

# 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, 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), 4 GPs (as detailed in **Appendix-I**) did not prepare the accounts although they incurred an expenditure of Rs. 1.07 crore against total receipt of Rs. 1.32 crore for the financial year 2004-05.

### **2.2 Expenditure incurred without preparing budget**

**2.2.1** In accordance with the prescribed procedure, every GP is to approve and adopt by 31 January each year the budget for the following financial year. However, 49 GPs (as detailed in **Appendix-II**) did not prepare, approve and adopt the budget for the year 2004-05. Thus the GPs unauthorisedly spent Rs. 11.21 crore without any budget allocation during the year.

**2.2.2** In accordance with the prescribed procedure, 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, 2003-04 and 2004-05. Thus the PSs unauthorisedly spent Rs. 27.10 crore in 2002-03, Rs. 26.28 crore in 2003-04 and Rs. 14.38 crore in 2004-05 without budgeting.

**2.2.3** Similarly, Purulia ZP incurred an expenditure of Rs. 64.57 crore in the year 2004-05 without preparing any budget estimate.

### **2.3 Expenditure incurred in excess of budget provision**

**2.3.1** 723 GPs (as detailed in **Appendix-IV**) altogether spent Rs. 27.89 crore in excess of their respective budget provisions under different heads without preparing any supplementary and revised estimates during 2004-05.

**2.3.2** 27 PSs (as detailed in **Appendix-V**) altogether spent Rs. 3.24 crore during 2002-03, Rs. 4.21 crore during 2003-04 and Rs. 5.57 crore during 2004-05 in excess of their respective budget provisions under different heads.

**2.3.3** 2 ZPs (as detailed in **Appendix-VI**) altogether spent Rs. 10.85 crore during 2004-05 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 40 GPs spent Rs. 21.80 lakh during 2004-05, 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**). 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 285 GPs were found to have retained cash ranging from Rs. 0.25 lakh to Rs. 4.25 lakh at a time during 2004-05 (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. In violation of the above rules, 58 Panchayat Samitis (as detailed in **Appendix-IX**) had withdrawn and retained huge sums of cash through self-cheques during 2002-03 to 2004-05 (cash ranging from

Rs. 0.25 lakh to more than Rs. 5 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** 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 87 GPs, a total amount of Rs. 53.74 lakh remained unreconciled (as detailed in **Appendix-X**) at the end of the financial year 2004-05.

**2.6.2.** Similarly, 47 Panchayat Samitis during 2003-04, 25 Panchayat Samitis during 2004-05 and five Zilla Parishads during 2004-05 (as detailed in **Appendix-XI** and **Appendix-XII**) did not reconcile their balances as per cash book and pass book. A difference of Rs. 4.05 crore during 2003-04 and Rs. 2.85 crore during 2004-05 in respect of PSs and Rs. 45.66 crore during 2004-05 in respect of ZPs remained unreconciled as at the end of 31 March 2005.

**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 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 3059 GPs, against a total cumulative demand of Rs. 65.95 crore, Rs. 48.34 crore could not be realised as at the end of 2004-05. The unrealised amount constituted 73 *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** 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

fair state of its affairs. Scrutiny of data by Audit from 1646 GPs<sup>⊗</sup> spread over 17 ZPs and one Mahakuma Parishad revealed that the GPs failed to maintain prescribed records and books pertaining to the year 2004-05 (as detailed in **Appendix-XIV**), mostly for want of knowledge of the panchayat functionaries on how to keep the records.

**2.8.2** Similarly, on scrutiny of data by Audit from 150 PSs and 13 ZPs, it was found that 129 PSs during 2002-03, 98 PSs during 2003-04 and 53 PSs during 2004-05 and all the 13 ZPs during 2004-05 failed to maintain prescribed records and books (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 could not be ascertained.

## **2.9 Losses due to theft and defalcation of funds**

**2.9.1** In course of audit, 20 cases of loss of cash and foodgrains including office assets were noticed in respect of Gram Panchayats (as detailed in **Appendix-XVII**).

**2.9.2** Similarly, four cases<sup>⊙</sup> of defalcation of Rs. 2.32 lakh were noticed in Bundwan PS under Purulia ZP during 2002-03 to 2004-05, for which FIR was lodged.

**2.9.3** 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 Accounts Rules.

⊗ Jalpaiguri Division: 393 Gram Panchayats; Presidency Division: 524 Gram Panchayats; Bardhaman Division: 729 Gram Panchyats.

Sl. No.	Name of the work	Source of funds	Amount of defalcation (in Rupees)	FIR Number and date
(1)	Dhalani Majudi dugwell	SC/ST Dev. Fund	10,000.00	3/2003 dated 19.1.2003
(2)	Construction of Bharaghutu Jorebundh	JRY (1997-98)	28,410.00	27/2000 dated 30.8.2000
(3)	Barokarmo watershed	Watershed	59,134.56	28/2001 dated 26.6.2001
(4)	Mangla watershed	Watershed	1,34,109.00	18/2003 dated 17.6.2003
<b>Total</b>			<b>2,31,653.56</b>	

## 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 36 *per cent* of the total number of GPs no such internal audit was conducted during 2004-05 (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 102 Panchayat Samitis in 2002-03, 106 Panchayat Samitis in 2003-04 and 43 Panchayat Samitis in 2004-05 and 12 ZPs in 2004-05 (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 2007) by the department:

Name of Post	Sanctioned strength	Men in position	Vacancy
Regional Accounts and Audit Officer	3	2	1
Parishad Accounts and Audit Officer	18	7	11
Samiti Accounts and Audit Officer	66	12	54
Panchayat Accounts and Audit Officer	359 <sup>⊗</sup>	314	45

Non-filling up of the vacancies was attributed (February 2007) by the department mainly to delay in direct recruitment process taken up by the State Public Service Commission.

**2.10.4** During test check of 19 PRIs in March 2007, it was noticed that for the period from 2003-04 to 2005-06, internal audit was followed by issue of audit note in only four PRIs<sup>×</sup> which prepared reply/action taken note, while four other PRIs<sup>\*</sup> did not prepare any

⊗ This includes 18 posts for Headquarters.

× Bardhaman ZP, Panaj GP, Chaktetul GP in Bardhaman District.

\* Bankura ZP in Bankura District; South 24 Parganas ZP in South 24 Parganas District; Anara GP, Para GP in Purulia District.

reply/action taken note. In three PRIs<sup>\*</sup>, internal audit was conducted but audit note was not issued. In eight<sup>+</sup> internal audit was not conducted at all. The audit notes, where issued, contained observations on various recurring irregularities such as retention of money beyond permissible limit, non-preparation of bank reconciliation statement, non-recording of stock entry certificate on vouchers, non-maintenance of advance register, irregularities in use of vehicles and non-identification of signature/thumb impression of the workers on the muster rolls.

**2.10.5** Lack of regular internal audit is a serious lacuna of the internal control mechanism of the Department.

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<sup>\*</sup> Sri Sri Ramkrishna GP, Swami Vivekananda GP in South 24 Parganas District; Raghunathpur-I PS in Purulia District.

<sup>+</sup> Galsi-I PS, Raniganj PS in Bardhaman District; Namkhana PS, Kakdwip PS, Namkhana GP, Narayanpur GP in South 24 Parganas District; Bero GP, Nutandih GP in Purulia District.