

CHAPTER-II

ACCOUNTS & FINANCES

2.1 Accounting arrangements.

The Eleventh Finance Commission had recommended exercising control and Supervision over maintenance of accounts of PRIs of all three tier by the C&AG. But the Government of Himachal Pradesh has still not adopted budget and accounting formats prescribed by C&AG. Government of Himachal Pradesh stated (September 2008) that matter regarding adoption of budget & accounts formats prescribed by the C&AG was under process.

2.2 Non-reconciliation of balances in cash book with the pass book.

Rule 15 (10) (b) of the Himachal Pradesh Panchayati Raj Rules 2002 provides that the balances of the pass book of the PS/GP shall be checked with reference to the cash book at the close of every month by way of reconciliation.

In five⁵ PSs test checked an amount of Rs. 13.32 lakh remained un-reconciled as of March, 2008.

Similarly in 117 GPs test checked differences of Rs. 30.04 lakh in both accounts in pass book and cash book remained un-reconciled as of March, 2008. Thus, the un-reconciled balance does not reflect true financial position of PRIs. The concerned Executive Officers (EOs) of PSs and Secretary of GPs stated (May 2007 to December 2007) that the efforts were being made to reconcile the differences. The replies were not tenable as compliance of rules for monthly reconciliation was not ensured.

2.3 Outstanding advances

Rule 30 of the Himachal Pradesh Panchayati Raj Rules 2002 provides that whenever any advance is paid to an office bearer or officer/official of GP for carrying out the developmental works a record thereof shall be kept in the register of temporary advances in Form-9 and such advances should be adjusted within one year.

In 15 GPs test checked advances amounting to Rs. 3.06 lakh had been paid between 1990 and 2007 to the Pradhans/Secretaries for meeting the expenditure for developmental works, but adjustments of accounts was neither submitted by them

⁵ Chowari Rs. (-) 0.07 lakh, Rait Rs. (-) 1.52 lakh, Baijnath Rs. 11.40 lakh, Kunihar Rs. 2.18 lakh and Sulh Rs. 1.33 lakh.

nor balance amount deposited as of March, 2008. The department records show that no action had been taken to get these advances adjusted.

2.4 Non maintenance of records/registers

Rule 34 of Himachal Pradesh Panchayati Raj General Rules 1997 provides that every GP shall maintain important records such as stock register, stock material register, demand and collection register, immovable property register, execution of development works register and muster roll issue register etc.

In six PSs and 156 GPs, test checked the above records were not found maintained during the period 2002-2007 (Appendix-2) on account of which the correctness of financial transactions could not be ascertained. No reasons for non maintenance of records were intimated by the concerned institutions.

2.5 Retention of cash in hand in excess of permissible limit

(i) Rule 18 (2) of the Himachal Pradesh Panchayati Raj Rules 2002 provides that the PS and ZP may allow the accumulation of cash in the departmental cash chest upto a maximum limit of Rs. 2500 and Rs.5000 respectively, at one time.

In violation of the rules, the EOs of six PSs (Chamba, Chauntra, Dhrampur, Rait, Sujampur and Solan) were found to have retained cash ranging between Rs. 2882 and Rs. 39870 thousand at a time during the period from 2002 to 2007.

(ii) Rule 10 (3) of the Himachal Pradesh Panchayati Raj Rules 2002 provides that a sum not exceeding rupees one thousand may be kept as imprest by the Secretary for urgent expenditure to be incurred by the Gram Panchayat.

In 43 GPs test checked the cash ranging between Rs. 1007 and Rs. 159893 was left in hand as imprest during 2002-2007. The retention of cash in excess of prescribed limit was not only irregular but there was every likelihood of its being temporarily mis-utilised.

The concerned institutions admitted the facts and stated (May 2007 to December 2007) that such irregularities would not be repeated in future.

2.6 Non opening of separate account

Rule 4 (i) of Himachal Pradesh Panchayati Raj Rules, 2002 provides that separate "A" and "B" accounts shall be opened by every ZP/PS/GP for income from own resources and the grants in aid received, funds allocated for special purposes and loans etc.

In two ZPs, nine PSs and 49 GPs (Appendix-3) test checked, separate “A” & “B” accounts had not been opened. In the absence of the separate accounts, actual position of sectoral allocation of funds could not be ascertained in audit.

In reply the concerned institutions stated (May 2007 to December 2007) that needful would be done in future.

2.7 Expenditure incurred without preparing any budget.

According to Rule 38 of Himachal Pradesh Panchayati Raj (Finance, Budget, Accounts, Audit etc) Rules 2002 every PS and ZP shall prepare annually a budget estimates of its receipt and expenditure in form 12 for the year commencing on 1st day of the following April. The budget estimates shall be prepared by the Secretary of the PS or the ZP, as the case may be by 31st December and submit it to the Finance, Audit and Planning Committee of the PS or the ZP, as the case may be, for its close scrutiny or any modification as it may consider fit, and the said committee shall submit the same to the PS or the ZP, as the case may be for approval on or before the 15th February,

It was noticed that in two ZPs and four PSs test checked budget estimates for the period from 2003-07 had not been prepared. However expenditure of Rs. 161.00 lakh had been incurred between 2003-04 to 2006-07 without valid authorization in the form of budget, which was irregular (details in Appendix-4). The concerned institutions stated (April 2007 to February 2008) that in future, budget estimates would be prepared in time.

2.8 Purchase of material without inviting quotations.

Rule 67 (5) (b) of the Himachal Pradesh Panchayati Raj Rules 2002 provides that the purchases of stores for more than Rs. 1000/- but less than Rs. 50,000/- are to be made by inviting quotations.

Scrutiny of purchase vouchers in 30 selected GPs (Appendix-5) revealed that purchases of various material costing Rs. 74.25 lakh were made during 2002-07 without inviting quotations which was in contravention of the above rule. It was further noticed that goods were purchased from one or two shops without inviting quotations. Had the quotations been invited, the possibilities of less payment for cost of material purchased could not be ruled out. Concerned GPs stated (July 2007 to January 2008) that in future the purchases would be made as per rules.

2.9 Non-recovery of house tax.

Rule 33 of Himachal Pradesh Panchayati Raj Rules 2002 provides that the Secretary of the GP shall see that all revenue are correctly, promptly and regularly assessed, realised and credited to the accounts of funds of the Panchayat concerned.

Rs. 4.07 lakh on account of house tax for the period falling 2002-07 was recoverable in 37 test checked GPs (details given in Appendix-6) as of March, 2008 which was indicative of a lack of initiative and poor control in GPs, resulting in weakening of their own resource base. Besides, the GPs had not taken any action to levy panality on defaulters for non-payment of house tax as envisaged in section 114 (i) of the HP Panchayati Raj Act 1994. The concerned GPs stated (June 2007 to March 2008) that the action to recover the house tax would be taken immediately.

2.10 Non-recovery of duty on account of installation of mobile towers.

Himachal Pradesh Government authorised (November 2006) the GPs to levy duty on installation of mobile communication towers at the rate of Rs. 4,000/- per tower and annual renewal of fee at the rate of Rs. 2,000/- per annum installed in their jurisdiction.

In 11 GPs test checked mobile towers were installed during 2004-2007 in their jurisdiction, but the GPs have neither levied nor recovered the amount of Rs. 2.36 lakh on account of installation duty and renewal fee as of March, 2008 (Appendix-7). The concerned GPs stated (June 2007 to February 2008) that the action would be taken to recover the dues.

2.11 Outstanding rent

The PSs/GPs had been renting out the shops/stalls in their jurisdiction on monthly rent basis to the public. It was noticed in five test checked PSs and 10 test checked GPs that an against the demand for Rs. 5.19 lakh for the period from 1999-2007, only an amount of Rs. 0.52 lakh was recovered by the PRIs leaving an outstanding balance of Rs. 4.67 lakh. The concerned PRIs stated that action would be taken to recover the rent.