

## CHAPTER-II

### FINANCIAL MANAGEMENT

#### 2.1 Retention of Twelfth Finance Commission grants

##### **Delay in release of TFC grant of Rs. 886.14 lakh to three tiers of PRIs by the Sabarkantha District Panchayat resulted in undue retention of grant**

As per Para No. 17 of the term and condition laid down by the State Government (January 2006) for release and utilization of TFC grants, the grants released by the State Government to the District Panchayats should be credited to the accounts of the Taluka Panchayats/Village Panchayats within 15 days from the date of receipt of funds from the State Government, failing which it would attract interest at RBI rate.

Scrutiny of the records of the grants distributed under the recommendations of TFC in Sabarkantha DP revealed that there were delays ranging from 3 to 151 days in onward transfer of grants of Rs. 886.14 lakh to the Bank Accounts of Taluka Panchayats/Village Panchayats as brought out in the **Appendix-II**. Interest at RBI rate on delayed transfer of grants works out to Rs. 7.10 lakh.

The Accounts Officer, DP Sabarkantha replied (July 2007) that the grant received in January 2006 amounting to Rs. 2.20 crore could not be credited to bank accounts of Gram Panchayat within stipulated time due to non-finalization of allocation to Village Panchayats and also non availability of Bank account details of Village Panchayat.

#### 2.2 Excess expenditure over allotted fund

##### **Excess expenditure of Rs. 9.59 crore over allotted fund without obtaining prior approval from competent authority**

As provided under Government Resolution (April 1993), excess expenditure over allotted funds is not permitted. In case, excess expenditure is inevitable, prior approval of the competent authority should be obtained before incurring such expenditure. In the absence of obtaining prior approval, the excess expenditure is debit to Own Fund of Panchayat.

During the test check of records for the financial year 2004-05, it was noticed that Godhara DP & 16 TPs<sup>4</sup> incurred excess expenditure amounting to Rs.9.59 crore over and above the allotted fund without obtaining prior approval from the competent authority as detailed in **Appendix-III**. The expenditure incurred had been debited to Government's Major Heads by drawing the funds from the PLA accounts common for all purposes. Excess expenditure over allotted funds out of Government funds requires regularization by the Government.

<sup>4</sup> Karjan, Kheralu, Satlasna, Padra, Halvad, Sayala, Chuda, Hansot, Kapadwanj, Thasara, Chotaudepur, Mandal, Borsad, Tarapur, Vadali and Talaja

### **2.3 Scholarship amount not disbursed**

#### **Non disbursement of scholarship of Rs. 41.46 lakh and Rs. 74.37 lakh in Amreli and Bhavnagar DPs respectively deprived the benefits to the students.**

With a view to encourage students of Scheduled Caste / Scheduled Tribes, the State Government released grants under various scholarship schemes. As per instructions of the State Government, amount of scholarship was to be disbursed within two weeks of receipt of grants by the concerned District Officer. The district level authorities have to see that no eligible student of Scheduled castes / Scheduled Tribes is left without scholarship.

It was observed that during the year 2004-05, an amount of Rs.41.46 lakh pertaining to scholarship was lying unpaid with Amreli District Panchayat (Social Welfare branch). It was further noticed that out of total unpaid amount of Rs.41.46 lakh, Rs.38.36 lakh pertained to the year prior to 2001-02. This has defeated the social objective of financial assistance and deprived the intended benefit to the students.

Similarly, it was observed that scholarship amounting to Rs.74.37 lakh pertaining to welfare of SC schemes (plan and non plan) was lying unpaid with Bhavnagar District Panchayat. Out of Rs.74.37 lakh, an amount of Rs.55.06 lakh was pertaining to the period prior to April 2001. Due to non disbursement of scholarships, eligible students were deprived of financial benefits intended by the State Government.

The Social welfare Officer, Amreli and Bhavnagar DP replied (November 2006) that because of incomplete details in the applications, scholarships could not be disbursed. It was further replied that the funds were also received in excess of requirement from the Government. However the details of amount demanded and received were not furnished in support of the arguments. The reply was also not acceptable as the applications received could have been examined in time and got rectified. The excess funds could have been surrendered in time instead of keeping the amount idle for a considerable period.

### **2.4 Unutilized District Development Fund.**

#### **Four District Panchayats failed to encourage villages panchayats to avail the benefit of District Development Fund resulting in the objective of the creation of the fund not being fulfilled.**

As per Article 223 of Panchayat Act, 1993, every District Panchayat has to maintain a District Development Fund. The Village Panchayat shall contribute to this fund, every year, a sum equal to the amount, calculated at the rate specified in sub Rule (2) of its income realized during the preceding year from all sources including the income in the nature of grant received from the State Government. The objective behind creation of this fund was to provide loans to needy Village Panchayats under the District for the purpose of matters mentioned in sub rule (1) to the Act relating to assigned functions of the Village Panchayats and also for financing the Housing scheme for landless labourers. It was noticed in audit that no loan was disbursed by 4 District Panchayats test checked to any Village Panchayat. Any

concrete action taken was also not taken to encourage Village Panchayats to avail the benefit of this fund. In four Districts Panchayats an amount of Rs. 11.17 crore remained unutilized in the District Development fund as on 31 March 2008 as detailed below:-

(Rs. in crore)

Name of District Panchayat	Amount in fund held in banks
Porbandar	0.54
Bhavnagar	0.72
Amreli	1.54
Junagadh	8.37
<b>Total</b>	<b>11.17</b>

Thus the objective of creation of the fund by the Government was not fulfilled.

Further, as provided under the Article 223 of Panchayat Act, the District Panchayat was required to maintain detailed accounts for each Village Panchayat and at the end of every financial year, interest has to be credited to the accounts of the Village Panchayats. The District Panchayats were also required to issue statement of accounts at the end of the financial year. It was noticed that neither detailed account were maintained nor any interest credited to accounts of Village Panchayat and the statement of accounts were also not prepared.

## **2.5 Non reconciliation of balance as per Cash book and Bank pass book.**

**Due to non reconciliation of balances between Cash Book and Bank, an amount of Rs. 18.15 lakh remained unreconciled.**

As per Rule 171 and 183 of Gujarat Taluka/District Panchayat Financial and Budget Rules, the balances of Cash Book must be reconciled with the balances of Banks Passbook at the end of each month and difference, if any, should be suitably explained through footnotes in the Accounts.

Scrutiny of the records of Taluka Panchayat, Vijapur, District Mehsana revealed that there was a difference of Rs.18.15 lakh between Cash Book and bank Passbook as of September 2007. The TP did not carry out reconciliation and the difference was carried forward in the books of account since 2000.

Further, in violation of established procedure, the Taluka Panchayat Vijapur opened a current account with Mehsana District Co-operative Bank without any valid authority, instead of keeping funds with the Treasury.

On this being pointed out, Taluka Development Officer, Vijapur replied (November 2008) that reconciliation would be done and intimated to audit.