

CHAPTER-II

Accounting Procedures and Audit arrangement in PRIs.

2.1 Accounting Procedure and Data Base Finances

The accounting formats for PRIs have been finalised in consultation with the Accountant General, adopted by State Government & modified formats have been circulated to all Zilla Parishads by Rural Development Department, for preparation of accounts in these formats from the year 2001-02 onwards.

For easy access and availability, the data base is to be computerized and networked through VSat. The modifications/suggestions of the State Government on the formats I to VII of the database on finances of PRIs, examined and proposed by the C&AG, discussed with the Government in Rural Development Department, were forwarded to the State Government for adopting & implementing data collection & maintenance in these formats. However progress on this issue has not been communicated by Government in Rural Development Department. Department's comments in this regard are awaited.(April 2006)

Out of the total 11th Finance Commission grant of Rs. 591.05 crore received, Rs. 568.75 crore were passed on to PRIs for schemes & Rs.22.30 crore were reserved for database and passed on to PRIs. Out of this Rs. 5 crore have been utilized by PRIs for database and Rs. 17.30 crore utilized for maintenance of the schemes.

The introduction of double entry book keeping system in ULBs has been formalized by the Government and has been planned for implementation in a phased manner. However it is to be implemented by the Director of Municipal Administration.

2.2 Non accounting of drawals from treasury

Rs 29.92 lakh not accounted for in cash book.

Monthly reconciliation of drawals from treasury and remittances into treasury is required to be carried out by the Chief Accounts and Finance Officer (CAFO) and certificate obtained from the Treasury Officer.

Rupees 28.62 lakh drawn from the treasury in March 2002 and March 2003 in Zilla Parishad Wasim and Rs.1.30 lakh drawn between April 2003 and March 2004 by Child Development Project Officer, Jamner, Zilla Parishad Jalgaon were not accounted for in the cash book.

The ZPs replied that the records would be verified with the treasury and the correct position intimated.

2.3 Non-reconciliation of balances of cash book and bank pass book

Non reconciliation for an amount of Rs 17.42crore was carried out.

In 13 ZPs²¹ reconciliation was not completed as of March 2004 due to which a difference of Rs 17.42 crore was noticed. This included 969 unencashed cheques (December 2004) amounting to Rs.4.05 crore, issued between February 2002 and March 2004.

Cheques amounting to Rs 4.05 crore issued between February 2002 and March 2004 were not encashed and cheques for Rs.0.50 crore were not issued.

In BDO, Shirpur, Dhule, 45 cheques for amounts aggregating Rs 0.50 crore were drawn in March 2004 but not issued upto August 2004. The ZPs stated that necessary action would be taken.

²¹ Akola, Amravati, Aurangabad, Bhandara, Dhule, Dadchiroli, Hingoli, Jalgaon, Jalna, Nandurbar, Nashi, Thane and Washim.

2.4 Delay in publication of annual accounts

Annual accounts of ZPs should be published in the Government Gazette by 15 November of each year after certification by the Chief Auditor of Local Fund Accounts and approved by the respective ZPs.

In ZPs, Amravati, Gadchiroli, Hingoli and Nandurbar the delays ranging from 2 to 16 months were noticed (between January 2004 and March 2005) in preparation of the annual accounts for the years 2001-02 and / or 2002-03 resulting in delay in publication of the Accounts in the Government Gazette.

2.5 Arrears in assessment of grants

As per Government Resolution dated 9.10.1991, on finalisation the accounts every year the Zilla Parishad should complete assessment of grants for the respective department by December of that year. During scrutiny of records of ZP, Nasik it was observed that no Administrative Department at Mantralaya had taken effective steps to complete the assessment of grants. The major head wise position of non assessment of grants was as under:-

<u>Major Head - Department</u>	<u>Assessment pending since</u>
2053-General Administration	2001-2002
2202-General Education	1999-2000
2491-Agriculture	2001-2002
2403-Animal Husbandry	2001-2002
2215-Water Supply	2001-2002
2702-Minor Irrigation (Estt.)	1999-2000
2702-Minor Irrigation (Works)	1999-2000
2210-Medical and Public Health	- 2000-2001
2059-Public Works	- 2000-2001

The ZP stated that all the concerned departments would be requested to take necessary action for assessment of grants.

The reply of the Department is not tenable as due to non assessment of grants, expenditure incurred on many disallowed items remained undetected. Further excess expenditure under some heads remained to be regularized and saving under other heads, could not be surrendered which could have been utilized on other item where they were required.

2.6 Unspent balances not credited to Government account

**Unspent grants of
Rs 232.96 crore were
not credited to
Government account.**

As per Rural Development Department, Government Resolution of August 1989, the unspent grants are required to be credited to Government account by the end of August of the following year without waiting for completion of assessment.

In all the 14 ZPs²² test checked unspent grants amounting to Rs 232.96 crore relating to the periods between 1992-93 and 2003-04 were not credited to Government account as of months between June-2004 and December-2004 (Annexure-II).

The ZPs stated that the unspent balances of the various heads would be credited to Government account after carrying out adjustments if any or receipt of grants from Government. The reply of the ZPs is not tenable, as the unspent grants are to be credited immediately to Government account.

2.7 Multiple bank accounts operated for District Rural Development Agency (DRDA) schemes

As per the Para 4(2) of the accounting procedure for DRDA laid down by Government of India, Ministry of Rural Development in

²² Akola, Amravati, Aurangabad, Bhandara, Dhule, Gadchiroli, Hingoli, Jalgaon, Jalna, Nasik, Nandurbar, Pune, Thane and Washim

the year 2001, multiplicity of bank accounts for one scheme was not permissible. Scheme wise account shall be opened in the nationalised/scheduled banks and funds received from Government of India/State shall be kept in the scheme account only.

It was however, noticed in Panchayat Samiti, Chandwad, under ZP, Nasik that the funds received from DRDA under Indira Awas Yojna (IAY) were parked in two bank accounts. Similarly two accounts were opened under the Swarna Jayanti Gram Swarojgar Yojana.

The BDO replied that in future all the accounts falling under a single scheme would be merged into a single account. The reply is not tenable, as opening of multiple bank accounts for a single scheme is not permissible as per the guidelines. It may also lead to inability of the ZP to keep effective financial control over the grants.

2.8 Lapsed deposits not credited to revenue head

Lapsed deposits of Rs 12.17 crore were not credited to revenue account

As per provisions of Maharashtra Zilla Parishad. / Panchayat Samitis Account Code, 1968, any deposit remaining unclaimed for a period exceeding three years is required to be credited to revenue account as lapsed deposit.

Scrutiny of records of 10 ZPs²³ revealed that lapsed deposits amounting Rs 12.17 crore were not credited to revenue head even though the stipulated time limit of three years had elapsed.

2.9 Irregular retention of amounts under deposit head

Rs 4.85 crore were irregularly held under deposit account.

As per Rule 214(d) of Maharashtra Zilla Parishad & Panchayat Samiti Account Code 1968, the amounts relating to contractors deposits, earnest money deposits, security deposits and matured

²³ Akola, Amravati, Aurangabad, Bhandara, Gadchiroli, Hingoli, Nasik, Pune, Thane and Washim

investments alone are to be kept in deposit account. However scrutiny of records revealed that the ZP Bhandara credited the unspent balance of grant of 56.34 lakh received under Dalit Basti Sudhar Scheme to deposit account as of January-2004.

In ZPs Pune and Jalgaon, amounts aggregating Rs 4.26 crore relating to schemes and other related accounts were lying under major head XI-Miscellaneous deposit account since 2000-2001.

In ZP, Amravati an amount of Rs.2.77 lakh under District Fund and Rs.0.22 lakh under Agency Scheme on cancellation of cheques between December 2001 and March 2003 were credited to the deposit account instead of the respective head of account.

2.10 Non crediting of receipts to Government account

From April 2000, Government of Maharashtra, in Agriculture and Animal Husbandry Department introduced the levy of service charges for various kinds of veterinary services which were earlier rendered free of charge. The receipts were required to be credited to Government account under Major Head 2403- Animal Husbandry 101-Service & Service charges-(ii) Misc. Receipts.

However, ZPs, Pune, Jalgaon and Bhandara, collected service charges of Rs 103.84 lakh on account of veterinary services during the period 2000-01 to 2003-04 & instead of crediting them to Government account they credited them to Zilla Parishad fund.

The ZP Pune stated that the amount was kept in ZP fund on the basis of Government circular (June 1999) which stated that income generated from any transferred scheme should not be handed over to Government but utilized on that scheme. This reply is not relevant as the GR dated 24.4.2000 clearly stated that the receipts were required to be credited to Government Account.

**Receipts of
Rs 103.84 lakh
were not credited
to Government
account**

The other two ZPs viz. Jalgaon and Bhandara replied that the service charges would be deposited into Government account as early as possible.

2.11 Excess expenditure over sanction

As per the Maharashtra Zilla Parishad & Panchayat Samiti Act 1961, no re-appropriation of a budget item shall be approved unless provision therein is made for such Zilla Parishad having at its credit, at the end of financial year, a free revenue balance of not less than Rs. 5000 or such higher amount as the State Government may by general or special order specify in that behalf.

Scrutiny of annual accounts and related records of budget estimates of 7 ZPs²⁴ revealed that an amount of Rs 30.44 crore was spent in excess of the sanctioned grants (Annexure -III).

Rs 30.44 crore were incurred in excess of sanctioned grants.

The ZPs replied that the excess expenditure was being regularised by re-appropriation of grants of various departments in anticipation of sanction of Government.

The reply is not tenable, as the excess expenditure cannot be re-appropriated without approval/regularization by Government, which clearly indicates diversion of funds from various grants.

2.12 Inadequate contribution towards Depreciation Fund

The Zilla Parishads are required to maintain a depreciation fund and the amount of depreciation on all assets at the prescribed rate is to be credited annually to this fund. A summary of assets is required to be disclosed in the annual report showing original cost of the assets, assets acquired during the year and assets on which no depreciation was provided with reasons etc.

Short contributions were made to Depreciation Fund.

²⁴ Akola ,Amravati,Aurangabad,Dhule,Gadchiroli,Nandurbar and Washim

Further, any accumulated balance in the funds shall be invested in securities and the amount on maturity along with interest credited to the fund.

Audit scrutiny revealed that Zilla Parishad Thane had made adhoc budget provision of Rs. 12.43 lakh as depreciation fund, against which Rs. 8.00 lakh were shown to be credited to the Depreciation Fund. The correctness of the amount worked out as depreciation and the sum credited could not be verified in the absence of any record of valuation of assets.

ZP Nandurbar was formed (July 1998) as a result of bifurcation of Dhule District into Dhule and Nandurbar. Zilla Parishad Nandurbar had received Rs.27.26 lakh from Zilla Parishad Dhule for creation of depreciation fund (February 2000) as a share of depreciation fund of Nandurbar. However, the amount was kept under Miscellaneous Deposit upto 30.5.2002 and thereafter invested in fixed deposit in Dhule District Central Co-operative Bank .Retention of the amount in Misc. Deposit from 16.2.2000 to 30.5.2002 and delay in taking decision to invest it in fixed deposit led to the loss of interest of Rs 3.18 lakh @ 5% per annum for 28 months.

In ZP Nasik, provision for depreciation for Public Health Centre and Panchayat Samiti head quarter building owned by ZP was not made.

2.13 Outstanding advances

As per Rule 210 (b) of the Maharashtra Zilla Parishad & Panchayat Samitis Account Code, 1968, "Other Advances" shall be made only in rare cases with the sanction of the Head of the Department, provided the amount does not exceed Rs.1000 and no previous advance is remaining unadjusted. Where the amount of advance

**Advances of
Rs 628.14 lakh paid
to staff were
outstanding for one
to 48 years.**

exceeds Rs.1000 sanction of the Chief Executive Officer is required.

The CAFO and the BDO should ensure that the amount pending under 'Advances' is kept at the minimum and all pending items of advances are adjusted in time.

Scrutiny of records of 11 ZPs²⁵ and 4 PSs²⁶ revealed that advances amounting to Rs 6.28 crore paid to the heads of departments for various purposes and as personal advances were outstanding as of March 2003. These amounts were outstanding for periods ranging from 1 year to 48 years (Annexure-IV). This was due to non maintenance or improper maintenance of records in connection with advances and inability of the Zilla Parishad to take necessary follow up action for recovery from the concerned persons. Continued retention of advances could lead to misappropriation and even people may have retired after so many years, in which case the possibility of recovery becomes remote. Non adherence to the prescribed procedure and improper maintenance of records were reflective of weak internal control systems. .

CALFA in the Report of 2004-05, stated that the records in respect of loans granted were not maintained properly or were not maintained. Further the certificates for utilisation of loans were not furnished by the beneficiaries.

2.14 Non crediting of interest to DRDA

For implementing various centrally sponsored development schemes, GOI releases funds through DRDAs to the PSs. These funds are to be kept in nationalised banks by opening separate

²⁵ Akola, Amravati, Aurangabad, Bhandara, Dhule, Gadchiroli, Hingoli, Jalgaon, Nasik, Thane and Washim

²⁶ Akkalkuya, Haveli, Indapur and Velhe

Rs 182.78 lakh earned as interest were not credited to DRDA.

savings bank account for each scheme. As per the accounting procedure for DRDA issued by GOI in the year 2001, the interest earned in respect of these savings bank accounts should be credited to DRDA for use as additional resource for the implementation of GOI schemes.

Scrutiny of records of 7 ZPs²⁷ and 1 B D O(Parola,ZP,Jalgaon) revealed that Rs 1.83 crore earned as interest on the amounts kept in the savings bank accounts at ZP level were not credited to DRDA as of March 2003.

The ZPs agreed to credit the interest amount to the respective DRDAs.

2.15 Non distribution of grants

Grants received on account of stamp duty, land revenue, land equalisation etc., from the revenue authorities, are required to be distributed by the BDOs to the concerned GPs within the same financial year.

Grant of Rs 10.04lakh remained undisbursed in ZP Parbhani.

Scrutiny of records of ZP Washim and Malegaon PS revealed that grants of Rs.4.31 lakh and Rs.5.73 lakh respectively received during the period 2002-03 were lying undisbursed with the ZP and PS as of January 2004.

The ZP stated that as the demand was received late from the BDOs the distribution of the grants to the GPs was delayed. The reply is not tenable, as there is no necessity to raise demand by Block Development Officer. Under Rule 153 and 158 of Maharashtra Zilla Parishad & Panchayat Samiti Act, out of the stamp duty received in respect of property situated within the jurisdiction of Panchayat, the Zilla Parishad shall pay 50 percent to the Panchayats.

²⁷ Akola,Amravati,Aurangabad,Bhandara,Gadchiroli,Hingoli and Washim

Due to non release of funds, schemes in Gram Panchayats suffered.

2.16 Outstanding dues from Government on account of assigned revenue

Cesses on land revenue and stamp duty of Rs.48.96 crore were not received from Government

As per the provisions of the Maharashtra Zilla Parishad and Panchayat Samitis Act, 1961,(MZP&PS Act) cess is leviable on land revenue and stamp duty. The recovery of the same is effected by the Tahsildar/Sub-Registrar office respectively and the designated share is transferred to the Zilla Parishad in the form of assigned revenue.

In 4 ZPs²⁸ recovery of an amount of Rs.48.96 crore by way of cess on land revenue and stamp duty was outstanding for periods between

1 April 2002 and 31 March 2005. As this is a major source of income for the implementation of ZPs Own Schemes, non recovery of such a huge amount adversely affected the ZPs finances.

The ZPs replied that necessary action to recover the assigned revenue from Government is being taken. (September 2004).

2.17 Outstanding Agency Charges

Agency charges of Rs.263.07 lakh were not received by ZPs

As per Section 123 of the MZP& PSAct, 1961, the State Government may entrust to any ZP or PS the execution or maintenance of works or development schemes where the ZP or PS acts as an agent of the State Government and pays a sum determined as Agency Charges.

The amount so recovered is to be credited to the ZP Fund for the implementation of the schemes.

²⁸ Jalgaon, Nandurbar Pune and Thane

In ZPs Jalgaon, Pune and Thane, Agency Charges of Rs.2.63 crore pertaining to the period between 1992-93 and 2003-04 were outstanding.

The ZPs replied that necessary action to recover this amount from Government is under process.

2.18 Outstanding IRs and Paras from CALFA Report

The position of arrears of IRs & Paras pending settlement, pointed out by CALFA is as under:-

(Rs in crore)

Year of the report	No. of outstanding paras		Objected Amount	
	In respect of Govt. Funds	In respect of Own Funds	In respect of Govt. Funds	In respect of Own Funds
1962-63 to 1994-95	29399	16255	337.64	98.15
1995-96	3457	1774	102.25	32.20
1996-97	4504	2060	135.90	48.15
1997-98	5210	2407	243.87	71.11
1998-99	6403	2935	236.55	80.03
1999-2000	6982	2873	284.08	92.08
2000-01	8289	3208	212.31	66.19
2001-02	8279	3667	317.32	141.83
2002-03	12534	4680	410.05	74.78
Total	85057	39859	2279.98	704.52