

CHAPTER II

RURAL DEVELOPMENT AND WATER CONSERVATION DEPARTMENT

Performance Review on 'Quality of maintenance of accounts in Panchayati Raj Institutions'

Highlights

The objective of introducing a proper accounting system in Panchayati Raj Institutions has not been achieved due to non-adoption of accounts format prescribed by Comptroller and Auditor General of India.

(Paragraph 2.7.1.1)

187 cheques amounting to Rs 57.38 lakh drawn under Indira Awas Yojana, Sarva Shiksha Abhiyan, Total Sanitation Campaign, Bharat Nirman Scheme *etc.* were not disbursed despite lapse of considerable period. 121 cheques of Rs 17.98 lakh drawn towards deductions of Income Tax, Sales Tax, Royalty and Insurance premium payable to Director of Insurance were not delivered. There was delay in crediting Rs 15.16 crore on account of taxes, royalty and insurance to appropriate authorities.

(Paragraph 2.7.2.2 (I), (II))

168 cheques amounting to Rs 107.51 crore were wrongly shown as credited in the year although these were actually deposited in the subsequent year.

(Paragraph 2.7.2.4)

No efforts were made, except releasing Rs 5 crore for purchase of computer hardware, to develop database on finances by any of the selected Zilla Parishads and Panchayat Samitis even though the Eleventh Finance Commission grants of Rs 22.30 crore and Twelfth Finance Commission grants of Rs 28.30 crore were earmarked for the purpose during the period from 2001-04 and October 2005 respectively. These grants were used for implementation of different schemes.

(Paragraph 2.7.2.7)

Funds received for implementation of various schemes were not deposited in the District Fund. Minimum and maximum cash balance was found to be varying between Rs 5.61 lakh and Rs 22.36 lakh (May 2005 to March 2008).

(Paragraph 2.7.3.1 (I))

Surplus fund of Rs 592.33 crore lying in District Fund (2003-08) was not invested resulting in loss of interest of Rs 38.50 crore.

(Paragraph 2.7.3.2)

In 119 cases an amount of Rs 33.58 lakh was incorrectly credited to deposit account during 2003-08. Unclaimed deposits of Rs 2.35 crore were not credited to revenue head. Advances of Rs 3.64 crore for the period from 1949-50 to 2006-07 were outstanding as of 31 March 2008.

(Paragraph 2.7.3.3, 2.7.3.4, 2.7.3.5)

The unspent grants under Agency Schemes amounting to Rs 97.29 crore and Rs 0.22 crore on account of Sampoorna Gramin Rozgar Yojana as of 31 March 2008 were not refunded to Government.

(Paragraph 2.7.4.1, 2.7.4.1 (I))

Due to non-cancellation of 375 time barred cheques, expenditure of Rs 1.73 crore was wrongly booked by the test checked Zilla Parishads.

(Paragraph 2.7.4.2)

In Zilla Parishad Thane and four selected Panchayat Samitis the difference of Rs 12.20 crore as of 31 March 2008 between cash book balance and the bank balance remained un-reconciled.

(Paragraph 2.7.4.3)

In Zilla Parishad Jalna under General Provident Fund, Rs 1.05 crore was lying in 398 dormant accounts as of 31 March 2008.

(Paragraph 2.7.4.5 (IV))

In 72 selected Gram Panchayats payment of Rs 0.88 crore in excess of prescribed limit of Rs 500 in 1511 cases was made in cash.

(Paragraph 2.7.5.4)

In four Gram Panchayats cash books were not maintained properly. This led to mis-appropriation of Rs 19698 in these Gram Panchayats.

(Paragraph 2.7.5.9)

2.1 Introduction

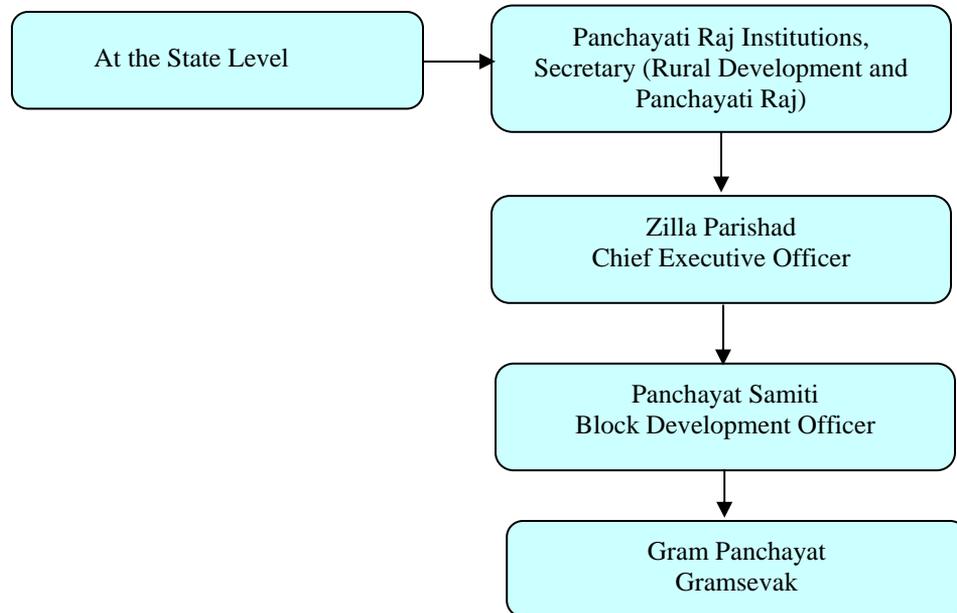
The 73rd Constitutional Amendment Act 1992, supplemented by legislation/resolutions in the States in 1994, changed the structure of governance by establishing a three tier Panchayati Raj System *i.e.* Zilla Parishads (ZPs) at District level, Panchayat Samitis (PSs) at Block level and Gram Panchayats (GPs) at Village level. The Eleventh Finance Commission (EFC) had expressed concern over the maintenance of accounts of local bodies and their audit. The EFC recommended that in view of an unsatisfactory system of accounts and audit with accounting formats not reflecting the changing realities and the lack of trained staff, the system of accounting and auditing

needed improvement under the close supervision of the Comptroller & Auditor General of India (C&AG). Based on the EFC recommendations, C&AG was entrusted with Technical Guidance & Supervision/support (TGS) over the maintenance of accounts of local bodies and their audit, including providing technical guidance to the Director of Local Fund Audit (DLFA). It was also envisaged that the formats for preparation of budget and keeping accounts by PRIs shall be prescribed by C&AG. Accordingly, C&AG had prescribed the Budget and Accounts formats for PRIs in 2002. These formats were approved by Government of Maharashtra (GOM) and circulated to all ZPs (November 2003) for implementation with effect from 2001-02. The Chief Auditor, Local Fund Accounts (CALFA) is responsible for audit of PRIs in the State in accordance with the provisions of Section 4 of Bombay Local Fund Act, 1930 read with Rule 3 of Bombay Local Fund Audit Rules, 1931.

2.2 Organizational set up

The Panchayat Raj and Rural Development Department(RDD) is headed by the Secretary. The Chief Executive Officer(CEO) of the ZP is the administrative head appointed by Government. The ZPs are divided into blocks. These blocks or PSs are under the control of Block Development Officers(BDO). Blocks are further divided into Gram Panchayats(GPs). Gram Sevak works as the Panchayat Secretary and assists the Sarpanch of the GP. The organogram is given below:

Organisational Chart



2.3 Audit coverage and audit methodology

There are 33 ZPs, 351 PSs and 27909 GPs in the State. Out of 33 ZPs, eight⁹ ZPs representing atleast one ZP from each of the six regions¹⁰ in the State alongwith sixteen PSs¹¹ and eighty GPs (**Appendix IV**) were selected by random sampling method for the performance audit covering the period from 2003-04 to 2007-08. Performance Audit conducted between December 2008 and May 2009, involved scrutiny of records maintained in the department, selected ZPs, PSs and GPs. The Entry and Exit Conferences were held with the Secretary and other officers of the department at Mumbai on 5 February 2009 and 8 September 2009 respectively. The State Government agreed with the views of the audit.

2.4 Audit objectives

The audit objectives were to examine and assess whether:

- approved formats were adopted by the ZPs and PSs;
- maintenance of basic records and other subsidiary records was satisfactory;
- principles of economy and efficiency were observed;
- appropriate account of utilization and refund of unspent grant was kept;
- there was satisfactory maintenance of accounts and related records by the GPs; and
- effective monitoring mechanism was in place.

2.5 Audit Criteria

The main criteria for the performance audit were as under :

- The Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961.
- The Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968.
- The Bombay Village Panchayats Act, 1958.
- The Bombay Village Panchayats (Budget and Accounts) Rules, 1959.
- The Bombay District Village Development Fund Rules, 1960.
- The Maharashtra Village Panchayats (Employees) Provident Fund Rules, 1961.
- The Maharashtra Village Panchayats (Audit of Accounts) Rules, 1961.
- The Bombay Village Panchayats (District Village Panchayat Officers Functions) Rules, 1959.
- The Maharashtra Village Water Supply Fund Rules, 1997.

⁹ Akola, Chandrapur, Jalna, Nasik, Ratnagiri, Satara, Thane and Yavatmal

¹⁰ Amravati, Aurangabad, Nasik, Mumbai/Thane, Nagpur and Pune

¹¹ Balapur, Chiplun, Chimur, Deola, Jalna, Karad, Mahabaleshwar, Murbad, Murtizapur, Nasik, Partur, Pusad, Ratnagiri, Vasai, Wani and Warora

- Government Resolutions issued from time to time.

2.6 Funding Arrangements

The arrangement for funding for carrying out the functions assigned to PRIs were as follows :

- Grants received from Central Government through District Rural Development Agency (DRDA);
- Grants received from Central Government through State Government/Collector;
- Grants received from State Government;
- Revenue share in respect of Land Revenue, Stamp Duty, Forest Revenue, Professional Tax, Tax on Vehicles, Royalty on Mines ore are being paid by State Government through Collector to PRIs.
- Own revenue through taxes, cess, fees, fines *etc.*

The position of funds (Rs 7831.02 crore) received and expenditure (Rs 7204.78 crore) incurred during the last five years under various major heads¹² of account in eight selected ZPs are detailed below:

(Rupees in crore)

| Sr. No. | Zilla Parishad | 2003-04 | | 2004-05 | | 2005-06 | | 2006-07 | | 2007-08 | |
|---------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | Receipt | Expenditure |
| 1 | Akola | 98.80 | 91.76 | 102.25 | 102.68 | 128.22 | 116.15 | 139.42 | 134.93 | 148.41 | 146.75 |
| 2 | Chandrapur | 118.23 | 112.59 | 127.46 | 121.42 | 138.30 | 144.97 | 158.68 | 158.14 | 201.77 | 195.68 |
| 3 | Jalna | 95.46 | 82.14 | 101.30 | 92.20 | 120.56 | 104.95 | 122.11 | 124.76 | 140.74 | 139.91 |
| 4 | Nasik | 238.12 | 224.98 | 262.27 | 259.72 | 301.84 | 304.92 | 345.03 | 330.25 | 399.73 | 387.70 |
| 5 | Ratnagiri | 139.14 | 116.47 | 148.88 | 121.31 | 168.94 | 140.21 | 190.10 | 153.72 | 200.85 | 160.31 |
| 6 | Satara | 221.64 | 210.20 | 240.78 | 230.66 | 243.30 | 238.81 | 445.98 | 278.75 | 90.05 | 82.35 |
| 7 | Thane | 184.28 | 173.99 | 202.32 | 187.15 | 238.03 | 220.10 | 280.10 | 251.88 | 335.79 | 274.99 |
| 8 | Yavatmal | 159.37 | 149.92 | 178.05 | 176.62 | 195.45 | 185.90 | 215.27 | 222.62 | 264.00 | 252.22 |
| | Total | 1255.04 | 1162.05 | 1363.31 | 1291.76 | 1534.64 | 1456.01 | 1896.69 | 1655.05 | 1781.34 | 1639.91 |

2.7 Audit Findings

2.7.1 Adoption of new formats of accounts and monthly/annual accounts

2.7.1.1 Adoption of formats of accounts by ZPs and PSs prescribed by C&AG

The budget and accounts formats for PRIs prescribed by C&AG were synchronized and linked to the scheme of classification in Union and State

¹² 2059 Public Works, 2202 Education , 2210 Public Health, 2215 Water Supply and Sanitation, 2225 Social Welfare, 2515 Other Rural Development Department , 2702 Minor Irrigation and 3054 Roads and Bridges.

Government accounts making it amenable to computerization and building of database for generation of all India level data and effective monitoring. The formats of accounts were circulated to all ZPs/PSs and GPs in November 2003 by the RDD for its implementation since 2001-02.

Scrutiny of records (December 2008 to May 2009) revealed that out of eight selected ZPs, Akola, Chandrapur and Nasik submitted their accounts in the formats prescribed by C&AG for four years *i.e.* 2003-07, Ratnagiri, Satara and Yavatmal for only one year *i.e.* 2003-04. Thane ZP prepared the accounts in the old format for the year 2003-04 and in new format for the years 2004-07, whereas Jalna ZP did not prepare accounts in any formats for the entire period of 2003-08. The funds received from Central Government were also not incorporated in the new formats of accounts by selected ZPs. Further, it was observed that none of the selected PSs/GPs had prepared and submitted their accounts in the formats prescribed by C&AG for the entire period of 2003-08.

The Government stated (September 2009) that in view of flow of funds in two different ways *i.e.* the funds received by ZPs through State budget and Centrally Sponsored Schemes (CSS) funds received by the PSs directly from DRDA, it was found difficult to incorporate CSS funds in the accounts of ZPs.

2.7.1.2 Delay in submission of monthly accounts by PSs to ZPs

Rule 61 of the Code stipulates that the PS shall forward monthly accounts of receipts and expenditure by the 20th of each month to ZP.

It was observed from the records that for the period 2003-08, 16 selected PSs except Balapur, Chiplun and Ratnagiri, did not submit the monthly accounts on due date to ZPs. The delay in submission of monthly accounts ranged between four and ninety days.

The Government accepted the facts (September 2009) and agreed to issue instructions for compliance by ZPs.

2.7.1.3 Finalization of annual accounts

In accordance with the provisions of section 136 of the Maharashtra Zilla Parishads and Panchayat Samitis (MZPs & PSs) Act, 1961 read with Rule 66 of the Code, Chief Executive Officer (CEO) of ZP is required to prepare annual statement of accounts of revenue and expenditure of a financial year on or before 10 July of the following financial year for placing before the Finance Committee of the ZP by 10 August. Subsequently, these accounts are to be approved on or before 30 September by ZPs and finally publish the abstract of statement of accounts in the Government gazette before 15 November.

It was observed from the records of two ZPs¹³ that there were delay ranging between six and 22 months in compilation of accounts whereas there were delays ranging from seven months to 23 months in publishing of annual accounts by three¹⁴ ZPs during 2003-04 to 2007-08.

The Government accepted the facts (September 2009) and agreed to issue instructions for strict compliance by ZPs.

2.7.1.4 Non-accountal of grants of Centrally Sponsored Schemes

An amount of Rs 56.11 crore received during 2003-08 for CSS viz. Indira Awas Yojana (IAY) and Rajiv Gandhi Niwara Yojana (RGNY) were not included in the monthly accounts by the PSs with consequential effect of not getting included in annual accounts of ZPs as detailed below:

(Rupees in crore)

| Sr. No. | Zilla Parishad | Panchayat Samiti | 2003-08 | | Grand Total |
|--------------|----------------|------------------|--------------|-------------|--------------|
| | | | IAY | RGNY | |
| 1 | Akola | Balapur | 2.02 | 0.19 | 2.21 |
| | | Murtizapur | 1.76 | 0.00 | 1.76 |
| 2 | Chandrapur | Chimur | 3.50 | 0.00 | 3.50 |
| | | Warora | 3.37 | 0.11 | 3.48 |
| 3 | Jalna | Jalna | 3.29 | 0.34 | 3.63 |
| 4 | Nasik | Nasik | 3.92 | 0.31 | 4.23 |
| | | Deola | 1.17 | 0.16 | 1.33 |
| 5 | Ratnagiri | Ratnagiri | 1.84 | 0.27 | 2.11 |
| 6 | Satara | Mahabaleshwar | 0.49 | 0.04 | 0.53 |
| | | Karad | 9.39 | 0.82 | 10.21 |
| 7 | Thane | Murbad | 8.48 | 1.27 | 9.75 |
| | | Vasai | 4.84 | 0.64 | 5.48 |
| 8 | Yavatmal | Pusad | 5.64 | 0.34 | 5.98 |
| | | Wani | 1.89 | 0.02 | 1.91 |
| Total | | | 51.60 | 4.51 | 56.11 |

Thus, non-adoption of accounts format in totality by ZPs/PSs defeated the objective of introducing a proper accounting system as envisaged by EFC.

The Government agreed (September 2009) to re-examine the issue.

¹³ Chandrapur and Yavatmal

¹⁴ Akola, Chandrapur and Yavatmal

2.7.1.5 Certification of accounts in new format

As per GOM circular dated 10 November 2003, the CALFA is responsible for certification of Annual Accounts of ZPs, PSs and GPs prepared in the new formats as prescribed by C&AG.

It was observed from the records that in selected ZPs Akola, Ratnagiri, Satara and Yavatmal, no accounts were certified in the new formats for the period 2003-07. The accounts of Chandrapur, Nasik and Thane prepared in new format for the year 2004-07 were certified by CALFA.

The facts were accepted (September 2009) and Government agreed to intimate the latest position.

2.7.2 Maintenance of basic and subsidiary records by ZPs and PSs

2.7.2.1 Payment in cash exceeding prescribed limit

According to Rule 25(2) of the Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968 (Code) payment of any sum exceeding Rs 1000 shall be made by cheque or letter of credit and not in any other form of payment.

Scrutiny of records revealed that an amount of Rs 7.35 lakh was paid in cash in 178 cases by ZP Satara and six¹⁵ PSs during 2003-08 exceeding the prescribed limit in each case. The possibility of misappropriation of Government money cannot be ruled out.

The facts were accepted (September 2009) and Government agreed to issue instructions.

2.7.2.2 Retention of cheques

Rule 27 of the Code stipulates that no cheque shall be signed unless it is required for immediate delivery to the payee. Violation of the codal provision was noticed in the following cases:

(I) Un-disbursed cheques

In eight¹⁶ PSs under these seven¹⁷ selected ZPs, 187 cheques amounting to Rs 57.38 lakh drawn on account of IAY, Sarva Shiksha Abhiyan, Total Sanitation Scheme, works related payment during 2004-08 were not disbursed. This has resulted in irregular booking of expenditure and denial of benefit to the individuals. The details are given in the following table:

| Sr No | Name of ZPs | No. of cheques | Amount in Rupees |
|--------------|--------------------|-----------------------|-------------------------|
| 1 | Akola | 10 | 96997 |
| 2 | Chandrapur | 9 | 117343 |
| 3 | Nasik | 14 | 125557 |
| 4 | Ratnagiri | 132 | 4960381 |

¹⁵ Chimur, Jalna, Karad, Murbad, Vasai and Warora

¹⁶ Chimur, Karad, Murbad, Murtizapur, Nasik, Vasai, Wani and Warora

¹⁷ Akola, Chandrapur, Nasik, Ratnagiri, Satara, Thane and Yavatmal

| | | | |
|---|--------------|------------|----------------|
| 5 | Satara | 10 | 355934 |
| 6 | Thane | 6 | 58909 |
| 7 | Yavatmal | 6 | 23100 |
| | TOTAL | 187 | 5738221 |

The facts were accepted (September 2009) and the Government stated that instructions would be issued for strict compliance by ZPs.

(II) Non-credit/belated credit of taxes, royalty and insurance premium

According to provisions of the Income Tax Act, 1961, Income Tax (IT) deducted at source shall be remitted within one week from the last date of the month in which deduction was made. Section 40 of Bombay Sales Tax Act, 1959 provides that Sales Tax(ST) deducted at source be credited within 15 days from the expiry of the month in which deduction was made. Similarly, Maharashtra State Tax on Professions, Trades, Calling and Employment Rules, 1975 provides that Profession Tax deducted shall be credited within 15 days from the date on which the salary is disbursed. Further, insurance premium deducted are immediately payable to the Director of Insurance (DOI) in order to obtain insurance cover for the work and workers. Royalty deducted is required to be credited immediately to the authority concerned.

Scrutiny of records in four selected ZPs revealed that 121 cheques amounting to Rs 17.98 lakh were drawn towards deductions on account of IT, ST, Royalty and Insurance premium during the period 2006-08. However, these cheques were not delivered (May 2009) to the authorities concerned as detailed below:

(Rupees in lakh)

| Sr. No | Zilla Parishad | Royalty (2007-08) | | Sales Tax (2006-08) | | Income Tax (2006-08) | | DOI (2006-08) | |
|--------------------|----------------|-------------------|-------------|---------------------|-------------|----------------------|-------------|----------------|--------------|
| | | No. of cheques | Amount | No. of cheques | Amount | No. of cheques | Amount | No. of cheques | Amount |
| 1 | Akola | 2 | 0.09 | 0 | 0.00 | 0 | 0.00 | 4 | 0.13 |
| 2 | Nasik | 2 | 6.17 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 3 | Ratnagiri | 0 | 0.00 | 25 | 2.82 | 25 | 3.36 | 49 | 4.04 |
| 4 | Thane | 0 | 0.00 | 3 | 0.39 | 1 | 0.09 | 10 | 0.89 |
| | Total | 4 | 6.26 | 28 | 3.21 | 26 | 3.45 | 63 | 5.06 |
| Grand Total | | | | | | | | | 17.98 |

Delayed remittance of IT and ST carries liability of penal interest under IT Act and Bombay ST Act. The benefit of the insurance for the work and workers was not available as the insurance premium was not paid to DOI.

Further, it was noticed in eight selected ZPs that taxes, royalty and insurance of Rs 15.16 crore in 889 cases for the period 2003-08 deducted at source were credited belatedly to the authorities concerned. The delays ranged between 2 to 354 days as detailed below:

(Rupees in lakh)

| Sr. No. | ZP | IT | ST | PT | Insurance | Royalty | Total | Period of delay in days |
|--------------|------------|---------------|---------------|--------------|--------------|---------------|----------------|-------------------------|
| 1 | Akola | 8.31 | 6.89 | 0.00 | 2.25 | 7.02 | 24.47 | 17 to 142 |
| 2 | Chandrapur | 38.65 | 46.63 | 0.00 | 10.04 | 12.81 | 108.13 | 86 to 176 |
| 3 | Jalna | 11.75 | 23.49 | 0.41 | 0.05 | 0.21 | 35.91 | 19 to 351 |
| 4 | Nasik | 211.77 | 243.05 | 0.00 | 63.19 | 526.71 | 1044.72 | 4 to 353 |
| 5 | Ratnagiri | 52.05 | 46.49 | 0.00 | 0.08 | 0.00 | 98.62 | 9 to 354 |
| 6 | Satara | 129.35 | 0.00 | 0.00 | 0.00 | 0.00 | 129.35 | 9 to 186 |
| 7 | Thane | 25.15 | 7.46 | 10.76 | 0.00 | 0.00 | 43.37 | 10 to 159 |
| 8 | Yavatmal | 23.52 | 7.70 | 0.00 | 0.00 | 0.00 | 31.22 | 2 to 136 |
| Total | | 500.55 | 381.71 | 11.17 | 75.61 | 546.75 | 1515.79 | |

ZP Nasik did not initiate action for remittance of IT in time during 2007-08 despite being penalized for delayed remittances in the past.

The facts were accepted (September 2009) and the Government stated that instructions would be issued for compliance by ZPs.

(III) Non-accountal of interest payment in the cash book

As mentioned in paragraph 2.7.2.2(II) above delayed remittance of IT carries liability of penal interest under IT Act. Under Rule 57 of the Code the debits made by the bank are to be accounted for in cash book or to be taken up with bank for withdrawal of such debits at the time of preparation of bank reconciliation.

Scrutiny of records of ZP Nasik revealed that although demand of interest of Rs 8.37 lakh on delayed remittances of IT in the years 2004-07 was raised by the IT authorities, yet the said amount was not remitted by the ZP Nasik. As directed by IT authority, the District Fund (DF) account of ZP Nasik was debited by Rs 8.37 lakh (March 2008). The said expenditure had not been accounted for in the cash book for the year 2007-08 resulting in understatement of expenditure to that extent.

The facts were accepted (September 2009) and the Government stated that instructions would be issued for compliance by ZPs.

2.7.2.3 Non-refund of interest to DRDA

Interest earned on fund of each scheme for CSS is to be passed on to the DRDA for utilizing the same as additional source of fund.

It was observed that interest amounting to Rs 27.50 lakh earned under various schemes during the year 2003-08 by six selected PSs was not refunded to DRDAs. Thus, the benefit of utilization of interest as an additional source of fund for the schemes could not be derived.

The Government stated (September 2009) that the amount of interest had been refunded to DRDA and agreed to issue instructions to all ZPs.

2.7.2.4 Incorrect accounting

Rule 57 of the Code stipulates that all receipts and realizations in cash or by cheque shall be entered daily in chronological order in cash book as and when the transactions occur.

In six¹⁸ ZPs test checked, 168 cheques amounting to Rs 107.51 crore during the period 2003-08 were shown to have been credited in the same year even though these cheques were actually deposited in the next financial year. This had resulted in projection of incorrect accounts.

The facts were accepted (September 2009) by the Government and it was stated that instructions to avoid delay in remittance to bank would be issued.

2.7.2.5 Non-reconciliation of revenue receipts.

Rule 13 of the Code stipulates that the challan in quadruplicate shall be submitted to bank. One copy each will be sent by depositor and bank to the ZP or PS, as the case may be. The revenue receipt as recorded based on a copy of challan received from the depositor is to be reconciled with challan received with the bank scroll. However, Rule 49 of the Code permits recording of receipts in cash book with reference to daily scroll received from the bank.

It was observed from the records that the selected ZPs and PSs had recorded receipts in the cash book with reference to daily bank scroll instead of the challans received from the depositors.

This defeated the very purpose of reconciliation due to existence of conflicting provisions.

The facts were accepted (September 2009) by the Government and it was stated that instructions were issued in August 2009. The Government further agreed to amend Rule 49 of the Maharashtra ZP and PS Account Code, 1968, if found necessary.

2.7.2.6 Non-compliance of codal provisions

Rule 64(2) of Code stipulates that the CEO and BDO shall communicate the closing balance of the DF on 31 March each year as per cash book by telegram to the Regional Deputy Chief Auditors, Local Fund Accounts (RDCALFA) on the first working day thereafter.

It was observed from the records that none of the selected ZPs & PSs had communicated the closing balance of the DF on 31 March each year telegraphically to the RDCALFA on due dates. Further, it was also seen that such communication by other means was made by eight PSs after delay ranging upto five months. This indicates that the cash books were not closed on 31 March.

The Government accepted (September 2009) the facts.

¹⁸ Chandrapur, Jalna, Nasik, Satara, Thane and Yavatmal

2.7.2.7 Creation of database on finances of PRIs

It was pointed out in paragraph 1.9.1 of the Audit Report of C&AG (Local Bodies) for the year ended 31 March 2006 that GOM had reserved Rs 22.30 crore from the EFC grants for maintenance of accounts and for preparation of a database on the finances of PRIs. Out of this, Rs 5 crore was released during 2001-04 to the PRIs for purchase of computer hardware. The balance amount of Rs 17.30 crore, instead of being used for development of database, was released to the PRIs for implementation of different schemes. Further, an amount of Rs 28.30 crore was kept (October 2005) for maintenance of database out of first installment received from Twelfth Finance Commission (TFC). The Department redistributed (March 2006) the same for implementation of different schemes.

Scrutiny of records of selected ZPs and PSs revealed that database on the finances was not developed/created by any of the ZPs and PSs.

Thus, a fund of Rs 45.60 crore was irregularly diverted for purposes which were not intended. The present position of funds received for preparation of database and its distribution and utilization was sought for from the Department (May 2009). The Government accepted (September 2009) the facts and assured to undertake this work on priority basis.

2.7.2.8 Excess demand of interest on Provident Fund

As per the provisions contained in Rules 226 to 241 of the Code relating to Provident fund (PF), the subscription recovered from the subscribers is to be credited to treasury. The interest accrued to the subscribers' accounts is to be intimated to the Department for issue of orders, debiting the interest to Major Head 2049-Interest payment.

Scrutiny of the records of PF revealed that the selected ZPs had demanded funds of Rs 301.29 crore on estimated basis from the Department towards interest during the period 2003-08. Actual amount of interest credited to subscribers' account by the selected ZPs during the said period was Rs 290.44 crore. However, the Department issued orders for adjustment of interest of Rs 291.80 crore resulting in net excess booking of expenditure of Rs 1.36 crore.

The Government accepted (September 2009) the facts and assured to take corrective action.

2.7.3 Observance of the principles of economy and efficiency

2.7.3.1 Irregular retention of money

(I) Heavy cash balance kept outside Bank/Treasury Account

The Department in GOM issued (December 1990) instructions that grants received by the ZPs shall be kept in DF to be maintained by CAFO in a District Central Co-operative Bank Limited.

Scrutiny of records of District Health Officer(DHO), ZP, Chandrapur revealed (October 2008) that the DHO maintained six cash books for various schemes as detailed below.

(Amount in Rupees)

| Year | Types of cash book | | | | | | Total |
|------------|--------------------|------------------------|-----------------|-------------|-----------|------------|---------|
| | MH 2210 Medical | MH 2211 Family Welfare | Petty cash book | Pulse polio | Koutumbik | World bank | |
| March 2005 | 16020 | 143506 | 302933 | 203126 | 473485 | 436077 | 1575147 |
| March 2006 | 573407 | 118285 | 6699 | 57223 | 984528 | 121250 | 1861392 |
| March 2007 | 390873 | 409500 | 420 | 435261 | 816414 | 137020 | 2189488 |
| March 2008 | 177311 | 66190 | 2260 | 217142 | 536167 | 97477 | 1096547 |

The cheques received for implementation of various schemes were encashed and cash obtained kept in the cash chest although the money was not required for immediate disbursement. This money was also not deposited in DF. The minimum cash in chest was more than Rs 5.61 lakh during May 2005 to March 2008 except December 2005 and the maximum balance was Rs 22.36 lakh in May 2006. In addition, the following irregularities were noticed.

- i. Cash amounting to Rs 42910 forming part of closing balance was not physically available since 1982-83.
- ii. Advances were paid without presentation of bill and these payments were not recorded in the cash book.
- iii. The cash to the extent of advances paid was not available in the cash chest although it formed part of cash balance as per cash book.
- iv. More than two advances were paid to an official without ensuring submission of bills for adjustment of earlier advances.
- v. The denomination wise break up of cash balance was incorrectly exhibited in the closing balance.
- vi. Surprise check of cash balance was not carried out by the DHO, CAFO and CEO as required under Rule 42(2) of the Code.

The facts were accepted (September 2009) and Secretary assured to issue instructions in this regard.

(II) Un-disbursed cash

According to Rule 50(2) of the Code, un-disbursed cash shall not be retained beyond three months of its drawal.

It was observed from the records that an amount of Rs 0.50 lakh remained undisbursed with the departments of six¹⁹ ZPs for more than three months as of March 2008.

The facts were accepted (September 2009) by the Government and it agreed to issue instructions to all ZPs in this regard.

2.7.3.2 Loss of interest

According to Section 130(4) of the MZP&PS Act, 1961, the ZP may invest a portion of the fund kept under DF in securities of the State or Central Government with the approval of State Government. Further, the Department issued instructions(August 2002) to invest the surplus fund in short term deposit with a view to earn interest.

Scrutiny of the records of selected ZPs revealed that there was an accumulation of surplus fund of Rs 592.33 crore in DF during the period 2003-08 and this amount was not invested in Government securities or short term deposits. This resulted in loss of interest of Rs 38.50 crore as detailed below:

(Rupees in crore)

| Sr. No. | Zilla Parishads | Amount available for investment (2003-08) | Loss of interest (2003-08) |
|---------|-----------------|---|----------------------------|
| 1 | Akola | 38.55 | 2.48 |
| 2 | Chandrapur | 65.42 | 4.29 |
| 3 | Jalna* | 17.65 | 1.12 |
| 4 | Nasik | 71.01 | 4.63 |
| 5 | Ratnagiri | 28.30 | 1.84 |
| 6 | Satara | 94.06 | 6.07 |
| 7 | Thane | 179.36 | 11.50 |
| 8 | Yavatmal | 97.98 | 6.57 |
| | Total | 592.33 | 38.50 |

* Saving bank account in State Bank of Hyderabad with multiple option deposit

Had these available funds been invested as stated above, the interest earned could have been utilised for developmental activities.

The Government while accepting the facts (September 2009) stated that instructions were issued in June 2009.

2.7.3.3 Irregular credit to deposit account

Rule 214 of the Code provides that deposits generally cover items such as contractor deposit, earnest money deposit, security deposit and other deposit for sums which cannot be brought to account under any revenue head. Further, Rule 218 of the Code provides that (i) sums that can be clearly brought to account under any revenue head (ii) pay, pension, leave salary or other allowances and (iii) fines shall not be credited to deposit head of account.

¹⁹ ZP Chandrapur (Rs 1440), Jalna (Rs 20000), Ratnagiri (Rs 6382), Satara (Rs 20683), Thane (Rs 822) and Yavatmal (Rs 588)

It was observed from the records in six²⁰ ZPs and 11²¹ PSs that 119 items amounting to Rs 33.58 lakh were incorrectly booked under deposit account during 2003-08. The details are given below:

| Sr. No | Particulars | No. of cases | Amount in Rupees |
|--------|------------------------------|--------------|------------------|
| 1 | Cancellation of Cheques | 18 | 869629 |
| 2 | Public Contribution | 38 | 1177258 |
| 3 | Recovery of Hand Pump | 4 | 80250 |
| 4 | Recovery of Misappropriation | 46 | 221151 |
| 5 | Recovery of Over Payment | 6 | 14621 |
| 6 | Un-disbursed Salary | 1 | 6520 |
| 7 | Unspent Grant | 6 | 988548 |
| | TOTAL | 119 | 3357977 |

This resulted in not only violation of codal provision but also in blocking of funds from making it available for implementation of developmental activities.

The facts were accepted (September 2009) by the Government.

2.7.3.4 Lapsed Deposit not credited to revenue head

As per Rule 219 of the Code, any deposit remaining unclaimed for more than three accounting years was required to be treated as lapsed and credited to revenue head.

Scrutiny of records of six ZPs²² and nine PSs²³ revealed that unclaimed deposits amounting to Rs 2.35 crore pertaining to period 2003-04 were not credited to the revenue head.

The facts were accepted (September 2009) by the Government and it stated that instructions were issued in August 2009.

2.7.3.5 Adjustment of advances

Rule 220 of the Code stipulates that advances should be kept at minimum and adjusted in time.

It was observed from the records of selected ZPs and seven PSs that advances amounting to Rs 3.64 crore made during the period 1949-50 to 2006-07 were pending adjustment as of March 2008. The details of outstanding advances are as follows :

²⁰ Akola, Chandrapur, Nasik, Satara, Thane and Yavatmal

²¹ Balapur, Murtizapur, Chimur, Warora, Jalna, Deola, Nasik, Karad, Murbad, Vasai and Wani

²² Akola, Chandrapur, Ratnagiri, Satara, Thane and Yavatmal

²³ Chimur, Deola, Jalna, Karad, Mahabaleshwar, Nasik, Pusad, Vasai and Wani

| Adjustment of advance (Rupees in lakh) | | | | | | | | | |
|--|------------------------------|---------|---------|---------------|---------|-------------------|---------|---------|--------------|
| Sr. No. | Zilla Parishads | Period | | | Sr. No. | Panchayat Samitis | Period | | |
| | | From | To | Amount | | | From | To | Amount |
| 1 | Akola | 2001-02 | 2006-07 | 35.85 | 1 | Chimur | 2002-03 | 2007-08 | 38.71 |
| 2 | Chandrapur | 1976-77 | 2007-08 | 75.48 | 2 | Warora | 2003-04 | 2007-08 | 3.93 |
| 3 | Jalna | 1988-89 | 2007-08 | 15.39 | 3 | Nasik | 2003-04 | 2007-08 | 0.77 |
| 4 | Nasik | 1956-57 | 2007-08 | 27.45 | 4 | Deolali | 2003-04 | 2006-07 | 0.21 |
| 5 | Ratnagiri | 1949-50 | 2007-08 | 5.69 | 5 | Murbad | 2006-07 | 2006-07 | 9.33 |
| 6 | Satara | 1991-92 | 2007-08 | 78.24 | 6 | Vasai | 2004-05 | 2006-07 | 0.02 |
| 7 | Thane | 1964-65 | 2007-08 | 16.44 | 7 | Wani | 2003-04 | 2006-07 | 0.02 |
| 8 | Yavatmal | 1986-87 | 2007-08 | 56.38 | | | | | |
| | Total | | | 310.62 | | | | | 52.99 |
| | Total Rupees in crore | | | 3.11 | | | | | 0.53 |
| Grand Total ZP+PS (Rupees in crore) | | | | | | | | | 3.64 |

The facts were accepted (September 2009) by the Government and it was stated that instructions were issued in August 2009.

2.7.4 Appropriate account of utilization and refund of unspent balance of grants

2.7.4.1 Retention of unspent balance

The Finance Department, GOM issued instructions (October 2002, September 2005 and November 2006) that the unspent grants should be refunded to the Government account. Audit has noticed many cases of failure to refund unspent balances leading to huge blocking of public money for no purpose.

Scrutiny of records of selected ZPs revealed that unspent grants under Agency scheme amounting to Rs 97.29 crore as on 31 March 2008 were not refunded to Government. The details were as under:

| (Rupees in crore) | | | | |
|-------------------|-----------------|-----------------------------|-----------------|---------------------|
| Sr. No. | Zilla Parishads | Unspent amount on 31/3/2008 | Amount refunded | Amount not refunded |
| 1 | Akola | 7.86 | 0.00 | 7.86 |
| 2 | Chandrapur | 9.43 | 0.00 | 9.43 |
| 3 | Jalna | 24.06 | 0.00 | 24.06 |
| 4 | Nasik | 12.30 | 0.00 | 12.30 |
| 5 | Ratnagiri | 11.04 | 0.00 | 11.04 |
| 6 | Satara | 12.33 | 1.95 | 10.38 |
| 7 | Thane | 11.84 | 0.00 | 11.84 |
| 8 | Yavatmal | 10.38 | 0.00 | 10.38 |
| | Total | 99.24 | 1.95 | 97.29 |

The amount of Rs 97.29 crore was blocked with ZPs and not available to Government for any developmental purposes.

The facts were accepted (September 2009) by the Government and they stated that instructions were issued in May 2009.

(I) Unspent balance under Sampurna Gramin Rozgar Yojna

The Ministry of Rural Development, Government of India launched a scheme of Sampurna Gramin Rozgar Yojna (SGRY) by merging of Employment Assurance Scheme (EAS) and Jawahar Gram Samruddhi Yojna (JGSY) from September 2001. Meanwhile, Maharashtra Rural Employment Guarantee Scheme (MREGS) was introduced by GOM in December 2005. SGRY was merged with MREGS from 2 February 2006 and unspent balance thereof was also to be deposited to MREGS account.

Scrutiny of records revealed that the unspent balance of Rs 22 lakh lying with the seven²⁴ PSs was neither deposited to MREGS account nor refunded.

The amount remained idle in SGRY account and was thus, not made available for implementation of MREGS.

The facts were accepted (September 2009) by the Government and it agreed to issue instructions for closure of all bank accounts of SGRY and transfer the entire amount to MREGS.

2.7.4.2 Wrong booking of expenditure

As per Rule 31 of the Code no cheque shall be current for more than six months and after expiry of the said period, it is required to be revalidated. Such cheque if not revalidated within one year of its drawal, shall be considered as cancelled and a fresh cheque shall be issued. If fresh cheque is not issued, the amount involved shall be written back by a minus entry under the relevant expenditure head in the same financial year or by credit to the concerned revenue head, after close of the financial year.

Scrutiny of records of selected ZPs revealed that 375 time barred cheques amounting to Rs 1.73 crore issued during the period 2003-07 were neither cancelled (May 2009) nor written back in relevant books of accounts. This had resulted in wrong booking of expenditure of Rs 1.73 crore by the selected ZPs.

On this being pointed out by audit, Government accepted the fact and stated that instructions were issued in August 2009.

2.7.4.3 Reconciliation of cash book balances with bank balances

Rule 57 of the Code stipulates that the closing balance as per cash book shall be compared with the balance as per Bank or treasury records and a reconciliation statement shall be drawn up on the last day of the month for analyzing the difference between the cash book and bank balance. Where the differences are due to any errors, immediate and effective steps shall be taken to rectify these errors or otherwise clear the differences.

²⁴ Chimur, Chiplun, Karad, Mahabaleshwar, Partur, Ratnagiri and Wani

Scrutiny of records revealed that reconciliation of cash book balances with bank balances as on 31 March 2008 was not carried out by ZP Thane and four²⁵ selected PSs for the period 2003-08. As a result, the difference of Rs 12.20 crore between Cash Book and Bank Pass Books remained unreconciled as of March 2008. The details are shown in the following table :

(Rupees in crore)

| Sr. No. | ZP/PS | Bank Account No | Cash Book | Reconciliation done upto | Balance as of 31 March 2008 | | Difference |
|--------------|---------------|-----------------|--------------|--------------------------|-----------------------------|--------------|--------------|
| | | | | | Cash book | Bank | |
| 1 | ZP Thane | 26/1 | DF | August 2007 | 14.30 | 20.87 | 6.57 |
| | | 8420 | 12 FC | September 2006 | 42.02 | 45.32 | 3.30 |
| 2 | PS Chimur | 1 | DF | February 2008 | 0.55 | 0.70 | 0.15 |
| | | 6330 | IAY | June 1998 | 0.38 | 0.42 | 0.04 |
| 3 | PS Murtizapur | 2735 | IAY | March 2007 | 0.00 | 0.34 | 0.34 |
| 4 | PS Murbad | 1 | DF | March 2003 | 0.41 | 1.02 | 0.61 |
| | | 3 | Agency | August 2005 | 0.01 | 0.75 | 0.74 |
| | | 7596 | 12 FC | January 2007 | 0.08 | 0.02 | (-)0.06 |
| | | 54 | Water Supply | March 2003 | 0.02 | 0.04 | 0.02 |
| | | 489 | YGSY | December 2007 | 0.04 | 0.06 | 0.02 |
| 5 | PS Partur | 14/1 | DF | February 2008 | 1.33 | 1.80 | 0.47 |
| Total | | | | | 59.14 | 71.34 | 12.20 |

In PS Murbad, it was also observed that reconciliation under DF and Water Supply Scheme were pending since March 2003 and in other cases from August 2005 to February 2008. Fraud and embezzlement cannot be ruled out due to non-reconciliation of balances between cash book and bank accounts.

The facts were accepted (September 2009) by the Government and they stated that instructions were issued in August 2009.

2.7.4.4 Pension Contribution under Defined Contribution Pension Scheme

The Finance Department, GOM introduced (October 2005) the Defined Contribution Pension Scheme (DCPS) for employees recruited on or after 1 November 2005. According to the scheme, contribution at the rate of 10 per cent of pay (Basic pay plus Dearness pay plus Dearness Allowance) is to be recovered from the salary of employees and matching contribution is to be provided by the State Government. State Record Keeping Agency (SRKA) under the administrative control of Directorate of Accounts and Treasuries has been created to maintain accounts and other related records in respect of DCPS. The amount recovered is to be credited to the Treasury under the prescribed head of account.

²⁵ Chimur, Murtizapur, Murbad and Partur

In two ZPs²⁶ 661 persons were recruited after 1 November 2005 and the amount of Rs 0.42 crore was recoverable towards DCPS contribution during 2005-08. However, the employees' share of Rs 0.20 crore only was recovered leaving balance of Rs 0.22 crore unrecovered as detailed below:

| Sr. No. | Zilla Parishads | Period | No. of officials | Amount recoverable | Amount recovered | Balance recoverable |
|------------------------|-----------------|---------|------------------|--------------------|------------------|---------------------|
| 1 | Jalna | 2005-08 | 202 | 1843412 | 0.00 | 1843412 |
| 2 | Satara | 2005-08 | 459 | 2353832 | 2015128 | 338704 |
| Total | | | 661 | 4197244 | 2015128 | 2182116 |
| Rupees in crore | | | | 0.42 | 0.20 | 0.22 |

The amount recovered by the ZPs was not credited to Treasury. Further, matching contribution of Rs 0.42 crore was also not paid.

The Government stated (September 2009) that draft proposal was submitted to Finance Department for approval.

2.7.4.5 Other observations

(I) Disbursement of revenue grant to Gram Panchayats

According to the provisions contained in Section 153 and 156 of MZPs & PSs Act, 1961 the local cess shall be paid by the Collector to ZP. Section 131 of Bombay Village Panchayat Act, 1958 (BVP) every Panchayat is entitled to receive as grant the average of the amounts of Land Revenue recovered.

Scrutiny of records of PS Vasai in Thane ZP revealed that revenue grant of Rs 41.71 lakh received by the PS during 2002-08 was not disbursed to GPs and the same was kept in deposit account due to non-receipt of list from Collectorate. The details are shown below.

| Sr. No. | Year | Nature of grant | | | Total |
|--------------|---------|-----------------|--------------|-----------------|--------------|
| | | GP grant | Land revenue | Royalty charges | |
| 1 | 2002-03 | 0.00 | 0.05 | 0.00 | 0.05 |
| 2 | 2003-04 | 0.00 | 0.64 | 0.00 | 0.64 |
| 3 | 2004-05 | 0.00 | 0.00 | 4.72 | 4.72 |
| 4 | 2005-06 | 0.00 | 12.54 | 6.99 | 19.53 |
| 5 | 2006-07 | 0.00 | 0.99 | 6.38 | 7.37 |
| 6 | 2007-08 | 2.23 | 7.17 | 0.00 | 9.40 |
| Total | | 2.23 | 21.39 | 18.09 | 41.71 |

Failure on the part of Collectorate and lack of initiative on the part of BDO, deprived GPs of their due benefit.

The Government accepted the facts (September 2009) and assured to issue instructions in this regard.

²⁶ Jalna and Satara

(II) Non-opening of separate bank account under Bharat Nirman Scheme

The Department in GOM while releasing the grant to ZPs under Bharat Nirman Scheme, directed (July 2006) to maintain separate accounts.

It was observed from the records of ZP Ratnagiri that the grant of Rs 9.90 crore received during 2006-08 under Bharat Nirman scheme was deposited into DF (current account) instead into a separate bank account.

The possibility of diversion of funds could not be ruled out. Maintenance of separate Saving Bank account would have not only earned interest but also facilitated depicting exact balance available from time to time.

The facts were accepted (September 2009) by the Government and they stated that corrective action would be taken.

(III) Non-refund of un-utilised cash grant

The Department in GOM released (August 2004) cash grant of Rs 24.96 lakh for payment of interest to employees retired or expired between 1 January 1996 and 30 September 1998 before crediting arrears of Fifth Pay Commission to PF account based on the demand made by ZP Akola.

It was observed (February 2009) that Rs 24.96 lakh was drawn in September 2004 and kept under deposit head of account. The ZP utilized only an amount of Rs 5.25 lakh as payment of interest to employees and balance of Rs 19.71 lakh was not refunded to Government. Thus, it was evident that the demand of ZP was in excess of requirement.

The Government accepted (September 2009) the facts and stated that the amount has been refunded in August 2009. Government also assured that instructions would be issued to all ZPs.

(IV) Improper maintenance of PF records

According to provisions contained in Rule 57 of the Code, monthly reconciliation of cash book balance with Treasury Pass Book balance is to be carried out.

Scrutiny of reconciliation statement as on February 2008 of ZP Jalna revealed that there was unreconciled difference of Rs 2.20 crore with the treasury balance. Moreover, there were 398 defunct PF accounts having closing balance of Rs 1.05 crore as on 31 March 2008.

The Government accepted (September 2009) the facts and stated that necessary action would be taken.

2.7.5 Maintenance of accounts and related records by GPs

2.7.5.1 Submission of annual accounts by GPs

Section 62(4) of the BVP Act, 1958 stipulates that the annual accounts of GPs are to be approved by Gram Sabha each year before submission to ZPs.

It was observed from the records that 17 out of 80 selected GPs had not submitted 65 annual accounts for the period 2003-08 to Gram Sabha for approval as detailed in **Appendix V**.

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs.

2.7.5.2 Submission of accounts to ZP/PS

Under Rule 5(2) of the BVP (Budget & Accounts) Rules 1959 stipulates that GPs shall submit their annual accounts to PS/ZP on or before 1 June of each financial year.

Scrutiny of records revealed that none of the selected 80 GPs had submitted their annual accounts to ZPs during the period from 2003-08.

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs in this regard.

2.7.5.3 Audit of Gram Panchayats

Rule 3 and 7 of the Maharashtra Village Panchayats (MVP) (Audit of Accounts) Rules, 1961 stipulates that the accounts of the GPs shall be audited by auditors under the direction and control of the CALFA. The audit of all GPs in the district shall be completed within a span of five years.

It was observed from the records that the audit of four GPs *viz.* Kharoshi, Uchat, Bhurbhushi in ZP Satara and Paradh in ZP Akola were in arrears since 1983-84, 1985-86, 2000-01 and 2000-01 respectively.

The Government accepted (September 2009) the facts and stated that special drive would be taken to clear arrears. The Additional Chief Auditor assured to complete audit of all GPs covering the period upto 2006-07 by the end of March 2010.

2.7.5.4 Payment in cash exceeding prescribed limit

According to Rule 5(A) of the BVP, (Budget & Accounts) Rules, 1959 payment of any sum in excess of Rs 500 out of the village fund shall be made by cheque signed by the Sarpanch and Secretary of the GP.

Scrutiny of the records revealed that in 72 selected GPs money was drawn in cash from the village/scheme funds and payments in excess of Rs 500 in 1511 cases involving an amount of Rs 88.47 lakh were made to the parties concerned in cash during the period 2003-04 to 2007-08. The details are shown below:

(Rupees in lakh)

| Sr. No | Zilla Parishads | Number of Gram Panchayats | No. of cases | Amount |
|--------|-----------------|---------------------------|--------------|--------|
| 1 | Akola | 10 | 173 | 20.59 |
| 2 | Chandrapur | 10 | 484 | 25.30 |
| 3 | Jalna | 8 | 121 | 4.48 |
| 4 | Nasik | 10 | 182 | 6.78 |

| | | | | |
|--------------|-----------|-----------|-------------|--------------|
| 5 | Ratnagiri | 8 | 146 | 2.14 |
| 6 | Satara | 9 | 87 | 1.97 |
| 7 | Thane | 8 | 101 | 2.73 |
| 8 | Yavatmal | 9 | 217 | 24.48 |
| Total | | 72 | 1511 | 88.47 |

Further, it was observed that higher amounts and even payments beyond Rupees One lakh were made in cash. The details are given below:

| Sr. No. | Payments between (in Rupees) | No. of cases | Total amount paid (Rupees in lakh) |
|----------------|-------------------------------------|---------------------|---|
| 1 | 2001 – 10000 | 583 | 23.81 |
| 2 | 10001 – 25000 | 132 | 20.01 |
| 3 | 25001 – 100000 | 63 | 26.86 |
| 4 | Beyond 100000 | 7 | 9.68 |
| Total | | 785 | 80.36 |

Appropriate administrative action need to be taken to prevent the GPs from violating the rules.

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs in this regard. The Government further agreed to examine the need for enhancing the limit fixed long back.

2.7.5.5 Maintenance of accounts in prescribed forms

As per Rule 5 of the BVP (Budget & Accounts) Rules, 1959, the Secretary of GP shall keep the accounts in Form 3 to 27.

Scrutiny of records revealed that 70 out of test checked 80 GPs did not maintain Forms 3 to 27 required for proper accounting as detailed in the **Appendix VI**.

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs in this regard.

2.7.5.6 Incorrect accounting of grants

The grants received are to be accounted for on gross basis as per accepted principles of accounting.

Scrutiny of records of seven²⁷ out of 80 selected GPs revealed that in 13 cases grants received after deduction of recoverable amounts were accounted for on net basis instead of on gross basis resulting in non-accountal of Rs 2.08 lakh during the period 2003-08.

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs in this regard.

²⁷ Brahangaon, Baramhani, Dusare, Londhari, Pokhari, Umbraj and Warud

2.7.5.7 Diversion of fund

As per guidelines of the scheme, funds received from Government should be utilized for the purpose it was sanctioned.

Scrutiny of records of four selected GPs from three ZPs revealed that Rs 2.32 lakh were diverted from one scheme to another scheme during 2006-07. The amount was not returned to original schemes (April 2009). The details are as follows:

| Sr. No. | Zilla Parishads | Gram Panchayats | Scheme from fund diverted | Scheme to which fund diverted | Amount (Rs) | Date of diversion |
|--------------|-----------------|-----------------|---------------------------|-------------------------------|---------------|-------------------|
| 1 | Akola | Kazikhed | TFC ²⁸ | YGSY ²⁹ | 22000 | 4 April 2006 |
| 2 | Chandrapur | Masal | IAY | General fund | 7500 | 3 February 2005 |
| 3 | | Chargaon | SGRY ³⁰ | IAY | 2625 | 8 July 2006 |
| 4 | Satara | Moleshwar | NSS ³¹ | YGSY | 200000 | 19 August 2006 |
| Total | | | | | 232125 | |

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs to avoid recurrence of such instances.

2.7.5.8 Maintenance of Cash Book

As per BVP (Budget and Accounts) Rule, 1959, the cash book has to be maintained by the Gram Sevak in Form-5 for recording the transactions of receipts and payments.

Test check of cash books of six GPs (out of 80 selected) from three³² ZPs revealed that the cash books were not maintained during the period 2003-08 as detailed in the following table:

| Sr. No | Gram Panchayat | Zilla Parishads | Name of the Cash Book | Period of non-maintenance |
|--------|----------------|-----------------|--------------------------|---|
| 1 | Borta | Akola | General Fund | 1-4-2003 to 5-1-2005 and 11-3-2006 to 31-3-2008 |
| | | | Water Supply | 1-4-2003 to 30-6-2004 |
| | | | Dalit Wasti Sudhar Yojna | 10-7-2006 to 31-3-2008 |
| | | | SGRY | 1-04-2003 to 31-3-2008 |
| 2 | Paradh | Akola | TFC | 5-5-2006 to 31-3-2008 |
| 3 | Kotgaon | Chandrapur | IAY | 1-3-2005 to 31-12-2005 |
| 4 | Subhash Nagar | Nasik | SGRY | 24-11-2006 to 31-3-2008 |
| 5 | Dongargaon | Nasik | Water Supply | 15-10-2007 to 31-3-2008 |
| | | | SGRY | 30-7-2007 to 31-3-2008 |
| | | | TFC | 17-9-2007 to 31-3-2008 |
| 6 | Meshi | Nasik | TFC | 1-7-2006 to 31-3-2008 |

²⁸ Twelfth Finance Commission,

²⁹ Yeshwant Gram Samrudhi Yojana

³⁰ Sampurna Gramin Rojgar Yojana

³¹ Nirmal Swachata Scheme.

³² Akola, Chandrapur and Nasik

Possibilities of fraud and mis-appropriation cannot be ruled out due to non-recording of transactions in cash books. This also shows lack of proper control and supervision of GPs by higher officials like BDO of PS and CEO of ZP.

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs for strict compliance.

2.7.5.9 Misappropriation of funds

It was observed (March 2009) from the records of four GPs³³ that an amount of Rs 19,698 was mis-appropriated during April 2004 to December 2007 due to improper maintenance of cash book. The details are shown below.

(Amount in Rupees)

| Sr. No | Zilla Parishads | Gram Panchayats | Amount misappropriated | Amount recovered | Balance | Modus operandi |
|--------------|-----------------|-----------------|------------------------|------------------|--------------|---|
| 1 | Chandrapur | Chincholi | 6800 | 3000 | 3800 | Cash withdrawn from bank was not accounted for in the cash book |
| 2 | | Dadapur | 250 | 0 | 250 | Tax collected was neither recorded in cash book nor credited to bank |
| 3 | Ratnagiri | Kasarveli | 2778 | 0 | 2778 | Tax collected was neither recorded in cash book nor credited to bank |
| 4 | Satara | Moleshwar | 9870 | 5606 | 4264 | Cash was shown to have been deposited in the bank without actually depositing |
| Total | | | 19698 | 8606 | 11092 | |

On this being pointed out by Audit, the GPs have recovered an amount of Rs 8606 (January and March 2009). This reflects lack of proper control and supervision by Deputy CEO of ZPs and BDOs of the related PSs.

The Government accepted (September 2009) the facts and assured to issue instructions to the Dy.CEOs and BDOs for exercising proper supervisory control.

2.7.5.10 Employees Provident Fund

As per Rule 5 to 8 of the Maharashtra Village Panchayats (Employees) Provident Fund Rules, 1961 subscription towards Employees Provident Fund (Fund) at the rate of 8.33 *per cent* of monthly pay shall be deducted every month from the employees' pay. At the beginning of every month a Panchayat shall contribute to the fund, a sum equal to the subscription of the subscriber concerned. The fund shall be deposited in the Postal Savings Bank account to be opened in the name of Sarpanch on behalf of each subscriber.

³³ Chincholi, Dadapur, Kasarveli and Moleshwar

Scrutiny of records of 26 out of 80 selected GPs revealed that in respect of 30 employees appointed between 1 May 1988 and 1 June 2006, the subscription towards fund was not deducted from the pay of the subscriber despite lapse of period ranging between two to twenty years and therefore, the accounts were not opened. The total subscription recoverable from pay of these employees for the year 2007-08 was Rs 0.42 lakh. The matching contribution of the Panchayat was also not paid. Thus, non-maintenance of Employees Provident Fund accounts resulted in denial of due benefits to the employees.

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs for strict compliance.

2.7.6 Effective monitoring mechanism

2.7.6.1 Training to staff

It was observed from the records that no training programme was conducted in four selected ZPs³⁴ and three PSs³⁵ during the period 2003-04 to 2007-08.

The facts were accepted by the Government (September 2009).

2.7.6.2 Internal audit

Provision of Appendix I and IV of the Code stipulate that the CAFO is responsible for internal audit and periodical checking of account records maintained by various departments of ZP.

Scrutiny of the records of selected ZPs revealed that internal audit of the departments for the entire period 2003-08 was not carried out by CAFO except in case of ZP Nasik where audit was pending for three years (2005-08). The Government accepted (September 2009) the facts and stated that efforts to establish separate Internal Audit Wing would be made.

2.7.7 Conclusion

Though the Department adopted new format of accounts as prescribed by C&AG, yet ZPs and PSs did not compile the accounts in these formats in totality. The CALFA also did not insist on submission of accounts in the new format for certification. No effective mechanism was available to keep track of disbursement of cheques drawn. Remittances of State and Central taxes were delayed leading to levy of interest and penalty. Preparation of database on finances has not yet started. The pace of adjustment of advance was very slow. Huge surplus funds with ZPs were noticed. Bank reconciliation on monthly basis was in arrears and time barred cheques were not cancelled. The GPs were also making huge payment in cash violating all codal instructions. Widespread non-maintenance of cash book by GPs were noticed some of which resulted in misappropriation of fund. Internal Audit which is one of the

³⁴ Chandrapur, Nasik, Ratnagiri and Yavatmal

³⁵ Nasik, Murbad and Ratnagiri

tools to ensure internal control was not carried out in selected ZPs except Nasik ZP where it was carried out up to 2004-05

2.7.8 Recommendations

The following recommendations were made for consideration of the Government.

- The Department should ensure compilation of accounts in the prescribed formats by all the three tier of PRI and start building up the database.
- Effective steps need to be taken for adjustment/recovery of advances outstanding for more than a year.
- Accumulation of huge fund with ZPs needs to be examined.
- Control mechanism needs to be strengthened at ZP and PS level to ensure monthly reconciliation with banks.
- The department should ensure strict compliance of codal provisions in respect of heavy cash payments by GPs.
- Maintenance of cash books by GPs should be ensured.
- Supervision of GP accounts needs to be strengthened.
- Imparting of periodical training at all levels of employees may be ensured.
- Internal audit needs strengthening.