain Districts	Dehradun, Haridwar, U.S. Nagar and Nainital	L.T.	3779	3146	633	16.75
		Lecturers	2014	1601	413	20.51
Hilly Districts	Almora, Bageshwar, Chamoli, Champawat, Tehri, Rudraprayag, Pauri, Pithoragarh & Uttarkashi.	L.T.	13014	9016	3998	30.72
		Lecturers	7229	4335	2894	40.03
State as a whole		L.T.	16793	12162	4631	27.58
		Lecturers	9243	5936	3307	35.78

Source: Information obtained from the DE.

- The deployment between easily accessible areas and remote areas / habitations (categorized by the Directorate) within the districts was imbalanced. Data compiled from records in the districts test checked in audit showed the position (as on 31st May 2007) as under :

Table : 5.11

Name of district	Description of habitations	Sanctioned	Men-in-position	Vacant	Percentage of vacancies
Dehradun	Easy	1294	1171	123	09.51
	Tough / Remote	559	330	229	40.97
Pauri	Easy	1860	1414	446	23.98
	Tough/ Remote	2119	1274	845	39.88
Pithoragarh	Easy	744	581	163	21.91
	Tough/ Remote	1625	906	719	44.25
Tehri	Easy	600	516	84	14.00
	Tough/ Remote	2811	1849	962	34.22

Source: Information obtained from the DEOs concerned.

As can be seen from the table above, the remote / inaccessible areas which have few or no alternatives other than Government schools have been denied quality education due to inadequate deployment of teachers.

- The absence of teachers was most acute in recently opened and upgraded¹⁴ schools. 28 *per cent* of the schools opened and upgraded during 2002-03 to 2006-07 in the districts test checked in audit, had no teachers or only one teacher as shown below:

Table : 5.12

Category	Number
Total no. of schools opened & upgraded	352
Number of schools with no teachers with student enrolment of:	48
a. Upto 100	31
b. 101-200	11
c. Above 201	06
Number of schools with only one teacher with student enrolment of:	51
a. Upto 100	38
b. 101-200	09
c. Above 201	04

Source: Information obtained from the DEOs concerned.

5.7.5.2 Political influence in teachers' transfer / postings

The transfer policies (2004 & 2005) provided that all transfers are to be finalized by Committees at three levels (a) District level committee under the chairmanship of DEO for transfer of LT Grade teachers within district only; (b) Regional level committee under the chairmanship of AD, Region for LT and Lecturers Grade transfer within region; and (c) State level committee under the chairmanship of the DE for inter-regional transfers.

Analysis of transfers during the period in the Department revealed the following:

- The Transfer Committees met only once in 2004-05 and 2005-06. In 2006-07, they did not meet at all. But bulk of the transfers were finalised throughout the year without the recommendation of the Transfer Committee.
- Audit randomly selected 114 cases of transfers (representing 10 *per cent* of transfers in 2006-07 from the Department) and found that in all the cases, transfers were finalized on recommendations of politicians on the approval of Education Minister.

The DE replied (June 2007) that such deviations from the policy were made only during the year 2006-07 as no transfer policy was made for the year. The reply is not tenable because:

- such instances were noticed in all the years ;
- the Committees are designated authorities for transfer not only under the transfer policies; the Education Code (amended in 1973), also identifies them as the designated authorities;

¹⁴ Government opens and upgrades the Junior High Schools & High Schools to High Schools and Inter Colleges respectively based on needs of local people with a focus to increase enrolment and reduce dropout rate.

- transfer policy of 2004 and 2005 did not indicate that they are valid only for the respective years. Transfer policy 2005 only corrected perceived flaws in 2004 policy. As such, adoption of an arbitrary procedure (political recommendations) when transparent procedures were laid down, is unjustified and detrimental to the interests of the Department.

5.7.5.3 Capacity building

Capacity building of staff is essential to enhance teaching skills, familiarize the staff with recent innovations, communicate the organization's goals and also motivate the staff. Audit scrutiny revealed that this aspect of manpower control was indeed an area of neglect in the Department.

(i) Training by DIETs and SCERT

District Institute of Educational Trainings (DIETs) have been established in every district (9 DIETs & 4 Mini-DIETs) to provide training to the teachers, under the overall aegis of the SCERT. SCERT was established by the State Government (January 2002) for development and improvement in quality in syllabus, teachers' training, management and research activities. However, SCERT was crippled with 65 per cent shortage in academic faculty.

It was found that the DIETs did not organize any training programme for secondary school teachers during the period under review. During this period, SCERT conducted 8-day training programmes in phases (2006) thus covering 320 principals, which represented only 30.6 per cent of the principals.

The average cost of training in SCERT was very high (Rs. 234 per person) as against the norms of training (Rs. 70 per person) in other schemes of Education Department like Sarva Shiksha Abhiyan (SSA), District Primary Education Programme (DPEP) and DIETs. Most of the trainings were conducted outside the campus i.e., at IDPL, Rishikesh and the high cost of training was due to petrol and travelling / daily allowances of staff.

Thus, the teachers of secondary education were deprived of training due to shortage of academic faculty and inadequate infrastructure at DIETs and SCERT.

(ii) Non-implementation of centrally sponsored scheme on training

Union Ministry of Human Resources Development (HRD) approved (October 2005) a plan of Rs. 16.17 crore for Uttarakhand under Teachers' Training Scheme for the years 2004-05 and 2005-06. An amount of Rs. 5.79 crore¹⁵ was made available by the State Government for institutional development of SCERT and DIETs (Rs. 4.44 crore) and imparting teachers training (Rs. 1.35 crore) through DIETs during the year 2005-06.

Records of the SCERT revealed that no teachers' training was imparted till date (June 2007) as there was lack of infrastructural facilities. Resultantly, the State

¹⁵ February 2005, January / February 2006 & March 2007

was deprived of the remaining grant for the year 2006-07 under the scheme on this account.

In reply, it was stated by the AD, SCERT (June 2007) that a MOU had been signed (September 2005) between the State Government and Indira Gandhi Open University (IGNOU) and training would commence shortly. The reply is not tenable as assignment of training to the IGNOU was irregular because the MOU between the State Government and HRD required that training should be provided by DIETs and not through IGNOU. Moreover, training is yet to be conducted and the State has been deprived of the Central grant in 2006-07.

5.7.5.4 Re-organization

Government approved merger of Elementary and Secondary Education Departments with effect from 5 September 2003 with the objective of achieving single integrated administrative control.

Scrutiny of records of AD, Garhwal Region and DEO, Pauri (August 2007) revealed that the following offices had been merged (September 2003) but 19 members of staff in these offices had not been redeployed. The officials remained idle since the work of these offices had already been transferred.

Table : 5.13

Name of the offices	Sanctioned posts	Men-in-position
Deputy Director of Education (Region)	10	9
Regional Additional Director of Education (Basic)	12	7
Regional Psychology Centre	5	3

The AD Region and DEO, Pauri replied (August 2007) that the new structure is yet not fully functional; hence these offices are running in the earlier pattern.

Thus the delay in redeployment of staff even after lapse of 4 years of re-organization can't be justified and showed lackadaisical approach of the Department.

5.7.6 System of Internal Audit

5.7.6.1 Non-existence of Internal Audit Wing

Internal audit is a part of internal control mechanism. It is an independent function within the organization, which helps an organization to accomplish its objectives by bringing about a systematic and disciplined approach to evaluate the level of compliance with the departmental rules and procedures so as to provide assurance to the management on the adequacy of the internal control framework within the Department.

Scrutiny revealed that there was no internal audit set-up for conducting periodical internal audit of schools / colleges and subordinate offices in the Department. However, against 08 posts sanctioned for pre-audit checks in Directorate and regional offices, only one Auditor has been posted in the Directorate, which was

clearly insufficient. It was also noticed that no internal audit was conducted by the Local Fund Examiner during the period under review.

5.7.7 Supervisory / Monitoring controls

Random and periodic inspection by departmental officers serves as a vital and effective tool of internal control. A two-tier inspection and monitoring mechanism was laid down (November 2003) in Secondary Education Department for this purpose:

(i) Inspection by district authorities

Teams constituted by DEOs under approval of the AD (Region) consisting of BEO, ADEO and Sr. Lecturer (with 10 years' experience) are required to carry out inspection of schools / colleges in each district.

Scrutiny of the test checked districts and AD (Region), Pauri revealed that against 781 approved inspections during the period of review, only 296 inspections, representing 38 *per cent* of the requirement, were carried out. No action was found taken in any inspection report so far. The details are given in **Appendix 5.4**.

The purpose of inspection was practically defeated as no action was initiated and large numbers of inspection reports are pending without action.

(ii) Inspection and monitoring by higher level authorities

Each AD and DD posted at Directorate and regional offices is required to conduct minimum 4 days' inspection/ monitoring of schools / colleges and subordinate offices in every month.

Records of the DE and AD (Region), Pauri revealed that no inspection was carried out by any officer till the end of year 2006-07 except one officer¹⁶ who carried out 39 inspections during 2005-06 and 2006-07. No action was taken by the concerned authorities on the findings raised in the above inspections.

5.8 Conclusion

The Secondary Education Department could not achieve its objectives in the absence of effective internal control mechanism. Failure to comply with budgetary procedures led to allocation of funds in excess of the Department's capacity to expend and resultant persistent savings. There were also instances of crowding of expenditure at the fag end of the year and diversion of funds on inadmissible items without legislative sanction. Plan funds received for providing critical infrastructure were not utilized till the last year of the Plan. Manpower controls were especially ineffectual even as debilitating shortages of teachers and poor physical infrastructure adversely impacted the performance of students in Board examinations. There was excessive political interference in postings and

¹⁶ Shri N.N.P. Pandey, AD (Headquarter) at Directorate.

transfers of teachers. Deployment of teachers was skewed to the detriment of schools located in remote and inaccessible areas. Teachers' training was an area of neglect. Inspections were fewer than mandated and were rendered ineffective due to absence of follow-up action. Financial controls were weak; procedures and norms were not adhered to and basic accounting records were not being maintained. While the Department did not receive regular reports from the districts, an effective mechanism to collate relevant information and use them for decision making, was indeed absent in the Department.

5.9 Recommendations

- Budget estimation should be streamlined in accordance with budget manual. Timely submission of BEs should be ensured for optimum utilization of funds and to avoid excess budget provisions.
- Appropriate and transparent policies are required to be framed and adhered to for recruitment, training and evaluation of staff.
- Control over expenditure requires to be strengthened for optimum utilization of available funds.
- Operational controls should be strengthened and a mechanism for periodical review of the departmental schemes and activities with particular emphasis on quality of education should be developed and monitored.
- Assets of the Directorate should be safeguarded and the DE should ensure that adequate funds are available for periodical repair and maintenance of all departmental buildings including schools / colleges.
- Internal Audit Wing should be established at the earliest in the Department.