

Chapter 4: Financial Management and Accounting Framework

Funds are allocated to the District through the State budget for various developmental activities (State sector schemes). In addition, funds are directly released to DRDA and implementing agencies for implementation of various socio-economic programmes by the State and GOI (Central sector schemes). DRDA releases the funds to the Blocks and other executing agencies based on the approved allocation for individual schemes.

4.1 Gaps in the Funds flow and Expenditure incurred

The total flow of funds to the District during 2006-11 and expenditure incurred was not available either with the Additional Deputy Commissioner (Development) who is the Chief Planning Officer or with other district authorities like DRDA. However, information on funds received and reported expenditure as of March 2011 in respect of certain significant programmes as collected by Audit from various departments is detailed in the Table -1.

Table-1
Position of funds received and expenditure incurred during 2006-11
in respect of certain significant programmes

(₹ in crore)			
Sl. No.	Name of Schemes	Funds provided	Expenditure incurred
(1)	(2)	(3)	(4)
1.	National Rural Health Mission (NRHM)	106.07	91.34
2.	National Aids Control Programme (NACP)	0.24	0.24
3.	Sarva Shiksha Abhiyan (SSA)	153.97	152.42
4.	Pre-matric Scholarship for SC/ST students	0.12	0.11
5.	Mid-day Meal (MDM)	45.93	38.91
6.	Water Supply	83.29	81.40
7.	Total Sanitation Campaign (TSC)	28.40	24.59
8.	Integrated Child Development Scheme(ICDS)	56.65	48.00
9.	Pradhan Mantri Gram Sadak Yojana (PMGSY)	327.32	327.32
10.	Other Road Sector Schemes	79.81	79.81
11.	Irrigation	37.22	37.11
12.	District Development Plan (DDP)	57.35	46.12
13.	Untied Funds	5.76	5.64
14.	Member of Parliament Local Area Development Scheme (MPLADS)	18.38	15.01
15.	Member of Legislative Assembly Local Area Development Scheme (MLALADS)	21.40	19.32
16.	Sampoorna Grameen Rozgar Yojana (SGRY)	53.66	53.41
17.	National Rural Employment Guarantee Scheme (NREGS)	96.84	94.30
18.	Swarnjayanti Gram Swarozgar Yojana (SGSY)	70.36	63.39
19.	Indira Awaas Yojana (IAY)	308.11	272.66

(1)	(2)	(3)	(4)
20.	Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)	92.21	62.23
21.	e-Governance	2.09	0.79
22.	Municipal Boards	27.93	12.59
23.	Storm Water Drainage Programme	6.74	6.68
24.	District Police Administration	133.28	124.41
25.	Multi-Sector Development Project (MSDP)	8.35	8.28
26.	National Old Age Pension Scheme (NOAP)	67.52	58.99
27.	Kalpataru	10.15	8.04
28.	Tourism	2.13	2.13
29.	National Food Security Mission (NFSM-Rice)	5.02	4.16
30.	National Technology Mission for Horticulture Development	5.91	4.84
31.	Integrated Wasteland Development Programme (IWDP)- Hariyali	11.79	10.31
Total		1,924.00	1,754.55

Source: Departmental figures

Audit analysis revealed that there was a gap between the funds received and expenditure incurred as funds received from GOI and State Government were parked in different bank accounts (scheme-wise) as discussed in paragraphs 4.2, 4.3, 6.2.2 and 6.3.1 without being utilised within the prescribed timeframe, as schemes/projects could not be completed due to delay in land acquisition, land disputes, inadequate project management etc. including delay in planning, execution, due to limited working periods, monitoring and supervision.

DC stated (November 2011) that efforts have been taken for minimising the gap between the fund receipt and money spent.

4.2 Blockade of fund

➤ According to Assam Treasury Rules, 1937 and Subsidiary Orders (Rule 16, SO 50) read with Rules 62, 63 and 95 of Assam Financial Rules (AFR), 1939, no money shall be drawn from the treasury unless it is required for immediate disbursement. Besides, a Drawing and Disbursing Officer (DDO) is personally responsible for accounting of all moneys received and disbursed and for the safe custody of cash. The DDO should satisfy himself, by periodical examination that the actual cash balance corresponds to the balance as per cash book. Further, DDO is required to verify day-to-day transactions, attest each entry appearing in the cash book and authenticate the analysis of daily/monthly closing balances.

In violation of the above provision, DC, Nagaon kept unutilized fund received from time to time for different works under various schemes. As of September 2011, DC had accumulated unspent balance of ₹18.05 crore⁷ in DCRs (20 Nos.: ₹0.83 crore), banks (five current accounts: ₹16.67 crore) and ₹0.55 crore in

⁷ More than 10 years ₹0.14 crore; More than five years ₹0.20 crore; More than three years ₹0.67 crore; One to three years ₹11.50 crore and Less than one year ₹5.54 crore.

cash/vouchers since 1994. Analysis of the closing balances was not recorded on the cash book and cash balances were never physically verified.

➤ DC is the implementing agency in respect of schemes viz. MPLAD, MLAADS, NOAP etc. for which funds were released to him by GOI and GOA. DC, further, released the funds to Block Development Officers (BDOs) and Circle Officers (COs), Chairman of construction committees for execution of the schemes.

Scrutiny of records of selected blocks and information collected from other BDOs and COs revealed that ₹5.30 crore under these schemes remained unutilized as of March 2011.

Non utilization of funds, thus, resulted in blockade of development funds. Besides, the objectives of creation of durable community assets under MPLAD/MLAADS and providing financial assistance to old persons under NOAP remained unachieved to the extent of such blocked funds. Further, monitoring of implementation of the schemes by DC was deficient as discussed in paragraphs 6.1.3(c), 6.1.3(d) and 6.1.3.1. Moreover, keeping of fund unutilised for long period may lead to misutilisation/misappropriation of funds. DC stated (September 2011) that periodical examination of cash book would be done as suggested. He also stated that clearance of accumulated unspent balances was under process. Further, BDOs and COs were also instructed to expedite early implementation of schemes and utilisation of funds.

4.3 Non accountal of accrued interest

➤ Funds for rural development schemes are released by GOI to the PD, DRDA, Nagaon in instalments. The PAO, Rural Development Department, GOI, releases funds to the Master accounts of the concerned DRDAs with instruction to transfer the credited funds (from Master account) to the respective scheme funds. The PD, DRDA, Nagaon maintained a Master account bearing No. 10965277518 (saving account) in SBI, Nagaon.

Scrutiny of records revealed that the amounts credited in the banks meant for rural development schemes viz. IAY, SGSY, DRDA Administration, NREGS etc as released by GOI were transferred to respective scheme fund account with a delay ranging from two to three months. As a result of retention of funds in the Master account, interest accrued to the agency which did not transfer the same to the respective scheme funds as of March 2011. Thus, accumulated accrued interest of ₹96.68 lakh was retained in the Master account. Neither any account nor cash book was maintained by the agency for transactions in the Master account.

➤ DC, Nagaon maintained LAC wise and MP wise savings bank accounts⁸. Interest earned on these accounts are required to be credited to respective scheme

⁸ Canara Bank & Punjab National Bank (MPLAD); State Bank of India (MLAADS)

funds and utilized for implementation of the schemes. Scrutiny revealed that the DC did not account for an interest amount of ₹20.78 lakh (MLAADS: ₹10.36 lakh, MPLAD: ₹10.42 lakh) accrued during 2006-11 in the respective scheme funds.

Thus, the entire accrued interest of ₹1.17 crore (0.97 crore + 0.20 crore) was not accounted for in the cash books. The possibility of misappropriation/ mis-utilisation of unaccounted money cannot be ruled out. The DDOs failed to discharge their responsibility in account of Government funds and exhibition of true and fair picture of scheme funds. Admitting the fact, the PD, DRDA stated (September 2011) that action would be taken for account of interest in respective scheme funds. DC, however, stated (September 2011) that the accrued interest as pointed out by audit was entered in bank pass books but facts remained that the accrued interest was not accounted for in cash book in violation of financial rules.

4.4 Utilization Certificate

➤ DC, Nagaon paid ₹1.26 crore to DC, Morigaon (₹30.59 lakh), DC, Golaghat (₹50 lakh), DC, Kamrup Metro (₹45 lakh) during December 2009 and September 2010, out of MPLADS, but no utilization certificate was received from the concerned DCs as of June 2011.

Thus, in the absence of utilization certificates, the expenditure of ₹1.26 crore could not be vouchsafed in audit. The DC stated (September 2011) that the concerned DCs would be reminded to furnish the UCs.

➤ GOI accorded Administrative Approval of ₹18.56 crore (Central Share: ₹16.70 crore; State Share: ₹1.86 crore) for construction of 4,820 IAY houses in Nagaon District under Multi Sector Development Project (MSDP) for the year 2009-10 and released 1st instalment of ₹8.35 crore in December 2009 to DC, Nagaon. DC released (June 2010) the same to PD, DRDA, Nagaon for construction of IAY houses under MSDP as per provision of IAY guidelines. Utilisation certificate furnished (January 2011) to the Commissioner and Secretary, Welfare of Minorities Development revealed that 2,169 IAY houses were constructed till December 2010 out of ₹8.35 crore released to the PD, DRDA.

Scrutiny of records revealed that six out of seven blocks to whom MSDP funds were released, have an unutilized balance of ₹64.33 lakh⁹ as of June 2011. This shows that UC submitted for ₹8.35 crore to the GOI was incorrect and also the number of houses constructed as shown in the UC was not correct. DC stated (September 2011) that UCs were submitted to GOA on the basis of that received from BDOs, but the facts remains that incorrect UCs were furnished to the Government.

⁹ The closing balance consists of accrued interest of ₹6.80 lakh, cost of latrine ₹5.70 lakh and beneficiaries share of ₹51.83 lakh.

4.5 Delay in remittance of Government revenue

DC, Nagaon received from DRDO (Defence), GOI ₹53.23 lakh in May 2009 and another amount of ₹21.81 lakh in December 2009 as land compensation charges for Government and private land¹⁰. The amounts were deposited in DC's current bank account in the same months of their receipt. The compensation charges included cost of land ₹2.47 crore, eight *per cent* establishment cost ₹14.94 lakh, 25 years land revenue ₹0.59 lakh and two *per cent* contingency ₹3.73 lakh. Out of cost of land of ₹2.47 crore, ₹2.23 lakh being the cost of Government land was deposited to Government account, vide Challan No. 10378 dated 09-09-2010 and ₹2.45 crore was released to SDO (Civil), Kaliabor between July 2010 and December 2010 for payment of cost of land to Pattadars. Government revenue of eight *per cent* establishment cost and 25 years land revenue amounting to ₹15.53 lakh were retained in current accounts and deposited in Government account in March 2011. Reasons for delay in depositing the same in Government account was neither on record nor explained by DC in his reply. Retention of Government revenue for more than one year thus, resulted in extension of undue benefit to banks at the cost of pattadars.

4.6 Unrealized Government revenues

- Scrutiny of the records of DC, Nagaon revealed that out of ₹34.17 lakh, being revenue realizable from nine fishery mahals for the period April 2004 to March 2011, an amount of ₹16.78 lakh (49 *per cent*) was realized leaving unrealised revenue of ₹17.39 lakh, as of September 2011.
- Against the demand of ₹5.52 crore as land revenue due for 2010-11, Rupees three crore was collected, leaving unrealized land revenue of ₹2.52 crore as of March 2011. Out of ₹three crore, ₹2.01 crore was deposited to Government account after deduction of ₹90 lakh as mouzadar's commission leaving a balance amount of ₹nine lakh which was lying with the mouzadars.

Thus, Government revenue of ₹2.69 crore remained unrealized as of September 2011 and ₹9.08 lakh though realized was retained by the Mauzadars instead of depositing it into the Government account. DC also did not initiate action for early realization of these outstanding revenues. Lack of initiative on the part of DC as well as by the Mauzadars (collector of revenues) was responsible for poor collection of land revenues. DC in his reply, stated (September 2011) that efforts are on to realize the cash from the Mauzadars.

4.7 Delay/short release of State share

- As per provision of schematic guidelines of IAY, SGSY and DRDA Administration, the State Government should release its share within 15 days to one

¹⁰ 54 bigha 18 lessa Government land & 258 bigha 15 lessa private land.

month after the date of release of Central share. Further, non release of State share and excess carryover of unutilized balance beyond permissible limit (10 to 15 per cent of allocation) causes reduction of corresponding Central share (2nd instalment) of the next financial year. Scrutiny of the relevant documents revealed that there was delay in release of State share under DRDA administration scheme as detailed in Table-2.

Table-2: Delay in release of State Share

Sl. No.	Year of release of State share	Sanction letter No. and date	Year to which State share released	Amount (in ₹)
1	2008-09	DRD-1(PF)114/215 dated 5.4.2008	2007-08	5,55,000
2	2008-09	DRD-1(PF)24/2008/60 dated 01.12.2008	2007-08	11,28,000
3	2009-10	DRD-1(PF)24/2008/173 dated 02.5.2009	2007-08	2,17,000
4	2009-10	DRD-1(PF)24/2008/199 dated 17.12.2009	2008-09	7,74,000
Total				26,74,000

Source: Departmental figures.

Delay in release of State share as well as curtailment of Central share affected the timely implementation of the scheme as detailed in Table - 3.

Table-3: Curtailment of Central share

Year in which cut imposed	Name of the scheme	Amount (₹ in lakh)	Reasons or imposition of cut of central share
2009-10	IAY	1,291.01	Short release of State share
2008-09	DRDA Administration	6.50	Short release of State share
2009-10	DRDA Administration	26.47	Excess opening balance
2010-11	SGSY	55.03	Excess opening balance
Total		1,379.01	

Source: Departmental figures.

DC stated (September 2011) that reasons for non release/short release of State share were not known to them. Further, funds had to be carried forward as there was no scope of expenditure.

4.8 Maintenance of Accounts

DC, PD, DRDA released funds to BDOs/COs for implementation of different schemes, who in turn, released the same to the construction committees/GP's Secretaries. The GPs are required to furnish the monthly expenditure statement and returns as per schematic guidelines to BDOs for onward transmission to DC/PD. Scrutiny of records revealed that funds were shown as expenditure as soon as these were released to BDOs/COs by DC/PD and to GPs by BDOs although funds remained unutilized at lower levels as discussed in paragraphs 4.2, 4.3, 4.4, 6.2.2 and 6.3.1. BDOs/COs did not furnish the monthly expenditure statements to DC/PD in time and DC/PD also did not insist on timely submission of returns/ expenditure of statement as per guidelines, which indicated lapse on the part of the BDOs/COs as well as ineffective monitoring by DC/PD.

4.9 Internal Controls

The BDO was required to hold monthly meetings to apprise the concerned Panchayat Secretaries about the works sanctioned and release the first installment on the basis of resolution passed by the concerned GP for preliminary work. Audit scrutiny, however, revealed that no control was exercised by BDOs to ensure that the resolutions from GPs were received without delay and works executed in a timely manner. As a result, large amount of funds have remained unutilized for long periods.

Thus, in the absence of internal checks and controls of receipt, utilisation and accounting of funds as well as implementation of works, there were huge funds remained unutilized at district as well as at intermediate panchayat level which were parked in banks.

Recommendations

- A mechanism to ensure release of funds only for works and schemes for which all preliminary and preparatory works have been completed, needs to be evolved.
- A uniform system should be put in place for receipt, utilisation and accountal of funds and a system needs to be evolved for showing actual utilisation of funds as distinct from mere release of funds.
- Unnecessary drawal of funds and its subsequent retention in banks should be avoided.