

CHAPTER - 2

Accounting procedures

A number of cases of irregularities including non-preparation of annual accounts, expenditure incurred without preparing budget and expenditure in excess of budget provisions, direct appropriation of revenues without depositing into savings bank account, retention of cash in hand in excess of permissible limit, non-reconciliation of cash balances and non-realisation of revenue were revealed during scrutiny in audit.

2.1 Non-preparation of annual accounts

As per the 'Notification' ^α of the State Government, the accounts of the funds of 3,318 Gram Panchayats for the year 2005 – 06, were examined and audited during 2006 – 07 in accordance with the West Bengal Panchayat (Gram Panchayat Miscellaneous Accounts and Audit) Rules, 1990 framed under the West Bengal Panchayat Act, 1973. This involved verification of accounts with reference to books of original entry, ledgers and subsidiary book of accounts of GPs.

According to Rule 29B of the West Bengal Panchayat (Gram Panchayat Miscellaneous Accounts and Audit) Rules, 1990, every GP is to prepare and publish annual accounts of each financial year within one month after the close of the financial year. In contravention of the provision of the Accounts Rules (hereinafter called the Accounts Rules), 31 GPs (as detailed in **Appendix-II**) out of 3,349 GPs did not prepare the accounts although an expenditure of Rs. 8.16 crore was incurred against total receipt of Rs. 11.82 crore for the financial year 2005-06. In the absence of annual accounts, the headwise receipt and expenditure *vis-à-vis* budgetary control thereupon could not be verified in audit.

2.2 Expenditure incurred without preparing budget

2.2.1 In accordance with Rule 7 of West Bengal Panchayat (Budget and Appropriation of Fund) Rules, 1996, every GP is to approve and adopt by 31 January each year the budget for the following financial year. However, 51 GPs out of 3,349 GPs (as detailed in

^α Notification No. 1149 / PN / O / I / 3C – 2 / 2000 (Pt. II) dated 28.03.2003 issued by the Government of West Bengal, Department of Panchayats & Rural Development, Panchayat Wing.

Appendix-III) did not prepare, approve and adopt the budget for the year 2005-06. Thus, these GPs unauthorisedly spent Rs. 14.96 crore without any budget allocation during the year.

2.2.2 In accordance with Rule 17 (2) *ibid*, every PS is to approve and adopt by 15 February each year the budget for the following financial year. However, Garbeta-II PS did not prepare, approve and adopt the budget for the year 2004-05 and 2005-06. Thus, the PS unauthorisedly spent Rs. 2.35 crore in 2004-05 and Rs. 2.73 crore in 2005-06 without budgeting.

2.2.3 Rules also prescribe the time schedule in respect of preparation, approval and adoption of ZP's budget. The preparation of budget should be started on or from 1st September and the ZP should approve the budget on or before 5th March.

However, it was noticed in audit that Nadia ZP incurred an expenditure of Rs. 80.76 crore in the year 2005-06 without preparing any budget estimate which is required under Rule 29 *ibid*.

2.3 Expenditure incurred in excess of budget provision

2.3.1 1,559 GPs (as detailed in **Appendix-IV**) altogether spent Rs. 77.93 crore in excess of their respective budget provisions under different heads without preparing any supplementary and revised estimates during 2005-06.

2.3.2 27 PSs (as detailed in **Appendix-V**) altogether spent Rs. 12.08 crore during 2004-05 and 2005-06 in excess of their respective budget provisions under different heads.

2.3.3 6 ZPs (as detailed in **Appendix-VI**) altogether spent Rs. 19.04 crore during 2005-06 in excess of their respective budget provisions under different heads without preparing any supplementary and revised estimates.

2.3.4 This shows absence of budgetary controls in the concerned PRIs, which should be instituted at the earliest.

2.4 Direct appropriation of revenues without depositing into savings bank account

2.4.1 According to Rule 4(2) of the Accounts Rules, the custodian of the Gram Panchayat Fund (i.e. the Pradhan) shall deposit all receipts of the Fund in a Savings Bank Account

to be withdrawn therefrom as and when required subsequently. But it was seen in audit that 61 GPs spent Rs. 28.94 lakh during 2005-06, out of the revenues collected by them from time to time without depositing the money into their respective Savings Bank Accounts (as detailed in **Appendix-VII**).

2.4.2 Similarly, two PSs in 2004-05 and one in 2005-06 appropriated Rs. 22.34 lakh and Rs. 41.36 lakh⁺ respectively in violation of Rule 5 (2) of the West Bengal Panchayat (Zilla Parishad and Panchayat Samiti) Accounts and Financial Rules, 2003.

This is fraught with the risk of misappropriation and embezzlement of funds.

2.5 Retention of cash in hand in excess of permissible limit

2.5.1 Rule 4(4) of the Accounts Rules prevents the custodian of the GP fund (i.e. the Pradhan) from retaining cash in his personal custody exceeding Rs. 500 at any time. In violation of the Accounts Rules, the Pradhans of 264 GPs were found to have retained cash ranging from Rs. 0.25 lakh to Rs. 6.50 lakh at a time during 2005-06 (as detailed in **Appendix-VIII**).

2.5.2 As per Rule 6(3) of the West Bengal Panchayat (Zilla Parishad and Panchayat Samiti) Accounts and Financial Rules, 2003, all payments exceeding Rs. 500 were to be made by cheque and claims for smaller sums were to be paid in cash and no money should be drawn before it is actually required for payment. In violation of the above rules, 25 Panchayat Samitis (as detailed in **Appendix-IX**) had withdrawn and retained cash ranging from Rs. 0.25 lakh to more than Rs. 5 lakh through self-cheques during 2004-05 to 2005-06.

2.5.3 Similarly, Coochbehar ZP had withdrawn and retained cash ranging from Rs. 3 lakh to more than Rs. 6 lakh through self cheques during 2005-06.

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Sl. No.	Name of PS	Controlling PRI at District level	Amount spent out of revenues collected without routing through the Savings Bank Account (Rs. in lakh)	
			2004-05	2005-06
(1)	Domjur	Howrah	16.91	41.36
(2)	Hasnabad	North 24 Parganas	5.43	-
Total			22.34	41.36

2.6 Non-reconciliation of cash balances

2.6.1 The Accounts Rules stipulate that the cash balance of the bank pass book of the GP shall be checked with reference to the cash book at the close of every month by way of reconciliation. However, in 102 GPs, a total amount of Rs. 26.71 lakh remained unreconciled (as detailed in **Appendix-X**) at the end of the financial year 2005-06.

2.6.2. Similarly, 5 Panchayat Samitis during 2004-05, 39 Panchayat Samitis during 2005-06 and one Zilla Parishad during 2005-06 (as detailed in **Appendix-XI**) did not reconcile their balances as per cash book and pass book. A difference of Rs. 1.13 crore during 2004-05 and Rs. 10.75 crore during 2005-06 in respect of PSs and Rs. 1.70 crore[√] during 2005-06 in respect of a ZP remained unreconciled as at the end of 31 March 2006.

2.6.3 Such absence of regular monthly reconciliation of cash balances indicates lack of internal control in the concerned PRIs. This is also fraught with the risk of misappropriation of funds remaining undetected.

2.7 Non-realisation of revenue

The GPs impose yearly taxes and duties and also levy rates, fees and tolls to augment their own resource base. In 3,173 GPs, against a total cumulative demand of Rs. 80.69 crore, Rs. 58.01 crore could not be realised as at the end of 2005-06. The unrealised amount constituted 72 per cent of the total demand (as detailed in **Appendix-XII**). This indicates lack of initiative and poor internal controls in GPs, resulting in weakening of their own resource base, which itself is quite limited.

2.8 Non-maintenance of the records/registers

2.8.1 The Accounts Rules prescribe that every GP shall maintain registers and books like Demand and Collection Register, Allotment Register, Works Register, Measurement Book, Asset Register, etc. for its smooth functioning as well as for depicting a true and

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Name of ZP	Amount as per Cash Book	Amount as per Pass Book	Difference remaining unreconciled (In Rupees)
Purba Medinipur	45,18,63,426.30	46,88,57,533.73	1,69,94,107.43

fair view about the state of its affairs. Scrutiny of data by audit from 3,349 GPs spread over 17 ZPs and one Mahakuma Parishad revealed that the GPs failed to maintain prescribed records and books pertaining to the year 2005-06 (as detailed in **Appendix-XIII**).

2.8.2 Similarly, on scrutiny of data by Audit from 161 PSs and 17 ZPs, one Mahakuma Parishad and PSs under two divisions and ZPs under three divisions, as detailed in **Appendix-XIV** and **Appendix-XV**, failed to maintain prescribed records and books.

2.8.3 In absence of mandatory subsidiary records, true and fair view of the use of resources and assets could not be ascertained.

2.9 Internal Audit

2.9.1 The Accounts Rules provide for internal audit of the Gram Panchayats Accounts to be conducted by the Panchayat Accounts and Audit Officers (PA&AOs) within their respective jurisdictions at least once in every month. The Rules also provide for preparation of internal audit reports by the PA&AOs every three months ending on 30 June, 30 September, 31 December and 31 March. It was seen that in 43 *per cent* of the total number of GPs, no such internal audit was conducted during 2005-06 (as detailed in **Appendix-XVI**).

2.9.2 Similarly, internal audit of the accounts of Panchayat Samitis and Zilla Parishads to be conducted by the end of each quarter by the Samiti Accounts and Audit Officer and the Parishad/Regional Accounts and Audit Officer respectively was not conducted in respect of 124 Panchayat Samitis in 2004-05, 125 Panchayat Samitis in 2005-06 (as detailed in **Appendix-XVII**) and six^β ZPs in 2005-06. The work of internal audit suffered during 2004 – 06 due to large number of vacancies in the cadre of Samiti Accounts & Audit Officer and Parishad Accounts & Audit Officer.

^β (1) Birbhum ZP (2) Dakshin Dinajpur ZP (3) Uttar Dinajpur ZP (4) Murshidabad ZP (5) Purba Medinipur ZP and (6) Jalpaiguri ZP.

2.9.3 The following table shows the position of deployment of Internal Audit Officers as furnished (February 2008) by the department:

Name of the Post	Sanctioned strength	Men in position	Vacancy
Regional Accounts and Audit Officer	3	3	Nil
Parishad Accounts and Audit Officer	18	4	14
Samiti Accounts and Audit Officer	66	33	33
Panchayat Accounts and Audit Officer	370	312	58

The department replied (April 2008) that necessary initiatives have already been taken to fill up the vacant posts.

2.9.4 Scrutiny in audit of 14 PRIs between February – April 2008 revealed the following :

Results of internal audit	No. of PRIs	Name of the PRI	Period of internal audit	Follow-up action by the PRIs / Internal Audit Officer
Internal audit conducted and audit note / report issued	11	Howrah ZP	upto 2 nd quarter of 2006-07	Only 3 PRIs (Howrah ZP, Hooghly ZP and Malda ZP) stated (February – April 2008) that the replies were sent to higher authorities.
		Paschim Medinipur ZP	2003-04 to 2005-06	
		Hooghly ZP	2002-03 to 2004-05	
		Malda ZP	upto 2006-07	
		Purulia ZP	upto 2005-06	
		Mahishadal PS	upto September 2006	
		Tamluk PS	upto January 2008	
		Panskura – I PS	upto January 2008	
		Kolaghat PS	upto December 2007	
		Moyna PS	upto December 2007	
		Purulia – II PS	upto 2006-07	
Internal audit conducted and audit note / report not issued	1	Purulia – I PS	upto 08.09.2006	The PS stated (February 2008) that internal audit was conducted during October 2007 and the concerned Samiti Accounts and

Results of internal audit	No. of PRIs	Name of the PRI	Period of internal audit	Follow-up action by the PRIs / Internal Audit Officer
				Audit Officer had not submitted the report.
Information on internal audit not received	2	North 24 Parganas ZP	--	Not made available to audit (April 2008).
		South 24 Parganas ZP	--	

The above table shows that the follow-up action on internal audit note / report was poor and the internal audit system was weak.