

Chapter 4: Financial Management and Accounting Framework

Funds are allocated to the district through the State budget for various developmental activities. In addition, funds are directly released to the DRDA and implementing agencies for various socio-economic programmes by the State and GoI. The DRDA releases the funds to the Blocks and other executing agencies based on the approved allocation for the individual schemes.

➤ Gaps in the Funds flow and Expenditure incurred

The total flow of funds in the district during 2004-09 and expenditure incurred was not available either with the Addl. Deputy Commissioner who is the Chief Planning Officer or with the District Planning Officer and other district authorities like DRDA. However, information on funds received and reported expenditure in respect of certain significant departments and programmes as collected by Audit from various departments is detailed below.

Table: 1

(Rupees in crore)

Scheme	Funds provided	Expenditure incurred
National Rural Health Mission (NRHM)	7.37	2.03
National AIDS Control Programme (NACP)	0.44	0.44
Sarva Shiksha Abhiyan (SSA)	47.54	38.63
Higher Education	114.81	129.32
Water Supply	83.21	83.63
Pradhan Mantri Gram Sadak Yojana (PMGSY)	146.30	38.93
Mukhya Mantri Gram Path Yojana (MMGPY)	0.66	0.11
Vikas Mein Jan Sahyog (VMJS)	4.21	1.27
Sectoral Decentralised Planning	9.35	0.86
Member of Parliament Local Area Development Scheme (MPLADS)	2.98	2.06
Vidhayak Kshetriya Vikas Nidhi Yojana (MLALADS)	6.25	1.31
Sampoorna Grameen Rozgar Yojana (SGRY)	7.97	6.72
National Rural Employment Guarantee Act (NREGA)	47.05	43.98
E-governance	0.05	--
Municipal Councils and Nagar Panchayats	28.40	23.77
Total:	506.59	373.06

Source: Departmental figures

Audit analysis revealed that there was a big gap between the funds received and expenditure incurred as large amounts of funds received from GOI and State Government are parked in banks without being utilised within the prescribed timeframe, as works could not progress due to non-availability of clearances for utilising forest land and other land disputes (as discussed in succeeding chapters).

➤ Opening of Bank Accounts

While there were separate bank accounts for various schemes at the DRDA and Block levels, there was only one bank account for all the schemes at the GP level wherein the funds relating to all the programmes are deposited and operated. Due to non-maintenance of separate bank accounts for all the schemes as envisaged in the GOI guidelines, the scheme wise information was not readily available at the GP level.

In the exit conference the DC stated (October 2009) that plan to review the position relating to unspent balance with the BDOs and other implementing agencies is underway and reasons for accumulation of funds would be examined and utilisation of funds ensured on the schemes/programmes for the benefit of the public. This indicated that an adequate mechanism to ensure release of funds only for works and schemes for which all preliminary and preparatory works have been completed was absent.

➤ **Maintenance of Records**

Scrutiny of records of the DC, DRDA and the test checked blocks and GPs revealed that the funds are shown as expended as soon as these are released to the next level i.e. the DRDA shows utilisation of funds as soon as these are released to the Blocks and the Blocks in turn show utilisation on release to the GPs.

➤ **Internal Controls**

The BDO holds monthly meetings to apprise the concerned Panchayat Secretaries about the works sanctioned and releases the first installment on the basis of resolution passed by the concerned GP for preliminary work. However, Audit scrutiny revealed that no control was exercised by the BDOs to see that the resolutions from GPs are received without delay and works were executed in a timely manner, as a result, large amount of funds have remained unutilised for long periods.

In essence, in the absence of a integrated system of internal checks and controls of receipt, utilization and accounting of developmental funds there were huge sums lying unutilized and there was also a big gap between the funds released and funds reported as utilized.

Recommendations

- *A mechanism to ensure release of funds only for works and schemes for which all preliminary and preparatory works have been completed, needs to be evolved.*
- *A uniform system should be put in place for receipt, utilisation and accountal of funds and a system needs to be evolved for showing actual utilisation of funds as distinct from mere release of funds.*