

CHAPTER-II

Accounting Procedure and Financial Management in Panchayati Raj Institutions

2.1 Non inclusion of grant and expenditure in Annual Account

As per Rule 211(1) of the Gujarat Taluka and District Panchayat Finance Accounts and Budget Rules, the Annual Accounts of TP/DP shall be maintained and published in prescribed manner indicating total receipts and payments during the year under different heads with opening and closing balances.

Scrutiny of records of four TPs (Bhavnagar, Vadhwani, Jambusar and Bardoli) for the year 2006-07 revealed that these TPs received grant of ₹ 88.85 lakh (₹ 68.39 lakh: Members of Parliament Local Area Development Schemes (MPLADS) grant, and ₹ 20.46 lakh: Sampurna Grameen Rozgar Yojana (SGRY) grant and spent ₹ 91.74 lakh (MPLADS: ₹ 71.83 lakh and SGRY: ₹ 19.91 lakh) during 2006-07. However, receipts of grants and expenditure were not included in the Annual Accounts of respective TP, which was in violation of the codal provisions. This resulted in understatement of receipt and expenditure by ₹ 88.85 lakh and ₹ 91.74 lakh respectively for that year.

TDOs stated (August to December 2010) that hence forth, such grants and expenditure against the grants would be incorporated in the Annual Accounts.

2.2 Deficiency in maintenance of Cash Book

As per the Gujarat Taluka Panchayat and District Panchayat Finance, Accounts & Budget Rule, 1963, Cash Book is a preliminary and important record. It should be maintained properly under the supervision and control of head of the office/Branch Officer.

Test check of records 22 TPs and 61 VPs (**Appendix -I**) for the period 2006-07 revealed that maintenance of Cash Book suffered from some serious limitations as detailed below:-

- Before taking into use, the number of pages in a Cash Book should be counted and certificate of head of the office/Branch Officer to that effect should be obtained on the first page of the Cash Book. However, this has not been complied with in case of 8¹¹ TPs and in all 61 VPs. The omission may lead to destroy of entries by taking away pages and consequent embezzlement.
- In the Cash Book, no page should be left blank. However, in TP Mahemadabad 8 pages, in TP Halvad 109 pages and in TP Jasdan 16

¹¹ Halvad, Sayla, Jasdan, Rajkot, Jamjodhpur, Vallabhipur, Bhavnagar, Ghogha

pages were left blank. Chances of posting of transaction after closing of monthly balances and thereby misappropriation cannot be ruled out.

- Accountant should write the cash book daily and at the end of the day cash balance should be worked out with his dated initial and it should be attested by the head of the Office/Branch Officer. However, it was not done in 7¹² TPs. Particularly in ICDS branch of TP Savli Cash Book was written upto 2nd June 2006 only and transactions of ` 41.96 lakh for the period from June 2006 to March 2007 were entered in Cash Book only in October 2010 after the same was pointed out in audit. Further, it was also noticed that TDO had not signed the transactions of Cash Book in the months of April and May 2006.
- Correction/overwriting in Cash Book during the period 2006-07 were not attested by head of the office/Branch Officer in 13 TPs¹³ and in all 61 VPs.
- Pencil was used for recording transactions of receipts and expenditure and sum of the total amount between the period 29th January 2007 to 31st March 2007 in TP Kathlal (Kheda) and on page no. 86 and 97 of TP Ghogha (Bhavnagar).
- Physical verification /surprise check of cash balance was not done by the 12 TDOs¹⁴ during the period 2006-07.
- Opening balance of the current year (2006-07) was not attested by TDOs in nine TPs¹⁵ and in all 61 VPs. Particularly in TP Ahwa, opening balance was not shown in the Cash Book.
- Break up of account i.e. Own fund, Government fund, Debt fund etc. was not shown in the Cash Books of nine TPs¹⁶.
- In TP Mahemadabad, certificate of Closing Balance of ` 2.87 crore as on 31st March 2007 was not attested by TDO.
- Closing Balance of Cash Book should also be written in words however it was not done in two TPs (Sayla and Ghogha) and in all 61 VPs during the period 2006-07.
- In TP Pardi, Cash Book was maintained in loose papers instead in bonded register during the period 2006-07. It may lead to misplacement of pages and consequent fraud/embezzlement.

¹² Rajkot, Ghogha, Sayla, Jasdhan, Jamjodhpur,

¹³ Naswadi, Kathlal, Balasinor, Mehmedabad, Dantiwada, Botad, Jamjodhpur, Umralla, Vallabhipur, Halvad, Sayla, Jasdhan and Bhavnagar

¹⁴ Dabhoi, Savli, Kathlal, Balasinor, Sinor, Mehmedabad, Halwad, Sayla, Ghogha, Botad, Vallabhipur and Bhavnagar

¹⁵ Naswadi, Savli, Ahwa, Balasinor, Sinor, Sayla, Rajkot, Vallabhipur and Ghogha

¹⁶ Naswadi, Dabhoi, Ahwa, Rajkot, Jamjodhpur, Vallabhipur, Ghogha and Botad

- Review of records of Eleven TPs for the period 2006-07 revealed that 982 time barred cheques of ` 3.02 crore pertaining to the period from April 1983 to December 2006 remained unencashed as on 31 March 2010 and not written back in the books of accounts as detailed in **Appendix-II**. Non writing back of time barred cheques in the books of account, thus resulted in overstatement of expenditure to that extent in the years of issue of cheques.

TDOs replied (August to December 2010) that audit instructions were noted and in future cash books would be maintained properly.

- In TP Bhavnagar, on issue of sanction order by TDO for distribution of Scholarship grant/Uniform assistance of `3.16 lakh to various Pay Centres, the amount was debited in cash book vide voucher number 2582 to 2586 in March 2007. However, the cheques were not issued against these vouchers. On actual payment in March 2007, these five numbers of vouchers of ` 2.17 lakh were again debited in the cash book. The payments of balance amounting ` 0.99 lakh was made in subsequent years.

Further it was seen that as against the GPF deposit of ` 8.20 lakh of Education Branch of TP, while totaling the amount in expenditure side of cash book, it was considered as ` 0.82 lakh as on 27 October 2006. Thus, there was discrepancy of ` 7.38 lakh in the cash book. On verification of cash book, total mistake of ` 2808 (` 1000 on 13 December 2006 and ` 1808 on 31 March 2007) was noticed. Similarly, in payment side of cash book, there was a total mistake of ` 3.09 lakh as on 31 March 2007 which remained unreconciled till date of audit (December 2010).

A review of annual accounts of TP Bhavnagar for the year 2006-07 revealed that the opening and closing cash balances of ` 178.32 lakh and ` 147.85 lakh respectively were shown in annual accounts as against actual balance of ` 170.65 lakh and ` 131.50 lakh respectively. ,

On being pointed out TDO Bhavnagar stated that cash book would be maintained properly and action to reconcile the differences would be taken (December 2010).

Such improper maintenance of cash book is fraught with the risk of double payment/misappropriation.

2.3 Non / improper maintenance of records/ registers.

As per codal provision, PRIs are required to keep and maintain register/records, books/accounts in the prescribed formats giving all the required details. However, review of records of 40 TPs and 253 VPs for the period 2006-07 revealed that registers were not maintained properly, required

details were not entered in respective registers due to which audit scope was restricted. The details are given in **Table No.7** below:

Table No.7: Non/improper maintenace of registers

Records, Registers	Not maintained (NM) improperly maintained (IM)	Implications
Grant / Loan Appropriation Register	NM:- 18 TPs and 119 VPs IM:- 4 TPs	Grants /loans received, purpose & date of receipt, appropriation made from time to time and amount lying unutilized in respect of a particular grant / loan as on 31 March could not be ascertained.
Classified Register	NM:- 25 VPs.	Income classified and expenditure classified during a year could not be ascertained.
Lokfala Register	NM:- 85 VPs.	Public contribution received by the VPs during the year could not be ascertained.
Stock Register	NM:- 86 VPs	Details of Stock available with the office and their value could not be ascertained.
Asset Register	NM:- 12 TPs and 111 VPs IM:- One TP	Identification and valuation of assets, proper record of all land, sites of buildings, tanks, ponds, etc. could not be ascertained.
Work Register	NM:- Two TPs and 91 VPs IM:- One TP	Schemes taken up, estimated cost, the progress of work and its details viz. value of work done, payments made, materials issued, date of completion, works not completed / suspended, and outstanding amount to be paid, could not be ascertained.
Tax Demand Register	NM:- 69 VPs	Demand, collection and balance for a particular year could not be ascertained. In absence of posting of the collected money in the register, the detection of fraud / embezzlement etc would be difficult.
Dead Stock Register	NM:- One TP and 35 VPs.	Detail of stock available with Panchayat and value thereof could not be ascertained.
Advance Register	NM:- 11 TPs and 61 VPs IM:- Seven TPs,	The purpose, age and amount of advance to be realized / adjusted as of 31 March each year could not be ascertained. The possibility of loss to the PRIs cannot be ruled out.
Deposit Register	NM:- 12 TP and 69 VPs IM:- 13 TPs.	Amount of the deposits and their adjustment could not be ascertained and therefore possibility of misappropriation/ embezzlement of money cannot be ruled out.

TDOs of test checked TPs stated (August to December 2010) that in future required Registers would be maintained properly with recording of necessary details.

2.4 Outstanding advances

According to Gujarat Financial Rule (GFR), advance paid to any individual, contractor, suppliers etc. are required to be recouped within a financial year.

Scrutiny of records of Nine TPs¹⁷ for the period 2006-07 revealed that advance of ` 1.03 crore paid to individuals, contractors, suppliers etc. was outstanding as on March 2010. On detailed scrutiny of the relevant records following observation were noticed:-

- In TP Bardoli (Surat) for works under MLA grant, instead of collection of contribution (Public matching contribution) from the public for required works, ` 8.34 lakh were obtained from PLA of TDO and were shown as advance for the works during 2004-05. The irregular diverted funds were lying unadjusted as of 31 March 2010.
- In TP Limkheda, advance of ` 12.55 lakh pertaining to the period from 1992-93 to 1999-2000 was paid to school teachers, ` 3.75 lakh pertaining to the period from 1994-95 to 1999-2000 was paid to Kotwal, TCMs and Primary Health Centres, ` 1.37 lakh paid to VPs for construction works was pertaining to the period from 1989-90 to 1991-92, ` 4.48 lakh paid to retired teacher was pertaining to the period ranging from October 2001 to March 2003 and ` 10.18 lakh paid to others was pertaining to the period from July 1999 to 2001-02. These advances remained outstanding (November 2010) and no action was taken by the TP to recover/ adjust them. For want of adequate details on records audit could not ascertain whether the advances were utilized for the purpose for which it was given long back. Non recovery/ adjustment of advances especially from retired employees indicates poor internal control and monitoring system in the TP.
- In TP Jasdan, advance of ` 14.43 lakh was paid to contractors/ suppliers pertained to the period ranging from prior to 1980 to 2005, ` 9.05 lakh was paid to other Government departments/ individuals pertained to the period prior to 1980 to 2009-10. No action was taken by TP to recover/ adjust the advances.
- In TP Sinor, out of outstanding advances amounting to ` 10.38 Lakh for the period from 1981 to 2010, ` 7.63 Lakh were paid to employees and ` 2.75 lakh were paid to Contractors/Suppliers. Similarly in TP Ghogha, advances of ` 3.98 lakh were outstanding since 2001, of which ` 1.98 lakh, ` 1.15 lakh were paid to Contractors/Suppliers and ` 0.84 were paid to employees, contractors/ suppliers and other Government Departments/individuals respectively. However, no action was taken by the TDOs to adjust/ recover the long pending advances.

¹⁷ Pardi, Dharampur, Jasdan, Limkheda, Kadi, Jambusar, Balasinor, Ghogha, Bardoli and Sinor

On this being pointed out it was stated (August to December 2010) by the TDOs concerned that efforts would be made to recover the outstanding advances. The reply is not tenable as no effective actions have been taken by the TDOs to recover/ adjust the long pending advances which indicates weak internal control mechanism in the TPs. Beside by passage of time the chances of recovery/ adjustment of advances would be bleak.

2.5 Excess of expenditure over allotted grant

As per Resolution of April 1993 issued by the Panchayat, Rural Housing and Rural Development Department, Government of Gujarat (PRHRDD), the excess expenditure over the allotted grants is not permissible. However, if the expenditure is necessary, prior approval of the grant controlling authority must be obtained and arrangement for additional grants must be made during next year. In absence of this, the excess would be debit to the own fund of the PRIs.

Test check of records for the year 2006-08 revealed that in 25 TPs there was excess expenditure over the allotted grants by an amount of ` 15.47 crore (**Appendix- III**) which was made without approval of the competent authority. Further, in violation of codal provisions, the excess expenditure was debited to the various heads of account instead of debiting to the own funds of PRIs.

On being pointed out it was replied by TDOs (August to December 2010) that excess expenditure was incurred mainly for the pay & allowances of the staff and it would be adjusted from next year's grant. The reply was not tenable as the action of the TDOs was against the codal provisions.

2.6 Unrealistic budget

According to Section 116 (1) of the Gujarat Panchayat Act, 1993 every VP is required to prepare annual budget and get it approved by General body of the Panchayat. It is essential to take utmost care in preparing budget with realistic estimates giving due attention to the prioritized needs of the people.

Review of records of 127 VPs under 11 DPs for the period 2006-07 revealed that actual receipt of 87 VPs was ` 3.49 crore against the estimated receipt of ` 9.11 crore with the variation ranging from 10 *per cent* to 98 *per cent* and actual receipt of other 38 VPs was ` 2.15 crore against the estimated receipt of ` 91.16 lakh with the variation ranging from 6 *per cent* to 1301 *per cent*. Similarly actual expenditure of 100 VPs was ` 3.50 crore against the estimated expenditure of ` 10.06 crore with the variation ranging from 13 *per cent* to 98 *per cent* and actual expenditure of other 27 VPs was ` 1.04 crore against the estimated expenditure of ` 38.71 lakh with the variation ranging from 9 *per cent* to 962 *per cent*.

Similarly, scrutiny of records of 28 TPs for the period 2006-07 revealed that actual receipt of 15 TPs was ` 207.20 crore against the estimated receipt of ` 256.57 crore with the variation ranging from 8 *per cent* to 71 *per cent* and actual receipt of other 10 TPs was ` 147.93 crore against the estimated receipt of ` 125.14 crore with the variation ranging from 6 *per cent* to 253 *per cent*. Similarly actual expenditure of 21 TPs was ` 253.45 crore against the estimated expenditure of ` 319.58 crore with the variation ranging from 6 *per cent* to 76 *per cent* and actual expenditure of other seven TPs was ` 188.60 crore against the estimated expenditure of ` 87.38 crore with the variation ranging from 5 *per cent* to 756 *per cent*.

It was observed that the variations in estimates and actuals of receipts and expenditure in respective years were due to non raising of periodical demand, non pursuance of demands and insufficient receipts of grants. Thus, the budget was not prepared realistically and the internal control (monitoring) system was weak.

TDOs concerned replied (August to December 2010) that in future budget would be prepared in realistic manner as observed by audit.

2.7 Blocking of grant in respect of withdrawn functions

The functions relating to Primary Health have been withdrawn from the ambit of Taluka Panchayat since April, 2005 and have been enbloc transferred to Block Health office established as on 20 May 2005 vide G R dated 19 April 2005 of Commissioner of Health and Medical Education, GoG. The unspent balances were required to be transferred and minus balances, if any, to be adjusted from the grant received from Government.

Review of records of six TPs for the period ending March 2010 revealed that huge unspent fund amounting ` 2.11 crore¹⁸ in five TPs and minus balance of ` 2.53 crore¹⁹ in five TPs of various activities related to Primary Health were lying in PLA of TDOs and remained unadjusted since April 2005 in the accounts. Since the functions and functionaries of Primary Health were not with TPs, keeping of unspent fund in PLA and unadjusted minus balances were irregular and unauthorized.

TDOs concerned replied (October 2010 to January 2011) that the unspent balances would be transferred to Block Health Office in due course and minus balances would be adjusted on receipt of grant. The reply is not tenable as no action has been taken by the TDOs even after elapsing of period of more than five years since transfer of the functions from TDO.

¹⁸ Mahemedabad ` 24.34 lakh, Limkheda ` 55.22 lakh Chikhli ` 59.31 lakh and Jambusar ` 25.38 lakh and Bhavnagar ` 46.50

¹⁹ Limkheda ` 0.62 lakh, Chikhli ` 93.95 lakh, Bhavnagar ` 34.80lakh, Jambusar ` 48.34 lakh and Mahuva ` 75 lakh

2.8 Non-surrender of unspent Government Grants.

As per clause 8 and 9 of resolution dated 19 April 1993 of PRHRDD, GoG, the unspent grant other than grant for the purpose of Pay and Allowances should be adjusted by the grant controlling authority during release of the last installment of the financial year. Retention of funds up to 20 *per cent* of the grant of Pay and Allowances only is allowed for the payments for the month of March/April.

Test check of records of 20 TPs for the year 2006-07 revealed that neither action had been taken by TDOs to adjust unspent balances from the last installment of the grants which resulted into accumulation of ` 41.01 crore in PLAs (**Appendix-IV**) nor the District Development officer and Departmental authorities called any explanation from TDOs for non refunding the unspent grants as on 31st March 2007.

Detailed scrutiny of 12²⁰ test checked TPs revealed that though, unspent grants of ` 23.53 crore was available with the TPs as on 1st April 2006, additional grant of ` 60.36 crore was allocated to them during the period 2006-07 of which expenditure of only ` 53.78 crore was incurred. Out of the total balance ` 30.11 crore, only ` 53.52 lakh was surrendered to GoG by one TP (Viramgam). Thus, the unspent balance was ` 30.10 crore as of 31st March 2007.

It was stated by the TDOs (August to December 2010) that necessary action would be taken to utilise the grants or surrender of unspent grants to the Government.

2.9 Annual Accounts prepared without supporting statements

Codal provisions provide that Accounts of Income and Expenditure should be maintained by the TPs in the prescribed manner and should be laid before Panchayat.

During test check of 3 TPs²¹ for the year 2006-07, it was observed that the Accounts of Income and Expenditure were prepared in the relevant forms, however, the supporting statements as detailed below were not prepared and attached with the annual accounts.

- (i) Statement of closing balance of investment in bank, post office and others.
- (ii) Statement of receipts and expenditure incurred on Plan / Non Plan schemes with Head wise details
- (iii) Statement showing Head wise grant received from the Government.

²⁰ Vallbhipur, Palitana, Gogha, Sayla, Jamjodhpur, Maliyamiyana, Palanpur, Mahuva, Mahuva, Mandvi, Dahod and Viramgam

²¹ Ahwa, Satlasna and Limkheda

- (iv) Statement of Head wise refund of loans and grant received from the Government.
- (v) Statement showing details of opening balance, receipt and expenditure under Centrally Sponsored Schemes.
- (vi) Statement showing details of opening balance, receipt and expenditure.
- (vii) Statement showing the details of Zila Vikas Nidhi, Utejak Nidhi, Samkari Nidhi and Gram Vikas Nidhi.
- (viii) Statement of loans received from DP and repayment thereof.

In absence of important and vital statements, Major Head wise position of accounts with closing balance of grants, deposits, advances, liabilities of the entity etc could not be ascertained.

TDOs stated (August to December 2010) that from the ensuing year all the required statements would be incorporated in the Annual Accounts.

2.10 Non realization of revenue

As per Section 168 and 170 of GP Act, 1993, the PRIs have been entrusted with functions and duties relating to the collection of land revenue including cess. The panchayats are further required to recover any tax or fees on due dates as provided under Section 215(1) of the GP Act. In order to increase the source of own revenue, VPs should also review the rates of taxes periodically. Further, VPs in the event of non payment of tax could take action of levy penal interest, invoke writ and write off the dues under section 215 of the Act *ibid*.

During the Test Check of 263 VPs (August to December 2010) it was observed that as against total demand of ` 5.30 crore during 2006-07 an amount of ` 1.74 crore (33 per cent) could only be recovered resulting in outstanding demand of ` 3.56 crore (67 per cent) as on 31 March 2010 (**Appendix – V**). Records did not reveal that actions as per codal provisions were initiated by the concerned VPs to recover the taxes. Poor recoveries of the taxes indicated that proper control and monitoring system was not effective for effecting recovery in time.

TDOs/ VPs stated (August to December 2010) that efforts would be made to increase the revenue by issuing demand notices.

2.11 Purchase of materials without inviting quotations

As per rule 14 B of Gujarat Gram and Nagarpalika Financial Account and Budget rules and Rule 171 of Gujarat Contingency Expenditure Rules read with Finance Department Resolution of May 1994, any purchase exceeding ` five thousand should be made by inviting quotations at least from three suppliers and purchase exceeding ` one lakh should be made by inviting tender through advertisement in leading news papers.

Review of records of 351 VPs of 16 districts for the period 2006-07 revealed that ₹ 2.59 crore were paid to private parties without obtaining quotations or obtaining competitive price from the open market for purchases exceeding ₹ 5000. Detailed scrutiny of records revealed that 26 VPs of 10 Districts made payment of ₹ 48 lakh (ranging from ₹ one lakh to ₹ two lakh) for different purposes like construction of C.C. Road, halls, purchase of welding material, pipes, cement, building material for Sardar Avas Yojna Work and labour payment etc. without inviting tenders.

In Nana Waghchhipa Village of Taluka Pardi payment of ₹ two lakh was made to a party for construction of C.C. Road even without quotation. TCM stated that the purchase was done without inviting quotations due to shortage of shops / Dealers in Village. The reply is not acceptable as procurement was made in violation of codal provision. Further, it was observed that in Odhva Village of Dantiwada Taluka payment of ₹ 2.64 lakh was made for construction of C.C. Road in three localities through two vouchers of ₹ 1.24 lakh and ₹ 1.40 lakh by splitting of the work besides not obtaining quotation. Apart from violation of Government instructions the VPs have been deprived of the benefit of availing of comparative and competitive rates.

Panchayat authorities stated (August to December 2010), it was stated that henceforth proper procedure would be followed while procuring the material.

2.12 Cash payment in excess of prescribed limit

As per rule 95 of Gujarat Treasury Rules, 2000 (GTR), all payments exceeding ₹ 1000 to third party shall be made through Account Payee cheques only.

Review of records of 284 VPs of 15 districts for the period 2006-07 revealed that in violation of rule provision VPs have made payment of ₹ 1.75 crore in cash exceeding the prescribed limit instead of account payee cheques for procurement of various types of materials etc.

Further detailed scrutiny of 94 VPs in 26 Taluka Panchayat out of 284 VPs showed that even payments ranging from ₹ 0.30 lakh to ₹ 2.21 lakh were made in cash in violation of rule provisions.

Talati-cum-Mantries (TCMs) of concerned VPs while accepting the audit objection replied (July to December 2010) that henceforth payment in excess of ₹ 1000 would be made through account payee cheques only.

2.13 Excess cash in hand

As per Rule 5 of the Gujarat Gram Panchayat (Custody & Investment of Gram Fund) Rules, 2000, cash balance in excess of ₹ 500 except Permanent Advance should be deposited in scheduled bank/ post office on the same or next working day.

Review of records of 273 VPs of 42 TPs for the period 2006-07 revealed that in violation of rule provisions these VPs have kept cash ranging between ` 528 to ` 211580 on hand for more than prescribed time limit ranging from three days to 31 days.

Analysis of the records revealed that in eight VPs the excess retention of cash ranged from ` 0.10 lakh to ` 2.12 lakh.

Further it was noticed that in Shirvaniya Village (Sayala Taluka) the balance of ` 97,276 was kept in the personal custody of Sarpanch from 24 July 2006 to 30 July 2006. In VP Bedoda (Vadhwan Taluka) and VP Vankal (Valsad Taluka) cash balance of ` 95,441 and ` 2,11,580 were kept by the Talati cum Mantri (TCM) for three days and 16 days respectively.

TCMs concerned replied (July to December 2010) that henceforth cash balance in excess of ` 500 would be credited in bank/ post office as per audit instruction.

2.14 Non obtaining of Security bond from principals of pay centres

As per Rule 272 and 68 of Taluka and District Panchayat Finance Account and Budget Rules, TPs should maintain Security bond register in prescribed form No. 6 and on first day of each financial year, certificate to the effect that security bond holder is alive, should be recorded in the register. Further, as provided in circular of January 1992 of Director of Primary Education Gandhinagar, to safe guard against irregularities / fraud misappropriation, a security bond for ` 5000/- from the Principal of Pay Centres of primary schools were to be obtained along with certificate of their solvency.

Scrutiny of the records of 10 TPs²² for the period 2006-07 revealed that security bonds from the Principals of the Pay Centres distributing scholarship to eligible students were not obtained and security bond registers were also not maintained in any of the TPs.

On this being pointed out, it was replied by the TDOs, (July to December 2010) that now onwards, audit instructions would be observed and necessary security would be obtained.

2.15 Government money kept in non-scheduled bank

In accordance with the clarification below Rule 3 of the Gujarat Gram Panchayat (Custody & Investment of Gram Fund) Rules, 2000, all taxes and Government grant of VPs shall be kept in post office, Government Treasury/Sub Treasury or in Scheduled Bank under RBI Act 1934.

Review of records for the period 2006-07 revealed that 64 VPs of 8 TPs in violation of rule provision kept the Public money/Government grant

²² Sinor, Viramgam, Dahod, Prantij, Botad, Vallabhipur, Ghogha, Sayla, Jamjodhpur and Maliyamiyana

amounting ` 40.05 lakh in Non-Scheduled banks (i.e District Co-operative Banks) (**Appendix- VI**).

TCMs concerned replied (July to December 2010) that henceforth Government money would be kept in Scheduled Banks as observed by audit.

2.16 Payment made without using Form 15 for preparation of Bill

As per rule 5 of the Gujarat Gram & Nagarpanchayat Financial Accounts and Budget Rules 1963, bill should be passed for payment by VPs by using Form 15 prescribed for the purpose providing details regarding name of the articles, quantity or weight, rate per unit, total unit purchased, amount of budget allotment, previous expenditure, expenditure shown in the bill and the balance available.

Review of records of 62 VPs of 10 TPs for the period 2006-07 revealed that in violation of the rule provision VPs have made payment of ` 28.68 lakh for various purchases (Viz. cements, steel, sand, pipes, stationery etc.) without using Form 15 (**Appendix- VII**). Payment without using Form-15 indicated poor control over allotted funds.

TCMs concerned replied (July to December 2010) that henceforth Form 15 would be used as per audit instruction.

2.17 Conclusion

- Preparation of budget proposals and financial accounting were found to be defective. There was lack of budgetary control and absence of reliable budget formulation.
- Irregular maintenance of cash books and Non – writing back of time barred cheques, non - inclusion of grants and expenditure in annual accounts, non/ improper maintenance of records / register, non-adjustment of huge advances, etc. indicated that internal control mechanism was not adequate to ensure proper accounting of substantial Public funds dealt with by the PRIs.
- Instances of non – surrender of unspent Government grant / grants in respect of withdrawn activities and purchase of material without following codal provisions were noticed which indicated poor financial control.

2.18 Recommendations

- Budget should be prepared taking inputs from constituent divisions /Wards, Governmental Departments/organisations and targets there against.
- Steps be taken to ensure cash book is maintained properly.
- Basic primary records should be maintained properly.
- Accountability of expenditure and internal check system should be strengthened.