

CHAPTER 2

FINANCIAL MANAGEMENT

CHAPTER-2

Financial Management

The West Bengal Panchayat (ZP & PS) Accounts and Financial Rules, 2003 and the West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules, 2007 was framed to promote and develop proper accounting procedure for the Panchayati Raj Institutions. After 73rd Amendment of the Constitution, various functions have devolved to PRIs and these rules play a vital role in assisting PRIs to discharge these functions. These Rules act as a control mechanism in PRIs. However, the general precepts of financial management and these Rules were not adhered to in so far that annual accounts, budget and supplementary budget were not prepared, there was direct appropriation of fund, balances were not reconciled and revenue collection was poor. Most of these irregularities were reported in earlier years.

2.1 Annual Accounts not prepared

Rule 209(1) of the West Bengal Panchayat (ZP and PS) Accounts and Financial Rules, 2003 prescribes that a monthly Receipt and Payment Accounts should be prepared in Form 27 to ascertain the monthly position of the fund of ZP or PS, as the case may be. The monthly receipt and payment accounts for the month of March would become the Annual Receipt and Payment Accounts and it shall be prepared within 30th April of the following year. Scrutiny revealed that three³ PSs did not prepare the accounts in any of the years during 2007-08, 2008-09 and 2009-10 but incurred expenditure of ₹ 29.46 crore against total available fund of ₹ 51.53 crore during 2007-10. Eighty seven PSs did not prepare annual accounts in Form 27 during 2008-09 and 29 PSs did not prepare annual accounts in Form 27 during 2009-10.

Similarly, Rule 27 of the West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 prescribes that the Annual Statement of receipt and payments of the GP should be prepared in Form 27 within 15th April every year for the preceding year. It was observed during audit of GPs that 297 GPs failed to prepare annual accounts in Form 27 and spent ₹ 356.90 crore against total available fund of ₹ 417.74 crore during 2009-10.

As annual accounts were not prepared, total available fund of ₹ 469.27 crore and expenditure of ₹ 386.36 crore in respect of 300 PRIs could not be vouchsafed by audit, besides representation of financial affairs of those PRIs.

³ Khatra; Rajnagar and Taldangra.

2.2 Computerisation of PRI accounts

The Panchayat and Rural Development Department developed and introduced Gram Panchayat Management System (GPMS) for computerizing the accounting system of GPs. As per the Panchayat and Rural Development Department's records GPMS was installed in 2,913 GPs but only 2,062 were using the software on a regular basis.

Similarly, Integrated Fund Monitoring and Accounting System (IFMS) was developed for maintenance of accounts and database for ZPs and PSs. As per the Panchayat and Rural Development Department's records IFMS had been installed in all 18 ZPs and 331 PSs. Though the software was functioning in all ZPs it was working in only 311 PSs. While conducting the audit of ZPs and PSs during 2010-11, it was observed that 29 PSs did not prepare Form-27 using IFMS software (**Appendix-I**) during 2009-10.

2.3 Expenditure incurred without preparing budget and in excess of budget

Budget plays a vital role in financial management of an entity. It helps to identify areas to be covered on priority basis for development. It is a compact statement of all probable financial resources of a body and their apportionment with reference to annual programme. Moreover, passing of budget by PRIs involves participation of people through their elected representatives for ensuring development through deliberation. Non-preparation of budget by PRIs thus deprives the people from achieving their aspiration and shows lack of financial management.

Section 137 of the West Bengal Panchayat Act, 1973 prescribes that no expenditure should be incurred unless budget was approved by ZP/PS. Nine⁴ ZPs expended ₹ 33.42 crore without preparing budget estimates for various heads during 2009-10. In utter disregard of the aforesaid provision five⁵ PSs spent ₹ 19.90 crore without preparing budget estimates of the respective years.

⁴ Bankura (₹ 1.36 crore); Bardhaman (₹ 16.94 crore); Birbhum (₹ 6.56 crore); Dakshin Dinajpur (₹ 0.37 crore); Hooghly (₹ 1.61 crore); Jalpaiguri (₹ 5.72 crore); Murshidabad (₹ 0.12 crore); North 24 Parganas (₹ 0.69 crore) and Purba Medinipur (₹ 0.05 crore).

⁵ Arsha (₹ 6.20 crore); Dantan-I (₹ 2.52 crore); Purulia-II (₹ 1.01 crore); Raghunathganj-II (₹ 1.26 crore) and Sabang (₹ 8.91 crore).

Further, the West Bengal Panchayat (Budget and Appropriation of fund) Rules, 1996 and the West Bengal Panchayat (ZP and PS) Budget Rules, 2008 prescribe that the supplementary and revised budget should be prepared and approved on or before 1st March / 28th February and 5th March of the current financial year respectively. Scrutiny revealed that 14 ZPs and 41 PSs expended ₹ 362.02 crore in excess of budget provision under various heads during 2007-10 **(Appendix- II)**.

Similarly, Section 48 (3) of the West Bengal Panchayat Act, 1973 prescribes that no expenditure should be incurred unless budget was approved by GP. Scrutiny revealed that 26 GPs spent ₹ 29.25 crore during 2009-10 **(Appendix- III)** without preparing any budget estimate.

Further, Rule 40 of the West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 stipulates that a supplementary and revised budget estimate of receipts and payments for the current year should be prepared and approved on or before 25th February by GP. It was seen in audit that 1,098 GPs expended ₹ 195.63 crore in excess of their respective budget provisions under various heads like IAY, NREGS, NRHM, 12th FC, BRGF etc. without preparing any supplementary and revised budget estimates during 2009-10 **(Appendix- IV)**.

Thus, expenditure of ₹ 640.22 crore was unauthorised in absence of any budget estimates, supplementary and revised budget estimates.

PRIs, therefore, as a Local Self Government, need to strengthen their financial management and take measures to regularise such excess expenditure.

2.4 Direct appropriation of revenues without depositing into bank account

Rule 4(12) of the West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 prescribes that all receipts of the GP fund should be credited in full to an appropriate account of the GP fund.

In violation of the said provision of the rule, 54 GPs directly spent ₹ 0.16 crore during 2009-10 for miscellaneous payments out of the revenues collected from time to time before depositing those revenues into their respective GP fund accounts.

As the rule acts as a safeguard against misappropriation of funds while handling liquid cash, non-adherence to the prescribed rule not only increases risk of misappropriation of funds but also weakens internal control mechanism in PRIs.

2.5 Non-reconciliation of discrepancy in cash balances

Rule 21 (12) of the West Bengal Panchayat (ZP and PS) Accounts and Financial Rules, 2003, prescribes that the Bank account and the Local Fund account as reflected in the Cash Book shall be reconciled with Pass Book of the Bank and the Treasury at the close of each month. Sub-Rule 13 of the aforesaid rule requires that differences detected should be rectified immediately by the PRI itself or the matter should be immediately brought to the notice of the Treasury/Bank for settlement of discrepancies depending on whether the mistake occurred in the Panchayat itself or otherwise. Jalpaiguri ZP (₹ 19.13 crore) and 21 PSs (₹ 12.57 crore) did not prepare reconciliation statement and as such difference of ₹ 31.70 crore between Cash Book and Pass Book balances of Banks and Treasuries remained unreconciled as on 31 March 2010 (**Appendix-V**). Malda ZP and Howrah ZP along with 11⁶ PSs prepared reconciliation statements as on 31.03.2010 but total amount of ₹ 65.68 lakh remained unreconciled. The reasons for such difference were mistakes made by PRIs/wrong debit/non-credit by Treasury or Bank. Unless such discrepancies are immediately got rectified from the Treasury/ Bank, the rectification process would become more difficult with the passage of time.

Similarly, Rule 6(5) (c) of West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 prescribes that a Bank Reconciliation Statement shall be prepared at the end of each month in respect of each Bank Account. Scrutiny revealed that in 118 GPs, a total amount of ₹ 1.89 crore remained unreconciled at the end of 2009-10 (**Appendix- VI**).

As discrepancies in cash balance were not reconciled, the accounts lacked transparency and chances of serious irregularities in cash management could not be ruled out.

⁶ Egra-II; Gaighata; Jamuria; Kakdwip; Kalna-I; Kalna-II; Kumargram; Mejia; Memari-II; Salanpur and Swarupnagar.

2.6 Retention of cash in hand in excess of permissible limit

Rule 4 (4) and 4 (7) of the West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 stipulates that the Pradhan or the Upa-Pradhan holding the charge of the Pradhan should be the custodian of the GP fund and such person may keep cash in his personal custody not exceeding ₹ 2,000 to meet unforeseen urgent need. In violation of the said rule, the custodians of GP fund in 91 GPs were found to have retained cash ranging from ₹ 0.02 lakh to ₹ 6.84 lakh during 2009-10 (**Appendix-VII**). This indicates that these GPs not only violated the rule provision but also no system of internal control like regular checking of cash chest, surprise check etc. exists in these GPs. Moreover, retention of cash more than the permissible limit increases the risk of misappropriation and defalcation of public money.

2.7 Non-realisation of revenue

The GPs are authorised to collect taxes, rates and fees and are also empowered to lease out immovable assets like markets, lands, ponds and tanks. Scrutiny of Demand and Collection Register revealed that 3,038 GPs could collect only ₹ 29.35 crore against total demand of ₹ 120.15 crore during 2009-10 (**Appendix-VIII**). Thus, the collection was only 24.43 *per cent* of the total demand.

Mobilisation of revenues from its own resources helps a local body in achieving self-sufficiency. Poor collection of revenues by the GPs hindered the process of development of rural areas as these revenues could have been utilised by the GPs for various works based on requirement of the Gram Sansads.

2.8 Irregularities in assessment and imposition/collection of land and building tax by Gram Panchayats

Section 46 of the West Bengal Panchayat Act, 1973 stipulates that a GP shall impose a yearly tax on lands and buildings within its jurisdiction and Rule 10 of the West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 prescribes that GP shall be responsible for supervising and monitoring of the process of imposition and collection of taxes. It was observed that 175 GPs failed to do any assessment of taxes and 85 GPs failed to impose or collect taxes on lands and buildings during 2009-10 (**Appendix-IX and Appendix-X**).

Thus, failure to adhere the provision of the Act and lack of proper supervision and monitoring widened the resource gap and reduced the capacity of the GPs to undertake welfare projects for overall sustainable development in rural areas.

2.9 Non-maintenance of registers/documents/records

Audit scrutiny of 18 ZPs, 166 PSs and 3,197 GPs during 2010-11 revealed that Works Register (1,679 PRIs), Advance Register (1,599 PRIs), Asset (leased out property) Register (1,472 PRIs), Appropriation Register (1,194 PRIs), General Ledger (356 PRIs), Demand & Collection Register (762 PRIs), General Stock Register (937 PRIs), Budget of GP (80), Unpaid Bill Register (94 PRIs), Register of Deposit (69 PRIs) and Investment Register (67 PRIs) were not maintained as prescribed in the respective rules for ZP, PS and GP.

Further, important records and documents like Register for cheque book of GUS (37 PRIs), Cash book of GUS (5 PRIs), Liquid Cash Book (61 PRIs), Stock Book for Bill (150 PRIs), Receipt Register (44 PRIs) and Muster roll (22 PRIs) were also not maintained in PRIs.

In absence of prescribed registers and other records or documents, sources as well as quantum of revenue, appropriation of grants, status of properties, position of works and amount of liquid cash could not be ascertained.

2.10 Losses due to theft of fund and materials, missing assets and official documents

During scrutiny of Cashier's Receipts Voucher and Cash Books of Swarupnagar PS for the years 2008-10 it was revealed that receipts amounting to ₹ 0.23 lakh collected through cashier's receipt was neither posted in the cash book nor deposited to the PS fund. Further, scrutiny revealed that stock register for Cashier receipt book was not maintained. When enquired in audit, the PS stated (October 2010) that necessary order would be issued to the concerned Cashier for depositing the defalcated amount to the PS fund.

In 42 GPs cases of theft, defalcation, missing of valuable assets/ documents etc. was noticed during 2010-11 of which four GPs did not take any action (**Appendix-XI**).

This shows lackadaisical attitude of the GPs towards adherence to financial rules and laxity in safeguarding the properties of the GPs.

2.11 Deficiencies in internal audit of PRIs

Rule 212 of the West Bengal Panchayat (ZP and PS) Accounts and Financial Rules, 2003 requires that internal audit of the accounts of ZPs and PSs shall be conducted by the Samiti Accounts and Audit Officer (SA&AO) and the Parishad Accounts and Audit Officer in respect of PS and by the Regional Accounts and Audit Officer (RA&AO) in respect of ZPs at least once in every month. Similarly, Rule 30 of the West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 prescribes that internal audit of GPs shall be conducted by the respective Internal Audit Officer at least once in every three month. Report of internal audit of each quarter should be prepared and sent to the auditee within one month from the end of the quarter.

Audit scrutiny of 18 ZPs, 166 PSs and 3,197 GPs revealed that internal audit in 92 PSs was not conducted during 2008-09. Similarly, internal audit in six ZPs, 75 PSs and 2,079 GPs was not conducted during 2009-10 (**Appendix- XII and XIII**). Internal audit in Purba Medinipur, Malda, Howrah, Bankura and North 24 Parganas ZPs along with seven PSs were conducted only for a part of a year. Internal audit of 40 PSs was conducted during 2007-10 but no report was received by them.

The objective of the internal audit is to assess the effectiveness of various internal control systems of a PRI and also to assist the administration in the effective discharge of its responsibilities. Internal audit helps to ensure financial propriety in implementation of plans and programmes and acts as an aid to the administration for better performance. Thus, absence of internal audit not only weakened the internal control mechanism of PRIs but also deprived the PRIs of the recommendations for improvements in their service delivery mechanism.

2.12 Diversion of fund of ₹ 4.65 lakh

Audit scrutiny between April 2010 and March 2011 revealed that Nanoor PS diverted ₹ 2.25 lakh from Twelfth Finance Commission Grants for construction of a bridge undertaken from MPLAD and Second State Finance Commission fund. Similarly, Nabagram PS diverted ₹ 0.73 lakh from National Rural Health Mission fund for conducting training of Self Help Groups under SGSY.

Both the PSs stated that funds were diverted due to insufficient balance under Second State Finance Commission /SGSY. Replies were not tenable as Nanoor PS had sufficient fund of ₹ 6.70 lakh as on 31.03.2010 under Second State Finance Commission to meet that expenditure/ to recoup the diverted fund and Nabagram PS had a total available fund of ₹ 30.69 lakh under SGSY during 2008-09.

Further, Krishnagar-I PS expended ₹ 1.67 lakh from own fund towards pay and allowances to PS staff and honorarium to PS members. The said amount was not replenished till May 2010.

2.13 Short deposit of ₹ 4.87 lakh

The West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules, 2007 has no provision for engagement of private consultant to discharge financial functions on behalf of a GP.

Eight GPs⁷ under Maynaguri PS engaged consultant during 2006-10 for depositing Income Tax and Sales Tax deducted from the contractors/suppliers bill in the Government Accounts on behalf of the respective GPs. Saptibari-II and Amguri GPs did not obtain any approval of the respective GP authorities for the engagement while Padamati-II and Dharampur GPs could not furnish any resolution regarding approval of the GP authority for such engagement.

Barnesh (₹ 3.52 lakh), Churabhandar (₹ 1.71 lakh), Dharampur (₹ 0.34 lakh), Ramshai (₹ 3.26 lakh) and Saptibari-II (₹ 1.08 lakh) GPs paid ₹ 9.91 lakh to a consultant between 2006-07 and 2009-10 for depositing Income Tax (IT) and Sales Tax (ST)/Value Added Tax (VAT) to Government Accounts. Audit scrutiny revealed that the consultant deposited only ₹ 5.51 lakh to Government Accounts leaving ₹ 4.40 lakh un-deposited.

Further, the same consultant did not deposit ₹ 0.47 lakh of Padamati-II GP during 2009-10. Domohani-II GP paid ₹ 0.51 lakh to that consultant during 2009-10 for depositing ST/IT but did not take the necessary receipt.

⁷ Amguri, Padamati-II, Barnesh, Churabhandar, Dharampur, Domohani-II, Ramshai and Saptibari-II.

GPs internal verification of deposit challans revealed discrepancies thereof. The GPs then lodged FIRs with the police for short deposit of Government money.

Thus, unauthorised engagement of consultant resulted in short deposit of Government money of ₹ 4.87 lakh and non receipt of deposit challan of ₹ 0.51 lakh.

ZILLA PARISHADS AND PANCHAYAT SAMITIS

2.14 Lapsed cheques valuing ₹ 4.73 crore not taken back into account

Sixty PRIs did not write back 1,259 lapsed cheques valuing ₹ 4.73 crore to accounts and money remained idle and outside the scope of utilisation

Rule 27 of the West Bengal Panchayat (ZP and PS) Accounts and Financial Rules, 2003 states that if a cheque is not encashed within three months or six months of its issue, as the case may be, without intimation and appears in the list of outstanding cheques, such cheque shall be cancelled and the amount shall be taken back to the accounts under appropriate head of accounts from which the cheque was drawn, after keeping note on the counterfoil and the voucher.

Audit scrutiny during 2010-11 revealed that 60 PRIs did not write back the value of 1,259 lapsed cheques amounting to ₹ 4.73 crore to account in contravention of the aforesaid rule. As a result, the actual fund balance of those PRIs remained understated. Cheques issued between April 1981 and December 1996 still remained uncashed in Dantan-I, Khandaghosh, Krishnagar-I, Memari-I, Tamluk and Tufanganj-I PSs. This indicated a lapse in monitoring on the part of the PRIs over their finances.

When enquired by audit between April 2010 and March 2011, the PRIs could not furnish any reason for such irregularity or simply stated that steps were being taken to cancel the lapsed cheques after observing the necessary formalities.

Until and unless that amount of the lapsed cheques are taken back to account, these moneys would remain idle, being outside the scope of utilisation. Besides, cancellation of cheques would become more difficult as obtaining of

non-payment certificates from Bank/Treasury becomes more difficult with the passage of time.

Thus, 60 PRIs failed to observe the financial discipline and were responsible for idling of public money amounting to ₹ 4.73 crore for one to 30 years.

ZILLA PARISHADS AND PANCHAYAT SAMITIS

2.15 Lapses in monitoring over utilisation of grants of ₹ 170.41 crore

Sixty seven PRIs failed to submit utilisation certificates of grants of ₹ 170.41 crore sub-allotted to PSs, GPs, Village Education Committees, Schools, Village Water Shed Committees, Self Help Groups and government departments between 2005-06 and 2009-10

Submission of Utilisation Certificate (UCs) by the grantee(s) to the authority sanctioning the fund constitutes an important component of the internal control mechanism of the PRIs. The West Bengal Panchayat Act, 1973 stipulates that a PRI shall make grants to the other tiers of PRIs for implementation of various community development programmes. Further, Rule 36 of the West Bengal Panchayat (ZP&PS) Accounts and Financial Rules, 2003 requires that UCs in respect of a grant-in-aid received by the Zilla Parishad (ZP) or the Panchayat Samiti (PS) shall be furnished by the grantee to the authority sanctioning the fund, within six months from the date of receipt of grant or before applying for further grant for the same purpose, whichever is earlier.

Audit scrutiny during 2010-11 revealed that 67 ZPs/PSs sub-allotted grants amounting to ₹ 272.94 crore between 2005-06 and 2009-10 to PSs, GPs, Village Education Committees, Schools, Village Water Shed Committees, Self Help Groups and other government departments between 2005-06 and 2009-10 for implementation of various schemes and programmes viz. Sampoorna Grameen Rozgar Yojana, Central and State Finance Commission grants, Total Sanitation Campaign, Indira Awas Yojana, Backward Region Grant Fund, Rural Water Supply, Swajaldhara, National Old Age Pension Scheme etc.

Though it was mandatory to furnish UCs against the sub-allotted grants, the grantee(s) failed to furnish UCs for ₹ 170.41⁸ crore which constituted 62 *per cent* of the total sub-allotment of ₹ 272.94 crore. In absence of UCs, these PRIs remained unaware about the status of utilization of the grants sub-allotted and could not provide assurance that the grants had been utilised for the intended purposes.

Two⁹ ZPs and four¹⁰ PSs have admitted the fact, 17 ZPs/PSs did not furnish any reply and the remaining ZPs/PSs either stated that steps would be taken to collect the UCs or the same were being collected and would be shown to next audit.

This indicates significant lacuna on the part of PRIs in monitoring over implementation of schemes. Absence of monitoring leaves scope for misutilisation and misappropriation.

⁸ **ZPs:** Bankura (₹ 19.58 crore); Bardhaman (₹ 2.75 crore); Birbhum (₹ 33.11 crore); Cooch Behar (₹ 0.49 crore); Dakshin Dinajpur (₹ 4.85 crore); Hooghly (₹ 5.20 crore); Howrah (₹ 1.74 crore); Malda (₹ 2.39 crore); Murshidabad (₹ 12.27 crore); Nadia (₹ 2.08 crore); North 24 Parganas (₹ 0.06 crore); Paschim Medinipur (₹ 2.03 crore); Purba Medinipur (₹ 56.38 crore); Siliguri Mahakuma Parishad (₹ 2.48 crore); South 24 Parganas (₹ 0.30 crore) and Uttar Dinajpur (₹ 0.46 crore); **PSs:** Balarampur (₹ 0.37 crore); Barabani (₹ 0.10 crore); Bardhaman-I (₹ 0.08 crore); Beldanga-I (₹ 0.40 crore); Beldanga-II (₹ 0.07 crore); Binpur-II (₹ 0.96 crore); Chakdaha (₹ 0.02 crore); Chandrakona-II (₹ 0.28 crore); Dantan-II (₹ 0.11 crore); Deshapran (₹ 0.02 crore) Dhanekhali (₹ 4.64 crore); Galsi-II (₹ 0.47 crore); Gangajalghati (₹ 3.36 crore); Ghatal (₹ 0.04 crore); Haldia (₹ 0.10 crore); Hariharpara (₹ 0.24 crore); Ilambazar (₹ 0.11 crore); Jalangi (₹ 0.15 crore); Jamboni (₹ 0.18 crore); Kalna-II (₹ 0.32 crore); Kanksa (₹ 0.03 crore); Kashipur (₹ 1.71 crore); Keshpur (₹ 0.05 crore); Ketugram-I (₹ 0.01 crore); Khandaghosh (₹ 0.75 crore); Kharagpur-I (₹ 0.50 crore); Kotulpur (₹ 2.29 crore); Krishnagar-I (₹ 0.22 crore); Kumarganj (₹ 0.14 crore); Mejia (₹ 0.29 crore); Memari-I (₹ 0.35 crore); Monteswar (₹ 0.05 crore); Murshidabad-Jiaganj (₹ 0.11 crore); Nabagram (₹ 0.37 crore); Pandabeswar (₹ 0.06 crore); Para (₹ 0.50 crore); Purbasthali-I (₹ 0.32 crore); Purbasthali-II (₹ 0.11 crore); Purulia-II (₹ 0.13 crore); Raghunathganj-II (₹ 0.02 crore); Raghunathpur-II (₹ 0.63 crore); Raina-I (₹ 0.90 crore); Raina-II (₹ 0.28 crore); Salanpur (₹ 0.02 crore); Sankrail (₹ 0.59 crore); Shalboni (₹ 0.56 crore); Shyampur-II (₹ 0.46 crore); Sonamukhi (₹ 0.63 crore); Sutahata (₹ 0.03 crore); Tamluk (₹ 0.06 crore) and Tufanganj-I (₹ 0.05 crore).

⁹ Cooch Behar and Uttar Dinajpur.

¹⁰ Bardhaman-I; Ghatal; Jamboni and Memari-I.

ZILLA PARISHADS AND PANCHAYAT SAMITIS

2.16 Non-observance of prescribed rule resulted in accumulation of advance of ₹ 17.68 crore

Twelve ZPs and 36 PSs failed to adjust advance amounting to ₹ 17.68 crore due to non-observance of prescribed procedure for adjustment of advances

Rule 38 of the West Bengal Panchayat (ZP and PS) Accounts and Financial Rules, 2003, (hereinafter referred to as “Rules”) states that adjustment against an advance shall be realised from the person receiving the advance within a reasonable time as may be specified by the authority sanctioning any such advance not exceeding thirty days from the date of drawal of advance and further advance shall not be sanctioned until the previous advance drawn had been fully adjusted. The rule also provides that a quarterly statement of outstanding advance against each individual should be prepared and the Executive Officer should place the matter in the Artha Sthayee Samiti for instruction.

Audit scrutiny during 2010-11 revealed that 12 ZPs and 36 PSs paid advance of ₹ 23.18 crore mainly to the staff of the PRIs concerned, paymasters of various schemes and self help groups during 1969-2010 for execution of works under National Rural Employment Guarantee Scheme, Bidhayak Elaka Unnayan Prakash, Member of Parliament Local Area Development Scheme, Sampurna Grameen Rozgar Yojana, Backward Region Grant Fund etc. Out of total advance of ₹ 23.18 crore, only ₹ 5.50 crore was adjusted in 18 PRIs and ₹ 17.68 crore remained outstanding after expiry of the stipulated 30 days in contravention of the aforesaid rules.

In reply, three¹¹ PRIs confirmed the facts and figures pointed out by audit and noted the same for future guidance. Seven¹² PRIs did not furnish any reply and remaining PRIs stated that steps for adjustment of outstanding advances would be taken and the same would be shown to next audit. This is indicative of lackadaisical approach of PRIs in monitoring over adjustment of advances.

It was further revealed that Bankura-I PS did not maintain Advance Register at all. Murarai-I PS admitted that an outstanding advance of ₹ 18.05 lakh paid

¹¹ ZPs- Bankura and Bardhaman; PS- Bardhaman-I.

¹² ZPs- Birbhum; Cooch Behar; Nadia and Uttar Dinajpur; PSs-Deshapran; Farakka and Rajnagar.

during 2006-08 could not be adjusted since the person to whom the advance were given could not be detected due to perfunctory maintenance of Advance Register. Non-maintenance of Advance Register adversely affected the monitoring over outstanding advances.

Seven¹³ PRIs did not prepare quarterly statement of outstanding advance for placement before the *Artha Sthayee Samiti*. Thus, they remained unaware about the non-adjustment of advances. Four¹⁴ PSs allowed second advance before adjustment of the first advance in contravention of the Rules.

Thus, non-observance of rules prescribed for adjustment of advances and financial indiscipline like non-maintenance of Advance Register, non-preparation of quarterly list of outstanding advance, laxity in getting adjustment of advance and allowing subsequent advances to the same individual before adjustment of the previous advance resulted in huge accumulation of advance to the tune of ₹ 17.68 crore in 48 PRIs.

2.17 Conclusion and Recommendations

Conclusion

The financial management of PRIs deviated from prescribed accounting procedures as the PRIs expended money without preparing annual accounts and did not reconcile the balances between Cash Books and bank statements. Revenues were directly appropriated before depositing into bank accounts. There was lack of budgetary control and money was expended either in absence of budget provision or without preparing budget. Primary basic accounting records, viz. Demand and Collection Register, Appropriation Register, Advance Register, Works Register were not properly maintained affecting quality of governance in the PRIs. Realisation of revenues from immovable properties was inadequate and huge amount on this account remaining outstanding year after year. Inadequate attention in this area hindered the PRIs' endeavour to achieve self-sufficiency. Corrective measures as well as proper planning could not be adopted due to absence of Internal Audit. Weak internal control mechanism was unable to detect pilferage and resulted in loss of PRIs' funds due to theft

¹³ ZPs- Birbhum, Cooch Behar and Nadia; PSs- Binpur-I, Hanskhali, Shalboni and Tapan.

¹⁴ ZPs- Farakka, Purbasthali-I, Shalboni and Tapan.

and defalcation of funds and other assets. There was lack of monitoring over utilisation of funds and sending UCs to fund sanctioning authority. Financial indiscipline was also evident in failure to write back lapsed cheques into account, adjust long pending advances and non-observance of prescribed financial rules by the PRIs.

Recommendations

Concerted efforts should be taken to strengthen internal control and monitoring mechanisms, both at the level of the Panchayat and Rural Development Department, as well as individual PRI management level, relating to the following areas:

- Proper and timely maintenance of accounts, preparation of realistic budget, prompt reconciliation of differences between Cash Book and bank Pass book balances and maintenance of basic records to ensure true and fair picture of the institutions;
- Speedy and timely recovery of revenue to achieve self-sufficiency;
- Identification and plugging of loopholes to safeguard against losses due to theft, defalcation of funds and other assets and initiation of legal proceedings against defaulters by the concerned PRIs;
- Timely internal audit and prompt action on the audit observations to assist the administration in the effective discharge of its responsibilities;
- Private consultant engaged to discharge any financial function on behalf of PRIs should be monitored regularly to avoid short deposit of Government money;
- Necessary steps should be taken to write lapsed cheques back into account so that these moneys do not remain idle and outside the scope of utilisation;
- Timely submission of Utilisation Certificates for grants should be ensured to ensure proper utilisation of grants towards intended purposes and
- Proper action to adjust advances needs to be initiated and monitoring mechanism strengthened to ensure speedy and timely recovery or adjustment.