

CHAPTER II

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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 (PRIs). After the 73rd Constitutional Amendment, 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.

2.1 Computerisation and preparation of PRI accounts

Panchayat and Rural Development Department (P&RDD) developed and introduced Gram Panchayat Management System (GPMS) software for computerising the accounting system of GPs. As per P&RDD records GPMS was installed in 3,239 GPs but only 2,896 were using the software on a regular basis. However, during audit of 2,086 GPs for annual accounts of 2011-13, it was revealed that 112 GPs did not prepare accounts through GPMS (**Appendix-II**).

Similarly, Integrated Fund Monitoring and Accounting System (IFMAS) was developed for maintenance of accounts and database for ZPs and PSs. As per P&RDD records, IFMAS had been installed in all the 18 ZPs (including one MP) and 333 PSs. Though the software was generating Receipts and Payments Accounts of all the ZPs during 2012-13, yet out of 165 PSs audited during that period, annual accounts of nine PSs⁵ were not generated through IFMAS and two PSs⁶ did not prepare annual accounts at all.

⁵ **PSs (Year):** Rajnagar (2011-13), Md. Bazar (2011-12), Naxalbari (2010-13), Harishchandrapur-I (2009-13), Salboni (2010-12), Patashpur-I (2009-12), Balarampur (2010-12), Sagar (2010-11) and Goalpokher-I (2009-13).

⁶ Tapan (2010-12) and Kharibari (2002-13).

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 Dakshin Dinajpur ZP spent ₹ 2.98 crore without preparing budget estimates under Rural Infrastructure Development Fund (RIDF) - VII, XII, XIII and XV during 2012-13 and three PSs, viz., Alipurduar-I (₹ 3.13 crore), Khatra (₹ 0.94 crore) and Minakhan (₹ 0.08 crore) spent ₹ 4.15 crore during 2010-13 without preparing budget estimates.

Further, West Bengal Panchayat (ZP & PS) Budget Rules, 2008 prescribes that supplementary and revised budget should be prepared and approved on or before 28th February of the current financial year. Scrutiny revealed that two ZPs and eight PSs⁷ spent excess expenditure of ₹ 33.85 crore during 2010-13 without preparing revised budget. The expenditure needed to be regularised.

Further, Rule 40 of West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 hereinafter mentioned as GP 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 GP. It was observed that 24 GPs and 441 GPs spent ₹ 2.16 crore and ₹ 92.47 crore in excess of their respective budget provisions under 18 heads like IAY, MGNREGS, NRHM, 12th FC, BRGF etc. without preparing any supplementary and revised budget estimates during 2011-12 and 2012-13 (**Appendix-III**) respectively.

2.3 Direct appropriation of revenues without depositing into bank account

Rule 5(2) of West Bengal Panchayat (ZP&PS) Accounts and Financial Rules, 2003 hereinafter mentioned as ZP&PS Rules, 2003, as well as Rule 4 (12) of GP Rules, 2007 stipulates that no portion of collection money shall be appropriated directly towards expenditure of ZP/PS/GP, as the case may be.

⁷ **ZPs:** Dakshin Dinajpur (₹ 1548.93 lakh) and Murshidabad (₹ 100.54 lakh).

PSs: Minakhan (₹ 393.05 lakh); Alipurduar-I (₹ 88.94 lakh); Alipurduar-II (₹ 215.32 lakh); Chhatna (₹ 127.71 lakh); Hasnabad (₹ 830.37 lakh); Khatra (₹ 32.71 lakh); Simlapal (₹ 13.00 lakh) and Suri-II (₹ 34.74 lakh).

Scrutiny revealed that eight⁸ PSs and nine GPs⁹ directly spent collection money of ₹ 42.15 lakh and ₹ 3.82 lakh respectively during 2010-13 towards payment of instalments to IAY beneficiaries, contingent expenses, office expenses, hire charges of vehicles, honorarium for employees, miscellaneous payments like telephone bills, electricity bills, commission of the tax collector etc. without depositing into bank account.

2.4 Delay in deposit of collection money

Rule 5(1) ZP&PS Rules, 2003 prescribes that all sums collected by a person, authorised 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 authorised 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 cases of delay up to 211 days in depositing collection money ranging between ₹ 1,059 and ₹ 26.53 lakh were noticed in four ZPs and 13 PSs¹⁰ during 2010-13.

2.5 Losses due to misappropriation, defalcation and theft of materials

During audit, it was noticed that Ex-Pradhans of four GPs¹¹ had retained ₹ 4.23 lakh for a period ranging between 13 and 25 years. Till March 2014, neither was any amount recovered by the GPs nor was any action initiated to recover the amounts. Besides, one PS and 28 GPs reported during 2012-13 that there were cases of theft, defalcation, loss of valuable assets etc. valuing ₹ 26.97 lakh (Appendix-IV).

⁸ **PSs:** Falakata (₹ 13.07 lakh), Kushmandi (₹ 9.05 lakh), Gosaba (₹ 9.71 lakh), Bishnupur-II (₹ 0.35 lakh), Chhatna (₹ 0.31 lakh), Gazole (₹ 0.34 lakh), Indpur (₹ 3.44 lakh) and Manikchak (₹ 5.88 lakh).

⁹ **GPs:** Anchuri (₹ 0.17 lakh); Jagadlla-II (₹ 0.17 lakh); Satmouli (₹ 0.04 lakh); Sultanpur (₹ 0.41 lakh); Dasghara-I (₹ 0.73 lakh); Tajpur (₹ 0.16 lakh); Dharampur (₹ 0.96 lakh); Khannamohan (₹ 1.05 lakh) and Rangilabad (₹ 0.13 lakh).

¹⁰ **ZPs:** Birbhum (₹1090 to ₹13650); Bardhaman (₹1059 to ₹14250); Malda (₹ 9535 to ₹ 32076) and South 24 Parganas (₹ 82279 to ₹ 2653317). **PSs:** Barrackpur-II (₹ 1250 to ₹ 8250); Barasat-I (₹ 30000 to ₹ 128000); Kumarganj (₹ 50220 to ₹ 540000); Sandeshkhali-II (₹ 5000 to ₹ 82000); Taldangra (₹ 5000 to ₹ 68800); Durgapur Faridpur (₹ 1750 to ₹ 59500); Singur (₹ 2400 to ₹ 62373); Gazole (₹ 1100 to ₹ 95000); Haripal (₹ 9000 to ₹ 74380); Memari-I (₹ 1200 to ₹ 49500); Illambazar (₹ 2000 to ₹ 5000); Falakata (₹ 6400 to ₹ 616272) and Sarenga (₹ 3000 to ₹ 53000).

¹¹ Chaltaberia (₹ 35678.00 since 1988-89); Sri Sri Ramkrishna (₹ 58231.00 since 1998-99); Kundakhali Godabar (₹ 218800.00 since 1998-99) and Narayanpur (₹ 110572.00 since 2001-02).

2.6 Deduction of Income Tax and Sales tax

Rule 17(13) of GP Rules, 2007 stipulates that all payments shall be made after tax deducted 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, scrutiny of bills and vouchers of 100 GPs revealed that they did not deduct Income Tax of ₹ 37.81 lakh and Sales Tax of ₹ 39.60 lakh from the contractors' bills (**Appendix-V**) during 2012-13.

2.7 Reconciliation of discrepancies in cash balances

Five ZPs, 27 PSs and 25 GPs did not reconcile difference between Cash Book and Pass Book balances of ₹ 37.54 crore as on 31 March 2013 (**Appendix-VI**).

2.8 Security bonds of Tax Collectors

Rule 31(1) of GP Rules, 2007 prescribes that a GP may engage a person as tax collector on commission basis and tax collector will pledge security bonds for rupees one thousand in the form of any government savings certificates with the GP. Scrutiny revealed that 50 GPs of 9 districts and 507 GPs of 14 districts (**Appendix-VII**) did not obtain any security bond from the tax collectors engaged for collection of revenue during 2011-12 and 2012-13 respectively.

2.9 Maintenance of registers/documents/records

Scrutiny of 18 ZPs, 165 PSs and 2,086 GPs during 2013-14 revealed that Works Register (61 PRIs), Advance Register (1,031 PRIs), Appropriation Register (650 PRIs), General Ledger (34 PRIs), Unpaid Bill Register (65 PRIs), Liquid Cash Book (52 PRIs) and Investment Register (62 PRIs) were not maintained as prescribed in the rules for ZP, PS and GP.

2.10 Internal audit of PRIs

Internal audit in 40 PSs and 82 PSs was not conducted during 2010-11 and 2011-12 respectively and the same was not conducted in 55 GPs during 2011-12. Similarly, during 2012-13 internal audit was not conducted in 14 ZPs, 88 PSs and 1,072 GPs (**Appendix-VIII** and **IX**). Internal audit in Murshidabad and Malda ZPs along with Sagar, Balurghat, Harirampur, Illambazar, Mahishadal and Rampurhat- I PSs was conducted only for part of a year and the same was conducted in 39 PSs during 2010-13 but no report was received by these PRIs. Further, non-conducting of internal audit in five ZPs (Birbhum, Jalpaiguri, Bardhaman, Cooch Behar and Dakshin Dinajpur) was earlier reported in the Report of 2010-11 but no action was found to have been taken.

2.11 Observation on Fund Transfer Account (FT Account)

To expedite quick release of specific schematic funds to the implementing agencies, release of fund through Fund Transfer Account was introduced by the State Government in the year 2006-07. The State Government instructed (February 2010) 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, the same should be transferred to PRIs' own fund for implementation of schemes of socio-economic development or to meet any charges imposed by the bank.

Scrutiny revealed that in violation of the above instruction 26 PRIs¹² retained schematic fund of ₹ 21.51 crore along with interest accrued under FT Account as of March 2013.

2.12 Diversion and irregular transfer of Central and State grants amounting to ₹ 5.19 crore

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 nine PRIs diverted schematic funds amounting to ₹ 5.19 crore received for specific purposes as detailed below:

¹² **ZPs:** Purulia ZP (₹ 319.56 lakh) and Uttar Dinajpur ZP (₹ 1093.78 lakh).

PSS: Balurghat (₹ 58.21 lakh), Bhagawangola (₹ 17.02 lakh), Chhatna (₹ 2.54 lakh), Diamond Harbour (₹ 7.41 lakh), Egra-II (₹ 14.49 lakh), Galsi-II (₹ 13.44 lakh), Gazole (₹ 7.77 lakh), Goalpokher-I (₹ 1.64 lakh), Goalpokher-II (₹ 1.64 lakh), Habra-II (₹ 3.51 lakh), Illambazar (₹ 37.13 lakh), Jalpaiguri Sadar (₹ 2.51 lakh), Khanakul-I (₹ 26.77 lakh), Kolaghat (₹ 21.83 lakh), Kulpi (₹ 31.19 lakh), Kultali (₹ 24.49 lakh), Mahishadal (₹ 4.12 lakh), Manikchak (₹ 24.62 lakh), Nalhati-I (₹ 67.43 lakh), Narayangarh (₹ 322.55 lakh), Raipur (₹ 9.80 lakh), Rajganj (₹ 5.94 lakh), Ramnagar-I (₹ 14.27 lakh) and Sandeshkhali-II (₹ 17.08 lakh).

Table 2.1 Details of diversion**(in ₹)**

Name of PRIs	Year	Diverted from	Diverted to	Amount diverted
Jalpaiguri ZP	2011-13	BRGF and 13th FC	WBSRDA, 2nd/3rd SFC	4,51,52,123.00
Nagrakata PS	2011-13	SSK/MSK	13th FC	1,00,000.00
Nandakumar PS	2012-13	SGSY and Untied fund	12th FC and Own fund	19,010.00
Dhupguri PS	2012-13	12th FC	BEUP	2,99,770.00
Daspur-I PS	2012-13	13th FC	BEUP	2,43,070.00
Balagarh PS	2012-13	ITDP, IAY	NFBS	43,792.00
Dinhata-I PS	2007-13	12th/13th FC	SGRY	25,40,629.00
Total				4,83,98,394.00

(Source: Records of PRIs)

Besides, Amta-II and Ramnagar-I PSs irregularly transferred ₹ 5.00 lakh from ZPs assistance for improvement of road works and ₹ 29.53 lakh meant for Sishu Siksha Kendra (SSK) respectively to own fund of the PSs.

When this was pointed out, Dinhata-I PS replied that sufficient fund was not available for payment of contractors and the expenditure was incurred out of available schematic fund. Nandakumar, Balagarh, Dhupguri and Ramnagar-I PSs admitted the facts and stated that necessary steps would be taken in future to recoup the head from where those funds were diverted. The replies were not tenable as unspent schematic funds cannot be utilised for other purposes. Jalpaiguri ZP and Amta-II, Daspur-I and Nagrakata PSs did not furnish any reply.

2.13 Lapsed cheques valuing ₹ 3.61 crore not taken back into account

Rule 27 of ZP&PS Rules, 2003 and Rule 7(7) of GP Rules, 2007 state that if a cheque is not encashed within the stipulated period, 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 20 PSs¹³ did not write back 843 lapsed cheques amounting to ₹ 2.68 crore issued between August 1997 and March 2013 to accounts in contravention of the aforesaid rule. Similarly, 173 GPs did not write back 599 lapsed cheques amounting to ₹ 93.19 lakh.

When enquired, 16 PSs admitted the fact and stated that steps were being taken to cancel the lapsed cheques after observing the necessary formalities. Four¹⁴ PSs and the GPs did not furnish any reason.

2.14 Non-adjustment of advances and irregularities in advance account

Rule 38 of ZP & PS Rules 2003 states that adjustment against an advance shall be realised from the person receiving the advance within a reasonable time not exceeding thirty days from the date of drawing of advance and further advance shall not be sanctioned before adjustment of previous advance. 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 during 2011-12 revealed that 11 ZPs and 43 PSs paid advance of ₹ 27.29 crore¹⁵ to Village Education Committees, GPs, Schools, NGOs, Sanitary Marts, Madrasahs, PRI staffs, paymasters of various schemes and Self Help

¹³ **PSs** - Alipurduar-II: ₹ 9.36 lakh; Ausgram-I: ₹ 2.23 lakh, Canning-I: ₹ 18.14 lakh, Dinhata-II: ₹ 7.39 lakh, Falakata: ₹ 7.40 lakh, Garbeta-III: ₹ 0.13 lakh, Gosaba: ₹ 33.90 lakh, Harirampur: ₹ 4.09 lakh, Illambazar: ₹ 3.73 lakh, Jalangi: ₹ 77.58 lakh, Kandi: ₹ 0.21 lakh, Keshiary: ₹ 89.16 lakh, Ketugram-I: ₹ 0.12 lakh, Kharibari: ₹ 1.40 lakh, Kumargram: ₹ 2.64 lakh, Nagrakata: ₹ 1.42 lakh, Nalhati-I: ₹ 5.96 lakh, Raniganj: ₹ 0.75 lakh, Sankrail (Howrah): ₹ 1.90 lakh and Sitai: ₹ 0.85 lakh.

¹⁴ **PSs** : Canning-I; Falakata; Keshiary and Sitai.

¹⁵ **ZPs**: Bardhaman: (₹228.82 lakh); Cooch Behar : (₹ 2.52 lakh); Dakshin Dinajpur:(₹ 12.77 lakh); Jalpaiguri: (₹ 54.75 lakh); Malda: (₹ 13.33 lakh); Nadia: (₹ 14.99 lakh); North 24 Parganas:(₹ 4.26 lakh); Paschim Medinipur: (₹ 37.70 lakh); Purba Medinipur: (₹ 10.43 lakh); Purulia: (₹ 153.73 lakh) and Siliguri MP: (₹ 0.55 lakh).

PSs: Alipurduar-I: (₹ 4.45 lakh); Amta-II: (₹ 18.40 lakh); Ausgram-I: (₹ 2 lakh); Baduria: (₹ 49.71 lakh); Balurghat: (₹ 23.65 lakh); Bankura-II:(₹ 1.75 lakh); Baraboni: (₹ 16.52 lakh); Barasat-I: (₹ 14.63 lakh); Barrackpore-I: (₹ 128.62 lakh); Barrackpore-II: (₹ 12.15 lakh); Bashirhat-I: (₹ 141.02 lakh); Bhangar-I: (₹ 1.57 lakh); Bharatpur-I: (₹ 3 lakh); Binpur-I: (₹ 13.32 lakh); Dinhata-II: (₹ 0.83 lakh); Goalpokher-I: (₹ 21.98 lakh); Habra-I: (₹ 1.19 lakh); Habra-II: (₹ 31.39 lakh); Illambazar: (₹ 67.35 lakh); Itahar: (₹ 26.14 lakh); Joynagar-I: (₹ 27.85 lakh); Kandi: (₹ 9.29 lakh); Kharibari: (₹ 33.74 lakh); Labpur: (₹ 1 lakh); Madarihat Birpara: (₹ 4 lakh); Mangalkote: (₹ 182.32 lakh); Minakhan: (₹ 24 lakh); Murarai-I: (₹ 97.84 lakh); Nalhati-I: (₹ 3.33 lakh); Nayagram: (₹ 8.73 lakh); Patashpur-I:(₹ 8.04 lakh); Purbasthali-I: (₹ 5.46 lakh); Raipur: (₹ 25.98 lakh); Ramnagar-I: (₹ 4.73 lakh); Sagardighi: (₹ 65.83 lakh); Salboni: (₹ 56.84 lakh); Sandeshkhali-I: (₹ 16.98 lakh); Sandeshkhali-II: (₹ 111.75 lakh); Sankrail (Howrah): (₹ 19.32 lakh); Sankrail (Paschim Medinipur): (₹ 72.92 lakh); Santipur: (₹ 5.56 lakh); Taldangra: (₹ 15.05 lakh) and Uluberia-I: (₹ 28.39 lakh).

Groups during 1997-2013 for execution of works under SGSY, BEUP, PUP, TSC, MPLAD, MGNREGS etc. However, ₹ 7.89 crore was partially adjusted by 12 PRIs¹⁶ and ₹ 19.40 crore remained outstanding after expiry of the stipulated time in contravention of the aforesaid rules.

It was further revealed that 14 PSs¹⁷ did not maintain Advance Register. Barrackpore-II, Bashirhat-I, Kharibari and Sankrail (Paschim Medinipur) PSs did not prepare quarterly statement of outstanding advance for placement before the Artha Sthayee Samiti. Eight¹⁸ PRIs allowed second advance before adjustment of previous advance in contravention of the Rules.

In Bardhaman ZP and Sagardighi PS, discrepancies in amount of outstanding advance between Advance Register and accounts amounting to ₹ 38.10 lakh and ₹ 61.23 lakh respectively were also noticed. Besides, in Barrackpore-I, Mangalkote, Nayagram, Ramnagar-I and Sankrail (Paschim Medinipur) PSs, at the time of installation of accounting software IFMAS Saral between 2002 and 2010, 'Advances' head had not been created and unadjusted advances amounting to ₹ 2.84 crore were wiped out from the accounts. Reason for the same was not clarified though sought for. In Kharibari, Minakhan, Sandeshkhali-II and Sankrail (Howrah) PSs advances amounting to ₹ 1.89 crore was directly charged as expenditure in accounts during 2002-12.

Twenty two PRIs¹⁹ did not furnish any reply to the audit observation while the remaining PRIs confirmed the facts and figures and noted the observation for future guidance.

¹⁶ **ZPs:** Jalpaiguri: (₹ 54.30 lakh); Paschim Medinipur: (₹ 38.15 lakh); Purba Medinipur: (₹ 0.51 lakh); Purulia: (₹ 637.52 lakh) and Siliguri MP: (₹ 2.60 lakh).

PSs: Alipurduar-I: (₹ 19.38 lakh); Bankura-II: (₹ 3.95 lakh); Bharatpur-I: (₹ 3.64 lakh); Binpur-I: (₹ 17.67 lakh); Dinhata-II: (₹ 0.54 lakh); Habra-I: (₹ 4.10 lakh) and Patashpur-I: (₹ 6.97 lakh).

¹⁷ **PSs:** Amta-II, Baraboni, Barrackpore-II, Bashirhat-I, Bhangar-I, Binpur-I, Kharibari, Mangalkote, Minakhan, Nayagram, Ramnagar-I, Sandeshkhali-II, Sankrail (Howrah) and Sankrail (Paschim Medinipur).

¹⁸ **ZPs:** Cooch Behar

PSs: Barrackpore-I, Bashirhat-I, Illambazar, Itahar, Madarihat Birpara, Nayagram and Purbasthali-I.

¹⁹ **ZPs:** Bardhaman, Dakshin Dinajpur, Jalpaiguri, Malda, Nadia, Paschim Medinipur, Purulia and Siliguri MP.

PSs: Amta-II, Barasat-I, Bashirhat-I, Goalpokher-I, Habra-II, Itahar, Labpur, Murarai-I, Purbasthali-I, Salboni, Sankrail (Paschim Medinipur), Santipur, Taldangra and Uluberia-I.