

CHAPTER – II

Accounting Procedures

(i) Urban Local Bodies

2.1 Non implementation of Budget and Accounts Format recommended by C&AG's task force

A state level steering committee was to be constituted to over see and help speed up the implementation of Budget and Accounts format. Secretary Urban Administration and Development Department (December 2003) intimated that the Budget and Accounts Format as recommended by the C&AGs task force have been accepted by the Government but the implementation has not been made in the State. No instructions were issued by the Government to the field units to prepare the Budget and maintain Accounts in the prescribed format. Scrutiny of records of ULB's revealed that the Budget and Accounts Format have not been implemented in any of the test checked ULB's. The details are given in the **Appendix V**.

Non adherence of recommendations of task force regarding Budget and Accounts format shows ineffective control over the administration of the ULB's.

2.2 Bank-reconciliation statement not prepared

Rule 86-90 of Financial Rules (Madhya Pradesh Nagar Palika Nigam Act 1971), provide that the reconciliation of any difference between the balances of cash book and bank accounts was required to be conducted every month. Difference of cash balance of Rs. 5.65 crore between Cash book and Bank statement at the close of the year (2002-2003 to 2004-2005) was not reconciled by 16 ULB's. Due to non-reconciliation of cash balance, possibility of theft, defalcations and misappropriations of funds could not be ruled out. The cash balance in the cash book also remained doubtful in the absence of reconciliation with bank statement **Appendix VI**.

2.3 Non-recovery of advances from individuals

Temporary advances were paid to Staff / officials for making petty payments. The accounts of the same should be closed as soon as possible and unutilised cash balances should be refunded / recovered. In 19 Nagar Nigam/ Nagar Palika a sum of Rs. 10.83 crore paid to Officials / Staff for various purposes were outstanding against them for the last one to forty six years. **Appendix VII**. Lack of effective action to recover/ adjust the old outstanding advances may lead to loss due to non-recovery over long period of time.

2.4 Diversion of funds

Central Government released funds in the shape of grants-in-aid for development of urban area which were to be exclusively spent on the projects

for which these were sanctioned. Diversion of funds from one scheme to another was not to be made without prior approval of the Central Government.

Scrutiny of records revealed irregular utilisation or diversion of funds amounting to Rs. 1.44 crore for the purposes not covered under the schemes or for routine municipal activities **Appendix VIII.**

2.5 Non utilisation of government grants

Centrally Sponsored Schemes such as National Slum Development Programme (NSDP), Integrated Development of Small and Medium Towns (IDSMT) Scheme, Swarna Jayanti Shahari Rojgar Yojna (SJSRY) etc. and State Plan Schemes were being implemented through ULB's during 1999-2005.

Scrutiny of records revealed that grants of Rs. 3.17 crore released to 8 ULB's for specific purpose (IDSMT) by Eleventh Finance Commission were lying unspent for a period ranging one year to eight years (**Appendix IX**). No action was taken to refund unspent grants to government. The ULB's also did not review the implementation of schemes to ascertain reasons for the non-utilisation of grants.

This resulted in idling of funds and deprived the public from intended benefits.

2.6 Non recovery of taxes

Urban Local Bodies earn their revenue from their own resources through taxes, rent, fees, issue of licenses. In 32 Nagar Nigam/Nagar Palika/Nagar Panchayat demand for Rs. 401.92 crore was raised for the year 2002-2006 out of which only Rs. 93.26 crore was recovered during the years. A sum of Rs. 308.66 crore was outstanding against the Tax payers **Appendix X.**

Due to lack of action for recovery of outstanding dues by the ULBs under Madhya Pradesh Municipalities Act, 1956 the units were deprived of revenue to that extent.

2.7 Non depositing of amount in General Provident Fund

Rule 102 (4) of M.P. Nagar Palika Lekha Niyam 1971 provides that the deduction of G.P. subscription will be credited in G.P. Fund Account. Government of Madhya Pradesh, Department of Local Bodies further directed (February 1998) to all Commissioners / Chief Municipal Officers that General Provident Fund (GPF) subscriptions collected by deductions from salary was required to be credited to the fund account of the employees and Dy. Directors will keep a note on records of irregularities, if any, while visiting the units. However it was noticed that seven Nagar Nigam, five Nagar Palika and six Nagar Panchayat did not deposit provident fund subscription of Rs. 20.58 crore in the account of the employees during 1995-96 to 2004-2005 which resulted not only in loss of interest on provident fund account but also additional burden on the ULBs **Appendix XI.**

2.8 Non-creating of Reserve Fund of ULB's

Madhya Pradesh Nagar Palika (Budget Rules 1962 sub rule 3 (3)) provides that every Nagar Palika is required to create a reserve fund account (Sanchit Nidhi) and five per cent of net income should be deposited in this account every year.

Scrutiny of records of thirteen Nagar Palika / Nagar Nigam revealed that a sum of Rs. 21.61 crore was not deposited in the reserve fund account from their net income during 2001-06 **Appendix XII**.

(ii) PANCHAYATI RAJ INSTITUTIONS

2.9 Expenditure incurred without approval of budget

Rule 17 of the Madhya Pradesh Janpad (Budget Estimates) Rules, 1997 provides that sanctioning of the budget shall not by itself be deemed to authorise the Janpad Panchayat to incur all the expenditure provided therein unless the individual scheme or items with details of expenditure and staff have already been approved by the Janpad Panchayat or any other competent authority. However two Janpad Panchayat did not prepare, approve and adopt the budget in accordance with the prescribed procedure and un-authorisedly incurred expenditure of Rs. 4.97 crore without approval of the budget by the competent authority **Appendix XIII**.

2.10 Expenditure incurred in excess of budget allocation

Three Janpad Panchayat had incurred expenditure of Rs. 36.45 lakh **Appendix XIV** in excess of their respective budget provision under different heads without obtaining sanction from competent authority as prescribed in Rule 18 of the Madhya Pradesh Janpad Panchayat (Budget Estimate) Rules – 1997.

2.11 Irregular deposit in non schedule bank

Rules 4 of Madhya Pradesh District Panchayat Raj Fund Rules, 1998 provides that the Fund Administrator shall, in accordance with the instructions issued by the State Government from time to time, keep the fund in Saving Bank Account in the State Bank of India or if no branch of the State Bank of India exists then with its associated Bank or if such associated Bank also does not exist at the District or Block headquarters then in a Nationalised Bank as may be notified by the State Government.

Test-check revealed that C.E.O, Zilla Panchayat, Vidisha, deposited Rs. 4.45 crore in Vidisha Bhopal Kchhetriya Gramin Bank Vidisha during August 2004 to March 2005 in contravention of the provision of PRI Rules.

2.12 Blocking of funds due to irregular deposit in non schedule bank

In contravention to Rules 4 ibid, C.E.O, Janpad Panchayat, Sagar, deposited Rs. 52.73 lakh in Zilla Sahkari Kendriya Bank Maryadit, Sagar during August 2001 to March 2004. Due to some financial irregularities in the Bank, the

Reserve Bank of India imposed ban on financial transactions. This resulted in avoidable blocking of Rs. 52.73 lakh.

2.13 Non reconciliation of balances of cash book and bank pass book.

Madhya Pradesh Zilla Panchayat Rule 25 enjoin that the balance of pass book shall be checked with reference to the cash book at the close of every month by way of reconciliation. However, a total amount of Rs. 6.58 crore in 4 Zilla Panchayat, 12 Janpad Panchayat and 6 Gram Panchayat remained un-reconciled at the end of financial year 2005-06 **Appendix XV.**

2.14 Non-surrender of unspent balances of inactive schemes

As per instructions of the State Government, the unspent balances of closed and inactive Schemes/Programmes should be surrendered to the concerned department. However, a sum of Rs. 1.17 crore pertaining to various dead/closed schemes and programmes were lying in the bank and not surrendered to the Department which resulted in blocking of these funds **Appendix XVI.**

2.15 Outstanding advances against individuals/work agency

Madhya Pradesh Zilla Panchayat (Accounts) Rule 51 provides that advances to individuals/executing agency (Sarpanchs/Pradhans/Officials etc.) should be got adjusted immediately after incurring such expenditure failing which the entire amount of advance should be deducted from the next salary or sums payable to them.

In contravention/violation of the above provision a sum of Rs. 93.43 lakh was outstanding against individuals/work agency for the last five years **Appendix XVII.** Action to recover/adjust the advances needs to be initiated and the monitoring mechanism should be strengthened to ensure speedy and timely recovery.

2.16 Excess expenditure on works not regularised

Expenditure on works should not exceed the sanctioned amount and in case excess expenditure was incurred, the revised sanction is required to be obtained from the competent authority to regularise the expenditure.

Scrutiny of case file and completion certificate revealed that the expenditure of Rs. 5.75 crore was incurred in excess of sanctioned amount without obtaining revised sanction of the competent authority **Appendix XVIII.**

2.17 Incomplete works

Works taken up by Janpad Panchayat and Gram Panchayat should be completed within one year.

Scrutiny of records in 6 Zilla Panchayat 31 Janpad Panchayat revealed that works taken up under various schemes were lying incomplete from 2001-02

on wards on which expenditure of Rs. 40.62 crore was incurred **Appendix XIX.**

As the works e.g. buildings, roads and deepening of tanks etc. were lying incomplete for 1 to 5 years, possibility of deterioration of quality of works can not be ruled out.

2.18 Pending Utilisation Certificate

Funds for execution of works were to be given to executive agencies in two or three installments and they were required to submit utilisation certificates (UCs) within 14 days of incurring expenditure to obtain subsequent installments of funds. UCs/CCs worth Rs. 100.92 crore in Zilla Panchayat, Rs. 3.05 crore in Janpad Panchayat and Rs. 3 lakh in Gram Panchayat were awaited for the last five years pertaining to various schemes **Appendix XX.**