

## CHAPTER II

### Performance Audit

#### 2. Quality of maintenance of Accounts in PRIs including the aspect of availability of qualified manpower

##### 1. Introduction

The Comptroller and Auditor General of India (C&AG) had prescribed budget and accounting formats for maintenance of accounts in Panchayati Raj Institutions (PRIs) in 2002. The Government had adopted these formats in March 2003 and issued (January 2004) orders to PRIs for maintenance of accounts in these formats. However, Zila Panchayats (ZPs) and Kshetra Panchayats (KPs) have been maintaining their accounts as per provision of Uttar Pradesh Zila Panchayats & Kshetra Panchayats (Budget & General Accounts) Rules 1965 (Accounts Rules) and Zila Panchayats & Kshetra Panchayats (Works Rules) 1984 (Works Rules) made under Uttar Pradesh Kshetra Panchayats & Zila Panchayats Adhiniyam 1961 (Adhiniyam). The Kshetra Panchayats (KPs) which were required to maintain their accounts as per Accounts Rules have not been maintaining the same except Grant Register, Cheque Issue Register and Works Register only. The Gram Panchayats (GPs) have been maintaining their accounts in the formats as prescribed in Uttar Pradesh Panchayati Raj Act 1947.

##### 2. Audit objectives

The review was conducted to assess whether:

- the accounting formats prescribed by the C&AG were adopted and implemented in PRIs;
- adequate number of qualified manpower were available with the PRIs for maintenance of accounts;

- the required database was maintained in PRIs; and
- the accounts prepared by PRIs reflect true and fair picture of receipts and expenditure, loan and advances and suspense heads and revenue realizations

### 3. Audit coverage and methodology

Records relating to maintenance of accounts in PRIs were scrutinized at the Secretariat and at the Directorate, Panchayati Raj at Lucknow. Information regarding maintenance of accounts of GPs were collected from offices of 14 District Panchayat Raj Officers (DPRO)<sup>1</sup>. Accounts records of selected units (14 ZPs<sup>2</sup> out of 70, 14 KPs<sup>3</sup> out of 820 and 34 GPs<sup>4</sup> out of 51,976) of PRIs were test checked between June 2009 and July 2009 to ascertain the status of maintenance of accounts by them in the formats prescribed by the C&AG.

### 4. Organizational set - up

The PRIs constitute three tier systems, viz., (i) ZP at district level, (ii) KP at block level and (iii) GP at village level. At the Government level, Principal Secretary, assisted by Secretary Panchayati Raj is the controlling authority and at the department level, Director, is the head of the Panchayati Raj Department. The elected *Adhyksha* in respect of the ZPs and *Pramukh* in respect of KPs are the administrative heads. The *Gram Pradhan* is Administrative head of GPs.

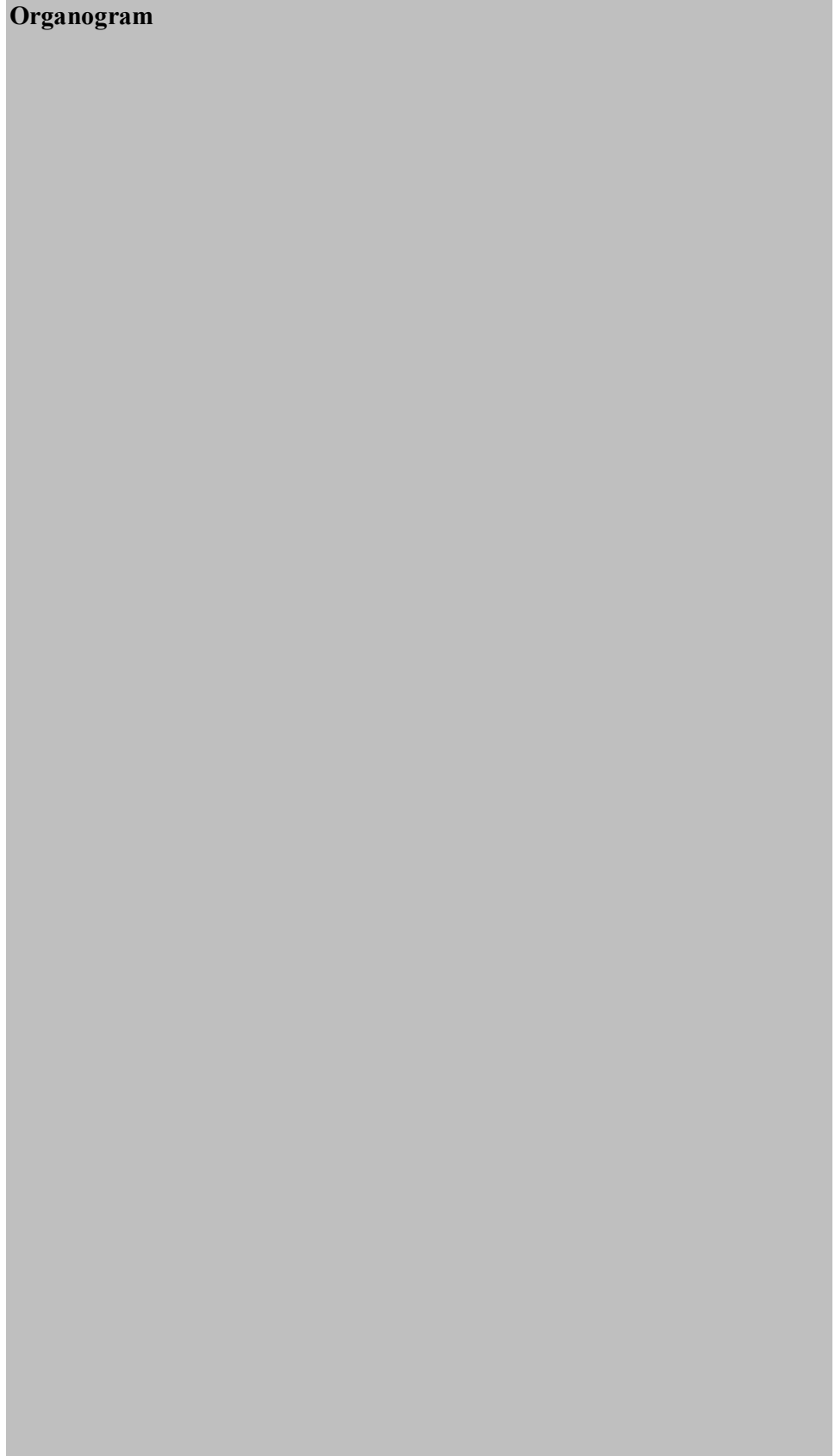
<sup>1</sup> DPROs, Barabanki, Hamirpur, Mirzapur, Shahjahanpur, Gorakhpur, Sultanpur, Unnao, Kushinagar, Moradabad, Pilibhit, Moradabad, Pilibhit, Mahoba, Muzaffarnagar, Jhansi and Deoria and Deoria.

<sup>2</sup> ZPs, Barabanki, Hamirpur, Mirzapur, Shahjahanpur, Gorakhpur, Sultanpur, Unnao, Kushinagar, Moradabad, Pilibhit, Mahoba, Muzaffarnagar, Jhansi and Deoria.

<sup>3</sup> KPs, Deoria Sadar, Bhaluwani, Khatauli, Muzaffarnagar Sadar, Charkhari, Puranpur, Kundarki, Mudhapandey, Mauranipur, Babina, Nababganj, Sahjanwa, Sardarnagar, Amethi,

<sup>4</sup> GPs, Kheri tagan, Nawana, Shahpur tigai, Jaraunda, Nara, Awana, Barain, Pawana, Riwai, Andhaura, Luhari, Lalpur Talluke Madhotanda, Budhi jamiba ettiura, Bihari ki Jamiba etauria, Jatpurqa, Takhatpur Allah, Majhauri Khas, Syawari, Kotara, Charkara, Ghat loh chura, Budhpura, Heerapur, Emilia, Dhikauli, Manpur, Gaura Katherua, Soharamau, Jagdishpur, Khejuri, Chauri Chaura, Laxmanpur., Naraini, Katra Phool kunwar, .

**Organogram**



## 5. Maintenance of Accounts

### 5.1 Non-maintenance of accounts in the prescribed formats

As per recommendation of Eleventh Finance Commission (EFC), Budget and Accounting formats for all the three tiers of PRIs were prescribed by the C&AG (*Appendix I*) to strengthen the existing accounting systems, exercising proper control/monitoring and securing better accountability. These formats were synchronized with and linked to the scheme of classification in Union and State Government accounts making it amenable to computerization and building up a database on finance of PRIs for generation of data upto District, State and Government of India levels. The State Government issued order (January 2004) for maintenance of accounts in these formats with the direction that the accounts of GPs would be maintained through CA due to non-availability of skilled staff at grass-root level whereas the accounts of KPs and ZPs would be maintained by the accounts staff of their own. However, regular audit of records of ZPs, KPs and GPs revealed:

- The ZPs/KPs all over state were not maintaining their accounts in the formats prescribed by the C&AG.
- GPs maintained their accounts in the existing formats as prescribed in UP Panchayati Raj Act and on the basis of these accounts/records, CAs prepared GP's accounts in the formats prescribed by the CA&G.

The above facts were confirmed further from the records of ZPs/KPs/GPs test checked especially for this long draft paragraph.

Due to non-maintenance of accounts in the ZPs and KPs in the formats prescribed by the C&AG, the objective of strengthening accounting system of PRIs could not be fulfilled. Further, non-maintenance of accounts of receipts and expenditure as per prescribed coding pattern made it impossible for authorities to monitor the progress of the receipt and expenditure under different objectives to take further necessary action where required. Besides, accounts kept in the existing formats were not amenable to computerization and the generation of data upto the levels of State and Government of India was not possible. In reply, Additional Commissioner (Accounts), Rural Development stated (March 2010) that additional staff required to maintain the accounts in the formats prescribed by C&AG, had not been sanctioned by the Government (March 2010)

## **5.2 Improper maintenance of accounts in ZPs**

According to Rules 22 of Accounts Rules, ZPs are required to prepare monthly accounts by 10<sup>th</sup> of each month in respect of receipt and expenditure for the previous month for submission to Executive Committee (*Karya Samiti*)<sup>5</sup> in the first meeting held after the 10<sup>th</sup> of that month. Scrutiny of records revealed that five out of 14 ZPs<sup>6</sup> test checked did not prepare monthly and annual accounts for the last 3 to 4 years and eight ZPs<sup>7</sup> which had prepared the accounts, did not observe the provision of Accounts Rules as Budget estimates, classification of receipts and expenditure, statement of cash balances as per Cash Book and Bank balances for reconciliation were not depicted in the prescribed columns of monthly accounts. Besides, the figures shown in monthly account and those in classified abstracts did not agree to the figures of collection and demand register and works registers. Only ZP, Unnao observed the Budget and Accounts Rules.

---

<sup>5</sup> A committee comprising by Adhykshya and six members of ZPs Mukhya Adhikari/Apar Mukhya Adhikari shall be the Secretary of the Executive Committee.

<sup>6</sup> ZPs Sultanpur, Barabanki, Hamirpur, Jhansi and Mahoba.

<sup>7</sup> ZPs Kushinagar, Gorakhpur, Moradabad, Pilibhit, Muzaffarnagar, Deoria, Mirzapur, and Shahjanpur.

Due to improper maintenance of accounts, Executive Committee could not be apprised of exact position of receipts and expenditure, in the absence of which improvement in maintenance of accounts and control over expenditure was hardly possible. Besides, no system for monitoring of preparation of monthly accounts by ZPs and their submission to respective EC was prescribed at Government level.

### **5.3 Non-maintenance of accounts/record registers in KPs**

The KPs were required to maintain basic accounts records, viz., Cash Book, Grant Registers, Stock Register, Advance Register, Advance Adjustment Register, Works Register, Cheque Issue Register and Moveable and Immoveable Property Register, etc. in the formats as prescribed in Accounts Rules. In addition, they were required to prepare Monthly/Annual Accounts. Records of test checked KPs revealed that no records except Grant Register, Works Register and Cheque Issue Register were maintained in KPs. None of these KPs prepared monthly and annual accounts during 2004-2009.

Due to non-maintenance of prescribed records, receipts and expenditure by KPs were not verifiable in audit.

### **6. Maintenance of Asset Register**

PRIs were required to maintain asset register/property register for maintaining accounts of properties (land, buildings, roads, ponds and trees, etc). Scrutiny of records revealed that asset register had been maintained only in ZPs. The KPs and the GPs did not maintain asset register for keeping records of properties created or constructed under various programmes of rural

development. Due to lack of maintenance of asset register, total asset of the KPs and the GPs were not ascertainable.

#### **7. Non- maintenance of stock account**

As per Rules 45 (2) of Works Rules, separate stock registers in form number W-10 shall be kept in respect of each group of items and the balance of stock shall be counted/physically verified by the Junior Engineer on 30<sup>th</sup> September and 31<sup>st</sup> March each year. Test check of records of the ZP, Sultanpur revealed that it purchased bitumen for use of road construction as reserve stock for one year. Due to lack of maintenance of stock register (Receipt, Issue and Balances), the position of total stock of bitumen could not be ascertained. It was, however, noticed that Rs. 23.65 lakh, out of the funds of ZP, was already available in the account of Indian Oil Corporation, Haldia (IOC) as on 1 April 2008. Thereafter, ZP Sultanpur paid Rs. 53.22 lakh to IOC during April 2008 to March 2009. Thus, Rs.76.87 lakh (Rs. 23.65 lakh + Rs. 53.22 lakh) was lying with IOC. The IOC supplied bitumen worth Rs.76.84 lakh to ZP but ZP accounted for material worth Rs. 68.63 lakh only. The remaining material worth Rs. 8.21 lakh supplied by the IOC could not be traced and verified.

#### **8. Non-reconciliation of balances of cash books under the balances of bank pass books**

According to Rule 84 (2) of Accounts Rules, the balances of cash book shall be checked with reference to the balances of Bank Pass Book at the close of every month and difference, if any, would be reconciled. Test check (July 2009) revealed that in three ZPS Barabanki, Hamirpur and Jhansi out of 14 ZPs, reconciliation was not done for the last 3 to 4 years. Due to non-reconciliation, possibility of defalcation and misappropriation of funds could not be ruled out.

### **9. Blockade of funds**

On the basis of recommendations of EFC, State Government had ordered (January 2004) that the accounts of GPs would be prepared by CAs from 2000-01 onward for which they shall be paid at the rate of Rs. 4000 per GP per year. Scrutiny of records of seven out of 14 DPROs test checked revealed that funds were allocated and released to 5,474 GPs for preparation of 27,370 accounts for 2004-09 (5 years' accounts for each GP) through CAs in the format prescribed by the C&AG. However, due to non- submission of accounts records to CAs by the GPs, the CAs could not prepare the accounts of 17,847 GPs during 2004-09. Consequently, Rs 7.14 crore provided to these GPs for preparation of accounts through CAs was lying unutilized with them.

### **10. Accounts of GPs prepared by CAs remained unscrutinized.**

According to the order (January 2004) of the Government, the Panchayati Raj Department, Chief Audit Officer, Cooperative Societies and Panchayats and one officer nominated by the District Magistrate were to scrutinize the accounts of GPs prepared by the CAs in the formats prescribed by the C&AG. Result of scrutiny was to be communicated to DPROs. Scrutiny of records of test checked GPs revealed that neither District Magistrate of concerned districts had nominated any officer nor the said agencies had scrutinized the accounts of these GPs to ascertain the quality of preparation of accounts. The DPROs had not taken any action in this regard. Thus, the accuracy of the accounts prepared by CAs at the cost of Rs. 3.81 crore could not be verified.

### **11. Availability of qualified manpower**

According to the provisions of *Adhiniyam*, one accountant who had passed the examination for Accountants conducted by the Director, Local Funds Audit (DLFA) was to be posted in each ZP and KP for maintenance of accounts.



However, no Accountant was posted in KPs, instead one Assistant Accountant/Accounts clerk was posted there for maintenance of accounts. As these Accountants/Accounts clerks were not trained in maintenance of accounts nor they had passed examination for Accountants conducted by the DLFA, accounts were not maintained according to norms.

The Gram Vikas Adhikari/Gram Panchayat Adhikari responsible for preparation of accounts had also not been imparted any training for maintenance of accounts of GPs.

Further, the accounts and computer training was an essential requirement for upgradation of skill of officials responsible for maintenance of accounts in computerized networked environment but no such training was imparted to the staff of ZPs/KPs also.

## **12. Non-maintenance of database**

The EFC emphasized creation of data base of the assets of the PRIs, revenue generation by them and expenditure to assess their requirement of funds for basic civic and developmental functions and rational determination of the gap between the cost of maintenance of various services such as water supply, sanitation, roads, etc, and the capacity to raise resources on their own and computerization of accounts on priority basis. Keeping in view, Rs 104.56 crore was earmarked from the grant of EFC (Rs. 42.07 crore) and Twelfth Finance Commission ( 62.49 crore) for creation of database and was kept in the Personal Ledger Account (PLA) of ZP, Lucknow with the direction that expenditure would be incurred by the Director, Panchayati Raj after taking approval of the Government. However, Rs. 42.07 crore was deposited (November 2009) in receipt head of the Government and Rs. 62.37 crore was diverted (December 2009) for maintenance of drinking water and sanitation at the instance of Government order. Remaining Rs. 0.12 crore was lying in the

PLA as of January 2010. Thus, even after lapse of 9 years, the PRIs had not created data base and utilized a part of funds on the purpose other than for which it was sanctioned and a part of it was deposited in Government account. This was wrong on the part of the Government as the Central fund could neither be diverted without their permission nor could be deposited in Government account.

Thus, due to non creation of data base the accounts of PRIs remained in amenable to computerization in a network environment.

### 13. Conclusion

ZPs and KPs did not maintain their accounts in the formats prescribed by the C&AG. The PRIs did not observe fully even the provisions of UP ZPs & KPs Act 1961 and UP PR Act in maintenance of accounts. Qualified and trained staff had not been posted in KPs and GPs for maintenance of accounts. Training/workshop was not imparted/ conducted to help account keeping staff to update knowledge of rules and regulations and formats pertaining to maintenance of accounts in PRIs.

### 14. Recommendations

- The Government should make *the Apar Mukhya Adhikari* for ZPs, Block Development Officers for KPs and DPROs for GPs responsible for maintenance of accounts in the formats prescribed by the C&AG.
- Staff engaged in preparation of accounts should be imparted training in maintenance of accounts and data base.

- Data base as desired by EFC and TFC should be created on top priority.
- A system for monitoring of preparation of monthly accounts by ZPs and their submission to respective ECs should be devised at Government level.

**Principal Accountant General**

**Quality of maintenance of Accounts in PRIs including the aspect of availability of qualified manpower**

**2.1. Introduction**

The Comptroller and Auditor General of India (C&AG) had prescribed budget and accounting formats for maintenance of accounts in Panchayati Raj Institutions (PRIs) in 2002. The Government had adopted these formats in March 2003 and issued (January 2004) orders to PRIs for maintenance of accounts in these formats. However, Zila Panchayats (ZPs) and Kshetra Panchayats (KPs) have been maintaining their accounts as per provision of Uttar Pradesh Zila Panchayats & Kshetra Panchayats (Budget & General Accounts) Rules 1965 (Accounts Rules) and Zila Panchayats & Kshetra Panchayats (Works Rules) 1984 (Works Rules) made under Uttar Pradesh Kshetra Panchayats & Zila Panchayats Adhiniyam 1961 (Adhiniyam). The

Gram Panchayats (GPs) have been maintaining their accounts in the formats as prescribed in Uttar Pradesh Panchayati Raj Act 1947.

## 2.2. Audit objectives

The review was conducted to assess whether:

- the accounting formats prescribed by the C&AG were adopted and implemented in PRIs;
- adequate number of qualified manpower were available with the PRIs for maintenance of accounts;
- the required database was maintained in PRIs; and
- the accounts prepared by PRIs reflect true and fair picture of receipts and expenditure, loan and advances and suspense heads and revenue realizations

## 2.3. Audit coverage and methodology

Records relating to maintenance of accounts in PRIs were scrutinized at the Secretariat and at the Directorate, Panchayati Raj at Lucknow. Information regarding maintenance of accounts of GPs were collected from offices of 14 District Panchayat Raj Officers (DPRO)<sup>8</sup>. Accounts records of selected units (14 ZPs<sup>9</sup> out of 70, 14 KPs<sup>10</sup> out of 820 and 34 GPs<sup>11</sup> out of 51,976) of PRIs

<sup>8</sup> DPROs, Barabanki, Hamirpur, Mirzapur, Shahjahanpur, Gorakhpur, Sultanpur, Unnao, Kushinagar, Moradabad, Pilibhit, Mahoba, Muzaffarnagar, Jhansi and Deoria.

<sup>9</sup> ZPs, Barabanki, Hamirpur, Mirzapur, Shahjahanpur, Gorakhpur, Sultanpur, Unnao, Kushinagar, Moradabad Pilibhit, Mahoba, Muzaffarnagar, Jhansi and Deoria.

<sup>10</sup> KPs, Deoria Sadar, Bhaluwani, Khatauli, Muzaffarnagar Sadar, Charkhari, Puranpur, Kundarki, Mudhapandey, Mauranipur, Babina, Nababganj, Sahjanwa, Sardarnagar, Amethi,

<sup>11</sup> GPs, Kheri tagan, Nawana, Shahpur tigai, Jaraunda, Nara, Awana, Barain, Pawana, Riwai, Andhaura, Luhari, Lalpur Talluke Madhotanda, Budhi jamiba ettiura, Bihari ki Jamiba etauria, Jatpurqa, Takhatpur allah, Majhauri Khas, Syawari, Kotara, Charkara, Ghat

were test checked between June 2009 and July 2009 to ascertain the status of maintenance of accounts by them in the formats prescribed by the C&AG.

#### **2.4. Organizational set - up**

The PRIs constitute three tier systems, viz., (i) ZP at district level, (ii) KP at block level and (iii) GP at village level. At the Government level, Principal Secretary, assisted by Secretary, Panchayati Raj is the controlling authority and at the department level, Director, is the head of the Panchayati Raj Department. The elected *Adhyksha* in respect of the ZPs and *Pramukh* in respect of KPs are the administrative heads. The *Gram Pradhan* is Administrative head of GPs.

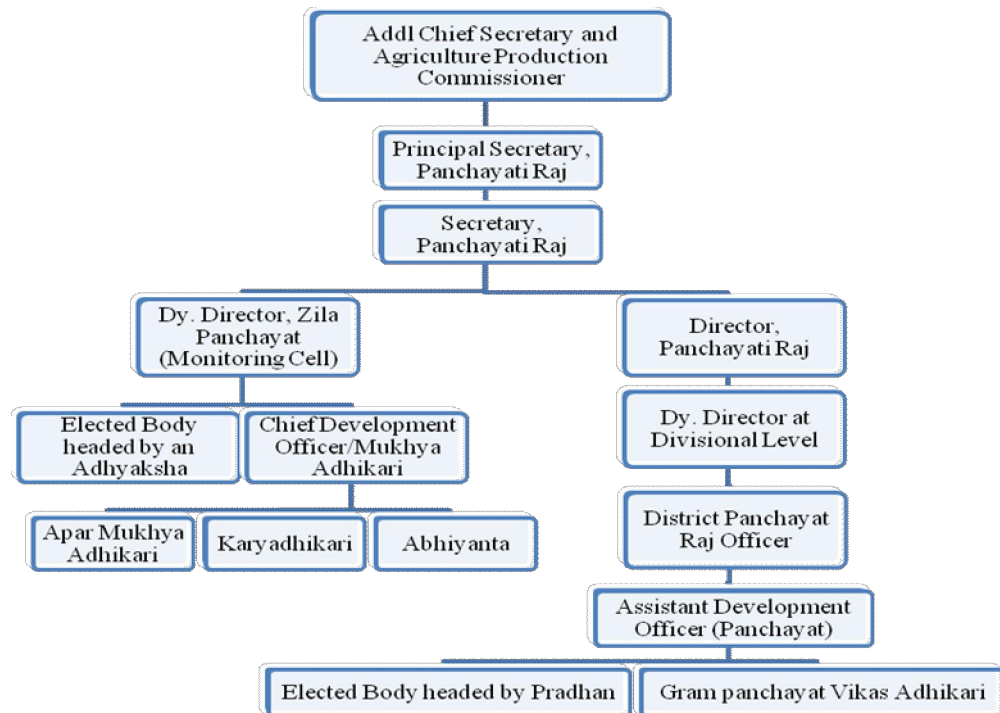
### **Organogram**

Zila Panchayats and Gram Panchayats

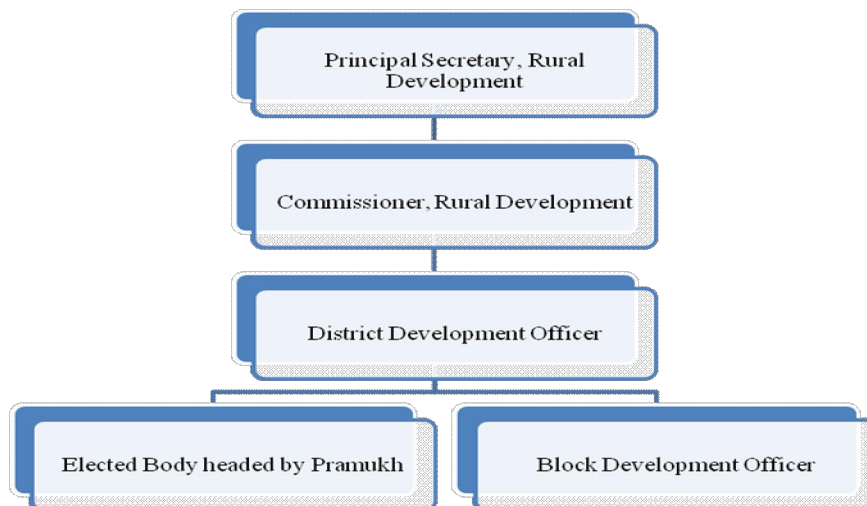
---

loh chura, Budhpura, Heerapur, Emilia, Dhikauli, Manpur, Gaura Katherua, Soharamau, Jagdishpur, Khejuri, Chauri Chaura, Laxmanpur., Naraini, Katra Phool kunwar, .

---



### Kshetra Panchayats



## 2.5 . Maintenance of Accounts

### **2.5.1 Non-maintenance of accounts in the prescribed formats**

As per recommendation of Eleventh Finance Commission (EFC), Budget and Accounting formats for all the three tiers of PRIs were prescribed by the C&AG (*Appendix 3I*) to strengthen the existing accounting systems, exercising proper control/monitoring and securing better accountability. These formats were synchronized with and linked to the scheme of classification in Union and the State Government accounts making it amenable to computerization and building up a database on finance of PRIs for generation of data upto District, State and the Government of India levels. The State Government issued order (January 2004) for maintenance of accounts in these formats with the direction that the accounts of GPs would be maintained through CA due to non-availability of skilled staff at grass-root level whereas the accounts of KPs and ZPs would be maintained by the accounts staff of their own. However, regular audit of records of ZPs, KPs and GPs revealed:

- The ZPs/KPs all over state were not maintaining their accounts in the formats prescribed by the C&AG.
- GPs maintained their accounts in the existing formats as prescribed in UP Panchayati Raj Act and on the basis of these accounts/records, CAs prepared GP's accounts in the formats prescribed by the CA&G.

The above facts were confirmed further from the records of ZPs/KPs/GPs test checked especially for this long draft paragraph.

Due to non-maintenance of accounts in the ZPs and KPs in the formats prescribed by the C&AG, the objective of strengthening accounting system of PRIs could not be fulfilled. Further, non-maintenance of accounts of receipts and expenditure as per prescribed coding pattern made it impossible for authorities to monitor the progress of the receipt and expenditure under different objectives to take further necessary action where required. Besides, accounts kept in the existing formats were not amenable to computerization and the generation of data upto the levels of State and the Government of India was not possible. In reply, Additional Commissioner (Accounts), Rural

Development stated (March 2010) that additional staff required to maintain the accounts in the formats prescribed by C&AG, had not been sanctioned by the Government (March 2010)

### **2.5.2 Improper maintenance of accounts in ZPs**

According to Rules 22 of Accounts Rules, ZPs are required to prepare monthly accounts by 10<sup>th</sup> of each month in respect of receipt and expenditure for the previous month for submission to Executive Committee (*Karya Samiti*)<sup>12</sup> in the first meeting held after the 10<sup>th</sup> of that month. Scrutiny of records revealed that five out of 14 ZPs<sup>13</sup> test checked did not prepare monthly and annual accounts for the last three to four years and eight ZPs<sup>14</sup> which had prepared the accounts, did not observe the provision of Accounts Rules as Budget estimates, classification of receipts and expenditure, statement of cash balances as per Cash Book and Bank balances for reconciliation were not depicted in the prescribed columns of monthly accounts. Besides, the figures shown in monthly account and those in classified abstracts did not agree to the figures of collection and demand register and works registers. Only ZP, Unnao observed the Budget and Accounts Rules.

Due to improper maintenance of accounts, Executive Committee could not be apprised of exact position of receipts and expenditure, in the absence of which improvement in maintenance of accounts and control over expenditure was hardly possible. Besides, no system for monitoring of preparation of monthly accounts by ZPs and their submission to respective EC was prescribed at the Government level.

### **2.5.3 Non-maintenance of accounts/record registers in KPs**

<sup>12</sup> A committee comprising by Adhykshya and six members of ZPs Mukhya Adhikari/Apar Mukhya Adhikari shall be the Secretary of the Executive Committee.

<sup>13</sup> ZPs Sultanpur, Barabanki, Hamirpur, Jhansi and Mahoba.

<sup>14</sup> ZPs Kushinagar, Gorakhpur, Moradabad, Pilibhit, Muzaffarnagar, Deoria, Mirzapur, and Shahjanpur.



The KPs were required to maintain basic accounts records, viz., Cash Book, Grant Registers, Stock Register, Advance Register, Advance Adjustment Register, Works Register, Cheque Issue Register and Moveable and Immoveable Property Register, etc. in the formats as prescribed in Accounts Rules. In addition, they were required to prepare Monthly/Annual Accounts. Records of test checked KPs revealed that no records except Grant Register, Works Register and Cheque Issue Register were maintained in KPs. None of these KPs prepared monthly and annual accounts during 2004-2009.

Due to non-maintenance of prescribed records, receipts and expenditure by KPs were not verifiable in audit.

#### **2.6. Maintenance of Asset Register**

PRIs were required to maintain asset register/property register for maintaining accounts of properties (land, buildings, roads, ponds and trees, etc). Scrutiny of records revealed that asset register had been maintained only in ZPs. The KPs and the GPs did not maintain asset register for keeping records of properties created or constructed under various programmes of rural development. Due to lack of maintenance of asset register, total asset of the KPs and the GPs were not ascertainable.

#### **2.7 . Non- maintenance of stock account**

As per Rules 45 (2) of Works Rules, separate stock registers in form number W-10 shall be kept in respect of each group of items and the balance of stock shall be counted/physically verified by the Junior Engineer on 30<sup>th</sup> September and 31<sup>st</sup> March each year. Test check of records of the ZP, Sultanpur revealed that it purchased bitumen for use of road construction as reserve stock for one year. Due to lack of maintenance of stock register (Receipt, Issue and Balances), the position of total stock of bitumen could not be ascertained. It was, however, noticed that `Rs. 23.65 lakh, out of the funds of ZP, was already available in the account of Indian Oil Corporation, Haldia (IOC) as on 1 April 2008. Thereafter, ZP Sultanpur paid `Rs. 53.22 lakh to IOC during April 2008 to March 2009. Thus, `Rs.76.87 lakh (`Rs. 23.65 lakh + `Rs.

53.22 lakh) was lying with IOC. The IOC supplied bitumen worth `Rs.76.84 lakh to ZP but ZP accounted for material worth `Rs. 68.63 lakh only. The remaining material worth `Rs. 8.21 lakh supplied by the IOC could not be traced and verified.

### **2.8 . Non-reconciliation of balances of cash books under the balances of bank pass books**

According to Rule 84 (2) of Accounts Rules, the balances of cash book shall be checked with reference to the balances of Bank Pass Book at the close of every month and difference, if any, would be reconciled. Test check (July 2009) revealed that in three ZPS Barabanki, Hamirpur and Jhansi out of 14 ZPs, reconciliation was not done for the last three to four years. Due to non-reconciliation, possibility of defalcation and misappropriation of funds could not be ruled out.

### **2.9 . Blockade of funds**

On the basis of recommendations of EFC, the State Government had ordered (January 2004) that the accounts of GPs would be prepared by CAs from 2000-01 onward for which they shall be paid at the rate of `Rs. 4000 per GP per year. Scrutiny of records of seven out of 14 DPRs test checked revealed that funds were allocated and released to 5,474 GPs for preparation of 27,370 accounts for 2004-09 (Five years' accounts for each GP) through CAs in the format prescribed by the C&AG. However, due to non- submission of accounts records to CAs by the GPs, the CAs could not prepare the accounts of 17,847 GPs during 2004-09. Consequently, Rs 7.14 crore provided to these GPs for preparation of accounts through CAs was lying unutilized with them.

### **2.10 . Accounts of GPs prepared by CAs remained unscrutinized**

According to the order (January 2004) of the Government, the Panchayati Raj Department, Chief Audit Officer, Cooperative Societies and Panchayats and one officer nominated by the District Magistrate were to scrutinize the accounts of GPs prepared by the CAs in the formats prescribed by the C&AG. Result of scrutiny was to be communicated to DPRs. Scrutiny of records of

test checked GPs revealed that neither District Magistrate of the concerned districts had nominated any officer nor the said agencies had scrutinized the accounts of these GPs to ascertain the quality of preparation of accounts. The DPROs had not taken any action in this regard. Thus, the accuracy of the accounts prepared by CAs at the cost of `Rs. 3.81 crore could not be verified.

#### **2.11 . Availability of qualified manpower**

According to the provisions of *Adhiniyam*, one accountant who had passed the examination for Accountants conducted by the Director, Local Funds Audit (DLFA) was to be posted in each ZP and KP for maintenance of accounts. However, no Accountant was posted in KPs, instead one Assistant Accountant/Accounts clerk was posted there for maintenance of accounts. As these Accountants/Accounts clerks were not trained in maintenance of accounts nor they had passed examination for Accountants conducted by the DLFA, accounts were not maintained according to norms.

The Gram Vikas Adhikari/Gram Panchayat Adhikari responsible for preparation of accounts had also not been imparted any training for maintenance of accounts of GPs.

Further, the accounts and computer training was an essential requirement for upgradation of skill of officials responsible for maintenance of accounts in computerized networked environment but no such training was imparted to the staff of ZPs/KPs also.

#### **2.12 . Non-maintenance of database**

The EFC emphasized creation of data base of the assets of the PRIs, revenue generation by them and expenditure to assess their requirement of funds for basic civic and developmental functions and rational determination of the gap between the cost of maintenance of various services such as water supply, sanitation, roads, etc, and the capacity to raise resources on their own and computerization of accounts on priority basis. Keeping in view, `Rs 104.56 crore was earmarked from the grant of EFC (`Rs. 42.07 crore) and Twelfth Finance Commission (` 62.49 crore) for creation of database and was kept in

the Personal Ledger Account (PLA) of ZP, Lucknow with the direction that expenditure would be incurred by the Director, Panchayati Raj after taking approval of the Government. However, `Rs. 42.07 crore was deposited (November 2009) in receipt head of the Government and `Rs. 62.37 crore was diverted (December 2009) for maintenance of drinking water and sanitation at the instance of the Government order. Remaining `Rs. 0.12 crore was lying in the PLA as of January 2010. Thus, even after lapse of nine years, the PRIs had not created data base and utilized a part of funds on the purpose other than for which it was sanctioned and a part of it was deposited in the Government account. This was wrong on the part of the Government as the Central fund could neither be diverted without their permission nor could be deposited in the Government account.

Thus, due to non creation of data base, the accounts of PRIs remained unamenable to computerization in a network environment.

### **2.13 . Conclusion**

The ZPs and KPs did not maintain their accounts in the formats prescribed by the C&AG. The PRIs did not observe fully even the provisions of UP ZPs & KPs Act 1961 and UP PR Act in maintenance of accounts. Qualified and trained staff had not been posted in KPs and GPs for maintenance of accounts. Training/workshop was not imparted/ conducted to help account keeping staff to update knowledge of rules and regulations and formats pertaining to maintenance of accounts in PRIs.

### **2.14. Recommendations**

- The PRIs should be made accountable for preparation of their annual accounts in the prescribed formats within the specified period and their accounts should be compiled at the district level and at the State level for an objective assessment of allocation and utilization of funds. The Government should make *the Apar Mukhya Adhikari* for ZPs, Block Development Officers for KPs and DPROs for GPs responsible for maintenance of accounts in the formats prescribed by the C&AG.
- Staff engaged in preparation of accounts should be imparted training in maintenance of accounts and data base.

- Data base as desired by EFC and TFC should be created on top priority.
- A system for monitoring of preparation of monthly accounts by ZPs and their submission to respective ECs should be devised at the Government level.

**Appendix-I**  
(Reference: para: 5.1 page.....)

**Formats prescribed by C&AG for PRIs**

SI No.	Name of formats	Formats No.
1	Annual Income and Expenditure (Budget Estimate)	Proforma-A
2	Annual receipt and payment account	Proforma -1
3	Annual receipt and payment account (Statement of Capital Expenditure)	Proforma-2
4	Annual receipt and payment account (Statement of due receipt and due expenditure at the end of year)	Proforma-3
5	Annual receipt and payment account (Statement of deposit, loans and Advances at the end of year)	Proforma-4
6	Annual receipt and payment account (Statement of provident fund and investments at the end of year )	Proforma-5
7	Monthly receipt and payment account	Proforma-6
8	Monthly reconciliation statement	Proforma-7
9	Cash Book	Proforma-8
10	Register of Immovable Property	Proforma-9
11	Register of Compilation of Demand and balance	Proforma-10
12	Register of Movable property	Proforma-11
13	Compilation sheet	Proforma-12
14	Register of stock books	Proforma-13
15	Consolidated Abstract	Proforma-14
16	Register of roads	Proforma-15
17	Register of land under the ownership of Panchayat	Proforma-16