

# **CHAPTER 2**

# **FINANCIAL MANAGEMENT**

## CHAPTER-2

### Financial Management

**The West Bengal Panchayat (ZP & PS) Accounts and Financial Rules, 2003 and the West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules, 2007 were framed to promote and develop proper accounting procedures for Panchayati Raj Institutions. After 73<sup>rd</sup> Amendment of the Constitution, various functions have been devolved to PRIs and these rules play a vital role in assisting PRIs to discharge their functions. The rules also act as a control mechanism in PRIs. However, the general precepts of financial management and the rules were not adhered to. Budget and supplementary budget were not prepared and there was direct appropriation of fund. Balances were not reconciled and revenue collection was poor besides diversion and defalcation of funds. Most of these irregularities were reported in earlier years also.**

#### 2.1 Computerisation of PRI accounts

The Panchayat and Rural Development Department (P&RDD) developed and introduced Gram Panchayat Management System (GPMS) for computerizing the accounting system of GPs. As per the P&RDD's records GPMS was installed in 3182 GPs but only 2524 were using the software on a regular basis.

Similarly, Integrated Fund Monitoring and Accounting System (IFMAS) was developed for maintenance of accounts and database for ZPs and PSs. As per the P&RDDs records IFMAS had been installed in all 18 ZPs and 332 PSs. Though the software was functioning in all ZPs, it was not working in 10 PSs. While conducting the audit of ZPs and PSs during 2011-12, it was observed that though 11 PSs prepared the annual accounts during 2009-11, the accounts were not generated through IFMAS software though the software was installed in those PSs. (**Appendix-III**).

#### 2.2 Expenditure incurred without preparing budget and in excess of budget

Budget plays a vital role in financial management of an entity. It helps to identify areas to be covered on priority basis for development. It is a compact statement of all probable financial resources of a body and their apportionment with reference to annual programme. Moreover, passing of budget by PRIs involves participation of people through their elected representatives for ensuring development through deliberation. Non-

preparation of budget by PRIs deprives the people from putting forth their requirements.

Section 137 of the West Bengal Panchayat Act, 1973 prescribes that no expenditure should be incurred unless budget was approved by ZP/PS. In violation of the said provision four<sup>3</sup> ZPs expended ₹ 57.42 crore without preparing budget estimates under eight heads during 2010-11 and 30<sup>4</sup> PSs spent ₹ 85.22 crore during 2007-11 without preparing budget estimates under 45 heads during 2008-11.

Further, the West Bengal Panchayat (ZP and PS) Budget Rules, 2008 prescribe that the supplementary and revised budget should be prepared and approved on or before 28<sup>th</sup> February of the current financial year respectively. Scrutiny revealed that five ZPs and 30 PSs expended ₹ 87.06 crore in excess of budget provision under 29 heads during 2008-11 (**Appendix-IV**). Further non-preparation of budget/supplementary budget/revised budget in respect of five ZPs (Bankura, Bardhaman, Dakshin Dinajpur, Purba Medinipur and South 24 Parganas) was earlier raised in Audit Reports from 2008 to 2010.

Similarly, Section 48 (3) of the West Bengal Panchayat Act, 1973 prescribes that no expenditure should be incurred unless budget was approved by GP. Scrutiny revealed that 12 GPs spent ₹ 15.67 crore during 2010-11 (**Appendix-V**) without preparing any budget estimate.

Further, Rule 40 of the West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 stipulates that a supplementary and revised budget estimate of receipts and payments for the current year should be prepared and approved on or before 25<sup>th</sup> February by GP. It was seen in audit that 444 GPs expended ₹ 70.08 crore in excess of their respective budget

---

<sup>3</sup> Bankura (₹ 4.51 crore); Bardhaman (₹ 1.23 crore); Dakshin Dinajpur (₹ 4.33 crore) and Purulia (₹ 47.35 crore).

<sup>4</sup> Andal (₹ 0.76 crore); Arambagh (₹ 4.80 crore); Bally Jagachha (₹ 0.04 crore); Banshihari (₹ 5.79 crore); Barasat-II (₹ 0.19 crore); Barrackpore-I (₹ 1.24 crore); Barrackpore-II (₹ 1.99 crore); Basirhat-II (₹ 0.01 crore); Bhagwangola-I (₹ 0.20 crore); Bishnupur-I (₹ 3.91 crore); Canning-II (₹ 5.38 crore); Chanchal-II (₹ 1.73 crore); English Bazar (₹ 0.96 crore); Habra-I (₹ 14.81 crore); Habra-II (₹ 0.38 crore); Harirampur (₹ 1.15 crore); Kaliachak-I (₹ 0.85 crore); Karandighi (₹ 8.58 crore); Khanakul-II (₹ 0.07 crore); Khejuri-I (₹ 3.50 crore); Manikchak (₹ 5.05 crore); Murarai-II (₹ 1.52 crore); Nagrakata (₹ 5.41 crore); Raiganj (₹ 8.00 crore); Ramnagar-I (₹ 0.40 crore); Ramnagar-II (₹ 0.90 crore); Ranibandh (₹ 0.04 crore); Simlapal (₹ 1.23 crore); Sitalkuchi (₹ 4.39 crore) and Tufanganj-II (₹ 1.94 crore).

provisions under 53 heads like IAY, NREGS, NRHM, 12<sup>th</sup> FC, BRGF etc. without preparing any supplementary and revised budget estimates during 2010-11 (**Appendix-VI**).

Thus, expenditure of ₹ 315.45 crore was unauthorised in absence of any budget estimates, supplementary and revised budget estimates. PRIs therefore, as a Local Self Government, need to strengthen their financial management and take measures to regularise such expenditure.

### **2.3 Direct appropriation of revenues without depositing into bank account**

Rule 4 (12) of the West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 prescribes that all receipts of the GP fund should be credited in full to an appropriate account of the GP fund.

In violation of the said provision of the rule, 70 GPs directly spent ₹ 0.13 crore during 2010-11 for miscellaneous payments like electricity bills, commission of the tax collectors, telephone bills, stationery etc. out of the revenues collected from time to time before depositing those revenues into their respective GP fund accounts.

As the rule acts as a safeguard against misappropriation of funds while handling liquid cash, non-adherence to the prescribed rule not only increases risk of misappropriation of funds but also weakens internal control mechanism in PRIs.

### **2.4 Non-reconciliation of discrepancy in cash balances**

Rule 21 (12) of the West Bengal Panchayat (ZP and PS) Accounts and Financial Rules, 2003 stipulates that the bank account and the Local Fund account as reflected in the Cash Book shall be reconciled with Pass Book of the bank and the Treasury at the close of each month. Sub-Rule 13 of the aforesaid rule requires that differences detected should be rectified immediately by the PRI itself or the matter should be immediately brought to the notice of the Treasury/ Bank for settlement of discrepancies depending on whether the mistake occurred in the Panchayat itself or otherwise. Jalpaiguri ZP (₹ 8.71 crore) and 17 PSs (₹ 8.49 crore) did not adhere to the said rule and difference between Cash Book and Pass Book balances of ₹ 17.20 crore was not reconciled as on 31 March 2011

**(Appendix-VII).** Further, reconciliation statements prepared by North 24 Parganas ZP and 10<sup>5</sup> PSs revealed that an amount of ₹ 6.21 crore remained unreconciled as on 31.03.2011. No reason was furnished by the PRIs. Discrepancies need to be rectified immediately other wise the rectification process would become more difficult with the passage of time.

Similarly, Rule 6(5) (c) of West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 prescribes that a Bank Reconciliation Statement shall be prepared at the end of each month in respect of all bank accounts maintained. Scrutiny revealed that in 69 GPs, a total amount of ₹0.33 crore remained unreconciled at the end of 2010-11 **(Appendix-VIII).**

As discrepancies in cash balance were not reconciled, the accounts lacked transparency and chances of irregularities in cash management could not be ruled out.

## **2.5 Non-realisation of revenue**

The GPs are authorised to collect taxes, rates and fees and are also empowered to lease out immovable assets like markets, lands, ponds and tanks. Scrutiny of Demand and Collection Register revealed that 2710 GPs could collect only ₹ 27.20 crore as land and building tax against total demand of ₹ 115.59 crore during 2010-11 **(Appendix-IX).** The collection was only 23.53 *per cent* of the total demand raised.

Mobilisation of revenues from its own resources helps a local body in achieving self-sufficiency. Poor collection of revenue by the GPs hindered the process of development of rural areas as the realisable revenue, if collected duly, could have been utilised by the GPs for area specific works recommended by Gram Samsads.

## **2.6 Irregularities in imposition and collection of land and building tax**

Section 46 of the West Bengal Panchayat Act, 1973 stipulates that a GP shall impose a yearly tax on lands and buildings within its jurisdiction and Rule 10 of the West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 prescribes that GP shall be responsible for supervising and

---

<sup>5</sup> Chanchal-I; Falakata; Gosaba; Harirampur; Jalpaiguri Sadar; Khejuri-II; Kulpi; Mathurapur-II; Murarai-II and Rampurhat-II.

monitoring of the process of imposition and collection of taxes. During 2010-11, 70 GPs failed to impose taxes on lands and buildings in their areas. Consequently, no revenue from those properties was earned **(Appendix- X)**.

Thus, the GPs failed to discharge their function of generating own revenue. Lack of proper supervision and monitoring widened the resource gap and reduced the capacity of the GPs to undertake welfare projects for sustainable development of rural areas.

### **2.7 Security bonds not obtained from tax-collectors**

Rule 31(1) of the West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 prescribes that a GP may engage a person as Tax Collector on commission basis for collection of taxes assessed by the GP. The tax collector will pledge security bonds for rupees one thousand in the form of any Government Savings Certificates with the Gram Panchayat. Scrutiny revealed that 1214 GPs failed to obtain security bond from the tax-collectors. In absence of any security bonds, the GPs had no financial control over the tax collectors and in case of misappropriation, negligence, loss or any other irregularity committed by the tax collector, GPs can not recover any amount from them. **(Appendix- XI)**.

### **2.8 Non-maintenance of registers/documents/records**

Audit scrutiny of 18 ZPs, 142 PSs and 3215 GPs during 2011-12 revealed that Works Register (1214 PRIs), Advance Register (1354 PRIs), Asset (leased out property) Register (1279 PRIs), Appropriation Register (1037 PRIs), General Ledger (199 PRIs), Demand & Collection Register (456 PRIs), General Stock Register (678 PRIs), Budget of GP (34), Unpaid Bill Register (74 PRIs), Register of Deposit (61 PRIs), Liquid Cash Book (55 PRIs) and Investment Register (66 PRIs) were not maintained as prescribed in the rules for ZP, PS and GP.

In absence of prescribed registers and other records or documents, source as well as quantum of revenue, appropriation of grants, status of properties, position of works and amount of liquid cash could not be ascertained.

## **2.9 Losses due to misappropriation, defalcation and theft of materials**

During scrutiny of money receipts at Jalpaiguri ZP and cross checking the amounts collected thereon with the cashiers' receipts, it was found that rent amounting to ₹ 0.25 lakh collected by the collector from Maynaguri Super Market Complex on various dates between 26.03.2010 to 24.11.2010. But the amount was not deposited to ZP fund till February 2012. When enquired in Audit, the ZP did not furnish any reply. Thus misappropriation of public money to the tune of ₹ 0.25 lakh cannot be ruled out.

Scrutiny of cash book at Harishchandrapur-II PS revealed that a self-cheque amounting to ₹ 0.06 lakh was drawn by the cashier on 16.10.2009 but the amount was taken as liquid cash on the receipt side of the cash book by way of 'contra entry' but a same amount was booked as expenditure in the cash book on the same day. When enquired in Audit, PS replied that the entire matter was communicated to the District Magistrate, Malda and a show cause notice was issued to the concerned cashier from the DM office on 21.05.2010. Further, scrutiny of Subsidiary Cash Book of the said PS relating to Total Sanitation Campaign revealed that ₹ 0.20 lakh was the closing balance on 28.01.2009 but that was not carried forward on 01.02.2009 as opening balance and the amount could not be traced in the cash book on any subsequent dates. When enquired, the PS stated that the matter had already been referred to the district authority for issuing necessary instructions and a clarification was also sought from the concerned cashier but he failed to provide any satisfactory reply.

Jalpaiguri Sadar intimated that some stock items and tube-well materials were lost during 2010-11 due to theft and FIR was lodged at the local police station.

Similarly, cases of theft, defalcation, missing of valuable assets/documents etc. was noticed in 27 GPs during 2011-12. Five GPs did not take any action (**Appendix-XII**).

This shows lackadaisical attitude of the GPs towards adherence to financial rules and laxity in safeguarding the properties of the GPs.

### **2.10 Deficiencies in internal audit of PRIs**

The objective of the internal audit is to assess the effectiveness of various internal control systems of a PRI and also to assist the administration in the effective discharge of its responsibilities. Internal audit helps to ensure financial propriety in implementation of plans and programmes and acts as an aid to the administration for better performance.

Rule 212 of the West Bengal Panchayat (ZP and PS) Accounts and Financial Rules, 2003 requires that internal audit of the accounts of ZPs and PSs shall be conducted by the Samiti Accounts and Audit Officer (SA&AO) and the Parishad Accounts and Audit Officer in respect of PS and by the Regional Accounts and Audit Officer (RA&AO) in respect of ZPs at least once in every month. Similarly, Rule 30 of the West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 prescribes that internal audit of GPs shall be conducted by the respective Internal Audit Officer at least once in every three months. Report of internal audit of each quarter should be prepared and sent to the auditee within one month from the end of the quarter.

Audit scrutiny of 18 ZPs, 142 PSs and 3215 GPs revealed that internal audit in two PSs during 2007-09 and 95 PSs during 2009-10 was not conducted. Similarly, internal audit in 11 ZPs, 95 PSs and 837 GPs was not conducted during 2010-11 (**Appendix-XIII and XIV**). Internal audit in Bankura ZP along with eight PSs was conducted only for part of a year. Internal audit was conducted in Purulia and Nadia ZPs during 2010-11 and in 25 PSs during 2009-11 but no report was received by them. Further, non-conducting of internal audit in three ZPs (Cooch Behar, Dakshin Dinajpur and Jalpaiguri) and 69 PSs were earlier reported in Audit Report 2010 but no action was found to have been taken to strengthen internal control system.

Thus, absence of internal audit not only weakened the internal control mechanism of PRIs but also deprived the PRIs of the recommendations for improvements in their service delivery mechanism.



**ZILLA PARISHADS AND PANCHAYAT SAMITIS****2.11 Diversion and irregular transfer of funds of ₹ 3.89 crore****Hooghly ZP and six PSs irregularly diverted/transferred specific plan funds of ₹ 3.89 crore defeating the objectives of those schemes.**

The Central and State Governments formulate development schemes sector-wise, area-wise and fix the targets to be achieved. Accordingly funds are allocated from plan heads with an objective to achieve the targeted development. Diversion from these plan grants frustrates the development process.

Audit scrutiny between April 2011 and March 2012 revealed that Hooghly ZP and five PSs diverted schematic fund amounting to ₹ 3.85 crore received for specific purposes as detailed below:

**Table 2.1****(₹ in lakh)**

Name of PRIs	Year	Amount diverted	Diverted from	Diverted to	Purpose
Hooghly ZP	2010-11	330.94	12 <sup>th</sup> FC	PMGSY	Depositing fund for construction of road
Mahamad Bazar PS	2009-11	2.48	IAY	Establishment	Meeting various establishment costs
Kulpi PS	2008-10	25.00	12 <sup>th</sup> FC, 2 <sup>nd</sup> SFC and others	-	Election expenditure
Indpur PS	2010-11	15.48	BRGF	NREGS	Labour payment
Jangipara PS	2009-10	0.50	SGSY	SAHAY <i>prakalpa</i>	Schematic expenditure
Balurghat PS	2010-11	10.81	RSP and MWS	BADP	Schematic expenditure

**(Source: Records of ZP and PSs)**

Similarly Khejuri-I PS transferred ₹ 3.86 lakh from 12<sup>th</sup> FC to Untied Fund during 2010-11 but the amount remained unspent at the end of the year. This clearly indicated that immediate disbursement was not required under Untied Fund and the transfer could have been avoided.

When this was pointed out, Hooghly ZP, Jangipara, Balurghat and Khejuri-I PSs did not furnish any reply. Mahamad Bazar PS replied that sufficient fund was not available for meeting the establishment needs and the expenditure was incurred out of available interest of IAY and that the amount was not replenished till July 2011. The reply was not tenable as the

interest earned from IAY grant had to be expended for the scheme itself and not for other purposes. Kulpi and Indpur PSs admitted the fact and stated that the amount diverted would be recouped to the respective funds.

Thus, diversion of schematic funds and utilisation of public money towards establishment cost and election purpose not only hampered the service delivery to the targeted population but was also contrary to the tenets of financial propriety. Besides, diversion from a particular scheme jeopardized the objectives set for rural development under that scheme.

### ZILLA PARISHADS, PANCHAYAT SAMITIS AND GRAM PANCHAYATS

#### 2.12 Lapsed cheques valuing ₹ 8.30 crore not taken back into account

**393 PRIs did not take back 2968 lapsed cheques valuing ₹ 8.30 crore to accounts and the money remained idle.**

Rule 27 of the West Bengal Panchayat (ZP&PS) Accounts and Financial Rules, 2003 states that if a cheque is not encashed within three months or six months of its issue, as the case may be, without intimation and if it appears in the list of outstanding cheques, such cheque shall be cancelled and the amount shall be taken back to the accounts under appropriate head of accounts from which the cheque was drawn, after keeping note on the counterfoil and the voucher.

Audit scrutiny during 2011-12 revealed that 10 ZPs and 51 PSs did not write back to account the value of 2170 lapsed cheques amounting to ₹ 6.96 crore in contravention of the aforesaid rule. Out of which ₹ 4.17 crores were lying with four<sup>6</sup> ZPs. As a result, the actual fund balance of those PRIs remained understated. Cheques amounting to ₹ 6.47 crore issued between April 1989 and December 1999 remained uncashed

<sup>6</sup> Zilla Parishads: Bankura (₹ 33.69 lakh); Paschim Medinipur (₹ 139.69 lakh); Purba Medinipur (₹ 34.73 lakh) and South 24 Parganas (₹ 209.27 lakh).

in 9 ZPs and 41 PSs<sup>7</sup>. This indicated lapse in monitoring on the part of the PRIs over their finances.

Rule 7(7) the West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 states that whenever a cheque issued by the Gram Panchayat cannot be encashed within the period of validity of the cheque by the payee, the Custodian may, if he is satisfied about the reasons for such non-encashment, re-issue a fresh cheque after cancelling the previous one recording briefly the reasons for the same in the Cheque Book Register. Audit scrutiny during 2011-12 revealed that 332 GPs did not write back the value of 798 lapsed cheques amounting to ₹ 1.34 crore to account in contravention of the aforesaid rule.

When enquired by audit in between April 2011 and March 2012, PRIs could not furnish any reason for such irregularity or simply stated that steps were being taken to cancel the lapsed cheques after observing the necessary formalities.

Unless that amount of the lapsed cheques are taken back to account, the money would remain idle and will be outside the scope of utilisation. Besides, cancellation of cheques would become more difficult as obtaining of non-payment certificates from Bank/Treasury becomes more difficult with the passage of time.

Thus, 393 PRIs failed to observe the financial discipline and were responsible for idling of public money amounting to ₹ 8.30 crore for one to 23 years.

<sup>7</sup> **ZPs:** Bankura (₹ 33.69 lakh); Dakshin Dinajpur (₹ 11.38 lakh); Howrah (₹ 5.19 lakh); Nadia (₹ 3.94 lakh); Paschim Medinipur (₹139.69 lakh); Purba Medinipur (₹ 34.73 lakh); Purulia (₹ 0.58 lakh); South 24 Parganas (₹ 209.27 lakh). and Uttar Dinajpur (₹ 0.19 lakh) **PSs:** Andal (₹ 1.52 lakh); Balagarh (₹ 1.81 lakh); Bally Jagacha (₹ 0.03 lakh); Bamangola (₹ 0.26 lakh); Bankura-II (₹ 3.41 lakh); Barrackpore-II (₹ 0.02 lakh); Baruipur (₹ 2.91 lakh); Basanti (₹ 0.21 lakh); Basirhat-I (₹ 4.00 lakh); Bhagwangola-I (₹ 2.34 lakh); Bishnupur-I (₹ 0.56 lakh); Burwan (₹ 0.20 lakh); Canning-I (₹ 16.18 lakh); Canning-II (₹ 18.60 lakh); Chatna (₹ 0.99 lakh); Chopra (₹ 3.51 lakh); Contai-III (₹ 11.04 lakh), Domjur (₹ 0.26 lakh); Gangarampur (₹ 0.66 lakh); Goalpokher-II (₹ 1.68 lakh); Gosaba (₹ 9.53 lakh); Habibpur (₹ 0.55 lakh); Habra-I (₹ 2.15 lakh); Harirampur (₹ 2.14 lakh); Hirbandh (₹ 2.83 lakh); Jhargram (₹ 25.52 lakh); Karandighi (₹ 1.83 lakh); Kultali (₹ 0.48 lakh); Lalgola (₹ 16.11 lakh); Mohammed Bazar (₹ 0.76 lakh); Mal (₹ 1.33 lakh); Matiali (₹ 39.00 lakh); Mekhliganj (₹ 1.12 lakh); Nagrakata (₹ 0.30 lakh); Raiganj (₹ 6.75 lakh); Rajganj (₹ 10.67 lakh); Ranaghat-I (₹ 2.28 lakh); Simlapal (₹ 12.06 lakh); Sitalkuchi (₹ 0.24 lakh); Suti-I (₹ 1.62 lakh); and Tarakeswar (₹ 0.63 lakh).

## ZILLA PARISHADS AND PANCHAYAT SAMITIS

### 2.13 Lapses in monitoring of utilisation of grants of ₹ 199.84 crore

**Seventy four ZPs/PSs sub-allotted grants amounting to ₹ 246.08 crore between 2005-06 and 2010-11 to PSs, GPs, Village Education Committees, Schools, Village Water Shed Committees, Self Help Groups and other government departments for implementation of various schemes who in turn did not submit utilisation certificate (UC) of grants amounting to ₹ 199.84 crore**

Submission of UCs by the grantee(s) to the authority sanctioning the fund constitutes an important component of the internal control mechanism of the PRIs. Rule 36 of the West Bengal Panchayat (ZP&PS) Accounts and Financial Rules, 2003 requires that UCs in respect of a grants- in- aid received by the Zilla Parishad or the Panchayat Samiti shall be furnished by the grantee to the authority sanctioning the Fund, within six months from the date of receipt of grant or before applying for further grant for the same purpose, whichever is earlier. Similarly, Rule 16 of the West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules, 2007 requires that UCs regarding grants-in-aid received by a GP in a financial year should be submitted by June of the subsequent year.

Audit scrutiny during 2011-12 revealed that 74 Zilla Parishads/Panchayat Samitis (ZPs/PSs) sub-allotted grants amounting to ₹ 246.08 crore between 2005-06 and 2010-11 to Panchayat Samitis (PSs), Gram Panchayats (GPs), Village Education Committees, Schools, Village Water Shed Committees, Self Help Groups and other government departments for implementation of various schemes and programmes viz. Sampoorna Grameen Rozgar Yojana, Eleventh and Twelfth Finance Commission grants, Total Sanitation Campaign, Indira Awas Yojana, Border Region Grant Fund, Rural Water Supply, Swajaldhara, NOAPS etc.

Though it was mandatory to furnish UCs against the sub-allotted grants,

the grantee(s) failed to furnish UCs for ₹ 199.84<sup>8</sup> crore which constituted 81 *per cent* the total sub-allotment. In the absence of UCs, these ZPs/PSs remained unaware about the status of utilization of the grants sub-allotted and could not provide assurance that the grants had been utilised for the intended purpose.

Twenty two<sup>9</sup> ZPs/PSs did not furnish any reply and the remaining ZPs/PSs either stated that steps would be taken to collect the UCs or the same were being collected and would be shown to next audit.

Thus it is evident that the grantees did not adhere to the aforesaid rule after receipt of the fund and UCs amounting to ₹ 199.84 crore remained wanting.

This indicates significant lacuna on part of the ZPs/PSs in monitoring the implementation of schemes and also shows that they abdicated their responsibilities by merely sub allotting the funds to other bodies. Absence of monitoring can lead to misutilisation and potential misappropriation of funds. To safeguard against such misutilisation the ZPs/PSs need to take immediate steps.

(Amount rupees in lakh)

<sup>8</sup> **ZPs:** Bankura (₹ 1079.28); Bardhaman (₹ 8.53) Birbhum (₹ 2706.86); Cooch Behar (₹ 71.70); Dakshin Dinajpur (₹ 484.59) Hooghly (₹ 46.40); Howrah (₹ 55.47); Malda (₹ 685.87); Murshidabad (₹ 842.89); Nadia (₹ 1133.34); Paschim Medinipur (₹ 670.64); Purba Medinipur (₹ 3792.38); Purulia (₹ 3072.34); Siliguri Mahakuma Parishad (₹ 37.48) and Uttar Dinajpur (₹ 2656.69) **PSs:** Arambagh (₹ 104.01); Ausgram-I (₹ 12.25); Balurghat (₹ 87.47) ; Barasat-I (₹ 0.90); Barrackpore-I (₹ 33.73); Barrackpore-II (₹ 14.84); Basirhat-II (₹ 8.46); Bhagawanpur-I (₹ 13.50); Bhagwangola-I (₹ 3.24); Bishnupur (₹ 52.41); Bishnupur-I (₹ 153.09); Burwan (₹ 89.33); Canning-I (₹ 239.46); Chanchol-II (₹ 17.62); Chanditala-I (₹ 52.09); Contai-III (₹ 1.30); Daspur-I (₹ 79.35); Daspur-II (₹ 160.84); Diamond Harbour-I (₹ 6.40); Falakata (₹ 47.72); Goghat-I (₹ 9.96) Gopiballavpur-II (₹ 2.64); Gosaba (₹ 144.06); Haldibari (₹ 7.65); Haripal (₹ 30.39); Harirampur (₹ 1.72); Hemtabad (₹ 2.30); Hirbandh (₹ 9.11); Indpur (₹ 111.72); Jagatballabhpur (₹ 10.11); Jalpaiguri Sadar (₹ 36.72); Jangipara (₹ 203.97); Kaliachak-I (₹ 24.80); Kaliachak-III (₹ 22.86); Khanakul-I (₹ 19.83); Khanakul-II (₹ 49.11); Kulpi (₹ 48.02); Magrahat-II (₹ 27.66); Manikchak (₹ 23.58); Mathabhanga-II (₹ 28.11); Mathurapur-I (₹ 170.42); Mathurapur-II (₹ 75.07); Maynaguri (₹ 30.73); Murarai-II (₹ 33.40); Nagrakata (₹ 12.80); Nandigram-II (₹ 5.12); Onda (₹ 19.00); Panchla (₹ 4.96); Patharpratima (₹ 82.65); Raiganj (₹ 3.22); Raipur (₹ 18.50); Rajganj (₹ 30.20); Ranaghat-I (₹ 5.23); Ratua-I (₹ 22.54); Sandeshkahli-II (₹ 42.27); Santipur (₹ 2.76); Simlapal (₹ 79.13); Singur (₹ 8.46) and Sitalkuchi (₹ 0.80).

<sup>9</sup> **ZPs:** Bardhaman; Birbhum; Hooghly; Malda; Murshidabad and Purba Medinipur **PSs:** Arambagh; Balurghat; Barrackpore-I; Barrackpore-II; Burwan; Daspur-I; Goghat-I; Gosaba; Haripal; Jagatballabhpur; Jangipara; Kaliachak-I; Khanakul-I; Maynaguri; Raipur and Sandeshkahli-II.

## ZILLA PARISHADS AND PANCHAYAT SAMITIS

### 2.14 Non-observance of prescribed rule resulted in accumulation of advance of ₹ 10.79 crore

**Nine ZPs and 28 PSs failed to adjust advance amounting to ₹ 10.79 crore due to non-observance of prescribed procedure for adjustment of advances**

Rule 38 of the West Bengal Panchayat (Zilla Parishad and Panchayat Samiti) Accounts and Financial Rules, 2003, (hereinafter referred to as “Rules”) states that adjustment against an advance shall be realised from the person receiving the advance within a reasonable time as may be specified by the authority sanctioning any such advance not exceeding thirty days from the date of drawal of advance and further advance shall not be sanctioned until the previous advance drawn had been fully adjusted. The rule also provides that a quarterly statement of outstanding advance against each individual should be prepared and the Executive Officer should place the matter in the *Artha Sthayee Samiti* for instruction. Audit scrutiny during 2011-12 revealed that nine ZPs and 28 PSs paid advance of ₹ 12.20 crore mainly to the staff of the PRIs concerned, paymasters of various schemes and self help groups during 2005-2011 for execution of works under Total Sanitation Campaign, Untied Fund, Bidhayak Elaka Unnayan Prakalpa, Member of Parliament Local Area Development Scheme, Sampoorna Grameen Rozgar Yojana, Backward Region Grant Fund etc. Out of total advance of ₹ 12.20 crore, only ₹ 1.41 crore was adjusted in 14 PRIs and ₹ 10.79 crore remained outstanding after expiry of the stipulated 30 days in contravention of the aforesaid rules.

It was further revealed that Ausgram-I, Barasat-II and Baruipur PSs did not maintain Advance Register at all. Non- maintenance of Advance Register adversely affected the monitoring over adjustment of outstanding advances.

Jaynagar-I PS did not prepare quarterly statement of outstanding advance for placement in the *Artha Sthayee Samiti*. Thus, they remained unaware about the non- adjustment of advances. Twelve<sup>10</sup> RIs allowed second

<sup>10</sup> ZPs: Dakshin Dinajpur; Jalpaiguri and South 24 Parganas PSs- Baduria; Basirhat-I; Basirhat-II; Bishnupur; Bishnupur-I; Mathabhanga-I; Mathabhanga-II; Polbadadpur and Rajganj.

advance before adjustment of the first advance in contravention of the Rules.

When pointed out, eleven<sup>11</sup> RIs did not furnish any reply. Baduria, Baruipur and Cooch Behar-II PSs confirmed the facts and figures pointed out by audit and noted the same for future guidance. Remaining PRIs stated that steps for adjustment of outstanding advances would be taken and the same would be shown to next audit.

Thus, non-observance of rules prescribed for adjustment of advances and financial indiscipline like non-maintenance of Advance Register, non-preparation of quarterly list of outstanding advances, laxity in getting adjustment of advances and allowing subsequent advances to the same individuals before adjustment of the previous advance resulted in huge accumulation of advances to the tune of ₹ 10.79 crore in 37 PRIs.

## **2.15 Conclusion and Recommendations**

### **Conclusion**

The financial management of PRIs has not been strong as deviations from prescribed accounting procedures were noticed. The PRIs did not monitor their finances well and did not reconcile balances between cash books and bank statements. Revenues were directly appropriated before depositing into bank accounts. There was lack of budgetary control and money was expended either in absence of budget provision or without preparing budget. Basic accounting records, viz. Demand and Collection Register, Appropriation Register, Advance Register, Works Register were not properly maintained affecting quality of governance in the PRIs. Realisation of revenues from immovable properties was inadequate and huge amount on this account remained outstanding year after year. Inadequate attention to this hindered the PRIs' endeavour to achieve self-sufficiency. Gaps in planning were evident and corrective measures could not be adopted due to absence of internal audit. Weak internal control mechanism led to pilferages remaining undetected and resulted in loss of

---

<sup>11</sup>ZPs- Jalpaiguri; Murshidabad; Purulia and South 24 Parganas, PSs- Bhangar-I; Bishnupur; Bishnupur-I; Jaynagar-I; Polbadadpur; Raipur and Sandeshkahli-I.

PRIs' funds due to theft and defalcation of funds and other assets. There was lack of monitoring over utilisation of funds and sending UCs to fund sanctioning authorities. Financial indiscipline was evident in failure to write back lapsed cheques into account and adjust long pending advances.

### **Recommendations**

Concerted efforts should be made to strengthen internal controls and monitoring mechanism, both at the level of the Panchayat and Rural Development Department, as well as individual PRIs, relating to the following areas:

- Preparation of revised/supplementary budget, prompt reconciliation of differences between cash book and bank pass book balances and maintenance of basic records to ensure that true and fair picture of the institutions emerge;
- Timely collection of revenue to achieve self-sufficiency;
- Identification and plugging of loopholes to safeguard against losses due to theft, defalcation of funds and other assets and initiation of legal proceedings against defaulters by the concerned PRIs;
- Timely internal audit and prompt action on the audit observations to assist the administration in the effective discharge of its responsibilities;
- Necessary steps should be taken to write back lapsed cheques into account so that money does not remain outside the scope of utilisation;
- Timely submission of Utilisation Certificates for grants should be ensured; and
- Proper action to adjust advances should be initiated and monitoring mechanism should be strengthened.