

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 Blocks and other executing agencies based on the approved allocation for individual schemes.

4.1 Funds flow and Expenditure incurred

The total flow of funds to the District during 2007-12 and expenditure incurred as of March 2012 in respect of significant programmes as reported by various departments is detailed in the Table -1 below:

Table-1
Position of funds received and expenditure incurred during 2007-12
in respect of certain significant programmes

(₹ in crore)

Sl. No.	Name of the scheme	Implementing agencies	Funds provided	Expenditure incurred
1	2	3	4	5
1.	National Rural Health Mission (NRHM)	Health and Family Welfare	112.94	103.44
2.	National Aids Control Programme (NACP)		0.02	0.02
3	Sarva Shiksha Abhyajan (SSA)	Education	133.77	133.57
4	Pre-metric Scholarship (SC/ST student)		0.65	0.65
5	Post-metric Scholarship(SC/ST student))		3.35	3.35
6	Mid-day Meal (MDM)		38.22	36.29
7	Accelerated Rural Water Supply Programme (ARWSP)	Public Health Engineering	104.69	104.57
8	Total Sanitation Campaign (TSC)		30.11	30.08
9	Integrated Child Development Scheme (ICDS)	Social Welfare	40.52	28.21
10	Pradhan Mantri Gram Sadak Yojana (PMGSY)	Public Work (Roads)	164.59	164.59
11	Other Road Sector Scheme		71.55	71.54
12	Accelerated Irrigation Benefit Programme (AIBP)	Irrigation	41.13	40.13
13	Untied fund	Planning and Development Department through D.C.	5.41	3.63
14	Kalpataru		5.24	4.15
15	Member of Parliament Local Area Development Scheme (MPLADS)		10.66	8.46
16	Member of Legislative Assembly Local Area Development Scheme (MLALADS)		16.66	13.26
17	Assam Vikash Yojana, Border Area Development Programme (AVY, BADP)		2.12	2.08
18	E-Governance		8.13	2.84
19	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	Rural Development Department through DRDA	107.96	107.81
20	Swarnajayanti Gram Swarozgar Yojana (SGSY)		62.06	61.99
21	Sampoorna Grameen Rozgar Yojana (SGRY)		37.62	37.39
22	Indira Awaas Yojana (IAY)		222.90	221.34
23	Integrated Wasteland Development Programme (IWDP- Hariyali)		4.14	3.90
24	District Rural Development Agency (Administration)		5.44	5.41
25	Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY)	Power	91.16	90.88

1	2	3	4	5
26	Swarna Joyanti Sahari Rozgar Yojana (SJSRY)	Town and Country Planning Department through Municipal Boards/Town Committees	5.02	3.89
27	Urban Infrastructure Development Scheme for Small & Medium Town (UIDSSMT)		0.99	0.95
28	Strom Water Drainage Programme (SWDP)		5.60	3.62
29	District Development Plan (DDP)	Zilla Parishad	40.97	31.30
30	National Food Security Mission (NFSM)	Agriculture	5.14	4.73
31	National Technology Mission for Horticulture (TM-Horticulture)		6.49	4.17
32	Rastriya Krishi Vikash Yojana (RKVY)		1.27	0.90
33	District Police Administration	Police Administration	125.52	107.69
34	District Animal Husbandry and Veterinary Officer (DAH&VO)	Animal Husbandry and Veterinary	1.37	1.37
Total			1513.41	1438.20

Source: Departmental figures

It is, thus, noticed that ₹75.21 crore of funds released by GoI and GoA remained unutilized during 2007-12 and parked in bank accounts. Besides, out of reported expenditure of ₹1438.20 crore, ₹11.68 crore remained unutilized at lower levels i.e., at block level and G.P. level and retained in banks. The funds were not utilized within the time frame due to delay in execution of works/projects by the executing agencies, delay in receipt of recommendations from MP and MLAs, receipt of funds at the fag end of the financial year, inadequate project management, as discussed in succeeding paragraphs. Non utilization of available funds deprived the beneficiaries of intended benefits.

4.2 Blocking of funds

- 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.

Scrutiny of records revealed that DC, Sonitpur in violation of the above provision, kept unutilized fund in bank, received from time to time for different works under various schemes. DC had also accumulated unspent balance of ₹14.83 crore (More than 5 years: ₹0.94 crore; 3 to 5 years: ₹0.60 crore and 1 to 3 years : ₹13.29 crore) in banks (2 current accounts). Analysis of closing balances was not recorded in the cash book and physical verification of cash balances were never carried out.

GoI/GoA released funds to DC and CEO, Zilla Parishad for implementation of schemes viz., MPLADS, MLALADS, Kalpataru, National Old Age Pension (NOAP), DDP etc. DC and CEO further released funds to Block Development Officers (BDOs)

and Chairman of Construction Committees. Scrutiny of records of selected blocks and information collected from other blocks revealed that ₹5.68 crore under MPLADS, MLALADS, Kalpataru and NOAP remained unutilized as of March 2012 which resulted in blocking of development fund and the beneficiaries were deprived of intended benefits to that extent.

4.3 Misappropriation of funds

Scrutiny of records of the Block Programme Manager (BPM), Block Public Health Centre (BPHC), North Jamuguri revealed that an amount of ₹ one crore was fraudulently drawn from NRHM account in May 2011. It was seen from the records that Shri D. Katoki, the then SDM&HO incharge of North Jamuguri BPHC, was operating NRHM Bank account in SBI, Rangachakua Branch jointly with Block Accounts Manager (BAM), Mr. Kheruraj Kaffle. The amount was withdrawn on 17 May 2011 and 23 May 2011 by a person⁸ whose identity was not known, through SBI, Chennai vide cheque No.655283 dated 16 May 2011 for ₹50 lakh and cheque No.655285 dated 22 May 2011 for ₹50 lakh respectively issued by North Jamuguri BPHC. An enquiry was conducted (30 May 2011) by DC, Sonitpur wherein it was stated by BPM that two leaves of the concerned cheque book were missing and remained untraceable in the office since September 2010 but the matter was neither reported to the bank authority nor any FIR was lodged. Subsequently ₹ one crore was drawn by using these two missing leaves of the cheque book. Immediately after the incident, the District Health Society (DHS) lodged (29 May 2011) an FIR in Jamuguri Police Station. The said NRHM account was blocked w.e.f. 28 May 2011 and closed on 31 May 2011. One new account was opened (June 2011) in another branch of SBI at Sootea. The closing balance of ₹31,57,328.38 (closed account) was transferred to the new account on 10 January 2012. Both BAM and BPM were terminated from service w.e.f. 7 September 2011. Dr. D. Katoki, the then SDM&HO retired on 31 October 2011. DHS requested the Government not to settle the pensionary benefit of Dr. Katoki pending settlement of the case. Further, development of Police investigation is awaited (March 2013). No money suit has been filed against the officials to recover the amount.

Scrutiny of records of BPHC, Jamuguri revealed that DHS transferred (7 May 2011) ₹1,29,35,099 (salary, referral transport, ASHA incentive, evening OPD, IEC/BCC) to NRHM account of North Jamuguri BPHC where there was a balance of ₹16,64,321 as on 6 May 2011 and the incidents of misappropriation of funds took place on 17 and 23 May 2011 respectively. It was also seen that funds were released to BPHC by DHS without ascertaining the requirements of funds.

Further, scrutiny of records revealed that BAM did not maintain the basic records viz., (i) stock book of cheques received from bank; (ii) cheque issue register and (iii) payment register indicating cheque number and date under different programmes. Besides, several cheque books were used simultaneously. The then BAM was

⁸ Shri D. Balakrishnan

terminated (January 2010) from service by State Health Society (SHS), NRHM on the basis of recommendation of DHS for failure of Shri Kaffle in discharging his duties but was reinstated (March 2010) by SHS, NRHM without any recommendation from DHS. Thus, it is evident that deficient financial and administrative control facilitated the misappropriation in question.

4.4 Unauthorised expenditure

GoI releases funds in respect of rural development schemes to the Project Directors in instalments. PAO, Rural Development Department, GoI releases funds to the master account of the concerned DRDAs with an instruction to transfer the released amount to respective scheme funds. PD, DRDA, Sonitpur maintained a master account bearing No.10501596713 in State Bank of India, Tezpur.

Scrutiny of records of PD, DRDA, Sonitpur revealed that amounts as released and credited in bank account in respect of rural development schemes were transferred to individual (*viz.*, MGNREG, IAY etc.) scheme funds with delay ranging from one to three months. As a result of retention of funds in master account, the agency earned interest which alongwith released amount was not transferred to the respective scheme fund as envisaged in the scheme guidelines. As of March 2012, there was a closing balance of ₹9,99,12,265 in the master account of which ₹9,94,84,900 (released by GoI) remained to be transferred to respective scheme fund leaving a balance of ₹4,27,365 as interest amount. Besides, the bank credited ₹61.83 lakh as interest during 2007-12 in the master accounts. Thus, ₹57.56 lakh (₹61.83 lakh – ₹4.27 lakh) was withdrawn out of interest earned by DRDA during the period. Details of expenditure, if any, met out of such funds was not furnished, though called for. Neither any account nor any cash book was maintained by DRDA for the transactions out of master account as a result of which the bonafides of expenditure of ₹57.56 lakh could not be authenticated/ascertained.

During exit conference, PD stated (September 2012) that due to delay in receipt of sanction from GoI, funds could not be transferred to respective scheme accounts. The reply of the PD was not tenable as the funds are credited to master account by GoI with details of scheme-wise allocations to the concerned PD.

4.5 Incorrect reporting to GoI

As per MPLAD scheme guidelines, DC is required to furnish monthly physical and financial status report to GoI in prescribed proforma. DC, Sonitpur did not submit monthly reports but submitted only quarterly progress reports. As per the report for the quarter ending December 2011, the unutilized balance was ₹39.16 lakh whereas there was a balance of ₹90.42 lakh in the bank account as of 6 February 2012 without further transaction upto 31 March 2012. The cash book was also not written upto 31 March 2012. Thus, the amount of unutilized balance reported to GoI was incorrect and understated by ₹51.26 lakh. Besides, the unutilized balance was not transferred to MPLADS account of 15 Lok Sabha (LS) till March 2012.

4.6 Utilisation certificates

- The Tezpur LS constituency also covers an area of North Lakhimpur district in addition to the entire Sonitpur district. Scrutiny of records revealed that during February 2011 and January 2012, DC, Sonitpur paid ₹29.20 lakh to DC, North Lakhimpur out of MPLADS fund as per the recommendation of MP. However, APR and utilization certificates were not received from the concerned DC as of June 2012.
- During September 2009 and November 2010 DC, Sonitpur paid ₹64.66 lakh to Chairman, Tezpur Municipal Board for execution of works like construction of roads, drainage etc., under State Finance Commission award. UC for the said amount had not been furnished by the Board to DC (June 2012).

In the absence of UCs, actual utilization of funds remained unascertained.

4.7 Unrealised Government revenue

- DC, Sonitpur has six government owned fisheries which were leased out to different Fishery Co-operative Society/Min Samabai Samittee Ltd., between April 2006 and October 2010 at a fixed rate per year.

Scrutiny revealed that out of ₹51.08 lakh, being revenue realizable for the period 2006-07 to 2011-12 from the lessee, an amount of ₹36.10 lakh only was realized leaving outstanding amount of ₹14.98 lakh as of June 2012 as the lessee did not pay the due amount. DC also did not initiate any punitive action for non payment of amount by the lessee.

- Under the provision of Assam Financial Rules, all monies received on behalf of the Government shall, without delay, be deposited in Government account. The Land Revenue Department instructed (March 1996) that Mouzadars are allowed to retain cash in hand upto a maximum of ₹10,000 with regard to land revenue collected by them. For any amount held in excess over this limit, the concerned Mouzadars shall be required to pay, not only the excess amount, but also interest at 18 *per cent* per annum in respect of this excess amount for the period held by him. Land revenues are collected from the land holders through Mouzadars. Scrutiny revealed that during 2011-12, against the demand of ₹10.76 crore (Arrear as of 1 April 2011: ₹8.68 crore; demand for the year 2011-12: ₹2.08 crore), ₹1.44 crore was collected during 2011-12 by the Mouzadars. Out of ₹1.44 crore, ₹1.29 crore was deposited into Government account by the Mouzadars retaining ₹0.15 crore against the permissible amount of ₹0.03 crore⁹ in violation of Government instruction.

Thus, Government revenue amounting to ₹9.47 crore (land revenue: ₹9.32 crore + Fishery revenue: ₹0.15 crore) remained unrealized as of March 2012. Except issuing notices, no effective steps like instituting bakijai cases or legal action were taken by the DC to realize the outstanding amount.

⁹ 26 Mouzadars x ₹10000

- The Government of Assam allotted a piece of land measuring 75 Bigha - 3 Katha - 2 Lessa (Dag No.64) in Halleswar Mouza in favour of Indian Statistical Institute, Kolkata for setting up a permanent centre at Tezpur. The land was handed over to the organization in advance on 3 November 2010 subject to realization of premium of ₹35 lakh which remained unrealised from the organization till June 2012.

Thus, due to non receipt of ₹35 lakh, GoA suffered a loss of revenue to that extent.

4.8 Non deposit of Government of revenues

Rule 7(1) of Assam Treasury rules provides that all moneys received by or tendered to Government on account of the revenue of the State shall, without undue delay, be remitted into treasury. The money so received shall not be appropriated to meet any departmental expenditure.

Scrutiny of records revealed that Government revenue of ₹1.23 crore in respect of four land acquisition cases pertaining to the period 2006-07 and 2007-08 was retained by DC, Sonitpur in his current bank account without depositing the same to Government account. Retention of Government revenue in violation of prescribed financial rules was unauthorized and resulted in extension of undue benefit to banks.

4.9 Non release/delay in release of Central and State Share

- GoI introduced a Centrally Sponsored Scheme viz., DRDA Administration w.e.f. 1 April 1999. This scheme which is funded on a 90:10 basis between Centre and State aims at strengthening and professionalizing DRDAs. Scrutiny of records revealed that fund amounting to ₹2.91 crore was not released by GoI and GoA as of 31 March 2012 as detailed in Table-2.

Table- 2: Non release of Central and State Share

(₹ in lakh)

Year	Approved budget allocation	Central Share due	State Share due	Central Share received	State Share received	Balance to be received		
						GoI	GoA	Total
2008-09	101.39	90.72	10.67	58.33	10.67	32.39	0	32.39
2009-10	116.13	104.52	11.61	104.52	11.61	0	0	0
2010-11	187.50	168.75	18.75	82.56	7.83	86.19	10.92	97.11
2011-12	196.87	177.18	19.69	35.23	0	141.95	19.69	161.64
Total	601.89	541.17	60.72	280.64	30.11	260.53	30.61	291.14

Source: Departmental figures.

The non release of funds by GoI during the period 2008-09 and 2010-12 was due to non release/short release of State Share of funds by GoA under the scheme. Reason for short release/non release of funds by GoA was not on record. As a result of short release of funds under the scheme, DRDA diverted ₹90.41 lakh from different schemes towards DRDA Administration funds.

- Indira Awas Yojana (IAY) is a Centrally Sponsored Scheme with sharing of fund between Central and State Government in the ratio of 90:10. The State Government should release its share within one month after release of Central share.

Scrutiny of records revealed that there was abnormal delay in release of the State Share as detailed in Table-3.

Table-3: Delay in release of the State Share

(₹ in lakh)			
Amount released	State Share relates to the year	State Share released during the year	Delay
30.99	2008-09	2010-11	2 years
424.41	2009-10	2010-11	1 year

Source: Annual accounts and Departmental records.

Reasons for non release/delay in release of funds were not on record. Thus, non release/delay in release of funds eventually delayed the completion of IAY houses as discussed in paragraph 6.3.2.

Admitting the audit observation, PD stated (September 2012) that state share had been released in the next financial year but documentary evidence in support of the statement could not be produced to audit.

4.10 Diversion of Scheme fund

The rural development schemes have specified allocation of funds and transfer of funds from one scheme to another is not permissible. Scrutiny of records revealed that ₹56.21 lakh was transferred from one scheme to the other as detailed in Table-4.

Table-4: Diversion of funds from one to another scheme

(₹ in lakh)			
Year	Name of scheme from which fund was transferred	Fund transferred to	Amount
2008-09	IAY	MRNREGA	20.00
	SGSY	DRDA Administration	15.00
2009-10	PMGSY	IAY	1.10
	SGSY	DRDA Administration	11.00
2010-11	SGSY	DRDA Administration	6.75
	MDM	SGSY	2.36
Total			56.21

Source: Annual accounts.

DRDA, thus, diverted ₹56.21 lakh from one scheme to other in violation of scheme guidelines. This diversion affected the implementation of the scheme from which funds were diverted.

4.11 Blocking of fund under SGSY

As per provision of SGSY guidelines, the second instalment of Central share is released subject to the fact that the opening balance of the scheme should not exceed 15 per cent of the allocation of the year in which funds are being released. In case, the opening balance exceeds this limit, the amount of the Central share by which it exceeds this limit would be deducted at the time of release of second installment.

Scrutiny of annual financial statement of SGSY 2008-09, cheque issue register, ledger and cash book for 2007-08 & 2008-09, revealed that on 29 March 2008, PD, DRDA, Sonitpur purchased bank drafts amounting to ₹43.95 lakh in the name of bank manager of different banks as subsidy to be released to these banks under SGSY 2007-08 and retained the same in the office till 18 March 2009. Details of the name of SHG against which subsidy was sanctioned, their application, sanction of bank loan, letter for refund of subsidy from bank etc., were not produced to audit, though called for. Subsequently, the same amount was accounted for in the cash book on 19 March 2009 as refund of subsidy.

Thus, purchase of bank draft (₹43.95 lakh) for release of subsidy without details of sanction of bank loan and subsidy to beneficiaries and keeping the draft with PD till 18 March 2009 would appear to have been a ploy to exhibit lesser closing balance and avoid deduction from central allocation. In addition, this amount was not available for scheme implementation for the whole year.

4.12 Maintenance of Accounts

GoI/GoA released funds to DC/PD for implementation of different schemes who in turn released funds to BDOs and Chairman of Construction Committees. BDOs, in their turn, released funds to G.P. Secretaries for implementation of schemes. G.P. Secretaries are required to submit monthly expenditure statement and returns in prescribed proforma to BDOs for onward transmission to DC/PD. Scrutiny of records revealed that none of the seven selected BDOs furnished the monthly expenditure statement to DC/PD in time and DC/PD also did not insist for the same which indicated monitoring lapse on the part of BDOs as well as DC/PD.

4.13 Internal control

The BDOs were required to hold monthly meetings to apprise the concerned Panchayat Secretaries about works sanctioned and fund released against each work. As per scheme guidelines, G.P. Secretaries are required to forward the Gram Sabhas' resolution alongwith the list of proposed works and list of IAY beneficiaries duly approved in Gram Sabhas (GS) to the concerned BDOs. Scrutiny of records of the selected BDOs revealed that resolution of GS regarding proposed works and IAY beneficiaries were not available with the selected BDOs. Thus, no control was exercised by BDOs to ensure that the list of works and the beneficiaries were duly approved by GS and received in time and works executed in a timely manner. This resulted in accumulation of unutilized funds amounting to ₹86.89 crore at successive tiers of releasing authorities. Besides, intended benefits were not provided to the rural people to that extent.

Recommendations

- DC should ensure proper receipt, utilization and accountal of funds by all concerned in accordance with the prescribed financial rules and orders by undertaking a specific and regular monitoring strategy.
- Accumulation of funds at successive tiers of disbursement should be avoided through efficient planning and implementation of scheme to preclude mis-utilization, diversion, blocking and possible misappropriation of funds.
- The tendency of unnecessary drawal of funds and its retention in bank accounts should be avoided/ discouraged.