

CHAPTER 2

Financial Management

Chapter 2

Financial Management

West Bengal Panchayat (ZP & PS) Accounts and Financial Rules, 2003 and 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 73rd Amendment of the Constitution, various functions have been devolved to PRIs. These rules play a vital role in assisting PRIs to discharge their functions and also act as a control mechanism in PRIs. However, the rules were not adhered to and the general principles of financial management were violated. Budget/ revised budget were not prepared, there was direct appropriation of funds, 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

Panchayat and Rural Development Department (P&RDD) developed and introduced (2003-2004) Gram Panchayat Management System (GPMS) for computerizing the accounting system of GPs. As per P&RDD's records GPMS was installed in 3233 GPs but only 2594 GPs 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 P&RDD's records IFMAS had been installed in all 18 ZPs (including one MP) and 332 PSs. Though the software was functioning and generating Receipts and Payments Accounts in all ZPs, it was not working in 21 PSs. While conducting the audit of ZPs and PSs during 2012-13, it was observed that the annual accounts prepared by 25 PSs during 2009-12 were not generated through IFMAS (**Appendix- IV**).

2.2 Expenditure incurred without preparing budget and in excess of budget

Section 137 of 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, two ZPs viz. North 24 Parganas (₹ 0.51 crore) and Paschim Medinipur (₹ 1.12 crore) expended ₹ 1.63 crore without preparing budget estimates under four heads during 2011-12 and three PSs viz. Krishnaganj (₹ 0.54 crore), Pingla (₹ 9.07 crore) and Bagnan-I (₹ 18.22 crore) spent ₹ 27.83 crore during 2010-12 without preparing budget estimates under 14 heads. Further, West Bengal Panchayat (ZP & PS) Budget Rules, 2008 prescribes that the supplementary and revised budget should be prepared and approved on or before 28th February of the current financial year. Scrutiny revealed that six ZPs and eight PSs expended ₹ 77.10 crore in excess of budget provision under 65 heads during 2010-12 (**Appendix-V**) without preparing revised budget. Similarly, Section 48 (3) of West Bengal Panchayat Act, 1973 prescribes that no expenditure should be incurred unless budget was approved by GP. Scrutiny revealed that 20 GPs spent ₹ 7.91 crore during 2011-12 (**Appendix-VI**) without preparing any budget estimate.

Further, Rule 40 of West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 stipulates that supplementary and revised budget estimate of receipts and payments for the current year should be prepared and approved on or before 25th February by GPs. It was observed that 229 GPs expended ₹ 21.17 crore in excess of their respective budget provisions under 43 heads like IAY, MGNREGS, NRHM, 12th FC, BRGF etc. without preparing any supplementary and revised budget estimates during 2011-12 (**Appendix- VII**).

Thus, expenditure of ₹ 136.95 crore was unauthorised in absence of any budget estimates, supplementary and revised budget estimates. PRIs, therefore, as Local Self Government fell short in observing general principles of financial management. Necessary measures should be taken to regularise such unauthorised expenditure.

2.3 Direct appropriation of revenues without depositing into bank account

Rule 5(2) of West Bengal Panchayat (ZP & PS) Accounts and Finance Rules, 2003 stipulates that all sums collected by a person authorized by ZP or the PS shall be remitted in full to the respective fund and no portion shall be appropriated directly towards expenditure of ZP or PS as the case may be. But scrutiny revealed that two PSs viz. Farakka (₹ 1.55 crore) and Garbeta-II (₹ 0.14 crore) directly spent ₹ 1.69 crore from collection money towards payment of installments for IAY beneficiaries, contingent expenses, office expenses, hire charges of vehicles, honorarium for employees, etc.

Similarly Rule 4 (12) of 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, 11 GPs⁴ expended ₹ 1.17 lakh during 2011-12 for miscellaneous payments like telephone bills, electricity bills, commission of the tax collector etc. directly from the revenue collected from time to time.

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

2.4 Delay in deposit of collection money

Rule 5(1) of West Bengal Panchayat (ZP & PS) Accounts and Financial Rules, 2003 prescribes that all sums receivable by the ZP or the PS, including rents receivable from pond, ferry, fishery or any other asset or property of ZP or PS collected by a person, authorized by the ZP or the PS, shall be deposited in cash with the cashier on proper receipt, for crediting the same as quickly as possible to the appropriate account of the ZP or the PS fund, as the case may be; provided that such authorized person shall not keep in his custody at any point of time any amount exceeding rupees one thousand for more than one working day.

Scrutiny of records revealed that

- In Jalpaiguri ZP, an amount of ₹ 10.93 lakh in cash and demand drafts (DD)/ banker's cheques amounting to ₹ 19.29 lakh were collected from the contractors during April 2009 to June 2011 against sale of tender forms. The cash was deposited with delay ranging from three to nine months during July 2009 to March 2012 and 646 Demand Drafts/ banker's cheques were submitted to ZP office in April 2012 after expiry of their validity.

Inordinate delay in depositing DDs/ banker's cheques caused loss of opportunity to earn interest. Besides, the ZP had to go through the process of getting the DDs revalidated.

- In 2011-12, Uttar Dinajpur and Purulia ZPs did not deposit the Provident Fund contribution of ZP employees of ₹ 8.19 lakh and ₹ 21.56 lakh respectively into Treasury within stipulated time (i.e. between 1st and 10th of the month). When enquired, Purulia ZP admitted the fact but Uttar Dinajpur ZP did not furnish any reply.

⁴ Andharthole (₹0.01 lakh), Jagadalla-II (₹ 0.1 lakh), Kanuri (₹ 0.05 lakh), Palsona (₹ 0.01 lakh), Mallickpore (₹ 0.73 lakh), Gobrachara Nayarhat (₹ 0.08 lakh), Banupur-I (₹ 0.05 lakh), Thanamakua (₹ 0.05 lakh), Sarberia Aghrahati (₹ 0.02 lakh), Sarberia-I (₹ 0.04 lakh), and Bhangra (₹ 0.03 lakh).

- Kotulpur PS deducted Income Tax from the contractors/agencies but failed to deposit the same in government account in time, which resulted in interest burden of ₹ 0.04 lakh on the PS. In reply the PS admitted the fact.

Similar cases of delay up to 724 days in deposit of collection money were noticed in four ZPs and 14 PSs⁵ during 2010-12.

It is evident that the PRIs did not monitor collection of revenue and misappropriation of public fund cannot be ruled out as the concerned employees retained PRIs cash for a long time.

2.5 Short receipt, misappropriation, defalcation, issue of gift and theft of materials

The following cases were noticed in audit:

(a) Scrutiny of records of Nakashipara and Namkhana PSs revealed that the PSs paid ₹ 89.97 lakh (September 2010) for the month of April and May 2010 and ₹ 1.01 crore (June to August 2010) for the month of June 2009 to March 2010 respectively to different GPs through bearer cheques for the payment of pension to IGNOAPS, IGNWPS and IGNDPS beneficiaries. Though the bank statements revealed that these cheques were encashed by the GPs/bearers, vouchers were not received for full amount. Nakashipara PS received vouchers of ₹ 81.16 lakh but balance cash of ₹ 8.81 lakh was not received till January 2013. Similarly, Namkhana PS received vouchers worth ₹ 95.67 lakh and cash of ₹ 5.03 lakh. But there was no record for balance amount of ₹ 0.64 lakh.

In reply Nakashipara PS accepted that an amount of ₹ 8.81 lakh was retained by the cashier but did not indicate any action taken thereagainst. Thus, the entire amount remained out of the accounts depicting faulty financial management and weak administrative control.

(b) In Puncha PS, ₹ 0.04 lakh and ₹ 0.02 lakh were collected by issue of cashiers' receipt on 18 February 2011 and 21 October 2010 respectively. Till February 2013, only ₹ 0.02 lakh was deposited into PS fund, leaving ₹ 0.04 lakh non-deposited. When pointed out the PS did not furnish any reply.

⁵ ZPs: Dakshin Dinajpur (₹ 5350 to ₹ 6850); Purulia (₹ 3000 to ₹ 110600), Jalpaiguri (₹ 2996 to ₹ 44912) and Siliguri Mahakuma Parishad (₹ 500 to ₹ 16000).

PSs: Budge Budge-I (₹ 5496 to ₹ 55424); Chapra (₹ 11556 to ₹ 325080); Dantan-I (₹ 300 to ₹ 15000); Garbeta-I (₹ 200 to ₹ 7000); Galsi-I (₹ 5496 to ₹ 55424); Jamboni (₹ 27180 to ₹ 97000); Kakkdwip (₹ 20920 to ₹ 118375); Kaliganj (₹ 57400); Krishnaganj (₹ 400 to ₹ 491256); Mahishadal (₹ 150 to ₹ 38600), Namkhana (₹ 23390 to ₹ 82270); Para (₹ 13125 to ₹ 62770); Samserganj (₹ 19200 to ₹ 165400) and Taldangra (₹ 900 to ₹ 41000).

(c) Scrutiny of Cash Analysis report for 2009-10, 2010-11 and 2011-12 of the Kakdwip PS revealed that ₹ 46,74,517.97 was booked under head 'Defalcation' but details had not been made available to audit. Thus, the accounting of the said amount was not ascertained and the PS did not initiate any action to rectify the said accounts for the last three years.

(d) Records of Siliguri MP (SMP) revealed that eight laptops purchased at a cost of ₹ 3.34 lakh from 12th FC grants were issued (2010-12) to PRI functionaries and officers for official purpose. In August 2011 SMP decided to treat those laptops as gift to them. Neither West Bengal Panchayat (ZP & PS) Accounts and Financial Rules, 2003 nor operational guideline of 12th FC grants, from which the laptops were bought, has any provision to issue gifts to individuals. On being pointed out, SMP confirmed the facts and figures.

(e) During course of audit in March 2013, the EO of Sabang PS reported that a case of defalcation was noticed at the time of handing over charge by the outgoing EO during August 2012. The cashier of the PS did not turn up though called for during handing over of charge and a sum of ₹ 13.19 lakh was found short in cash. The said cashier remained absconding and a new cashier was appointed. No action was taken against the former cashier.

(f) During audit, it was noticed that Ex-Pradhans of Monirtat GP (under South 24 Parganas) and Dimdiha GP (under Purulia-I PS) had retained ₹ 96449.98 and ₹ 170711.34 respectively since 2003. Till March 2014 neither these amounts have been recovered by the GPs nor any action initiated against those ex-Pradhans by the competent authority. These amounts were shown in GP accounts as cash in hand.

This shows lackadaisical attitude of the GPs in taking action to recover GP fund. Lack of administrative action against the offender indicates poor administrative control of PRIs.

(g) Besides eight GPs reported that during 2010-13 there were cases of theft, defalcation, missing valuable assets etc. valuing ₹ 3.71 lakh etc. (**Appendix-VIII**).

2.6 Retention of cash by the cashier beyond permissible limit

Rule 5 (1) of West Bengal Panchayat (ZP&PS) Accounts and Financial Rules, 2003 envisages that all sums receivable from any person by ZP or PS, including rent receivable from pond, ferry, fishery or any other asset or property of the ZP and PS collected by a person, authorized by ZP or PS, shall be deposited with the cashier on proper receipt, for crediting the same as quickly as possible

to the appropriate account of the ZP or the PS fund, as the case may be. Provided that such authorized person shall not keep in his custody at any point of time any amount exceeding rupees one thousand for more than one working day.

In contravention of the aforesaid rule Purulia ZP and Chandrakona-II, Kakdwip and Para PSs kept cash ranging from ₹ 3,496.00 to ₹ 10,77,500.00 for a period of four to 77 days during 2009 to 2012.

Moreover, Rule 25 (9) of the aforesaid rules stipulates that no cheque shall be signed unless required for immediate settlement of a claim and as per Rule 25 (13), every cheque other than cheques involving expenditure on establishment, office expense, etc. shall be drawn in favour of the person to whom the money is actually due. Thus it is not permissible to draw money from Government account in anticipation of demands. However, it was noticed that 12 PSs had withholding funds immediate requirements and cash ranging from ₹ 1.48 lakh to ₹ 1.14 crore was found retained as detailed below:

Table: 2.1

Sl No	Name of the PS	Amount retained (in ₹)	Date on which the highest amount was kept in cash
1	Binpur-II	96,92,110.00	31.10.10
2	Chandipur	36,49,658.00	31.03.11
3	Contai-I	4,70,577.00	31.05.11
4	Domkal	6,81,707.00	29.10.10
5	Falta	27,10,612.00	23.04.11
6	Gopiballavpur-I	50,28,883.75	08.11.11
7	Khatra	18,30,277.00	31.01.11
8	Manbazar-II	13,55,114.83	30.06.10
9	Purulia-I	7,45,462.00	30.06.10
10	Sabang	1,14,04,080.59	30.09.11
11	Sarenga	12,77,600.00	31.05.11
12	Shyampur-II	1,47,749.00	31.01.11

(Source: Cash Book of PSs)

Thus these PRIs did not adhere to the aforesaid rules and withdrew amount in excess of requirement retaining amounts, beyond permissible limits, for future use.

This indicates that the PRIs had no internal control system like regular checking of cash, financial monitoring and cash management. Besides, retention of cash more than the permissible limit increases the risk of misappropriation and defalcation of public money.

2.7 Deduction of Income Tax and Sales Tax

Rule 17(13) of West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules, 2007 stipulates all payments shall be made after tax deduction at source on account of Income Tax and Sales Tax in accordance with rules in force and the amounts shall be deposited into the respective heads of account. For this purpose, the GP shall obtain TAN No. from the Income Tax authorities.

However the scrutiny of bills and vouchers of 25 GPs revealed that Income Tax amounting to ₹ 2.88 lakh and Sales Tax of ₹ 3.96 lakh were not deducted from the contractors' bills (**Appendix-IX**) during 2011-12.

When pointed out, GPs stated that they did not obtain TAN Nos. from Income Tax authorities.

Thus non adherence to the said provision resulted in loss to the exchequer.

2.8 Reconciliation of discrepancy in cash balances

Rule 21 (12) of West Bengal Panchayat (ZP & 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 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. Three ZPs and 22 PSs did not adhere to the said rule and difference between Cash Book and Pass Book balances of ₹ 32.30 crore as on 31 March 2012 was not reconciled (**Appendix-X**).

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 12 GPs, a total amount of ₹ 2.52 lakh remained unreconciled at the end of 2011-12 (**Appendix-X**).

2.9 Realisation of revenue

Mobilisation of revenue from own resources helps a local body in achieving self-sufficiency and financing programmes formulated by them according to local needs. 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 1920 GPs could collect only ₹ 26.98 crore as land and building tax against a total demand of

₹ 94.74 crore during 2011-12 (**Appendix- XI**). The collection was only 28 *per cent* of the total demand raised. It was also observed that revenue collection in GPs had not improved in the last five years where the collection was between 24 to 25 *per cent*. Though poor revenue management has been pointed out in previous Reports of the ELA, no measures were taken to improve realization. Thus, poor collection of revenue by 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 Sansads.

2.10 Security bonds of tax-collectors

Rule 31(1) of 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 GP. Scrutiny revealed that 584 GPs in 17 Districts (**Appendix- XII**) did not obtain any security bond from the tax-collectors engaged for collection of revenue. In absence of any security bonds, the GPs had no control over the tax collectors and in case of misappropriation, negligence, loss or any other irregularity committed by the tax collector, GPs cannot recover any amount from them.

2.11 Maintenance of registers/documents/records

Scrutiny of records of 18 ZPs, 109 PSs and 2599 GPs during 2012-13 revealed that Works Register (561 PRIs), Advance Register (902 PRIs), Asset (leased out property) Register (826 PRIs), Appropriation Register (641 PRIs), General Ledger (63 PRIs), Demand & Collection Register (231 PRIs), General Stock Register (343 PRIs), Budget of GP (15 PRIs), Unpaid Bill Register (130 PRIs), Register of Deposit (37 PRIs), Liquid Cash Book (36 PRIs) and Investment Register (55 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.

2.12 Internal audit of PRIs

Rule 212 of West Bengal Panchayat (ZP & PS) Accounts and Financial Rules, 2003 requires that internal audit of the accounts of ZPs and PSs shall be conducted by Samiti Accounts and Audit Officer (SA&AO) and Parishad Accounts and Audit Officer (PA&AO) in respect of PS and by Regional Accounts and Audit Officer (RA&AO) in respect of ZPs at least once in a month. Similarly, Rule 30

of 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.

Scrutiny revealed that internal audit in 18 PSs and 45 PSs was not conducted during 2009-10 and 2010-11 respectively. Similarly, during 2011-12 internal audit was not conducted in nine ZPs, 53 PSs and 859 GPs (**Appendix-XIII and XIV**). Internal audit in Nadia, Purulia, Purba Medinipur and South 24 Parganas ZPs along with Gaighata PS was conducted only for part of a year and the same was conducted in 49 PSs during 2009-12 but no report was received by them. Non-conduct of internal audit in various PRIs has been brought out in previous ELA Reports.

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

2.13 Observation on Fund Transfer Account

To expedite quick release of specific schematic funds to the implementing agencies, the system of receipts and release of fund through Fund Transfer (FT) Account was introduced by the State Government in the year 2006-07. As per Government order dated 5th February, 2010, the Panchayat body should ensure quick transfer of fund from the 'Fund Transfer Account' to the designated Account as also utilization of fund for which it was given. It was also instructed that unnecessary retention of any fund in the FT Account was not permissible. Interest on FT Account should be added to the particular programme fund after identifying interest component of such programme. When such identification was not possible even after utmost effort, the same should be transferred to PRIs own fund for implementation of schemes of Socio and Economic Development or to meet any charges imposed by the bank.

Scrutiny revealed that in violation of the above instruction 12 PRIs⁶ retained ₹ 13.93 crore amount of schematic fund under FT Account as of March 2012 along with interest accrued.

⁶ **ZPs:** Cooch Behar (₹ 32.13 lakh); Howrah (₹ 165.47 lakh); Murshidabad (₹ 12.86 lakh); Paschim Medinipur (₹ 244.86 lakh) and South 24 Parganas (₹ 518.32 lakh);

PSs: Chandipur (₹ 14.34 lakh), Indus (₹ 52.60 lakh); Khatra (₹ 69.10 lakh); Manbazar-II (₹ 77.07 lakh); Purulia-I (₹ 48.26 lakh), Sarenga (₹ 136.08 lakh) and Sabang (₹ 21.61 lakh).

Moreover, none of the PRIs segregated the said interest into respective scheme funds and six PRIs⁷ had not even transferred the same to Own Fund of the PRIs for implementation of any scheme.

Such unauthorized accumulation of fund under FT Account not only frustrated the scheme objective but also deprived the target group of beneficiaries.

ZILLA PARISHADS AND PANCHAYAT SAMITIS

2.14 Non-observance of prescribed rule resulted in accumulation of advance of ₹ 14.62 crore

Twenty three PRIs failed to adjust advance amounting to ₹ 14.62 crore due to non-observance of prescribed procedure for adjustment of advances

Rule 38 of West Bengal (ZP & PS) Accounts and Financial Rules, 2003, states that adjustment against 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. 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.

Scrutiny revealed that 10 ZPs⁸ and 13 PSs⁹ paid advance of ₹ 17.39 crore mainly to the staff of the PRIs concerned, Pradhan of GPs, paymasters of various schemes, Self Help Groups, SSKs and MSKs etc. between April 2008 and August 2012 for execution of works / programmes / schemes under Bidhayak Elaka Unnayan Prakalpa, Swarnajayanti Gram Swarajgar Yojana, 13th Finance Commission, Total Sanitation Campaign, construction of Shishu Shiksha Kendras, etc. Out of ₹ 17.39 crore, only nine PRIs could adjust ₹ 4.04 crore and ₹ 13.35 crore remained unadjusted even after expiry of stipulated time.

It was further observed that 16 PRIs¹⁰ did not properly maintain Advance Register to monitor adjustment of advances. As a result receipt of adjustments was not monitored and advances remained outstanding for years together.

⁷ Howrah ZP, South 24 Parganas ZP, Sabang PS, Sarenga PS, Indas PS and Manbazar-II PS.

⁸ Bankura; Bardhaman; Coochbehar; Dakshin Dinajpur; Howrah; Jalpaiguri; Nadia; Purulia; South 24 Parganas ZPs and Siliguri MP.

⁹ Chapra; Pingla; Hanskhali; Medinipur Sadar; Falta; Indas; Kharagpur-II; Debra; Gaighata; Sonamukhi; Samsanganj; Deshapran (Contai-II) and Karimpur-II PSs.

¹⁰ Bardhaman ZP and Deshapran (Contai-II), Khandagshosh, Galsi-I, Chapra, Udaynarayanpur, Falta, Swarupnagar, Garhbeta-I, Kharagpur-II, Amta-I, Taldangra, Debra, Nandakumar, Dantan-I and Bardhaman-II PS.

Further scrutiny revealed that in six PRIs¹¹ advances amounting to ₹ 1.26 crore paid prior to March 2008 was lying unadjusted as of March 2012 though the same was pointed out in previous ELA Reports. Kharagpur-II PS did not take into account unadjusted advance of ₹ 24.54 lakh while installing IFMAS software during 2008-09. The PS also maintained two different Advance Registers since 2007-08 which in turn made the calculation of outstanding advance inaccurate. In Gaighata PS, “advance” head was not created in IFMAS module. Purulia ZP and Siliguri Mahakuma Parishad did not prepare quarterly statement of outstanding advances for placement before the Artha Sthayee Samiti. Thus, these ZPs failed to present non-adjustment of advances before their executive bodies. Besides, these PRIs also allowed subsequent advances without adjustment of the previous advance in contravention of the aforesaid Rules.

When pointed out, six PRIs¹² did not furnish any reply. Medinipur Sadar PS cited unrest as a reason for non-adjustment and stated that steps for adjustment of advances were being taken. Pingla PS reported that utilization certificate for concerned work was not received for adjustment of the advance. Siliguri MP, Howrah, South 24 Parganas, Nadia and Bankura ZPs and Deshapran (Contai-II), Samsanganj, Hanskhali, Debra, Indas and Sonamukhi PSs confirmed the facts and figures pointed out by audit without assigning any reason.

Further, the said observation was raised in respect of 16 PRIs¹³ in the Report of ELA for the years ending 2009 to 2012. But no follow-up action has been taken by these PRIs as yet (December 2013).

¹¹ Details of unadjusted advances in six PRIs

SI No	Name of the PRI	Unadjusted Advance (₹ in lakh)	Period
1	Kharagpur-II PS	24.54	Prior to Apr'08
2	Falta PS	17.09	Prior to Apr'07
3	Nadia ZP	22.57	Apr'07 to Mar'08
4	Dakshin Dinajpur ZP	6.64	Mar'07 to Mar'08
5	South 24 Parganas ZP	5.00	Nov'06 to Mar'07
6	Purulia ZP	50.57	July'04 to Mar'08
	Total	126.41	

¹² ZPs: Bardhaman, Coochbehar and Jalpaiguri; PSs: Chapra, Kharagpur-II and Gaighata.

Year	Name of the ZPs	Name of the PSs
2009	Dakshin Dinajpur; Howrah; Nadia and Purulia.	Debra; Deshapran (Contai-II); Gaighata; Karimpur-II; Kharagpur-II and Samsanganj;
2010	Coochbehar; Dakshin Dinajpur; Howrah; Nadia; Purulia and Siliguri MP	Falta and Hanskhali.
2011	Bankura; Bardhaman; Coochbehar and Nadia.	Deshapran (Contai-II) and Hanskhali.
2012	Bardhaman.	

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 advance and allowing subsequent advances to the same individual before adjustment of the previous advance resulted in huge accumulation of advance to the tune of ₹14.62 crore in 23 PRIs.

ZILLA PARISHADS AND PANCHAYAT SAMITIS

2.15 Monitoring of utilisation of grants of ₹ 107.14 crore

Three PRIs did not submit utilization certificates of ₹ 1.07 crore to their fund sanctioning authority in time and 37 PRIs sub-allotted ₹ 159.18 crore during 2008-12 to PSs, GPs, Village Education Committees, Schools, Village Water Shed Committees, Self Help Groups, etc. for implementation of various schemes but did not properly monitor these bodies resulting in non receipt of utilization certificate (UCs) for grants amounting to ₹ 106.07 crore

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 ZP or PS 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.

Scrutiny of records of Howrah ZP, Mahishadal and Tehatta-I PSs revealed that they received ₹1.20 crore from the State Government, State Urban Development Agency and Purba Medinipur ZP respectively for payment of salary, execution of schemes and programmes under CHCMI, TSC, mid-day-meal, construction of rural hospital, etc. during 2010-12. In violation of the said rule, these PRIs did not send utilization certificates of grants amounting to ₹1.07 crore to the grant sanctioning authority in due time. When pointed out Howrah ZP did not furnish any reply and the PSs failed to explain the reasons.

Scrutiny of records of ZPs and PSs revealed that nine ZPs and 25 PSs during 2008-12 had sub-allotted developmental funds amounting to ₹ 159.18 crore to PSs (by ZPs), GPs, Gram Sansads, Village Water and Sanitary Committees, Schools, Village Water Shed Committees, Sanitary Marts, SHGs, sports associations, etc. for implementation of various schemes and programmes under Total Sanitation Campaign, Indira Awaas Yojana, CHCMI, BEUP, BRGF,

MPLAD, SSK, Eleventh and Twelfth Finance Commission grants, NRHM, Rural Water Supply, Swajaldhara etc. Though it was mandatory to furnish UCs against the sub-allotted grants, the grantee(s) failed to furnish UCs for ₹106.07 crore¹⁴ to the concerned ZP/PS which constituted 69 per cent of the total sub-allotment. In 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 utilized for the intended purpose. PRIs did not exercise sufficient monitoring over these executing bodies after sub-allotting funds to them. Thirteen¹⁵ ZPs/PSs did not furnish any reply. Shyampur-II PS stated that UC was submitted to Howrah ZP but did not show any documentary evidence in support of the claim. Four ZPs and nineteen PSs admitted the facts and stated that the same were being collected or assured to take steps to collect the UCs. Thus it is evident that the grantees did not adhere to the aforesaid rule after receipt of the fund and utilization of ₹107.14 crore could not be ascertained due to non-submission of UCs.

These shortcomings on part of the ZPs/PSs indicated lack of monitoring over utilization of fund. Such absence of monitoring can lead to improper utilization and potential misappropriation of funds.

¹⁴ **ZPs:** Bankura - ₹ 2294.03 lakh; Bardhaman - ₹ 3734.85 lakh; Cooch Behar - ₹ 49.84 lakh; Dakshin Dinajpur - ₹ 52.25 lakh; Hooghly - ₹ 258.48 lakh; Jalpaiguri - ₹ 412.50 lakh; Nadia - ₹ 342.08 lakh; North 24 Parganas - ₹ 2076.73 lakh and Siliguri Mahakuma Parishad - ₹ 99.87 lakh.

PSs: Bagnan-I - ₹ 34.27 lakh; Bharatpur-II - ₹ 58.27 lakh; Budge Budge-II - ₹ 8.92 lakh; Dantan-I - ₹ 19.54 lakh; Dantan-II - ₹ 37.54 lakh; Deshapran (Contai-II) - ₹ 6.92 lakh; Farakka - ₹ 40.28 lakh; Gangajalghati - ₹ 26.03 lakh; Garbeta-I - ₹ 33.97 lakh; Kalna-I - ₹ 29.52 lakh; Kalna-II - ₹ 53.64 lakh; Kashipur - ₹ 12.01 lakh; Keshpur - ₹ 87.99 lakh; Kharagpur-I - ₹ 11.32 lakh; Khandaghosh - ₹ 221.86 lakh; Nandakumar - ₹ 8.65 lakh; Namkhana - ₹ 253.00 lakh; Patrasayer - ₹ 17.98 lakh; Pingla - ₹ 94.73 lakh; Raghunathganj-II - ₹ 16.70 lakh; Raghunathpur-II - ₹ 16.80 lakh; Shyampur-I - ₹ 81.49 lakh; Shyampur-II - ₹ 11.36 lakh; Taldangra - ₹ 99.89 lakh and Udaynarayanpur - ₹ 3.87 lakh.

¹⁵ **ZPs:** Bardhaman, Dakshin Dinajpur; Hooghly, Howrah, Jalpaiguri; Malda, North 24 Parganas and Siliguri Mahakuma Parishad.

PSs: Datan-I, Khandaghosh, Raghunathganj-II, Kharagpur-I and Patrasayer.

ZILLA PARISHADS AND PANCHAYAT SAMITI

2.16 Diversion and irregular transfer of Central and State grants amounting to ₹ 20.65 crore

Four ZPs and one PS irregularly diverted/transferred specific plan funds of ₹ 20.65 crore leading to non-achievement of objectives

Schemes have been formulated with an aim to develop the human development index in a particular area. The Central and State Governments allocate funds from plan heads with an objective to achieve the targets fixed for development. Diversion from these plan grants frustrates the development process.

Scrutiny revealed that in 2011-12, five PRIs diverted schematic fund amounting to ₹ 20.65 crore received for specific purposes as detailed below:

Table No. 2.2

(₹ in lakh)

Name of PRIs	Amount diverted	Diverted from	Diverted to	Purpose
Bardhaman ZP	2000.00	20 different heads	MGNREGS	For works under NREGS
Coochbehar ZP	1.60	3rd SFC GP Share, 13th FC PS & GP Share	Own Fund	Meeting various cost for project implementation
Murshidabad ZP	20.00	Miscellaneous (suspense unspent/old grant)	Salary of ZP staff	Salary of ZP staff
Uttar Dinajpur ZP	18.54	Road Transport Grant	Pucca road from 10A to Govindapur Sojnabari	Payment for construction of road
Binpur-II PS	25.00	IAY	Loan to ITDP & Non-ITDP moujas	Loan due to unavoidable circumstances

(Source: Records of PRIs)

When this was pointed out, Bardhaman ZP and Binpur-II PS did not furnish any reply. Murshidabad ZP replied that sufficient fund was not available for payment of salary of staff and the expenditure was incurred out of available schematic fund. Similarly, Uttar Dinajpur ZP replied that the available fund for construction of motor vehicle post was utilized for construction of a road which was urgently required. Coochbehar ZP replied that the interest portion of 3rd SFC GP share, PS and GP share of 13th FC grant was transferred to Own Fund to meet the requirement of projects undertaken. However unspent schematic funds and interest earned on the unreleased amount of PS and GP share cannot be utilised for other purposes by the ZP.

Thus diversion of schematic funds and utilization of public money towards establishment cost not only hampered the progress of service delivery to the targeted population but was also contrary to the tenets of financial propriety. Besides, diversion frustrated the objectives set for rural development under those schemes.

ZILLA PARISHADS AND PANCHAYAT SAMITIS

2.17 Lapsed cheques valuing ₹ 2.14 crore not written back into account

Thirty three PRIs did not write back an amount of ₹ 2.14 crore pertaining to 1073 lapsed cheques in the Accounts and money remained idle having no scope of utilisation

Rule 27 of the West Bengal Panchayat (ZP&PS) Accounts and Financial Rules, 2003 stipulates that if a cheque is not encashed within three months or six months of its issue, as the case may be, without intimation and 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.

Scrutiny revealed that 33 PRIs¹⁶ did not adhere to the above rule and failed to write back the value of 1073 lapsed cheques of ₹ 2.14 crore to the accounts. As a result, the actual fund balance of those PRIs remained understated. Cheques issued between January 1971 and August 2004 remained unencashed in Siliguri Mahakuma Parishad, Bankura, Bardhaman, Howrah and Jalpaiguri ZPs and Kashipur, Gopiballavpur-I, Mejia, Jamboni, Khatra, Dantan-I, Chakdaha, Budge Budge-I, Bhagwanpur-II and Galsi-I PSs.

This indicates shortcomings in financial discipline in PRIs, as they took no initiative to monitor their finances and unencashed cheques remained idle.

¹⁶ **ZPs** : Bankura (₹ 31.33 lakh); Bardhaman (₹ 7.83 lakh); Howrah (₹ 5.04 lakh); Jalpaiguri (₹ 14.45 lakh); Purulia (₹ 12.56 lakh) and Siliguri Mahakuma Parishad (₹ 20.15 lakh); **PSs**: Galsi-I (₹ 0.86 lakh); Kaliganj (₹ 11.33 lakh); Pingla (₹ 1.77 lakh); Mahishadal (₹ 1.90 lakh); Bagnan-I (₹ 13.42 lakh); Sonarpur (₹ 0.15 lakh); Garbeta-I (₹ 0.97 lakh); Uluberia-II (₹ 1.21 lakh); Taldangra (₹ 3.27 lakh); Raninagar-II (₹ 1.96 lakh); Budge Budge-I (₹ 0.17 lakh); Sonamukhi (₹ 2.46 lakh); Dantan-I (₹ 1.89 lakh); Chakdaha (₹ 0.56 lakh); Bhagwanpur-II (₹ 1.29 lakh); Kashipur (₹ 4.07 lakh); Chandrakona-I (₹ 2.65 lakh); Gopiballavpur-I (₹ 1.12 lakh); Raghunathpur-II (₹ 8.20 lakh); Samsanganj (₹ 0.42 lakh); Manbazar-II (₹ 2.75 lakh); Shyampur-II (₹ 3.81 lakh); Mejia (₹ 9.86 lakh); Jamuria (₹ 20.32 lakh); Kaliachak-II (₹ 13.92 lakh); Jamboni (₹ 11.03 lakh) and Khatra (₹ 1.11 lakh).

Nineteen PRIs¹⁷, while not furnishing any reason for such irregularity or simply admitting the fact and figures, stated that steps were being taken to cancel the lapsed cheques after observing the necessary formalities. No reply was received from the remaining 14 PRIs.

The amount of the lapsed cheques is taken back to account, that money would remain idle, being outside the scope of utilisation. Besides, cancellation of cheques would become more difficult as obtaining of non-payment certificates from Bank/Treasury becomes progressively difficult with the passage of time. Thus, 33 PRIs failed to observe due financial discipline and were responsible for idling of public money amounting to ₹ 2.14 crore for one to 42 years.

2.18 Conclusion and Recommendations

Conclusion

There was lack of budgetary control and money was sometimes expended either in absence of budget provision or without preparing budget. The financial management of PRIs was not strong as deviations from prescribed accounting procedures like instances of revenues being directly appropriated before depositing into bank accounts, non-deposit/ short deposit of collection money, defalcation etc. and absence of administrative action against the offenders were noticed. The PRIs did not monitor their finances and did not reconcile balances between cash books and bank statements. Realisation of revenues from immovable properties was consistently poor and position had not changed for last five years. Inadequate attention to this hindered the PRIs' endeavour to achieve self-sufficiency. 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. Accumulation of advances due to improper monitoring, non adjustment within stipulated period, release of subsequent advances without adjustment of previous advances etc. was also noticed. There was lack of monitoring of utilisation of funds and sending UCs to fund sanctioning authorities. Lack of financial discipline was evident in failure to write back lapsed cheques into account.

¹⁷ **ZPs** : Bankura, Bardhaman and Purulia ;

PSs: Galsi-I, Pingla, Mahishadal, Bagnan-I, Sonarpur, Uluberia-II , Taldangra, Budge Budge-I, Sonamukhi, Dantan-I, Bhagwanpur-II , Chandrakona-I, Samserganj, Mejia, Jamuria and Jamboni.

Recommendations

Concerted efforts may be made to strengthen internal control 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 may be ensured ;
- Timely collection of revenue to achieve self-sufficiency and monitoring collection may be ensured to avoid misappropriation/ defalcation of fund;
- Identification and plugging of loopholes to safeguard against losses due to theft, defalcation of funds and other assets and appropriate proceedings against offenders may be initiated by the concerned PRIs;
- Timely internal audit and prompt action on the audit observations may be ensured to assist the administration in the effective discharge of its responsibilities;
- Proper action to adjust advances may be initiated and monitoring mechanism may be strengthened.
- Timely submission of Utilisation Certificates for grants may be ensured; and
- Necessary steps may be taken to write back lapsed cheques into account so that money does not remain outside the scope of utilisation.