

CHAPTER-2

Accounting procedures

2.1 Non-preparation of annual accounts

According to Rule 29B of The West Bengal Panchayats (Gram Panchayat Miscellaneous Accounts and Audit) Rules, 1990 (hereinafter called the Accounts Rules), 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 Rules, 20 GPs (as detailed in **Appendix-I**) did not prepare the accounts although they incurred an expenditure of Rs. 2.77 crore against total receipt of Rs. 3.45 crore for the financial year 2003-04.

2.2 Expenditure incurred without preparing budget

2.2.1 Every GP is to approve and adopt by 31 January each year the budget for the following financial year. However, 92 GPs (as detailed in **Appendix-II**) did not prepare, approve and adopt the budget for the year 2003-04 in accordance with the prescribed procedure. The GPs unauthorisedly spent Rs. 15.09 crore without any budget allocation during the year.

In none of the GPs, the Gram Sansads and Gram Sabhas were seen to have played the key role as expected of them in formulation and approval of budget. It was evident that the constituent members of these two important bodies lacked awareness of their powers and responsibilities.

2.2.2 Every PS is to approve and adopt by 31 January each year the budget for the following financial year. However, 15 PSs (as detailed in **Appendix-III**) did not prepare, approve and adopt the budget for the year 2002-03 and 2003-04 in accordance with the prescribed procedure. The PSs unauthorisedly spent Rs. 41.89 crore and Rs. 47.61 crore in 2002-03 and 2003-04 respectively without any budget allocation.

2.3 Expenditure incurred in excess of budget provision

2.3.1 340 GPs (as detailed in **Appendix-IV**) altogether spent Rs. 7.30 crore in excess of their respective budget provisions under different heads without preparing any supplementary and revised estimates during the year 2003-04.

2.3.2 24 PSs (as detailed in **Appendix-V**) altogether spent Rs. 4.39 crore during 2002-03 and Rs. 1.69 crore during 2003-04 in excess of their respective budget provisions under different heads.

2.3.3 5 ZPs (as detailed in **Appendix-VI**) altogether spent Rs. 47.16 crore during 2002-03 and Rs. 9.44 crore during 2003-04 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 these PRIs, which should be instituted at the earliest.

2.4 Direct appropriation of revenues without depositing into savings bank account

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 163 GPs spent Rs. 1.69 crore during 2003-04 out of the revenues collected by them from time to time without routing the amount through their respective Savings Bank Accounts (as detailed in **Appendix-VII**). This is fraught with the risk of temporary misappropriation and even could lead to 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 Rule, the Pradhans of 390 GPs were found to have retained cash ranging from Rs. 0.25 lakh to Rs. 6.50 lakh at a time during 2003-04 (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 Finance 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. Violating the above rules, 39 Panchayat Samitis (as detailed in **Appendix-IX**) had withdrawn and retained huge sums of cash through self-cheques during 2002-03 to 2003-04 (the individual amounts ranged from Rs. 0.25 lakh to Rs. 9 lakh). This shows lack of monitoring by the P&RD department and absence of internal control in these PRIs.

2.6 Non-reconciliation of cash balances

2.6.1 Accounts Rules enjoin 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 96 GPs, a total amount of Rs. 63.32 lakh remained unreconciled (as detailed in **Appendix-X**) at the end of the financial year 2003-04.

2.6.2. Similarly, 43 Panchayat Samitis and five Zilla Parishads (as detailed in **Appendix-XI** and **Appendix-XII**) did not reconcile their balances as per cash book and pass book. A difference of Rs. 6.53 crore in respect of PSs and Rs. 43.58 crore in respect of ZPs remained unreconciled as at the end of 31 March 2004.

2.6.3 Such absence of regular monthly reconciliation of cash balances indicates lack of internal control in a diligent manner in the concerned PRIs. This is also fraught with the risk of misappropriation of funds going 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 2956 GPs, against a total cumulative demand of Rs. 51.25 crore, Rs. 38.11 crore could not be realised as at the end of 2003-04. The unrealised amount constituted 74 per cent of the total demand (as detailed in **Appendix-XIII**). 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 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 fair state of its affairs. On a selective collection of data by Audit from 1008 GPs[∅] spread over 17 ZPs and one Mahakuma Parishad areas throughout the State, it was revealed that GPs failed to maintain prescribed records and books pertaining to the year 2003-04 (as detailed in **Appendix-XIV**).

2.8.2 Similarly, on a selective collection of data by Audit from 141 PSs and 10 Zilla Parishads (including one Mahakuma Parishad), all the PSs and ZPs^{*} failed to maintain prescribed records and books pertaining to the years 2002-03 and 2003-04 (as detailed in **Appendix-XV** and **Appendix-XVI**).

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

2.9 Losses due to theft and defalcation of funds

2.9.1 In course of audit, 16 cases of cash loss and foodgrains amounting to Rs. 7.24 lakh besides a theft of 25 ceiling fans were noticed (as detailed in **Appendix-XVII**).

2.9.2 Similarly, a case of defalcation of Rs. 1.44 lakh was noticed in Krishnanagar-II Panchayat Samiti under Nadia ZP during the year 2003-04, for which FIR was lodged.

[∅] (1) Bardhaman Division: 477 GPs; (2) Jalpaiguri Division: 227 GPs and (3) Presidency Division: 304 GPs.

^{*} (1) Bardhaman Division: 67 PSs, 5 ZPs; (2) Presidency Division: 58 PSs, 2 ZPs; and (3) Jalpaiguri Division: 16 PSs, 3 ZPs (including one MP).

2.9.3 In course of audit of ZPs, the following cases of losses in cash amounting to Rs. 6.82 lakh due to defalcation of funds were noticed:

Sl. No.	Name of ZP	Amount involved (Rs. in lakh)	Year of defalcation	Follow-up action taken
1	Nadia	2.39	2005-06	No action was taken
2	Dakshin Dinajpur	4.43	1999-2000	<i>Sub judice</i>
Total		6.82		

2.9.4 The theft/defalcation was possible due to weak internal controls and laxity in taking of adequate safeguards against theft (such as, posting of Night-Guard at the Panchayat Office) and non-adherence to financial rules like keeping excess cash in hand over and above the permissible limit of Rs. 500 as provided for in the rule.

2.10 Internal Audit

2.10.1 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 34 per cent of the total GPs no such internal audit was conducted during 2003-04 (as detailed in **Appendix-XVIII**).

2.10.2 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 114 and 124 Panchayat Samitis in 2002-03 and 2003-04 respectively and seven ZPs in 2002-03 and nine ZPs in 2003-04 (as detailed in **Appendices-XIX** and **XX**).

2.10.3 The following table shows the position of deployment of Internal Audit Officers as furnished (February 2006) by the department:

Name of Post	Sanctioned strength	Men in position	Vacancy
Regional Accounts and Audit Officer	3	3	-
Parishad Accounts and Audit Officer	18	7	11
Samiti Accounts and Audit Officer	66	12	54
Panchayat Accounts and Audit Officer	341	308	33

Non-filling up of the vacancies was attributed (February 2006) by the department to delay in direct recruitment process taken up by the State Public Service Commission.

2.10.4 Lack of regular internal audit exposes these PRIs to increased risk of non-performance/inefficient performance.