

CHAPTER-II

FINANCIAL MANAGEMENT

2.1 Non-deduction of Income tax from the contractor's bills.

As per Section 194C of the Income Tax Act, 1961, Income Tax should be deducted at source from the bills of Contractors/Suppliers at the rate of 2.2 *per cent* on general bills thereon and shall be credited into the Government account in the subsequent month.

Test check of the records of 16 APs revealed that PRIs did not deduct and deposit Income Tax from the contractors/suppliers' final payment bills. As a result, revenue loss to Government of India to the extent of Rs. 6.10 lakh was caused during the period from April 2002 to March 2007. Details are indicated in **Annexure-I**.

The PRI units were suggested to consult the concerned authority of the IT department for proper follow up of the Government Rules to safeguard the loss of revenue due to the Government.

2.2 Tax Revenue not accounted in Cash Book/Bank

As per Assam Panchayat Rules, taxes, fees, fines etc are collected by the PRIs. After collection of revenue it is required to be deposited into the bank account of the concerned PRI.

Test check of records of two APs revealed that various taxes and fees amounting to Rs 1.03 lakh (Baghmara AP Rs.84,800/- and Naduar AP Rs.18,001/-) collected during July 2002 to March 2007 as per records of the Receipt Books were neither accounted for in the Cash Book nor in the Bank Pass Book. Non-accountal of such receipts in the books of accounts cannot rule out the possibilities of misappropriation/embezzlement.

2.3 Advances paid to Departmental Officers not adjusted

The Assam Financial Rules 388 requires that advances paid to the project implementing agencies have to be adjusted/recovered within specified period. Test check of Cash Book in nine PRIs (2 ZPs and 7 APs) revealed that Rs.91.66 lakh paid as advances (Rs.88.26 lakh works advance, Rs.2.80 lakh as Pay/Travelling Allowance advances and Rs.0.60 lakh carriage charges of Mid Day Meal (MDM) advances) to Project Implementing Agencies like Assistant Project Officer/Junior Engineer/President/Office Staff etc during April 2002 to March 2007 were not adjusted (May 2008). Further advances were made even without closing the previous outstanding advances. The details of outstanding of advances are given in **Annexure-II**.

Non-maintenance of Advance/Recovery Register/Ledger and accumulation of huge outstanding advances with Project Implementing Agencies was fraught with the risk of misuse/misappropriation of funds.

(B) Transportation charges not reimbursed

As per the instruction of District Administration and the guidelines on Mid-Day-Meal Scheme issued by State Government, raw materials for cooking the food are required to be distributed by the APs within their jurisdiction. The transportation cost is to be initially borne by the PRIs from their own fund or SGRY fund and would subsequently be reimbursed by the District Administration. In test check of four APs, it was observed that an expenditure of Rs.11.05 lakh towards transportation cost of cooking material was incurred out of SGRY fund during 2002-07 and preferred claims with the District Administration. However, the same is yet to be reimbursed by the DA (June 2007). Details were given below:

(Rs in lakh)				
SI No.	Name of Unit	Name of scheme from which fund was diverted	Period	Amount
1	Kushdhowa AP	SGRY	7/03 to 9/05	0.89
2	Debitola AP	SGRY	12/04 to 3/06	2.17
3	Krishnai AP	SGRY	02-03 to 06-07	1.59
4	Matia AP	SGRY	02-03 to 06-07	6.40
			Total	11.05

Thus, non-recoupment of transportation cost of Rs. 11.05 lakh from district administration has affected the implementation of SGRY scheme to that extent.

2.4 Non-reconciliation of Cash Book balances with Treasury/Bank

Sub-section (1) of Section 28, 60 and 97 of the Assam Panchayat Act 1994 and Rule-8 of the AP (F) Rule 2002, requires to record a separate Memorandum of reconciliation of balances with the Bank in the last page of the Cash Book in each month.

Test check of Cash Book at Krishnai AP has revealed a difference of Rs.35.85 lakh (Rs.113.00 lakh balance as per Cash Book and Rs.148.85 lakh as per Bank Pass Book) as on 31st March 2007 in respect of National Rural Employment Guarantee Scheme (NREGS). As bank reconciliation was not done, the differences between the two sets of figures could not be ascertained.