

PART V
ACCOUNTS MANUAL
OF
THE PRADHAN MANTRI
GRAM SADAK YOJANA

ADMINISTRATIVE EXPENSES
FUND
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NATIONAL RURAL ROADS DEVELOPMENT
AGENCY

(AN AGENCY OF THE MINISTRY OF RURAL
DEVELOPMENT, GOVERNMENT OF INDIA)

Manual of PMGSY Accounting System

Part I Administrative Expense Fund

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PREFACE

Format of the Manual of Accounts for the PMGSY Administrative Expenses Fund

1. The National Rural Roads Development Agency (NRRDA) asked the Institute of Public Auditors of India (IPAI) to prepare a manual for the accounting system of Pradhan Mantri Gram Sadak Yojana (PMGSY). IPAI has drafted a manual for the Programme Fund; and NRRDA is considering it.
 2. IPAI has now drafted the accounts manual for the PMGSY's Administrative Expenses Fund. This draft Manual has the following parts:
 - Part V Administrative Expenses Fund Accounting System
 - Part VI. Annexure of forms for Administrative Expenses Fund.
 - Part VII Illustrations of the PIU accounts of Administrative Expensive Funds
 - Part IV. Illustrations of the SRRDA accounts of Administrative Expensive Funds
2. IPAI invites suggestion, comments from the States and NRRDA on these drafts before finalizing them.

CHAPTER 1

INTRODUCTION

Background

1.1.1 The Government of India launched the Pradhan Mantri Gram Sadak Yojana (PMGSY) as a 100 percent centrally sponsored scheme in December, 2000. PMGSY's funds come from the 50 percent of the cess on high speed diesel (HSD).

1.1.2 PMGSY aims to provide good all-weather road connectivity to the unconnected habitations in rural areas by an all-weather road with necessary culverts and cross-drainage structures, operable throughout the year. An unconnected habitation means its location is at a distance of at least 500 metres or more (1.5 km of path distance in case of hills) from an all-weather road or a connected habitation. A habitation is not a revenue village or a panchayat. It means cluster of population, living in an area, the location of which does not change over time. Desam, Dhanis, Tolas, Majras, hamlets etc. are commonly used terminology to describe the habitations. The population of all habitations within a radius of 500 metres (1.5 km. of path distance in case of Hills) may be clubbed together for the purpose of determining the population size.

1.1.3 Each road work under the PMGSY forms part of the **Core Network** — the minimal network of roads to provide basic access to essential social economic services to all eligible habitations through at least single all-weather road connectivity. PMGSY covers only the **Rural Roads** i.e., roads that were formerly classified as 'Other District Roads' (ODR) and 'Village Roads' (VR). An all-weather road is one which is negotiable during all weathers. This implies that the road-bed is drained effectively by adequate cross-drainage structures such as culverts, minor bridges and causeways.

1.1.4 The roads constructed under this programme are expected to be of very high standard, requiring no major repairs for at least five (5) years after completion of

construction. Contractor will furnish to the PIU a Bank Guarantee for 10 per cent of the value of the work and valid for the 5 years from the date of completion of the road construction. The rural roads constructed under the PMGSY must meet the technical specifications of the Indian Roads Congress (IRC) as given in the Rural Roads Manual (IRC: SP20:2002).

Hierarchy for the execution of PMGSY

Ministry of Rural Development, Government of India

1.2.1 Ministry of Rural Development (MORD), Government of India is the controlling authority for the PMGSY. It provides the funds; issues guidelines, and works in close collaboration with the States for implementing the Programme.

National Rural Roads Development Agency

1.2.2 MORD has set up the National Rural Roads Development Agency (NRRDA) to provide to the PMGSY programme operational and management support, *inter-alia*-, on the following:

- (i) Designs & Specifications and Cost norms.
- (ii) Principal Technical agencies and State Technical Agencies
- (iii) District Rural Roads Plans and Core Network.
- (iv) Scrutiny of Project Proposals
- (v) National Quality Monitors
- (vi) Monitoring of progress of the PMGSY
- (vi) On-Line Management & Monitoring System
- (vii) Training, Workshops, Research, Pilot Projects and Literature
- (viii) Human Resource Development

Nodal Department

1.2.3 Every State Government / UT Administration has nominated a Department as the **Nodal Department** responsible for implementing the PMGSY in the State. It communicates for the State Government with MORD.

Executing Agency

1.2.4 The Nodal Department acts in the State through one Executing Agency (EA). (Large States may have more than one). The Executing Agency may be the Public Works Department / Rural Engineering Service / Organisation / Rural Works Department / Zilla Parishad / Panchayati Raj Engineering Department etc. who have

been in existence for many years and have the necessary experience, expertise and manpower for constructing the rural roads.

Programme Implementation Unit (PIU)

1.2.5 The Executing Agency has a **Programme Implementation Unit (PIU)** at the District level, with an officer of the rank of Executive Engineer as its head. The PIU implements the programme; the Executing Agency co-ordinates and supervises all the work of the PIUs in the State.

Autonomous Agency (State Rural Roads Development Agency)

1.2.6 Effective from the 1st April, 2003, the Nodal Department has a **State-level autonomous Agency** (Society etc), with a distinct legal status, under its control for receiving the funds from MORD. The autonomous agency is headed by the Minister or the Chief Secretary; and the Secretary in charge of the Nodal Department (or a senior officer) being the Chief Executive. It vets all the proposals for rural roads before they are put up before the State-level Standing Committee and are sent to the National Rural Roads Development Agency for MORD's clearance.

State-level Standing Committee

1.2.7 Each State Government has set up a **State-level Standing Committee** to examine the Core Networks and the Project proposals. The Committee also monitors the Programme, and oversees the timely and proper execution of road works.

PMGSY Guidelines

1.3.1 MORD has issued PMGSY guidelines, laying down the process for obtaining the Ministry's approval to each rural road. The District Panchayat sends the proposals to the State level agency for obtaining the approval of the State-level Standing Committee. Thereafter, the Programme Implementation Units (PIUs) prepare the Detailed Project Report (DPRs) for each proposed road work. State Technical Agency (STA), (which are reputed technical institutions), scrutinise DPR for their design and estimates. The State-level Agency consolidates the proposals from each PIU and sends these to the NRRDA. An Empowered Committee set up by MORD considers

NRRDA's recommendations. The Minister of Rural Development accords the final clearance to the PMGSY proposals.

1.3.2 MORD informs the State of the proposals approved. This approval does not imply administrative approval or technical sanction of the proposals. The well established procedures of the Executing Agency / ies in this regard are followed.

State's Share of Costs

1.4.1 States bear all staff costs, and cost overruns of the construction costs, whatever be the reason. The Pradhan Mantri Gram Sadak Yojana does not provide for any staff costs. Its liability is limited to the approved cost estimates.

1.4.2 The State Governments do not get any agency charges or centages etc. for PMGSY road works.

1.4.3 MORD meets some administrative expenses and travel expenses. The present limit is Rs.35,000/- a month for office expenses and Rs.10,000/- a month for travel expenses.

Execution of Works

1.5.1 PIUs execute the works and ensure its completion within a time bound period of six months (or nine months) from the date of issue of the Work order. PMGSY has assured availability of funds to facilitate timely completion of road works. Executing Agencies have to ensure timely payments to the contractors, subject to satisfactory execution of work.

1.5.2 Each PIU will have an effective internet connectivity with the State Server and the Central Server. This will ensure the constant updating and accuracy of data about the progress of road works, record of quality control tests, and progress of expenditure.

Maintenance of Rural Roads

1.6.1 Each State Government furnishes to the Central Government an undertaking to remit the required funds for road maintenance to an identified Panchayati Raj Institution.

Kinds of Funds

1.7.1 PMGSY has three kind of funds:

- (a) **Programme Fund:** Primarily for the construction and up-gradation of roads. This comes from the Government of India.
- (b) **Administrative Expenses Fund:** To meet some of the administrative expenses of the Programme Implementation Units of the PMGSY. These also come both from the Government of India and the State Government
- (c) **Maintenance Fund:** for the maintenance of the rural roads. This comes from the State Government.

Flow of Funds

1.8.1 From January 2003, the system of flow of PMGSY funds [from the Government of India](#) is as follows:

- (a) The State-level autonomous agency (hereinafter referred to as State Rural Roads Development Agency — SRRDA) has banking arrangements with only one public sector bank which has internet connectivity between its State Headquarter and district branches, and [is](#) also linked to the PMGSY's online monitoring and management system.. The Bank gives a written undertaking to follow the Government of India's guidelines for payments from the PMGSY Fund, be it the Programme Fund or the Administrative Expenses Fund.
- (b) SRRDA maintains separate bank accounts for PMGSY, one called Programme Fund Account, and another called Administrative Expenses Fund. MORD releases the funds only into either of the accounts. The nature of administrative expenses allowed are:
 - (i) for office expenses like stationery, telephone, fax and courier services, photo-copying and miscellaneous expenses subject to a monthly limit.
 - (ii) for travel expenses, like petrol, diesel etc.
- (c) Expenditure from the Administrative Expenses Fund is regulated as follows:
 - (i) A PIU does not have any separate bank account for PMGSY Administrative Expenses Fund. The Executive Engineers of PIUs / Heads

of PIUs are declared as the ex-officio members of the SRRDA, to enable them to draw on SRRDA's bank account of the Administrative Expenses Fund. They are called authorised signatories for issuing cheques.

(ii) SRRDA nominates one of its senior officers as the Empowered Officer who alone informs the Bank of the names of Authorised Signatories, for drawing cheques on its bank account. The Bank issues separate cheque books to each of the authorised signatories, and keeps their signatures on record.

(iii) The Empowered Officer may, if necessary, also inform the Bank if there are any authorised payees, their designated payee accounts, and also the amounts admissible to each payee. He may lay down suitable limits on quarterly payments.

(iv) (a) The Authorised Signatory makes payments, as per the established procedure, by account payee cheque mentioning the designated payee accounts. He will immediately enter the cheque and payee details in the payment module of the OMMS; or in the cashbook where OMMS system has not started.

(b) The authorized signatory may also draw self-cheques for cash expenses, and also issue cheques to others where an authorized payee is not declared.

(v) On presentation of the cheque, the Bank satisfies itself that the payment details have been entered in the Payment Module (where OMMS system is in force), and that the cheque meets with all other requirements. It will not allow the funds to be used by any person other than the authorised signatories and will observe the limits of payments to the authorised payees. The Bank renders monthly account, in respect of PMGSY Funds, to the PIU, the SRRDA and the NRRDA. A tripartite agreement among the bank, the SRRDA and the MORD lay down duties and responsibilities of each party. In particular, the Bank agrees to abide

by the instructions issued, from time to time, by MORD/NRRDA about the operation of the account.

- (vi) SRRDA cannot invest these funds in any other Bank / Branch.
- (vii) Money accruing as interest will be kept separately incidental funds and its use guided by MORD's instructions.
- (viii) SRRDA can keep in this account its miscellaneous receipts and its other administrative funds, and any State Government grants. However, these will be subject to the same procedure as for the other expenses, including computerisation.
- (ix) Maintenance funds of the State Government, handled by the SRRDA, shall not, however, be kept in this account.
- (x) Administrative Account does not meet the expenditure on the salary, allowances, etc. of staff, daily wage workers, contingency-paid staff for works, office rent, or other fixed office expenses, or for capital expenditure like purchase of furniture, type-writers, coolers, air-conditioners etc. These are the expenses which are the regular charge on the State budget.

(Note: Appendix 1 has MORD's orders on the Administrative Expenses.)

Accounting System for the Administrative Expenses Fund

1.9.1 The accounting system for the PMGSY Administrative Expenses Fund is primarily based on the accounting system of the PMGSY programme funds. However, some differences between the two systems do exist. These are:

- (i) The conceptual difference: The programme fund creates capital assets, namely, new of roads, up-graded roads etc. Administrative Expenses Fund meet day-to-day expenses, like travel expenses, office expenses etc., more in the nature of overheads, and not even indirect expenses related to works. The administrative expenses are not being debited to works, or each road. One reason for this is: The State Government meets the expenditure on salaries etc. of the engineers and other staff; and part of the office expenses; central governments some expenses on travel and office. The balance of advantage has been to keep these expenses as revenue expenses and not add them on to the works.
- (ii) Programme Fund, meant for creation of assets, does not have an income and expenditure account. There is no income; the entire amount is a grant for capital expenditure on creation of assets; and expenditure cannot be debited to Income and Expenditure account which is meant for revenue or consumption or routine or overhead expenses. Its balance sheet shows the details of assets created.

(iii) Administrative Expenses Fund, meant for office expenses, does have an income and expenditure account. Expenditure does not create any tangible asset. Its balance sheet shows only the unused amount of the grant.

(iv) Flowing from the above three items are other differences of detail. Programme Fund has another set of important accounts of the public works, namely:

Works Register to show progress of works on each package and on each road.

Contractor's Ledger

Deposits of contractors

Advances to Contractors

Register of Security Deposits etc. etc.

(v) In the Administrative Expenses Fund, the accounting restricts itself to General Ledgers with separate folios for each kind of expenditure.

(vi) PIU's follow the rules and procedures of the Public Works Department for the Programme Funds. They follow the general financial rules for Administrative Expenses.

Major Features of the PMGSY accounting system for Administrative Expenses Fund

1.9.1 The major features of the PMGSY accounting system for the Administrative Expense Fund are:

(i) Where the district treasury pays the salary bills etc., then a PIU keeps a separate cash book for this; this cashbook has only cash columns. If the division draws moneys by cheque from the treasury, then its cashbook for works expenditure also records the one transaction of withdrawal from the treasury. Subsequent details are kept in a separate cash book for the purpose, which again has only cash columns.

The cashbook for public works transactions for the PMGSY has two columns on the receipt side and also on the payment side. One column is for cash transactions and another for the bank transactions. Similar is the case with the Administrative Expenses Fund which works on the same principles as the Programme Fund.

(ii) Public Works accounts have a system of “minus entry”. The PMGSY accounting system uses, instead, the system of entry on the opposite side. For example, minus debit will be booked as credit and minus credit as debit.

(iii) Major, Minor and Detailed head of accounts applicable to Government accounts are not applicable to PMGSY works. The PMGSY accounting system has its own “Chart of Accounts”, one for Programme Fund and another for Administrative Expenses Fund, modeled on the List of Major and Minor Heads of accounts.

(iv) The public works divisions do not prepare monthly balance sheet. They only prepare a monthly account of receipts and payments. The PMGSY accounting system for administrative Expenses has the following set of accounts prepared each month:

- a. Monthly account to show the receipts and payments;
- b. Monthly Income and Expenditure Account to show the details of receipts and expenditure.
- c. Monthly balance sheet to show the unused balances, and receivable and payables.

Major similarities between the Government and the PMGSY accounting system

1.10 Major similarities between the Government system and the PMGSY

accounting system are:

- (a) Almost all the existing forms for various registers of expenses are common to the two systems. However, the ledgers are new because Government offices do not keep them; the Accountant General does.
- (b) The PIUs do not have a separate bank account. They operate on the bank account of the SRRDA. This is common in the public works that operate on the State Government's bank account.
- (c) All the existing orders of the public works department, or equivalent, on the powers of the officers and other procedural and legal requirements apply.
- (d) The Comptroller and Auditor General will continue to audit the accounts of the SRRDAs and the PIUs. However, each SRRDA will also appoint a Chartered Accountant for statutory audit of its and PIUs' accounts.

CHAPTER 2

Opening Balance Sheet and Double Entry System

Opening Balance Sheet

2.1 PMGSY Administrative Expenses Fund started from March, 2004. MORD remitted the funds for it to the SRRDA which, in turn, distributed these to the PIUs.

2.2.1 The accounting system for the Administrative Fund comes into force from the 1st October, 2004. Therefore, each PIU will take stock of its assets, liabilities, income and expenses for the period up to the 30th September, 2004; and prepare a balance sheet as on that date in the following format:

Balance Sheet of the PIU As on the 30th September, 2004

	Liabilities	Amount	Amount		Assets	Amount
1.	Central Administrative Expense			1	Cash in hand	.....
	Fund received from the SRRDA (Sch-L1)			2	Bank Authorisation	.....
		-----			Balance(Sch-A1)	
	Deduct Expenses			3	Imprest with staff	.....
	Expenses on Travelling		-----	4	Miscellaneous Advances (Sch	.....
	expenses, Telephone	-----			A2)	
	Expenses, Maintenance of	-----			Assets from the Central	
	Computers, Internet	-----			Administrative Expenses	
	Expenses, Data Entry Costs,				approved by the MORD	
	Other Office Expenses,		-----		(Schedule A3	
	Quality Monitoring				Assets from the State	
	Expenses, Bank Charges,				Administrative Expenses	
	and any other expenses with				approved by the State	
	the approval of MORD				Government (Schedule A4)	
	(Shown separately in Sch-L2)					

	Balance					
2.	State Administrative Expense					
	Fund received from the SRRDA (Sch-L3)	-----				
	Deduct Expenditure					
	Expenses approved by the Sate Government (Sch.L4)	-----	- -			
	Balance	-----	-			
		-----	-			
			-			
			-			

3.	Other Income (Sch. L5) (For example, interest, fines, forfeitures etc.)		.....		
4.	Deposits Repayable (Sch. L6)		.....		
	Total		.....	Total		.....

2.2.2 The opening balance sheet, duly signed by the Divisional Officer and the Divisional Accountant, should be sent to the SRRDA. The preparation of the above balance sheet does not require re-writing the accounts of the PIU. Instead, the amounts for each item already exist in the records and accounts books kept in the division.

2.3.1 SRRDA will prepare a similar balance sheet in the following format:

Balance Sheet of the PIU
As on the 30th September, 2004

	Liabilities	Amount	Amount		Assets	Amount
1.	Central Administrative Expense Fund received from the MORD (Sch-L1)			1	Cash in hand	.....
	Deduct	-----		2	Bank Balance	.....
	SRRDA's admissible expenses Sch-L2	-----		3	Imprest with staff	
	Balance	-----	-----	4	Central Funds Authorised to PIUs Sch A1	.....
				5	State Funds Authorised to PIUs Sch A2	.....
				6.	Misc. Advances Sch.A3	
2.	State Administrative Expense Fund received from the State Government (Sch-L3)				Assets from the Central Administrative Expenses approved by the MORD (Schedule A4)	
	Deduct Expenditure	-----			Assets from the State Administrative Expenses approved by the State Government (Schedule A5	
	SRRDA's admissible expenses Sch-L4	-----				
	Balance	-----	-----			
3.	Other Income (Sch. L5(For example, interest, fines, forfeitures etc.))		.....		
4.	Deposits Repayable (Sch. L 6)		.....		
5	Bank Authorisations to PIUs outstanding (Sch L7					
	Total		.....		Total	.....

2.4. The SRRDA will consolidate the balance sheets of all the PIUs to ensure that the balance sheet of each PIU agrees with the amount it released to it.

2.5.1 Each PIU and the SRRDA will now pass necessary transfer entries, as explained later, to incorporate the opening balance sheet in the new system of PMGSY accounting effective from 1st October, 2004.

2.5.2 The system of accounting for the Administrative Expenses requires each PIU and the SRRDA to prepare each month:

- a. monthly account of receipts and payments,
- b. income and expenditure, and
- c. balance sheet.

2.5.3 Each PIU and the SRRDA will also prepare annual accounts consisting of account of receipts and payments, income and expenditure, and the balance sheet.

Double Entry System of Accounting

2.6.1 SRRDA and the PIU will keep their accounts on the double entry system. Some divisional accountants and executive engineers believe that the double entry system of accounting entirely differs from the public works accounting system. Their belief is misplaced. The double entry system of accounting for PMGSY does not materially differ from the Public Works system of accounting. It is, however, better to understand the double entry system of accounting.

2.6.2 The present day system of accounting has evolved over a long period of time. It has acquired its present day importance with the manifold developments in size and complexities of businesses, manufacturing units and Government organisations. It will help to remember the following three principles of the double entry system:

- i) Debit what comes in; Credit what goes out;
- ii) Debit the receiver and Credit the giver.
- iii) Debit the expenses and assets; Credit the income and liabilities.

2.6.3 The Public Works Divisions, while preparing the monthly account, pass a transfer entry order for the stores purchased but not paid during the month. This way the division takes on record the credit transaction, and passes an entry as per the double entry system of accounts. However, no Government liability arises on the receipt of a running account bill of work done and measured. Liability arises only after the bill is checked for its correctness and passed. PMGSY follows this system.

Depreciation

2.6.4 Governments do not provide for any depreciation for roads. The reason: the roads once built do not depreciate. These require regular maintenance. These are not replaced like an old dilapidated building or an old machine. Moreover, the PMGSY roads, once constructed, become the property of the Panchayats. Where the Central or the State Government allows expenditure on assets from the Administrative Expenses Funds, then also no depreciation is provided for this. When the assets are written off, then the amount is reduced both from the assets side from the assets and the liabilities side from the balance in the Administrative Expenses Funds.

CHAPTER 3

DEFINITIONS

3.1.1 Unless there be something repugnant in the subject or context, the terms defined in this Chapter are used in this Manual in the sense herein explained.

(1) *Accounts Officer* - by whatever name designated, means head of the accounting division in the State Rural Roads Development Agency (or equivalent) of the State Government or Union Territory Administrations

(2) *Audit Officer* - means any officer subordinate to or under the superintendence of the Comptroller and Auditor General of India, who exercises audit functions.

(3) *Auditor* – means the chartered accountant appointed for audit of the SRRDA's accounts or any of its PIUs.

(3A) *Asset* – asset mean goods, machinery, furniture with a long life, as distinct from consumables like stationery etc.

(4) *Bank* means any office or branch of the Bank with which the State Rural Roads Development Agency has entered into banking arrangements for the PMGSY.

(5) *Book Transfer* - This term is applied to the process whereby financial transactions which do not involve the giving or receiving of cash, or of stock materials, are brought to account. They usually represent liabilities and assets of the PMGSY brought to account either by way of settlement or otherwise, but they may "also represent corrections and amendments made in Cash, Stock, or Book Transfer transactions previously taken to account.

(6) *Central Administrative Expenses Fund* means the funds provided by the Government of India, Ministry of Rural Development for meeting specified administrative expenses of PMGSY.

(7) *State Administrative Expenses Fund* means the funds provided by the State Government for meeting specified administrative expenses of PMGSY.

(8) *Competent Authority* - The term "Competent Authority" means the State Government or any other authority to whom it may delegate the relevant power.

(9) *Direction Office* - This term indicates the office of an administrative officer who has one or more Divisional Officers working under his orders and is not himself entrusted with the execution of works or with the receipt and disbursement of PMGSY funds, e.g. Director General of Works/Chief Engineer or a Superintending Engineer, or a Superintendent of Works; but if such an officer is also entrusted at any time with the receipt and disbursement of PMGSY programme funds, he is treated as a Divisional Officer for the purposes of this Manual.

(10) *Direction Officer* - The head of a Direction Office is known by this designation.

Explanations: A person holding the rank of a Superintending or even a Chief Engineer is not a Direction Officer, unless the direction of the business of one or more divisions is entrusted to him. Thus, a Superintending Engineer employed on special duty is not a Direction Officer.

(11) *Division and Divisional Office* - These terms are used to denote respectively the executive charge held by a Divisional Officer [Clause (19) below] and the head office of such a charge.

(12) *Divisional Officer* - This term is applied to an Executive Officer of the Public Works Department (or Rural Engineering Department, or equivalent) and executing PMGSY works who is not subordinate to another Executive or Disbursing Officer of the Department, even though the executive charge held by him may not be recognised as a "Division" by the Government concerned. Thus, the officer in charge of an independent sub-division is also treated as a Divisional Officer for the purpose of this Manual. See also clause (18).

(13) *Executing Agency* means the department responsible for executing the PMGSY works through its subordinate offices. Each State nominates one (or more) Executing Agency. An executing agency may be Public Works Department / Rural Engineering Service / Organisation / Rural Works Department / Zilla Parishad / Panchayati Raj Engineering Department etc. who have been in existence for a large number of years and have the necessary experience, expertise and manpower for public works. It reports to the Nodal Department.

(14) *Government* means the Central (Union) Government, the State Government or a Union Territory Administration as the context may determine.

(15) *Liabilities* - when used in respect of administrative expenses account, this term includes all anticipated charges which are adjustable as final charges, but have not been paid, regardless of whether or not they have fallen due for payment, or having fallen due, have or have not been placed to the credit of the persons concerned in an account head. (For example, telephone bills received but not paid as on the 31st March.

(16) *Major Head* - See Chart of Accounts

(17) *Minor Head* - See Chart of Accounts

(18) National Rural Roads Development Agency (NRRDA is the agency of the Ministry of Rural Development, Government of India for vetting the proposals for rural roads, for issuing guidelines on technical, administrative, finance and accounting matters for the efficient and economical implementation of PMGSY.

(19) Nodal Department is the department to whom the State Government entrusts the overall responsibility for implementation of the PMGSY in the State. It communicates with the Ministry of Rural Development on all matters connected with the PMGSY.

(20) Programme Implementation Unit (PIU) implements the programme generally in a district. However, at the discretion of the State Government/Union Territory Administration, it may operate in part of the district or in more than one district. An officer of the rank of Executive Engineer heads it. It is same as a public works division with similar duties and functions. PIU and Division are terms used interchangeably in this Manual.

(21) *Sectional Officer* - Sectional Officer is a non-gazetted official namely Junior Engineer/Sub-Engineer for Civil Works who is placed in responsible executive charge of works or stores under the orders of the Officer-in-charge of a recognised sub-division and the accounts of whose transactions are, therefore, ultimately incorporated in those of the Sub-Division.

(22) *Secured Advance* is a term applied specifically to an advance made on the security of materials of imperishable nature, required for work, brought to site of work, to a contractor whose contract is for the completed item of work. See paragraph 10.2.20.

(23) *Special Office* - The Office of a Special Officer, vide clause (51).

(24) *Special Officer (or Specialist Officer)* - This term is applied in this Manual, to such officials of the Department as are neither Divisional Officers nor officials subordinate to a Divisional Officer, and have no Divisional Officers working under their control.

(25) *Sub-divisional Officer* - This designation is applied primarily to an official, whether a Gazetted Officer or not, who holds the charge of a recognised sub-division subordinate to a Divisional Officer, but when the immediate executive charge of any works or stores has not been constituted into a regular sub-divisional charge, but is held by the Divisional Officer himself, the latter is also treated as the sub-divisional officer in respect of such charge. When a Divisional Officer holds the immediate charge of a recognised sub-division in addition to his own duties as the executive head of the division, he is treated as the Sub-divisional Officer in

respect of the charge of the Sub-Division. Sub-divisions do not make any payments on behalf of the PMGSY works.

(26).*Work* - The term "work" when by itself, is used in a comprehensive sense and applies not only to works of construction or repair, but also to other individual objects of expenditure connected with the supply, repair and carriage of tools and plant, the supply or manufacture of other stores, or the operation of a workshop.

CHAPTER 4

CLASSIFICATION AND CHART OF ACCOUNTS

Classification of Transactions

4.1.1 The PMGSY executes primarily rural road works. The working of PMGSY funds is as follows:

(a) PMGSY funds under the Government of India, Ministry of Rural Development. These fall in two categories:

(i) Programme Fund for the construction of roads, up-gradation of roads etc.

(ii) Administrative Expenses Fund for meeting expenses on Travelling, , Telephones, Computer Maintenance, Internet, Data Entry, Other Office Expenses, Quality Monitoring, , Bank Charges, and any other expenses MORD approves. Note: MORD remits the funds to the SRRDA that has separate bank accounts for each of the two funds. The funds may also be used for purchase of specified assets.

(b) SRRDA authorizes the PIUs to spend the Programme Fund and the Administrative Expenses Fund up to a pre-defined periodic limit. It maintains separate accounts for these; and supervises the accounting system in the PIUs.

(c) PIUs keep separate and complete accounts of the expenditure from the Programme Fund and Administrative Expenses Fund.

4.1.2 The State Government may also remit funds to SRRDA for specific administrative expenses and for purchasing specified assets. The funds are placed in the same bank account as for the central administrative fund.

4.1.3 The Administrative Expenses Fund transactions may be grouped under the heads indicated below: -

A. Administrative Expenses Fund

I Expenses: (i) The expenses relate to running the divisional office. MORD decides the nature of expenses covered. These are some examples of admissible expenses from the Central Administrative Expenses Fund:

- a. Travel expenses
- b. Telephone expenses
- c. Computer Maintenance
- d. Internet expenses
- e. Data Entry costs
- f. Other Office Expenses like stationery etc.
- g. Quality Monitoring expenses
- h. Bank Charges
- i. Any other expenses MORD approves.

Examples of inadmissible expenses are:

- a. Newspapers
- b. Office rent

State Government may allow some other kind of expenses of the PIUs or the SRRDA.

II. Income: Interest and miscellaneous income, including grants from the Central and State Government.

III. Assets: Furniture, computers, printers, etc. bank balance, fixed deposits in the bank, cash in hand, miscellaneous advances.

IV. Liabilities: Central Administrative Expenses Fund, deposits repayable.

B State Administrative Expenses Fund

Chart of Accounts

4.1.3 Transactions under these heads are further sub-divided according to the chart of accounts. The chart of accounts of PMGSY is like the List of Major and Minor Heads of Accounts for Government transactions. The prescribed chart of accounts for PMGSY is as follows:

PMGSY - Administrative Expenses Fund – Chart of Accounts

S.No.	Head Of Account	Credit / Debit Balance	Major Head Code Number	Account Head Code	Entry To be done By
51	Administrative Expenses Fund		51		
51.1	Central Administrative Expenses Funds received by SRRDA from GOI	Credit		51.01	SRRDA
51.2	Central Administrative Expenses Funds transferred by SRRDA to PIU	Debit		51.02	SRRDA
51.3	Central Administrative Expenses Funds received by PIU from SRRDA	Credit		51.03	PIU
51.4	State Administrative Expenses Funds received by SRRDA from State Government	Credit		51.04	SRRDA
51.5	State Administrative Expenses Funds transferred by SRRDA to PIUs	Debit		51.05	SRRDA
51.6	State Administrative Expenses Fund received by PIU from SRRDA	Credit		51.06	PIU
51.7	Bank Authorization Account (Books of SRRDA)	Credit		51.07	SRRDA
51.8	Bank Authorization Account (Books of PIU)	Debit		51.08	PIU

51.9	Incidental funds generated from interest and net Incidental Receipts etc.	Credit		51.09	SRRDA/PIU
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S.No	Head Of Account	Credit / Debit Balance	Major Head Code Number	Account Head Code	Entry To be done By
52	Cash and Bank Balance		52		
52.1	Cash in Chest	Debit		52.01	PIU/SRRDA
52.2	Imprest with Staff	Debit		52.02	PIU/SRRDA
52.3	Bank Balance	Debit		52.03	SRRDA
52.4	Fixed Deposits with the Bank	Debit		52.04	SRRDA
53	Income Tax (Receivable)		53		
53.1	Tax Deducted at source by others	Debit		53.01	PIU
54	Administrative Expenses		54		
54.1	Travelling expenses	Debit		54.01	SRRDA/PIU
54.2	Telephone Expenses	Debit		54.02	SRRDA/PIU
54.3	Maintenance of Computers	Debit		54.03	SRRDA/PIU
54.4	Internet Expenses	Debit		54.04	SRRDA/PIU
54.5	Data Entry Costs	Debit		54.05	SRRDA/PIU
54.6	Other Office Expenses	Debit		54.06	SRRDA/PIU
54.7	Quality Monitoring Expenses	Debit		54.07	SRRDA
54.8	Bank Charges			54.08	SRRDA
54.9	Any Other expenses with the approval of MoRD			54.09	SRRDA/PIU
54.10 to 54.19	Expenses approved by the State Government to be incurred from Funds it provided	Debit		54.10 – 54.19	SRRDA/PIU
54.20 to 54.24	Assets expenses allowed by the MORD (i.e. computers)	Debit		54.20 – 54.24	SRRDA/PIU
54.25 to 24.30	Assets expenses allowed by State Government	Debit		54.25 – 54.30	SRRDA/PIU
55	Incidental Receipts		55		
55.1	Interest received from Bank	Credit		55.01	SRRDA
55.2	Miscellaneous Receipts	Credit		55.02	SRRDA/PIU
56	Transitional Head		56		
56.1	Balance Sheet Account	Debit/Credit		56.01	SRRDA/PIU
56.2	Miscellaneous Advances	Debit		56.02	SRRDA/PIU
56.3	Unpaid bills	Credit		56.03	SRRDA/PIU

56.4	Deposits Repayable	Credit	56.04	SRRDA/PIU
56.5	Income and Expenditure Account	Debit/Credit	56.05	SRRDA/PIU

EXPLANATORY NOTES ON CHART OF ACCOUNTS FOR
 PMGSY - ADMINISTRATIVE EXPENSES FUNDS

ACCOUNT CODE NUMBER	EXPLANATORY NOTES
51.01	Funds received, during the year, from Government of India by SRRDA shall be credited to this account. Its balance at the end of the year will be transferred to the Income and Expenditure Account. The excess of Income over expenditure shown in the Income and Expenditure Account will be transferred to it at the end of the year.
51.02	Funds Transferred, during the year, by SRRDA to PIU shall be debited to this account. Funds, if any, received back from PIU by the SRRDA shall also credited to this account code.
51.03	Funds received, during the year, by PIU from SRRDA shall be credited to this account. Funds, if any, returned during the year, by PIU to SRRDA shall also be debited to this account code. This account will be closed by transfer to the Income and Expenditure Account at the end of the financial year.
51.04	Funds received, during the year, from the State Government by SRRDA shall be credited to this account. Its balance at the end of the year will be transferred to the Income and Expenditure Account. The excess of Income over expenditure shown in the Income and Expenditure Account will be transferred to it at the end of the year.
51.05	Funds Transferred, during the year, by SRRDA to PIU shall be debited to this account. Funds, if any, received back from PIU by the SRRDA shall also credited to this account code.
51.06	Funds received, during the year, by PIU from SRRDA shall be credited to this account. Funds, if any, returned during the year, by PIU to SRRDA shall also be debited to this account code. This account will be closed by transfer to the Income and Expenditure Account at the end of the financial year.
51.07	Administrative Expenses funds transferred through Bank Authorisation by SRRDA to PIU shall be accounted for by Credit to this account code in the Transfer Entry Book of the SRRDA. SRRDA will, after receiving from PIU the statement (in the prescribed format) of the cheques it issued during the previous month against Bank authorization, account for the

	amount of cheques drawn by the PIU on the payment side of its cash book in Bank column by debit to this account code.
51.08	<p>Administrative Expenses funds received through Bank authorisation by PIU from Nodal Agency shall be accounted for by the PIU on receipt side of its cash book in Bank Authorisation column.</p> <p>All payments made by the PIU against Bank authorisation shall be accounted for by the PIU on the payment side of its cash book in “Bank Authorisation” column.</p> <p>No Ledger account of Bank Authorisation account shall be maintained by the PIU as the Cash Book of PIU with column “Bank Authorisation” on the receipt as well the payment side will serve the purpose of ledger.</p>
51.09	At the close of each financial year all incidental receipts in Major Code Number 055 shall be adjusted by credit to this (51.11) account code.
52.01	Account Code-Cash in Chest is self -explanatory. Cash balance appearing in cashbook at the close of month shall be shown against this Account Code.
52.02	Imprest issued to staff for petty expenses / purchases etc. shall be debited to this account code. On receipt of account this account code shall be adjusted by debit to final head of account code relating to expenses. This Account code is to be finally closed with NIL balance.
52.03	SRRDA will keep all the funds received — whether from the Government of India, Ministry of Rural Development, or the State Government, in an account opened in any one nationalized Scheduled Bank, in accordance with the PMGSY guidelines. The funds shall be transferred to PIU through “Bank Authorizations”. Funds shall be released on the basis of requisition of PIU. Bank reconciliation statement shall be prepared at the end of each month by SRRDA as well as PIU to reconcile the difference, if any, in balance as per Bank and Cash Book.
52.04	The tripartite agreement with the Bank provides for automatic investment of surplus funds with the bank in its fixed deposits. This head is for this purpose.

53.01	Tax deducted at source from the amount of Interest on Deposits etc. shall be debited to this Head of Account.
54.01 to 54.50	These account codes are self – explanatory.
55.01	Gross amount of interest received on deposits etc shall be credited to this Head of account.
55.02	This account code is self-explanatory.
56.01	<p>This account code shall be operated to account for the assets and liabilities of the administrative expenses before the new accounting system comes into force. The following adjustment shall be done to account for the assets and liabilities:</p> <p>(i) Debit : Balance Sheet Account Credit: Liabilities</p> <p>(ii) Debit : Assets Credit: Balance Sheet Account</p> <p>Further, at the start of each financial year, the accounts will be opened from the last year’s balance sheet in similar manner.</p>
56.02	Miscellaneous Advances is for shortage of cash, or recoveries ordered from irregular payments
56.03	Unpaid office expenses bill at the end of the year will be credited to this head by debit to the relevant expense head. The account will be cleared when the payment is made in the next financial year.
56.04	Cash found surplus will be temporarily credited to this head.
56.5	Income and Expenditure Account will be credited or debited by transfer off all income and expenditure during the year. Its balance will be carried over to the Central or State administrative expenses fund, as the case may be.

Notes:-

1. Account code number 51.01 and 51.02 for the receipt / transfer of funds shall be operated by the SRRDA Only.
2. Account head code 51.03 for the receipt of funds shall be operated by the PIU’s only.

3. At the close of each financial year:-
 - a. Administrative Expenses under the heads 54.01 to 54.19 shall be adjusted by debit to account code number 51.02 or 51.03
 - b. Incidental receipts shall be adjusted by credit to account code 51.02 or 51.04.
4. Balance sheet as on 31st March shall show only the unspent amount of the fund on liability side and cash / Bank Balance, and assets on Assets side.
5. Subsidiary registers for administrative / incidental receipts shall be maintained as laid down by the State Government.

Unspent balance amount of the fund as on 31st March shall be carried forward to the next year.

CHAPTER 5

RELATIONS WITH ACCOUNTS OFFICER

General

5.1.1 The Divisional Officer, as the primary Disbursing Officer of the Division, is responsible not only for the financial regularity of the transactions of the whole division but also for the maintenance of accounts of the transactions correctly and in accordance with the rules in force.

He is further required to submit his accounts to the Accounts Officer for control and check and preparing the consolidated accounts of the PMGSY for the State.

NOTE - The accounts returns which have ordinarily to be submitted to SRRDA are enumerated in Chapter 22, but the Accounts Officer is authorised to call for such additional accounts, registers, documents and subsidiary papers having relation thereto, as he may require for the elucidation thereof.

5.1.2 The Divisional Officer is responsible to see that the accounts of his division are not allowed to fall into arrears; but if arrears or confusion arise which, in his opinion, cannot be cleared without the assistance of the Accounts Officer, he should at once apply for such assistance.

5.1.3 The Divisional Offices will be placed in direct account with the accredited bank of the SRRDA on which they will draw either self-cheques or cheques in favour of payees for payment of all bills passed by them after exercising the requisite checks prescribed by the Executing Agency for the divisions. The SRRDA will issue, in advance, the quarterly the bank authorisation authority for each Divisional Office after considering its estimated requirements for the quarter.

NOTE—The Divisional Accountants will continue to be responsible for exercising preliminary checks on initial accounts, bills, vouchers etc. in the capacity as internal checkers. They will also be responsible for compiling the divisional accounts of PMGSY as hitherto.

Post Check in the Accounts Offices

5.1.3 On receipt of the monthly account, Income and Expenditure Account and the monthly balance sheet, supported by schedules, from the Divisional Officers, the SRRDA will check them, and incorporate in its books the details of cheques issued by the PIUs. It will check the amount of the Administrative Expenses Fund shown in the monthly accounts with the amounts shown in its own books; and it will take action to get the mistakes corrected, whether in its own books or those of the PIU. Payments shown in the monthly 'Schedule of Settlement with the Bank' received from the Divisional Office will be checked with the payment scrolls received directly from the bank. One copy of the scroll will be returned to the bank from which it was received with a certificate of confirmation of the figures shown therein. Discrepancies, if any, should be got reconciled with the banks and the Divisional Officers. The Divisional Officer will also, on receipt of his copy of the scroll, reconcile it with his record.

Divisional Accountant

5.2.1 To assist Divisional Officers in the discharge of their responsibilities referred to in paragraph 5.1.1, each PIU will have a Divisional Accountant, who has either been recruited through initial recruitment examination conducted by the State Accountant General, or the State Government where it controls the cadre, or is qualified in SAS examination conducted by Indian Audit and Accounts department with Public Works as compulsory paper.

NOTE 1 - No person who is not eligible to be appointed to the cadre of Divisional Accountant may be posted to a Division. In any individual case where a qualified Divisional Accountant is not available, an exception may be permitted, as a purely temporary arrangement, by the Executing Agency.

NOTE 2 - The term Divisional Accountant will include Divisional Accounts Officer Grade II, Divisional Accounts Officer Grade I, Senior Divisional Accounts Officer and Assistant Account Officer.

5.2.2 (a) The functions of the Divisional Accountants are three fold:-

(i) As accountant, i.e., as the compiler of the accounts of the division in accordance with the prescribed rules and from the data furnished to him;

(ii) as internal checker charged with the responsibility of applying certain preliminary checks to the initial accounts, vouchers, etc. (See Chapter 22); and

(iii) as financial assistant, i.e., as the general assistant and adviser to the Divisional Officer in all matters relating to the accounts and budget estimates or to the operation of financial rules generally.

(b) In the discharge of these duties, he is expected to keep himself fully conversant with all sanctions and orders passing through the office and with other proceedings of the Divisional Officer and his subordinates which may affect the estimate or accounts of actual or anticipated receipts and charges. He should advise the Divisional Officer on the financial effect of all proposals for expenditure and keep a watch, as far as possible, over all the liabilities against the grants and authorizations of the divisional office as they are incurred.

(c) The Divisional Officer should see that he is given the fullest opportunity of becoming conversant with these sanctions, orders and proceedings. To enable him to discharge his duties efficiently, the Divisional Accountant is treated as the senior member of the office establishment of the division though his position is analogous to that of a Sub-Divisional Officer.

5.2.3 The Divisional Accountant is expected to see that the rules and orders in force are observed in respect of all the transactions of the division which come within his sphere of duties. If he considers that any transaction or order affecting receipts and expenditure is such as would be challenged by the Accounts Officer if the internal check entrusted to the Accountant were applied by the former, it is his duty to bring this fact to the notice of the Divisional Officer with a statement of his reasons, and to obtain the orders of that

Officer. It will then be his duty to comply with the orders of the Divisional Officer, but if he has been overruled and is not satisfied with the decision, he should at the same time make a brief note of the case in the Register of Divisional Accountant's Objections, PMGSY/GEN/F-65A and lay the Register before the Divisional Officer, so that the latter may have an opportunity either of accepting the Divisional Accountant's advice on reconsideration and ordering action accordingly, or of recording for the information of the Accounts Officer, his reasons for disregarding that advice. An objection entered in his register should not be considered as finally disposed of until it has been reviewed by the Accounts Officer, for whose inspection the register should be available at all times.

NOTE - If no inspection (by Accounts Officer) takes place in a year and entries have been made in the Register during the period since the last inspection, the Register or, if the entries are few, an extract therefrom should be submitted to the Accounts Officer in the month of April for review.

5.2.4 (i) The Divisional Accountant is responsible for the safe custody of documents during the period when they remain in the Accounts Branch until submission to the Executive Engineer.

(ii) He is responsible for the arrangements for checking the bills for payment, i.e., for seeing that satisfactory and efficient arrangements are made for checking.

(iii) He should conduct personally a test check of the computed and checked tenders for supply of office material to satisfy himself reasonably that the checking work has been properly done; and

(iv) He should see that the comparative statement correctly incorporates the totals as checked on the individual tenders.

5.2.5 (a) The Divisional Accountant should bring to the Divisional Officer's notice all instances in which subordinate officers exceed the financial limitations on their powers placed by the Divisional Officer or higher authority.

(b) He may further be required by the Divisional Officer to undertake on his behalf, such other scrutiny of the accounts of the receipts and disbursements of subordinate officers falling within the Divisional Officer's own powers of sanction, as the latter may consider necessary.

(c) The Divisional Accountant should not, as a rule, be required to receive, or pay out, cash but in cases where the monetary transactions at the headquarters of the Divisional Office are not large, either in number or in amount, the Divisional Officer may, on his own responsibility and with the previous consent of the Executing Agency, entrust the receipt and disbursement of cash to the Divisional Accountant. The Divisional Accountant should not, however, be normally authorised to issue final receipts in Form PMGSY/IA/F-5 over his own signature.

5.2.6 The Divisional Accountant is further required to inspect periodically under the orders of the Divisional Officer, the accounts records of Sub-Divisional Officers and to check a percentage of the initial accounts. The defects noticed should be reported to the

Divisional Officer for orders, but the Divisional Accountant will be responsible, as far as possible, for explaining personally the defects of procedure and for imparting necessary instructions thereon to the Sub-Divisional Officers and their staff.

The result of these inspections should be placed on record for the inspection of the Accounts Officer, but serious financial irregularities should be reported at once for the information of that officer, even though set right under the orders of competent authority. All defalcations or losses of public money, stores or other property should be reported immediately to the Accounts Officer and other authorities concerned in accordance with such rules or procedure as may have been prescribed.

5.2.7 The Divisional Officer has a right to seek the advice of the Accounts Officer in all matters connected with the accounts of his PIU or the application of financial rules and orders concerning which there may be any doubt. It will usually be desirable, however, that he shall first obtain the advice of the Divisional Accountant who is specially trained for this duty, and this should be done in writing in all cases of importance.

Inspection by the Audit Officer/Auditor/Accounts Officers/Internal Auditors

5.3.1 The Audit Officer/Auditor/Accounts Officers/Internal Auditors arrange for the periodical audit and local inspection of the accounts of divisional and sub-divisional offices, and the Divisional Officer is responsible that the initial accounts and other connected records are made available for audit and inspection. Inspecting Officers are required, if possible, to discuss the drafts of their reports with the heads of the office inspected, before submitting them to the respective heads of their offices. And for this purpose, it is desirable that the head of the office inspected should be present at the inspection unless his presence is urgently required elsewhere.

Communication of Sanctions to Accounts Officer

5.4.1 As a general rule every sanctioning authority, namely, NRRDA for the Ministry of Rural Development and its own sanctions, and the SRRDA for the State Government and its own sanctions, keep a separate file marked Audit to keep copies of all sanctions and orders against which audit of receipts or disbursement is to be conducted. The Chartered Accountant, the CAG and the internal audit will have an easy availability of these orders and sanctions to facilitate their work. Some typical examples of these are:

- Sanctions to PMGSY works with their sanctioned estimates;
- All Central and State Government Order and Guidelines on the PMGSY;
- Financial Sanctions;
- Sanctions to contract agreements.

CHAPTER 6

SANCTIONS

Introductory

6.1 (a) Expenditure from the Administrative Expenses fund can only be incurred:

- (i) If sanction, either special or general, of competent authority has been obtained authorising the expenditure.
- (ii) If funds to cover the charges during the year have been provided by competent authority.

NOTE - When, an Executing Agency, or the Accounts Officer, finds that divisional officer is incurring an unauthorised liability for office expenses, it will take the requisite steps to stop it.

- (iii) If the expenditure conforms to the relevant provisions of the financial rules, regulations and orders issued by competent authority.

(b) A divisional officer is not authorized to make payments, from the PMGSY Administrative Expenses fund, chargeable to the accounts of other divisional officers, departments of Government, or of non-Government works, and repayments of others' deposits. It needs specific authority from the NRRDA to make payments on behalf of the SRRDA, as the SRRDA itself is competent to make payments.

Re-appropriation of Funds

6.2 (a) Re-appropriation of funds from one head of expenditure (for example, stationery) to another object head of expenditure (for example, telephone expenses) not permissible, if the SRRDA's allotment specifies each kind of expenditure. SRRDA should take note that the liability of the Ministry of Rural Development, Government of India, for Administrative Expenses is restricted to the amount it sanctions. However, the liability of the State Government is limited to the amount sanctioned and received by SRRDA. SRRDA will be responsible for any irregularity in this regards. Divisional officers will be responsible for incurring liabilities without receiving bank authorizations to cover the expenditure. No payment will be made on the promise that the State Government has agreed to provide funds. Availability of funds is crucial to the credibility of the financial system. The SRRDA must receive the funds before it can authorise any payments.

(b) The savings in Administrative Expenses Fund will be available for use in subsequent year, or on items that the Central or the State Government may allow with reference to the funds they released.

Watching of Actuals

6.3.1 It is an important function of the Divisional Officer to keep a watch over the expenditure to keep it within the sanctioned budget. He should accordingly keep himself

informed of such circumstances as may affect the smooth running of the office in order to take early steps for remedial action.

6.3.2 It will be found convenient, in practice, to adopt the plan indicated below:

- (a) The progress of expenditure on office expenses and travel expenses should be watched individually month by month, through the ledger and the Income and Expenditure Account,
- (b) In this review of expenditure un-discharged liabilities play an important part and their effect on individual and lump sum sanctions should, therefore, be watched.

CHAPTER 7

CASH and STORES

Introductory

7.1.1 The term "cash" as used in this chapter, includes legal tender coin, notes, and drafts payable on demand. A small supply of one rupee revenue stamps may be kept as part of the cash balance.

NOTE 1. - (1) Government securities, (2) deposit receipts of banks (3) debentures and (4) bonds, accepted as security deposit as per terms and conditions of bidding documents or contracts are not to be treated as cash.

Note 2. Divisional Officer may realise in cash (namely in legal tender coins or notes) or by drafts (and not cheques) drawn on any local branch of a scheduled bank, dues or other money receivable on PMGSY Administrative Expenses Fund account unless specially authorised to receive higher amounts in cash. Divisional Officer may normally receive cash up to an amount not exceeding Rs.500 in each case. The acceptance of counterfeit coins or notes shall be regarded as a loss of cash.

Note 3. Bank drafts tendered in payment of PMGSY revenues, dues, etc.-(1) (a) Bank drafts drawn on local branch of a scheduled bank may be accepted by Divisional Officer in payment of PMGSY dues subject to the provisions of special instructions, if any, issued by SRRDA in consultation with the State Government and the NRRDA/Ministry of Rural Development. The bank draft should be crossed by the drawer before tendering. However, until they are cleared, the PMGSY cannot admit that payment has been received; consequently, the receipt of the draft alone may be acknowledged when it is tendered. A formal payment receipt shall be given to the tenderer (or sent to his address wherever such an arrangement is envisaged) after the draft has been cleared. The preliminary acknowledgement of the receipt of the of the draft, will be given in the form indicated below by the Divisional Officer :

"Received draft number..... for Rs. drawn on
..... on account of"

Note 4. All bank drafts will be drawn in favour of the SRRDA and deposited by the PIU in SRRDA's account.

7.1.2 The Divisional Officer is the primary Disbursing Officer of the division, and all realisations and payments on PMGSY Administrative Expenses Fund account made by his subordinates are made on his behalf and on his responsibility.

7.1.3 Every Officer is personally responsible for the money which passes through his hands and for the prompt record of receipts and payments in the prescribed accounts as well as for the correctness of the account in every respect. The private cash or accounts of members of the PIU or the State funds should not be mixed up with the PMGSY cash or accounts.

7.1.4 (a) If the Divisional Officer receives information from the Accounts Officer that moneys have been incorrectly withdrawn and that a certain sum should be recovered in respect of any bill passed by him, he shall effect the recovery without delay and without regard to any correspondence undertaken or contemplated with reference to the retrenchment order; and he shall, without delay, repay the sum in such manner as the Accounts Officer may direct.

(b) A Divisional Officer supplied with funds for expenditure shall be responsible for such funds until an account of them has been rendered to the satisfaction of the Accounts Officer concerned. He shall also be responsible for seeing that payments are made to persons entitled to receive them.

Modes of Obtaining Cash

7.2.1 (a) The Divisional Officer will be placed in direct account with the accredited Bank of the SRRDA on which it will draw cheques for payment of all bills passed by him after exercising the requisite prescribed checks.

Note: 1. The Empowered Officer of the SRRDA will also inform the Bank and the PIU of the names of Authorised Payees (if any, like the telephone department. He may lay down suitable limits on quarterly payments. Standing instructions will be issued to the Bank Branches by the Empowered Officer in this regard.

(b) No Expenditure can be incurred out of the PMGSY Administrative Expenses Fund in anticipation of subsequent approval by the competent authority.

7.2.2 The Divisional Officer is permitted to make payments from the PMGSY Administrative Expenses Funds only of bills of Administrative Expenses, including travel expenses, duly approved by the competent authority.

7.2.3 The appropriation of receipts to expenditure in the PMGSY accounts is strictly prohibited.

7.2.4 No officer is authorised to draw cheques on any bank other than the accredited bank with which he is placed in funds. The transactions involving payments to be made by Divisional Officer outside the Divisional headquarters should be settled by Bank Drafts.

7.2.5 The employment of Group 'D'/IVth officials to fetch or carry money should be discouraged. When it is absolutely necessary to employ a Group 'D' employee for this purpose, a man of some length of service and proved trustworthiness should only be selected and in all cases, when the amount to be handled is large one or more guards should be sent to accompany the messenger.

7.2.6 Petty office expenses should be paid in cash. For these it is permissible to draw money from the accredited bank by cheque to replenish the cash chest. The Divisional Officer must, however, draw cheques for the minimum of cash actually required to meet current requirement. SRRDA will set this limit.

7.2.7 In drawing cheques, drawing offices should be guided by the following rule:

- (1) Cheques on the accredited bank shall be drawn on forms contained in cheque books supplied by the accredited bank to the authorized signatory of the PIU.

7.2.8 Period of validity of a cheque. The period of currency of cheques will be determined according to regulations the accredited bank follows. This is six months at present.

7.2.9 Revalidation of the time-barred cheque by the Cheque drawing Divisional Officer is not permissible irrespective of the date of its drawal. A fresh cheque should be issued in all such cases.

Procedure for Cancellation of a Cheque.

7.3.1 (1) When it is necessary to cancel a cheque, (i) in cases where the cheque is not issued, its cancellation should be recorded with dated signature on the counterfoil and the cheque should be destroyed;

(ii) where it is issued and withdrawn, after similar note on its counterfoil, it should be defaced; and forwarded to the Accounts Officer by the PIU and the entries in the accounts should be suitably reversed;

(iii) if the cheque is not in the drawer's possession, after satisfying himself with reference to his records (namely, payment and bank scrolls and register of cheques delivered) that it is not paid, he should promptly send an intimation by registered post (acknowledgement due) to the branch bank on which it is drawn to stop payment of the cheque. He should also inform the Accounts Officer. If the currency of the cheque has not expired at the time of sending the intimation, the bank shall acknowledge in writing that it has kept a note of the 'stop payment' order.

(iv) A cheque remaining unpaid for any cause, six months after the month of its issue and not surrendered for issue of a fresh cheque should be cancelled in the manner indicated in clause (iii) with the difference that no acknowledgement of the stop payment order may be insisted from the bank. Its amount should also be written back in the accounts.

(v) A time-barred cheque returned to the drawing officer for renewal should not be destroyed. A reverse entry in the accounts should be suitably passed, crediting the amount to the head to which it was debited when the cheque was issued. . The cheque drawing officer should cancel the cheque under his signature. The cancelled cheque should be treated as a voucher/sub-voucher for issuing a fresh cheque in lieu thereof and the fact of issuing fresh cheque should be mentioned on it.

7.3.2 If a request is received by the cheque drawing officer for issue of a fresh cheque in lieu of a cheque which is alleged to have been lost, within a period of one year from the date of issue of original cheque, he should send an intimation by registered post (acknowledgement due) to the bank drawn upon regarding the alleged loss of the cheque and advise it to stop payment if the cheque is presented for payment thereafter. If the currency of the cheque has not expired at the time of sending such an intimation, the bank shall acknowledge in writing in the form given below:

"We acknowledge receipt of your Letter No..... datedand advice having noted to stop payment of cheque No.dated for Rs. Rupees favouring..... (the name of the payee). In this connection, it is certified, that cheque No..... dated for Rs.....

reported by the drawing officer to have been drawn by him on this bank in favour of will not be paid if presented thereafter."

In case, however, the currency of the cheque alleged to have been lost has expired when the intimation regarding the loss of the cheque is sent to the bank, no acknowledgement of the "stop payment order" may be insisted upon from the bank; the postal acknowledgement may be treated as sufficient for the record of the cheque drawing officer. On receipt of acknowledgement from the bank the cheque drawing officer will send a copy thereof to the Accounts Officer for issue of a non-payment certificate. On receiving a copy of this acknowledgement from the said cheque drawing officer, the Accounts Officer concerned will, after verification of his relevant records i.e. register of cheque paid, etc. and after keeping a suitable note against the relevant- entry in that register, issue a non-payment certificate to the Divisional Officer in the following form:

"Certified that cheque No. dated for Rs..... reported by (the drawing officer) to have been drawn by him on..... branch of bank in favour of has been /not been paid".

Accounts officer will also obtain a similar certificate from the bank.

The Divisional Officer will note particulars of the non-payment certificate received by him against the relevant entry in the office copy of the schedule of cheques issued attached to the monthly balance sheet that the original cheque has not been paid and it has been 'stopped' from payment. A similar note will also be made by him on the counterfoil of that cheque and office copy of the relevant paid voucher before issuing a fresh cheque in lieu thereof, and in the manual system of accounting, against the original entry in the cash book.

(iii) The Party requesting for the issuance of a fresh cheque in lieu of the lost one should execute an indemnity bond in the form prescribed by the State Government. However, in the case of a Government Department, Public Undertaking wholly owned by the State Government of the PIU, or the Central Government, or the bank, the execution of such an indemnity bond is not necessary but a fresh cheque should in these cases be issued only on receipt of a certificate that the cheque alleged to have been lost was not received by them or having' received the same, it was lost and further that it will be returned to the cheque drawing officer if found afterwards.

(iv) On completion of the requirements in clauses (i) to (iii), the cheque drawing officer may issue a fresh cheque in lieu of the lost one by passing the necessary entries, namely reversing the entry for the issue of the original cheques and a new entry for the issue of the new cheque.

(v) If it is found afterwards that the original cheque had been paid, the cheque drawing officer will take up the matter with the paying branch telegraphically and stop payment of the renewed cheque if not already paid. He will also reverse the entries made in the relevant record (including counterfoils) on this account on receipt of confirmation of this fact from the paying branch. In case the renewed cheque is reported to have been paid by

then, he will place the paid amount under the head of account "Miscellaneous Advances" till the matter is investigated and the amount is recovered or written off.

7.4 Receipt of Money

I. Account Procedure

7.4.1 When money is received by PIU or SRRDA on behalf of PMGSY, it should at once be brought to account in the Cash Book and a receipt in Form PMGSY/IA/F5 should invariably be granted to the payer unless the use of Cash Memo has been prescribed by SRRDA. If, however, the amount be realized by recovery from a payment made on a bill or other voucher setting forth full particulars of the deduction, a receipt should be granted only if specially desired by the payee, but the fact of the recovery having been made by deduction from the payment voucher should be clearly recorded on the receipt.

NOTE 1 - Final acquaintance for drafts on local banks accepted under proper authority should not be given to the payer until they have been cleared.

NOTE 2 - Before an officer signs a receipt in Form PMGSY/IA/F-5 for cash actually received by him, he should see that the receipt of the money has been duly recorded in his cash book, and in token of this check the entry in the cash book should be initialled and dated at the same time.

7.4.2 Drafts of private individuals if accepted by PIU in payment of PMGSY dues on Administrative Expenses Account should be treated as cash, vide paragraph 7.1.1 and entered in the Cash Book in the ordinary way just like other cash transactions. When these are sent to the bank for credit to the account of SRRDA, they should be shown in the cash column of the payment side of the cash book as "Remittances to SRRDA with the classification as 51.03 Central Administrative Expenses Fund. It is in order, however, to relieve the Cash Book of a large number of detailed entries in cases in which the transactions of receipt of private cheques are frequent and numerous. The cheques may be initially entered in a "Register of cheques received and adjusted" in Form No. PMGSY/IA/F-3B and only the daily totals of receipts and remittances entered in the Cash Book. This Register will also facilitate the watching of the clearance of the cheques.

NOTE 1 - When drafts accepted from private individuals are dis-honoured on presentation to the banks, the original entries on both the sides of the Cash Books should be reversed.

7.4.3 Receipts in Form PMGSY/IA/F-5 can be issued only by Divisional Officers,

NOTE 1 – A divisional officer should not issue any duplicates or copies of receipts granted for money received on the allegation that the originals have been lost. If any necessity arises for such a document, a certificate may be given that on a specified day a certain sum on a certain account was received from a certain person. This prohibition extends only to the issue of duplicates on the allegation that the originals have been lost

and does not-apply to cases authorised by special orders of the Government in which duplicates have to be prepared and tendered with originals.

Note 2 - If an officer of the PIU, who is not in charge of a cash book, receives money on behalf of PMGSY at exceptional times, he should not mix it up with the imprest or any other cash in his charge, but pay or remit it, at the earliest opportunity, to his Divisional Officer of the PIU. The full particulars of receipt including the date of its realisation should be forwarded immediately to enable him to make the necessary entries in the cash book. The record of the transaction will be in the correspondence and not in the imprest account of receiving officer.

II. Disposal of Receipts

7.4.5 Moneys realised by officers of the PIU or the SRRDA should be paid, as soon as possible, into the accredited bank. A Divisional Officer, however, is not permitted to make use of cash receipt even temporarily for current expenditure.

NOTE - This rule does not apply to receipts realised by short payment on bills or other vouchers.

7.5 Payments

I. Manner of Payment

7.5.1 All payments which officers authorised to draw cheques have to make should be made by cheques; but see also paragraph 7.2.6 for payment in cash.

7.5.2 It is also permissible to make payments to suppliers of stores by obtaining bank drafts at the latter's request as the accredited bank will issue the draft without any charge.

7.5.3 As a rule, no cheque should be drawn until it is intended to be paid away and cheques drawn in favour of suppliers and others should be made over to them by the disbursing officer direct; but the disbursing officer may be assisted in making disbursements by a cashier appointed for the purpose under paragraph 7.8.2. The occasional delivery of cheques through a subordinate may be permitted at the discretion and on the responsibility of the disbursing officer. In such cases the subordinate should make no entry in any accounts which he keeps, as a payment made by cheques should appear in the cash account of the Disbursing Officer who draws the cheques and the subordinate's record will be in his correspondence.

NOTE - It is a serious irregularity to draw cheques and deposit them in the cash chest at the close of the financial year for the purpose of showing the full amount of grant as utilised,

II. Bills

7.5.4 General instructions regarding the form of bills and their preparation, completion and stamping are laid down in the Treasury Rules of the State Governments. As far as

possible, the particular form of bill applicable to the case should be used. Suppliers of stores and others should be encouraged to submit their bills and claims in proper prescribed forms. But bills not prepared on such forms should not be rejected if they set forth the necessary details of the claims. In such cases, the additional particulars required should be added by the Disbursing Officer.

III. Vouchers

7.5.5 As a general rule, every payment including repayment of money previously lodged with the PIU or SRRDA for whatever purpose, must be supported by a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts. The full name of the head of account, to which the charges admitted on a voucher are debitible or to which the deductions or other credits shown on the voucher are credited should be clearly indicated on it in the space provided for the purpose or in some prominent position.

NOTE - When it is not possible to support a payment by a voucher or by the payee's receipt, a certificate of payment, prepared in manuscript, signed by the Disbursing Officer and countersigned, if necessary, by his Superior Officer, together with a memorandum explaining the circumstances, should always be placed on record and submitted to the Accounts Officer, where necessary. Full particulars of the claims should invariably be set forth, and where this necessitates the use of a regular bill form, the certificate itself may be recorded thereon.

7.5.6 Every voucher must bear a pay order signed (and not just initialed) and dated by the responsible Divisional Officer. This order should specify the amount payable both in words and figures. All pay orders must be signed by hand and in ink.

NOTE - Cashiers and others authorised to make disbursements on passed bills, vide paragraph 7.5.4 should make no payment without a proper pay order of the Disbursing Officer recorded clearly on the bill or other voucher.

7.5.7 Every voucher should also bear, or have attached to it, an acknowledgement of the payment, signed by the person by whom or in whose behalf the claim is put forward. This acknowledgement should be taken at the time of the payment. When the payee signs in an Indian script, he should be required to note the amount acknowledged in the script in the international numerals in his own handwriting, unless the State Government has prescribed otherwise by rule.

NOTE 1 - If a Disbursing Officer anticipates any difficulty in obtaining, from the person to whom money is due, a receipt in the proper form, it is open to him to decline to hand him the cheque or cash, or to make a remittance to him, as the case may be, until the acknowledgement of the payment, with all necessary particulars, has been given by him. In all cases of payment by remittance, a note of the date and mode of remittance must be made on the bill or voucher at the time of remittance. In cases of remittance by postal

money order; the purpose of the remittance should be briefly stated in the acknowledgement portion thereof.

NOTE 2 - In the case of article received by value payable post, the value payable cover together with the invoice or bill showing the details of the items paid for may be accepted as a voucher. The Disbursing Officer should endorse a note on the cover to the effect that the payment was made through the post office; and this will also cover charges for the money order commission.

NOTE 3 - A certified copy (marked duplicate) of a receipted voucher may be retained by the Disbursing Officer, should this be necessary to complete the record of his office, but the payee should not be required to sign such a copy or give a duplicate acknowledgment of the payment.

Note 4 A specimen format of the voucher is form PMGSY/IA/F-6.

Remittances to Accredited Bank

7.6.1 The officer in charge of a cash book should keep a book in suitable format in which he should enter all his remittances, including cheques/drafts to the accredited bank as they are made, vide paragraphs 7.3.4. and 7.3.5.

Cash Account / Cash Book

(a) Upkeep

7.6.1 An account of the cash transactions should be maintained in the Cash Book Form PMGSY/IA/F-3 by Divisional Officers in the capacity of cheque Drawing and Disbursing Officers. Officers entrusted with imprest or temporary advance should maintain and render accounts of their disbursements in Imprest Cash Account Form PMGSY/IA/F-4.

7.6.2 The cash book is one of the most important account records of the PMGSY. The detailed instructions given in the notes of Form PMGSY/IA/F-3A should be observed strictly in practice by all concerned.

(b) Balancing

7.6.3 The cash book must be balanced on the date prescribed for closing the cash accounts of the month, but when the transactions are numerous, a weekly or daily balance is recommended and it is advisable that the cash be counted whenever a balance is struck, or at convenient intervals, as this affords an independent check on the accuracy of the postings. The results of such intermediate counting should be recorded in the form of a note (specifying the actual cash) in the body of the cash book (Column 9), so as not to interfere with the up-to-date totals; the actual balance of cash in the chest should invariably be stated in the note both in words and figures.

(c) Contra entries

7.6.4 There are certain transactions recorded in the cash book, which involve no operation on revenue, expenditure, or any other prescribed heads of the accounts classification, as every such entry is counter balanced either at once or after an interval, by a similar entry of the reverse character. It is not necessary to include transactions, for audit purpose, in any of the schedules and registers subsidiary to the Monthly Account, but the Divisional Accountant should see that all transactions are cancelled by each other

in due course. An example of this kind of transaction is: Cash from Bank - A cheque drawn to replenish the cash chest is debited to this head in the Cash Book, and per contra the amount of the cheque is entered at once, as cash received, under the same head, a cheque drawn in favour of self-being cash (vide paragraph 6.1.1), even though not cashed at once.

(d) Rectification of Errors

7.6.5 An entry once made in the cash book should in no circumstances be erased. If a mistake is discovered before Cash Book is closed, it should be corrected by drawing the pen through the incorrect entry and inserting the correct one in red ink between the lines. The Disbursing Officer should initial every such correction and invariably date his initials. If the accounts of the month have been closed no corrections of errors in amount, or the classification, should be made in that book but a transfer entry should be prepared for the necessary correction, a suitable remark in red ink (quoting reference to the correction, in accounts) being recorded against the original erroneous entry in Cash Book. Note: Where the cash book is kept on the computer, either offline or online, no correction will be made by deleting any entry already made, because the cash book is balanced with each transaction instantly. Therefore, all corrections will be made through transfer entry orders only.

(e) Cash Verification

7.6.6 The Disbursing Officer should check all the entries in his cash book as soon as possible after the date of their occurrence, and he should initial the cash book, dating his initials after the last entry checked. The cash book should be signed by him at the end of the month and such signature should be understood fixing responsibility for all entries of the month inclusive of the closing balance.

NOTE - The following is the memorandum of some of the more important parts of the verification by the Drawing & Disbursing Officers.

- (1) Compare each entry of payment with the gross amount chargeable as shown in the connected voucher, seeing, at the same time, that it bears (i) a payment order recorded by himself and (ii) the certificate of disbursement signed by himself or an authorised subordinate, and ticking off each voucher as it is passed;
- (2) See, while examining the postings of vouchers on the payment side, that all deductions shown in the vouchers (other than deductions creditable to the head of accounts to which the payment relates) are posted as receipts on the receipt side of the cash book;
- (3) Compare each entry of payment into the Bank with the Bank Challan and satisfy himself that the amounts have been actually credited into the bank.
- (4) Verify the totalling of the cash book or have this done by some principal subordinate (other than the writer of the cash book) who should initial (and date) it as correct; and

(5) Verify the total of the postings in the "Bank Authorisation" column on the payment side by reference to the memoranda recorded by himself on reverse of the counterfoils of cheques.

(6) Where the cash book is kept on the computer, the above directions will apply to the monthly print out of the cash book, which should be kept in a separate file.

7.6.7 The actual balance of cash in cash chest should be counted on the last working day of each month (i.e. immediately after closing the cash account of the month under paragraph 7.6.3.), but where this is not possible, the cash balance may be counted on the first working day of the following month before any disbursement is made on that date. The details of the actual balance should be recorded on the cash book and a certificate of the count of cash, specifying both in words and figures, the actual cash balance (exclusive of imprest and temporary advances), and of reconciliation of the balance, so counted with the book balance, should be recorded below the closing entries of the month. The certificate should be signed by the Disbursing Officer who should invariably date his signature.

NOTE - Should it not be possible for the Disbursing Officer, owing to his absence, to make the count on the dates prescribed in this paragraph, he should do so at the earliest opportunity recording the reason for the delay on the Cash Balance Report.

7.6.8 Whenever, on the contents of the cash chest being counted, the balance as per cash book is found to be incorrect, it must unless the error can be detected and set right at once under paragraph 7.6.4. be made to agree with the actual count balance by making the necessary receipt or payment entry. "To cash found surplus in chest" under "Deposits Repayable" or "By cash found deficient in chest" under "Miscellaneous Advances", as the case may be. The administrative action to be taken on the occurrence of a deficiency must depend on the nature of each case.

II. Imprest

7.6.9 An imprest is an advance of a fixed sum of money given to an individual to enable him to make certain classes of disbursements which may be entrusted to his charge by the Divisional Officer in accordance with such rules, and subject to such restrictions, as may be laid down by the administrative department of the State Government. The amount of an imprest should be kept as low as possible and should in no case exceed one thousand rupees without the special sanction of the SRRDA.

7.6.10 The account of imprest cash should be kept in duplicate by the imprest holder in Form PMGSY/IA/F-4. "Imprest Cash Account, in accordance with the directions given in that form. The counterfoil should be retained by the imprest holder and the original, supported by the necessary vouchers, should be forwarded to the officer from whom the imprest is held, whenever the imprest holder finds it necessary to have the account recouped, or when it is proposed to increase or decrease the amount of the imprest or to close the account altogether. The account must, in any case, be rendered to the officer from whom the imprest is held in time to enable him to incorporate the account in his cash book before it is closed for the month on the date fixed for the purpose.

7.6.11 The Recouping Officer should examine the imprest cash account and the supporting vouchers, initial and date the vouchers in token of approval and by a formal pay order (vide paragraph 7.5.6) recorded on the account to authorise the recoupment, enhancement, reduction or closing of the imprest, as the case may be. The account should then be abstracted and incorporated in the Cash Book in the manner prescribed.

NOTE - If any item in an imprest account appears to the Recouping Officer to be open to objection, the imprest should nevertheless be recouped in full, and the items under objection may be entered in his cash book as "Item awaiting adjustment in the Imprest Account...." under "Miscellaneous Advances" to be watched under that head until either the objection is removed or the amount is made good by the imprest holder.

7.6.12 The imprest-holder is responsible for the safe custody of imprest money and he must at all times be ready to produce the total amount of the imprest in vouchers or in cash.

III. Cheque Books and Receipt Books

7.7.1 Cheque books required by Divisional Officer declared as cheque drawing officers authorised to draw on accredited bank are obtained by them from local branch of the accredited Bank. The Divisional Officer should keep a record of their receipt and also of Cash Memo Books received from the State Government authorities under the arrangements made by the Executing Agency.

7.7.2 Cheque (or Receipt) Books should on receipt be carefully examined by the Divisional Officer concerned who should count the number of forms contained in each and record a certificate of count on the fly-leaf.

7.7.3 Cheque Books must be kept under lock and key in the personal custody of the Divisional Officer concerned. Receipt Books should be similarly kept by the Officer authorised to sign the receipt.

7.7.4 A record of cheque books and receipt books shall be kept in separate registers in form PMGSY/SR/F-32.

Custody of Cash

7.8.1 PMGSY money in the custody of the PIU/SRRDA should be kept in strong treasure chest secured by two locks of different patterns. All the keys of the same lock must, except where the procedure prescribed in the Note below this paragraph is adopted be kept in the same person's custody, and, as a general rule, the keys of one lock should be kept apart from the keys of the other lock and in a different person's custody when practicable. The chest should never be opened unless both the custodians of the keys are present. When there is a guard, the daffadar or other petty officer of the guard should usually be the custodian of one set of keys and he must always be present when the chest is opened and until it is again locked. Whenever cashier is attached to a division the keys of one of the locks of the treasure chest will necessarily remain in his possession.

NOTE - The duplicate keys of Divisional chest should be placed in separate sealed covers and lodged with different officers of higher rank or with the relevant branch of the

accredited bank. A duplicate key register should be maintained and once a year, in the month of April, the keys should be sent for, examined and returned under fresh seal, note being made in the register that they have been found correct.

7.8.2 Cashiers may be appointed whenever in the opinion of the Administrative Department of the State Government the cash transaction of a Division are sufficiently extensive to require it.

7.8.3 One cashier may make the cash payments of two or more Divisions wherever such an arrangement is found to be practicable.

7.8.4 The Divisional Officer should count the cash in the hands of cashier at least once a month. The result of such counting should be recorded in the form of a note in the cash book showing the date of examination and the amount (in words) found.

Stores

7.9 General instructions issued by the State Government in the General Financial Rules for the safe custody and record of assets called dead stock in the Government, and the articles of stationery etc. should be observed in the manner prescribed. SRRDA may issue special instructions in this regard.

Chapter 8

Transfer Entries

General

8.1.1 Transfer entries, that is, entries intended to transfer an item of receipt or charge from one head of receipt or expenditure to another head become necessary:

- (a) In order to correct an error of classification in the original accounts;
- (b) In order to adjust, by debit or credit to the proper-head of account, an item outstanding in a deposit account or another account;
- (c) In order to bring to account certain classes of transactions which do not pass through the cash account e.g.
 - (i) for credit to “Unpaid Bills” on account of goods (stationery, etc.) received during the financial year but payment had not been made by the end of the financial year. This entry takes note of the liability on this account.
 - (ii) for credit to revenue receipt heads of account of revenue not recovered in cash including lapsed deposits;
 - (iii) for original debits or credits to relevant heads based on transactions not appearing in cash accounts.

NOTE - A list of adjustments which have to be made periodically should be maintained in order to ensure that they are regularly made. '

8.1.2 An error which affects a deposit head or amounts receivable from and payable to other parties must be corrected by transfers, however old and small it may be.

8.1.3 There will be no minus entries for the correction of errors or transfers. The corrections will be made by debit or credit to the correct head of account by credit or debit to the head of account in which the amount was originally posted

8.1.4 When a correction is permissible it should be made by a formal transfer entry order.

8.1.5 For every transfer entry there must be an authority in Transfer Entry Order in form PMGSY/IA/F-17. It sets forth all the necessary particulars.

NOTE 1 – A Transfer Entry Order must be signed by Divisional Accountant and the Divisional Officer.

NOTE 2 - A single transfer entry may cover a number of adjustments and corrections, provided that all the necessary particulars are set forth in respect of each. However, on one side of every transfer entry, there should be only one major head but there may be a debit or credit to various other heads or vice versa. In a transfer entry all particulars explaining both the nature of the adjustment and the grounds for the correction must be clearly stated.

8.1.6 A Transfer Entry Order may be initiated by the Sub-divisional Officer, and should be so initiated by him in all cases falling within clauses (a), (b), and (c) of paragraph 8.1.1 which comes under his cognizance.

8.1.7 The Divisional Officer should see that no transfer entry is made in the accounts unless admissible under the rules, that a transfer entry is made as soon as it becomes necessary, and that Transfer Entry Order in respect of transactions falling under clauses (a), (b), and (c) of paragraph 8.1.1, proposed by Sub-Divisional Officers, are countersigned by himself in token of acceptance.

NOTE - Transfer entries should receive the special attention of Divisional Officer so that habitual errors/misclassifications in the accounts of subordinate officers may not remain unnoticed.

8.1.8 All Transfer Entry Orders should set forth such explanation of the correction or adjustment proposed to be made as would establish clearly the correctness and necessity of the entry.

8.1.9 As and when approved, each transfer entry should be entered in the Transfer Entry Book, form PMGSY/IA/F-7, each entry initialed by the Divisional Accountant. The effect thereof should be reflected in the debit and credit ledgers.

8.1.10. All the entries made in the Transfer Entry Book should be posted to the relevant account head in the Debit Ledgers or the Credit Ledgers, with folio numbers entered against each entry in the Transfer Entry Book and the Ledgers to enable tracing the entries.

CHAPTER 9

Administrative Expenses Accounts

9.1 General

9.1.1 Administrative Expenses Fund will not be used for any expenditure related to the construction of roads, upgradations, plantations, sign boards, or other heads covered under the PMGSY Programme Fund.

9.1.2 No daily wage workers, or work charged staff will be paid from the Administrative Expenses Fund.

9.1.3 Stationery or other goods or material purchased for one PIU will not be transferred to another division, PIU or non-PIU.

Account Procedure for Expenses

9.2.1 All the payments for various expenses like travel, stationery etc., after being recorded in the cash book, shall be posted to the relevant heads of accounts in the Ledger of Debit Balances, form PMGSY/IA/F-8ADM. At the end of the year, the amount will be transferred to the Income and Expenditure Account, to close the balance to a nil amount. This will be done through a transfer entry. The net effect of the transactions in the Income and Expenditure Account will be transferred to the Central (or State) Administrative Expenses Fund, which will then appear in the Balance Sheet.

Accounts Procedure for Assets

9.2.2 The Central Administrative Expenses Fund or the State Administrative Expenses Fund may also meet the expenditure on purchase of assets, if allowed by the MORD or the State Government. This expenditure will be booked to assets account and not carried to the Income and Expenditure Account. Assets will be shown in the Balance Sheet.

9.3 Ledger of Debit Balances

9.3 All the transactions appearing on the credit side of the Cash Book, or in the Debit column of the Transfer Entry book will be posted in the debit column of the relevant head of account in the General Ledger (Debit Balances) Form PMGSY/IA/F-8 ADM. The examples of these transactions are administrative expenses, travel expenses, Miscellaneous Advances, Imprest Account etc.

9.4 Ledger of Credit Balances

9.4 All the transactions appearing on the debit side of the Cash Book, or in the credit column of the Transfer Entry book will be posted in the credit column of the relevant head of account in the General Ledger (Credit Balances) Form PMGSY/IA/F-9ADM. The examples of these transactions are Central Administrative Fund Account, State Administrative Fund Account, Deposits Repayable, Miscellaneous Receipts, Bills Unpaid, etc.

9.5 Suspense Accounts

9.5 In the PMGSY accounting system, there is no suspense head for the administrative expenses account.

9.6 Liabilities Awaiting Incorporation

9.6 At the end of the financial year, all the liabilities are incorporated in the accounts in the following cases:

- (a) Unpaid balances or partly paid balances of all expenses outstanding as on the last date of the financial year. These mostly will relate to value of goods or services received. For this purpose, a transfer entry order will be passed debiting the relevant expenditure head of account and crediting the account head Unpaid Bills. When the bill are paid in the next financial year, the expenditure will be debited to the Unpaid bills head. Details of un-paid bills or liabilities will be kept in the Register for Unpaid Bills, form PMGSY/SS/F-45 ADM.

Expenditure on Inauguration Ceremonies

9.7 The expenditure incurred with the sanction of competent authority on ceremonies connected with the inauguration of important public works should be debited to the work. It shall not be debited to Administrative Expenses Fund.

CHAPTER 10

Miscellaneous Advances

10.1 Introductory

10.1.1 Miscellaneous Advance is of temporary character. All the transactions recorded under it are ultimately removed either by recovery in cash or by adjustment. The transactions, therefore, consist of both debits and credits.

10.2.1 Transactions recorded under the head "Miscellaneous Advances" are divided into two classes:-

- (1) Recoveries against suppliers
- (2) Recoveries against staff

NOTE • No charges should be debited to this head on the ground of absence or insufficiency of sanction.

10.2.2 Under the heading recoveries from the suppliers come cases where excess payments have been made to them and its recovery may be delayed.

10.2.3 The head "Recovery from staff" is meant for all debits which are recoverable from staff. The following are some examples:

- (i) Cash found short.
- (ii) Excess payment made due to negligence of staff.
- (iii) Shortages in goods received.

10.2.4 Items in the "Miscellaneous Advances" account are cleared either by actual recovery, or by transfer, under proper sanction or authority to some other head of account. Items or balances which may become irrecoverable should not be so transferred until ordered to be written off.

Account of Miscellaneous Advances

10.3.1 The detailed accounts of this head should be kept in Form PMGSY/SS/F-23 ADM, Miscellaneous Advances Register. For each of categories, a separate set of folios should be reserved, and all the items under each class should be detailed, so that their clearance may be watched individually. An abstract should be prepared to show the totals of all the classes.

Schedules

10.3.2 The monthly balance sheet will have schedules in the formats prescribed in this manual.

CHAPTER 11

DEPOSITS REPAYABLE

11.1 Introductory

11.1 Deposit transactions of the Administrative Expenses Funds are of two kinds:

1. Deposits of Supplier's
2. Miscellaneous Deposits

Security Deposits

11.2 Earnest money deposit is received from the suppliers if bids are invited along with earnest money in cash. Earnest money received in the form of bank draft shall not be encashed but treated as securities as this is refunded to the bidders as soon as the contract is awarded. It will be kept in safe custody and entered in the register of earnest money deposits opened for this purpose.

Miscellaneous Deposits

11.3 All other deposits are classed as Miscellaneous Deposits. This head also holds, until clearance, all items of receipt, the classification of which cannot be determined at once, or which represent errors in accounting awaiting adjustment, or cash found surplus on its physical verification...

Register of Repayable Deposits and Schedule of Deposits

11.4.1 Details of deposits are kept in the Register of Repayable Deposits, form PMGSY / SR / F-22ADM. From the register, a monthly extract known as the Schedule of Deposits, should be prepared for attaching it to the balance sheet. This form is in two parts - Part I Account giving the total for each class of deposit. Part II details extracts from the deposit register of only such items as are affected by the months transactions.

Lapsed Deposits

11.5 All deposits outstanding for more than three years shall lapse. The amount should be transferred by a transfer entry order to Miscellaneous Receipts. Any refund of lapsed deposit will be made in accordance with the State Government's orders. The Application-cum-bill for refund of lapsed deposit will be submitted in form PMGSY/SS/F-51B.

CHAPTER 12

Accounts of Divisional Officers of PIUs

12.1 Introductory

12.1.1 The cash accounts of the divisional office for a month are closed on the last working day of the calendar month.

12.1.2 The Transfer Entry Book for a month should be closed as soon as possible after the expiry of the month, but before this is done, all necessary transfer entries should be made.

NOTE – PIUs do not levy on works any centage charges. Therefore, no transfer entry is prepared for them.

12.1.3 The cash accounts of the entire division, as also all transfer entry transactions should be scrutinised by the Divisional Accountant before they are incorporated in connected registers and schedules and the monthly accounts.

12.2 Scrutiny of Accounts

12.2.1 The Divisional Accountant should examine the accounts to see:

(i) that all sums receivable are duly realised, and on realisation remitted to bank.

(iii) that all bills are prepared in accordance with the rules applicable to each case and are covered by sanction and approval. It should be seen, in particular that on the basis of rates sanctioned by competent authorities, and of facts, (as to quantities of supplies made, etc., or services rendered) certified by authorised officers, the claims presented for payment are valid and in order.

NOTE - It is not necessary that the Divisional Accountant should check personally the arithmetical accuracy of all bills and accounts, but he is responsible that cent per cent check is exercised efficiently under his supervision.

12.2.2 The Divisional Accountant should exercise a similar check from day to day in regard to the transactions recorded direct in the cashbook of the divisional office. The Divisional Accountant should affix his dated initials after the last entry of the day's transaction in the divisional cash book, in token of check in the manual system of accounts keeping.

12.2.3 Every payment should be recorded, and a receipt for the same so obtained to ensure that a second claim against the Division on the same account is impossible, and if it represents a refund of a sum previously received by the PIU, it should also be seen that the amount paid is correctly refundable to the payee.

12.2.4 The Divisional Accountant is responsible that every order or sanction affecting expenditure to be accounted for in the monthly accounts is noted at once in a suitable

register (or other account); preferably one wherein the expenditure incurred against it can be watched readily. General sanctions to administrative expenditure should be noted in a special register opened for this purpose.

12.2.5 It is one of the functions of the Divisional Accountant to see that expenditure which is within the competence of the Divisional Officer to sanction or regularise, is not incurred, as a matter of course, under the orders of Subordinate Officers, without his knowledge. All such items of expenditure should at once be brought to the notice of the Divisional Officer and his orders obtained and placed on record.

12.2.6 The expenditure should be checked with the sanctioned amount to ensure that the charges incurred are within the sanctioned amount.

12.2.7 When a recovery has been ordered to be made from a supplier or other person, which cannot be watched through any account specially prescribed for the purpose, the order should be noted at once in a register of recoveries in Form PMGSY/SR/F-32A opened specially for the purpose, so that the amounts recovered from time to time (with particulars of the accounts concerned) may be recorded against it, and prompt compliance with the order watched.

12.2.8 After check, every voucher should be en faced with the word "checked" over the dated initials of the Divisional Accountant, as well as of any clerk who may have applied a preliminary check. Vouchers should be "Cancelled" by means of a perforating or endorsing stamp and kept carefully, to be made available for audit, whenever demanded by audit.

NOTE 1 - Stamps affixed to vouchers should be so cancelled that they cannot be used again, and if with this object they are punched through, care should be taken that the acknowledgement of the payee is not destroyed thereby.

12.2.11 The result of the examination of accounts received from junior/sub engineers, should be intimated to them in all cases in which it is necessary to obtain further information, certificates etc. or to direct them to correct the relevant records of their offices or avoid the recurrence of any irregularity. The procedure to be observed may be prescribed by the Divisional Officer. The records connected with the results of the examination should be called for from the officer not below the rank of the Assistant Engineer and made available to Inspecting Officers/ Audit Officers at the time of audit for review.

12.3 Bank Authorisation Reconciliation Statement

12.3.1 The PIU will account for the cheques drawn on the accredited bank in the bank authorization column of its cash book. At the end of the month, the accredited branch will prepare and send statements of remittances realised and payments made to the SRRDA and PIU. On receipt of the statement, the Divisional Officer will effect reconciliation in Bank Authorisation Reconciliation Statement Form PMGSY/SCH/F-52 indicating the differences between the cheques issued by the Division on the one hand and the cheques encashed and accounted for by the bank. The Divisional Officer should also record on the Form the details of cheques issued but not cashed during the month as well as un-cashed cheques of the previous months accounted for in the bank statement during the month on hand. The monthly Divisional Accounts will be supported by the Bank Authorisation Reconciliation Statement.

12.3.2 Differences which do not represent amounts of un-cashed cheques should be settled expeditiously in consultation with the bank.

12.4 Bank Remittances Reconciliation Statement

12.4.1 The PIU will account for the remittances into the accredited bank in the cash column of its cash book. At the end of the month, the accredited branch will prepare and

send statements of remittances realised and payments made to the SRRDA and PIU. On receipt of the statement, the Divisional Officer will effect reconciliation in Bank Remittances Reconciliation Statement Form PMGSY/SCH/F-52 RR indicating the differences between the remittances made by the Division on the one hand and the remittances accounted for by the bank. The Divisional Officer should also record on the Form the details of remittances made but not accounted by the bank cashed during the month as well as details of un-accounted remittances of the previous months accounted for in the bank statement during the month on hand. The monthly Divisional Accounts will be supported by the Bank Remittances Reconciliation Statement...

12.4.2 Differences which do not represent amounts of remittances or un-cashed cheques should be settled expeditiously in consultation with the bank.

12.5 Compilation of Monthly Accounts

(a) Introductory

12.5.1 Monthly Accounts have three parts, as follows:

(a) Monthly Account of Receipts and Payments: This shows the receipts and payments during a month.

(b) Income and Expenditure Account: This shows the income and expenditure from the month of April of the financial year to the end of the month for which the monthly account is prepared.

(c) Balance Sheet: This shows the net position of the PIU as at the end of the month for which the monthly account has been prepared. It summarises the net position from the start of keeping accounts till that date. It is always as on a particular date.

Monthly Account of Receipts and Payments

12.5.2 Monthly Account of Receipts and Payments is an account of receipts and payments during the month, prepared in the Form **PMGSY / F-1B ADM** for presentation to the Divisional Officer and submission to the Accounts Officer. Before its preparation, General Ledger (Debits and Credits), should be written up from the Cash Book, and the Transfer Entry Book, in accordance with the instructions printed on the standard form and laid down in this manual. The General Ledgers will consolidate all the transactions of the division and will thereby facilitate the location of errors and omissions made in the compilation of the Monthly Account.

Monthly Income and Expenditure Account

12.5.3 Income and Expenditure Account Form **PMGSY-F-1 EXP-3 ADM** shows income and expenditure from April of the financial year to the end of the month for which the monthly account is prepared. Income will include the grants received from the Central and State Government for administrative expenses. It will not include interest income as it is not feasible to apportion it between the central and state funds; it will be used for such expenses as the Government of India, in consultation with the SRRDA decides. The expenditure figures will be taken from the Monthly Account of Receipts and Payments, last column of expenditure till date. The net difference between income and expenditure will be taken to the balance sheet.

Monthly Balance Sheet

12.5.4 The heads of receipts and payments appearing in the monthly account and not taken to the monthly Income and Expenditure account appear in the Monthly Balance

Sheet form **PMGSY-F-2B ADM**. The Balance Sheet is supported by the various schedules prescribed.

Schedules to the Monthly Balance Sheet

12.5.6 The following schedules are attached to the monthly balance sheet:

(a) **SCHEDULE No. 1 CAPITAL FUND & RESERVES**. This schedule has two parts.

Part I is for Central Administrative Funds. It shows:

- (i) Central Administrative Fund balance at the start of the year.
- (ii) Funds received during the years
- (iii) Administrative Expenses (allowed by the MORD) during the year.
- (iv) Balance available (i) + (ii) minus (iii).

Part II is for State Administrative Funds. It shows:

- (i) State Administrative Fund balance at the start of the year.
- (ii) Funds received during the years
- (iii) Administrative Expenses (allowed by the State) during the year.
- (iv) Balance available (i) + (ii) minus (iii).

(b) **SCHEDULE No. 2 INCIDENTAL FUNDS AND MISCELLANEOUS INCOME:**

(c) **SCHEDULE No. 3– DEPOSITS RE-PAYABLE**

(d) **SCHEDULE No. 4– Unpaid Bills and other current liabilities**

(e) **SCHEDULE No. 5– Miscellaneous Advances**

(f) **Bank Authorisation Reconciliation Statement**

(g) **Bank Remittances Reconciliation Statement**

Annual Accounts

12.6.1 The financial year ends on the 31st March. Transactions taking place after that date cannot be treated as pertaining to the previous year. However, unadjusted outstandings of the previous year should be cleared within the accounts of the year, and the errors in accounts coming to notice after 31st March should be set right, if possible, without affecting the accounts and estimates of the following year. Whilst, therefore, the cash accounts positively close on the 31st March, Transfer Entry Book remain open for rectification of errors and other adjustments.

NOTE - If any adjustments in accounts have been purposely deferred till the close of the accounts of the year, it is permissible to effect them after 31st March in the same way as adjustments in rectification of errors notified after that date.

12.6.2 The Annual accounts will be prepared at the end of the financial year, in addition to the Monthly Account of Receipts and Payment of March. The accounts will be prepared in **the following order:**

- (a) Pass a transfer entry order transferring the balance in Misc. Receipts to Incidental Funds and post it in the TE book, and the relevant ledgers.
- (b) Prepare the Monthly Account of Receipts and Payments for March.
- (c) Prepare Annual Account of Receipts and Payments in Form **PMGSY / F-1B (Annual) ADM**.
- (d) Pass the following Transfer Entry Orders
 - (i) Transfer the balances from the expenditure accounts to the Income and Expenditure Account.
 - (ii) Transferring the balance in the Central Administrative Expenses Fund and the State Administrative Expenses Fund accounts to the Income and Expenditure Account.
- (e) Post the TE orders in the TE book.

- (f) Post the TE book at (e) above to the relevant accounts in the Ledger of Debit Balances, and Credit Balances. This will result in nil balances in expenditure heads and Central and State Administrative Expenditure Heads.
- (g) Prepare the Annual Income and Expenditure Account in Form **PMGSY-F-1EXP-3 ADM**
- (h) Pass a TE order transferring the net balance of Central Administrative Expenses Fund, as per the Income and Expenditure Account, from the Income and Expenditure Account to the Central Administrative Expenses Fund.
- (i) Pass a TE order transferring the net balance of State Administrative Expenses Fund, as per the Income and Expenditure Account, from the Income and Expenditure Account to the State Administrative Expenses Fund.
- (j) Post the TE orders at (h) and (i) above in the TE book, and then post the entries in the relevant ledger accounts in the General Ledger of Credit Balances.
- (k) Prepare the Annual Balance Sheet in Form **PMGSY-F-2B ADM**

Note: (a) The entry of the closing cash balance should be supported by (1) the original cash Balance Reports (Form 5), and (2) a certificate of the Divisional Officer to the effect that he has obtained on or after 31st March, and retained in his office, an acknowledgement from the officer or subordinate concerned, in respect of each item of imprest shown in the Cash Balance Reports of the Division for 31st March.

II. Review of Unsettled Accounts

12.7.1 The register and schedule relating to Miscellaneous Advances and deposit repayable should be reviewed monthly so that the steps necessary to effect the expeditious clearance of outstanding balances, whether by actual recovery or by adjustment in the accounts, may be taken regularly throughout the year. In February or early March, special steps should be taken with a view to bring about all possible reductions in the number and amounts of outstanding items at the close of the year.

III. Submission of Monthly Accounts to Account Officer

12.8.1 The monthly accounts, along with the prescribed schedules and statements, are due to reach the Accounts Officer by the 5th of the next month. The Annual Accounts should reach the Accounts Officer by the 10th April.

12.8.2 The Divisional Accountant and the Divisional Officer are required to sign the Monthly Account of Receipts and Expenditure, Income and Expenditure Account, the Balance Sheet, and all the schedules and statements accompanying them. If the Divisional officer is absent from headquarters, in which case he should send to the Accounts Officer, as soon as he can examine his books and papers on return, a report in Form 84 (with a duplicate copy of the monthly account signed by himself), without which the Accounts Officer will not pass them finally.

NOTE - It is desirable that the Divisional Officer should make arrangements for the review by himself of all vouchers before they the accounts are submitted to the Accounts Officer, and that unless the circumstances are exceptional, he should sign the accounts himself.

Chapter 15

Accounts of State Rural Roads Development Agency

Introduction

15.1 SRRDA will keep its accounts on the double entry system of accounting. It will keep separate account books for the PMGSY Programme Fund and the PMGSY Administrative Expenses Fund. It will use chart of accounts in Chapter-7. Following are the more important books of accounts it will maintain:

- (i) Cash book (form **PMGSY/IA/F-3**) with bank column on its both receipts and payments side.
- (ii) Transfer entry book for bank authorisations issued to PIUs, and their subsequent adjustment.
- (iii) Transfer entry book for other adjustments.
- (iv) Ledger of Credit Balances
- (v) Ledger of Debit Balances
- (iv) PIU Administrative Expenses Funds Register to show PIU-wise details of funds transferred to each PIU. Two Registers will be kept: one for the Central Administrative Expenses Fund and another for the State Administrative Expenses Fund, in form **PMGSY / IA / F-10 ADM**.
- (vii) PIU Bank Authorisation Register to record the bank authorisation issued to a PIU and its utilization and the outstanding balance.
- (viii) Register of advices received for the amounts deposited in the bank account by the Ministry of Rural Development, the State Government or the PIUs.

SINGLE BANK ACCOUNT

15.2.1 SRRDA has only one bank account for its Programme Fund and another bank account for both the Central Administrative Expenses Fund and the State Administrative Expenses Fund. It opens these two accounts with one bank. It does not transfer funds to PIUs. Instead, it authorizes the PIUs to draw cheques on its funds and keep their accounts in prescribed forms. Moreover, it sets the bank authorizations limits for withdrawal for each quarter.

15.2.1 The accredited bank automatically invests SRRDA's surplus funds (funds above a threshold limit) in its fixed deposits at the interest rate decided in the tripartite agreement. The bank informs the SRRDA the interest credited to SRRDA's account and its detailed calculations.

15.2.2 The branches of the SRRDA's accredited bank provide the following facilities to the PIUs:

- (i) To draw self cheque by the PIUs;
- (ii) To accept deposit of the moneys received by PIU in bank account of SRRDA maintained at State level;
- (iii) To furnish bank statement at the close of each month showing the opening balance of bank authorisation account, details of PIU's cheques encashed during the month and the balance of bank authorisation account on the closing day of the month. (This statement is also furnished to the SRRDA).

15.2.3 Since the PIUs operate on the single bank account of the SRRDA, they need an authority from the SRRDA to do this. SRRDA will issue, on indents from the PIUs, Bank Authorisations in form PMGSY/Sch/F-65. It will show such payees-wise details as it deems fit.

15.2.4. SRRDA and each PIU operate bank authorisation account in their chart of accounts. In SRRDA, this account is in the Ledger of Credit balances, as this is SRRDA's liability to honour the cheques it authorised the PIUs to issue. The PIUs have a bank authorisation column in their cash book, on both sides of the cash book. (This is the fund available to them for expenditure.)

15.2.5 SRRDA will also maintain a PIU Administrative Expense Funds Registers (one for Central funds and another for State funds) to record PIU wise details of Administrative Funds (Central or State) transferred to or received back from a PIU. Similarly, it will also maintain PIU Bank Authorisation Register to record the release of bank authorisation to each PIU and its utilization. The total transactions will appear in the relevant account heads, namely, "51.02 Central Administrative Expenses Funds transferred by SRRDA to PIUs", 51.05 State Administrative Expenses Fund transferred

to the PIUs, and 51.07 Bank Authorisations issued by the SRRDA to PIUs (for both these funds. The balances in these Registers must agree with the balances appearing in the monthly accounts received from the PIU. Any difference should be promptly investigated and set right.

15.3 Accounting Procedure

- 15.3.1. (i) SRRDA shall maintain a two column cash book – one for cash and another for bank transactions.
- (ii) The funds received from MORD will be posted on the receipt side of the cash book in bank column by showing classification Account Code No.51.01.
- (iii) The funds received from the State Government will be posted on the receipt side of the cash book in bank column by showing classification Account Code No.51.04.
- (iii) On receipt of requisition of funds from the PIU in the prescribed format, SRRDA's empowered officer will issue it a bank authorisation in the prescribed format with endorsement to the bank showing the amount, names of payees, etc. Separate authorizations will be issued for the Central and State Funds.
- (iv) One signed copy of the bank authorisation will become the voucher for the entry in the "Bank Authorisation Transfer Entry Book". A bank authorisation will not be dispatched to a PIU before an entry is made in the Bank Authorisation Transfer Entry Book. It will have on it the entry number Bank Authorisation T E Book. Entry will be:
- Bank Authorisation Account > Credit (Classification 51.07)
Central Administrative Funds transferred to PIU > Debit
(Classification 51.02)
- Note: Similar entry will be for State Administrative Expenses Funds authorized to PIUs.
- (v) Entries in the Bank Authorisation Transfer Entry Book will be debited to the account head 51.02 Central Administrative Funds Transferred to the PIU (or 51.04 State Administrative Funds transferred to the PIU); and credited

to the head 51.07 Bank Authorisation. The detailed account of each PIU will be kept in the PIU Central Funds Transferred/State Funds Transferred and PIU Bank Authorisation Register.

- (v) Each PIU will send to SRRDA each month the following so as to reach it, by the fifth of the next month:
 - (a) Monthly Account of Receipts and Payments;
 - (b) Monthly income and Expenditure Account showing the income and expenditure from the start of the financial year to the end of the month to which the accounts relate;
 - (c) Monthly balance sheet showing the liabilities and assets as on the last date for which the accounts pertain, with the prescribed schedules, and the reconciliation statements for cheques issued and remittances made.
- (vi) On receiving the monthly bank reconciliation statements, the SRRDA shall pass an order for its acceptance and make an entry in the cash book, bank column, payment side, of the amount of the cheques issued during the month. It will treat the bank reconciliation statement as a voucher and post it in the cash book, bank column the total amount of the cheques issued, the classification being 51.07. It will then post the entry from the cash book to the Ledger of Credit Balances, Bank Authorisation Account, Thereafter, it will also an entry in the PIU-wise Bank Authorisation Register Details of the cheques will always be available in the voucher, namely the bank reconciliation statement.
- (vii) Net credit balance in the PIU Bank Authorisation Register should agree with the amount shown in the balance sheet of the PIU. Any difference should be promptly investigated and set right.
- (vii) Moneys received by PIUs by cheques/ demand drafts/ pay orders, etc. for the Central or State Administrative Expenses Fund shall be deposited by the PIU in the branch of the bank on which it draws cheques. Headquarter in the account of SRRDA. Intimation for such deposit shall be furnished by the PIU to SRRDA in the prescribed form along with photocopy of

bank pay-in-slip. On receipt of such intimation, the SRRDA shall pass a transfer entry order crediting the account head 51.02 Central Administrative Expenses Fund transferred to PIU (or 51.05 State Administrative Funds transferred to the PIU) and debiting the bank balance head. This will be cross checked after the Bank Reconciliation statement of remittances is received.

- (viii) Net debit balance of Central and State Administrative Expenses funds of the PIU in the accounts of SRRDA shall be in agreement with the net credit balance in the accounts of PIU. Any difference should be promptly investigated and set right.
- (viii) In order to avoid any difference there shall be no issue of bank authorisation during the last five working days of the month, to prevent difference, which arise because of delays in transit.
- (ix) Gross amount of interest received from bank on the balances shall be taken as receipt in bank column in the cash book, account classification 55.01. The tax deducted at source by bank shall be shown on payment side in the bank column "tax deducted at source" Account Classification 53.01. Refund for tax deducted at source shall be claimed from Income Tax Department.

(Note: It would be better for the SRRDA to obtain exemption from payment of income tax.)

Monthly account, Income and Expenditure Account and Balance Sheet

Monthly Account of Receipts and Payments

15.4.1 After receiving the monthly accounts of the PIUs, it will pass the necessary entries on the basis of Bank Reconciliation Statement of Cheques Issued. Then, after closing the cash book, and completing the postings in ledgers and registers, SRRDA will prepare its Monthly Account of Receipts and Payments in form **PMGSY / F-1A ADM** at the end of each month. This account shows not only the receipts and payment, but also the cumulative total of the receipts and payments in the prescribed format of the monthly account.

(Note: The cumulative balances column also becomes a trial balance.)

Income and Expenditure Account

15.4.2 SRRDA will prepare each month an Income and Expenditure Account, in form **PMGSY-F-1 EXP-2**, from the monthly account of receipts and payments, showing the balance available in the Central and State Administrative Expenses Funds.

Balance Sheet

15.4.3 SRRDA will prepare each month a balance sheet showing its liabilities and assets as on the last date of the previous month. It will be prepared in form **PMGSY-F-2A ADM**.

15.4.4. SRRDA will attach to its balance sheet a Bank Reconciliation Statement.

State Accounts

15.5.1 SRRDA is responsible for its own accounts and PIU's accounts. Its own accounts do not reflect the use of Administrative Expenses Funds completely as a large part is transferred to the PIUs. Therefore, it has to consolidate first the Income and Expenditure Accounts and the balance sheets of all the PIUs. Thereafter, it will merge its own Income and Expenditure Account and the Balance Sheet with the consolidated accounts of the PIUs. In this merger, the common items appearing as assets and liabilities to each other get cancelled. For example, bank authorization is a liability in the SRRDA account and asset in the PIUs accounts. These get cancelled. Similarly, Central and State Funds transferred to PIUs appear as assets in the SRRDA accounts and liabilities in the PIUs account. These also get cancelled. The forms for the annual monthly an Income and Expenditure Account and the Balance Sheet for the State are: **PMGSY-F-1 EXP-1 ADM and PMGSY-F-2 ADM** respectively.

15.5.2 Bank Reconciliation. SRRDA will attach to its balance sheet and the balance sheet for the State a Bank Reconciliation Statement showing the amount under difference, with date and cheque wise details.

Annual Account

15.6.1 SRRDA has to prepare the annual accounts in similar way as the monthly account. The major changes are:

- a. All the expense heads, for example, expenses allowed by the State Government, are transferred to the Income and Expenditure Account by passing a transfer entry. In this manner, the balance in the expenditure accounts becomes nil balance and the opening balance in the next year is also nil. However, expenditure on assets, like furniture, is not taken to income and expenditure account. This amount is shown as asset in the balance sheet.
- b. SRRDA has to prepare an Annual Account of Receipts and Payments in form **PMGSY / F-1A (ANNUAL) ADM**.

15.6.2 The Governing Council of SRRDA will approve the annual accounts. After its approval, a transfer entry order will be passed to reduce the amount outstanding against the PIUs, and the amounts received by SRRDA from the Central and State Governments. The amount equal to the expensed debited to the Income and Expenditure Accounts of each PIU will be taken into account. For example, if the PIU A has debited Rs. 5 lakhs to income and expenditure account, then the transfer entry order will be:

Debit: Central Administrative Expenses Fund
received from GOI (51.01) Rs. 5 lakhs
Credit Central Administrative Expenses Fund
transferred to PIU (51.02) Rs. 5 lakhs

Similar entry will be passed for the State Fund. Thus, the figures in the books of SRRDA and the PIU will agree.

Chapter 16

Audit

Statutory Audit

16.1 The chartered accountant appointed to audit the programme funds will also audit the administrative expenses funds.

16.2 The SRRDA will inform the auditor the form in which it wants the audit report on Administrative Expenses Fund. Though the auditor is free to comment on the accounts, the SRRDA may lay down a format of the report to fulfill the requirement of the Ministry of Rural Development and the State Government. The format of the report is suggested in Annexure ____-(to be added after later.)

Comptroller and Auditor General of India

16.3 The Comptroller and Auditor General has a constitutional right to audit the accounts of any organization if it received grants above Rs.25 lakhs from the Government of India. Therefore, his audit teams will be auditing the transactions and accounts of the SRRDA and the PIUs at such intervals as he decides. Audit will take into account the total grant SRRDA receives, namely, the total of Programme Fund grants and the Administrative Expenses Fund grant.

Internal Audit

Drafting and Procedure for Submission of Inspection Reports

16.5.1 SRRDA will appoint internal auditors as a management aid to ensure the true and fair record of accounts. The auditors should have experience of public works audit. SRRDA may identify, with the help of the NRRDA organizations capable of this task.

16.5.2 The inspection report should be couched in polite language. Offensive or strong words, sarcastic language etc. should on no account figure in the report. No suppositions, assumptions or allegations should be included in the report. Only facts should be mentioned and inevitable conclusions drawn. There should be no reference to responsibility being fixed for any irregularity: it is for the administrative authorities to take action in the matter. The Inspection Report should be in two parts: Part I— Containing outstanding objections from the previous inspection report and Part II— Irregularities noticed during the current audit.

16.6 Routine errors of omissions or commissions noticed during the course of inspection may be got rectified on the spot. Inspection Reports should invariably be discussed with the heads of offices inspected and then comments, if any, suitably incorporated in the reports.

16.7 All points outstanding should be reviewed at the time of next inspection by the internal audit party. The compliance with the objections reported to have been made by the Divisional Officers should be verified during next internal audit of the concerned office.

Results of Audit

16.8 The results of audit/inspection are communicated to the Divisional Officer in the form of Audit Notes, Inspection Reports, letter or memoranda. These should receive prompt attention.

The replies of the Divisional Officer should be based, as far as possible, on his own knowledge. It is not enough to pass on the explanations of a subordinate, reports prepared in this manner may lull suspicion for the time being, but lead to greater irregularity afterwards.

16.9 Part I of the Audit Note and the Inspection Report should be returned through the Superintending Engineer after the Divisional Officer has recorded his replies thereon. The Superintending Engineer will pass orders in respect of matters which he is competent to deal with finally and record his remarks (with a note of the action taken on all other points before returning the documents to the Audit Officer/Accounts Officer.

NOTE - As an exception to the above rule, the Divisional Officer may send his first reply to an Inspection Report direct to the Audit Officer/Accounts Officer with a copy of the reply to the Superintending Engineer.

16.10 Once a transaction has been entered in the Audit Note or otherwise challenged in one or the other documents referred to in paragraph 16.5.1 the responsibility for having the objection removed will devolve upon the Divisional Officer, and the Audit Officer/Accounts Officer is required to report to the higher authorities all important items and any serious delays in the adjustment of individual objections.

NOTE - An audit objection is usually removed by obtaining the requisite sanction, by making the necessary recovery, by correcting or completing the relevant account or voucher by furnishing the necessary documents or information, or by otherwise securing compliance with the provisions of a specified rule. In cases in which a protest is made against an audit objection as being incorrect, the objection should be held to be in force unless a formal intimation of its withdrawal is received from the Audit Officer/Accounts Officer..

16.11 The Audit Officer/Accounts Officer will place under objection any transaction coming to his notice which is not covered by adequate sanction or involves an excess thereon or other deviation. In some cases, the Divisional Officer may have already taken action to regularise the transactions or the excess (if any) over sanction plus any further excess that may be anticipated, may be within his own powers of sanction without preparing a revised estimate, and he may have obtained the necessary formal approval to it: Yet, if the necessary intimation of sanction is not shown to the Audit Officer/Accounts Officer when the divisional accounts in which the irregular transaction appear are being audited/inspected, the Audit Officer/Accounts Officer will raise the objection, as he is not authorised to assume that the necessary sanction has been accorded. Divisional Officers will, therefore, find it advisable to keep all sanctions in one place and to show them to the auditors.

NOTE 1 - The object of this rule is to obviate the issue of unnecessary audit objections, but a reduction in the number of objections can be affected only by observing the requirements of the financial and other rules bearing on the transactions, and by taking timely action to accord or obtain, as the case may be, such sanction or order as may be required in cases in which a deviation from rules has occurred.

NOTE 2 - The Divisional Accountant is responsible (i) for bringing prominently to the notice of the Divisional Officer at least once a month, an irregular transactions on which action has not already been taken by the latter at the instance of Sub-Divisional Officers or on his own, and (ii) or giving effect to the provisions of this paragraph in accordance with the procedure which the Divisional Officers may have desired to be observed in this connection.

Appendix 1
**Government of India, Ministry of Rural Development's Orders on
Administrative Expenses**

From Shri S Vijay Kumar, Joint Secretaries to the States:

DO # P-17024/63/2004-RC dated March 25, 2004

Sub: **Procedure for management of administrative expenses.**

Dear

Presently under the PMGSY Guidelines, each PIU is entitled to office expenses @ Rs. 35,000/- p.m. and travel expenses @ Rs.10,000/- p.m. The State level Agency is also entitled to reimbursement of administrative expenses @ Rs.10,000/- p.m. Financial sanctions in this respect issued recently have stated that:

- (a) the funds for the purpose will be kept in the Agency single bank account,
 - (b) the Empowered Officer will divide the amount among the PIUs by setting limits, and
 - (c) each PIU will use a separate cheque book for the utilisation of these amounts
2. Pursuant to the discussions in the meeting with State nodal Secretaries for PMGSY on 25.2.2004, the issue of rationalisation of these expenses and inclusion of quality control expenses is under consideration of the Ministry. In order to systematise the management and accounting of administrative expenses it has been decided that with immediate effect
- (a) the Autonomous Agency will keep a *separate account* for administrative, travel expenses in the same Bank in which the Programme account is kept;
 - (b) all the terms and conditions of the Tripartite Agreement already applicable to the Programme account will also be applicable to the Administrative account; subject to the Special Conditions attached to the order sanctioning the funds. In particular in respect of Administrative and travel expenses, the Empowered Officer will intimate the Bank whether or not these will be Authorised Payees for these amounts / cheques.
 - (c) there is no objection if the other administrative funds of the Autonomous Agency including misc. receipts and State Government Grants are also held in the same account provided they are subject to the same procedure (including computerisation). Other programme and maintenance funds of the State Government, handled by the Agency, shall not however be kept in this account.
3. You are accordingly requested to open the second bank account in the same Bank, to be distinguished from the 'Programme Account' by being designated as the 'Administrative Account' and intimate the details of the account number etc., at the earliest so that future instalments of the administrative, etc., expenses can be credited to this account. A copy of the agreement of the Bank to abide by the conditions of the Tripartite agreement in respect of this account may also be furnished.

This may be given top priority.