FINANCIAL ADMINISTRATION IN WEST BENGAL :

A STUDY OF DISTRICT-LEVEL EXPERIENCE.

A thesis submitted to the University of North Bengal in partial fulfilment of the requirements for the Degree of Doctor of Philosophy in Political Science.

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P R E F A C E

This research work is based more on personal experience gathered as a civil servant rather than on any documents. As a matter of fact, the help of different Government rules and documents have been obtained only with a view to substantiating the theoretical part of the work.

While working with the Panchayats at the grass-roots level of administration and functioning as Drawing and Disbursing Officer, I have experienced many difficulties, especially in connection with the maintenance of accounts. It was observed by me that most of the Governmental financial rules and guidelines were either obsolate or inadequate and, therefore, failed to fulfil the needs of the changing situation in administration which appeared especially after the introduction of the Panchayati-Raj Administration in West Bengal in 1978. (In fact first Panchayat elections were held in 1978 under the Panchayat Act of 1973).

In this work an attempt has, therefore, been made to pin-point those difficulties and problems which are actually faced by an administrator at the grass-roots level of administration and to suggest measures thereof to tackle them. In fact, I have tried to focus on two aspects of District Financial Administration, taking district as a unit of the State Financial Administration, i.e.,

(a) The problems in financial management;

(b) its solutions.

These two aspects of the District Financial Administration are the subject-matter of this work and accordingly Chapters have been arranged. The following are the Chapters :

Chapter I	:	Introduction
Chapter II	:	Structure of State Financial Administration in India.
Chapter III	:	Features of District Financial Administration in West Bengal.
Chapter IV	:	Decentralised Budgetary system : The Relevance of Planned Budget in District.
Chapter V	:	Control over the Finance : How it is exercised.
Chapter VI	:	The Finale : A Plea for Reform.

In course of my research work I have received help from so many people, to name them here is to belittle their contribution because they are my own men who served under me sometime or other at blocks and in district. Whenever I asked for any help, they unhesitatingly came forward.

Next, I would like to extend my thanks to my District Magistrate Mr. G.Krishna, IAS, who, by granting me permission to carry on my research work, has inspired me immensely.

Finally, I would like to mention here respectfully the name of my teacher and guide Professor D.J. Bhaumik, M.A., Ph.D. of the Department of Political Science, North Bengal University, but for whose guidance this humble

research work of mine would not have seen the light of the day.

Before calling it a day 1 would like simply to mention here the names of my wife and my child enpassant for all kinds of help and comfort provided to me while I was working on this work, because to extend them thanks will only be a formality.

P. K. Chhetri

C O N T E N T S

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Chapter I

INTRODUCTION

(I)

What is a District :

A district is a 'territory marked for specific administrative purpose',[1] and administration means the management of public affairs. Thus District Administration connotes the management of public affairs within a territory marked off for the purpose.[2] District Administration is an administrative mechanism whereby a state government functions locally through its representative, i.e., the District Magistrate, who is the point of the local administration. In other words, it is the functioning of government in its totality in a locality what is known as a district. Since a district is a vital unit of administration where the total apparatus of public administration is concentrated, District Administration may, therefore, be described as that part of public administration which functions in a district.[3]

The meaning of District Administration in India :

It is comprehended that the management of public affairs commands the total life of a community. It incorporates varying areas of human activity and since these areas vary with local situations so must the conglomeration of matters contained in the scope of administration vary in any particular area. In a completely totalitarian state like that of Fascist Italy and Nazi Germany practically nothing remained excluded from the grip of administration. Whereas, contrary to that, in a state of general 'laissez faire' the administrative apparatus may keep itself concerned with a least number of group or human activity. Our Indian system of administration is far removed from the two extremes.

District Administration in India deals with a widely embracive sphere of the total management of public affairs. This embracive nature of the sphere of District Administration is particularly significant in the study of public administration in India.

District Administration and Indian Constitution :

It is quite strange that apart from one reference to the appointment of district judges[4] in the Constitution of India, practically there is no mention at all of a district as a unit of administration leave alone the District Magistrate and Collector who forms the pivot of all governmental functions in the district. Reference of course does appear in other laws and statutes such as the Code of Civil Procedure, the Code of Criminal Procedure, the revenue laws, and other specific statutes; but not in the Constitution.

Importance of District Administration :

District Administration is a unit of field administration, where there can be concentrated the total apparatus of public administration. It provides a practical method for the management of public affairs in a vast country like India.[5] Here the authority at headquarters instead of doing everything centrally executes things locally through a local representative who is authorised on its behalf to exercise overall responsibility for all governmental activities[6] from keeping the peace to ensuring good administration[7] in his area. It is at the level of district the common man comes into direct contact with the administration. A district rests under the charge of a district officer - called either Deputy Commissioner or District Collector or District Magistrate - who virtually acts as the eyes, ears and arms of the State Government.[8]

<u>The genesis of District Administration</u> :

Although the rudiments of the District Administration may be traced to ancient India, in its present form evolved only with the advent of the British rule in India. In other words, it may be regarded as a handiwork of British rule. The Indian Statutory Commission, which is better known as the Simon Commission observed that the system had some roots in the past.[9] It was Emperor Akbar, who first sub-divided Bengal into Sarkars. But until the establishment of the British rule, there never existed any settled administration.

The genesis of District Administration dates back to the year 1772 when the East India Company decided to stand forth as the Dewan[10] and assume responsibility for the administration of the country and appointed Collectors 'to superintend the revenue collections and to preside in the courts'.[11] Until then the district was yet to be a well-demarcated unit of administration, it became at that time the common unit of revenue and judicial administration. The District Officer now came to perform the roles of Revenue Collector, Civil Judge and Magistrate. This combination of powers made the District Officer an immensely powerful local authority within his jurisdiction. In fact, the District Officer was a semi-absolute monarch, ruling over a territory as extensive in area and population as some of the smaller countries of Europe.[12]

District Collector versus District Administration :

Sir William Hunter as far back as 1892 wrote about the position of a District Collector vis-a-vis a district thus : "The Indian Collector is a strongly individualised worker in every department of rural well-being, with a large measure of local independence and of individual initiative. As the name of Collector--Magistrate implies, his main functions are two-fold. He is a fiscal officer, charged with the collection of the revenue from the land and other sources. He is also a revenue and criminal judge, both of first instance and in appeal. ... Police, jails, education, municipalities, roads, sanitation, dispensaries, the local taxation, and the Imperial revenues of his District are to him matters of daily concern. He is expected to make himself acquainted with every phase of the social life of the country."[13] Though it is a fact that the position of a District Collector has deteriorated considerably after Independence, still he wields enough power and may be called the corner--stone of District Administration.

District Administration is one of the relics of the Raj that has not only survived, but is still going strong, with newer functions gradually being entrusted to it.[14] And because of this authority wielded by a District Collector he is rightly invested with the epithet 'the pivot' of District Administration. It is, therefore, said that there is not, and never has been, an official quite like the Collector anywhere else.[15] District Administration still continues to be the principal instrument of the (State) government, and within its territorial jurisdiction, no exclusions are pronounced.

The General Concerns of District Administration :

The Government of India's Administrative Reforms (1969) Report on District Administration outlines the general concerns of the District Administration thus : maintenance of law and order, control of crime and administration of justice, revenue administration, including land management and collection of land revenue and other public dues, development administration, welfare activities, control and regulation, distribution of food supplies, arrangement for holding elections to Parliament, State Legislatures and Panchayati Raj Institutions, emergencies and naturel calamities and other secondary matters like protocol, small savings, general administration, civil defence and any other matters which the State Government may entrust. This was also the working definition accepted by the T.N.Dhar Committee, which made a comprehensive study of the nature of district-level-administration in Uttar Pradesh.[16]

Newer areas of concern are still being specifically identified notwithstanding, since almost everything can be covered under the broad category of development and welfare. Therefore, a District Collector in a district enjoys enormous financial power [if not the judicial powers after the separation of judiciary from executive in 1973[17]] for he is the Controller of the District Treasury.[18]

The administrative complex goes to make up the District Administration, both as to the component parts as well as to the administration as an organic dynamic whole[19] rather than a static one. District Administration, in fact, is a totality of government functioning in a district.

The functions of the District Magistrate :

The District Magistrate and Collector is the head of the District Administration, and he performs a number of functions which include :
1. General charge of the district; 2. Law and Order which includes Criminal Justice Administration, 3. Trial of Criminal Procedure Code, Certificate, Rent Control and Essential Commodity Act cases, 4. Land, Land Reforms, Revenue, 5. Other Revenue functions, including Amusement Tax, Excise duties etc., 6. Treasury, 7. Licensing function with respect to arms and ammunition, cinema houses, video parlours, serai, poison marts, money lenders, petroleum storage, 8. Development functions - Fish Farmers Development Agency, District Rural Development Agency, Tribal Development Agency, Rural Water Supply, etc., 9. Agricultural Development including Agri-Marketing, i.e. Control function over essential commodities,

fertilizer etc., 11. Food and Civil Supplies, 12. Enforcement of Social Legislation like Minimum Wages Act, Shops and Factories Act, Dowry (Prohibition/Act, Child Marriage (Restraint) Act, Sati (Abolition) Act etc., 13. Functions as Member Secretary of the District Planning Body including preparation of Annual Plan, monitoring of progress, and inter-departmental coordination, 14. Protocol and general administration work, including establishment matters, departmental proceedings, vigilance or anti-corruption matters, redressal of public grievances, 15. Education, Health, Immunisation, Family Welfare, 16. Integrated Child Development Scheme and other Special Nutrition Projects, 17. Relief including normal relief, disaster management, 18. Mobilisation of Small Savings, 19. Social Welfare, including voluntary agencies, 20. Panchayats, Zilla Parishad and related matters, 21. Route permits, Motor Vehicle Grievances and enforcement thereof, 22. Jails, Probation matters and Rehabilitation, 23. Elections and Census, 24. Audit, Civil Defence, and 25. Extension of general support to all other departments which do not have a set-up in the district.[20]

<u>The position of the District Magistrate</u> :

It was a fact that during the Raj, the position of the District Officer was an exalted one. Practically speaking, he was the repository of all the powers of the Government at the district level. But conditions have since been changed after 1947.

In spite of the fact that under the present system the powers of the District Magistrate substantially remain the same, but the atmosphere has changed considerably. In the wake of the change has come about a change in the people's attitude towards him and perhaps, also, in his attitude towards the people. Today the people prefer to go straight to the constituency's member of Parliament or member of the State Assembly instead of to the District Magistrate to ventilate grievances and to ask for remedy.[21]

The District Officer was called the backbone of the British Raj, the unit of which was a district. The position of the District Magistrate vis-a-vis the district has not undergone much change as the district is still the unit of administration as it used to be; and 'the man on spot' on behalf of the State Government to look after the affairs of administration is the District Officer. In near future this position is not expected to register any change for there has to be a District Officer in every district. But it cannot be overlooked that since the dawn of Independence three factors - democratisation, development and decentralisation - have brought about a series of changes in the make-up of District Administration.

<u>Changes in the role of the District Magistrate</u> :

The adoption of the Constitution (on 26th January, 1950) brought a fundamental change in the strategic objective of governance. Emphasis now shifted to land distribution. community development and rapid agricultural and industrial progress for creating employment opportunities, and reducing the infer-regional disparities. Land Reforms and Integrated Community Development - the twin main programmes undertaken in the first few years of Independence once again brought the Collector to the forefront of District Administration. Besides, the Collector now had 'to interest himself in entirely new activities, like rural development'.[22] In view of this, the First Five Year Plan explicitly stated :

(a) the district would continue as the unit of administration; and,

(b) Collector would be the principal officer of the district, and the sole representative of the government.

District Magistrate as District Coordinator :

The Balwantray Mehta Team of Community Development and National Extension Service, which, in actuality, bestowed shape to the concept of Panchayati Raj envisaged the following role for the Collector :

At the district level, the Collector or the Deputy Commissioner should be the captain of the team of officers of all development departments and should be made fully responsible for securing the necessary coordination and cooperation in the preparation and execution of the district plans for community development. Where he is not already empowered to make the annual assessment of the work of the departmental officers in regard to their cooperation with other departments, their speed in work, their dealings with the people and their reputation for integrity, he should be invested with such powers.[23]

As such, the District Collector's coordinating role has since been on the rise. This has been further eased by the setting up of institutions like the District Development Council in the Second Five Year Plan period (1956-61), and the recognition in the mid-sixties that the planning dimension must take account of the district as well. Almost in all States, District Collectors are associated with the planning process, irrespective of the fact whether the Panchayati Raj Institutions are in operation in those states or not, in the capacity as Chairman, Vice-Chairman or as Member-Secretary. The experience with the implementation of the Panchayati Raj Institutions in both Maharashtra and Gujrat has revealed that the development programmes of a district cannot really take-off without the active participation of the District Collector. It was thus envisaged that in District Planning bodies he must play the role of the Chief Coordinator.[24]

Since the Collector is the head of the District Level Coordination Committee (DLCC) of the Financial Institutions - such as Commercial Banks, Land Development Banks, Financial Corporations etc. - his role in management of the bank-linked rural and urban development programmes, like the Integrated Rural Development Programme (IRDP), Self-Employment Programme for Urban Poor (SEPUP), Self Employment for Educated Urban Youth (SEEUY), Self Employment Scheme for Rural Unemployed (SESRU) etc., has also increased.[25]

D.M. as Controller of Finance in the District :

By virtue of his post as the principal officer of the Zilla Parishad, the District Magistrate is the coordinator of district development activities.[26] In fact, these activities are likely to advance in the coming years. As the Executive Officer of the District Standing Committee on Budget and Planning,[27] the District Magistrate plays a significant role with regard to the preparation of the planned budgets of other departments of the district.

The District Collector, therefore, performs both the 'regulatory' and 'developmental' functions and as such this way or that controls the finance of the district.

(II)

The significance of Government Finance :

"All undertakings depend upon finance" (Kautilya).[28] If administration is a vehicle, then finance is its motive power, i.e., fuel. Without finance, rigor mortis sets in the limbs of administration. In other words, the entire administrative machinery collapses.

As a matter of fact, public finance constitutes an integral part of administration. Finance and administration cannot be separated from each other like man and his shadow. Every administrative act has its financial implications. Nothing moves in government without the expenditure of money, even at the very minimum it involves the compensation of the officials and the employees who act on behalf of the government. Finance is, thus, one of the first and inescapable responsibilities of government executives.[29]

<u>What is Financial Administration</u> :

Financial Administration implies, "... how public revenue is collected and how it is spent, and who collects it and who spends it."[30] Broadly speaking, Financial Administration, reflects the growth and expansion of governmental functions at different levels. Here in this process, it becomes imperative that the financial resources are ascertained, fixed and then distributed to various areas and functions. In this way, Financial Administration becomes an important part of the political process by means of which financial resources are translated into human resources.[31]

<u>The objectives of Financial Administration</u> :

There are three objectives of Financial Administration : fiscal policy, accountability and management.

As fiscal policy involves highly technical issues like the tax theory, the debt theory, the implications of taxes on society, etc., therefore, they come within the purview of Economics and cannot be purely called an administrative issue. However, accountability and management are the twin important aspects of Financial Administration.

Accountability :

Accountability is the main principle of administration in a democracy. Especially in Financial Administration, it acquires added importance because it is desirable in a democratic set-up that its officers not only to be honest in their dealings but act also honestly.

But it is not unlikely for the government sefvants not to taste the money that passes through their hands. Democracy has to apply all sorts of means in order to safeguard public money from this susceptibility of its officials. It is, therefore, exigent for the officers incurring or authorising expenditure from public funds should be guided by high standards of financial propriety; and general principles like wisdom, faithfulness and economy should be their beacon light.

Accountability in Financial Administration cannot be effected by simply having recourse to the traditional devices of bounding, book-keeping, accounting and reporting, but it goes farther than custody and stewardship and inducts dynamic policy-determining qualities of management.

Every Government servant must be made to feel that for any loss sustained by Government through fraud or negligence on his part, he would be held personally responsible.

Even Indian Penal Code, 1860, prescribes severe punishment to the extent of life imprisonment to a public servant for committing 'criminal breach of trust'[32] whereas for the same offence an ordinary offender, of course other than a public servant, the maximum punishment prescribed is only three years of imprisonment.[33]

The effectiveness of accountability in Financial Administration depends not only on developing internal and external checks as mentioned above, but also on devising an integrated administrative machinery. In a democracy a sound system of Financial Administration is a must for country's overall progress.

(III)

Objectives of the present Study :

A sound fiscal management at the district level is of vital importance to any State government. With the introduction of full-fledged three-tier Panchayati Raj System since 1978 it has acquired further relevance in the State of West Bengal.

Delegation of financial power and responsibility not simply at the level of districts, but further down to the level of blocks and villages in West Bengal has necessitated a proper system of financial management and control. The main objective of the present study, therefore, is to conduct a systematic analytical study of the modus operandum of the existing system of district-level financial management and control.

With the enormous increase in governmental expenditure under different development projects in recent years at district and block level it became imperative that sound principles, tools and techniques of financial administration have been evolved and effective control exercised at district, block and gram panchayat level in order to arrest extra-vagance and misutilisation of funds by the implementing agencies who operate at the lowest rung of administration.

Successful implementation of development programmes at the district level needs a flow of fund without trammel. This calls for proper management and monitoring of both withdrawal and expenditure. Hence government Treasury at district or sub-divisional level has a vital role to play. It monitors all kinds of withdrawal and expenditure. Panchayati Raj bodies are supposed to maintain their accounts at treasury only and not at any bank. But Treasury functions more or less independent of the Accountant General of West Bengal. It is responsible to the State Accountant General only to the extent of submission of monthly returns of its cash transactions. As a matter of fact, the Government has established Treasury as an independent unit.[34]

The District Magistrate and Collector, who is also the ex-officio Executive Officer of the Zilla Parishad, is the controlling officer of Treasury ~~in a~~ ~~Treasury~~ in a district. He is responsible for its day to day functioning. A Treasury Officer is only a subordinate officer under the District Collector.[35] This admits of duality in accounting procedure. While analysing the functions of Treasury an attempt has been made to pinpoint the lacuna and suggest corrective measures.

Development projects undertaken by various agencies in a district should aim at desirable socio--economic changes in the district. Therefore, it is necessary that financial management of these agencies should be efficient and economical. As experience goes, the financial management as governed by the rules is faulty and needs correction. Truly, rules in this regard must serve, not impede the implementation of development projects. An attempt has been made here to unravel the defects of financial management of the development agencies in so far as the implementation of development projects is concerned.

Methodology

In view of the objectives mentioned above the application of mainly two methods became imperative :

Analytical and Empirical

The researcher sought and received help of many officers and staff and panchayat functionaries. The official documents, the guard files, proceeding registers, data, reports and returns were observed and notes taken from them relevant in connection with the work proved to be of immense help.

Formal and informal discussions with officials and non-officials were also helpful in assessing the difficulties faced by the official functionaries at the grass-roots level of administration. They also provided him with insight in revealing certain relevant facts which otherwise would have been difficult to be obtained only through perusing official papers and documents. This way could he be able to appreciate others' viewpoints also.

While preparing this work the researcher was also benefited by his own experience gained as a civil servant. The first hand knowledge of the intricacies of the district financial administration acquired by him serving as Block Development Officer, Treasury Officer, District Planning Officer, and in other posts at subdivision and district helped him enormously to give his own assessment of the problems. This was an added advantage he enjoyed as a researcher.

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4 Article 233 of the Constitution of India.

5 S.S.Khera, op.cit., p.3.

6 Sukumar Dam, op.cit., p.1.

7 Report of the Working Group on District Planning, Vol.I, Govt.of India, Planning Commission, May, 1984, p.45.

8 S.R.Maheswari, Indian Administration, Orient Longmans, New Delhi, 1968, p.224.

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10 Quoted in the Report on the Administration of Bengal. 1872-73, Calcutta, Bengal Secretariat Press, 1873, p.41.

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13 Sir W.W.Hunter, op.cit., pp.513-14.

14 Sanjeev Chopra, Management System for District Administration : A Project Report, West Bengal, 1990, p.8 (Unpublished).

15 Report on Reorganisation of Collectorates, U.P., 1956, p.4.

16 T.N.Dhar (Edited), District Level Administration in U.P. (3 volumes), Govt.of Uttar Pradesh, 1986.

17 The Code of Criminal Procedure, 1973 (Act No.2 of 1974) has conferred important powers upon the District Magistrates, Subdivisional Magistrates and other Executive Magistrates under Sections 107, 108, 109 (relates to security for keeping peace and good behaviour), and under Sections 133, 144, 145 etc. (relates to maintenance of public order and tranquillity). These powers have been vested in the Executive Magistrates since they have a direct bearing on law and order in the district.

18 Rule 4 of Treasury Rules, West Bengal and the Subsidiary Rules made thereunder, Vol-I (Second Edition), 1977.

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20 Sanjeev Chopra, op.cit., pp.17-18.

21 D.N.Sen, From Raj to Swaraj, Vidyadaya Library Pvt.Ltd., Calcutta, 1954, p.396.

22 Administrative Reforms Commission, Report of the Study Team on District Administration, Vol.I, Govt.of India, 1967, p.10.

23 India, Report of the Team for the Study of Community Projects and National Extension Service, Vol.I - Committee on Plan Projects, New Delhi, Nov.1957, pp.39-40.

24 Report of the Working Group on District Planning, Vol.I, op.cit., p.45.

25 In order to coordinate the functions of different bank branches in the district in respect of bank-linked development schemes, a Lead Bank Cell is constituted in every district under the order of the Reserve Bank of India. The officer who heads the Lead Bank Cell is called the Lead Bank Officer. The LBO functions under the supervision of the District Collector. The Lead Bank Cell is formed by that bank in the district whose area of operation is largest in the district [For further reference, in this connection, 'Service Area Approach Formulation of Credit Plan', published by the Reserve Bank of India, May, 1988, from page 1 to 5 may be seen]

26 Para 9.7 of Report of the Administrative Reforms Committee, Govt. of West Bengal, 1983.

27 Para 9.8, ibid.

28 Kautilya, Arthasashtra (Translated by R.Shamasastry, Mysore, Raghubir Printing Press, 1956, Chapter VIII, p.65.

29 Leonard D.White : Introduction to the Study of Public Administration, New York, Macmillan, 1958, p.224.

30 A.R.Tyagi, Public Administration, Delhi, Atma Ram and Sons, 1975, p.663.

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32 The definition of 'Criminal breach of trust' is given in Section 405 of Indian Penal Code, 1860 like this : "Whoever, being in any manner entrusted with property, or with any dominion over property, dishonestly misappropriates or converts to his own use that property, or dishonestly uses or disposes of that property in violation of any direction of law prescribing the mode in which such trust is to be discharged, or of any legal contract, express or implied, which he had made touching the discharge of such trust, or wilfully suffers any other person so to do, commits 'criminal breach of trust'.

33 Sections 406 and 409 of Indian Penal Code, 1860.

34 Rule 4A of West Bengal Treasury Rules, Vol.I, op.cit.

35 Rule 2, ibid.

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Chapter II.

STRUCTURE OF STATE FINANCIAL ADMINISTRATION IN INDIA

In a Parliamentary set-up like India the overall process of control over the financial administration in a State has three aspects : Legislative; Administrative; and Audit.

Legislative control over the finances is effected in two stages - one, at the time of policy making; and second, during the implementation of the policy. The Legislature controls the purse by determining the manner of raising the resources and the quantum and how the money so raised shall be spent. The initial control is exercised at the time of the presentation of the annual budget or the Annual Financial Statement by indicating therein the estimated receipts and proposed expenditure of the State Administration, for the financial year. At the second stage, the Legislature ensures that moneys voted by it have been utilised by the Government for the purpose for which and in the manner in which it wanted them to be utilised. This second stage of control is effected through a purposive use of Parliamentary procedures and a system of Committees.

The Administration is accountable to the Legislature not only in regard to the manner in which it has collected moneys as authorised by the Legislature but also in regard to their utilisation for implementation of the policies laid down by the Legislature.

The scope of State Audit encompasses the following elements :

(a) Fiscal accountability - which includes fiscal integrity as well as compliance with applicable laws and regulations;

(b) Managerial accountability - which is concerned with efficiency and economy in the use of public funds; and,

(c) Programme accountability - which is concerned with whether Government programmes and activities have achieved the objective established for them with due regard to both costs and results.

State Audit is the main instrument through which accountability of the lower formation in the set-up to the Administration as well as the Administration to the Legislature in the area of financial administration is secured.

Structure :

From January 26, 1950 (the date of commencement of the Constitution), India has been constituted into a Union of States. At present, the Union of India is made up of 25 States and 7 Union Territories as shown below :

States	Union Territories
Andhra Pradesh	Andaman and Nicobar Islands
Arunachal Pradesh	Dadra and Nagar Haveli

States	Union Territories
Assam	Delhi
Bihar	Daman and Diu
Goa	Lakshadweep
Gujarat	Pondicherry
Haryana	
Himachal Pradesh	
Jammu and Kashmir	
Karnataka	
Kerala	
Madhya Pradesh	
Maharashtra	
Manipur	
Meghalaya	
Mizoram	
Nagaland	
Orissa	
Punjab	
Rajasthan	
Sikkim	
Tamil Nadu	
Tripura	
Uttar Pradesh	
West Bengal	

The executive power of the Union vests in the President of India. The executive power of a State vests in the Governor who is appointed by the President and holds his office at the pleasere of the President. The Governor exercises the authority vested upon him either directly or through officers subordinate to him. The Governor has a Council of Ministers with Chief Minister at the head, to aid and advise him in the exercise of his functions except in so far as he is by or under the Constitution required to exercise his functions or any of them 'in his discretion'.[1]

Every Union Territory is administered by the President through an administrator appointed by him with designation as he may specify. However, the Union Territories of Daman and Diu, and Pondicherry, under the Government of Union Territories Act, 1963, have separate Legislatures. The Administrator of each of Union Territories has a Council of Ministers with Chief Minister at the head to aid and advise him in the exercise of his functions.

Article 246[2] of the Constitution of India governs the distribution of the Legislative Powers between the Union and the States.

At the outset, the control over finances of Government was confined to Ministry of Finance in the Centre and the Finance Department in the States. With the phenomenal growth and complexity in the activities of the Government, the financial powers were delegated to Administrative Ministries[2A] though the Ministry of Finance or Finance Department in a State continues to enjoy the overall responsibility of co-ordination and control of all departments. In order to streamline their functions in financial matters an Integrated Financial Adviser is attached to each Ministry/Department. He advises both on internal and external financial issues. In respect of internal financial matters the financial adviser would be consulted in the exercise of powers delegated to the Ministries/ Departments under the Delegation of Financial Power Rules, 1978. And in respect of the matters outside the competence of the Administrative Ministry/Department, he would act as an external financial adviser on behalf of the Ministry of Finance.

Each head of the department is responsible for the administration of his department and who, in this respect, is controlled and guided by the Administrative Ministry/Department. "In financial matters, each head of a department is thus responsible for the collection of revenue and for the control of expenditure pertaining to his department, the receipt and disbursement of which are effected at various places and through various persons."[3]

Finances :

From April 1, 1950, each State has a separate Consolidated Fund entitled the 'Consolidated Fund of the State',[4] into which all revenues received by the Government of the State, all loans raised by that Government by the issue of Treasury Bills, loans or ways and means advances and moneys received by that Government in repayments of loans are credited and from which the expenditure of the State, when authorised by the appropriate Legislature, is met.

Each such State has also a separate Public Account of the State which incorporates all other public moneys received by or on behalf of the state, and from this Account all the disbursements are made in accordance with the prescribed rules. The revenues received by the Government of India including those received by Union Territories having no separate Legislature, loans or ways or means advances and moneys received by that Government in repayment of loans are credited into a separate Consolidated Fund, entitled the 'Consolidated Fund of India' and from that Fund expenditure of the Government of India including such Union Territories are made when so authorised by the Parliament.

In the case of a Union Territory, with a separate Legislature having power to make laws, all revenues received in such Union Territory by the Government of India or the Administrator of that Union Territory and all grants made and all loans advanced to the Union Territory from the Consolidated Fund and all moneys received by the Union Territory in repayment of loans from one Consolidated Fund entitled the 'Consolidated Fund of the Union Territory.' Further, all other public moneys received by or on behalf of the Government of India including those received by the Union Territories are credited to the Public Account of India and disbursements therefrom are made only in accordance with the prescribed rules. No moneys out of the Consolidated Fund of India or the Consolidated Fund of a State or of a Union Territory can be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution or in the Government of Union

Territories Act, 1963.

Article 267 of the Constitution of India empowers the Parliament and the Legislature of State to create 'Contingency Fund of India' and 'Contingency Fund of State' whereas Section 48 of the Government of Union Territories Act empowers the Legislature of a Union Territory to create 'Contingency Fund of the Union Territory.' The Fund remains at the disposal of the President or the Governor or the Administrator of the Union Territory to enable advances to be made by him for meeting unforeseen expenditure pending authorisation of such expenditure by Parliament or the State or Union Territory Legislature under appropriations made by law. The law made by the appropriate Legislature regulates the procedure to be followed[5] for the custody of the payment of moneys into and the withdrawal of moneys from such fund and pending such authorisation by law the rules made by the President or the Governor or the Administrator govern such expenditure.[6] In any case such cash balances in the separate Consolidated Funds or Contingency Funds and Public Accounts of India and of States, save as may be specifically provided, are to be either held in a Government treasury or kept with the Bank.[7]

Allocation of Financial Resources :

Sources of revenue which have been allocated to the Union are not meant entirely for the benefit of the Union activities. In fact, the Union and the States together form one organic whole for the purposes of utilisation of the resources of the territories of India as a whole.[8]

The sources of revenue and taxation of States or Union Territory with separate Legislature are to a large extent distinct from those of the Government of the Union. This has been done for the sake of convenience in order to avoid competitive exploitation of the same tax and duplication of tax administration.

The special arrangements made by the Constitution are as follows :

(i) Some duties are levied by the Union but collected and entirely appropriated by the States after collection. In respect of a Union Territory such taxes are collected by the Union Government.

(ii) There are certain taxes levied and collected by the Union (excepting the proceeds attributable to Union Territories), but the proceeds are then assigned by the Union to those States within which they have been levied.

(iii) Again, there are taxes which are both levied and collected by the Union (excepting those attributable to Union Territories) but the proceeds are distributed between the Union and the State.

The distribution of the tax-revenue between the Union and the States, according to the foregoing principles, are as follows :

(1) Taxes which belong to the Union exclusively : (i) Customs, (ii) Corporation Tax, (iii) Taxes on capital

value of assets of individuals and Companies, (iv) Surcharge on Income Tax, etc. (v) Fees in respect of matters in the Union List. [List I - Union List - Seventh Schedule of the Constitution of India].

(2) Taxes which belong to the States exclusively : (i) Land Revenue, (ii) Stamp duty except in documents included in the Union List, (iii) Succession duty, Estate duty, and Income tax on agricultural land, (iv) Taxes on passengers and goods carried on inland waterways, (v) Taxes on lands and buildings, mineral rights (vi) Taxes on animals and boats, on road vehicles, ~~Taxes on animals and boats, on road vehicles~~, on advertisements, on consumption of electricity, on luxuries and amusements including entertainments, betting and gambling, (vii) Taxes on entry of goods into local areas, (viii) Sales Tax, (ix) Tolls, (x) Fees in respect of matters incorporated in the State List, (xi) Taxes on professions, trades, etc. not exceeding Rs.250 per annum. [List II - State List - Seventh Schedule of the Constitution of India].

(3) Duties Levied by the Union Government but collected and appropriated by the States :

Stamps duties on bills of Exchange, etc., and Excise duties on medicinal and toilet preparations which contain alcohol, though they are incorporated in the Union List and levied by the Union, are to be collected by the States insofar as leviable within their respective territories, and form part of the States by whom they are collected.[9]

(4) Taxes levied and collected by the Union, but assigned to the States within which they are leviable :

(i) Duties on succession to property other than agricultural land, (ii) Estate duty in respect of property other than agricultural land; (iii) Terminal taxes on goods or passengers carried by railway, sea or air; (iv) Taxes on railway fares and freights; (v) Taxes other than stamp duties on transactions in stock-exchanges and future markets; (vi) Taxes on the sale or purchase and advertisements in newspapers; (vii) Taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-state trade or commerce; (viii) Taxes on inter-state consignment of goods.[10]

(5) Taxes levied and collected by the Union and distributed between Union and the States :

There are certain taxes which are both levied and collected by the Union, but their proceeds are divided between the Union and the States in a certain proportion, in order to give effect to the principle of an equitable division of the financial resources as well as to fulfil a measure of inter-dependence between the nation and state Governments which becomes more pronounced in a developing economy.[11] They are :

(i) Taxes on income other than on agricultural income.[12] (ii) Duties of excise as are mentioned in the Union List, other than medicinal and toilet preparations, may also be distributed, if Parliament by law so provides.[13]

The principal sources of non-tax revenues of the Union are the receipts from :-

Railways; Posts and Telegraphs; Broadcasting T.V. telecasts; Opium; Currency and Mint; Industrial and Commercial Undertakings over which the Central Government has direct jurisdiction, viz., the Industrial Finance Corporation; the Air Corporations; and Industries in which the Union Government have made investments, such as the Sindri Fertilisers and Chemicals Ltd.; the Hindustan Shipyard Ltd.; the Indian Telephone Industries Ltd.

Similarly the States have their receipts from :-

Industrial Undertakings (such as Soap, Sandalwood, Iron and Steel in Mysore, Paper in Madhya Pradesh, Milk Supply in Bombay, Deep-sea Fishing and Silk in West Bengal), Irrigation and Commercial Enterprises (like Electricity, Road Transport) and Forests.

Provision also exists in the Constitution for grants-in-aid to the States, as Parliament may determine, to be in need of assistance for different purposes, such as, for the promotion of welfare of tribal areas, including special grants to Assam in this connection.[14]

<u>State Power of Borrowing</u> :

The Union Government can raise money by borrowing upon the security of the Consolidated Fund of India within India or outside within such limits, if any, from time to time be fixed by Parliament by law.[15] The borrowing power of a State is, however, subject to a number of Constitutional limitations, e.g., in no case it can borrow outside India. A State may only borrow within the territory of India, upon the Security of the Consolidated Fund of the State within such limits, as may from time to time be fixed by law, by the Legislature of the State subject to the condition that the State may not without the consent of the Government of India raise any loan if there is still outstanding any part of loan made to the State by the Government of India in respect of which a guarantee has been given by the Government of India or by its predecessor Government. A State may also obtain loans from the Government of India subject to such conditions as may be laid down by or under any law made by Parliament.[16]

Treasuries : Each State is comprised of a number of districts and in each district headquarters there is a Government treasury, called the 'District Treasury' with one or more sub-treasuries. The treasuries situated in the State are called State treasuries, because they are under the control of the State Government, whereas the treasuries which are situated in the Union Territories are called Union treasuries. The treasuries are the units of fiscal system and they are the points at which the public accounts start. The Treasury maintains a check on monetary transactions of the Government departments because Treasury is the via-media through which only either money can be drawn or payments can be made by Government departments. When any department has to draw money against specific Government allotment for the purpose, then the said department is required to place with the Treasury a receipted bill. Against this receipted bill the Treasury issues cheque in favour of the concerned department encashable at the bank if presented.

Subject to the provisions of the agreement made by the Central Government and each State Government (except Jammu and Kashmir and Sikkim) with the Reserve Bank of India as well as the provisions of the Reserve Bank of India Act, 1934 and such orders given to the Bank by the concerned Government from time to time, the treasury business of each of these Governments including the receipt, collection, payment and remittance of moneys on behalf of the Treasury is conducted by the Reserve Bank of India at every station where it has got a branch or by a branch of the State Bank of India as its agent. The operations of each State are confined to the branches of these two Banks which have been designated as falling within the area of that particular State.[17] This decentralisation of treasury work is the characteristic feature of the Indian financial system and marks the essential difference from the financial system existent in England. There are no outlying State treasuries in England like in India and every monetary transaction of the Government is centralised at Bank of England in London.[18]

The procedure to be followed for the custody of the payment of moneys into and the withdrawal of moneys from the Consolidated Fund, the Contingency and the Public Account as the case may be is regulated by law made by appropriate Legislature and pending such legislation by the rules made in this behalf by the President, or the Governor of the State, or the Administrator of the Union Territory.[19]

These rules are Central Government Accounts (Receipts and Payments) Rules, 1983, or State Treasury Rules as may be appropriate.

Inter-Government Transactions :

The Treasury Rules[20] of each of State Government provide that moneys may be received and payments may be made on behalf of the Union Government including Union Territory Governments and other State Governments by State Treasuries; but after the departmentalisation of accounts[21] of the Union Government in recent years only certain limited category of transactions relating to the Union Government are permitted to be routed through the State Treasuries, and such transactions are initially brought to account in the State Section of Account under "Suspense"[22] pending settlement by cheque or Demand draft with the Pay and Accounts Officer of the Ministry or Department concerned by the State Accountant--General. In respect of transactions occurring in a State treasury on account of other states, they are carried in the first instance against the balance of the State in which the treasury is situated, and the requisite money settlement is also[23] subsequently initiated by the Accountant General through the Central Accounts Section of the Reserve Bank, Nagpur.[24] Similarly, all State transactions in the Pay and Accounts Offices of Central Ministries or Departments are carried initially against the balances of the Union Government pending adjustment between the balances of the Governments concerned through cheque or Demand draft between the Pay and Accounts Offices and Accountant-General or through the medium of the Central Accounts Section of the Reserve Bank of

India depending upon the nature of the transactions.[25]

Initial Accounts : The initial accounts of receipts and payments on behalf of the State Governments are maintained and compiled at the State treasuries in the respective States and forwarded them to the Accountant-General concerned every month. However, certain larger departments like Public Works and Forests, whose Divisions have been vested with cheque drawing powers, maintain their own accounts themselves and into the treasuries they remit their receipts and surpluses periodically.[26] These Divisions render monthly to the respective Accountants-General compiled accounts of transactions incorporating therein the total amount of cheques drawn and money remitted into the Treasuries during the month in question under the relevant Remittance heads prescribed for the purpose. The Treasuries in their initial accounts for the month rendered to the Accountants-General incorporate the contra debits and credits on account of the cheque paid and moneys received by the Treasuries. The pairing off the credits and debits relating to cheques drawn and encashed and moneys remitted and brought to account by the treasuries are watched by the Accountant-General of the State-concerned. In the case of Central Government and Union Territory Government each office or branch of the Reserve Bank of India or other bank who handles their transactions maintains separate accounts in respect of each Ministry and Department and render an account of the transactions to the Pay and Accounts Officer concerned at such intervals as may be prescribed by the Governments, together with all the supporting challans, paid cheques.

The system is a bit different in respect of certain larger Departments, like Railways, Postal, Telecommunications and Defence. The transactions of these Departments arising at offices and branches of the Reserve Bank and State Bank of India, acting as the agent of the Reserve Bank are classified separately for each Railway, each Circle of Posts, each Accounts Officer of Telecommunications, and each Controller of Defence Accounts respectively so as to enable these transactions being taken against the Railway Fund, Postal Account, Telecommunications Account and Defence Account respectively, in the books of the Reserve Bank. Daily scrolls, together with the requisite challans and paid cheques relating to the transactions pertaining to each one are furnished to the Accounts Officer concerned of the Railways, Posts, Telecommunications and Defence Departments, as the case may be.

Classification of Accounts : "The accounts of the Union and of the States shall be kept in such 'form' as the President may on the advice of the Comptroller and Auditor-General of India prescribe."[27]

The word 'form' has a comprehensive meaning. It indicates not only the broad form in which the accounts are to be kept but also the basis for selecting appropriate heads under which the transactions are to be classified. Accordingly the Comptroller and Auditor General, after obtaining the approval of the President, determines the classification of any transaction or class of transactions in Government accounts. The estimates of receipts and expenditure framed by the Government or in any order of Appropriation should indicate provisions, ordinarily against heads opened in conformity with the existing rules. Where there is divergence the corresponding receipt or expenditure shall be brought to account under the appropriate Major head or Minor head or other unit of classification as determined by the President on the advice of Comptroller and Auditor-General.[28]

It is a general rule that the classification of transactions in Government accounts must have closer reference to the function, programme and activity of the Government and the object of the revenue or expenditure, rather than the department in which the revenue or expenditure occurs. For instance, expenditure incurred on the construction of a Hospital by the Public Works Department is debited as expenditure under the major head "2210-Medical" or "4210-Capital Outlay on Medical" as the case may be, and not to the major Head for "Public Works." This principle is, however, subject to such exceptions as may be authorised specially in any individual case or class of cases, e.g., receipts representing "Interest" are shown under "0049-Interest Receipts" and Expenditure on the maintenance and Rapairs of Non-Residential Buildings under the administrative control of the Public Works Department are shown under the Major Head "2059-Public Works" irrespective of the functions to which they relate.[30]

With effect from 1st January, 1982, and in case of Jammu and Kashmir, Maharashtra, Manipur and Sikkim from

15th January, 1982, State Governments have been entrusted with their consent[31], the functions of the Central Government related to the opening of subheads and detailed heads of accounts under various Major and Minor Heads of Accounts in the State concerned, subject to the condition that orders issued by a State Government for opening of sub-heads and detailed heads are consistent with the directions issued by the Central Government from time to time.

Similar orders have been issued[32] to the Administrators of the Union Territories of Arunachal Pradesh,[33] Daman and Diu, and Pondicherry on 1st April, 1987 by the President but subject to the forms prescribed by the President under Article 150 of the Constitution of India.

Compilation of Accounts :

The initial accounts of Government transactions in India are supposed to be prepared by the authorities -concerned through whom the transactions occur, e.g., treasuries, the various departmental offices, pay and accounts organisations etc. From these initial account the Indian Audit and Accounts Department and the Central Accounting organisations of the Union Government compile, under different heads prescribed for Government accounts, and put forward, monthly as well as annually, the combined results of all transactions which occur during that period. From the accounts so compiled by the Indian Audit and Accounts Department and other agencies, the Comptroller and Auditor General prepares the Combined Finance and Revenue Accounts of the Union and the State Governments. Into these accounts incorporated the results of the total Government transactions arising both in and outside India.

In fact, the accounts are built-up from below. Each of the numerous district treasuries and sub-treasuries contribute their quota; and these together with the detailed accounts of their treasury transactions prepared by the departmental offices, processed monthly to the various account centres, whence, after certain processes, they merge in large streams and ultimately converge and concentrate in the office of the Comptroller and Auditor General of India, where they are combined into one consolidated account for the whole country.

Ways and Means :

This refers to methods of maintaining the Government's daily cash balance at a level sufficient to meet its day to day requirements. Into these cash balances incorporated not only the multifarious sums due to and by Government which are generally known as revenue and expenditure, but also the very large amounts borrowed by Government for capital expenditure and also other amounts in regard to which Government acts as a banker or remitter, or borrower or lender, such as deposits of all kinds, money order and loan receipts and issues, advances, remittances etc., which are grouped in the accounts under the 'Debt' Deposit and Remittances Sections.[34] All amounts falling under these headings affect the Government cash balance. The Reserve Bank acts as the Banker to the Central and State Governments (except Jammu and Kashmir and Sikkim). According to the provisions of the agreement with the Reserve Bank, the Governments are required to maintain a minimum balance with the Bank. Therefore, a constant watch is kept on Government's cash balance so that it does not fall below the prescribed minimum at any stage. For this purpose, it becomes essential that a watch is kept over the progress of receipts and expenditure as well as an effective control is maintained over expenditure.

Despite the checks imposed, it is generally observed that the current receipts of Governments fall short of the current expenditure during the earlier part of the financial year. And sometimes it so happens that exceptionally heavy payments in excess of cash balance are also required to be made. In such cases, the Union Government borrows from the Reserve Bank against issue of Treasury Bills, whenever necessary, for replenishing its cash balance. In cases of the State Governments they obtain Ways and Means advances from the Reserve Bank which are repayable within a period not exceeding three months or special 'Ways and Means' advances. But every request to the Bank must be accompanied by a demand promisory note for the amount on behalf of the Governor. At the same time, the particulars of the advance, that is the amount and the interest payable thereon, has to be communicated by the Government to the Accountant-General.[35]

After repayment, the Bank cancels the promissory note for the advance repaid or makes a note on it if it is a part payment. The note on final cancellation is returned to the Government through the Accountant-General.[36]

In addition to this the Central Government also assists a State Government by phased releases of statutory grants, shares of divisible taxes and duties and Plan assistance to them. In case if these arrangements prove insufficient to make up for the deficit, then the State Governments may approach the Central Government for temporary accommodation.

Resource Operations :

The cash balance of a Government is comprised of the balance in its account with the Reserve Bank of India and the balances at treasuries and sub-treasuries; the cash business of which is not conducted by the Bank. It is seen that some treasuries collect more receipts than they require for payments and others less; therefore an arrangement becomes imperative that all the treasuries have at all times enough funds to meet the demands on them.[37] This process of distribution of funds for the purpose in question is referred to as Resource Operations. The control of the Resource Operations of the Government of India and of States, is vested in the Reserve Bank. This work is conducted under the control of the Bank by a number of currency officers each of whom is in charge of an Issue Department of the Bank and is responsible for the work of one or more states within his jurisdiction.

The need to enable the Bank to meet the disbursements which the bank has to make on its account at its various branches, a responsibility falls on each Government to keep a sufficient sum in its account at the Reserve Bank. At places where there is no branch or agency of the Bank, Government has to hold the Treasury Officer of the concerned treasury responsible for keeping sufficient funds in order to meet all Government disbursements and for maintaining the balances as low as possible so that money may not be locked up unnecessarily.

Annual Financial Statement : Every year, each Government presents to its Legislature a statement of its estimated expenditure called 'annual financial statement' which is commonly known as "the Budget." This statement incorporates the sums required to meet expenditure charged upon the Consolidated Fund of India or the Consolidated Fund of the State or the Consolidated Fund of the Union Territory and the sums required to meet other expenditure proposed to be met from the Fund are shown separately, the expenditure on revenue amounts being distinguished from other expenditure.[38] The Budget shows receipts and payments of the Government under three heads :

(a) Consolidated Fund; (b) Contingency Fund; and (c) Public Account.

The Budget comprises : (i) Revenue Budget; and (ii) Capital Budget.

At present, the budget at the Centre and in the

States radically differs from the traditional 'line item budget', which highlighted only the objects of expenditure. This new system of budget is called performance-oriented budget, which presents "government operations in terms of functions, programmes, activities and projects."[39] Performance Budgeting system has been introduced with a view to have a meaningful reflection of the national development effort and also to evaluate the progress of projects against set targets as well as to serve as a tool for securing the efficient management of operations entrusted to the Administration. The individual items incorporated in the budget are shown in financial terms as well as in physical terms in order to establish a proper relationship between inputs and outputs. This enables a proper assessment of the performance in relation to costs.

So much of the estimate as relates to expenditure charged upon Consolidated Fund of India/the Consolidated Fund of a State is not submitted to the vote of Legislature/ to the vote of the Legislative Assembly, though it is open to discussion of the members in the Legislature/the Legislative Assembly.[40] So much of the estimate as relates to other expenditure is submitted to the Legislature concerned in the form of Demands for Grants on the recommendation of the President or the Governor of the State or the Administrator of the Union Territories with Legislature, as the case may be.[41]

After the Demands for Grants have been Voted and the total expenditure involved comes into the picture, then only the Finance Bill containing the annual taxation proposals is considered and passed by the Legislatures. Then it enters the Statute as Finance Act.

Appropriation Act :

As soon as the demands for grants have been voted by the Legislature, a bill is introduced to provide for the appropriation out of the Consolidated Fund of India or of the State or of the Union Territory with Legislature for all moneys required to meet -

(a) the grants so made by the Legislature; and (b) the expenditure charged on the Consolidated Fund, but not exceeding in any case the amount shown in statement previously laid before the Legislature.

Before this bill is passed by the Legislature, no money can be withdrawn from the Consolidated Fund. The bill so passed becomes the Appropriation Act.[42]

It is intended through the sums authorised in the Appropriation Act to cover all charges including the liability of past years, to be paid during a financial year or to be adjusted in the accounts of that year. The balance of fund which remains unutilised till the closure of the the financial year automatically lapses and does not remain available for utilisation in the following financial year.

For the purposes of financial control each Grant or Appropriation is divided into a number of units called subordinate heads or sub-heads and, if required, into further smaller units called 'Detailed Heads.' All allotments and re-appropriations within sub-heads and sub-divisions of sub-heads within the amount of each Grant or Appropriation may be sanctioned by the Government or by such subordinate authorities as are duly authorised to do so, but any expenditure not falling within the scope or intention of a Grant may not be authorised from funds provided under that Grant. Reappropriations from one Grant or Appropriation to another Grant or Appropriation are not permissible. Even any allotment or Appropriation after the expiry of the financial year, to which such Grant or Appropriation is related, is also not permissible. In fact, in States the Accountant-General is ultimately responsible for the control of expenditure against the grant or appropriation.[43]

<u>Audit</u> :

The Comptroller and Auditor General of India is in charge of the audit and accounts not only of the Union but also of the States.[44] State Accountant General,[45] who keeps accounts of State, in fact, is subordinate to the Comptroller and Auditor General of India. The audit of the Comptroller and Auditor-General is comprehensive and includes :
(a) Regularity Audit; (b) Propriety Audit; and
(c) Efficiency-cum-Performance Audit. The Comptroller and Auditor-General of India is required to uphold the Constitution of India and the laws made thereunder.[46] His audit functions are summarised as follows :

(a) He audits all receipts which are payable in the Consolidated Fund of India and of each State and each Union Territory having a Legislative Assembly and satisfies himself that the rules and procedures in that behalf are designated to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed and makes for this purpose such examination of the accounts as he thinks fit. (b) He audits all expenditure from the Consolidated Fund of India and of each State and of each Union Territory having a Legislative Assembly and ascertains whether the money shown in the Accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority that governs it. (c) He audits all transactions of the Union and of the States relating to the Contingency Funds and Public Accounts. (d) He audits all trading, manufacturing, profit and loss accounts and balance sheets and other subsidiary accounts kept in any department of the Union or of a State. (e) He audits the accounts of stores and stock kept in any Office or department of the Union or of a State and in each case reports on the expenditure, transactions or accounts so audited by him.[47]

The Comptroller and Auditor-General examines the propriety of executive actions[48] and looks beyond formality of expenditure to its wisdom, faithfulness and economy and brings to the notice of the Legislature cases of waste, loss, extravagant or nugatory expenditure and he is thus empowered to challenge any improper exercise of discretion and comment on the propriety of expenditure attempted in the audit of development schemes.

In recent years, the pattern of Governmental expenditure, its nature and dimensions underwent radical transformation in the wake of increasing Governmental outlays in developmental activities. Therefore, the concept of efficiency-cum-performance audit has been developed to meet the changing requirements. Today, Audit examines how far the agency assigned with the task of executing various schemes, is competently discharging its financial responsibility in regard to the said schemes and tries to ascertain whether the schemes are being executed and their operations conducted economically and efficiently and whether they are yielding results expected of them.

Audit of Public Debt :

With regard to borrowings it is the duty of Audit to see that the proceeds of loans are properly brought to account and that they are expended only on objects for which the loans were originally raised and have been properly applied in accordance with the sound principles of public finance. Audit also has to see that adequate arrangements are made by Government for amortisation of debt especially when borrowed moneys are utilised on objects or works which cannot be regarded as productive and should bring to the notice of the Government if there are instances in which amortisation has been ignored or appears to be prima facie inadequate.

The results of all these audits are incorporated in the Audit Reports by the Comptroller and Auditor-General for submission to the President or the Governor of the State or the Administrator of the Union Territory, as the case may be, for presentation to the concerned Legislature. These Audit Reports point out cases of significant variations from the funds voted by the Legislature and other irregularities. In fact, they form the instruments through which the second stage of Parliamentary control, viz., control over implementation of policies, is exercised.

After the Audit Reports, Finance Accounts and Appropriation Accounts are placed before the Legislature, they are examined by the Public Accounts Committee consisting of members of the Parliament/the State Legislature. Another Financial Committee called the Committee on Public Undertakings examines the reports and accounts of the Public Sector Undertakings and also the Reports of the Comptroller and Auditor-General on Public Undertakings.

The accounts of the Union and the States should be kept in such form as the President of India prescribes after obtaining the advice of the Comptroller and Auditor General of India.[49] Accordingly the Comptroller and Auditor General is also required to obtain the approval of the President before determining the classification of any transaction or class of transactions in Government accounts. The Accountant General of each State is simply an Accounts Officer subordinate to the Comptroller and Auditor General of India.[50]

The Comptroller and Auditor General of India derives his powers and duties in relation to the accounts of the Union and of the States, as is obvious, from Articles 149 and 150 of the Constitution of India. The duties and powers of the Auditor General of India vis-a-vis the accounts of the Dominion of India and of the Provinces prior to the commencement of the Constitution of independent India have been prescribed in the Audit and Accounts Order, 1936 as adapted by the India (Provisional Constitution) Order, 1947, and in the Initial and Subsidiary Accounts Rules made by the Governor General under sub-paragraph (3) of the paragraph (11) of the former order. By virtue of the stipulations laid down under Article 149 of the Constitution, the relevant conditions of the former Order, and Initial and Subsidiary Accounts Rules, continue to remain in force and regulate the duties and powers of the Comptroller and Auditor General in relation to the accounts of the Union and of the States until an Act to this effect is passed by Parliament under that Article.[51]

It appears that the Comptroller and Auditor General of India is in charge of the audit and accounts not only of the Union but also of the States. From Article 150 of the Constitution it transpires that the centralised and combined system that existed prior to the Constitution has been perpetuated notwithstanding the change in the set-up. Besides, there is no provision in the Constitution corresponding to Section 167 of the Government of India Act, 1935, under which a Provincial Legislature had the power to create the office of an Auditor-General for that Province.

Therefore, under the present Constitution of India there is no scope whatsoever for the appointment of a Provincial Auditor-General. The keeping of the accounts of the States and the audit thereof is performed by the staff of the Comptroller and Auditor-General of India at present in each State by the State's Accountant General, who in fact, is an assistant to the Comptroller and Auditor-General. The advantages of this centralised system are uniformity and ~~also~~ economy.

Notes and References :

1 Article 163(1) of the Constitution of India.

2 Article 246. Subject-matter of laws made by Parliament and by the Legislatures of States -

(1) Notwithstanding anything in clauses (2) and (3), Parliament has exclusive power to make laws with respect to any of the matters enumerated in List I in the Seventh Schedule (in this Constitution referred to as the "Union List")

(2) Notwithstanding anything in Clause(3), Parliament, and, subject to clause (1), the Legislature of any State also, have power to make laws with respect to any of the matters enumerated in List III in the Seventh Schedule (in this Constitution referred to as the "Concurrent List").

(3) Subject to clauses (1) and (2), the Legislature of any State has exclusive power to make laws for such State or any part thereof with respect to any of the matters enumerated in List II in the Seventh Schedule (in this Constitution referred to as the "State List").

(4) Parliament has power to make laws with respect to any matters for any part of the territory of India not included in a State notwithstanding that such is a matter enumerated in the State List.

2A This was done in the year 1962 by vide Memorandum No.F. 10(4)-E (Coord)/62 dated 1st June, 1962 of the Ministry of Finance (Department of Expenditure), Govt.of India.

3 Para 70 of the Introduction to the Indian Government Accounts and Audit, Third Edition, 1963.

4 Article 266 of the Constitution.

5 Articles 115, 116, 205 and 206 of the Constitution of India.

6 Article 7-A, Account Code Vol.I, Govt.of India, 1972.

7 Article 8 ibid., Vol.I, 1972

8 Coffee Board vs. C.T.O., A.I.R.1971 Supreme Court, 870.

9 Article 268 of the Constitution.

10 Article 269 of the Constitution.

11 Report of the Third Finance Commission, 1961, p.16.

12 Article 270 of the Constitution.

13 Article 272 of the Constitution.

14 Article 275 of the Constitution.

15 Article 292 of the Constitution.

16 Article 293 of the Constitution.

17 Article 9 of the Govt.of India Account Code, Vol.I, 1972.

18 The Governments of Jammu and Kashmir and Sikkim are yet to enter into agreement with the Reserve Bank of India for the conduct of their treasury business by the Bank.

19 Article 7-A of the Government of India Account Code, Vol.I, 1972.

20 Issued under Article 283(2) of the Constitution of India.

21 From April 1, 1976, the Scheme of departmentalisation of accounts of the Union Government has been brought about in a phased manner. This departmentalisation of accounts aimed at two changes :
(a) abolition of media of Exchange Accounts;
(b) replacement of the system of settlement account by settlement through cheque/drafts in the cases of inter-Government transactions.

22 Suspense Account itself means : items of receipts and payments which cannot at once be taken to a final head of receipt or charge owing to lack of information as to their nature or for any other reasons. This particular head of account is known as : '858-Suspense Account.'

23 This initially is brought to account in the State Section of Account under the head : "893-Inter--State Suspense."

24 Articles 5.1, 5.2, and 5.3 of the Account Code for Accountants General issued by the Ministry of Finance, Govt. of India(1984).

25 In fact, at present the Central Accounts Section of the Reserve Bank of India acts as the medium only for grant of Loans and Grants to the States by the Centre and its repayments thereof. Other payments are ordinarily settled by cheque or draft.

26 Article 89 of Account Code, Vol.III issued by the Comptroller and Auditor General of India, 1971.

27 Article 150 of the Constitution of India.

28 Article 29 of the Account Code Vol.I, 1972. At present there exists a five-tier arrangement of the classification structure of Government Accounts, viz. - (a) the Sectors; (b) Major Heads; (c) Minor Heads; (d) Sub-Heads; and (e) Detailed Heads.

30 Article 30 of the Account Code, Vol.I, Govt. of India, 1972.

31 Article 258(1) of the Constitution.

32 Under Article 239(1) of the Constitution.

33 Arunachal Pradesh became a full fledged state of the Union in December, 1986.

34 Para 91, An Introduction to Indian Govt. Accounts and Audit (1963).

35 Subsidiary Rule 388 of the West Bengal Treasury Rules, 1978.

36 Subsidiary Rule 389 of West Bengal Treasury Rules, 1978.

37 Para 92 of 'Introduction to Indian Government Accounts and Audit (1963).

38 Articles 112 and 202 of the Constitution of India and Section 27 of the Govt. of Union Territories Act, 1963.

39 "Administrative Reforms Commission : Report on finance accounts audit 1968", pp.7-8.

40 Articles 113(1) and 203(1) of the Constitution of India.

41 Articles 113(2) and 203(2) of the Constitution of India and Section 28 of the Govt. of Union Territories Act, 1963.

42 Articles 114 and 204 of the Constitution and Section 29 of the Government of Union Territories Act, 1963.

43 Para 56 of the 'Hand Book for use by Drawing and Disbursing Officer' issued by Director of Treasuries and Accounts, West Bengal (1987).

44 Article 150 of the Constitution of India.

45 "Accountant-General" means the head of the office of audit and accounts, subordinate to the Auditor-General of India, who keeps the accounts of the State and exercises audit functions in relation to these accounts on behalf of the Auditor-General of India.

46 Article 71 of "Audit Code" issued by the Comptroller and Auditor-General of India (1950).

47 Sections 13, 16 and 17 of the "Comptroller and Auditor-General's [Duties, Powers and Conditions of Service] Act, 1971."

48 Article 48 of "Audit Code" issued by Comptroller and Auditor-General of India (1950).

49 Article 150 of the Constitution of India.

50 Para 1.1 of the Account Code for Accountants General, Ministry of Finance, Govt. of India, 1984.

51 Appropriate extracts of the Audit and Accounts Order, 1936, as adapted, defining the powers and duties of the Comptroller and Auditor General in relation to accounts are noted thus. In applying them under the Constitution references to the Auditor General, Dominion, Province, Governor General and "the Act" should be deemed to refer to the Comptroller and

Auditor General, Union (Central Government), State, President, and "the Constitution" Respectively :

11(1) Subject to the provisions of this paragraph, the Auditor General shall be responsible for the keeping of the accounts of the Dominion and of each Province other than accounts of the Dominion relating to Defence or Railways and accounts relating to transactions in the United Kingdom.

(2) As respects accounts of the Dominion, the Governor General, and as respects accounts of a Province, the Governor, may after consultation with the Auditor General, make provision by rules for relieving the Auditor General from responsibility for the keeping of the accounts of any particular service or department.

(3) The Governor General may after consultation with the Auditor General make provisions by rules relieving the Auditor General from responsibility for keeping accounts of any particular class or character.

(4) The Auditor General shall, from the accounts kept by him and by the other persons responsible for keeping public accounts, prepare in each year accounts (including in the case of accounts kept by him, appropriation accounts) showing the annual receipts and disbursements for the purposes of the Dominion and each Province, distinguished under the respective heads thereof, and shall submit these accounts to the Dominion Government or as the case may be, to the Government of the Province on such dates as he may, with the concurrence of the Government concerned, determine.

(5) Notwithstanding anything in this paragraph, the Auditor General shall comply with any general or

special orders of the Governor General or, as the case may be, Governor as to the head of account under which any specified transactions or transaction of any specified class is, or are, to be included.

In issuing any such order as aforesaid the Governor General or Governor shall consult the Auditor General.

12. It shall be the duty of the Auditor General to prepare annually, in such form as he with the concurrence of the Governor General may determine, and to submit to the Governor General a General Financial Statement incorporating a summary of the accounts of the Dominion and of all the Provinces for the last preceding year and particulars of their balances and outstanding liabilities, and containing such other information as to their financial position as the Governor-General may direct to be included in the statement.

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15. It shall be the duty of the Auditor General, so far as the accounts for the keeping of which he is responsible enable him so to do, to give to the Dominion Government and to the Government of every Province such information as they may from time to time require and such assistance in the preparation of their annual financial statements as they may reasonably ask for.

16. The Dominion and every Province shall -

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(ii) give to him such information as he may require for the preparation of any account or report which it is his duty to prepare.

17. The Auditor General shall have authority to inspect any office of accounts which is under the control of

the Dominion or of a Province, including treasuries and such offices responsible for the keeping of initial or subsidiary accounts as submit accounts to him.

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19. Anything which under this order is directed to be done by the Auditor General may be done by an officer of his department authorised by him, either generally or specially. Provided that except during the absence of the Auditor General on leave or otherwise an officer shall not be authorised to submit on his behalf any report which the Auditor General is required by the Act [the 'Act' implies here the Government of India Act, 1935, as adapted by the India (Provisional Constitution) Order, 1947] to submit to the Governor-General or the Governor of a Province.

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FEATURES OF DISTRICT FINANCIAL ADMINISTRATION IN WEST BENGAL

Similar to the other States in India the principal unit of financial administration in West Bengal is also a district under the charge of a District Magistrate and Collector.[1]

Structure of District Administration :

When West Bengal came to be constituted as a separate State after the partition in 1947, there were only fourteen districts. In 1950 it rose to fifteen with the merger of Coochbehar as a separate district. A new district of Purulia was created in 1956 with the territory transferred to West Bengal from the Manbhum district of Bihar. For the sake of administrative convenience in 1986 the district of 24 Parganas was bifurcated into two separate districts : 24 Parganas (North) and 24 Parganas (South),[2] and recently on 1st April, 1992, the district of West Dinajpur has also been bifurcated into two separate districts : West Dinajpur (North) and West Dinajpur (South). This has raised the number of districts in West Bengal to eighteen and it has remained so at least till today. However, a recommendation to further divide the districts of Burdwan and Midnapore is still awaiting final decision of the Government.[3]

A district in West Bengal is comprised of one or more sub-divisions, and each sub-division is headed by one Sub-Divisional Officer who is also called Sub-Divisional Magistrate when he functions as the head of law and order machinery of the subdivision. Similarly every subdivision is consisted of several blocks and the head of each block is a Block Development Officer.

Whether Calcutta is a District ?

Although there are eighteen districts, the city district of Calcutta is not treated on the same footing as a district usually so denoted. The administrative mechanism operating in Calcutta is quite different from what is known as district administration understood elsewhere. In Calcutta city, there is no post of District Magistrate as such. The law and order machinery is directly looked after by the Police Commissioner, who is also vested with the power of an Executive Magistrate, and as regards development administration in the metropolis the Calcutta Minicipal Corporation is directly responsible. Therefore, the name of the Calcutta Treasury has been changed into the Calcutta Pay and Accounts Office with effect from the 1st February, 1978,[4] which also heppens to be the same year since when the Panchayati Raj system became operative in the other districts of West Bengal. In fine, the district administration in the accepted sense does not operate in Calcutta.

Structure under Panchayati Raj System vis-a-vis District :

For every district the State Government has constituted a Zilla Parishad bearing the name of the district[5] and correspondingly for every block a Panchayat Samiti has been constituted bearing the name of the block.[6]

Assuming that there is a one-to-one correspondence between Panchayat Samiti and development block, there should be 341 Panchayat Samitis. But this is not so because two Panchayat Samitis are yet to be constituted by the State Government.[6A] Hence the total number of development blocks in the State stands at 341, which is two more than the number of Panchayat Samitis.

In such block, where Panchayat Samiti is yet to be constituted, the Block Development Officer acts independently obtaining advice directly from the District Magistrate and Executive Officer of the Zilla Parishad especially in respect of development issues.

Every block is comprised of several Grams and for every Gram the State Government constitutes a Gram Panchayat bearing the name of the Gram.[7]

Development Plans and Panchayati Raj Institutions :

Under the Panchayati Raj system in West Bengal development plans for rural areas are prepared through this three-tier system, the Zilla Parishad, Panchayat Samiti and Gram Panchayat.

These three bodies consist of elected members, who are elected every five-year through the Panchayat General Election. The first of such election was held in the year 1978 in West Bengal.[8]

While the Zilla Parishad is responsible for the district plans, the Panchayat Samiti for the block plans and the Gram Panchayat for the Gram plans. A Gram Panchayat consists of several villages, and each development block is comprised of several Gram Panchayat areas. In West Bengal, at present, there are in all 3305 Gram Panchayats against 339 Panchayat Samitis and 17 Zilla Parishads.

As a matter of fact, there are only 16 Zilla Parishads and one is called Mahakuma (subdivisional) Parishad - though it enjoys the same power as the Zilla Parishad. The Mahakuma Parishad at Siliguri came into existence simultaneously with the constitution of the Darjeeling Gorkha Hill Council in 1988.[9] The District Magistrate of Darjeeling is the Executive Officer of the Siliguri Mahakuma Parishad.[10]

The role of the Executive Officer

The District Magistrate and the Block Development Officer are the ex-officio Executive Officers of the Zilla Parishad and Panchayat Samiti respectively. By virtue of their being Executive Officers they are responsible for the implementation and execution of the decisions taken by these bodies on the matters related to development plans in the district and the block respectively.

The power to draw and disburse the funds of the Zilla Parishad and the Panchayat Samiti is vested only with the respective Executive Officers. These elected bodies are simply the decision making bodies. In general, this is an advantage because the members of these bodies, who are elected only for a term of five years, are not expected to be thorough in the financial rules of the Government. On the contrary this is no advantage to the Executive Officer. If on the one hand he is officially bound to carry out the decisions taken by the Zilla Parishad/ Panchayat Samiti then on the other he is required to see meticulously that while implementing the decisions the relevant financial rules are not violated, for he is the person who has to face the audit directly.

It is prescribed in the Panchayat Act that the Chairman[11] of the Zilla Parishad/Panchayat Samiti 'shall have the general responsibility for the financial and executive administration' of the Zilla Parishad/Panchayat Samiti,[12] but in what manner should he be made directly responsible especially with regard to financial matters the Act in question is absolutely silent; whereas, as discussed in the preceding para, the power to draw and disburse the Zilla Parishad/Panchayat Samiti funds is only vested with the Executive Officer.[12A] Therefore, in the matters relating to financial administration a person cannot be considered responsible unless he is directly involved in day-to-day monetary transactions. The Chairman is simply the head of a decision making body and acts on behalf of the body;[12B] and on mode of payment over any work or supply of materials he has no say whatsoever, it is solely the prerogative of the Executive Officer.

On the other hand, the Executive Officer has been given no choice than to implement the decisions taken by these bodies.[12C] The Act clearly maintains that the Executive Officer may be recalled by the State Government if a resolution to this effect is passed by the Zilla Parishad/ Panchayat Samiti by a simple majority of the total members holding office for the time being in a meeting specially convened for this purpose.[13] Although there is no such precedent that this provision was ever applied, its very existence hangs like the mythical sword of the Democles over the head of the Executive Officer.

Remedy :

The only remedy advised against the above provision is : either to delete this provision itself and allow more latitude to the Executive Officer in respect of monetary matters or to make it obligatory on the part of the Sabhadhipati/Sabhapati to put his countersignature on every payment order. Only could personal involvement make one feel responsible.

Local Funds :

The funds of the local bodies such as municipalities, Zilla Parishad, Panchayat Samiti etc., are categorised as 'Local Fund'. The expression 'Local Fund' denotes :

(i) Revenue administered by bodies which by law or rule having the force of law come under the control of the Government whether in regard to the proceedings generally or to specific matters such as the sanctioning of their budgets, sanction to the creation on filling up of particular of appointments, the enactment of leave, pension or similar rules.

(ii) The revenue of anybody which may be specially notified by the Government as such.[13A]

Thus the funds of Zilla Parishad, Panchayat Samiti etc. are treated as Local Fund.

The P.L.Account :

The local fund accounts are maintained at the treasuries under the name 'Personal Ledger Account' or in short only 'P.L.Account'.[14]

The Zilla Parishad and Panchayat Samiti are not allowed by the Government to retain any fund outside the P.L.Account in any commercial banks.[14A]

The Advantages :

It cannot be claimed specifically that the P.L. Account as such has benefited the Government at any time, but broadly speaking there are two advantages attached with its maintenance :

(i) The Government can keep constant vigil over every withdrawal of fund by such local bodies; and,

(ii) In case of financial crisis in the country of grave nature, the Government by simply issuing a directive to the treasuries may freeze the entire deposits of such local bodies till such time the Government may deem necessary.

The disadvantages of maintaining the P.L.Account :

The P.L.Account at a treasury is kept purely as a banking account, moneys being paid into and drawn out of the treasury without specification of the nature of receipt or expenditure. Unless in any case the Government directs otherwise, withdrawals can be made only by cheques signed by the Executive Officer or some responsible officers, so authorised in the absence of the Executive Officer, of the local authority concerned. Under the existing rules, in fact, in respect of the funds in P.L.Account the treasury as such has neither the scope nor the power either to control or to check the withdrawals made by the local authorities. Secondly, any allotment of fund received and credited into the P.L.Account can safely be carried over for years, without being detected by the treasury unless at a later date by the audit, no matter whether the allotment in question was meant to be expended within a particular financial year or not. This, perhaps, is one of the major causes for irregularities in the P.L.Account. Had there been the bill system for all withdrawals then this defect could easily have been avoided.

The Bill System :

Against every claim for withdrawal of funds from the P.L.Account, the local body may be asked to place before the treasury a detailed bill mentioning the nature of expenditure with a view to facilitating the treasury to put a check on unauthorised expenditure, if any. After debiting the gross amount of bill from the deposits in the P.L.Account concerned, the Treasury Officer may issue treasury cheque, encashable at a particular nationalised bank[15] with whom the treasury is maintaining its monetary transactions.

Exceptions made in case of Gram Panchayat :

In the three-tier Panchayati Raj system in West Bengal, only the Gram Panchayat has been kept free by the Government from the purview of treasury for all its monetary dealings. A Gram Panchayat may deposit all its funds in any savings bank,[16] but before withdrawal there are certain stipulations to be fulfilled by it. Every withdrawal cheque, irrespective of the amount, must bear the signature of the Pradhan and the Upa-Pradhan or in the absence of Upa-Pradhan[17] of a member of the Gram Panchayat so authorised at a meeting in this behalf.[18]

The introduction of this slight change in the withdrawal procedure has done immense good to the Gram Panchayat administration. This arrangement has broken the monopoly of a single man over the Gram Panchayat's fund reducing the chances of misappropriation considerably. In view of the development administration, this is indeed a very healthy change.

Treasuries :

Until recently there was one sub-treasury in each subdivision to control financial transactions of different government departments falling within the subdivision, but now all the sub-treasuries have been upgraded and converted into full-fledged treasuries. The upgradation of the sub-treasuries was done in stages from 1.8.76 to 1.8.87.[18A] These subdivisional treasuries now function independently without any intervention of the district treasury for all its transactions and rendering accounts to the Accountant-General, West Bengal. As a matter of fact, after the upgradation of the sub-treasuries into treasuries, the district treasuries have been redesignated as Sadar-treasuries. Every treasury is awarded a code number by the Accountant-General for quick identification of each treasury for data-processing. Every month treasury accounts are sent to the Accountant-General quoting the code number on each page of input.

Collector versus Treasury Officer :

The treasury or treasuries falling within the district are under the general charge of the Collector of the district concerned, who entrusts the immediate control to a Treasury Officer subordinate to him but does not divest himself of administrative control.[19]

The State's Accountant General directs his communications regarding matters relating to treasury accounts and procedure either to the Collector or to the Treasury

Officer, but all important communications to the Accountant-General must issue over the signature of the Collector or with his approval over the file. It is stressed that the Collector may manage his treasury by a Deputy, but he must not treat his treasury as a separate and independent office. He is refrained from addressing the Treasury Officer officially in any communication or forward the Treasury Officer's explanation as his own reply to questions or enquiries concerning the treasury works.[20] However, there is no bar as such if the Collector sends his directions to the Treasury Officer using unofficial memo (in short U/O memo) number as he sends his directives to the Officer-in-Charge of the different wings of the Collectorate. But this procedure is hardly followed. Official memos are used at random as if different wings in the collectorate are separate offices.

The Director of Treasuries :

The overall administrative matters relating to treasuries in the State are being looked into by the Director of Treasuries, who is of the rank of a Deputy Secretary in the State's administration. Yet he does not function independently, on every matter of administration he has to obtain guidance and advice from the State Finance Department.

The Role of the West Bengal Audit and Accounts Service :

Previously the post of Treasury Officer was manned by an officer from the West Bengal Civil Service, but after the creation of West Bengal Audit and Accounts Service in 1971, the post of Treasury Officer is mainly filled-up by an officer from this service. The main purpose of the Government behind creation of Audit and Accounts Service was to give to treasury a full-time officer who should remain free from other engagements. The services of a West Bengal Civil Service Officer could not be spared as such for full-time engagement because by virtue of his post he is an ex-officio Executive Magistrate, whose primary responsibility, while posted in a district on general duty is to help the District Magistrate in maintaining law and order.

In this same connection, it may be noted that though the Collector is in the general charge of treasury, he can hardly do justice to treasury works because of his other multifarious preoccupations especially related to the developmental issues in the district. At least, after the creation of the West Bengal Audit and Accounts Service, the Collector may now feel a little bit complacent about treasury matters.

Table of Treasuries in West Bengal :

The following is the table of Treasuries with the Codes district-wise :

Name of the District	Treasury	Code No.
1. Calcutta	Calcutta Collectorate	AO
"	Pays Accounts Office	TO
2. 24 Parganas (South)	Alipore-I	BO
"	" -II	B1
"	Diamond Harbour	B2
3. Nadia	Nadia	CO
"	Ranaghat	C1
"	Kalyani	C2
4. Murshidabad	Berhampur	DO
"	Kandi	D1
"	Jangipur	D2
"	Lalbagh	D3
5. Howrah	Howrah (1)	EO
"	Howrah (2)	E2
"	Uluberia	E1
6. Burdwan	Burdwan (1)	FO
"	Burdwan (2)	F5
"	Asansol	F1
"	Durgapur	F2
"	Kalna	F3
"	Katwa	F4
7. Birbhum	Suri	GO
"	Rampurhat	G1
"	Bolpur	G2

Name of the District	Treasury	Code No.
8. Bankura	Bankura	HO
"	Bishnupur	H1
9. Midnapur	Midnapore	JO
"	Tamluk	J1
"	Ghatal	J2
"	Jhargram	J3
"	Contai	J4
10. Hooghly	Hooghly(1)	KO
"	Hooghly(2)	K4
"	Serampore-A	K1
"	Serampore-B	K5
"	Chandernagore	K2
"	Arambagh	K3
11. Purulia	Purulia	LO
12. Maldah	Maldah(A)	MO
"	Maldah(B)	M1
13. West Dinajpur(South)	Balurghat	NO
14. West Dinajpur(North)	Islampur	N1
"	Raigunj	N2
15. Jalpaiguri	Jalpaiguri	PO
"	Alipurduar	P1
16. Cooch-Behar	Coochbehar(1)	QO
"	Coochbehar(2)	Q5
"	Dinhata	Q1
"	Mathabhanga	Q2
"	Tufangunj	Q3
"	Mekhligunj	Q4
17. Darjeeling	Darjeeling	RO
"	Siliguri	R1

Name of the District	Treasury	Code No.
Darjeeling	Kurseong	R2
"	Kalimpong	R3
18. 24 Parganas (North)	Barasat (1)	VO
"	Barasat (2)	V4
"	Barrackpore I	V1
"	Bongaon	V2
"	Basirhat	V3
"	Barrackpore II	V5

Bank and Non-Bank Treasuries :

The treasury is the focal point where the primary records of financial transactions of Government in the district are maintained.

The treasuries are of two kinds : Banking and Non-Banking. A Bank Treasury means a treasury, the cash business of which is conducted by the Reserve Bank of India or its branches or agencies authorised to conduct Government business, whereas a Non-Bank Treasury is a treasury other than a Bank Treasury i.e., a treasury the cash business of which is conducted by it without directly involving any bank as such.[21] In West Bengal there are only Bank Treasuries.

In the Bank-Treasuries, the Manager or Agent, as the case may be, of the concerned bank is responsible for the provision of funds to meet the Government disbursements. To enable to make him the requisite provision, the Treasury Officer is required to send him on each Saturday a statement showing as accurately as possible for the following two weeks separately the probable receipts and disbursements on Government account at the treasury.

The Treasury Officer also informs the bank through advice of an expected payment against the bills, otherwise the bank concerned will not be bound to make any payment to any party against any bill passed by the treasury. This procedure is followed to eliminate the possibility of any wrong payment by the bank.

Functions of a Treasury :

The functions entrusted to the treasury broadly fall under :

(a) receipt of money from the public and departmental officers for credit to Government;

(b) payment of claims against Government on bills or cheques or other instruments presented by the departmental drawing and disbursing officers or pensioners or others authorised to do so;

[In fact, all treasury payments are made through the concerned bank]

(c) Keeping initial and subsidiary accounts of the receipts and payments occurring at them and rendering statements of such transactions to the Accountant-General for detailed compilation and consolidation;

(d) acting as a banker in respect of funds of local bodies, Zilla Parishad, panchayat institutions etc., who keep their funds with the treasuries under the head

P.L.Account; and

(e) custody of opium and other valuables because of the strong room facility provided at the treasury, which cannot be considered as exactly germane to the function of the treasury.

The Collector of the district is in general charge of the treasury and is, as we know, personally responsible for its general administration; but he takes no part in the daily routine of treasury business because of his busy schedule everyday. Therefore, the Treasury Officer is in immediate executive charge of the treasury.

The Role of the Treasury Officer :

As the Collector's delegate and representative, the Treasury Officer is responsible to the Collector primarily for the proper discharge of his duties, for thorough observance of all rules prescribed for his guidance in every branch of his duties and for strict attention in all details of the daily routine of the treasury work. He is responsible to the Collector for the working of the treasury and the conduct of the subordinate treasury official, like Additional Treasury Officer and others, and for the custody of stamps and opium and is jointly responsible with the Stamps Clerk since one key of the double-locked strong room is retained by the Treasury Officer himself, but at present it is retained by one of the Additional Treasury Officers subordinate to the Treasury Officer, whereas the second key kept by the Stamps

Clerk. The Treasury Officer is also responsible to the Collector for keeping accounts of the treasury strictly in accordance with the accounting rules, for the accuracy of all initial records and vouchers and for regularity of all transactions taking place at the treasury.

The Treasury Accountant :

Apart from the Treasury Officer there is one Accountant at the treasury who is responsible under the orders of the Treasury Officer for keeping complete records of cash and book transactions. He is also required to see that the rules and orders in force are observed in respect of all transactions of the treasury and to bring all cases of irregularity to the notice of the Treasury Officer.[22]

Previously there used to be a post of Treasurer, who was responsible for the handling of the cash, but after the conversion of all treasuries into Bank Treasuries, the post of Treasurer as such become redundant and was, thus, abolished by the Government. At present in the strong-room of the Treasury, which is double-locked, excepting service postage stamps and court-fee stamps no hard cash is kept because the payment portion is directly dealt by the bank.

Checks to be applied at Treasury on claims :

Claims as regards all governmental payments are presented in the prescribed form at the treasury by the departmental drawing officers or by the public or pensioners.[23] It is stipulated that the bills[24] presented by the public must bear the countersignature of the departmental officers otherwise the bills are not entertained.[25] Every claim is subject to treasury checks like arithmetical computations,[26] correctness of the classification,[27] comparison of signature of the departmental drawing officer with the specimen signatures on record with the treasury,[28] identification of the payee,[29] conformity with the authority, if any, issued by the Accountant-General or the sanction of the competent authority,[30] completeness of the bill with supporting schedules in respect of recoveries, etcetera. The bills are then passed for payment[31] and against which treasury cheques are issued, which are encashable at the bank.

It is prescribed that, irrespective of the endorsement made by the Drawing and Disbursing Officers, the treasury should issue account payee cheques only, in favour of suppliers and persons not in government service, with regard to amounts exceeding Rs.500.[32] Although this rule holds good with slight modification[33] in connection with all payments made by the local bodies to private parties, over such payments the treasury, as such, does not have any control.[34] If any local body wishes to ignore this rule, then it can do so with ease. The only way to check this kind of violation is to introduce the bill system - the procedure of which has already been described above. The power to issue cheques should not rest with the local bodies, it should immediately be transferred to the treasury as is the practice in respect of other departmental payments.

Preconditions for Departmental withdrawals :

In a normal departmental case, to be brief, withdrawals are supposed to be allowed by the treasury on the fulfilment of the following conditions :

(a) the person presenting the bill is declared as Drawing and Disbursing Officer,

(b) there is sanction for withdrawals,

(c) there is budget provision and allotment of fund,

(d) the complete detailed head is noted on the bill,

(e) the progress of expenditure is indicated,

(f) the conditions of Government orders and rules are fulfilled,

(g) in respect of grant-in-aid bills a utilisation certificate and their acceptance is quoted on the bill,

(h) advances are drawn with the order of the competent authority.

Other conditions are more or less observed in toto except(h) which is not always complied with. As a matter of fact, the treasury is not authorised to allow any advance drawal of fund without the prior approval of the competent authority. The relevant rule is quoted thus :

"No money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants."[35]

Who is competent to sanction advances :

Even the District Collector is not authorised to sanction advances.[36] But, in practice, the Collector does sanction advances frequently taking advantage of the fact that the treasury belongs to him. The Treasury Officer, who is a subordinate officer of the Collector, cannot stop this practice.

Usually, in such cases the Collector's act is motivated by public interest. In fact, it is no fault of the Collector. It is normally seen, most of the schematic allotments are released by the Government at the fag end of the financial year. It is presumed that this delay occurs at the governmental level due to the failure on the part of the State Finance Department to process the claim papers timely. In bureaucracy, it is a routine procedure, before any final decision is arrived at on any proposal, the connected papers pass through many hands.

Over and above, the Collector is the head of development administration in district. Evidently he has got great responsibility to see no developmental scheme remains half done or unattended to due to paucity of fund. Therefore, being morally bound by social need that way, how can a District Collector allow any schematic grant to lapse !

Further a budgetary grant, once allowed to lapse, is seldom revalidated by the Government because in the given bureaucratic set-up it may take years. If the Government desires that no Collector should violate the prescribed rule then it is desirable that budgetary grants meant for the districts are released in time.

Remedial Steps :

Since every problem is zeroing in on the bureaucratic red-tapism, it is time something is done to reduce it to the minimum. A scheme is suggested below :

The Secretaries of the Administrative Departments may be made fully competent to take financial decisions in the delegated field even without obtaining the advice of the State Finance Department. The essential feature of the scheme can be like this :

Once pre-budget scrutiny has been done by the Finance Ministry, the other Ministries are to be made competent to spend up to the limit of the sanctioned budgets without further reference to the Finance Ministry. Thus the responsibility for ensuring that the expenditure is restricted to the sanctioned budget grant then solely devolves upon the Administrative Ministries. The Administrative Ministries then can redelegate their financial powers to their Departmental Secretaries. This way the file movement in respect of releasing one or the other allotments to the districts will be restricted to the level of Departmental Secretaries.

It cannot even be thought at this moment as to what an immense benefit will the timely release of allotments to the districts bring to the Government ! This is the only way to keep the project cost of every developmental scheme within the limit of the allotments. Otherwise the more the delay happens in receiving allotments the more the project cost of schemes goes up due to the pressure of inflation on the cost of raw materials and labours.

The Governmental Deposits :

Equal care is also taken in respect of payment by any person to the Government accounts. The deposit chalan presented to the treasury by the depositor is meticulously checked and after that if it is found in order in every respect then only will the Treasury Officer, enface it with an order to the bank to receive the money and to grant a receipt.[37]

Where the departmental officers are individually responsible by specific orders of the Government for any breach or flaw committed concerning the deposits into Government accounts, this rule, as such, is not applicable. In such cases, filled in chalans are not needed to be presented before the treasury for checking. The deposits are directly received by the banks from the depositors.[38]

To prevent any anomaly in respect of governmental deposits, double system of checking is safer because deposits made under wrong head of account by any department are not likely to be detected early. Moreover, this kind of wrong deposits create a lot of anomalies at the Accountant General's end while they are credited head-wise. This is also one of the reasons as to why year after year the

Government is forced to present a deficit budget. It is hardly convincing that there is dearth of money at the Government's exchequer. In fact, the problem lies elsewhere. It is mostly due to the failure on the part of the Government to exactly assess its yearly income on account of the existence of persistent anomalies in its deposit accounts. Therefore, it is better if every governmental deposits, irrespective of the department, are routed through the treasury.

Banking Accounts rendered to the Treasury :

The accounts and returns rendered by the Bank to the Treasury Officer with regard to transactions of the Government consist of :

(i) A daily account of receipts and payments in the prescribed form;

(ii) A pass book or register of receipts and payments.

After transactions for the day are completed, the Daily Account is prepared by the Manager or Agent, as the case may be, after satisfying himself as to its accuracy, dockets and forwards it to the Treasury Officer with the register of daily receipts and payments and with all the appertaining challans and vouchers at the close of the day. It is stressed that these documents are secured in a locked box when sent by the Bank to the Treasury Officer to avoid the possibility of any fraud before they reach the hands of the Treasury Officer. Even the Bank is directed to conspicuously mark the vouchers with the word 'Paid' to prevent any kind of double payment. The Register of daily receipts and payments is checked by the Treasury Officer meticulously and initialled before the same is returned to the Bank.[39]

Closure of Treasury Accounts :

The treasury is closed for the day after the Treasury Officer checks both registers and cash books comparing each payment or receipts thereof with relevant vouchers[40] or Chalans as the case may be and the register totals with those entered in the cash books and verifies a certain number of the totals. The cash book totals are also checked by a senior subordinate other than the Accountant. If the results in the balance sheet agree, the Treasury Officer signs the cash book and the balance sheet and accounts for the day are closed.

Monthly Returns :

It is the duty of every treasury to despatch its monthly returns to the Accountant-General. These monthly returns, which in the case of treasuries are separate for transactions of the State and for those of the Union, consist of : (i) schedules of payments; (ii) schedule of receipts; (iii) a list of payments; and (iv) a cash account.

The accounts and returns are written in accordance with the directions contained in this behalf in the Account Code issued by the Government of India. This is being done with a view to maintaining uniformity in the accounting system all over India. Therefore, the accounting procedure in government offices all-over India is more or less the same since all the Accountants General of the States are controlled by the Comptroller and Auditor-General of India. In effect, the State Accountant-General is only a subordinate Accounts Officer under the Comptroller and Auditor General.[41]

Each State Accountant General, as soon as the Accounts of a month are closed, submits to the State Government a monthly account of its transactions in the prescribed form.[42] Any difference between the cash balance in treasuries and the balance shown in the Cash Balance Report is worked out and explained on the face of the Account.[43] A bit of latitude is allowed to each State Accountant General to modify the prescribed form, if necessary, in consultation with the State Government to suit local requirements.

There are separate schedules of receipts and expenditure for each department, and in them transactions are to be entered in sufficient detail to enable the preliminary compilation by the Accountant General to be made therefrom and the chalans and vouchers to be identified according to the classification given in them. The list of payments made and the total receipts collected, during the month, detailed according to each schedule, or, in respect of the Debt, Deposit and Remittance transactions, according to broad account classification. The classification of accounts for the Central Government and the State

Government, prescribed by the Central Government on the advice of the Comptroller and Auditor General of India, is the same.

The Cash Account and the Collector's Role :

The Cash Account also works up to the actual cash balance in the treasury on the last day of the month as personally counted by the District Collector after bringing into it the total payments as shown in the List of Payments. In reality, on behalf of the Collector the Treasury Officer fulfils this task since the Collector could hardly spare his time. However, the relevant rule insists upon the Collector's personal involvement :

"The Collector when at headquarters must always verify the district treasury balance in person on the first day of each month and sign the account to be rendered to the Accountant-General...."[44]

The above rule needs to be modified in view of the recent change in the concept of District Administration. The District Magistrate at present not only is the head of law and order machinery, but also the head of the development administration in the district, which keeps him constantly preoccupied one or the other way. Further, there is no treasury as such in West Bengal which is still called a district treasury. As mentioned at the beginning of the Chapter, all the sub-divisional treasuries are now full-fledged treasuries.

<u>When to render the Monthly Accounts to the Accountant-General</u> :

The first batch of payment schedules, supported by necessary vouchers, is to be sent to the Accountant--General on the 10th and 11th of the month; and the remaining schedules, supported vouchers, the List of Payments and the Cash Account, which is accompanied by a certificate of agreement of the account balance with the balance reported in the cash balance report of the treasury for the last day of the month, are to be sent on the first day of the succeeding month.[45]

However, this system of sending the accounts twice in a month is not strictly followed by the treasuries these days.[46] Although two separate reports are prepared, they are mostly sent at a time. This laxity on the part of the treasuries considerably increases the work load at the beginning of the succeeding month at the Accountant General's Office.

The Schedules, List of Payments and Cash Accounts rendered by each treasury monthly to the Accountant General constitutes the first stage of compilation of the State Government accounts. They cover jointly the whole of the public transactions including departmental accounts and Debt, Deposit and Remittance transactions. They may be said to represent the primary fabric of all the State Government's accounts in India.

The problem of Account Classification :

As already stated, every bill and voucher must bear the enfacement of the department concerned with the proper account classification before the same is presented to the treasury. From these enfacements the transactions are broadly classified in the Schedules (in the case of revenue receipts and service payments), and in the List of Payments and Cash Accounts (in the case of Debt, Deposit and Remittance transactions). For this purpose, these documents have the broad account classification printed on them, and and in the majority of cases the totals of the monthly receipts and payments are entered against these printed heads from the subsidiary registers maintained at the treasury.[47] But a few items occur every month at treasury which do not clearly fall under any of the printed heads or in respect of which the full account classification is wanting. In such cases, the treasury describes in detail on the body of the Schedule or the Cash Account, or the List of Payments and leaves to the Accountant-General to classify.

This problem usually occurs because of the lack of timely checking done by the departmental officers who are responsible for the proper maintenance of their departmental accounts. Some residual balance of contingent funds even after the completion of particular schemes, though it is very irregular, are carried over year after year in the cash book, and that is also without proper analysis. Naturally, in such cases, the heads of accounts of such residual balance of funds become absolutely difficult to trace out after sometime. It is not that the departmental Drawing and Disbursing Officers do not remain aware of this problem; they do, for they are supposed to sign the cash book everyday, but they simply try to ignore it unless hammered. Mainly, they prefer to concentrate more on the execution of schemes than on bothering about such minor irregularities on account matters. Therefore, when Audit comes, hurriedly such unspent balance of funds are deposited under the head 'Suspense Account' to avoid the audit objections. In actuality, the monies not deposited under the proper heads of account remain unaccounted for years in the government accounts.[48]

Precautions :

The above unhappy situation occurring at the time of the arrival of Audit can easily be avoided if the following precautionary measures are observed by the departmental Drawing and Disbursing Officers :

(a) Undisbursed cash is immediately credited to the Government account mentioning the proper heads of accounts to which the undisbursed cash relates :

(b) Bill-wise break-up be kept in separate registers to keep track of every expenditure against the particular bill; and,

(c) No full-utilisation certificate against any schematic allotment of fund be submitted to the authorities unless it is ensured that the fund in question has been fully spent to the last paise.

Treasury Inspection :

Now we come to the last part of the treasury functioning, i.e. treasury inspection. The 'Treasury Rules' says that every District Collector shall make a systematic inspection of the working of the treasury once a year, with the object of ensuring that the procedure actually observed at the treasury is in accordance with the rules and orders in all respects and the accounts and other records are properly maintained.[49]

The above rule is very difficult to be implemented sincerely since the same 'Treasury Rules', in another place, says that the treasury or treasuries will be under the general charge of the Collector.[50] Since nobody likes self-criticism, therefore, even if there is serious irregularity, it is not unlikely, the same may not find reflection in the treasury inspection report of the Collector. It is desirable, thus, the treasury is made independent of the Collector's control for its day to day functioning, otherwise in the Collector's inspection report never will there appear a true picture of the working of the treasury.

It is further prescribed that the Director of Treasuries and Accounts, West Bengal should arrange inspection of the working of every treasury once a year and he himself would visit and inspect at least one-third of the treasuries.[51]

There are some practical problems with regard to the implementation of the above provision. In point of fact, the Director of Treasuries and Accounts is much junior to a

District Collector in terms of his status. He is only an ex-officio Deputy Secretary whereas the post of a District Collector is considered equivalent to that of a Joint Secretary in the State administration.

In bureaucracy, the status factor carries much weight; a bureaucrat always remains conscious of his status. It will, therefore, be in the fitness of the thing if the post of the Director of Treasuries and Accounts is upgraded and manned, at least, by an officer of the rank of a Special Secretary, if not more. This small change in the existing set-up will make the inspection factor more meaningful and weighty.

Conclusion :

The 'Treasury Rules' were framed under section 135(1) of the Government of India Act, 1935. The same were brought into operation from 1st April, 1937. With the commencement of the Constituion of India in 1950, the rules were continued to remain in force, in so far as they were not inconsistent with the provisions of the Constitution.

To keep up pace with the change in the system of administration after Independence some additions and alterations, indeed, were made to the existing 'Treasury Rules', but the basic concept as regards the system of financial management was considered unalterable. It is no wonder then whatever modifications were brought into the 'Treasury Rules' from time to time were stray and superficial in character and, as the case may be, they have so far failed to fully cater to the needs of the State financial administration.

This legacy of the Raj - which is called 'Treasury' - can easily be abolished for the following reasons :

(a) The treasury's structure and function date from the time when the banking and communication infrastructure were at an embryonic stage of development. The treasury was then the custodian of the Government moneys. But the situation has changed now. Today there is no Non-Bank Treasury. The Government moneys are retained by the banks. So the role of the treasury as the custodian of the Government moneys has become redundant.

(b) The treasury performs the task of rendering the initial accounts of monetary transactions to the Accountant-General for compilation and presentation before the Government. This practice actually delays the process of compilation. Instead this task of rendering the accounts to the Accountant-General can safely be transferred to the respective departmental Secretaries. This, in actuality, will hasten the process of compilation since in this case the accounts will be rendered directly without making the treasury a medium.

(c) Further the abolition of the treasury will make the Administrative Departments to act with more responsibility in respect of their expenditures; inas much as they would feel that, in the absence of treasury, they would have to satisfy the Accountant-General directly even for minor expenditures.

In view of the above advantages it can safely be concluded that the treasury is not at all needed - the task can easily be divided in between the banks and the departmental Drawing and Disbursing officers.

Notes and References

1 The principal executive authority in the districts of Darjeeling, Jalpaiguri, Coochbehar and Purulia who were previously known as Deputy Commissioner were redesignated as District Magistrate by an Act passed to this effect in 1984 by the Government of West Bengal.

2 Vide Notification No. - Government of West Bengal Home Dept. No.91 - PsAR(AR) Dt.17.2.86.

3 Para 2.2 of the Report of the Administrative Reforms Committee, Govt.of West Bengal, April, 1983.

4 Vide Memos of the Govt. of W.B. - 11225-F dt.23.12.77, 5730-F dt. 16.6.79 and 8981-F dt. 14.9.79.

5 Sub-Section (1) of the Section 140 of the West Bengal Panchayat Act, 1973.

6 ibid., Sub-Section(1) of the Section 94.

6A They are Kulti and Hirapur in the district of Burdwan.

7 Sub-Section (1) of the Section 4 of the W.B.Panchayat Act, 1973.

8 As regards the manner of election to these bodies para-1 of the Hand Book for Returning Officer (Panchayat Elections), 1988 issued by the Deptt. of Panchayat, W.B., reads as follows : 'Elections to the three-tier of Panchayats will be simultaneous. Each voter will cast his votes in the same polling station for choosing the members for election to gram panchayat, panchayat samiti and zilla parishad. ... there will be spot counting of votes at the polling stations immediately after the polls.' As regards the question as to who will be the voters for the Panchayat Election the definition has been given in Clause(C) of the Rule(2) of the W.B.Panchayat (Election) Rules, 1974 (corrected upto Oct., 1987) - "Voters' in relation to an election in a constituency means any person whose name is included in the electoral roll of the West Bengal Legislative Assembly

[in force on the last date of nomination for Panchayat Election] pertaining to the area comprised in such constituency.' To be eligible to vote every voter must complete eighteen years.

9 Vide Section (2) of the W.B.Panchayat Amendment Act, 1988.

10 The Darjeeling Gorkha Hill Council is comprised of three hill sub-divisions of Darjeeling : Darjeeling Sadar, Kurseong and Kalimpong. The Gorkha Hill Council's works are guided by a separate Act called the Darjeeling Gorkha Hill Council Act, 1988.

11 The Chairman of Zilla Parishad is called Sabhadhipati; the Chairman of Panchayat Samiti is called Sabhapati; and the headman of Gram Panchayat is called Pradhan.

12 Sections 118(1)(b) and 165(1)(b) of W.B.Panchayat Act, 1973.

12A Vide Sub Rules (5) and (6) of the Rule(3) of the W.B. Panchayat (Powers, Functions and Duties of the Executive Officer and the Secretary of the Panchayat Samiti) Rules, 1979 and vide Sub Rules(4) and (5) of the Rule(3) of the W.B. Panchayat (Powers, Functions and Duties of the Executive Officer and the Secretary of the Zilla Parishad) Rules, 1978.

12B Sections 165(d) and 118(d) of the W.B.Panchayat Act, 1973.

12C Vide Rule(3)(1) of the W.B.Panchayat ~~Act, 1973~~ (Powers, Functions and Duties of the E.O. and the Secretary of the Panchayat Samiti) Rules, 1979 and Rule(3)(2) of the W.B.Panchayat (Powers, Functions and Duties of the E.O. and Secretary of the Z.P.) Rules, 1978.

13 Sections 119(1) and 166(1) of the W.B.Panchayat Act, 1973.

13A Vide Subsidiary Rule 439 of Treasury Rules, West Bengal and the Subsidiary Rules made thereunder, Vol.I, (Second Edition), 1977.

14 P.L.Account is nothing but an account of banking nature.

13A Vide W.B.Panchayat Dept. Memos 5629 Panch/3F-8/64 Dated 24.9.64 and 22476 AZP/3F-4/78 Dt.3.10.78.

15 Each State Govt. has made a separate agreement with the Reserve Bank of India by virtue of which the general banking business of that Govt. (in which business is included, the receipt, collection, payment and remittance of moneys on behalf of that Government) is carried on and transacted by the Reserve Bank, in accordance with and subject to the provisions of the agreement and the Reserve Bank of India Act, 1934 and in accordance with and subject to such Orders as may from time to time be given to the Reserve Bank of India by the State Government. The operations of each State is, however, confined to the offices and branches of the Reserve Bank of India and of the bank which have been designated as falling within the area of that particular State. (Rule 9 of the Government of India Accounting Rules, 1990).

The Govts. of Jammu and Kashmir, and Sikkim have not so far entered into agreement with the R.B.I. for the conduct of their general banking business.

16 Vide W.B.Panchayat Dept. Memo No.6369/1 Dt.4.5.76.

17 The Subordinate headman of a Gram Panchayat.

18 Item No.17 of the Amendment Notification No.2120-L dated 7.12.84 of the Govt. of West Bengal.

18A The first such Sub-Treasury to be upgraded was Barrackpore Sub-Treasury in the then district of 24 Parganas and the last Sub-Treasury to be upgraded was that of Mekhligunj Sub-Treasury in the district of Cooch Behar.

19 Rule 4A of Treasury Rules, West Bengal inserted by

the Finance Dept. Notification No.4208F, dated 19 May, 1977.

20 Subsidiary Rule 9, op.cit.

21 Rule (2)K of Treasury Rules, West Bengal and the Subsidiary Rules made thereunder, Vol.I (Second Edition), 1977.

22 Subsidiary Rule 12, op.cit.

23 Subsidiary Rule 85, op.cit.

24 A bill is a statement of claims against the Govt. containing specification of the nature and amount of the claim either in gross or by items, and includes such a statement presented in the form of a simple receipt.

25 Subsidiary Rule 88, op.cit.

26 Subsidiary Rule 136, op.cit.

27 Subsidiary Rule 92(V), op.cit.

28 Subsidiary Rules 127 and 135, op.cit.

29 Subsidiary Rule 140(3), op.cit.

30 Subsidiary Rule 92(VII), op.cit.

31 Subsidiary Rule 148, op.cit.

32 Vide Govt. of West Bengal Finance Dept., Memo 1899-F, dated 27.2.86.

33 In case of the Local Bodies, the limit is Rs.2,500/- (Vide Govt. of West Bengal Finance Dept. Memo 5577-F, Dated 8.6.90).

34 Subsidiary Rule 441, op.cit.

35 Subsidiary Rule 229, op.cit.

36 Vide Memo 2388-F, Dated 9.3.90 of the Finance Dept., Audit Branch, Govt. of West Bengal.

37 Subsidiary Rule 353, op.cit.

38 Subsidiary Rule 356, op.cit.

39 Subsidiary Rules 376 to 378, op.cit.

40 A bill or cheque becomes a voucher when it is duly receipted and stamped "paid".

41 Para 1.1 of the Account Code for Accountants General issued by the Ministry of Finance, Govt.of India, 1984.

42 The prescribed form is called : Form A.C.31.

43 Para 9.1(a) of the Account Code for Accountants General, op.cit.

44 Subsidiary Rule 25, op.cit.

45 Para 125 of 'An Introduction to India Government Accounts and Audit'.(Third Edition), 1963.

46 However, Subsidiary Rule 23(2) of W.B.Treasury Rules, 1977 edition clearly states 'With regard to the punctual submission of the accounts and returns the Government shall view with severe displeasure any avoidable delay on the part of the Collector or the Treasury Officer in the despatch of the prescribed accounts and returns with complete schedules and vouchers particularly those required by the Government, the Accountant General..."

Even the 'Note' appended after the above rule has further gone to the extent of emphasising that the returns due for despatch on a holiday may be sent one day (but not more than one day) late.

47 Para 134 of 'An Introduction to India Government Accounts and Audit' (Third Edition), 1963.

48 The 'Note' appended to the Article 37 of the Account Code, Vol.I, 1972 issued by the Comptroller and Auditor General of India reads thus : 'No sums

shall ordinarily be credited to Government by debit to a suspense head; credit must follow and not precede actual realisation.'

49 Subsidiary Rule 26, op.cit.

50 Treasury Rule 4A of 'Treasury Rules, West Bengal' Vol.I (Second Edition), 1977.

51 Appendix-4 of 'Treasury Rules, West Bengal and Subsidiary Rules made thereunder' Vol-II (Revised Edition), 1983.

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Chapter IV

DECENTRALISED BUDGETARY SYSTEM : THE RELEVANCE OF PLANNED BUDGET IN DISTRICT

What is Budget :

To quote Wildavsky a budget may mean :

"a political act, a plan of work, a prediction, a source of enlightenment, a means of obfuscation, a mechanism of control, an escape from restrictions, a means to action, a brake on progress, even a prayer that the powers that be will deal gently with the best of aspirations of fallible men."[1]

In fact, budget is an exact and rigorous financial analysis of the past and the probable and desired future experience with a view to translating opportunism into considered intentions in management. All organised establishment must, and do, plan ahead in some form or other, and the most successful establishment in the long run will be the one that is most accurate in its forecasts, is most frequently checking its position and is planning furtherest ahead. It is a machinery by means of which every detail of the future plan and every known factor affecting it will come under review.

In the government circle, the budget is understood as instrument of economic and social policies to express and implement the governmental preferences and priorities.

The responsibility for the preparation of the annual statement of the estimated receipts and expenditure of the State and its presentation to the Legislature lies with the Finance Department.[2]

It is incumbent upon the Finance Department to obtain from the local budgeting officers the materials on which the budget estimates are based. Also the Finance Department prescribes to the authorities, responsible for submission of budget estimates under the different heads of account, the form in which and the dates on which such estimates are to be furnished to Government and to the Accountant General, West Bengal.[3] In consultation with the Finance Department, the Accountant-General, West Bengal, renders such assistance and supply such information as may be required by the Government in connection with the preparation of annual budget estimates.[4]

The Budget of the State to be presented to the Legislature shows in detail the receipts and expenditure of the State, in separate columns, as follows :

(i) the actuals of the past year,

(ii) the budget estimates of the current year,

(iii) the revised estimates of the current year, and

(iv) the budget estimates of the ensuing year.

The estimates of expenditure shown separately - (i) the sums required to meet expenditure described by the Constitution of India as expenditure charged upon the Consolidated Fund of the State, and (ii) the sums required to meet the other expenditure proposed to be made from the Consolidated Fund of the State.

This distinguishes expenditure on revenue account from other expenditure.

The estimates of expenditure charged upon the Consolidated Fund of the State is not submitted to the vote of the Legislative Assembly and the estimates not related to other expenditure is submitted to the Legislative Assembly in the form of 'Demands for Grant.'

The Budget of the State is nothing but a conglomeration of the budget estimates submitted by the different administrative departments to the Government.

Punctuality in Budget Preparation :

It is emphasised that the Officers by whom the different budget estimates are to be prepared should maintain punctuality in submitting their budget estimates to the Government and the Accountant-General. Since the time available for examination and consolidation of the estimates is very limited, any delay in the submission of a single estimate might dislocate the budget programme seriously.[5] It is, therefore, considered by the Government of utmost importance that all the budgeting authorities should adhere strictly to the dates fixed for the tranmission of their estimates to the authorities concerned. But it is observed that this rule is followed only in case of non-planned items of expenditure that is also not seriously by the budgeting authorities although it is obligatory as prescribed by the rules above.

The Problems in Budget Preparation :

Each budgeting authority is responsible for the correct preparation of the estimates in regard to the receipts and expenditure with which he is concerned. The forms in which these estimates have to be prepared are to be supplied by the Finance Department.[6] These estimates are expected to be prepared in quadruplicate. After retaining one copy for record in the office of the local budgeting officer the remaining copies are sent simultaneously to the Accountant-General, West Bengal, the State Finance Department and the administrative department.[7] But the usual practice is different. The copies of the budgets are endorsed only to the administrative department by the local budgeting officer. Even sometimes the local budgeting officer fails to prepare and submit departmental budget estimate timely to administrative department. Perhaps this is one of the reasons as to why the allotments under the head salaries etc. are not received in time, at least during the first quarter of the financial year, by a few district level departments and, therefore, in order to prevent a chaotic situation from ~~the~~ cropping up due to the non-receipt of salary in time the District Collector uses his authority and orders the treasuries to clear up the salary bills on the basis of a certificate given by the Drawing Officer-concerned on the body of the salary bills that he has asked for allotment under the head salary from his departmental authority.

Although such action of the District Collector causes a lot of anomalous situation in connection with the reconciliation of accounts at the office of the State Accountant General since as per the existing financial rules every drawal of fund must have the prior approval of the State Finance Department,[8] but trapped in such a tricky situation the District Collector does not find any other alternative than to concede to the request of the concerned departmental Drawing Officer since being the administrative head of the district this kind of problem is also automatically presented before him through employees' trade union. On most occasions, the administrative departments also suo motu, in consultation with the State Finance Department, release ad-hoc allotments under the head salaries etc. without receiving the formal budget estimates from the local budgeting authorities.

Change in the concept of Budget :

The concept of budget, over the years, is constantly changing. During the British rule the budget was construed as a means to ensure legislative financial control. Therefore, it was line-item budget which was introduced in India by the British. This type of budget simply laid emphasis on the items of expenditure, but failed to highlight the purpose of expenditure. However, with the introduction of five year plans in India, after Independence, it was keenly felt "that the system of budget should be such as would provide adequate information regarding the programmes and activities of government, as to how efficiently and economically they are implemented and the results that flow therefrom, indicating the relationship between inputs and outputs."[9] Therefore, the budget should clearly illuminate the points like : what the government proposed to do, how much of it, at what cost involvement, and with what results.

What is Performance Budget :

The Hoover Commission of the USA in 1949 explained the concept of Performance Budget in the following words :

> "We recommend that the whole budgetary concept... should be refashioned by the adoption of a budget based on functions, activities and projects; this we designate a 'performancebudget'. Such an approach would focus attention upon the general and relative importance of the work to be done or upon the services to be rendered rather than upon the things to be acquired...."

In performance budget a process is indicated that seeks to highlight the implementation and control of programmes through budget allocation. The governmental operations are presented in terms of functions, programmes, activities and projects vis-a-vis their financial and physical aspects closely interwoven in single document. This helps establish a meaningful relationship between inputs and outputs as well as costs and results.

The importance of Performance Budgeting :

The concept of performance budgeting has assumed significance in the recent past in view of the changing needs. It presents public expenditure in terms of functions, programmes and activities. The Administrative Reforms Commission, constituted by the Government of India, in its report on Finance, Accounts and Audit has suggested the following on the mode of preparation of performance budget :

> "A programme and activity classification should be made for each department or organisation selected for the purpose of performance budgeting. Besides presenting the financial needs of those programmes and activities, the expenditure should be classified in terms of object, for example establishment. This should be followed by a narrative explanation justifying the financial requirements under each activity. This explanation should include information on targets, achievements, relevant workload factors, comparative performance over the years, etc. All this will constitute the performance budget. It should be accompanied by the demands for grants which will constitute to serve as the medium through which appropriation control is exercised."[10]

Introducing Performance Budgeting in West Bengal :

Performance budgeting has got a potentiality to be implemented as a management tool in India for the sake of an efficient and economical implementation of governmental programmes and schemes. This point has not escaped the eyes of Indian planners. If someone goes by the face value of the official version then at least in West Bengal performance budgeting system was fully operationalised from the year 1985, i.e. from the first year of the Seventh Five Year Plan.

Performance Budget vis-a-vis Panchhayati Raj :

The West Bengal Panchayat Act, 1973 says that every Gram Panchayat/Panchayat Samiti/Zilla Parishad shall prepare in each year a budget of its estimated receipts and disbursements for the following year and shall submit the budget to the Panchayat Samiti/Zilla Parishad/ the State Government and the Panchayat Samiti/the Zilla Parishad/the State Government, within such time as may be prescribed, either approve the budget or return to the Gram Panchayat/Panchayat Samiti/ Zilla Parishad for such modifications as it may direct. On such modifications being made the budget shall be resubmitted within such time as may be prescribed for approval of the Panchayat Samiti/Zilla Parishad/State Government. If approval of the Panchayat Samiti/Zilla Parishad/State Government is not received by the Gram Panchayat/Panchayat Samiti/Zilla Parishad by the last date of the year, the budget shall be deemed to be approved by the Panchayat Samiti/Zilla Parishad/State Government. The approval of the budget is a must; without the same being approved by the Panchayat Samiti/Zilla Parishad/State Government no expenditure can be incurred by the Gram Panchayat/Panchayat Samiti/Zilla Parishad.[11]

The Panchayati Raj System came into operation since 1978 notwithstanding, there was neither a planning machinery at the block level nor a single comprehensive block plan. The plans implemented at the block level were sectoral, and departmental plans were generally formulated at the district level. Broadly speaking, the policy decisions and targets for development of different sectors were decided at the State level and the same were passed on to the lower levels. It was done only with a view to fulfilling the requirements of the policy decisions and to achieve the targets, only the schemes and locations were selected at the lower levels and sent upwards to the district.

Because of all these reasons, the annual budgets of the Gram Panchayat/Panchayat Samiti as such carried no relevance either for the Gram Panchayat or for the Panchayat Samiti. They were simply a bunch of papers and nothing more. This was the picture of budget in the blocks of West Bengal upto the end of 1985.

Plan and Budget : their inter-relationship :

The annual budget (i.e. short range plan) and the longer range development plan are complementary in character. As a matter of fact, the annual budget implements the longer-range plan; and the development plan, in turn, is subject to alteration vis-a-vis the provisions of each succeeding annual budget. Therefore, the relationship between planning and budgeting is probably the most crucial in modern government.[12]

Upto the end of the Sixth Plan period (1985), the financial allocations for the districts, both plan and non plan in West Bengal, were left to the discretion of the individual departments; neither the district authorities nor the Department of Development and Planning nor the State Planning Board had any voice in the determination of these allocations.[13] Priorities in respect of developmental schemes were fixed by the departments in respect of the blocks and districts, which was totally against the objective pursued by the Government with the operationalisation of the Panchayati Raj System in West Bengal. The Administrative Reforms Committee constituted by the Government of West Bengal in its report in April, 1983 aptly pointed out :

"It would be altogether wrong if, while preparing the district plans and the district budgets, decisions are taken at the State headquarters without consultation with the administration of the districts. In consonance with the objective of decentralised administration adopted by the State Government, it is possible to envisage an arrangement whereby the responsibility of administration in all its aspects, with the possible exception of the responsibility for law and order, will be gradually shifted to an elective body at the district level. Once the urban areas are brought under the jurisdiction of the Zilla Parishad, the Parishad could then assume the role of the focal body for the purpose... we propose that a Standing Committee for Budget and Planning be set up in each district with appropriately weighted representations from the Zilla Parishad and the municipal bodies. The Sabhadhipati of the Parishad may be the Ex-officio Chairman of the Committee and the District Magistrate its Principal Officer. The Committee may be placed in overall charge of the responsibility for the preparation of the district plan, its monitoring and supervision as well as for the allocation of funds and execution of work under the non-plan heads."[14]

Similarly the Committee to Review the Existing Administrative Arrangements For Rural Development and Poverty Alleviation Programmes (CAARD) also pointed out, one of the reasons for the extremely slow decentralisation of planning is that the arrangements for presentation of budgets of State governments have not been suitably modified to incorporate district-wise allocations. Further the district plans should be integrated into the district budget indicating separately the extra budgetary resources allocated to any programme.[15]

Decentralised Planning :

The Government of West Bengal right from the financial year 1985-86[16] introduced the system of decentralised planning in the State. This was considered an important step towards devolution of power and resources,[17] since the identification of the various fields and sectors of activity, where there is scope for gainful employment, can best be done at the district and block levels only. Besides at this level local needs and potentialities can fully be taken into account.[18]

To increase agricultural production, create employment, eradicate poverty and bring about an all round improvement in the rural economy, the Government of India, a long back, considered that the maximum degree of decentralisation, both in planning and in implementation, was necessary.[19] To this effect, in November 1977, the Planning Commission appointed a working Group under the Chairmanship of Professor M.L.Dantwala to draw up guidelines for block level planning. Immediately after, another Committee on Panchayati Raj headed by Mr.Ashok Mehta was appointed in December, 1977. Both the Committees submitted their reports to the Government around July-August, 1978. At the implementation stage, the block level planning simply confined itself to the Integrated Rural Development Programme (IRDP), which is only a part of rural development strategy, and, therefore, failed to develop adequate links with higher level of planning.[20] In September 1982, the Planning Commission set up a Working Group on District Planning with a view to assisting the States in formulating and implementing reasonably satisfactory plans following a sound methodology,[21] which submitted its report in May, 1984. It advocated a gradual approach towards introduction/ strengthening of district planning.

Sometime in March 1985 the Central Government appointed a Committee to Review the Existing Administrative Arrangements for Rural Development and Poverty Alleviation (CAARD) under the Chairmanship of Professor G.V.K.Rao, which submitted its report in December, 1985. This Committee also emphasised the need for strengthening the planning process at the district and block levels and made a case for decentralisation. Although it endorsed several suggestions made by the Working Group on District Planning, it also gave a few ones of its own. Amongst them, the concept of a district budget, the creation of a post of District Finance and Accounts Officer and investing considerable powers (including re-appropriation power) to him from the State level are important.

Almost all the States have taken some initiative or other to develop a suitable planning mechanism but so far as the Panchayati Raj Institutions at the district level are concerned, they have not been given the task of planning in any of the States.[22] However, in this regard, West Bengal is an exception. In West Bengal the Panchayati Raj Institutions have been fully engaged so far as formulation and implementation of plan is concerned. The following is the table which shows the variety of planning organisations operating in the different states :

Planning Machinery at the district level

Name given to the apex Planning body at District level	States which have this type of bodies
1. District Planning Board -	Gujarat, Madhya Pradesh, Meghalaya, Nagaland, Punjab.
2. District Planning Committee -	Manipur, Rajasthan, Sikkim.
3. District Planning Council -	Karnataka
4. Zilla Development Board -	Andhra Pradesh.
5. District Development Committee-	Assam, Himachal Pradesh.
6. District Development Board-	Jammu & Kashmir, Orissa.
7. District Development Council -	Kerala, Tamil Nadu.
8. District Planning and Development Council -	Maharashtra, Bihar.
9. District Planning and Monitoring Committee -	Uttar Pradesh.

Source [23]

Techniques under Decentralised Planning :

The techniques adopted under the decentralised planning are : emphasis on minor works for rapid solution of the problem of rural employment, use of labour-intensive techniques, avoidance of machinery and costly materials as far as possible, making the rural poor the sole target of rural development and, lastly, involving people themselves in their own development programmes.[24] But the first question that crops up in this context is : why is such participation necessary ? People's participation at the local levels is necessary primarily with a view to reducing the unequal distribution of power in the rural areas. The generation of poverty is the result of the concentration of power and the monopolisation of resources by the rural elite. It is, therefore, said that people's participation at the local level would help bring about a redistribution of both control of resources and of power in favour of the rural poor.[25]

It is expected, therefore, many of the development programmes should be focussed on rural life. A village should invariably be considered a nucleus of all developmental activities.[26] As a matter of fact, the village is by far the best touch-stone of their practical effects and value be it towards increasing agricultural production, developing industries, improving transport or providing better credit facilities.

In this connection, it may not be out of place here to quote from the guidelines issued by the Reserve Bank of India to the branch managers of the nationalised banks vis-a-vis the preparation of village-wise annual credit plan. The relevant portion from the guidelines reads thus :

> "Each branch would prepare annual credit plan for its own service area on an on-going basis. For this purpose the credit plan will be first prepared for each village and the village credit plans aggregated to form the service area credit plan of the branch. The credit plan should reflect both the needs and the potentialities of the area, on the basis of the information gained through the survey, as also other available information from local development agencies such as block authorities and officials connected with agriculture, animal husbandry, irrigation, small scale industry, Village Level Worker and Village Panchayat etc."[27]

Since the village based plan is another name for decentralised plan, it calls for involving the common people in an organised manner in the entire process of planning - in formulation as well as implementation of the plan projects.[28]

For which reason in West Bengal, elected Councils based on adult franchise were set up at the village, block and district levels and the Councils - known as panchayats - took charge of planning and implementation of the anti-poverty programmes of the government.

The objective of Decentralised Planning in West Bengal :

The main objective behind the introduction of the Decentralised Planning in West Bengal is to provide relief to the common people. "In accordance with this objective in rural areas," Dr.Asim Dasgupta[29] explains, "the Panchayats have been formally regarded as a decentralised and representative organisation through which people can be involved in this planning process. The Panchayats have therefore been given a comprehensive responsibility in the planning and implementation of some important programmes, such as land reform measures, the programmes on construction of social and productive assets through the National Rural Employment Programme(NREP), the Rural Landless Employment Guarantee Programme (RLEGP), the Integrated Rural Development Programme (IRDP) etc. The performance of the Panchayats in these programmes has been encouraging, in ethusing involvement of the common people and also achieving execution of the plan schemes at much lower costs. There are several instances where technically comparable projects on roads, minor irrigation etc. have been constructed by the Panchayats at a cost which is nearly 50 per cent lower than incurred in the usual departmental execution, the major reason for this 'social' saving been the replacement of contractors by the voluntary supervision of the Panchayats.

"However, while, on the one hand a new beginning has been made by involving the common people through the Panchayats in the formulation and implementation of these programmes, major aspects of planning of many important departments are, on the other hand, still being conducted primarily through the vertical hierarchy of the respective departments without the Panchayats being given any truly significant role. This has often resulted in a lack of coordination between the programmes executed by the Panchayats and by the Departments even in the same sphere of activities, such as minor irrigation, road construction and repairs etc. This lack of co-ordination is in addition to what has already been existing between the programmes of the different departments themselves. Another result has been a lingering of centralisation of planning from the headquarters with higher costs, and, most important, insufficient mobilisation of common people in the process of planning.

> "In order to be closer to..., as mentioned at the outset, it is essential that (a) better co-ordination is forged between the Panchayat-run projects and the departmental projects and also between the departmental projects themselves, and (b) in this process of co-ordination the common people are involved further, through the Panchayats in rural areas and the municipalities in urban areas."[30]

Therefore, with a view to involving the people at the grassroots level in the planning process, and securing better co-ordination of plan effort by different departments at an area level, a district and block level planning set up had been envisaged in the context of the Seventh

Five Year Plan (1985-86 to 1989-90). The essential idea behind this was to decentralise the formulation and implementation of plan programmes to the extent possible, to resolve pressing local problems as per the perception of the common people, to obtain optimum results from diverse departmental plan efforts concentrating on the weaker sections of the people, and more fundamentally, to involve the populace, through the Panchayat Bodies, in the planning process.[31]

Structure of Decentralised Planning :

Under the Decentralised Planning in West Bengal, there is a three-tier machinery at the local level. In the district, there are two tiers - one a deliberative and approving body, designed as the District Planning and Co-ordination Council (DPCC) and the other being the executive aram of the DPCC which functions as the actual planning agency and is known as the District Planning Committee (DPC). At the block level the planning agency is the Block Planning Committee (BPC).

As discussed earlier, West Bengal is composed of a three-tier Panchayat system - Gram Panchayat comprising 8 to 10 villages, Panchayat Samiti at the block level and Zilla Parishad at the district level. There are direct elections to all the three tiers for the most of the seats, though there is a provision of ex-officio membership and nominated membership also.

In the Block Planning Committee the Karmadhyakshas

(Working-Chairman) of the Sthayee Samitis (Standing Committees) of the Panchayat Samiti, Pradhans (Headman) of the Gram Panchayats within the block, Block level Officers of all departments are members. Block Development Officer is the Member-Secretary of the Block Planning Committee (BPC).[32]

The DPCC i.e. the District Planning and Coordination Council is composed of Sabhadhipati (Chairman) of Zilla Parishad, Sabhapatis(Chairman) of all Panchayat Samitis within the district, Chairman of the Municipalities, Members of Legislative Assembly and Members of Parliament of the district who are no Ministers, and District level Officers of the departments. Commissioner of the Division is the permanent invitee. The Cabinet Minister of the State hailing from the district is the Chairman of the DPCC. In case of a district having more than one Ministers meeting of the DPCC is chaired in alternate manner.[33]

At State level there is the State Planning Board which helps and guides the District Planning Committees and Block Planning Committees and the State Departments in formulating and implementing the plans. The State Planning Board also undertakes the exercise of continuous appraisal in addition to the monitoring done by various authorities at various levels.

Powers and Functions :

The Block Planning Committee is empowered to approve block - specific schemes with estimated costs not exceeding Rupees. Fifty Thousand. Schemes involving more than Rupees Fifty Thousand have to be placed before the District Planning Committee for approval. On the other hand the District Planning Committee is empowered to approve schemes with estimated costs not exceeding Rupees Five Lakhs, schemes of a higher value are required to be sent to the State Planning Board for approval.[34]

The DPC/BPC formulates a shelf of schemes within the framework of an overall plan for the district/block as a whole wherein the Department schemes, the Panchayat-run-schemes etc. are indicated with a view to securing better balance. The DPC/BPC reviews and evaluates regularly the implementation of the district/block plan schemes which include the schemes to be executed through the Panchayats and joint schemes to be executed through the Panchayats and the Departments.[35]

The Methodology for Plan Formulation :

The methodology for plan formulation that has been adopted is that the specific schemes enlisted in the block and municipality plans are integrated at the district level in the District Plan Document. In the first year of the Seventh Five Year Plan (1985-86) the district plans were oversized and therefore had to be pruned at the level of the

State Planning Board. Therefore, from the next year the departments were advised by the State Planning Board to indicate the flow of funds to the districts from their plan budget assuming a growth rate of 5 per cent over the current year's level. While indicating the flow of funds, the departments kept aside a part of their plan budget for inter-district and state-level projects and their portion of the departmental outlay is called non-divisible outlay.[36]

An Evaluation :

Although it was emphasised that on receipt of flow of outlay at the district-level, the concerned departmental officers would go to the District Planning Committee and in consultation with the DPC the departments would disaggregate the fund block-wise keeping aside a part of fund for inter-block and other district-level schemes, but in reality this procedure was seldom being practised. The district level departmental officers simply selected schemes on their own and fixed-up priorities according to their own choice and placed before the District Planning Committee and the Block Planning Committee to incorporate them into their respective plan documents. The DPC and the BPC usually find no alternative than to pass them. A cursory glance at the plans of three separate blocks of the district of Coochbehar vis-a-vis the district plan of the same district in respect of the Agriculture-Marketing Scheme, to some extent, will make clear the actual scenario.

Tufanganj-I Block Plan 91-92[37]

Sector : Agriculture and Allied Activities (Department : Agriculture Marketing).

Name of Scheme	Physical Target	Total Outlay (Rupees in lakhs)
1. Construction of Rural Godown	1	1.05
2. Construction and improvement of storage structure at farm level	4	0.12
3. Training in grading of Jute at farm level	2	0.06
4. Development of Rural Primary Hats/Markets	1	1.00
5. Distribution of improved Rickshaw Van	3	.027
6. Development of Regulated Market.	4 acres	1.00
7. Development of Regulated market (Central Sector New Scheme)	1	1.00
	Total -	4.257

Tufangunj-II Block Plan 91-92[38]

Sector : Agriculture & Allied Activities (Department : Agriculture-Marketing).

Name of Scheme	Physical Target	Total Outlay (Rupees in lakhs)
1. Const. of Rural Godown	1	1.65
2. Const. and improvement of storage structure at farm level	4	0.12
3. Training in grading of Jute at farm level	2	0.06
4. Development of Rural Primary Hats/Markets	3	0.66

Contd...

Name of Scheme	Physical Target	Total Outlay (Rupees in lakhs)
5. Dev. of Livestock Market	1	0.88
6. Dev. of Regulated Market	4 acres	1.00
7. Dev. of Market Link Road	2 kms	3.00
8. Dev. of Regulated Market (Central Sector)	1	1.10
	Total	8.39

Dinhata-I Block Plan 91-92[39]

Sector : Agriculture & Allied Activities(Department: Agriculture Marketing).

Name of Scheme	Physical Target	Total Outlay (Rupees in lakhs)
1. Const.of Rural Godown	3	3.23
2. Const. and improvement of storage structure at farm level	1	.03
3. Training in grading of Jute at farm level	2	.06
4. Development of Rural Primary Hats/Markets	4	1.36
5. Distribution of Improved Bullock Carts	3	0.027
6. Dev. of Regulated Market	2 acres	.50
7. Dev.of Market Link Road	2 kms	3.00
8. Opening of Sales Counter of Agriculture Products	1	0.11
9. Dev. of Regulated Market (Central Sector)	2	2.20
	Total	10.517

Now let us have a look at the district plan of the Agriculture Marketing Sector.

Coochbehar District Plan 1991-92[40]

Sector : Agriculture & Allied Activities (Department : Agriculture Marketing)

Name of Scheme	Physical Target	Total Outlay (Rupees in lakhs)
1. Const. of Rural Godown	2	1.00
2. Const.of Improved Storage Structure	14	0.61
3. Training in grading of Jute at farm level	18	0.45
4. Development of Rural Primary Hats/Markets	25	38.30
5. Development of Livestock Market	2	.60
6. Distribution of Improved Rickshaw Van	35	0.36
7. Dev. of Regulated Market	1	1.00
8. Maintenance and Management of Cold Storage	2	.10
9. Dev.of Market Link Road	8 kms	2.00
10. Pledge Finance by Regulated Market Committee	1	.15
11. Opening of Sales Counter of Fruits Products	1	0.60
	Total-	45.17

Although there are twelve blocks in the district of Cooch Behar, the figures of only three blocks have been taken, that is also of one departmental plan only since the aim here is not to quote the figures from all the blocks but to show the prima facie inconsistency in plan formulation.

As we have understood from above, the district plan should be a conglomeration of blocks plan more or less except in some exceptional cases when some particular scheme covers two or more blocks. Such type of schemes are directly incorporated into the district plan. But in no case should the district figure of schemes be less than the figure of schemes of all the blocks within the district taken together. But the above district plan does not stand the test of this simple criterion of the decentralised plan methodology. Take for example the Scheme No.1, Construction of Rural Godown. The physical target for the entire district is only 2 in number, whereas for a particular block Dinhata-I only it has been shown to be 3, which is quite absurd since the figure of a single block has been shown to be more than the district target. Similarly we may take another scheme, say Development of Livestock Market. For Tufangunj-II block against the physical target of this scheme, the fund earmarked is .80 lakh rupees, whereas in the district plan it has been shown to be only Rupees .60 lakh, which is .20 lakh rupees less than the block target. This is once again absurd since the fund which goes to blocks flows from the district. It is a simple logic - if the district target of fund is less for a particular scheme then how can a block's target of fund for the same scheme be more ? Not only this even some of the schemes incorporated into the blocks' plan do not find any indication in the district plan. For example, the schemes like "Distribution of Improved Bullock Carts' incorporated into the Dinhata-I Block Plan does not find any place in the Coochbehar District Plan. This renders the scheme in question included into the block plan meaningless.

All this happens due to the lack of proper integration between the block level planning and the district level planning on the one hand and the departmental planning on the other. In reality, the District Planning Committee moves in one direction and the Departments of the District in another. Furthermore, plan or no plan submitted to the District Planning Committee, the departments of the district receive their earmarked allotment of funds from their respective Heads of Departments in time. This reduces the importance of the District Planning Committee and the Block Planning Committee in the eyes of the district level departmental officers. Therefore, because of this the entire planning exercise at the district and at the block level becomes a farce. In the existing situation, howsoever power is invested upon the District Planning Committee by the Government, it will carry no weight in the eyes of the district level departmental officers unless the State Finance Department, before sanctioning or releasing of any fund, strictly insists upon all the departments that their district-wise departmental plan budgets should have the prior approval of the respective DPCs. This is the only way to bring the district level departments within the fold of the DPC.

The Role of the State Government :

Although the introduction of the Decentralised Planning technique has failed to fetch so far any substantial change in the planning process in West Bengal, the effort of the State Government in this direction is sincere because upto the end of 1989-90 nearly 48% of the entire plan budget of the State has been placed at the command of the District and Block Planning Committees. The Chart below shows the gradual increase in percentage of disagregated outlay over the year commencing from 1986-87 :

(Rupees in lakhs)

Disaggregated Outlay chart

<table>
<tr><th>Name of the District</th><th>1986-87</th><th>1987-88</th><th>1988-89</th><th>1989-90</th></tr>
<tr><td>1. Coochbehar</td><td>743.38</td><td>1587.31</td><td>1913.66</td><td>1877.75</td></tr>
<tr><td>2. Jalpaiguri</td><td>789.17</td><td>2060.81</td><td>2476.56</td><td>2621.48</td></tr>
<tr><td>3. Darjeeling</td><td>608.07</td><td>1764.18</td><td>1438.40</td><td>1974.32</td></tr>
<tr><td>4. West Dinajpur</td><td>1194.10</td><td>2428.66</td><td>3741.47</td><td>3634.43</td></tr>
<tr><td>5. Malda</td><td>934.36</td><td>1573.36</td><td>1692.81</td><td>1829.69</td></tr>
<tr><td>6. Murshidabad</td><td>1453.84</td><td>2180.25</td><td>2392.60</td><td>2752.02</td></tr>
<tr><td>7. Nadia</td><td>1024.28</td><td>1484.58</td><td>1743.03</td><td>2246.03</td></tr>
<tr><td>8. 24 Parganas(N)</td><td rowspan="2">3079.29</td><td>1956.74</td><td>2349.93</td><td rowspan="2">7837.76</td></tr>
<tr><td>9. 24 Parganas(S)</td><td>3053.85</td><td>3562.07</td></tr>
<tr><td>10. Howrah</td><td>812.79</td><td>1106.12</td><td>1385.24</td><td>2177.05</td></tr>
<tr><td>11. Hooghly</td><td>1350.52</td><td>1848.19</td><td>2211.31</td><td>3239.09</td></tr>
<tr><td>12. Midnapore</td><td>2901.80</td><td>5002.26</td><td>6519.39</td><td>8292.43</td></tr>
<tr><td>13. Bankura</td><td>1032.66</td><td>1807.97</td><td>2442.41</td><td>3121.33</td></tr>
<tr><td>14. Purulia</td><td>1122.62</td><td>1919.07</td><td>2176.51</td><td>2939.49</td></tr>
<tr><td>15. Burdwan</td><td>1672.18</td><td>2832.51</td><td>3389.70</td><td>4115.86</td></tr>
<tr><td>16. Birbhum</td><td>1165.40</td><td>1656.53</td><td>2060.16</td><td>2115.93</td></tr>
<tr><td>Grand Total :</td><td>19884.46</td><td>34262.39</td><td>41495.31</td><td>50774.66</td></tr>
<tr><td>Distribution is not shown</td><td>-</td><td>-</td><td>-</td><td>2210.00</td></tr>
<tr><td></td><td></td><td></td><td></td><td>52984.66</td></tr>
<tr><td>Approved plan outlay</td><td>77600.00</td><td>86200.00</td><td>95088.90</td><td>111500.00</td></tr>
<tr><td>Percentage(%)</td><td>25.62</td><td>39.74</td><td>43.64</td><td>47.51</td></tr>
</table>

(Source) 41

In actuality, in the process of decentralised planning and disaggregation of outlay, a high percentage of outlay had flowed to the rural areas. The following is the chart which shows the flow of outlay to rural areas.

Flow of outlay to rural areas

(Rupees in lakhs)

Year	Approved Plan outlay	Outlay flowing to rural areas
1985-86	67500.00	35588.35(52.75%)
1986-87	77600.00	41469.15(53.44%)
1987-88	86200.00	43673.45(50.67%)
1988-89	95100.00	49560.55(52.12%)
1989-90	111500.00	56469.72(51.00%)

(Source)[42]

<u>Some Suggestions</u> :

Despite all said and done then where does the ill lie? In fact, the ill lies in the present methodology of Decentralised Planning itself.

Before any improvement is contemplated in this direction the first prerequisite is : the State Government should immediately dispense with the present practice of preparation of non-plan budgets side by side with plan budgets. The staff salary and expenditure under contingent heads of different departments which are usually presented under non-plan budget should be amalgamated with the plan budget. Only then will this enable the authorities to evaluate properly the expenses made towards non-plan items vis-a-vis the plan items, and in the long run could an effort be made to minimize the non-productive expenses.

However, this is not that easy to achieve unless the District Plan exercise is started well ahead of the State Plan exercise, so that the State Plan could be built on the basis of the District Plans. The present practice of starting the District Plan exercise after the completion of the State Plan exercise is like putting the cart before the horse since this negates the importance of the District Plan exercise. Furthermore, this will also be necessary to facilitate the governmental departments to merge their non-plan budget with their plan budget. Only after achieving this should an attempt be made towards improving the block/district plan methodology.

Needless to say planning is an instrument for removing poverty, accelerating growth, securing social justice and attaining self-reliance. It is not sufficient merely to have economic growth. It is, therefore, emphasised that composition of economic growth has to be such that the fruits of development accrue more and more to the weaker sections of society, to backward areas and backward communities. Economic growth has, therefore, to be integrated with social justice. The need for block level planning arose from this consideration.

Block level planning should aim only at tasks which a block level planner may be able to handle at this level of responsibility. For instance certain laudable objectives like bringing about an egalitarian structure of ownership of assets or reorienting the existing institutional organisational structure may appropriately be considered to be within the sphere of responsibility of national/State planning rather than block level planning. The tasks and functions of the block level planning may be summarised as follows :

(i) To identify the growth potential of the block area in terms of local land, water and resource situation;

(ii) To identify the human resource situation after due survey, and in particular the agricultural and non-agricultural families which are either unemployed or significantly under-employed at the village level;

(iii) To review the on-going development activities at the Gram Panchayat level and their relevance to (a) the need for optimizing production; and (b) generating employment;

(iv) To formulate special programmes for the rural poor and the scheduled castes and scheduled tribe population after proper identification in consultation with the members of the District Planning Committee designed to improve their economic conditions;

(v) To formulate a package of schemes/programmes well ahead of the Block Planning Committee meeting, which will seek to optimise production and also augment the duration and productivity of employment of the poor and the under-employed and to alleviate residual unemployment through additional schemes including public works;

(vi) To identify gaps in the social infrastructure vis-a-vis health, medical facilities, drinking water supply, housing and education and devise measures for filling in the gaps.

If these data and informations are permanently fed into the computer of the District Informatics Centre[43] every year with modifications, if any, then the Block Planning Committee and the District Planning Committee will be immensely benefited. This way they would be able to consult these data and informations in order to ascertain their correct course of action while formulating their plans every year.

Next, the district planning cell is also needed to be strengthened by inducting some technical officers like : (1) Statistician; (2) Cartographer/Geographer, (3) Agronomist, (4) Engineer Civil/Irrigation, (5) Small and Cottage Industry Officer, (6) Credit Planning Officer. These technical Officers should exclusively function under the supervision and guidance of the District Planning Officer and provide technical guidance to the Block Planning Committee/District Planning Committee.

At the State level, the State Planning Board has got an important role of providing more detailed guidelines, supervising and overseeing the preparation of block level plan and district level plan, and providing the necessary orientation and training to the block/district level planning personnel and district level departments and making necessary arrangements for monitoring the block level programmes and the district level programmes.

Decentralisation vis-a-vis Coordination :

Decentralised planning is a difficult task within the prevailing administrative system characterised by strong vertical integration since departmental officers at the district and lower levels look only to their Heads of Departments at the State level for guidance. However, district/block level plan makes it imperative to bring about both vertical and horizontal coordination of the programmes formulated at different levels. Achieving such a coordination at the district or block level would involve a restructuring of the administrative apparatus aiming at strengthening of the horizontal linkages and loosening of the vertical command line of the departments.

In fact, to eliminate this dysfunctionality originated out of persistent departmentalism between the requirements of district planning and the existing structure of administration would require a very bold attempt at reorganisation from the state level downwards in an administrative system which has entrenched and consolidated itself over a long period from the time of the colonial era. Unless the hard shells of excessive departmentalism are broken permanently and departments are made totally subservient, at least in respect of planning and implementation, to the State Planning Board, simply the creation of the District Planning Committee and the Block Planning Committee will not cut much ice.

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Annexure IV.1

List of Minimum Essential Statistics to be maintained at the Block level.

Part I - Physical and Biological Resources

A. Agricultural and Land Use.

1. Soil and Soil Conditions - Types; Problem area.
2. Land Utilisation.
3. Area, Production and yield of major crops.
4. Irrigation - Source-wise and crop-wise irrigated area; Irrigation Projects - Completed and Ongoing, Area benefited and number of beneficiaries.
5. Supply of inputs - Seeds, fertilizers, pesticides and agricultural implements.

B. Activities allied to Agriculture

6. Animal husbandry - Number of Animals, Average milk yield, egg production, breed improvement programmes.
7. Veterinary services - Number of veterinary hospitals/ dispensaries;
   (i) Centres - Extent of coverage in the block, served areas.
8. Fisheries - Total water spread in the area, lakes, reservoirs, tanks, ponds etc., fish production, potential for augmentation; number of families engaged.
9. Agriculture - Plantation Area; Seed Farms and production.
10. Forestry - Area; forest types; plantations and production.
11. Minerals (of local significance only) Type, deposit and utilisation.

12. Industries - Number of units, employment, capacity production, separately for Large and Medium, Small Scale and Cottage industries;

Part II - Human Resources

1. Population - Rural, urban male and female.
2. Scheduled Castes and Scheduled Tribes - Rural and Urban, male and female.
3. Literacy - male and female in per cent.
4. Pattern of Working Force - Number of Workers in different industrial categories, male/female.
5. Beneficiaries under special poverty-alleviation programmes.
6. Small farmers; Marginal farmers and landless labourers - classification of agricultural families according to size of holdings; number of families without land.
7. Artisans - Number, skills possessed and trades.

Part III - Infrastructure and Institutions

1. Power - Number of towns/villages electrified; tubewells/pumpsets energized; number of household connections; power consumption by categories; number of Gobar Gas/bio-gas plants.
2. Roads - Length - Surfaced/unsurfaced; number of villages connected, number of villages not connected and their degree of accessibility.
3. Railways - Length of Railways; number of Railway stations.
4. Posts and Telegraphs - number of post offices; number of villages covered; number of telephone connections and Telegraph Offices.
5. Banking facilities - number of commercial banks; cooperative societies and financial institutions; loans advanced, amount and number of beneficiaries.

6. Delivery system - number of Distribution Centres for seeds, fertilizers, implements and pesticides.

7. Marketing - Number of regulated markets/village markets; total arrival of commodities; number of Godowns and storage capacity.

8. Education - Number of schools/Adult Education Centres; number of teachers - separately for boys and girls enrolment.

9. Public Health - Number of hospitals; Block Health Centres/dispensaries - rural/urban; number of beds provided; number of villages covered; number of nurses/midwives - trained/untrained available.

10. Nutrition - Programme and coverage.

11. Drinking Water - Number of villages and population covered by arrangements for safe drinking water.

12. Housing - Number of beneficiaries; quantum of financial assistance; house sites distributed.

13. Panchayat Raj Institutions in the block and their status.

14. Voluntary agencies - Name; area of operation and activities.*

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*Source : Manual on Integrated Rural Development Programme, Govt.of India, Ministry of Rural Reconstruction, New Delhi, January, 1980. [but slightly modified from the original].

Annexure IV.2

Illustrative List of Date/Information useful for District Planning

1. Natural Resource Data Set : (Resource Agencies)

Geographical area.

Forest area

Barren land

Land put to non-agricultural use

Permanent pastures and grazing lands

Area under miscellaneous crops and trees

Area under cash crops

Area under food crops

Culturable waste

Other fallows

Area with shallow waterable

Rainfall

Surface water quantity

Ground water recharge

Thickness of topsoil

Area requiring soil conservation

Area under marginal lands

Area under saline lands

Mineral resources

2. Demographic Data Set : (Source : Census Reports)

Number of children within age group of 6-15

Number of people with age above 60

Scheduled Caste male

Scheduled Caste female

Scheduled Tribe male

Scheduled Tribe female

Male population

Female population

Rural male

Rural female
Literates male
Literates female
Main workers male
Main workers female
Number of workers other than household
Number of agriculture workers
Number of cultivators
Number of marginal workers
Number of industrial workers in registered factories
Functional categorization of villages

3. Agro-Economic Data Set : (Agricultural Census report and Animal Census Report)

Net area sown
Total cropped area
Total irrigated area
Area under high yielding variety
Area more than once irrigated
Gross value of agriculture output
Land holding classification
Area under wells
Cattle male
Cattle female
Cattle young stock
Buffaloes male
Buffaloes female
Buffaloes young stock
Fertilizer used in Kharif(MTS)
Fertilizer used in Rabi(MTS)
Total fertilizer used (MTS)

4. Socio-Economic Data Set : (IRDP/SC-ST Corporation Lead Bank)

Total number of beneficiaries in small farmers
Total number of beneficiaries in marginal farmers
Total number of beneficiaries in agricultural labours

Total loan outlay
Total loan sanction
Total loan subsidy
Total number of beneficiaries below poverty line.

5. Infrastructure data set : (Secterial Offices at District Headquarters).

Number of villages with primary school facility
Number of villages with upper primary schools
Number of villages with high schools
Number of villages with Colleges
Number of commercial banks
Number of district cooperative central banks
Number of primary credit agriculture development bank
Number of primary agriculture credit society
Number of village co-operative society
Number of sub-post offices
Number of telegraph offices
Number of villages with medical facilities
Number of villages with drinking water facilities
Number of villages with veterinary services
Number of oil engines in the block
Number of electric motors in the block
Number of villages connected with bus facilities
Total road length
Number of villages electrified
Population covered by electrified villages
Domestic usage of power ('000 KWH)
Commercial usage of power ('000 KWH)
Agricultural usage of power ('000 KWH)
Value added by industry
Number of major, medium and small scale industries.
Industrial usage of power ('000 KWH)

6. Data inputs from primary survey.

Total income - Household - categorywise
Total indebtedness- Household- categorywise
Total employment primary and secondary
Total fuel energy comsumption
Migrant population.*

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* Source : Report of the Working Group on District Planning, Vol.I, Government of India, Planning Commission, May, 1984.

Chapter V

CONTROL OVER THE FINANCES : HOW IT IS EXERCISED !

There are two ways of exercising control over the finances in district :

I. Audit; and II. Administrative.

I. AUDIT

The meaning :

"An audit is an examination and verification of the accounts after transactions are completed in order to discuss and report to the legislative body any unauthorised, illegal or irregular expenditures, any financial practices that are unsound, and whether the administration has faithfully discharged its responsibility."[1]

Audit is one of the most important instruments of control over the finances. It is a means to enforce accountability. It forms an indispensable part of the financial system which ensures the sound functioning of a parliamentary democracy. It makes the Executive accountable to the Legislature. It helps the Parliament/Legislature to establish its financial control over the Executive that funds voted by the Parliament/Legislature have been fully utilised for the purpose intended, and that the funds authorised to be raised through taxation and other measures have been assessed, collected and credited to Government properly. It watches the various authorities whether they are complying with the rules and orders issued by the Executive Government in regard to all financial matters and also obtains accountability on the part of each authority subordinate to the one immediately above in the hierarchy of delegation.

Primary function of Audit :

The primary function of Audit is to verify the accuracy and completeness of accounts in order to observe that all revenue and receipts collected have been brought to account under the proper head, all expenditure and disbursement are authorised under proper rules, vouched and correctly classified, and the final account thereby appears and represents a complete and true statement of the financial transactions it purports to exhibit.

The right of independent criticism is inherent in the auditorial function and thus the statutory provisions explaining the position of the Comptroller and Auditor General and governing his functions explicitly recognise his independence in the sphere of audit.[2]

The Government Audit usually functions in a dual role :

(a) On behalf of the Executive Government it checks the compliance by the Government servants subordinate to it, with rules and orders issued by it in the discharge of its responsibility to the Legislature or other authority.

(b) On behalf of the Legislature it secures that the Executive Government acts in accordance with the law and also with the views and requirements of the Legislature.

Distinction between auditorial and administrative functions :

It is within the power of the Executive Government to make financial rules and orders and it is the function of the subordinates to apply these rules and orders. On the other hand it is the function of Audit to verify that financial rules satisfy the provisions of the law and are free from audit objection, and that these rules and orders are properly brought into application. It is not the function of Audit to prescribe what such rules and orders should be or to interfere with their administrative applications.

Criticism offered by Audit must be limited to financial criticism based on the accounts only. It is not the function of Audit to pass comments on the field of administration or of statistics and offer suggestions how Government may better be conducted.[3]

It is the responsibility of the Executive Government and not of the Audit Department to enforce economy in the expenditure of public moneys. However, it is the duty of Audit to bring to notice through scrutiny wastefulness in public administration and unfruitful expenditure.

How Audit should function :

It should not be the aim of Audit to trace out irregularities of trifling nature since this will cause unnecessary wastage of time and in the process it is not unlikely the major irregularities may escape notice.

However, it is suggested that sometime failure to appreciate the significance of what visibly seem to be a trifling irregularity may lead to failure to discover an important fraud or defalcation. Therefore, an Auditor must develop an instinct for assessing the importance of an individual irregularity.[4]

It is desirable, thus, the prescribed checks should be observed in spirit and not in the letter as opposed to the spirit.

<u>Procedure for Audit Scrutiny</u> :

The Comptroller and Auditor General conducts audit, which is in the nature of sample tests at two locations :

(i) centrally at the Accountant General's office, and, (ii) locally at the local offices of the departments of Government or authorities or bodies.

Central and local audit play a complementary role to each other. Before the local peripatetic audit parties visit the local offices they collect relevant informations concerning previous audit from the Accountant General's office and being armed with these informations they settle down to conduct present audit works.

In course of scrutiny of accounts and transactions of Government, Audit has authority to make such queries and observations at it may consider necessary,[5] and to call for such account books, papers, documents etc. as it may consider necessary in the interest of proper discharge of its duties.[6]

Further, it is prescribed that the person in charge of any office or department, the accounts of which have to be inspected and audited by the Comptroller and Auditor General, should afford all facilities for such inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.[7]

However, in this regard Audit should confine itself to asking for such papers only which are actually relevant for the purpose of audit and in case of necessity should confer with the Executive as to the best means of obtaining the evidence which it requires instead of jotting down objections right and left.

In any event if the objection is of such grave nature that it cannot be waived, Audit should press it firmly but the same should be couched in courteous and impersonal language.[8]

<u>Constitution of Audit in a district</u> :

As discussed earlier, after the introduction of the Panchayati Raj system in West Bengal, since 1978 two sets of administration function at the block and at the district level.

Therefore, at the district and at the block two sets of cash accounts are maintained ;

(a) at the district of the District Magistrate and of the Zilla Parishad; and,

(b) at the block of the Block Development Officer and of the Panchayat Samiti.

The power to conduct audit by the State Accountant General is extended only upto the level of the District Magistrate and the Block Development Officer.

After the constitution of the Panchayati Raj bodies, this periodical Accountant General's audit has lost much of its relevance because the District Magistrates and the Block Development Officers do not receive any schematic fund directly from the State Government - whatever is received that is only towards staff salary.

All the funds meant for the development of the district are released to the Zilla Parishads only by the Government. Through the Zilla Parishad, the funds percolate down to the level of the Panchayat Samitis and Gram Panchayats.

<u>Consent Audit</u> :

The Comptroller and Auditor General of India is not statutorily responsible for the audit of the accounts of the Zilla Parishads and Panchayat Samitis since their accounts, it is considered, do not constitute part of the accounts of the Union or of any State and of the accounts of private commercial and quasi-commercial undertakings in which Government of India may be participating. Such audit can be undertaken by the Comptroller and Auditor General and on his behalf by the State's Accountant General only on a 'consent' basis and on such terms and conditions as regards recovery of costs etc. as be settled between him and the Government concerned.[9] This 'Consent Audit' is also called 'Examiner of Local Accounts' in West Bengal.[10]

The importance of Audit visits :

Since in the 'Consent Audit' a lot of formalities, like the settlement of audit costs etc., have to be fulfilled by the State Government before the Audit actually decides to visit the local bodies, the frequency of Audit visits cannot be ensured, easily. It is, therefore, observed that most of the Panchayat Samitis in West Bengal have hardly faced two audit of the Accountant General since their constitution in 1978.

In fact, audit conducted at a wide interval loses its relevance; because the more the delay is observed in conducting audit the more the chances are of cash account papers getting misplaced or lost.

Suggestions :

In the administrative interest it is necessary that the audit of accounts of the Zilla Parishads and Panchayat Samitis is conducted as frequently as possible, at least once in a year if not more.

The State Government may also constitute a separate cell for this purpose and assign it with two tasks :

(a) to negotiate with the State Accountant General because the 'Examiner of Local Accounts' is a 'Consent Audit'; and,

(b) to monitor the frequency of visit by Audit to the Zilla Parishads and Panchayat Samitis.

Audit of Expenditure :

The Comptroller and Auditor General or on his behalf the State Accountant General, while auditing the incurring of expenditure is governed by the following essential conditions :

(i) that there should exist sanction, either special or general, accorded by the competent authority authorising the expenditure;

(ii) that there should be provision of funds authorised by competent authority fixing the limits within which expenditure can be incurred;

(iii) that the expenditure incurred should conform to the relevant provisions of the Act and laws made thereunder and should also be in accordance with the financial rules and regulations framed by competent authority; and,

(iv) that there should exist sanction, either special or general, accorded by the competent authority.

As a general rule no authority is supposed to incur expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the President/Governor or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorised grants and appropriations for the year.[11]

Apropos the conducting of audit the fulfilment of the following four conditions are being looked into :

(a) Provision of Funds, (b) Sanctions, (c) Regularity and (d) Propriety.

(A) <u>Provision of Funds</u> :

The Accountant General while conducting an audit against provision of funds sees that the expenditure which is being audited falls within the ambit of a Grant or an Appropriation Act and that it is within the amount of that Grant or Appropriation. Expenditure in excess of the amount of a Grant or Appropriation as well as expenditure not falling within the scope or intention of any Grant or Appropriation is treated as unauthorised expenditure.[12]

A Grant or Appropriation is intended to cover all the charges, including the liabilities of past years, to be paid during a financial year or to be adjusted in the accounts of that year. It remains in operation until the close of that year. Any unspent balance lapses and is not available for utilisation in the following year.

Concurrently with the conduct of appropriation audit, the State Accountant General also keeps a watch on the progress of expenditure against (1) the Grant or Appropriation as a whole and (2) allotment for sub-heads, and, where necessary, against subordinate units of appropriation and issues warnings to disbursing officers, if necessary to controlling authorities also when excesses appear to be likely.

But whatever be the case, the responsibility for watching the progress of expenditure against a Grant or Appropriation rests with the Executive and the Executive is responsible for keeping the expenditure within the Grant or Appropriation. Hence the role of Audit is simply to render all legitimate assistance to the Executive.

(B) Sanctions :

Each item of expenditure must be covered by the sanction of the authority competent to sanction it. Audit is required not only to see that the expenditure is covered by a sanction, either general or special, but it has to satisfy itself :

(a) that the authority sanctioning it is competent to do so in virtue of the powers vested in it by the provisions of the Laws, Rules or Orders made for the purpose and by the rules of delegation of financial authority made by a competent authority; and,

(b) that the sanction is definite and thus needs no reference either to the sanctioning authority itself or to any higher authority.[12A]

In the audit of sanctions the following are the guiding principles :-

(i) if the sanctioning authority is vested with full powers in respect of a certain class of expenditure, a sanction accorded under these powers can be challenged by Audit only on grounds of propriety;

(ii) if it is vested with powers which may be exercised provided due regard is paid to certain criteria which are expressed in a general form, sanctions accorded under those powers can be challenged by Audit -

(a) if the disregard of the criteria is considered to be so serious as to make the sanction perverse, or

(b) if the facts of the case are such as to make the Accountant-General confident that one or more of the criteria have been disregarded;

(iii) if it is vested with powers which are expressed in precise terms, the Accountant General is bound to ascertain that the order defining its powers is obeyed exactly in every instance;

(iv) for the purpose of financial sanction a group of works which forms one project is to be considered as one work, and the necessity for obtaining the sanction of a higher authority to a project is not avoided by reason of the fact that the cost of each particular work in the project does not require such sanction;

(v) if any one item of a scheme requires sanction of a higher authority, Audit can hold under objection any expenditure on that item until sanction to it is obtained.[13]

(C) Regularity :

Audit against regularity consists in verifying that the expenditure conforms to the financial rules, regulations and orders issued by a competent authority within the ambit of the provisions of the Constitution. The rules, regulations and orders against which audit is conducted mainly fall under the following categories :[14]

(i) rules and orders regulating the powers to incur and sanction expenditure from the Consolidated[15]/ Contingency Funds of India or of a State or of a Union Territory;

(ii) rules and orders dealing with the mode of presentation of claims against Government, withdrawal of moneys from the Consolidated/Contingency Funds of Government of India/State/Union Territory and Public Accounts of the Government of India and of the States, and in general the financial rules prescribing the detailed procedure to be followed by Government servants in dealing with Government transactions; and,

(iii) rules and orders regulating the conditions of service and pay and allowances and pensions of Government servants.

In applying check against the financial rules, regulations and orders Audit has to see that all payments which he is required to audit are effected according to the procedure laid down by the competent authority. The main objects of this check are to ensure :[16]

(a) that the expenditure is in accordance with a sanction properly accorded and is incurred by an officer competent to incur it;

(b) that payment has been made to a proper person in such a manner rendering a second claim on the same account impossible;

(c) that the claims are made in accordance with the rules;

(d) that all prescribed preliminaries to expenditure are observed;

(e) that the rules regulating the method of payment have been duly observed by the disbursement officer; and,

(f) that the rates paid for work done or supplies made are in accordance with any scale or schedule prescribed by competent authority.

As the audit of expenditure is conducted against the financial rules, regulations and orders, it is imperative that the rules, regulations and orders themselves should be subjected to examination. The rules and orders are scrutinised in the light of the following :[17]

(a) that the rules, regulations and orders are not inconsistent with any provisions of the Constitution or of the laws made thereunder;

(b) that they are consistent with the essential requirements of audit and accounts as determined by the Comptroller and Auditor General;

(c) that they do not conflict with the orders of, or rules made by any higher authority; and

(d) that, in cases in which they have not been separately approved by a competent authority, the issuing authority possesses the necessary rule-making power.

The work of Audit vis-a-vis regularity of expenditure is of a quasi-judicial character since it involves the interpretation of the Constitution, Statutes, rules and orders with reference to the case-law of previous decisions and precedents. Interpretation ordinarily implies simple explanation of the Article of the Constitution, Section of the Statutes, rule or order except where the same is inconsistent with another Article, Section, rule or order : in such a case the inconsistency is required to be referred to the competent authority for resolution or removal. In the case of regulations framed by a department of Government, the concerned department is considered to be the final authority for interpretation of its regulations. But this does not give a department a free hand towards interpreting its rules to suit particular cases in other than a natural or reasonable manner. Not only that so long as a rule or regulation remains unamended the department is bound to obey it.

(D) Propriety :

Under audit against propriety, it becomes essential for Audit to bring to light not only cases of clear irregularity but also every matter which prima facie appears to involve improper expenditure or waste of public money or stores even though the accounts themselves may be in order and no obvious irregularity has occurred. Simply observance of sundry rules or orders of competent authority is not enough, what is of more importance is that the broad principles of orthodox finance have been retained in mind not only by disbursing officers but also by sanctioning authorities.

There are no precise rules for regulating the course of audit against propriety. However, a support can be extended to a reasonably high standard of public financial morality, of sound financial administration and of devotion to the financial interests of Government.

Anyway, among the principles on which emphasis is generally to be given are the following :

(a) The expenditure should not be prima facie more than the occasion demands.

(b) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.

(c) Public moneys should not be utilised for the benefit of a particular person or section of the community unless -

(i) the amount of expenditure involved is insignificant; or

(ii) a claim for the amount could be enforced in a court of law; or

(iii) the expenditure is in pursuance of a recognised policy or custom.[18]

On the whole every public officer is expected to exercise the same vigilance in regard to expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. Thus, while conducting propriety audit, Audit not only has to see whether there is proper authority for expenditure, but also should try to ascertain the necessity for it.

Results of Audit :

The Articles 149 and 151 of the Constitution of India and Section 49 of the Government of Union Territories Act, 1963, read with the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, empowers the Comptroller and Auditor-General of India to audit the accounts of the Union/State/Union Territory and submit his reports to the President/Governor/Administrator, as the case may be, who causes them to be laid before the respective legislature. The Audit Reports relating to the financial transactions of State Governments are prepared by the respective State Accountant Generals under the directions of the Comptroller and Auditor-General.

Although Audit depends for its effective value on its right and duty to report results to the proper authority so that appropriate action may be taken to rectify the irregularity or impropriety, wherever possible, or to prevent a recurrence of it, ~~but~~ howsoever be the case the effectiveness of Audit Report depends upon one factor, i.e., how far responsive is the Executive !

The Responsibility of the Executive :

Plainly speaking, the responsibility for the removal of objections, and the settlement of other points raised in audit, devolves primarily upon disbursing officers, heads of offices, and finally the controlling officers. With a view to assisting the Finance Department of the State Government in the maintenance of financial regularity and a proper system of accounts, the State Accountant General is expected to maintain a constant and careful watch over objections and to keep controlling authorities fully acquainted not only with the individual cases of serious disregard of financial rules, but also generally with the progress of the clearance of objections.

As discussed above, the effectiveness of Audit depends upon the degree of response shown by the Executive, and, therefore, at any time if the Executive decides not to take any action on Audit paras, then the entire audit exercise may be rendered ineffective. In this case, the Accountant General is not empowered to take any direct action against the apathetic Executive. As a last resort, it can simply draw the attention of the Government, and in consultation with the State Finance Department of the Public Accounts Committee of the State Legislature.[19]

But, here again, the same time problem operates. By the time the matter reaches the Public Accounts Committee, so much of time is lost in the process, its very purpose is rendered infructuous.

As a matter of fact, time factor is extremely important whether it is related to conducting audit or submission of replies against Audit queries.

<u>Action on Audit Report by Panchayat Samiti/Zilla Parishad</u> :

As soon as the audit report is received from the Examiner of Local Accounts, West Bengal, by the Panchayat Samiti/Zilla Parishad, a special meeting of the Standing Committee on Finance has to be convened and discussed item by item the observations made by Audit on any material irregularity or impropriety, loss or wastage and make recommendations to remedy the defects or the irregularities thereof.[20]

It is further prescribed in the rules that the Chairman of the Zilla Parishad/Panchayat Samiti will remedy the defects or irregularities pointed out by the Auditor and within three months from the date of receipt of the report forward a statement giving particulars of action taken thereon to the Examiner of Local Accounts through the District Magistrate.[21]

In the same vein the relevant Section of the

West Bengal Panchayat Act, 1973 also reverberates,

"Within two months from the receipt of the report ... the Panchayat Samiti or the Zilla Parishad concerned shall, at a meeting, remedy any defect or irregularity pointed out in the report and shall also inform the auditor of the action taken by it ..."[22]

The only flaw of the above prescription is that the Chairman, in actuality, is not competent to initiate any action since the power to draw and disburse the Panchayat Samiti/Zilla Parishad funds lies in the hands of the Executive Officer only. The Chairman can only make recommendations but their implementation is entirely the discretion of the Executive Officer.

Actually for every financial irregularity committed advertently or inadvertently in the name of the Panchayat Samiti/Zilla Parishad the Executive Officer is responsible. It is not easy to attribute any financial irregularity to the Chairman of the Panchayat Samiti/Zilla Parishad because he does not directly deal in cash like the Pradhan of a Gram Panchayat.

<u>What Audit can do in case of non-compliance</u> :

In the event of non-compliance of the audit reports by the Panchayat Samiti/Zilla Parishad, the Examiner of Local Accounts may draw the attention of the Government and on obtaining clearance from the Government of the Public Accounts Committee.

Yet this entire process is once again cumbersome and consumes unnecessarily a lot of time which eventually renders the audit reports irrelevant.

But all said and done the existing image of the Accountant General's Audit needs to be refurbished. It should be vested with some special powers vis-a-vis the Panchayati Raj bodies, like, making suggestions to the Government for suspension of the Panchayat Samiti/Zilla Parishad in the event of non-compliance of the audit reports within the stipulated time. Only through strengthening the hands of Audit could we make the purpose of establishing the Panchayati Raj institutions in West Bengal more meaningful.

However, implicit to all this is one precondition : the Sabhapati/Sabhadhipati of the Panchayat Samiti/Zilla Parishad should directly be involved with the financial matters.

The Panchayat Department's Running Audit :

So far we have discussed on the visit of external audit, but there is a provision for internal audit also, which is entirely done departmentally and has nothing to do with the Accountant General's Audit. This system of Internal Audit is also called Running Audit.

The need for running audit was felt by the State Government when various rural development programmes were beginning to be assigned to the Panchayati Raj bodies. The purpose of running audit is to apprise the Panchayati Raj bodies with various aspects of financial management.[23]

For conducting running audit at the different levels of the three tier Panchayats the State Government has created the following posts :

Posts	To conduct running audit at :
Panchayat Accounts and Audit Officer	- Gram Panchayat
Samiti Accounts and Audit Officer	- Panchayat Samiti
Parishad Accounts and Audit Officer	- Panchayat Samiti
Regional Accounts and Audit Officer	- Zilla Parishad

Statutory Audit of the Gram Panchayats :

Besides running audit, the West Bengal Panchayat Act, 1973 also provides for the statutory audit of the three-tier Panchayat bodies.[24] The Zilla Parishads and the Panchayat Samitis come within the ambit of the Accountant General's Statutory Audit, but the Gram Panchayats are not. Therefore, the District Magistrates have been empowered by the West Bengal Government to appoint auditors for conducting statutory audit of the accounts of the funds of the Gram Panchayats lying within their respective jurisdiction subject to conditions that only the Extension Officers of Panchayats who are posted in blocks could be appointed auditors for this purpose.[25]

Who are these Auditors :

Be that as it may, the auditors mentioned above are either an employee or placed on deputation under the Panchayat Department of the Government of West Bengal. The Block Development Officers are the controlling officer of the Panchayat Accounts and Audit Officer and the Extension Officer for Panchayats, whereas the Subdivisional Officers, District Magistrates and Divisional Commissioners are the controlling officers of the Samiti Accounts and Audit Officer, ~~to~~ the Parishad Accounts and Audit Officer and the Regional Accounts and Audit Officer respectively.

Difficulties of these Auditors :

Since these auditors are all departmental officers and do not belong to any independent organisation like the Accountant General, it is very much doubtful, therefore, whether they would be able to pin-point sincerely any serious irregularities in spite of the clearcut guidelines that they would identify the errors, irregularities, illegalities, if any, in their audit reports.[26]

The Remedy :

The object of Audit is to pin-point the fault in financial management without favour or fear, but seldom could a departmental officer be expected to be free from prejudice since he cannot function independently. This way the very purpose of Audit falls into jeopardy. It is preferable, therefore, the present system of department-based Audit of the Panchayat bodies upto the level of Gram Panchayats is abolished and instead the entire responsibility of conducting audit is bestowed upon the Accountant General.

(II) Administrative Control :

Audit apart, the control of finances is also exercised administratively and such type of control operates in two ways :

(a) through the Drawing and Disbursing Officers/ Heads of Offices; and

(b) through the superior officers in the form of periodical inspections.

The role of the Drawing and Disbursing Officer :

The Block Development Officers and the District Magistrates as the Drawing and Disbursing Officers of the Panchayat Samiti/Zilla Parishad funds have a very crucial role to play towards the control of finances.

The financial rules clearly emphasise that every DDO is personally responsible for any loss sustained by Government through fraud or negligence on his part. Even he is responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which if it is proved that he contributed to the loss by his own action or negligence.[27]

Head of Office versus DDO :

In most of the cases the Heads of Offices are the Drawing and Disbursing Officers. But with enhanced activities of Government offices in some cases a person other than Head of the office is declared as DDO, e.g., a Joint Block Development Officer is the DDO in respect of block's cash. But the Head of office is always the Block Development Officer in a block. However, there should not be any conflict between the Head of the Office and the Drawing and Disbursing Officer. They should work in tandem. A DDO should always realise that he is subordinate to Head of Office and he has to perform his duties on the basis of orders received by him from his Head of Office. At the same time the Head of Office should also realise the difficulties faced by a DDO in discharge of his duties. The responsibility for drawal particularly over charges, if any, rests with DDOs,[28] and so the DDO may have to ask for certain certificate or clarification from the Head of the Office in case of difficulty. If the drawals are not permissible under the existing rules, then the DDO, in extreme cases, may have to request for proper order or sanction of the appropriate authority from the Head of the office.

<u>The responsibility of Head of Office</u> :

A Head of Office remains in overall charge of cash. He has to make an arrangement for physical verification of the cash at the end of the month,[29] and record his certificate on the Cash Book to the effect that he has physically verified the cash. Similarly he is also responsible for making an arrangement for verification of credit of all receipts.[30]

Since the Head of the Office is in overall charge of the office, therefore, he should also review the function of the Drawing and Disbursing Officer from time to time so that there should not be any deficiency in the maintenance of Cash Book and other account papers.

On the other hand, it is the duty of the DDO to assist his Head of the Office in the matter of discharge of all duties in which the Head of the Office may seek assistance of the DDO.

The functions of the D.D.O.:

(a) Bills and the DDO

After a bill is prepared it is placed before the DDO alongwith the "Bill Register" and "Bill Transit Register" for signature. Bills are sent to the treasury through "Bill Transit Register" on which treasury acknowledges receipt of bills. It is necessary, thus, for the DDO to verify the Bill Register and the Bill Transit Register periodically to ascertain that all the bills signed by him have been encashed and entered in the Cash Book. As soon as the Bill is passed by the treasury the Cashier of the office collects the cheque on behalf of the DDO. It is the duty of the DDO to ensure that all the cheques received have been recorded in the Cash Book by the Cashier. The Cash Book should be closed and balanced each day.

(b) Cash Book and the DDO :

The DDO should verify the totalling of the Cash Book and initial it as correct. The DDO while initialling the entries in the Cash Book should compare the entries as in the counterfoil of receipts, paid vouchers and challans. In the matter of maintenance of Cash Book, the DDO should ensure that no entry corrected be left unattested. As a precaution against fraud, it is better that any mistake should be corrected by drawing the pen through and correct entries inserted in red ink between the lines. As an extra measure of precaution the DDO should initial each and every correction with his dated initial.

The Cashier should as a rule furnish a security deposit.[31]

(C) <u>Advance Register and the DDO</u> :

In the Panchayat Samiti and the Zilla Parishad a lot of cash advances are made to different officers from time to time for executing different schematic works on behalf of the Panchayat Samiti/Zilla Parishad because contractors are not permitted to be engaged.[32] Although cash advances do appear in the Cash Book, ~~but~~ it is better that an Advance Register is also opened simultaneously in order to keep track of the submission of adjustments. It is observed that misappropriation of Government money by public servants takes place in such offices where either no Advance Register is maintained or the DDO fails in his duty to check the Advance Register from time to time.

(d) <u>Expenditure Register and the DDO</u> :

An Expenditure Register is also required to be maintained by the DDO to watch receiving of allotment and drawal of expenditure. Such expenditure Register will clearly show allotment under different heads and progress of expenditure under different units of appropriation. In order to check fraud of any kind it is significant that the expenditure statement is reconciled every month with the treasury. It should preferably be done not later than the second working day of every month since the first working day is always the salary day.

<u>How does misappropriation of Government money take place</u> :

The usual modus operandi inter alia adopted to cheat is as follows :

(i) Cash receipts from various sources are neither entered in the Cash Book nor remitted into the treasury;

(ii) double entries are recorded in the payment side of the Cash Book for several payments;

(iii) bills encashed from the treasury are neither entered in the Cash Book nor is any disbursement to the payees concerned actually made;

(iv) advances received from the higher authorities are not accounted for; and,

(v) Katcha (not authenticated) receipts signed by different officers are issued to the parties and the cash collected thereby is not taken into Government account.

The misappropriation is actually facilitated by laxity in supervision and non-observance of the relevant rules and procedure by the Drawing and Disbursing Officer.

<u>Extra precautions for the DDO to check fraud/loss</u> :

Since every public officer is expected to exercise the same vigilance when he incurs expenditure from public moneys as he would have exercised in respect of expenditure of his own money; similarly a DDO, being a public officer, should also exercise extreme precautions to prevent any kind of fraud or embezzlement from taking place in regard to the Government money of which he is the custodian. The following extra precautionary measures can be adopted by a DDO in this connection :

(i) No money shall be drawn from Government account unless it is required for immediate disbursement.[33]

(ii) The money received from Government or on behalf of Government (like tax etc.) shall be deposited into the Bank or Treasury within the next working day at the latest unless otherwise specified by the Government. No officer should be authorised to make expenditure out of departmental receipt except with the special sanction of the Government; and,[34]

(iii) Undisbursed amount of cash should be deposited to the Government account within three months from the date of encashment.[35]

Should any defalcation take place :

In spite of all precautions should any defalcation or misappropriation or loss or shortage of stores of Government property or money take place and as soon as the same is detected, the Head of Office/DDO should forthwith :[36]

(i) Report higher authority;
(ii) Report the State Finance Department;
(iii) Report the Accountant General West Bengal (in case amount involved is more than Rs.200); and;
(iv) Lodge an FIR (First Information Report) with the police.

All the aforesaid actions should be taken simultaneously.

Periodical Inspection :

For control of expenditure and proper utilisation of funds provided for the execution of different developmental schemes the need for periodical inspection and intensive tours by senior officers cannot be over-emphasised. The efficiency of district administration has really been affected by the fact that inspection and touring in the rural areas by the District Magistrate and his officers have been neglected considerably these days.

Even the Administrative Reforms Commission emphasises, "It is only if this old system of touring is revised and undertaken in right earnest, that it will be possible for the Collector and his Officers to get in close touch with the people in the rural areas and obtain a real insight into the problems."[37]

In development-oriented administration, as in West Bengal, the main emphasis should be laid on the achievement of positive goals rather than in the regulation of some activity as an end in itself.

Unless there is periodical inspection and frequent tours a feeling of accountability amongst the junior officers and staff and the knowledge that in the event of negligence they would be pulled up cannot be instilled.

<u>What should be done during inspection</u> :

During inspection, the Inspecting Officers should see that schematic registers and account papers are properly maintained and pending lists are updated.

In course of his tour when the District Magistrate goes to monitor the progress of different schematic works executed by his juniors he should without fail check the related cash accounts papers ~~also~~. The above apart, audit objections should also form one of the important items of his inspection. It should be ensured by him that the audit objections are dealt with immediately by his subordinates.

Similarly, a Block Development Officer too while visiting the Gram Panchayats should thoroughly inspect the progress of their different schematic works and the maintenance procedure of their account papers.

Unfortunately seldom do the Block Development Officers inspect the Gram Panchayats these days, whereas 'Manual on Community Development Programme', a vade-mecum for block administration, clearly underlines that there should be at least one visit by the Block Development Officer to one Gram Panchayat every month and he should be on tour for twenty days out of a month.[38]

Only through periodical inspections and meetings could the quality and progress of developmental works be assessed and evaluated and proper utilisation of fund be ensured.

Observations :

"A truly responsive administration must have two essential characteristics : it must be representative, and it must be responsible."[39] The District Administration in West Bengal is representative in character because the Panchayati Raj Administration is in full operation here. Barring law and order, the rural development administration on all counts is within the Panchayat's grip.

About the second characteristic, still there are certain prerequisites to be fulfilled :

(i) Audit should be fully independent of the authorities responsible for the transactions to enable him to discharge, without fear or favour, his duty of scrutinising the financial actions of various authorities and he will not be able to do so if he is dependent on one of those authorities whose orders he may have to challenge.

In view of this stipulation, the running audit of Gram Panchayats, Panchayat Samitis and Zilla Parishads should invariably be conducted by the Accountant General and no other authority.

The true value of Audit, independent of the Executive, therefore, is to be judged not by the irregularities which it actually discovers but by the certain effect of the knowledge that the auditor can and will, without fear or favour, report them if they come to his notice.

As a matter of fact, knowledge constitutes in itself the most effective security against irregularity.

(ii) As we know, the function of Audit is a quasi-judicial one. Similarly, as regards implementation of its reports, ~~also~~ it should be vested with quasi-judicial powers. It implies, no Executive should go scot-free if he fails to implement the reports of Audit within the prescribed time limit. In other words, implementation of Audit reports should be obligatory upon the Executive. This is the only way to make an Executive responsive towards irregularities pointed out by Audit.

At the same time, it must be evident that the control of Legislature to prevent diversions of voted funds, ipso facto, would be merely nominal if they were not supported by a powerful and independent Audit capable of bringing the Executive to task in case of breach of financial norms in regard to public funds.

(iii) The conduct of periodical inspection of the function of the subordinate offices by superior authorities also constitutes an important mode of extending control over the finances.

However, in the development-oriented administration the present practice of checking the cash accounts of the field-level offices will not suffice, the Inspecting Officer should also make an arrangement for thorough study of the mode of implementation of at least a few selected schemes, if not all. This will ensure the better implementation of the projects at the field level. At the time of each inspection the defects pointed out in previous inspection reports should also be reviewed to see if these have been remedied.

But it may be stressed every inspection should take place without alerting the subordinates beforehand. The more the latitude of time is allowed to a subordinate officer to be prepared to face the ensuing inspection, the more are the chances of the Inspecting Officer getting duped since this will allow a delinquent subordinate officer to make good his lapses which will eventually jeopardise the very purpose for which the inspection is conducted.

(iv) Besides inspection, the Government should insist that the District Magistrate and his officers spend a prescribed number of days on tour in the interior of the district. It would be worthwhile during such tours they spend most of their time among the villagers to have an on the spot understanding of the village problems with a view to chalk out strategies for guidance in launching of development projects in a better way in future.

<u>Conclusion</u> :

Crores of rupees are poured into the districts every year under different heads of accounts these days. The concept of district administration is not that what it was a decade ago. It is purely a development-oriented one.

Therefore, in order to suit the changing situation the bureaucracy is also needed to be revamped. The Government can only draw up certain rules and issue circulars from time to time for control of finances but for their proper implementation at the ground-level the Government has to depend on its bureaucracy.

Experience tells, an efficient administrator can change the entire scenario in district administration in no time despite political influences. But efficiency is unthinkable in an administrator with no sound knowledge of his work. Such an administrator has to frequently depend upon his juniors even for taking minor decisions. One can acquire knowledge of his work only through experience. The more an administrator is experienced the more knowledgeable he is about his official work.

In the above connection the observation of the Administrative Reforms Commission is worthy to be noted, ~~here~~, "In recent times there is a growing tendency to post very young officers in charge of districts as Collectors. The responsibilities of a Collector ... are so grave that they are not equal to the job."[40]

Today it is the duty of the Collector to secure the efficient and coordinated working of the various departments under him and also to guide the democratic bodies towards execution of different developmental programmes. The emerging role of the District Collector is indeed a very difficult one as he is juxtaposed in between the Government on the one hand and the local elected bodies on the other. Evidently, a junior member of the Indian Administrative Service is just not equipped to play with ease such a difficult role. It is, therefore, proposed that the post of the District Collector should be manned by a very senior officer who has acquired enough of experience serving in different posts.

Notes and References :

1 Report of the President Committee on Administrative Management (USA), 1937, p.21.

2 Section 18 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

3 Para 26 of 'Audit Code' issued by the Comptroller and Auditor General of India, 1950.

4 Para 230 of 'An Introduction to Indian Government Accounts and Audit' issued by the Comptroller and Auditor General of India (Third Edition), 1963.

5 Section 18(1)(c) of 'The Comptroller and Auditor General's (Duties, Powers, and Conditions of Service), Act, 1971.

6 Section 18(1)(b), ibid.

7 Section 18(2), ibid.

8 Para 233 of 'An Introduction to Indian Government Accounts and Audit', op.cit.

9 Appendix 5 of 'Government Accounting Rules', Government of India, 1990.

10 Vide Notification No.2253 of Local Self Government, Dated the 24th September, 1945 and vide Government of West Bengal's Notification No.21590-Panch/3A-17/78, Dated 3.9.1980.

11 Rule 34 of 'The West Bengal Financial Rules', Vol.I (Second Edition), 1979.

12 Articles 114(3) and 204(3) of the Constitution of India.

12A Article 58 of 'Audit Code' issued by the Comptroller and Auditor General of India, 1950.

13 Article 66, ibid., and Para-262 of 'An Introduction to Indian Government Accounts and Audit', op.cit.

14 Para 289 of 'An Introduction to Indian Government Accounts and Audit', op.cit.

15 Within the ambit of Clause (2) of the Article 283 of the Constitution of India, the following rule has been made by the Governor of West Bengal relating to the State Consolidated Fund -

"The Custody of the consolidated fund of the State of West Bengal, the payment of moneys into that fund, the withdrawal of moneys therefrom, the custody of public moneys other than those credited to that fund received by or on behalf of the Government of the State of West Bengal, their payments into the public account of the State of West Bengal and the withdrawal of monies from such account and all other matters, connected with or ancillary to the matters aforesaid shall be regulated by the rules made by the Provincial Government of the Province of West Bengal or by any person authorised by it in that behalf under Section 151 of the Govt. of India Act, 1935, and in force on the 25th day of January, 1950, regulating such matters in relation to moneys received on account of the revenues of the said Province, in so far as such rules are not inconsistent with the provisions of the said Constitution, and the said rules, in their application to the aforesaid matters, shall be read subject to all necessary modifications." Notification No.3468(F.B.) dated 31st March, 1950, Cal.Gazette, Extraordinary, dated 31st March, 1950, Part I, p.399.

16 Para 291 of 'An Introduction to Indian Govt. Accounts and Audit', op.cit.

17 Para-292, ibid.

18 Rule 35 of 'the West Bengal Financial Rules', Vol.I (Second Edition), 1979.

19 The functions of the Public Accounts Committee of the West Bengal State Legislature are laid down in the Rules 107-112 of the West Bengal Legislative Assembly Rules, 1950 (Calcutta Gazette, Extra-ordinary, dated, 1.2.50, p.117).

20 Memo : 14380 Panch/2A-2/81(Cell-V) Dated 6.5.1981 of the Panchayat Dept., Govt.of W.B.

21 Rule 103(3) of the West Bengal Zilla Parishad (Election, Constitution and Administration) Rules, 1964.

22 Section 191(1) of the West Bengal Panchayat Act, 1973.

23 Vide order Nos.22473 - Panch/2A-26/80, Dt. 30.9.80, 14376 - Panch/2A-2/81 Dt. 6.5.81 and 14377-Panch/2A-2/81 Dt. 6.5.81 of the Panchayat Dept., Govt. of West Bengal.

24 Section 186 of the W.B.Panchayat Act, 1973.

25 Notification No.17750-Panch/3A-15/78 Dt. 21.6.80 of the Panchayat Dept., Govt.of W.B.

26 Memos-14378-Panch/2A-2/81 Dt. 6.5.81 and 14379/Panch/2A-2/81, Dt. 6.5.81 of the Panchayat Dept., Govt.of W.B.

27 Rule 42 of 'The West Bengal Financial Rules Vol-I (Second Edition), 1979.

28 Rule 44(a), ibid.

29 Subsidiary Rule 31(iv) of Treasury Rules, West Bengal; Vol.I, op.cit.

30 Subsidiary Rule 31(v), ibid.

31 Rule 22 of 'The West Bengal Financial Rules', Vol.I (Second Edition), 1979.

32 Para 33.1 of the 'Jawahar Rozgar Yojana Manual', Govt. of India, Dept.of Rural Development, New Delhi, August, 1989.

33 Subsidiary Rule 229 of 'West Bengal Treasury Rules, Volume-I, op.cit.

34 Treasury Rule 7, ibid.

35 Subsidiary Rule 572(3), ibid.

36 Rule 39 to 41 of the West Bengal Financial Rules', Vol.I, op.cit., Appendix-2 of The West Bengal Financial Rules', Vol.II, and G.O. No.2455(52) F, dated-8.5.75 of the Finance Dept., Govt.of W.B.

37 Administrative Reforms Commission, Report on State Administration, Govt.of India, 1969, p.44.

38 Manual on Community Development Programme, Govt. of West Bengal, 1958, p.34.

39 Inaugural speech of the then Prime Minister, Rajiv Gandhi at the Workshop of the DMs and Collectors on Responsive Administration held at Jaipur on April 30, 1988, published by Dept.of Personnel Training Division, Govt. of India.

40 Administrative Reforms Commission, Report of the Study Team, State Level Administration, Govt.of India, 1968, p.64.

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Chapter VI

THE FINALE : A PLEA FOR REFORM

The objective of financial administration is the achievement of economy, efficiency and propriety in public finance by ensuring that expenditures incurred on the programmes, activities, schemes and projects are approved by the legislature and in accordance with rules, regulations, codes and manuals. The success of any system of control over the governmental finance, therefore, depends upon the extent to which this aim is realised. Budget is used as a mechanism to facilitate such control. Similarly, Audit is another instrument to exercise control by ensuring accountability of the Executive towards the Legislature.

These are the broad aspects of financial control. Besides these, at different levels of administrative set-up some reforms have become imperative to make the system of financial control more effective and meaningful. Reforms in question can be operationalised at three levels :

(A) At the level of the Panchayati Raj bodies;

(B) At the level of the Government; and

(C) At the level of the Bureaucrats.

(A) At the level of the Panchayati Raj bodies :

The importance acquired by the Panchayati Institutions :

In 1978, for the first time, an administrative reform was introduced in West Bengal in the form of establishing full-fledged Panchayati Raj system. Under this system the people's representatives received an important place in the developmental process at the grass-roots level of administrative set-up. At the apex of the three-tier Panchayati Raj System stands the Zilla Parishad followed by Panchayat Samiti and Gram Panchayat.

The main factor behind the constitution of the Panchayat Samiti was to help and guide the block in its development. Simultaneously various Gram Panchayat units were also constituted with the people's representatives to look after and organise the development of the villages in a cluster basis.

As a result, the entire working system of the block underwent a sea-change. This has increased the dimension of work of a block manifold in recent years over and above.

At present, all types of developmental works taken up within a block are either executed directly by the Panchayat Samiti or obtaining the assistance of the Panchayat Samiti.

With the introduction of "Jawahar Rozgar Yojana", a rural development programme, in 1989, a new dimension has been added to the works of Panchayati institutions. As a matter of fact, with its introduction, the equation of work among the three tiers of Panchayats has abruptly been changed. Now almost 80% of total allocation is spent by the Gram Panchayats and the rest 20% is shared between the Zilla Parishads and the Panchayat Samitis.

Before 1989 a Gram Panchayat used to receive hardly a grant of seventy to eighty thousand rupees in a year from the Government under different rural development programmes, but the same Gram Panchayat at present receives not less than rupees eight to ten lakhs under JRY. With the passing of time the allotment of funds to the three-tier Panchayati bodies is constantly increasing, and with it the problem of maintainance of proper accounts of the funds so allocated is also perennially on the rise.

(a) Problems faced by the Executive Officer of the Panchayat Samiti :

The Sabhapati or the Chairman being the head of the Panchayat Samiti performs all its works through its Executive Officer. The Block Development Officer, who is the ex-officio Executive Officer of the Panchayat Samiti, has to execute different development works of the Panchayat Samiti apart from attending different meetings of the Standing Committees of the Panchayat Samiti and other meetings at the Subdivision, District and Zilla Parishad. Also he has to inspect and supervise works and accounts of Gram Panchayats (within the periphery of Panchayat Samiti) regularly.

Apart from this, he has some statutory works also to perform in his capacity as a Block Development Officer. He has to attend to certain emergent works during flood, election, revision of electoral rolls etc. After attending to so many works the Executive Officer or the Block Development

Officer practically finds little time to devote himself in maintenance of accounts of the Panchayat Samiti.

This problem can easily be tackled if the post of the Joint Block Development Officer is redesignated as Joint Block Development Officer-cum-Joint Executive Officer. This way the Joint Block Development Officer, posted in the block to assist the Block Development Officer in block administrative matters, could have been entrusted with the works of maintaining the accounts of the Panchayat Samiti in addition and in such case the Block Development Officer could give his more time on field visits.

In the Zilla Parishad, there is already an Additional Executive Officer to assist the Executive Officer in his day to day work in administration and account matters.

(b) <u>Inadequate staffing pattern of the Panchayat Samiti</u> :

In pre-1978 period the block used to maintain two separate cash books. The amount of money which used to be spent through a Panchayat Samiti (it was called Anchalik Parishad[1] then) did not exceed Rs.50,000/- in a given year under the heads like, old age pension and salary to the Anchalik Parishad's staff (comprised of a clerk and a peon). The money which used to be spent through the block also did not go beyond Rs.2 to 3 lakhs in a year. Comparatively, at present a Panchayat Samiti receives not less than Rs.70 lakhs in a year. Similarly a block also receives nearly Rs.10 to 15 lakhs in a year, which includes staff's salary. The work of a block has increased more than ten times since 1978. As discussed earlier, two sets of separate accounts are still being maintained, viz., one of Block and another of Panchayat Samiti.

However, still the Panchayat Samiti has on its pay-roll the same number of staff as on Anchalik Parishad days : one clerk and one peon. No new posts have been created by the Government for the Panchayat Samiti to cope up with the increase in workload. Yes, the Government has made one relaxation in this regard that is by placing the services of the Head-Clerk-cum-Accountant and Cashier-cum-Storekeeper of the Community Development Block at the disposal of the Panchayat Samiti after 1978. So the number of staff available for maintaining the accounts of the Panchayat Samiti stands to be three :

(i) Head Clerk-cum-Accountant,
(ii) Cashier-cum-Storekeeper, and
(iii) Panchayat Samiti Clerk.

(i) <u>Head-Clerk-cum-Accountant</u> :

The Head Clerk-cum-Accountant has to bear the main work load of keeping accounts in proper manner. Except the cash book, he has to maintain all other books of accounts, prepare the bills and cheques, and to perform other sundry works. The work load of the block establishment is enough to keep him engaged throughout the day. As a result, it seldom becomes possible for him to update all the books of accounts. It is, therefore, extremely necessary to provide another staff to assist the Head Clerk in the matters related to accounts.

(ii) <u>Cashier-cum-Storekeeper</u> :

The problems faced by the Cashier-cum-Storekeeper is more or less akin to that of the problems faced by the Head Clerk-cum-Accountant. The Cashier has to maintain the cash books of both the Block establishment and the Panchayat Samiti. The Panchayat Samiti Cash Book has to be balanced at the end of a month[2], and this relaxation provides him with some breathing time to keep the Block Cash Book up-to-date.

It has been noticed that due to heavy pressure of works of the Head Clerk and the Cashier, it becomes extremely difficult for them to reconcile the cash balance with the Allotment Register in order to prepare the monthly cash analysis.

In the absence of cash analysis it is also difficult for the internal auditors to ascertain the correct position of accounts of the Panchayat Samiti funds. In order to avoid this difficulty the Government may order the Panchayat Samiti Clerk to be entrusted with the work of Cashier of the Panchayat Samiti.

These problems are not faced by the Zilla Parishad as such because it has got separate establishment, unlike that of the Panchayat Samiti, of its own with separate sets of staff both technical and non-technical to perform its duties; whereas the Panchayat Samiti performs its works with the help of the staff borrowed from the Block.

(c) <u>Absence of Specific Audit and Accounts Rules</u> :

Despite the changes brought about in the structure of the Panchayati Raj Institutions in West Bengal in 1978, the procedure of maintaining the accounts of Panchayat Samiti/Zilla Parishad is still guided by the 'Local Self Government Accounts Rules for District Boards' (1885) meant for the guidance of the pre-Independence District Boards. It has been observed that except the Cash Book no other essential registers could be maintained in the forms prescribed under the said Rules.

The reason for such change has mainly been due to the change in the nature of works now executed by the Panchayat Samiti/Zilla Parishad. In pre-Independence days there were no works like rural development nor so much of money was received by the District Boards.

These days the main stress of every five-year plan is on rural development in view of the concentration of 77% of the population in the rural areas, having sizeable majority of them living below the poverty line.[3] Juxtaposed against the changed concept in rural development administration, it cannot be gainsaid if we call these 'Rules' absolutely obsolete and useless.

As a result, to keep pace with the changed circumstances, improvised registers have been devised by the Panchayat Samitis and the Zilla Parishads and as such no uniform pattern or system is followed for the purpose of keeping the accounts of the Panchayat Samiti/Zilla Parishad funds.

It is time, therefore, some specific rules and guidelines devised for the purpose of maintenance of accounts.

(d) Problems of retaining liquid cash :

As per the Government rules (already discussed in Chapter III) the Panchayat Samiti/Zilla Parishad cash is kept and maintained at the treasury in Personal Ledger Account (PL Account). Money is drawn from time to time from the P.L. Account for execution of different schemes and for labour payments.

The money so drawn in advance from the P.L. Account is usually kept in the iron chest maintained at the block's office. But this system of keeping the cash in iron chest is fraught with grave risks. There is no guarantee that the said money may not be misused by the Cashier for his personal benefit. Moreover, there is a danger of occurrence of theft also.

These problems can easily be tackled if the Government permits the Panchayat Samiti/Zilla Parishad to open a bank account where money drawn from the P.L. Account, but not required for immediate payment, may be kept.

(e) Audit :

As already pointed out in Chapter-V, there is a provision of Internal Audit and audit by the State Accountant General of the Panchayat Samiti/Zilla Parishad accounts at a regular interval. By proper audit not only a certificate regarding expenditure of Government money is obtained, but it helps much to remove the defects in accounting system and to adopt proper method in future for maintaining the same.

Yet, the follow-up action on the audit reports are not seriously pursued. Specific Government orders as regards follow-up action as well as for regular audit of accounts of the Gram Panchayats/Panchayat Samitis/Zilla Parishads can help immensely to maintain and adopt proper accounting procedure in the Panchayati Raj bodies.

(f) Employment in extra-departmental works :

In spite of the fact that Audit is a very essential item of exercising control over expenditure, but it is normally seen that internal audit officers like the Parishad Accounts and Audit Officer, Samiti Accounts and Audit Officer, Extension Officer for Panchayats and Panchayat Accounts and Audit Officer are used, sometime or other, by their controlling officers for extra-departmental works.

It may be a fact that the extra-departmental works may be of very important nature but why should they be given priority over audit works. Audit of the Gram Panchayats/Panchayat Samitis/Zilla Parishads should not be kept pending for years under any circumstances.

In view of the importance of Internal Audit to the Panchayati Raj bodies it is imperative that the Government immediately issues a circular that these internal audit officers are not loaded with any extra-departmental works by their controlling officers.

(g) Maintenance of accounts at Gram Panchayat-level :

It has already been stated that the equation of work among the three tiers of Panchayati Raj has totally been changed with the introduction of a new rural development scheme by the Government, which goes by the name 'Jawahar Rozgar Yojana'. This JRY has replaced the two previous rural development schemes : National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP).

Presently Gram Panchayats are at liberty to take up and execute schemes of their choice as per the local need of the Gram Panchayat area. However, in the guidelines issued, under the JRY, the resources under the programme have to be utilised in the four sectoral heads as under :[4]

(i)	Social forestry work	25 per cent
(ii)	economically productive assets	35 per cent
(iii)	individual beneficiaries scheme for Scheduled Castes/Scheduled Tribes	15 per cent
(iv)	other works including roads and buildings.	25 per cent

In brief, the Gram Panchayats have to spend between Rs.8 to 10 lakhs in one year by drawing up yearly action plan. They are to execute all the schemes and, at the same time, they are to maintain proper accounts of the expenditures.

On the contrary, there is no infra-structure at the Gram Panchayat-level to take up and execute all such type of schemes. Under the present Gram Panchayat set-up there is one Job Assistant and one Secretary. Neither do these people have any technical knowledge of field works nor have they got any knowledge on how to maintain proper accounts.

In order to ensure successful implementation of JRY scheme, at least one more hand having technical diploma in Civil Engineering and another posted with sound knowledge on accounting procedure be placed with the Gram Panchayat.

Booklets containing model schemes with estimates suitable for the district to be prepared by the Zilla Parishad and supplied to the Gram Panchayats will be of much help in drawing up Annual Action Plan of the Gram Panchayats. Besides, organising some kind of re-orientation training for Panchayat functionaries at the Gram Panchayat level on technical and accounting procedure will also be helpful; as without their active participation and initiative the rural development schemes at the G.P. level cannot be successfully implemented.

The essential financial rules and circulars issued by the Government from time to time should be compiled and rendered into Bengali and supplied to Gram Panchayats for guidance on financial matters, because most of the elected Panchayati members in West Bengal are either illiterate or know only little Bengali leave alone English.

For the purpose of injecting technical skills and performance credentials into the overall Panchayati Raj functioning it would be better if functional committees of Panchayati Raj institutions co-opt persons qualified by performance criteria.

(B) <u>At the level of the Government</u> : <u>Departmentalisation of Accounts</u> : <u>A necessity</u> :

Accounts in West Bengal is prepared by the office of the Accountant General, West Bengal on the basis of accounts submitted by the Treasuries, Calcutta Pay and Accounts Office, Liaison Office at New Delhi of the State Government, small causes Court and also accounts submitted by the Divisional Engineer of the Public Works Directorates and the Divisional Forest Officers.

It is observed in many cases the accounts are not rendered by all the offices including a few treasuries in time. As a consequence the office of the Accountant General faces difficulties in closing the accounts by the State in time and report the position to the State Government. Moreover, the Accountant General also takes sometime for compilation of accounts. All this delay makes the position such that till November/December the State Government fails to know its accounts upto March.

In the face of the above situation, the State Government finds itself in a very unhappy position in the matter of planning of its receipts and expenditure and making forecast for the budgets of the next financial year and also finalising the revised budgets for the current financial year.[5]

On the contrary the accounts position of the Central Government is better because of the departmentalisation. The Central Government receives by tenth of the next month the position upto the end of the previous month in respect of the Union Government's total expenditure and receipts.[6] This easily enables the Central Government to plan its financial matters in a better manner. Similarly the Central Government expects the State Government should independently of the accounts of the Accountant General be able to report about the position of the various schemes, especially the Centrally-sponsored schemes, on the basis of departmental accounts. But, 'unfortunately the departmental accounts are not prepared in many cases'[7] though the Government guidelines are specific.[8]

Under the system of Departmentalisation of Accounts, the respective Departmental Controlling Officers are responsible for compiling the monthly statement of accounts of receipts and expenditures received from the Departmental Drawing and Disbursing Officers. The statements so prepared are then sent to the Accountant General for reconciling differences and for correcting misclassification, if any.

If this procedure is adopted, there will be no need for the State Government to wait for obtaining the accounts of receipts and expenditures from the office of the Accountant General. On the contrary through its Departmental Controlling Officers, the Government will be able to know even the monthly figures of departmental receipts and expenditures leave alone the yearly return.

Although the adoption of this procedure will increase the responsibility of the Departmental Controlling Officers and the Drawing and Disbursing Officers, hardly is there any alternative to this arrangement.

If the State Government wishes to plan out and make its yearly budgets more meaningful then it is time that the system of departmentalisation of accounts imposed on its offices with all its might.

(C) At the level of Bureaucrats :

(a) The importance of Accountability :

Unlike private organisations where feedback on their performance is instant through the figures of profit and loss and where performance is the yardstick for survival, the public organisations, manned by bureaucrats, are under no identical pressures to keep their performances at certain levels. Whether or not a bureaucrat works, it matters little, because he receives his salary in time. The only punishment imposed on bureaucrats for non-performance is transfer, which is, in reality, a blessing in disguise for a derelict officer. In fact, there are no compulsions at any level of bureaucracy to do better.

(b) Financial Administration vis-a-vis Accountability :

The Government can simply make rules but their implementation is in the hands of bureaucrats. Lack of interest and display of apathy simply make the rules meaningless.

Leave alone other matters related to general administration, for discipling the financial administration enforcement of accountability amongst the bureaucrats is a sine qua non. Awareness to rigorous implementation of financial norms and rules can be generated only through the feeling of accountability. Every bureaucrat should be made accountable for his performance to his immediate superior officer. Promotion to higher posts should not depend upon seniority alone but on factors like merit and work-performance.

(c) The State Vigilance Commission and Accountability :

To enforce accountability in respect of financial matters amongst the employees, the mode of working of the

State Vigilance Department needs to be thoroughly revamped. It is commonly seen that even after years of filing specific complaints, the State Vigilance Commission fails to charges-heet a derelict employee. In case if the derelict employee is chargesheeted somehow, even then the formalities of departmental proceedings are not completed for years together.

A time limit should be prescribed by the Government both for the completion of enquiry as well as for the departmental proceedings. The more the delay is observed in meeting out punishment, the more will the delinquent employee feel complacent and the more will this have a demoralising effect upon the honest employees.

Secondly, the Vigilance Commission should have a fairly sizeable component of officers to process the cases referred to it, especially at the district-level where the cases of complaints accumulate more and more without disposal year after year.

(d) <u>The Role of Divisional Commissioner vis-a-vis Districts</u>:

The role of the Divisional Commissioner as the highest local executive authority to organise and supervise the administrative machinery in the districts falling within his division and to see the implementation of the policies of the Government cannot be denied.

About the present role of the Divisional

Commissioner the comment of the West Bengal Administrative Reforms Commission is relevant "With the expansion of transport and communication, the enlargement of the Panchayati experiment and increasingly direct contact between the district administration and the State head-quarters, the role of the Divisional Commissioner has tended to fall into disuse."[9]

However, the role of the Divisional Commissioner as the highest field administrative authority is needed to be revived because it is difficult for the secretariat to exercise continuous and effective control over the districts directly. Moreover, some of the District Magistrates are too young and inexperienced and need constant guidance of one superior authority. The Divisional Commissioner being the very senior officer in the division can oversee the developmental as well as non-developmental activities of the districts and suggest improvements in terms of quality and quantity.

(e) Revival of the System of Inspection :

To improve the quality of performance of developmental as well as non-developmental works at the districts, the system of inspection is needed to be revived and reactivated in State administration at all levels. The Departmental Secretaries - as well as financial advisers - may be encouraged to visit the districts, Divisional Commissioners may consider it as their principal duty to tour each district within their jurisdiction, the District Magistrates may find time to proceed to the subdivisions and blocks under their charge, the Subdivisional Officers similarly, in fulfilment of their responsibility for monitoring and supervision, may make out time to visit the subordinate offices.[10]

The system of inspection is one of the most effective means of ensuring that administration remains alert and active. In fact, improvement in the performance of the subordinates can be guaranteed only through unalerted frequent inspections and no other means.

Concluding Remarks :

There is no panacea as such to improve the quality of performance of the district financial administration overnight. Only through a systematic plan could some changes in the existing mode of functioning of the financial administration be contemplated. But, at the same time, it should be borne in mind nothing is static and perfect. The rules and procedures of yester years may prove obsolete and irrelevant when viewed against the backdrop of changed circumstances. Therefore, the financial rule books issued by the Government are needed to be reviewed from time to time with additions here and alterations there in order to fulfil the changing needs.

Notes and References :

1. Anchalik Parishad was a nominated body, constituted under the provisions of The West Bengal Zilla Parishads Act, 1963.

2 Rule 155 of 'The Local Self Government Account Rules for District Boards in West Bengal', 1885 (corrected upto November, 1951).

3 Annual Report 1991-92, Govt.of India Ministry of Rural Development, New Delhi, p.5.

4 Para 13.8 of Jawahar Rozgar Yojana Manual, Govt.of India, Deptt.of Rural Development, June, 1991.

5 'Handbook for use by Drawing and Disbursing Officer (fourth edition), issued by the Finance Department, Govt. of West Bengal, 1989, p.11.

6 ibid.

7 ibid.

8 Appendix 21 of the West Bengal Financial Rules, Vol.II, 1953 and D.O.Letter No.9020(42)-F dated 21.8.82 of the Special Secretary, Finance Dept., Govt.of West Bengal.

9 Para 9.13 of Report of the Administrative Reforms Committee, Govt. of West Bengal, 1983.

10 Para 9.14, ibid.

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[N.B. : The Government orders and Circulars referred to under footnotes of different Chapters have not been mentioned here separately]

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