

CHAPTER IV : FINANCIAL MANAGEMENT AND ACCOUNTING FRAMEWORK

4.1 Financial Management

Funds are allocated for various developmental activities to the line departments through the State Budget. Funds are also released by the State Government (through the State Budget) and also directly by the GOI to the DRDA for implementing various socio-economic programmes. Further, certain societies in the District (District Health Society, State Rural Roads Development Agency, District Mission Coordinator of SSA, *etc.*) also receive funds directly from the GOI for executing specific programmes.

Central and State funds received by the DRDA are released to the Blocks and thereafter passed on to the Village Employment Councils and other implementing agencies/beneficiaries at the village level based on the approved allocations for the individual programmes. The sanctions governing many of these programmes require that separate bank accounts be opened for operating the funds received. Accordingly, separate bank accounts for various programmes at the District, DRDA and Blocks levels are maintained.

Funds received through State budget and expenditure there against by the line departments during 2006-11 in respect of major areas covered under the review are given in Table below:

Table 4.1: Funds received by the District through the State budget and expenditure incurred thereagainst

(₹ in crore)

Sector	Allotment				Expenditure			
	Non-Plan	Plan	CSS*	Total	Non-Plan	Plan	CSS*	Total
Health	54.67	35.09	1.77	91.53	52.84	34.34	1.67	88.85
Education	150.56	39.42	9.37	199.35	168.08	42.56	8.19	218.83
Water Supply	53.95	73.97	41.82	169.74	54.84	74.56	46.03	175.43
Roads & Bridges	114.76	161.15	90.41	366.32	114.46	161.44	90.39	366.29
Police	163.44	0	0	163.44	167.70	0	0	167.70
Power	51.36	0	106.39	157.75	51.39	0	28.16	79.55
Total	588.74	309.63	249.76	1148.13	609.31	312.90	174.44	1096.65

Source: Information furnished by concerned departments.

* CSS - Centrally Sponsored Schemes

The position of funds received by DRDA and other implementing agencies for implementation of various schemes/programmes directly from GOI (not routed through State budget) and State Government during 2006-11 is given below:

Table 4.2

(₹ in crore)

Name of the Programme	Fund provided	Expenditure incurred
National Rural Health Mission	28.81	22.88
National Project for Control of Blindness	0.42	0.37
National Leprosy Eradication Programme	0.17	0.18
National Vector Borne Disease Control Programme	2.87	2.72
Pradhan Mantri Gram Sadak Yojana	19.97	19.97
Construction of Rural Roads Programme	2.70	1.95
Special Rural Works Programme	60.70	47.95
Backward Region Grant Fund	59.11	57.82
MP Local Area Development Scheme	12.82	9.89
Sarva Shiksha Abhiyan	103.78	97.19
Swajaldhara	0.75	0.75
Total Sanitation Campaign	8.33	8.19
Swarnjayanti Gram Swarozgar Yojana	7.19	6.43
Indira Awas Yojana	43.65	42.95
National Rural Employment Guarantee Act	227.01	226.65
Total	578.28	545.89

Source: Information furnished by concerned departments.

Scrutiny of records of fund disbursing entities and implementing agencies in the District revealed that the system of recording and accounting of funds was adequate. Funds were transferred by the DRDA, societies and the controlling officers of the District's line departments to Blocks/implementing agencies through cheques/demand drafts as prescribed. However, the accounting for such funds was inherently flawed inasmuch as these funds were shown as fully spent in the books of the DRDA, societies and controlling officers the moment the amounts were released to the implementing agencies rather than actual expenditure incurred on execution of projects by the implementing agencies. Thus, the accounting and reporting of expenditure as reflected in the records of the DRDA/societies/controlling officers did not actually reflect the actual implementation/physical progress and actual outcomes of the programmes at the ground level by the implementing agencies.

4.2 Recommendation

- A system needs to be evolved to show *actual* utilisation of funds as distinct from a mere release of funds by suitable modification in the reporting statements.