

Chapter – II

PERFORMANCE AUDIT

PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

Performance review on Maintenance of Accounts in Panchayati Raj Institutions (PRIs) in Assam

Highlights

Accounting formats prescribed by CAG were only partially accepted by the State Government as all the prescribed formats were not incorporated in the Assam Panchayat (Financial) Rules, 2002.

(Paragraph 2.6.1)

Due to maintenance of multiple cashbooks with multiple bank accounts and non-reconciliation of bank balances, the actual position of fund available with the PRIs could not be ascertained at any point of time.

(Paragraphs 2.7.1 & 2.7.3)

Maintenance of basic and subsidiary accounts was deficient and not satisfactory

(Paragraphs 2.6.4 to 2.9)

In the absence of any provision in the Rules, advance registers were not maintained and the PRIs thus, failed to watch recovery/ adjustment of advances.

(Paragraph 2.10)

Panchayats, especially Gaon Panchayats are poorly staffed to meet the demands of accounts and record keeping functions under various schemes.

(Paragraph 2.12)

In the absence of internal control through inspection of accounts and internal audit, accounts in Panchayat were not being maintained properly.

(Paragraph 2.14)

Creation of database of finances remained incomplete with GPs yet to be computerized

(Paragraph 2.16)

2 Introduction

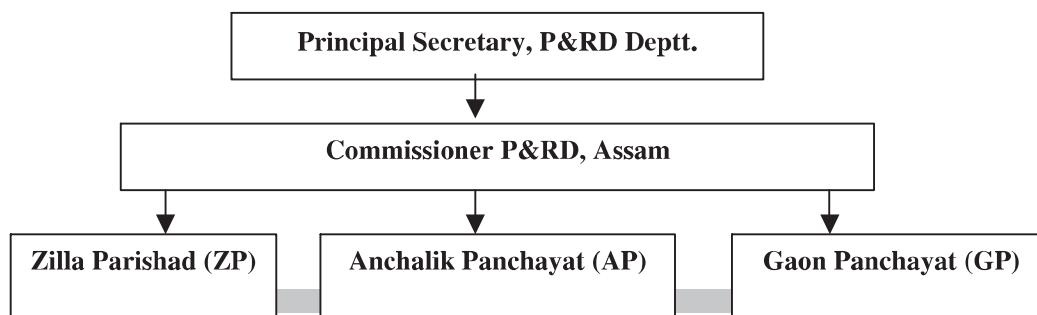
Pursuant to the recommendations of the Eleventh Finance Commission, which were accepted by Government of India in June 2001, the Comptroller and Auditor General of India (CAG), who is responsible for exercising control and supervision over the proper maintenance of accounts of all three tiers of Panchayati Raj Institutions (PRIs) and their audit, prescribed (October 2002) formats for preparation of budget and for maintaining accounts by PRIs. The formats were structured on a function-cum-programme basis, as in Government accounts, to provide uniformity at all three levels of governance – Centre, States and Local Governments.

Government of Assam framed Assam Panchayat (Financial) Rules, 2002, repealing the previous Rules of 1990, for maintenance of accounts of Panchayati Raj Institution (PRIs). As intimated by the State Government in March 2005, these Rules were further amended on 26 August 2004, incorporating the formats of accounts prescribed by the CAG of India. Government of Assam, Panchayat & Rural Development Department, directed (29 November 2005) all PRIs for adoption of the accounting formats, prescribed under the said Rules.

2.1 Organizational set up

There are 20 Zilla Parishads, 185 Anchalik Panchayats and 2202 Gaon Panchayats in the State of Assam. The Panchayat and Rural Development Department (P&RDD), headed by a Principal Secretary, exercises administrative control over the Panchayat Raj Institutions (PRI).

The organogram given below depicts the organizational set up of PRIs in Assam:



2.2 Scope of performance review

A performance review on maintenance of accounts in four Zilla Parishads (ZPs), eight Anchalik Panchayats (APs) and 16 Gaon Panchayats (GPs) for the period from 2006-07 to 2008-09 was conducted during July October 2009 alongwith collection of information from the Commissioner of Panchayat and Rural Development, Assam, Director of Audit (Local Fund), Assam, and Director, State Institute of Rural Development, Assam. The selected ZPs, APs and GPs were as below:

Sl. No.	Names of ZP	Names of AP	Names of GP
1	Golaghat	1) Golaghat East	i) Athkheelia ii) Furkating
		2) Gomeriguri	i) Merapani ii) Sarupani
2.	Nalbari	1) Borigog Barbhag	i) Alliya ii) Chataibari
		2) Pub-Nalbari	i) Paschim Batahgila ii) No. 1 Khata
3.	Kamrup	1) Bezera	i) Borbongshor Bezera ii) Rudreswar
		2) Chamaria	i) Rangapani ii) Kismet Kathmi
4.	Hailakandi	1) Katlicherra	i) Harishnagar ii) Sahabad
		2) South Hailakandi	i) Boldaboldi-Nandagram ii) Jamira

2.3 Audit Objectives

Objectives of the review were to check whether:

- The budget and accounts formats, as prescribed by CAG, were accepted by the State Government and rules were framed accordingly for adoption by the Panchayati Raj Institutions (PRIs).
- Receipt and expenditure were properly classified and accounted for by the PRIs as per accounting rules of the State Government and accounting formats prescribed by CAG.
- Maintenance of basic records and other subsidiary records was satisfactory at all three levels of PRIs.
- There was adequate and qualified man power for maintenance of accounts and records.
- Training facilities were available in the department to upgrade the skills of staff to adopt the modern simplified accounting technique prescribed by CAG.

- Database formats on finances prescribed by CAG had been created by the State Government at all levels of PRIs.
- There was effective control mechanism in place.

2.4 Audit criteria

- The Assam Panchayat Act, 1994;
- Assam Panchayat (Financial) Rules, 2002;
- Assam Panchayat (Administrative) Rules, 2002;
- Govt. Resolutions/instructions issued time to time; and
- The budget and accounts formats and database formats as prescribed by CAG.

2.5 Audit Methodology

For conducting performance review on maintenance of accounts by PRIs, four Zilla Parishads, eight Anchalik Panchayats and 16 Gaon Panchayats were selected by simple random sampling method. An entry conference was held on 11 August 2009 with the Principal Secretary, P&RDD, Government of Assam and officials from the Finance department wherein the objectives, methodology and modalities of audit were discussed.

2.6 Audit findings

Test check of records disclosed inadequacy in framing of rules by the State Government and deficiencies in maintenance of accounts by the PRIs brought out in the following paragraphs.

2.6.1 Partial acceptance of formats by the State Government

Government of Assam under Assam Panchayat (Financial) Rules, 2002, as amended in August 2004, prescribed 20 forms for preparation of budget and maintenance of accounts. The Panchayat & Rural Development, through a departmental order (November 2005), directed, all the PRIs to adopt the same with immediate effect.

Scrutiny of formats adopted under Assam Panchayat (Financial) Rule, 2002 as amended on 26 August 2004, however, revealed that the Government of Assam had only partially accepted the formats. The following formats, prescribed by the CAG, had not been incorporated under the said Rules.

- (i) Formats for Classified and Consolidated Abstracts for preparation of monthly and annual accounts;
- (ii) Register of loans received and disbursed;
- (iii) Broadsheets of loans received and disbursed;
- (iv) Register of Contingent Expenditure;
- (v) Register of undisbursed pay & allowances;
- (vi) Register of Roads;
- (vii) Register of movable properties;
- (viii) Additional statements.

Except for maintenance of Muster Rolls and Measurement Books, books of accounts to be maintained *e.g.*, Register of Works, Works Abstract, Miscellaneous Public Works Advance (MPWA) Register, Deposit Register *etc.*, in respect of accounting of Works Expenditure had not been incorporated in the said Rule.

2.6.2 Preparation of Monthly and Annual Accounts

Monthly Accounts facilitate monitoring the trends of receipts and progress of expenditure under different heads of account under different schemes at the end of a month while Annual Accounts reflect the overall receipts and expenditure in a year of a PRI. However, neither the formats for preparation of Monthly and Annual Accounts, as prescribed by the CAG, were incorporated in the Assam Panchayat (Financial) Rules, 2002 nor any provision was made in the said Rules for preparation and submission of Monthly and Annual Accounts.

In the absence of Monthly and Annual Accounts, overall position of the state of affairs of a PRI could not be ascertained.

2.6.3 Preparation of Budget

Rule 32, 33 and 34 of Assam Panchayat (Financial) Rules, 2002 prescribed for preparation of budget under major and minor heads of accounts in Form No. 9, 10 and 11 respectively for different activities/programmes. Test-check of documents revealed that:

- None of the 16 test checked GPs prepared their budget.

- Nalbari ZP and all the eight selected APs neither furnished any budget document to audit nor stated whether budgets were prepared by them.
- Of the remaining 3 ZPs, Golaghat ZP prepared its budget without specifying the major and minor heads of accounts. Kamrup ZP prepared budget for Panchayats' Own Fund only and Hailakandi ZP prepared budget for salaries only. All these budgets were not prepared in the prescribed forms.

Thus, all the prescribed accounting formats for budget had not been adopted in the selected units.

2.6.4 Maintenance of Receipt & Expenditure Ledger

None of the PRIs maintained Receipt & Expenditure ledger in prescribed Form No. 1 and 1A under minor heads of account. Thus, the actual position of receipt and expenditure relating to a particular activity could not be ascertained in the absence of accounting of head-wise classification of transactions.

2.6.5 Control Ledger

Control Ledger, prescribed in Form 2, serves as a control mechanism to monitor whether the trends of collection of revenue and progress of expenditure conform to the estimate of receipts and provision of fund respectively as reflected in the budget. However, the same had not been maintained in any of the PRIs test checked in audit. The prescribed control mechanism was absent in the selected PRIs.

2.7 Cash Management

2.7.1 Maintenance of Cash Book

Cash Book is the basic document to record all receipts and expenditure on a day to day basis and indicate the balance lying in hand at the end of the day, month and the year. Rule 8 of Assam Panchayat (Financial) Rules, 2002 prescribed for Maintenance of Cash Book in Form No. 3. Test check revealed that:

- (i) None of the PRIs maintained a consolidated Cash Book in the prescribed form;

- (ii) Separate Cash Books for each and every scheme on annual basis was maintained but without recording classification of transactions;
 - (iii) Multiple Cash Books were maintained even for single scheme according to the number of installments of grants received under that scheme;
 - (iv) Cash Books were not closed daily or monthly and maintained as and when a transaction occurred;
 - (v) Maintenance of a large number of Cash Books resulted in idling of fund due to non-transfer of balance from one Cash Book to another which could, eventually lead to misappropriation of money.
- In Kamrup ZP, three sets of Cash Books were maintained under 'Own Fund' and a total balance of ₹70,887 lying in two Cash Books since the dates of last transactions in the year 2004 were not transferred to the Cash Book currently in operation.
 - In Nalbari ZP two sets of Cash Books were maintained for Eleventh Finance Commission Grants from July 2006 to November 2008 and the balance of ₹1.59 lakh lying in hand in one Cash Book on the date of last transaction (18.11.2008) had not been transferred to the Cash Book currently in operation.

2.7.2 Maintenance of unauthorized Cash Book

In Nalbari ZP one Cash Book was opened in December 2006 and maintained up to December 2008 to record transactions under Twelfth Finance Commission Grants in loose sheets unauthorizedly in a locally developed computerized format under the headings 'Debits' and 'Credits' instead of 'Receipts' and 'Payments' as prescribed in Assam Panchayat (Financial) Rules, 2002. No approval was obtained either from P&RDD or from Finance Department for adoption of this format.

2.7.3 Maintenance of Multiple Bank Accounts and Non-reconciliation of bank balances

In addition to the operation of multiple Cash Books, funds received under different schemes/activities were parked in 2-3 bank accounts for a scheme or an activity. Instances of operation of multiple bank accounts, noticed in 4 selected units, are shown in **Appendix-3**.

The Assam Panchayat (Financial) Rules, 2002, stipulates that at the close of each month, the Bank balance as reflected in the cash book shall be reconciled with balances as per pass books of the bank. However, the differences between the bank balances as shown in Cash Book and bank balances as per bank statements were never reconciled. Scrutiny revealed that during 2007-09, seven ZPs and eight APs did not reconcile their balances and differences ranging from ₹0.03 lakh to ₹5.19 crore (as detailed in **Appendix-4**) remained un-reconciled at the end of March 2008 and March 2009. The difference of ₹5.19 crore between the bank balance as per National Old Age Pension (NOAP) Cash Book and the balance as per bank statement at the end of March 2009, in Golaghat ZP, was significant.

Test check also revealed discrepancies resulting in shortage of cash balances of Rs.0.94 lakh, and non- accountal of ₹5.70 lakh in Borigog Banbhag AP and Boko AP respectively. Had the reconciliation been done regularly, such discrepancies could have been avoided. Continued unreconciled balances were fraught with the risk of fraud and misappropriation of money. Un-reconciled balances reflect lack of internal control and project an incorrect financial status of the PRIs. Consequently, the risk of fraud, embezzlement and misappropriation of fund could not be ruled out.

Due to operation of multiple Cash Books with multiple bank accounts and non-reconciliation of bank balances, the actual position of fund available with the PRIs could not be ascertained at any point of time.

2.7.4 Non-accountal of receipts

As per Rule 8 and 14 of the Assam Panchayat (Financial) Rules, 2002, all details of cash/cheques/drafts, transactions shall be entered in the cash book as soon as they occur.

Scrutiny of records in two ZPs, six APs and one GP revealed that during 2002-09 receipts of ₹9.78 lakh as non-tax revenue and scheme funds were not accounted for in their respective cash books and bank accounts as detailed in **Appendix-5**. Non accountal of receipts leading to shortage of ₹9.78 lakh speaks of weak cash management where basic records of receipts as per receipt books, collection registers *etc.*, were not reconciled with cashbooks and bank accounts. Matter had been reported to concerned PRIs and P&RDD. Their reply was awaited (February 2010).

2.7.5 Transactions without maintenance of Cash Book

Test check of records revealed that the Chief Executive Officer (CEO), Hailakandi ZP received ₹18.10 crore under National Rural Employment Guarantee Scheme (NREGS), Backward Region Grant Fund (BRGF) and District Development Plan (DDP) during 2007-09 and released ₹14.14 crore to the APs and GPs under its jurisdiction and other implementing agencies without making any entries of these transactions in the cash book.

2.7.6 Physical verification of cash balance not conducted

Sub-Rule 4 (C) of Rule 8 of Assam Panchayat (Financial) Rules 2002 provided that the Chief Executive Officer in respect of Zilla Parishad, the Executive Officer in respect of Anchalik Panchayat and the Secretary in respect of Gaon Panchayat, at the end of every month, shall verify the closing balance in the cashbook and record a dated certification to that effect that the cash physically verified and found correct as per closing balance. Test check revealed that the CEO, Kamrup ZP retained physical cash balances ranging from ₹ 25,530 to ₹ 1,09,904 between March 2006 and March 2009 in Own Fund Cash book and ₹6,546 to ₹ 33,057 between March 2006 and March 2008 in Sampurna Gramin Rojgar Yojana (SGRY) Cash book. However, physical verification of cash balances required to be conducted at the end of each month had not been done, and as such actual cash balance could not be ascertained.

2.7.7 Drawal of fund on self cheques

Funds were being drawn in cash by PRIs by presenting self cheques for incurring expenditure. In Chamaria and Borigog Barbhag APs, entire expenditure was incurred by the Executive Officers of the respective APs by drawing of fund in self cheques and payments made in cash.

Scrutiny of records of Cachar ZP revealed that an amount of ₹12 lakh was drawn by the CEO on self cheque and disbursed to the Secretaries of 24 Gaon Panchayats on 25 November 2005 as EFC grants. The CEO could not produce the relevant actual payees receipts from the concerned GPs in support of disbursement of the grants. The CEO could neither produce the list of works, approved or executed under the scheme, for

which the funds were released nor confirm utilization of the grants released in cash to the GPs. On query the PRIs stated that the State Government did not prescribe any limit for drawal of money through self cheques.

Thus, in the absence of any prescribed limit, drawal of huge fund on self cheques and disbursement in cash is fraught with the risk of fraud and embezzlement of Government money.

2.7.8 Doubtful Expenditure

CEO, Kamrup ZP paid (28 & 29 March 2007) advances amounting to ₹ 74.34 lakh to departmental officials under SGRY. As per bank statements the advances were debited from ZP's account on 30 March 2007 and credited to the personal accounts of the officials. On 31 March 2007, the entire amount of ₹ 74.34 lakh was recorded in the Cash Book as utilized in various works under SGRY. However, no record in support of utilization of the amount could be produced to audit for scrutiny. Besides, raising doubt on the authenticity of such expenditure incurred in a single day, credit of the amount to the personal accounts of the officials meant that they were unduly favoured with financial benefit to earn interest. GOI, Ministry of Rural Development expressed dissatisfaction over the nature of such transactions⁴.

2.8 Maintenance of ancillary records

2.8.1 Register of Receipt books

- Out of 28 selected units, Register of Receipt books could be produced to audit by only eight PRIs⁵, however, the registers maintained by three PRIs were not in prescribed Form No. 3.
- Due to non maintenance of register of Receipt books by remaining 20 PRIs, the exact number of receipt books in operation in these units could not be ascertained in audit.
- Non accountal of receipt books may lead to their unauthorized operation with the risk of fraud and embezzlement of money.

⁴ Ministry of Rural Development's letter No. J-12011/1/2007/SGRY-II dtd. 19/2/08 to the Secretary, Rural Development Department, Government of Assam.

⁵ Golaghat, Kamrup and Nalhari ZPs, Bezera AP and Bezera, Rudreswar, Alliya and Chataihari GPs.

Test check revealed that the number of receipt books in operation in Kamrup ZP exceeded the number of receipt books issued through the Register of Receipt Books and ₹ 5,850 collected through the unaccounted receipt book, had not been deposited to the ZP.

2.8.2 Registers of Properties and Assets (Form No. 6)

Except two ZPs and two GPs⁶ who recorded land and properties in a combined register, no other PRI test checked could produce any such record. Due to non maintenance of these registers, land and properties under the possession of the other PRIs could not be ascertained in audit.

2.8.3 Register of Govt. Fund (Form No. 7)

Separate grant registers were maintained by the PRIs in ordinary registers to record the grants received under various schemes like SGRY, IAY, SGSY, NREGS *etc.*. However, purpose of grant, stipulated period of utilization and conditions laid down *etc.*, in the grants were not recorded in the grant registers.

2.8.4 Stock Register

Stock Register depicts an account of materials and assets in terms of quantity and value under the possession of an institution which are required for execution of its functions. The Register of Stock Books discloses the number and categories of stock registers maintained for different categories of stores. Test check revealed that:

- Register of Stock Books prescribed in Form no. 8 were not maintained by any PRI.
- Only 16⁷ out of 28 selected PRIs maintained food grain register.
- Except Golaghat ZP, which maintained a stock register for equipment and implements under SGRY, other stock registers of stationery, furniture and fixtures, equipments and implements *etc.*, were not maintained by any of the selected PRIs.

⁶ Golaghat and Kamrup ZPs and No. 1 Khata and Paschim Batahgila GPs.

⁷ Golaghat and Kamrup ZPs, Gomariguri, East Golaghat, Borigog Banbhag, Pub Nalbari, Camamria and Bezera APs, and Merapani, Sarupani, Athkhelia, Furketing, Rangapani, Bezera, Kismet Katmi and Rudreswar GPs.

In Golaghat ZP, a combined Stock Register of equipment and implements under SGRY- IBS had been maintained in non-prescribed form to record only the receipts. Issue and balancing of the materials had not been recorded. Besides, there was no physical verification of stock balances.

During test check, Food grain Register produced by Kamrup and Golaghat ZPs for the year 2007-08 revealed that no physical verification of stock of food grains was conducted to ascertain the actual balances in stock.

An enquiry⁸ held in December 2008 in Chamaria AP in Kamrup District revealed that 2127.82 quintals of rice procured under SGRY remained unutilized since March 2008 when the scheme was closed. Of this, 175.05 quintals of rice, valued at ₹1.40 lakh, rotted, becoming unfit for human consumption and the balance 1952.77 quintals of rice were transferred to NREGS⁹ for payment of wages to labourers in lieu of cash by an order of the Deputy Commissioner of Kamrup district who is the District programme Coordinator of NREGS. It was seen from records that the food grains were utilized for payment of full wages of labourers. The BDO cum Executive Officer, Chamaria AP, however, could not produce any food grains register under SGRY.

As per guidelines of NREGS there was no provision of payment of wages through food grains in lieu of cash at the worksite.

On the other hand only a part of wages could be paid through food grains under SGRY. The transfer of unutilized food grains under SGRY to NREGS for payment of full wages in lieu of cash was unauthorized and against the spirit of both the schemes.

Non maintenance of stock accounts may lead to leakage of materials and assets.

2.8.5 Register of Assessments and Collection of Taxes etc, (Form No. 15)

Only nine¹⁰ PRIs produced the Register of Assessments and collection of Taxes etc, which was not in prescribed form, indicating only collection without showing assessment. Revenues collected through receipt books by other PRIs were directly deposited to the bank accounts. In the absence of assessments the revenues due for collection could not be ascertained.

⁸ Held by the Executive Magistrate/CO Boko Circle between 14.12.08 and 07.01.09 on the condition of rice and found 1952.77 quintals of rice in good condition and remaining 175.05 quintals as damaged. Value of 175.05 quintals of rice @ Rs.800/- per quintal amounted to Rs.1,40,040.

⁹ By an order of the Deputy Commissioner, Kamrup District who is the District Programme Coordinator of NREGS

¹⁰ Golaghat and Kamrup ZPs, East Golaghat, Borigog Banbhag and Bezera APs, and Rangapani, Bezera, Kismet Katmi and Rudreswar GPs.

2.8.6 Maintenance of other records

The following records, prescribed under Assam Panchayat (Financial) Rules, 2002, were neither produced to audit by any of the audited PRIs nor stated by the PRIs whether such records are maintained:

- Register of Earnest money and Security Deposit (Form 12);
- Register of License Holders (Form 17);
- Register on Markets, Fisheries, Pounds and Ferries (Form 18);
- Register of permits for fishing in Fisheries (Form 19);
- Register of land (Form 11);
- License Form (Form 16);
- Form for permits for fishing in Fisheries (Form 20).

2.9 Maintenance of records under Centrally Sponsored Schemes

Guidelines of various schemes (SGRY, TFC, EFC, and NREGS) provide that each District, Block and Village Panchayat shall maintain following records:

- Employment Register to record employment generated under the programme.
- Complaint Register.
- Muster Roll Receipt Register.
- Muster Roll Issue Register.
- Register of Measurement Books.
- Application Registration Register.
- Job Card Register.
- Asset Registers indicating complete inventory of the assets created under a programme.

Test-check revealed that none of the PRIs maintained above records. However, with the introduction of NREGS, Employment Register, Complaint Register, Application Registration Register, Job Card Register and Asset Registers were being maintained at the Gaon Panchayat level from the year 2008-09.

2.10 Non-maintenance of Advance Register

Test-check of records revealed that PRIs granted advances to departmental officials, construction committees, suppliers' *etc.*, but none of the 28 PRIs, test checked in audit, maintained Advance Registers for accountal of advances and watching recovery/adjustments thereof. The Assam Panchayat (Financial) Rules, 2002, however, neither provided for maintenance of Advance Register nor prescribed any mechanism for recovery/adjustments of advances.

CEO, Golaghat ZP, during 2005-06 and 2006-07 granted advances amounting to ₹27.83 lakh to departmental officials under SGRY and the CEO, Nalbari ZP granted advances amounting to ₹27.48 lakh during 2007-08 to 2008-09 to departmental officials under TFC awards. But recovery/adjustments against those advances could not be ascertained in audit due to non-maintenance of Advance Register and non-production of adjustment records.

As stated in para 2.7.8, CEO Kamrup ZP paid advances amounting to ₹74.34 lakh to departmental officials under SGRY. CEO did not maintain any Advance Register to watch the recovery/adjustments against those advances and no record in support of recovery/adjustments against those advances were produced to audit.

Further, scrutiny of records of 13 PRIs revealed that as of March 2009, they failed to adjust an amount of ₹8.27 crore as advances paid to different officials, President, Member of PRIs during 2002-09 as detailed in **Appendix-6**.

In the absence of any provision in the Rules, advance registers were not maintained and the PRIs thus, failed to watch recovery/adjustment of advances and treated the amounts of advances as final expenditure.

2.11 Availability of adequate and qualified manpower

Information furnished by the PRIs revealed that no qualified manpower was available with them for maintenance of accounts and they could not prepare their accounts due to acute shortage of staff. Sections 102 (2) and 103 (3) of AP Act, 1994 provide that Government shall appoint a Chief Accounts Officer (CAO) for each ZP, who shall advise the ZP on financial matters and shall be responsible for all matters relating to the accounts of the ZP including preparation of annual accounts and the budget. However, the Government was yet to appoint CAOs in the ZPs. The Government did not appoint any officer in any of the three tiers of Panchayati Raj Institutions to advise the

Institutions on financial and accounting matters. In fact, there was no provision for officers with duties corresponding to the CAO in the other two tiers of the PRIs.

In view of non availability of CAO or any officer responsible for financial and accounting matters there was lack of direction in maintenance of accounts by PRIs.

2.12 Inadequate staffing pattern and shortage of staff

Staffing pattern formulated under Assam Panchayat (Administrative) Rules, 2002 for Gr. III and IV staff, as detailed below, was quite inadequate in view of volume of work handled and funds transacted by all the three tiers of PRIs. From the table below, it is quite evident that provision of adequate staff for maintenance of accounts had not been considered for all the three tiers of Panchayati Raj Institutions.

Staffing Pattern for ZP		Staffing Pattern for AP		Staffing Pattern for GP	
Category of Staff	No.	Category of Staff	No.	Category of Staff	No.
Gr. III staff					
(i) Head Assistant	1(One)	(i) Upper Division Assistant	1(One)	(i) Secretary	1 (One)
(ii) Upper Division Assistant	2(Two)	(ii) Lower Division Assistant	2(Two)	(ii) Tax Collector cum Road Moherar	1 (One)
(iii) Lower Division Assistant	4(Four)	(iii) Tax Collector	2(Two)	-	-
(iv) Accountant	1(One)	-	-	-	-
(v) Junior Engineer	1(One)	-	-	-	-
(vi) Tax Collector	2(Two)	-	-	-	-
(vii) Driver	1(One)	-	-	-	-
Gr. IV staff					
(viii) Peon	4(Four)	(iv) Peon	2(Two)		
(ix) Chowkidar	2(Two)	(v) Chowkidar	1 (One)	(ii) Peon cum Chowkidar	1 (One)

It is evident from above that the Panchayats, especially Gaon Panchayats (with two Gr. III and one Gr. IV staff), were poorly staffed to meet the demands of accounts and record keeping functions under various schemes.

Over and above it was also observed during audit that there were large numbers of vacancies lying in the Zilla Parishads. The vacancy position as furnished by eight ZPs revealed that there were vacancies ranging from 16 to 72 *per cent* in respect of Grade III & IV staff as shown below:

SI No.	Name of Zilla Parishad	As per staffing pattern of Grade III & IV staff	Working	Vacant	Percentage of vacancy
1	Hailakandi	18	5	13	72
2	Bongaigaon	18	9	9	50
3	Jorhat	18	10	8	44
4	Morigaon	18	14	4	22
5	Kamrup	18	11	7	39
6	Karimganj	18	15	3	16
7	Golaghat	18	14	4	22
8	Cachar	18	12	6	33

It was noticed that Hailakandi ZP was functioning with less than two thirds of the sanctioned strength. The staff in position or even the staff admissible as per laid down norms for different tier of PRIs was utterly inadequate to cope with the multiplicity of function. As of now, each GP is managed single handedly by a Secretary only in the absence of any Grade III staff. The Government, thus, did not ensure availability of manpower and materials to the PRIs.

Inadequacy of staff not only stands in the way of efficient performance of function but also retards collection of revenue from taxes and duties assigned to PRIs. Keeping in view the workload of PRIs at all levels, there is a need for additional man power.

2.13 Training of PRI functionaries

For maintenance of accounts as prescribed by CAG, first phase of training of trainers, with a core group of PRI functionaries, was conducted by the Office of the Pr. AG (Audit), Assam during July 2005.

As intimated (July 2007) by the Director of P&RD, Assam, Phase II training for remaining functionaries at the district and block levels, to be imparted by the officials trained in Phase I, was started in Nalbari district in July 2007. Information relating to the number of districts and blocks covered and number of PRI functionaries trained so far was not intimated by the department. However, training of PRI functionaries on maintenance of accounts as prescribed by CAG would not be productive unless the prescribed formats of accounts are fully incorporated in the Assam Panchayat (Financial) Rules, 2002 and adopted by the PRIs in maintenance of their accounts.

Though a few PRIs (*nine out of 28*) stated that some of their staff were imparted training, the impact of training in improvement of maintenance of accounts was not noticed, in view of observations made in previous paras. Even the most basic requirement, *i.e.* proper maintenance of Cash Book was not being done.

2.14 Lack of internal control and internal audit

Rule 37 (ii) of Assam Panchayat (Financial) Rules, 2002 provides that an officer authorized by the Government may inspect the offices of the ZPs, APs and GPs for the purpose of examining any books of accounts/ documents *etc.* Rule 18 of Assam Panchayat (Administrative) Rules, 2002 provides that the Director of P&RD shall utilize the services of Departmental Internal Auditors in guiding and helping the ZPs, APs and GPs in proper and correct maintenance of accounts. However, no report/ record relating to inspection of accounts and internal audit of PRIs were furnished, though called for in audit.

In the absence of internal control through inspection of accounts and internal audit, accounts in Panchayat were not being maintained properly.

Thus, laxity in appraisal activity through the instrument of internal audit of plans, programmes, rules and regulations resulted in increased risk of errors and maintenance of accounts of the PRIs.

2.15 Utilization of fund for maintenance of Accounts

In view of lack of staff and facilities at PRI level, EFC recommended for grant of ₹4000 per annum to each GP and AP to meet the expenditure on maintenance of accounts on contract basis. The amount of assistance was increased by the State Government under TFC grant to ₹15000 per annum to GPs and APs and an amount of ₹ 50000/- per annum was also provided to each ZP for maintenance of accounts

During the period from 2003-04 to 2005-06 The State Government released ₹ 3.08 crore under the award of EFC and ₹5.51 crore during the period from 2005-06 to 2007-08 under TFC grants for maintenance of accounts at PRI level. However, directions for utilization of the fund in the light of recommendation of the EFC were not given to the PRIs.

Scrutiny of records of 85 PRIs during 2008-09 revealed that neither the formats of accounts prescribed by CAG nor those incorporated in the Assam Panchayat (Financial) Rules, 2002 were adopted by the PRIs and ₹32.97 lakh released to those 85 PRIs, were spent on contingencies like purchase of stationeries, furniture, repair of office buildings *etc.*

In the absence of any direction from the State Government, the fund of ₹8.59 crore (₹3.08 crore and ₹5.51 crore) provided for maintenance of accounts could not be put to use for which it was granted and thereby defeated the very purpose of the grant.

2.16 Creation of Database of Finances

GOI under the Award of EFC released ₹6.49 crore during 2003-04 to 2005-06 (@ ₹2.165 crore per year), for creation of Database on Finances of PRIs. Out of 1st installment of the award, the Director of P&RD incurred expenditure of ₹2.16 crore, during 2006-07, on procurement of Computer hardware for the Directorate, ZPs and APs, development of a software for the database and creation of infrastructure at the Directorate. Balance ₹4.33 crore was disbursed to the ZPs between August 2004 and April 2008 with the direction not to incur any expenditure until further orders.

Twelfth Finance Commission (TFC) during 2005-08 awarded grants of ₹157.80 crore to the State Government. The Director of P&RD released ₹9.04 crore between December 2006 and January 2009 on account of creation of Database of Finances to the ZPs with similar instruction not to spend the fund till further orders. The orders from the State Government were still awaited. Thus total fund of ₹13.37 crore (₹9.04 crore + ₹4.33 crore) remained locked up in the bank accounts of ZPs awaiting further order from the Government.

As stated (September 2009) by the Joint Director of P&RD, the process of computerization and networking had been completed till ZP and AP levels only and a software called PRISM (PRI System Management) had been developed. However, none of the test checked four ZPs and eight APs furnished information on computerization, networking and utilization of software at their levels. The Joint Director stated (September 2009) that since computerization had been carried out only up to ZP and AP levels, the database was not ready for use for the entire PRIs of the State and that the objective of the project would be achieved only after completion of computerization of GP out of the second and third installment grants under EFC which were lying with the ZPs awaiting further instruction from the Government.

Thus, the Database of Finances of PRIs in Assam was yet to be created even after release of funds by the GOI. Due to non-creation of database, the picture of finances of all PRIs in the State in a consolidated position is yet to come out. Besides,

₹13.37 crore released to the ZPs for computerization and networking purpose remained locked up awaiting order from the Government.

However, as per Government of Assam, Economic Survey 2008-09, out of 25,124 inhabited villages in the state, only 58 *per cent* of the villages, numbering 14,516 could be electrified (as of March 2007). Unless all the villages in the State are brought under electrification, computerization and networking at the GP level cannot be feasible.

Thus, the objective of creation of Database through computerization and networking of all the Panchayats in the State was unachievable, without ensuring 100 *per cent* electrification of villages.

2.17 Conclusion

- There was lack of initiative on the part of the State Government for adoption of the formats prescribed by CAG. While a few formats were incorporated in the Assam Panchayat (Financial) Rules, 2002, formats for preparation of monthly and annual accounts and other relevant documents were yet to be introduced/ adopted.
- The Govt. of Assam did not fix any time schedule for adoption of prescribed formats and stated (December 2007) that the formats would be adopted in the accounting year 2008-09. In December 2008, the Govt. stated that the formats would be adopted in 2009-10, but they again failed to do so (October 2009).
- The Assam Panchayat (Administrative) Rules, 2002, set an inadequate staffing pattern as the Panchayats, especially Gaon Panchayats (with two Gr. III and one Gr. IV staff), were poorly staffed to meet the demands of accounts and record keeping functions under various schemes. The Government did not ensure availability of manpower and materials to the PRIs.
- Training of personnel in maintenance of accounts was incomplete even after 7 years of framing the accounting Rules. The accounts were not maintained in prescribed format. Moreover, whatever accounts were maintained were in haphazard manner and therefore, did not depict receipt and expenditure and account of works executed by the PRIs.
- There was lack of direction to the PRIs on the utilization of ₹8.59 crore released during 2003-08 for maintenance of accounts and the entire fund was utilized in

meeting contingent expenditure frustrating the very purpose for which the fund was provided.

- Creation of database of finances also remained incomplete with GPs yet to be computerized and ₹ 13.37 crore blocked with ZPs and the Directorate of P&RD. Persons with knowledge of computer were not provided. No training was conducted for the staff for computer programmes. PRISM software developed for the purpose of maintaining accounts was not being utilized.
- In the absence of inspection of accounts and internal audit, internal control mechanism in PRIs can be said to be non-functional.

2.18 Recommendations

- PRIs should invariably prepare their monthly and annually accounts and ensure transparency, effectiveness and accountability in their state of works. PRIs need adequate skilled manpower and equipment for maintenance of accounts and PRI personnel must be imparted training in maintenance of accounts in the formats prescribed by the Comptroller and Auditor General of India.
- Internal control mechanism needs strengthening to ensure proper maintenance of basic and subsidiary records, monthly reconciliation of bank accounts, physical verification of cash, stores and assets to avoid leakage of money, materials and assets.
- Database of finances should be completed at levels of PRIs to facilitate proper monitoring of finances and implementation of schemes and should be made easily accessible by computerization and networking at all levels of PRIs.
- Assam Panchayat (Financial) Rules, 2002 may be suitably modified to provide for maintenance of advance register to watch over recovery/adjustment of advances and a time bound programme may be evolved to recover/adjust outstanding advances.
- There should be regular inspection of accounts and internal audit to identify the deficiencies and weaknesses in maintenance of accounts and execution of functions and to take corrective measures.