

**ACCOUNTS MANUAL**  
**OF**  
**THE PRADHAN MANTRI GRAM**  
**SADAK YOJANA**  
**PART I**  
**PROGRAMME FUND**  
(SECOND DRAFT REPORT)

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**PREPARED BY**  
**INSTITUTE OF PUBLIC AUDITORS OF INDIA**  
**FOR**  
**NATIONAL RURAL ROADS DEVELOPMENT AGENCY**

**Manual of PMGSY Accounting System**  
**Part I Programme Fund**  
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## **PREFACE**

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). The Manual has been organized as follows:

### **A. Programme Fund for the Construction of New Roads and Up-gradation of Roads in four parts:**

- Part I. Manual of Accounts for PMGSY Programme Fund.
- Part II forms PMGSY Programme Fund Accounts.
- Part III Illustrations of the PIU accounts of PMGSY Programme Fund
- Part IV. Illustrations of the SRRDA accounts of PMGSY Programme Fund

### **B. Administrative Expenses Fund for meeting some of the Administrative Expenses on the PMGSY roads in the following parts:**

- Part V Manual of Accounts for PMGSY Administrative Expenses Fund
- Part VI. forms for the accounts of PMGSY Administrative Expenses Fund.
- Part VII Illustrations of the PIU accounts of PMGSY Administrative Expenses Fund
- Part VIII. Illustrations of the SRRDA accounts of PMGSY Administrative Expensive Fund

### **C. Maintenance Fund for the repairs and maintenance of PMGSY roads**

- Part IX Manual of Accounts for PMGSY Maintenance Fund System
- Part X. forms for the accounts of PMGSY Maintenance Fund.
- Part XI Illustrations of the PIU accounts of PMGSY Maintenance Fund
- Part VIII. Illustrations of the SRRDA accounts of PMGSY Maintenance Fund

2. IPAI had submitted in July, 2004 the first draft of the four parts of the Manual for Programme Fund. After studying the comments from the users of the Manual, it now presents this second draft for the consideration.

## **GLOSSARY OF ABBREVIATIONS**

ADB	Asian Development Bank
BATE Book	Bank Authorisation Transfer Entry Book
DPR	Detailed Project Report
IRC	Indian Road Congress
MAS Account	Material at Site Account
MORD	Ministry of Rural Development
NRRDA	National Rural Roads Development Agency
OMMS	On line Management and Monitoring System
PIU	Programme Implementation Unit
PMGSY	Pradhan Mantri Gram Sadak Yojana
PWD	Public Works Department
SRRDA	State Rural Roads Development Agency

# CHAPTER 1

## INTRODUCTION

### ***Guidelines***

**1.1.1** The Government of India launched the Pradhan Mantri Gram Sadak Yojana (PMGSY) as a 100 percent centrally sponsored scheme on the 25<sup>th</sup> December, 2000.

**1.1.2** PMGSY aims to provide good all-weather road connectivity to the unconnected habitations in rural areas by way of 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 years after completion of construction. Contractor will furnish to the authorities a bank guarantee for the prescribed 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 Book of Specifications for Rural Roads and the Rural Roads Manual (IRC: SP 20:2002), as up-dated from time to time. (For Hill Roads, for matters not covered by the Rural Roads Manual, provisions of Hills Roads Manual (IRC:SP:48) may apply.)



## ***Hierarchy for the execution of PMGSY***

### **Ministry of Rural Development, Government of India**

**1.2.1** Ministry of Rural Development (MORD), Government of India, provides overall direction for PMGSY. It provides the funds, issues guidelines, and works in close collaboration with the State Governments 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 operational and management support, *inter alia*, on the following:

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

### **Nodal Department**

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

### **Executing Agency**

**1.2.4** 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 1<sup>st</sup> April, 2003, the Nodal Department will have a State Rural Roads Development Agency (SRRDA). This is a **State-level Autonomous Agency** (Society etc), with a distinct legal status, under State Government's control for receiving the funds from MORD. The SRRDA is to be headed by the Minister or the Chief Secretary and the Secretary in charge of the Nodal Department or a senior officer will be the Chief Executive. It will vet all the proposals for rural roads before they are put up before the State-level Standing Committee and are sent to the NRRDA for MORD's clearance.

## **Annual Proposals**

**1.2.7** Each State Government has set up a **State-level Standing Committee** to vet the core networks and clear the project proposals. The Committee also monitors the programme and oversees the timely and proper execution of road works.

**1.2.8** The project proposals are based on the District wise amounts allocated by the Nodal Deptt. The District PIU prepares the annual proposal from the comprehensive New Connectivity Priority List (CNCP List) in case eligible unconnected habitations shall remain, or from the Comprehensive Upgradation Priority List (CUP List) in case only up-gradation of existing roads is to be done. These annual proposals are approved by the District Panchayat, consolidated at the State Level by the SRRDA and cleared by the Sate level Standing Committee. DPRs are then prepared and scrutinised by the State Technical Agencies. The final annual proposal for the State is then sent to MoRD / NRRDA.

**1.2.9** NRRDA scrutinises the proposals, which are then considered by an Empowered Committee of the MoRD and accorded clearance. MORD informs the State Governments about the clearance of the proposals. This clearance does not imply administrative approval or technical sanction of the proposals. The well established procedures of the Executing Agency in this regard are to be followed.

## ***State's Share of Costs***

**1.2.10** 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. MORD accepts its liability only up to the approved cost estimates.**

**1.2.11** The State Governments are not allowed any agency charges, or centages etc. for PMGSY road works.

## ***Execution of Works***

**1.3.1** PIUs execute the works and ensure its completion within a time bound period of 9 to 12 months from the date of issue of the work order. Delayed execution of projects may adversely affect clearance of the proposals in subsequent years. Longer time period, up to 18 months, may be provided for completion of the works in the Hill States (North-East (except Assam), Sikkim, Himachal Pradesh, Jammu & Kashmir, Uttaranchal) and the Andaman & Nicobar Islands.

**1.3.2** 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.

**1.3.3** 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***

**1.3.4** At the time of making its proposals, the State Government estimates the maintenance cost and undertakes to provide the required funds for road maintenance. The contract includes both construction and a subsequent 5 year routine maintenance. The maintenance cost is paid by the State Govt.

## **Flow of Funds**

**1.3.5** The State Level Autonomous Agency for each State shall receive the funds for the PMGSY from the MORD / NRRDA. These include the Programme Funds, Administrative Expenses Funds and Maintenance Funds. The Agency will be responsible for rendering its accounts to the State Nodal Department and the Ministry of Rural Development.

**1.3.6** The SRRDA shall select a branch of any Public Sector Bank, or Institution based Bank, having a branch at the State Headquarters and Internet connectivity for operating the PMGSY's OMMS. Once selected, the accounts shall not be changed to any other Bank or branch without the concurrence of the NRRDA. There shall be a written understanding from the Bank that it will follow the Guidelines of the Government of India for payments from PMGSY Fund. The concerned branch will maintain Internet connectivity and enter the data into the relevant module of the OMMS. The SRRDA shall communicate to the NRRDA and MORD the details of the Bank branch and the Account Numbers. There will be separate Account Number for the Programme Fund, for the Administrative Expenses Fund and the Maintenance Fund.

The Bank shall provide the following facilities to the PIUs by its branches at the Headquarters of PIUs.

- (i) To draw self cheque by the PIUs
  - (ii) To accept deposit of moneys received by the PIU in the bank account of the SRRDA maintained at State Level
  - (iv) Clear the cheques issued on the account at par, the same day in the designated accounts.
  - (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 shall also be furnished to the SRRDA.
- (iv) For interest paid to SRRDA, the bank statement will show both the gross amount of interest and tax deducted at source.

**1.3.7** The SRRDA will declare the Executive Engineers of PIUs/Heads of PIUs (who are the drawing and disbursing officers of the PIU) as its ex-officio members or officers so as to enable them to draw on the funds of the Agency from the Programme Fund Account. They shall be Authorised Signatories.

**1.3.8** There will be no separate bank accounts of the PIUs.

- 1.3.9** The SRRDA shall designate a senior officer as the Financial Controller of this Agency so that he can oversee the implementation of the accounting system. The Financial Controller would be a Senior Accounts Officer, with adequate experience in works accounting.
- 1.3.10** The SRRDA will nominate one of its senior officers, normally of the rank of Chief Engineer, as the Empowered Officer. It shall be open only to the Empowered Officer to inform the Bank of the names of the Authorised Signatories, for issuing cheques on the Agency's bank account.
- 1.3.11** The Empowered Officer will furnish this list of Authorised signatories along with attested signatures to the Bank, apart from himself maintaining a record of it. This list will be verified quarterly and updated list supplied to the Bank each quarter. As soon as there is a change in the name of an Authorised signatory the Bank will immediately be informed, with instructions on disposal of cheques issued.
- 1.3.12** The Bank will issue Cheque Books to each of the Authorised signatories on the basis of written requisitions from the Empowered Officer. Cheque Book numbers shall be intimated to the Financial Controller.
- 1.3.13** When a work is awarded, the PIU shall obtain the Bank details and account no. of the contractors and intimate the Empowered Officer of all Account Payee information for each package, including the total amount admissible for each account payee. The Empowered Officer will inform the Bank of the names of Authorised Payees (contractors and suppliers with whom Agreements have been duly entered into, as well as Statutory Authorities, such as ITO etc) and their designated payee accounts.
- 1.3.14** The Empowered Officer will lay down suitable limits on monthly/quarterly payments in line with the agreed Works Programme for the respective packages. Standing instructions will be issued to the Bank Branches by the Empowered Officer in this regard.
- 1.3.15** The Authorised Signatories will make payments, as per the established PWD procedure, by Account Payee cheque mentioning the designated payee accounts. They will immediately enter the cheque and payee details in the Payment Module of the OMMS, and also issue an advice to the Bank which may consist of electronic advice available on the OMMS Accounting Module.
- 1.3.16** On presentation of the cheque, the Bank would satisfy itself after checking the advice from the PIU that the payment details have been entered in the Payment module, and that the cheque meets with all other requirements, among others, like signatures agreeing with specimen signatures, the cheque amount being within the balance authorised limit, and the payee being the authorised payee, payee account details being fully and correctly specified etc. The Bank will then made payments and confirmatory entries in the OMMS Accounting Module. The Bank will not allow the funds to be used by any person other than the Authorised Signatories and for any purpose other than the authorised payment for Works taken up under the PMGSY.

Nor will it be open to the SRRDA to invest these funds in any other Bank Branch, whether for short or medium term, including under Fixed Deposits.

- 1.3.17** The Bank will render monthly account, in respect of PMGSY Funds, to the SRRDA and the National Rural Roads Development Agency by processing the data on the Receipts and Payment Modules of the OMMS. It will also inform the concerned PIU of its cheques encashed.
- 1.3.18** A tripartite Memorandum of Understanding will be entered into between the Bank, State-level Agency and the Ministry of Rural Development wherein the parties would agree to abide by the provisions of the Guidelines. In particular, the Bank will agree to abide by the instructions issued, from time to time, by the Ministry of Rural Development/ National Rural Roads Development Agency (NRRDA) regarding the operation of the Account. The Bank will not make any advance, overdraft or loans to any State Government or its agency or unit or corporation or any one else out of or against the security of the investments or funds or PMGSY account under any circumstances.
- 1.3.19** Money accruing as Interest will be added to the same account. The expenditure out of this interest amount will be guided by the instructions/ guidelines to be issued by the Ministry of Rural Development/ NRRDA from time to time. The Bank shall intimate to the SRRDA, the interest amount credited by it to the Account from time to time. The MORD or the NRRDA may, from time to time, issue such directives to the Bank/SRRDA as necessary for smooth flow of funds and effectiveness of the Programme, and the Bank shall take note of the advice, and comply with such directives.

### ***Accounting System for the PMGSY***

**1.4.1** The Public Works Department or equivalent has its divisions for executing public works in each district. The division follows the accounting system laid down in the Account Code Volume III, prescribed by the President of India on the advice of the Comptroller and Auditor General of India, under Article 150 of the Constitutions of India. In this system, the division withdraws funds from the district treasury, to which a branch of the State Bank of India is attached. It renders each month an account to the State Accountant General (AG) showing the details of receipts and payments, supported by vouchers. The district treasury also sends to the AG an account of receipts and payments made by the division. Similarly, the bank branch also informs the AG, through the Reserve Bank of India, the details of receipts and payments at each treasury. The accounting system for the division has been elaborated in the State Public Works Account Code which are based on Account Code Volume 3. Therefore, the engineers and the finance and accounts staff are well-versed in this system.

**1.4.2** The accounting system for the PIU is based on the public works accounting system, with some changes to take care of the fact that the State Accountant General and the district treasury are no longer in the picture. The SRRDA has assumed their functions.

### **Major differences between the CPWA Code and the PMGSY accounting system**

**1.4.3** The major differences between the CPWA code (similar to the codes of the States) and the PMGSY accounting system are:

- (i) The Cash Book in the public works division has only 'cash column' on the receipt side and 'cash column' and 'bank column' on the payment side. The reason for this is: a public works division does not have a separate bank account; it operates on the treasury balances of the State Government. Since the PIU works on bank authorization from the SRRDA, its Cash Book has two columns on the receipt side, namely, cash column and the bank authorization column to show the cash received or the authorization received. Similarly, its payment side will have two columns, namely, cash column and bank authorization column to show the cash payments and the cheques issued against bank authorization.
- (ii) The public works division shows advances given to contractors as expenditure on the works. In the PMGSY accounting system, the advances to the contractors are shown separately as advances. This ensures that there is no variation between physical progress of works and the payments made for work measured.
- (iii) The public works division shows the cost of materials issued for the departmental execution of works as works expenditure. Thus, the figures of works expenditure do not distinguish between work done and material issued for works. The PMGSY accounting system shows the material issued in the Material at Site Account. Only after the materials are utilized in the works the amount is debited to the works concerned by contra credit to Material at Site Account.
- (iv) In the public works, advances to officers for disbursing muster roll wages, or imprest with the officers are not shown separately in the ledger. Instead, the Cash Book has an entry in red ink about the advances; the advances being treated as part of the cash balance. In the PMGSY accounting system, there are no red ink entries. Advances and imprest are booked to specified accounts.

(v) 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.

(vi) Major, Minor and Detailed head of accounts applicable to Government accounts do not apply to PMGSY works. The PMGSY accounting system has its own “Chart of Accounts”, modeled on the public works system.

(vii) The public works divisions do not prepare monthly balance sheet. They only prepare a monthly account of receipts and payments for the month. The PMGSY accounting system has a monthly balance sheet prepared from the existing records of the divisions.

### **Major Similarities between the CPWA Code and the PMGSY accounting system**

**1.4.4** Major Similarities between the CPWA Code and the PMGSY accounting system are:

(a) Almost all the existing public works forms for Cash Book, ledgers, works registers, monthly accounts etc. are common to the PMGSY accounting system with minor changes in a few cases. A few new forms have been introduced for the PMGSY to take care of the needs of the SRRDA and its fund flow system.

(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 of India 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, MONTHLY ACCOUNT AND THE DOUBLE ENTRY SYSTEM

#### ***Opening Balance Sheet***

**2.1** PMGSY programme started in December, 2000. Initially, MORD remitted the funds for it to different organizations in the States, as the system of control of funds differed from State to State, and over time. The following examples illustrate this:

- (a) District Rural Development Agency (DRDA) received the fund and kept them in its bank account. It paid contractors on the progress of works reported by the PIU.
- (b) PIU received the funds and kept them in a separate bank account; and not in the district treasury.
- (c) Superintending Engineer received the funds and kept them in a separate bank account. When the PIU got the funds from the Superintending Engineer, it deposited them in the public works deposit account in the treasury.

**2.2.1** MORD streamlined the system of funds flow and accounting from the 1<sup>st</sup> April, 2003. It required the PIUs to take stock of the situation as on the 31<sup>st</sup> March, 2003. For this purpose, each PIU has to prepare a balance sheet as on the 31<sup>st</sup> March, 2003 in the following format. (The date may be different for the SRRDAs who started the bank authorization accounting system on a later date.)

Balance Sheet of the PIU					
As on the 31 <sup>st</sup> March, 200-					
Account Code	Liabilities	Amount	Account Code	Assets	Amount
1.03	A. Funds received directly from MORD B. Funds from SRRDA, before the bank authorisation system started C. Funds received through District Rural Road Development Agency D. Funds from other sources like other PIUs etc.		11.01	Expenditure on Construction of New Roads Completed      Sch A1 In Progress      Sch A1	

1.07	Funds Received from State Government for cost over-runs, tender premiums etc.		11.02	Expenditure on Up-gradation of Existing Roads Completed Sch A2 In Progress Sch A.2
21.01	Interest from Bank Sch L2		11.03	Expenditure on Plantation
21.02	Forfeiture of Earnest Money Deposit Sch L2		11.04	Sch A3 Expenditure on Sign Boards Sch A3
21.03	Fines, forfeitures, penalties etc. Sch L2			
21.05	Miscellaneous Sch L2 Statutory Deductions not deposited		16.02	Investments, Deposits and balances with: a. District Treasury b. DRDA c. Banks d. Post Office e. Fixed Deposits Sch A5
2.01	Income tax			
2.02	Commercial Tax Sch L5			
	Deposits Repayable		14.01	Against Staff
3.02	Security Deposit of Contractors Sch L3		14.02	Against Contractors
3.04	Other Deposits Sch L3		14.03	Detailed Project Reports
	Current Liabilities		13.01	Stores and Stock Advances to Contractors
4.01	Unpaid bills for Purchases Sch L 4			
4.02	Payable to State Government Sch L 4		17.01	Advance Payments to Contractors
			17.02	Materials Issued to Contractors
			17.03	Secured Advance to Contractors
			17.04	Mobilisation Advance
			17.05	Machinery Advance
			17.06	Advances to Suppliers
			17.07	Other Advances
			22.01	Admn. Expenditure Recoverable from the State Government
			13.01	Stores and Stock
			15.01	Cash in hand

**Notes:**

**Liabilities.** Programme Fund. This is the sum total of all the funds received for PMGSY works.

Statutory Deductions not paid by the date of the balance sheet should come here. Even though the taxes may have been paid after the date of the balance sheet, these must come here if these had not been paid on the date of the balance sheet.

Creditors: Unpaid bills for purchases, any amount payable for the State Government on account of use of their stock etc. Details of other creditors should also come here.

Interest and Other income will come under Account Code 21.

**Assets:**

Investment, Deposits and other balances. This includes PIU funds with the district treasury, District Rural Development Agency, bank or other authorities.

Ceremonial expenses on inauguration of constructed roads will be debited to the expenditure head on construction of roads.

**2.2.2** The opening balance sheet, duly signed by the Divisional Officer and the Divisional Accountant. The preparation of the above balance sheet does not require re-writing the accounts of the PIU. Instead the amounts for each item exist in the accounts books kept in the divisions.

**2.3.** The SRRDA will consolidate the balance sheets of all the PIUs, and Superintending Engineers who hold funds in bank accounts. PIU must reflect the funds outstanding with the DRDA in its opening balance sheet. This consolidated balance sheet will show the funds received from MORD. This figure will be cross checked with the funds received from MORD, and differences, if any, reconciled to find out where the balance amount is.

**2.4.** The next important step is for each PIU and the SRRDA to incorporate the PIU's opening balance sheet in the new system of PMGSY accounting effective from 1<sup>st</sup> April, 2003. Each PIU and the SRRDA will pass necessary transfer entries, as explained later.

**2.5.** The new system of accounting requires each PIU to prepare a monthly balance sheet to show the latest position. This balance sheet is easily prepared from the monthly accounts which each PIU already prepares.

***Monthly Account***

**2.6** Monthly account in the Public Works accounting system, and the PMGSY accounting system, shows the net receipts and payments during the month for each account head. This account differs from the Income and Expenditure account. PMGSY accounting system for programme fund relates exclusively to the creation of

assets; it does not permit any revenue expenditure from the Programme Fund. The State Government meets the administrative expenditure on wages, salaries, office rent etc.; and this gets booked to the State accounts. MORD meets some other office expenses from a separate fund called Administrative Expenses Fund; for which a separate accounting system is prescribed. Therefore, the accounting system for the PIUs has only the monthly account and the balance sheet. SRRDA will also not have any Expenditure and Income Account as the interest earned is a surplus that belongs to MORD, and not to SRRDA.

### ***Double Entry System of Accounting***

**2.7.1** SRRDA and the PIU will keep their accounts on the double entry system. Some divisional accountants and executive engineers of the public works department apprehend that double entry system of accounting entirely differs from the public works accounting system. Their apprehension 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.

**2.7.2** 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. However, 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.

**2.7.3** 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, in Public Works Accounting, 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 for payment. PMGSY follows this system.

### ***Depreciation***

**2.7.4** PMGSY do not presently provide for any depreciation for roads. However, PMGSY may in due course adopt Asset Management principles which may include a valuation procedure, mainly in order to better target scarce funds for maintenance, renewal and rehabilitation.

## **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 Administration

(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.

(4) *Administrative Approval* - This term denotes the formal acceptance by the Nodal Department of the proposals for incurring expenditure by the Executing Agency on a PMGSY work. It is, in effect, an order to the Executing Agency to execute certain specified works at a stated sum to meet the administrative needs of the department requiring the work. Administrative approval is accorded after the Ministry of Rural Development, Government of India, clears the proposal. See also clause (55).

(5) *Advance Payment* - means a payment made on a running account to a contractor for work done by him but not measured. See paragraph 11.2.22.

(6) *Assets* - This term indicates all outstanding or anticipated receipts and receivables like advances to contractors. It also covers the expenditure incurred on the construction of new roads, up-gradation of existing roads, plantations, sign boards and such other assets as the Ministry of Rural Development, Government of India, may specify.

(7) *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.

(8) *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.

(9) *Chart of Accounts* – see paragraph 4.1.3

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

(11) *Completion and Completed* - The expression "completion of work" should be understood to include "abandonment of a work", and "completed work" to include "abandoned work".

(12) *Contingencies (Works)* - When used in respect of the account of works, the term "Contingencies" indicates the incidental expenses of a miscellaneous character which cannot appropriately be classified under any distinct sub-head or sub-work, yet pertain to the work as a whole.

(13) *Contract and Contractor* - The term "Contract" means any kind of undertaking, written or verbal, express or implied, by a person, not being a Government servant, or by a syndicate or firm for the construction, maintenance or repairs of one or more works, for the supply of materials, or for the performance of any service in connection with the execution of works or the supply of materials. The term "Contractor" means a person, syndicate or firm that has made such an undertaking, but often its use is restricted to contractors for the execution of works or for services in connection therewith.

(14) *Detailed Head* - See *Chart of Accounts*

(15) *Direct and Indirect Charges* - "Direct Charges" are those charges pertaining to a work, project, or job, which are incurred directly for its execution and are included in the regular accounts of it. "Indirect Charges" are those charges which pertain, or are incidental to a work, project but which are not incurred directly or solely in connection therewith and thus cannot be taken directly into such detailed accounts of its as are incorporated in the regular accounts of the expenditure of the Programme Implementation Unit.

(16) *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 Fund, he is treated as a Divisional Officer for the purposes of this Manual.

(17) *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.

(18) *Direct and Indirect Receipts* - "Direct Receipts" are those items of revenue receipts which are realised in connection with a work or project and are brought to account directly as appertaining to the work or project. "Indirect Receipts" are those receipts which pertain or are incidental to scheme or work.

(19) *Division and Divisional Office* - These terms are used to denote respectively the executive charge held by a Divisional Officer [Clause (20) below] and the head office of such a charge.

(20) *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 (19).

(21) 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 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.

(22) *Final Payment* means the last payment on a running account made to a contractor on the completion or determination of his contract and in full settlement of the account.

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

(24) *Grant* – Any grant received from the Government.

(25) *Inclusive Rate of Cost* - See clause (43).

(26) *Intermediate Payment* is a term applied to a disbursement of any kind on a running account, not being the final payment. It includes an "Advance Payment", a "Secured advance" and "on account payment" (other than the final payment on a running account), or a combination of these.

(27) *Issue Rate* - This term denotes the cost per unit fixed, in respect of an article borne on the Stocks of the Division at a valuation, for the purpose of calculating the amount creditable to the sub-head concerned (i.e. the subhead under which the article is classified) of the stock account by charge to the account or service concerned, when any quantity of that article is issued from Stock; "Handling charges" and other incidental "Storage charges" will be included in the "Issue Rate" by adding a suitable percentage based on the carriage and other incidental charges of the previous year, and storage charges as reviewed and fixed at the beginning of a year.

(28) *Labour* - When a separate materials account is kept for one or more sub-heads of an estimate and the term "labour" is used in connection with such an account, it denotes all charges pertaining to each of those sub-heads, other than (1) the cost of materials issued direct, and (2) carriage and incidental charges in connection with the materials.

(29) *Liabilities* - when used in respect of accounts of works, 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.

(30) *Major Estimate* - This term applies to the estimate for a work when the sanctioned amount of the works expenditure exceeds Rs. 10,00,000/-. This term also applies, for the sake of convenience, to the work itself.

(31) *Major Head* - See paragraph 4.1.3.

(32) *Market Rate* - Used in respect of an article borne on the Stock accounts of a division, this term indicates the cost per unit at which the article, or an article of similar description, can be procured, at a

given time from the public markets suitable to the division for obtaining supply thereof. This cost should be inclusive of carriage and incidental charges, and may even include a reasonable provision for wastage and depreciation when these are inevitable.

(33) *Minor Estimate*- This term applies to the estimate for a work, when the sanctioned amount of the works expenditure does not exceed Rs.10,00,000/-. This term also applies, for the sake of convenience, to the work itself.

(34) *Minor Head* - See paragraph 4.1.3.

(35) *On Account Payment or Payment on Account* – This term means a payment made, on a running account, to a contractor in respect of work done or supplies made by him and duly measured. Such payments may or may not be for the full value of work or supplies; if it is an intermediate payment, it is subject to final settlement of the running account on the completion of the contract for the work or supplies.

(36) 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.

(37) 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.

(38) *Payment on Account* - See clause (35).

(39) Programme Implementation Unit (PIU) – PIU is the public works division or equivalent that implements the programme generally in a district. However, at the discretion of the State Government/Union Territory with legislature/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.

(40) *Progress* means the up-to-date quantities of work done, measured and paid.



(41) *Quantity* - In the account of works, this expression is used to describe the extent of work done, supplies made or services performed, when these can be measured, weighted or counted.

(42) *Rate* - In estimates of cost, contracts, contractor's bills and vouchers generally, rate means the consideration allowed for each unit of work, supply or other service.

(43) *Rate of Cost and Inclusive Rate of Cost* - "*Rate of Cost*" means generally the total cost of a work or supply divided by its quantity. In the accounts, it represents the recorded cost per unit, as arrived at by dividing the up-to-date final charge on a sub-head, by the up-to-date progress thereof.

"*Inclusive Rate of Cost*" means the rate of cost of the entire work relating to a sub-head, including the cost of materials, if recorded separately in the accounts.

(44) *Recoverable Payment* means a payment to or on behalf of a contractor which does not represent value creditable or payable to him for work done or supplies made by him and has, therefore, to be made good to the Division or the SRRDA by an equivalent cash recovery or short payment of dues.

(45) *Running Account* is a term applied to the account with a contractor when payment for work or supplies is made to him at convenient intervals subject to final settlement of the account on the completion or determination of his contract.

(46) *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.

(47) *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 11.2.19.

(48) *Special Office* - The Office of a Special Officer, vide clause (49).

(49) *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.

(50) *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.

(51) *Storage Charges* – Storage charges means expenditure incurred, after the acquisition of the stores, on the salaries etc. of persons employed on the upkeep and handling of the stores, at such rates as apply to the State public works divisions or equivalent.

(52) *Sub-head* - In the accounts of works and in working estimates this term is used to describe the sub-divisions into which the total cost of a package for several roads is divided for purposes of financial control and statistical convenience. Each road of a package is treated as a sub-head.

(53) *Supervision charges* - This term is ordinarily applied to the charges which are levied, in addition to book value in respect of stock materials sold or transferred and are intended to cover such items of the expenditure incurred on the store as do not enter their book value. (See clause (51))

(54) *Suspense Accounts* - PMGSY does not have suspense accounts of the nature used in the public works department accounting system.

(55) *Technical Sanction* - This name is given to the order of competent authority sanctioning a properly detailed estimate of the cost of a work of construction or up-gradation proposed to be carried out for the PMGSY. Such sanction can only be accorded after obtaining the clearance from the Ministry of Rural Development, Government of India and administrative approval from the Nodal Department. Sanction accorded to a work by any other department of Government has no relevance.

(56). *Work* - The term "work", when by itself, is used in a comprehensive sense applies only to works of construction.

## **CHAPTER 4**

### **OUTLINE OF THE ACCOUNTING SYSTEM OF THE PROGRAMME FUND**

#### ***Classification of PMGSY Funds***

4.1.1 (a) The PMGSY executes rural road works. The general principles followed in the classification of PMGSY works are as follows:

I. Programme Fund. (a) MORD provides the Programme Fund to SRRDA for the construction of roads, up-gradation of roads, plantations, sign boards, and such other activities that MORD or NRRDA may specify.

II. Administrative Expenses Fund. (a) MORD provides the Administrative Expenses Funds to SRRDA for various administrative expenses such as travel expenses, purchase of computers, telephone, internet charges, stationery etc. The State Government may also provide administrative expenses fund for specific purposes.

(b) SRRDA keeps the funds in a separate bank account, called Administrative Expenses Fund. It authorizes the PIUs to spend from it for various administrative expenses.

III. Maintenance Fund

(a) State Government primarily provides to SRRDA funds for the maintenance of rural roads.

(b) SRRDA keeps the funds in a separate bank account called Maintenance Fund. It authorizes the PIUs to spend from it for the maintenance of rural roads.

(c) SRRDA and the PIUs keep separate and complete accounts of the receipts and expenditure from the Programme Fund, Administrative Expenses Fund and Maintenance Fund. *The accounting procedure for Administrative Expenses Fund and Maintenance Funds is provided in a separate manuals*

#### ***Programme Fund***

4.1.2 The Programme Fund transactions may be grouped under the heads indicated below:-

I. Expenditure Heads: For the construction of new roads, up-gradation of roads, plantations and road signs.

II. Funds Head: For funds received from the MORD, or the State Government for the Programme Fund. It also covers interest earned on surplus funds in the bank; liquidated damages, recovery of costs from contractors, etc.

III. Investment Head: For the investment of surplus funds that SRRDA invests with its bank.

IV Deposit Heads: For earnest moneys, security deposits from contractors, taxes deducted from the claims of contractors pending payment to the Government departments.

V. Transitional Heads: For the Miscellaneous Public Works advances to be recovered, unpaid bills, amounts payable to the State Government.

### ***Chart of Accounts***

4.1.3 The following chart of accounts of PMGSY Programme Fund follows the pattern of the List of Major and Minor Heads of Accounts for Government transactions. Transactions under its various Major Heads are divided into Minor Heads. This chart governs all the classification of receipts and payments.

## CHART OF ACCOUNTS FOR PMGSY PROGRAMME FUND

S. No.	Head of Account	Credit / Debit Balance	Major Head Number	Account Head Number	Entry To be made By
1	2	3	4	5	6
<b>1</b>	<b>Programme Fund</b>		<b>1</b>		
1.1	Programme Fund received by SRRDA from GOI	Credit		1.01	SRRDA
1.2	Programme Fund transferred by SRRDA to PIU	Debit		1.02	SRRDA
1.3	Programme Fund received by PIU from SRRDA	Credit		1.03	PIU
1.4	Bank Authorization Account (Books of SRRDA)	Credit		1.04	SRRDA
1.5	Bank Authorization Account (Books of PIU)	Debit		1.05	PIU
1.6	Incidental Funds generated from interest and Incidental Receipts etc.	Credit		1.06	SRRDA and PIU
1.7	Funds received from the State Government to meet excess expenditure on roads / Tender Premium	Credit		1.07	SRRDA
<b>2</b>	<b>Statutory Deductions from Contractors/suppliers</b>		<b>2</b>		
2.1	Income Tax and Surcharge from contractors/ Suppliers	Credit		2.01	PIU
2.2	Commercial/Sales/Entry tax from contractors / Suppliers	Credit		2.02	PIU
2.3	Any Other statutory deductions	Credit		2.03	PIU

S. No.	Head of Account	Credit / Debit Balance	Major Head Number	Account Head Number	Entry To be made By
<b>3</b>	<b>Deposits Repayable</b>		<b>3</b>		
3.1	Earnest Money Deposits from Contractors / Suppliers	Credit		3.01	PIU
3.2	Security Deposit from contractors/ Suppliers	Credit		3.02	PIU
3.3	Sums due to contractors on closed accounts.	Credit		3.03	PIU
3.4	Miscellaneous Deposits	Credit		3.04	PIU
3.5	Royalties	Credit		3.05	PIU
<b>4</b>	<b>Creditors</b>		<b>4</b>		
<b>4.1</b>	<b>Unpaid bills for purchases</b>	Credit		4.01	PIU
<b>4.2</b>	<b>Payable to the State Government</b>	Credit		4.02	SRRDA/PIU
<b>5-10</b>	<b>Spare number for future use</b>				
<b>11</b>	<b>Expenditure on works</b>		<b>11</b>		
11.1	Construction of New Roads	Debit		11.01	PIU
11.2	Up-gradation of existing Roads	Debit		11.02	PIU
11.3	Expenditure on Plantation	Debit		11.03	PIU
11.4	Expenditure on Sign Boards	Debit		11.04	PIU
<b>12</b>	<b>Materials at Site Account (Materials directly issued to Departmental Works)</b>		<b>12</b>		
12.1	Construction of New Roads	Debit		12.01	PIU
12.2	Up-gradation of existing Roads	Debit		12.02	PIU
<b>13</b>	<b>Stores and Stock</b>		<b>13</b>		
<b>13.1</b>	<b>Stores and Stock</b>	Debit		13.01	PIU

S. No.	Head of Account	Credit / Debit Balance	Major Head Number	Account Head Number	Entry To be made By
<b>14</b>	<b>Misc. Works Advance</b>		<b>14</b>		
14.1	Against Contractors	Debit		14.01	PIU
14.2	Against Staff	Debit		14.02	PIU
14.3	Advances for DPR Preparation	Debit		14.03	PIU/SRRDA
<b>15</b>	<b>Cash Balance</b>		<b>15</b>		
15.1	Cash in Chest	Debit		15.01	PIU
15.2	Imprest with Staff	Debit		15.02	PIU
<b>16</b>	<b>Bank Balance</b>		<b>16</b>		
16.1	Bank	Debit		16.01	SRRDA
16.02	Investment, Deposits and other balances	Debit		16.02	SRRDA/PIU
<b>17</b>	<b>Advances</b>		<b>17</b>		
17.1	Advance Payment to Contractors	Debit		17.01	PIU
17.2	Materials issued to contractors	Debit		17.02	PIU
17.3	Secured Advance against materials	Debit		17.03	PIU
17.4	Mobilisation Advance	Debit		17.04	PIU
17.5	Machinery Advance	Debit		17.05	PIU
17.6	Advances to Suppliers	Debit		17.06	PIU
17.7	Other Advances	Debit		17.07	PIU
<b>18</b>	Spare No.				

S. No.	Head of Account	Credit / Debit Balance	Major Head Number	Account Head Number	Entry To be made By
19	<b>Income Tax</b>		<b>19</b>		
19.1	Tax deducted at source by the bank on the investment	Debit		19.01	SRRDA
20	<b>Balance Sheet</b>		<b>20</b>		
20.1	Balance Sheet Account	NIL		20.01	PIU/ SRRDA
21	<b>Incidental Receipts</b>		<b>21</b>		
21.1	Interest received from bank account	Credit		21.01	SRRDA
21.2	Forfeiture of Earnest Money Deposit	Credit		21.02	PIU
21.3	Fines, forfeitures, penalties etc	Credit		21.03	PIU
21.4	Any Other non refundable Deductions from bills of contractor / supplier	Credit		21.04	PIU
21.5	Miscellaneous Receipts	Credit		21.05	PIU / SRRDA
22.1	Recoverable Administrative Expenses from State Government	Debit		22.01	PIU / SRRDA
23-49	Spare numbers for future use				



**EXPLANATORY NOTES ON CHART OF ACCOUNTS**

**PROGRAMME FUND**

<b>ACCOUNT CODE NUMBER</b>	<b>EXPLANATORY NOTES</b>
<b><u>1.01</u></b>	This head takes to credit the funds SRRDA receives from MORD.
<b><u>1.02</u></b>	<p>Programme fund transferred through Bank Authorisation by SRRDA to PIU get debited to this account heading SRRDA’s Bank Authorisation Transfer Entry Book.</p> <p>SRRDA will also account for the funds under this head when a PIU deposits in SRRDA’s Bank Account any funds it has received relating to Programme Fund. SRRDA will credit this account code on the receipt side of its Cash Book in the Bank Column.</p>
<b><u>1.03</u></b>	<p>PIU will credit the Programme Fund it receives to this account code on the receipt side of the Cash Book in “Bank Authorisation” column.</p> <p><b>Note 1:</b> Other money, if any, received by PIU relating to programme shall be accounted for on the receipt side of PIU’s Cash Book in “Cash column” by credit to related account code. On deposit of such moneys in the Bank account of SRRDA it shall be accounted for on the “Payment side” of the Cash Book in “Cash” column by debit to this account code. This is also the practice in CPWD who do not have bank column on the receipt side of the Cash Book.</p>

<b><u>1.02 &amp; 1.03</u></b>	Account code 1.02 & 1.03 shall be squared up and hence shall not appear in State Level Consolidated Balance Sheet of PIUs and SRRDA.
<b><u>1.04</u></b>	This head covers the amounts that SRRDA transfers to PIU through Bank Authorisation. SRRDA shall credit this account code in its Bank Authorisation

	<p>Transfer Entry Book.</p> <p>On receipt of statement for the cheques issued by the PIU SRRDA shall account for the amount of cheques drawn by the PIU on the payment side of its Cash Book in bank column by showing this account head in the classification column.</p>
<b>1.05</b>	<p>PIU shall account for the Programme Fund received through Bank Authorization from SRRDA on receipt side of its Cash Book in Bank Authorisation column.</p> <p>All PIU's payments by cheque shall be accounted for on the payment side of PIU's 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 serves the purpose of the ledger.</p>
<b>1.04 &amp; 1.05</b>	<p>Account code 1.04 &amp; 1.05 shall be squared up and shall not appear in State Level Consolidated Balance Sheet.</p>
<b>1.06</b>	<p>At the close of each financial year all incidental receipts in Major Head Number 21 shall be adjusted by credit to this (1.06) account code.</p>
<b>1.07</b>	<p>This accounts for the funds State Government has to provide for any excess expenditure over the sanctioned estimates, court and arbitration awards etc.</p>
<b>2.01, 2.02 &amp; 2.03</b>	<p>These heads show as credit all the statutory deductions viz. income tax, commercial tax, sales tax, surcharge on tax and any other tax etc. made from the payments to contractors / suppliers by the PIU .</p> <p>The payment to the concerned tax authorities shall be debited to these heads resulting in NIL balance.</p> <p><b>Note: Royalty is not a tax. It is accounted for under the head of account 3.05.</b></p>
<b>3.01</b>	<p>Earnest money deposits received from contractors / suppliers in the form of bank drafts or Deposits at Call Receipts shall not normally be taken to the accounts. Their record will be kept separately, and these will not be encashed. After the contract is awarded, these will be returned to the bidders. In other cases, these shall be credited to this account head.</p>

<b>3.02</b>	Security Deposits received/ recovered from Contractors/ suppliers shall be credited to this head. Refund of Security Deposits shall be debited to this head..
<b>3.03</b>	Sums due to contractors on closed accounts shall be credited to this head. Subsequent payment to contractors shall be debited to this head resulting in <b>NIL</b> balance.
<b>3.04</b>	All other deposits the PIU receives shall be credited and their refund debited to this head resulting in <b>NIL</b> balance. Amount with-held and any other refundable deduction from the bill of the contractor / supplier shall also be credited to this account code.
<b>3.05</b>	Amount of royalty recovered from the contractor shall be credited to this head of account. When the royalty amount is remitted to the concerned authorities, or refunded to the contractor on the receipt of Royalty Clearance Certificate, this head will be debited resulting in <b>NIL</b> balance.
<b>4.01</b>	Bills of suppliers remaining unpaid at the close of the month shall be debited to the concerned account code and credited to this head. The payments to suppliers in subsequent month shall be debited to this head resulting in <b>NIL</b> balance.  Where the original amount credited to this head differs from the actual payment made, the difference shall be debited to head to which the original amount was debited.
<b>4.02</b>	This head accounts for the amounts payable to the State Government for items such as Stores used from its PWD department etc. at the start of the Opening Balance Sheet. Subsequently stores will not be taken on credit from the State PWD department. The contractor will take the material against payment to PWD.
<b>11.01 &amp; 11.02</b>	Expenditure on works: The works have been classified as per guidelines of MORD Expenditure incurred for the execution of works shall be debited to the works concerned. Account Codes are self-explanatory i.e. Construction of New Roads and Up-gradation of Existing Roads.  Expenditure on inauguration of roads will be debited to this head.  Expenditure on DPR will be debited to this head by transfer from account head 14.03 after the DPR is approved.

<b>ACCOUNT CODE NUMBER</b>	<b>EXPLANATORY NOTES</b>
<b>11.03</b>	Expenditure separately sanctioned on plantation on both sides of the road shall be debited to this Account Code.
<b>11.04</b>	Expenditure separately sanctioned on fixing sign boards, road stones and other road furniture on the roadside as per IRC specification shall be debited to this Account Code
<b>12.01 &amp; 12.02</b>	<p>For works done departmentally by engaging labour or awarding the contract on labour rate, the materials required for the execution of works shall be routed through Stores and Stock Account. Materials issued from store shall be debited to Material at Site and its account shall be maintained by the Site Engineer. When the materials are finally consumed on the works the expenditure shall be debited to works concerned under major code 11 by credit to this account code.</p> <p>Sale proceeds of unconsumed materials, and scrap, if any, shall be credited to Account Head 21.05 Miscellaneous Income.</p>
<b>13.01</b>	<ol style="list-style-type: none"> <li>1. Value of stores purchased shall be debited to this Account Code when the payment to the supplier is made within the month of receipt of goods.</li> <li>2. Value of stores purchased shall be debited to this Account Code when the payment to the supplier is <b>not</b> made within the month of receipt of goods; and equal amount will be credited to the Major Head 4.01 Unpaid Bills. (When the payment is made to the suppliers, this account head Unpaid Bills will be debited.</li> <li>3. Issues from stores to site of work / contractors shall be credited to this Account Code by debit to Account Code of works concerned under Major Head-12-“Expenditure on Materials directly charged to works (MAS) or Account Code 17.02-Materials issued to Contractors.</li> <li>4. Any credit balance in stock account “Account Code 13.01” at the time of closing</li> </ol>

	<p>store may arise from the issue rates. Such credit balance (profit on stock) shall be transferred to the miscellaneous receipt account code 21.05 and stock account code 13.01 shall be closed with NIL balance. (This is only if there is a credit balance in the Stock Account.) Loss will be taken to Miscellaneous works advances against staff account code 14.02 and cleared after investigation as per orders. If ordered to be written off, then it will be debited to the account head 1.06 Incidental Funds.</p> <p>5. Scrap in stores, if any, shall be sold by auction and sale proceeds thereof shall be credited to Account code 21.05 “Miscellaneous Receipts”.</p> <p>6. At the close of the scheme the value of stores and stocks, if any, shall be adjusted as per guidelines issued by MORD.</p>
<p><b>14.01 &amp; 14.02</b></p>	<p>Any expenditure, which can not be debited to any Account Code and require investigation / recovery from the contractor / staff shall be debited to Account Code number 14.01 / 14.02. Theft / losses shall also be debited to this account code. It is a suspense head and is to be adjusted by debit to final account Code and Credit to 14.01 / 14.02 after investigation. This Account Code is to be finally closed with NIL balance.</p>
<p><b>14.03</b></p>	<p>Advances granted or the expenditure initially incurred on the DPR preparation will be posted to this head. After the DPR is approved, the amount will be transferred to the Head 14.01 or 14.02.</p>
<p><b>15.01</b></p>	<p>Account Code-Cash in Chest is self explanatory. Cash balance appearing in Cash Book at the close of month shall be shown against this Account Code in the Monthly Account as per direction in the Monthly Account.</p>
<p><b>15.02</b></p>	<p>Imprest or temporary advance issued to staff for petty expenses / purchases / labour payment 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.</p>

<p><b>16.01</b></p>	<p>Funds received by SRRDA from MORD (or any other source) shall be kept in an account opened in a scheduled bank (approved by the State Government and MORD) with whom a tripartite agreement has been executed. The funds in this account shall be made available to PIU through “Bank Authorizations”.</p> <p>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 statement and Cash Book.</p>
<p><b>16.02</b></p>	<p>1. PIUs will operate this account to show the deposits with its banks, treasuries, DRDA, Post Office at the time of the opening balance sheet. They will clear this head by closing the accounts and remitting the funds to the SRRDA.</p> <p>2. SRRDA will operate this account to show the amount in deposits with its bankers at the end of each month by passing a TE crediting the head 16.01 and debiting 16.02. It will reverse the entry at the beginning of the next month. Thus, its monthly account will show the actual investments at the end of the month. The system does not require any entry as and when the bank invests and disinvests the funds. However, SRRDA will keep a full record of this.</p>
<p><b>17.01</b></p>	<p>Advance Payment for work not-measured are not allowed, except with the approval of NRRDA. Such payment, if any, made to the contractor against his running bill shall be debited to this account code. Recovery, as and when effected, shall also be credited to this account code.</p>
<p><b>17.02</b></p>	<p>Materials issued to the contractors from stores shall be debited to this account code. Materials as per requirements of the work and as per terms and conditions of contract shall be issued and cost thereof shall be recovered on the basis of its consumption.</p>
<p><b>17.03</b></p>	<p>Secured advance against imperishable materials brought to site of work shall be debited. Secured advance shall be granted as per the terms of the contract on</p>

	signing the indenture bond in the form prescribed by the Executing Agency, provided the contract allows it.
<b>17.04 and 17.05</b>	<p>Machinery Advance and Mobilisation Advance shall be debited to the concerned Account Code. The advances shall be granted as per the contract agreement. Recoveries will be credited to the concerned head.</p> <p>Interest recovered, where the conditions of contract allow it, from the contractor on the amount of advance shall be credited to Miscellaneous receipts account code 21.05.</p>
<b>17.06</b>	Advances to suppliers shall be debited to this account code. Advances shall be given as per conditions of supply order after ensuring its security and recovery. Recovery of advance shall be adjusted when supplies are received and accepted.
<b>17.07</b>	The head covers advances not included in the heads 17.01 to 17.06.
<b>18.01</b>	Spare Number
<b>19.01</b>	Tax deducted at source by SRRDA's Bank from the interest shall be debited to this account code. Refund for the same shall be claimed from Income Tax Department.
<b>20.01</b>	<p>This account code shall be operated to incorporate in the PIU's accounts/SRRDA's accounts the opening balance sheet. The following entries shall be passed in the TE book to account for the assets and liabilities</p> <p style="text-align: center;">(i) <b>Debit : Balance Sheet Account</b>  <b>Credit: Liabilities</b></p> <p style="text-align: center;">(ii) <b>Debit : Assets</b>  <b>Credit: Balance Sheet Account</b></p> <p>This account code shall be closed with Nil Balance.</p>
<b>21.01</b>	Gross amount of interest received on deposits etc. shall be credited to this head of account. The balance will be transferred to the Head 1.06 at the end of the year.

<p><b>21.02 to 21.04</b></p>	<p>These account codes are self -explanatory. Account code 21.03 will also include deduction on account of non-refundable liquidated damages etc. from the bill of contractor. The balance will be transferred to the Head 1.06 at the end of the year</p>
<p><b>21.05</b></p>	<p>All other receipts shall be credited to this account code. Sale proceeds of scrap etc. shall also be credited. Interest recovered from contractor against mobilization / machinery advance shall also be credited. The balance will be transferred to the Head 1.06 at the end of the year.</p>
<p><b>22.01</b></p>	<p>This head of accounts is for the non-admissible administrative expenses incurred out of the Programme Fund. These are recoverable from the State Government.</p> <p>This account head will also be used for the administrative expenses incurred for which the funds from the MORD had not been received, but were admissible. It is wrong to incur expenditure from Programme Fund for Administrative Expenses unless the funds are received. Assurance of providing the funds cannot be treated as an authority for incurring the expenditure from another fund.</p> <p>The SRRDA will take up with MORD/State Government for re-imburement of admissible amount. The procedure followed will be as follows.</p> <ol style="list-style-type: none"> <li>a) The SRRDA will take on its books the amounts appearing in the books of PIU by passing a Transfer Entry crediting the Account Head 1.02 Programme Fund Transferred to PIUs and debiting the account head 22.01 Recoverable Administrative Expenses from State Government. At the same time, the SRRDA will ask the PIU to pass a corresponding Transfer Entry debiting the Programme Fund received from SRRDA (1.03) and crediting the account head 22.01</li> <li>b) When the funds are received, SRRDA will debit its bank account in the Cash Book with classification shown as 22.01.</li> </ol>



**Note: -**

1. Account code (1.02 and 1.03) and (1.04 and 1.05). While preparing the State's balance sheet, SRRDA will normally squared up these heads. Monthly meetings of the PIUs shall be arranged by SRRDA so that the differences, if any, may be reconciled and adjusted.
2. Balances, if any, against major head code number 3, 4, 13, 14, 16 and 17 at the close of the scheme shall be adjusted as per the guidelines issued by MORD.

## **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 for SRRDA are enumerated in Chapter 14, 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 bank of the SRRDA on which they will draw cheques 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 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***

**5.1.4** On receipt of the monthly 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 Programme 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 Bank Reconciliation Statement received from the Divisional

Office will be checked with the payment scrolls received directly from the banks. 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 14); 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, form PMGSY/GEN/F-59 , 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 computed tenders, 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 sufficient to satisfy himself reasonably that the checking work has been properly done. In the case of lump sum tenders, he should see that detailed drawings and specifications, duly authenticated by the competent authority, form part of the notice inviting tenders and that the cost of various items forming part of the sanctioned estimate of the work is correctly assessed with reference to the relevant scheduled rates or in the case of non-scheduled items on the basis of rates supported by detailed analysis therefor sanctioned by the competent authority, 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 later 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, sanctions and orders, against which audit of receipts or disbursement is conducted, should be available at one place to facilitate the audit or inspections. Therefore, NRRDA, SRRDA, and PIU shall in files marked audit copies of all the sanctions issued or received. The following table elaborates it:

Name of the organisation	Sanctions received from	Sanctions issued to
NRRDA	MORD	SRRDA, Nodal Agency
SRRDA	MORD, NRRDA, Nodal Agency, Executing Agency	PIUs
PIUs	MORD, NRRDA, SRRDA, Nodal Agency, Executing Agency	

Some typical examples of sanctions and order are:

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

## **CHAPTER 6**

### **SANCTIONS**

#### ***Introductory***

**6.1.1** (a) Expenditure can only be incurred on a work or other object:

(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, intimation is received from the Executing Agency that divisional officer is incurring an unauthorised liability on a work, the Accounts Officer will bring the facts instantly to the notice of the Nodal Department through the head of SRRDA so that the requisite steps may be taken to stop the work. SRRDA also has the authority to stop the release of funds for that work.

(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 Programme 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. A Divisional Officer requires specific bank authorization for payments for the works being executed or for repayment of deposits.

(c) If the opening balance sheet shows any amount payable to the State Government, the PIU shall make the payment only after obtaining a certificate from the State Accountant General that its accounts show the amount as recoverable from PMGSY, and after obtaining the approval of SRRDA. No addition to this head will be made after the opening balance sheet has been incorporated in the accounts, except with the prior approval of NRRDA as this puts stress on the financial commitments of MORD.

#### ***Re-appropriation of Funds***

**6.2.1** Re-appropriation of funds from one work to another are regulated as follows vide MORD circular no. A-12015/07/2003-NRRDA:

a) In case, after clearance, there is a variation between the amount cleared and Technical Sanction of not more than 10% for a DPR, and excess can be absorbed within the sanctioned amount of the

district, and failing that, within the sanctioned amount of the State, the SRRDA shall make the necessary financial earmarking and make the corresponding entry into the OMMS and continue with the process of call of tender after informing NRRDA. In all other cases the matter should be referred back to NRRDA with justifications.

- b) In case the value of lowest tender received for a package is above the estimate that has been cleared by the Ministry, the difference (tender premium), within a District or pooled for the entire State for works cleared in a phase/batch will be adjusted by the SRRDA under intimation to NRRDA and entry in the OMMS, provided that in any particular package the excess/deficit does not exceed 10 percent. In all other cases prior approval of NRRDA would be taken, in case it is felt that the excess/deficit is justified.
- c) Changes in scope of work by way of items or quantities, value of which does not exceed 10% in a DPR may be approved under intimation to NRRDA, after making necessary entries in the OMMS. In case there is a material change in the scope of work during execution by way of items or quantities resulting in variation (plus or minus) exceeding 10%, the matter should be analysed in detail and reported to NRRDA for prior scrutiny. The excess, if approved, shall be absorbed in the district level surplus out of works cleared in a phase / batch failing which net saving at State Level will be used for the purpose.
- d) All increase in costs due to time overrun, arbitration or judicial award shall be borne by the State Government, and cannot be adjusted against PMGSY surpluses.

Note: Any payment on account of d) above can be made only after the State Government provides funds before the payment is made.

### ***Watching of Actuals***

**6.3.1** It is an important function of the Divisional Officer to keep a constant watch over the progress of works and expenditure, as he is ultimately responsible for ensuring the timely completion of works and keeping the expenditure within the sanctioned estimates. He should accordingly keep himself informed of such circumstances as may affect the progress of works and expenditure, 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 works or other items, for which there are specific sanctions, should be watched individually month by month, through the Register of Works.
- (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

#### ***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 account. Unless specially authorised to receive higher amounts in cash, Divisional Officer may normally receive cash up to an amount not exceeding Rs.1,000 (one thousand) 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 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 PIU, and all realisations and payments on PMGSY 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** (contractors and suppliers with whom Agreements have been duly entered into, as well as Statutory Authorities, such as ITO etc) and their designated payee accounts, and also the amounts that are admissible against each of the Contractors and suppliers. This will be in conformity with the Work Agreements. He may lay down suitable limits on monthly payments in line with the agreed Works Programme for the respective packages. 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 Programme Fund in anticipation of subsequent approval by the competent authority.

**7.2.2** The Divisional Officer is permitted to make payments from the PMGSY Programme Fund only of bills of PMGSY Works, 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 expenses on works 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 rules:

(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.

Note: All cheques above the prescribed amount laid down in the Income-tax Act and the cheques to authorized payees shall be crossed "Account Payee Only". In all other cases, cheques in excess of Rs.1,000/- (one thousand) shall be crossed "Account Payee Only"; however, the Divisional Office may issue an un-crossed cheques if the party receiving it so desires. Open cheques will invariably be made over to the individual payee and the Divisional Officer should ensure that proper record exists for the receipt of the cheque by the payee.

**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.***

**7.2.10** (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 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.
- (2) 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.
- (3) 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.

**7.2.11** (i) 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 intimation, the bank shall acknowledge in writing in the form given below:

"We acknowledge receipt of your Letter No----- dated -----and 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."

(ii) 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 form prescribed by the State Government. However, in the case of a Government Department, Public Undertaking wholly owned by 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 Works Advances" till the matter is investigated and the amount is recovered or written off.

## **7.3 Receipt of Money**

### **I. Account Procedure**

**7.3.1** 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. If, however, the amount be realised 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 acquittance 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 Books should be initialled and dated at the same time.

NOTE 3 - No earnest money should be accepted in cash.

**7.3.2** Drafts of private individuals if accepted by PIU in payment of PMGSY dues on Programme Fund 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 with the necessary classification. When these are sent to the bank for credit to the account of SRRDA, they should be shown in the cash column on the payment side of the Cash Book as "Remittances to SRRDA with the classification as 1.03 Programme 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 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.

**7.3.3** 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.

**7.3.4** 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 nearest 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**

**7.3.5** 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.

## **7.4 Payments**

### **I. Manner of Payment**

**7.4.1** All payments which officers authorised to draw cheques have to make should be made by cheques; but see also paragraph 7.2.6.

**7.4.2** 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.

**7.4.3** As a rule, no cheque should be drawn until it is intended to be paid away and cheques drawn in favour of contractors 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 officers. 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 utilized.

Note: Only one cheque will be issued against one bill.

Nothing herein contained shall operate to create in favour of the bank any right or equities *vis a vis* the PIU or the SRRDA.

## **II. Bills**

**7.4.4** 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. Except in the case of lump sum contracts, every bill or other demand for payment should set forth the unit rate at which payment is to be made

## **III. Vouchers**

**7.4.5** 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 work as given in the estimate and other particulars specified in paragraph 11.1.2 or the head of account, to which the charges admitted on a voucher are debitable 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.

When a voucher exhibits any expenditure from which revenue may *prima facie* be expected to accrue as, for instance, when payment appears in a bill for removing material from a building or other work, either dismantled or undergoing repairs or for clearing jungle or cutting trees or rocks, a note should be recorded to indicate how the old materials removed or the trees cut, etc., have been disposed of and if sold, when the sale proceeds will be credited to PIU.

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.

**7.4.6** Every voucher must bear a pay order signed 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 7.4.3 should make no payment without a proper pay order of the Disbursing Officer recorded clearly on the bill or other voucher.

**7.4.7** 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 acknowledgement of the payment.

## **7.5 Remittances to Accredited Bank**

**7.5.1** The officer in charge of a Cash Book should enter in it all his remittances, including cheques/drafts to the accredited bank as they are made, vide paragraphs 7.3.4 and 7.3.5, He should also keep a book in suitable format to keep details of remittances at one place.

### **Cash Book**

#### **(a) Upkeep**

**7.6.1** An account of the cash transactions should be maintained in the Cash Book form PMGSY/IA/F-3A 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 10), 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) Rectification of Errors**

**7.6.4** An entry once made in the Cash Book should in no circumstances be erased; crossed or correction fluid applied. If a mistake is discovered before ledger posting has been done and before the 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

ledger posting has been done, or the accounts of the month have been closed no corrections of errors in amount, classification or name of work, 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.

#### **(d) Cash Verification**

**7.6.5** 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 or work 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.

**7.6.6** The actual balance of cash in each 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 in form PMGSY/SCH/F-57, 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.

**7.6.7** 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 Miscellaneous Deposits " account code 3.04 or "By cash found deficient in chest" under "Miscellaneous Works Advances against Staff", account code 14.02, 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.

### ***Imprest***

**7.6.8** An imprest is a standing 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 five thousand rupees without the special sanction of the administrative department of the State Government.

**7.6.9** 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.

**7.6.10** 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 7.4.7) recorded on the account 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 "Misc. Public Works Advances to Staff" to be watched under that head until either the objection is removed or the amount is made good by the imprest holder.

**7.6.11** 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.

### ***Temporary Advance***

**7.6.12** When a Disbursing Officer makes a remittance to Subordinate Officer to enable him to make a number of specific petty payments on a muster roll or other voucher which has already been passed for payment, the amount remitted should be treated as a Temporary Advance and accounted for in form PMGSY/IA/F-4 in the same way as an imprest. The account of Temporary Advance should be closed as soon as possible.

NOTE - This rule applies also to cash taken out of the chest by the Disbursing Officer himself to make payments at a distance.

### ***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 (vide chapter 17 Miscellaneous).

**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.

### ***Custody of Cash***

**7.8.1** Public 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.

## **CHAPTER 8**

### **STORES**

#### ***8.1 Introductory***

**8.1.1** (a) The Standard Bidding Document for the construction and maintenance of PMGSY roads requires the contractor to provide the material for the works. The contract rate are through rate. It is not the responsibility of the PIU or the SRRDA to buy and stock the materials, and supply them to the contractors. However, where it is decided to provide the material to the contractor, prior approval from NRRDA should be obtained and the contract conditions modified accordingly. The Standard Bidding Document would specify the rate that will be recovered from the contractor for each item of supply.

(b) Where the contract provides for supplying the material to the contractor, he will obtain it from the State Government's public works stores, or equivalent, against prior payment to the concerned division.

(c) Where for any reason, to be specified in writing, the Executing Authority decides that a PIU should purchase the material from the PMGSY funds, then prior approval of the NRRDA should be taken about the maximum amount that will be blocked on the purchases. The PIU will issue the stocks on credit only to the contractors for the works being executed in its division. It will supply the material for other PMGSY works only against prior payment. There will not be any inter-PIU transfers of stock. Similarly, one PIU will not recover the cost of material supplied by another PIU division or the State Public Works division.

(d) The general administration of all the stores of a division is vested in the Divisional Officer, on whom primarily devolves the duty of arranging, in accordance with such rules and instructions as the Executing Agency may issue for (1) the acquisition of stores, (2) their custody and distribution according to the requirements of works and (3) their disposal.

**8.1.2** Officers entrusted by the Divisional Officer with the care, use or consumption of stores, are responsible for maintaining correct records and preparing correct returns in respect of the stores entrusted to them.

**8.1.3** All transactions of receipts and issues should be recorded, strictly in accordance with the rules or procedure prescribed in General Financial Rules of the State in the order of occurrence and as soon as they take place. Fictitious stock adjustments are strictly prohibited, such as, for example, (1) the debiting to a work of the cost of materials not required, or in excess of actual requirements, (2) the debiting to a particular work for which funds are available of the value of materials intended to be utilized on another work for which no allotment has been sanctioned, (3) the writing back of the value of materials used on a work to avoid excess



outlay over sanctions, etc. Any breach of this rule constitutes a serious irregularity, which will be brought prominently to the notice of the appropriate authority concerned by the Accounts Officer.

**8.1.4** (a) The accounts of stores are based on the fundamental principle that the cost of their acquisition should be debited to the head Stores and Stock. The issue of materials for departmental works will be debited to Material Issued for Works and credited to the head Stores and Stock. The materials issued to contractors - of the same division where the stocks are kept - will be debited to the head of account Material Issued to Contractors and credited to Stores and Stock. The account heads Materials Issued to Works and Materials Issued to Contractors will be cleared on the utilization of materials on the works and after the measurements are recorded in the Measurement Books.

(b) In accordance with this general rule the cost of the supply of all stores, required as tools and plant for the general use of the division, is debited at once to the minor head machinery and equipment subordinate to the major head under which such charges of the division are classified; and special items of tools and plant, which are required not for general purpose but for a specific work, are debited to that work.

**8.1.5** All the stores fall in the category of Stores and Stock.

**8.1.6** With certain exceptions (vide paragraph 11.3.12) a numerical or quantity account of receipts issues and balances has to be maintained for all stores with a view to control the balances efficiently until the stores are disposed of finally either by consumption on works or otherwise. This quantity account has further to be reconciled periodically with the value accounts. The rules in this chapter are framed on the principle that, as far as possible, the initial records of all stores, as also the returns of sub-divisions should take account of quantities only, and that the value accounts should be maintained in the Divisional Office.

## **Stock**

### **I. General**

**8.2.1** The stock of a division is some times kept in a single godown or yard in the charge of a storekeeper or other officer, or each Sub-divisional Officer may have a separate stock in his charge, either at his headquarters or scattered over the sub-division in the direct custody of subordinates or other sectional officers. Again the stock, although scattered over the entire division, may be in the general charge of a single official and the Sub-divisional Officers may merely indent upon him, the account being kept by the former. The rules prescribed below will apply whatever be the arrangement in force in the division.

**8.2.2** Stock accounts may be maintained in a Sub-divisional Office, even though the officer in charge is not authorised to keep a cash account. A separate account should be kept in the Divisional Office of any stock which is directly under the charge of the Divisional Officer or of an officer under his orders and not under the orders of a Sub-divisional Officer.

## **II. Priced Vocabulary of Stores**

**8.2.3** In order to ensure accuracy of posting of all transactions and facilitate the preparation and valuation of indents, a list of materials in stock, showing their correct description and identifying numbers (commonly known as Priced Vocabulary of Stores), should be evolved on the basis of an up-to-date classification of stores, which should be uniformly adopted throughout the Department. The Issue Rates should be filled in by the Divisions concerned who should circulate them for use by other Divisions obtaining supply of stores from them. These vocabularies should be kept up-to-date by issue of correction slips as and when necessary.

## **III. Quantity Accounts**

### **(a) Receipts**

**8.2.4** Materials may be received on stock from the following sources:-

- (a) Suppliers
- (b) Returns from Departmental Works

In all cases there should be proper authority for the receipt, by the store keeper or the sectional officer concerned, of materials to be brought on stock. This authority should be given in writing by the Divisional Officer or, if so authorised under local orders, by the Sub-divisional Officer.

**8.2.5** All materials received should be examined so as to ensure that they conform with the quality and specification prescribed, and counted or measured, as the case may be, when delivery is taken. The record of the detailed count or measurement or weightment should be kept in the Goods Received Sheet, form PMGSY/SS/F-35 and the total of number or quantity received should be entered in the Bin Card, form PMGSY/SS/F-39 immediately thereafter. Such acknowledgement as may have to be given to a supplier for stores received from him can be signed only by the Divisional or Sub-divisional Officer. Any certificate that the store-keeper or Sectional Officer concerned may be called upon to record in respect of the receipt of stores should be in the following form :-

“Received on ----- and duly recorded in the Bin Card. See Goods Received Sheet No. -----.

Date      (Signature)”

NOTE-Tools and plant will not be purchased from the PMGSY Programme Fund.

**8.2.6** The Goods Received Sheets will be printed in the form of booklets and will be duly machine-numbered, with the office copy intact and others perforated. These will be prepared in triplicate by carbon process in indelible ink, or copying pencil, one copy being retained by the store-keeper and the other two sent to the Sub-divisional Office, out of which one copy will be passed on to the supplier and the other to the Divisional Office for posting the Priced Stores Ledger and making payments.

NOTE 1 - Two types of booklets will be printed, one containing three copies of each Goods Received Sheet and the other containing four copies. The words 'Original', 'Duplicate', 'Triplicate' or 'Quadruplicate' should be printed on them.

NOTE 2 - The instructions regarding the making of entries in the Measurement. Books (vide 11.2.8) apply mutatis mutandis to the entries to be recorded in the Goods Received Sheets.

**8.2.7** A separate Goods Received Sheet should be prepared in respect of goods purchased from one supplier. To facilitate the preparation of the Summary of Stock Receipts, separate Goods Received Sheets should be prepared in respect of items falling under each sub-head of Stock or the articles falling under each sub-head should be grouped together in the Sheets as far as possible. In filling up the Goods Received Sheets, the description and Code numbers of materials as given in the Priced Vocabulary of Stores, should be strictly adhered to.

NOTE - In order to comply with the requirements of the above paragraph, it should be seen that separate Supply Orders are placed for goods falling under each sub-head of Stock as far as possible.

**8.2.8** Payments for all stock received are made on the basis of entries recorded in the Goods Received Sheets, vide paragraph 8.2.16 and according to the terms of payment as finalised in the Supply Order/Contract agreement. These sheets should, therefore, be treated as very important account records. All the booklets containing the Goods Received Sheets should be numbered serially and their record kept in the Register of Goods Received Sheets in form PMGSY/SS/F-41 in the Divisional Office showing the date of issue, serial number of each booklet, the name of the Sub-division to which issued, and the date of return of the used booklets with office copies, so that its eventual return to the Divisional Office may be watched.

NOTE - A similar register should also be maintained in the Sub-divisional Office showing the names of subordinates to whom the booklets are issued. Those no longer in use should be withdrawn promptly even though not completely written up.

## **(b) Issues**

**8.2.9** Materials may be issued from stock of a PIU for the following purposes :

- (a) for use on its own PMGSY works being executed departmentally or through the contractors (paragraph 11.3.1);
- (b) for dispatch to other divisions for PMGSY departmental works, against payment received in advance;  
and
- (c) for sale to contractors of other divisions against payment received in advance.

The materials should be issued only on receipt of an indent (form PMGSY/SS/F-37) signed by the Divisional or the Sub-divisional Officer.

**8.2.10** Indents will be printed in the form of booklets and will be duly machine numbered, and kept in stock by the Divisional Officer, who issues the indent books stamped with stamp of his office. Indents should be prepared in quintuplicate (i.e. five copies) by carbon process, the description of stores etc. being filled in with reference to the Priced Stores Vocabulary, referred to in paragraph 8.2.3. A record of the stores indented should be simultaneously kept in the Register of Indents form PMGSY/SS/F-38-A. The fifth copy of the indent should be retained as the office copy and the other four (which should be marked "original", "duplicate" and so on) presented to the Supplying Division.

Indents should be filled up carefully as all subsequent accounting depends upon it. In the column "Head of Account" etc. besides entering the name of the account head to which the issue of stores is debitable, full names of divisions and offices to which stock is to be issued and of contractors, should be added in all cases in which stores are ordered to be issued otherwise than for the requirements of work within the division. The column headed "Name of Work/Job", etc., should be filled in only when the stores are required for works within the division, and in such cases the full name of the work as / given in the estimate, should be entered as well as the name of the contractor from whom the value is recoverable (vide paragraph 11.3.1). •

In order to keep a watch on the materials issued to works, a register in form PMGSY/SS/F-43 is kept to avoid excessive issues of materials to contractors and to keep a watch over the issues. In this register a record of the materials drawn for use on works done departmentally may also be kept if considered necessary by the Sub-Divisional Officer. The Divisional Officer himself should exercise a general check to examine that the issues are roughly correct. For detailed check of the quantities issued, it is the responsibility of the S.D.O. to ensure that the materials are not issued in excess of the quantities actually required.

**NOTE** - In order to facilitate the preparation of the summary of Indents (paragraph 8.2.28), separate indents should be prepared for items falling under each sub-head of Stock as far as possible or the articles falling under each sub-head of Stock should be grouped together in the indent.

**8.2.11** When issuing materials from a stock, the store-keeper or Sectional Officer should examine the indent (form PMGSY/SS/F-37) and sign it in the space provided for the purpose, after entering the quantity issued in all the copies. An entry of the stores issued simultaneously be made in the Bin Card (form PMGSY/SS/F-39). The signature of the officer receiving the materials should be obtained in the space provided for the purpose in the Indent. One copy of the indent should be retained by the store-keeper of the Supplying Division as a voucher in support of the entry in the Bin Card, the second being returned at once to the indenting office. The third and the fourth copies of the indent should be sent to the Divisional Office for further action.

**NOTE** - It should be seen that the acknowledgement of materials is signed either by the person to whom they are ordered to be delivered or despatched, or by a duly authorised agent. This precaution is specially necessary in the case of issues to contractors and private persons whose acknowledgements should set forth all the particulars mentioned in paragraph 11.3.4.

### **(c) Bin Cards**

**8.2.12** A chronological record of the receipts, issues and the running balance of each article of stock will be kept in the Bin Card, form PMGSY/SS/F-39 which will be kept at the place where the materials are stored. These cards will be posted from the Goods Received Sheets and the Stores Indents vide paragraph 8.2.5 and 8.2.14.

**8.2.13** As Bin Cards constitute the basic quantity record of stock transactions, adequate care should be taken for their proper maintenance and safe custody. All the Bin Cards should be serially numbered and a register of them should be maintained in form PMGSY/SS/F-42.

**8.2.14** The Divisional Officer should arrange to have the balance as per Bin Cards verified periodically with those shown in the Priced Stores Ledger. This verification should in any case be conducted before any item is taken up for physical verification.

**8.2.15** As soon as a Bin Card is completed, it should be returned to the Divisional Officer after carrying over the balance to the new card. When received in the Divisional Office, the entries of the completed cards should be checked with the Priced Stores Ledger and discrepancies, if any, pointed out to the Sub-divisional Officer concerned for further action. The Bin Cards should then be recorded in the Divisional Office.

## **IV. Value Accounts**

### **(a) Payment for Stock Received**

**8.2.16** The provisions contained in paragraph 11.2.1 and 11.2.11 to 12.17 apply *mutatis mutandis* to the payment of bills of suppliers for stock received with the exception that the claims are verified in the Divisional/Sub-divisional Office with reference to the connected entries in the Goods Received Sheets, vide paragraph 8.2.6.

**8.2.17** No payment to Director General of Supplies and Disposal, Government of India (or equivalent organization for centralized purchases in the State) should be made without prior approval of the NRRDA to prevent the blocking of PMGSY funds.

### **(b) Recoveries for Stock Issued**

#### **(i) Issue Rates**

**8.2.18** An Issue Rate is assigned to each new article as it is brought on stock. This rate is fixed on the principle that the cost to be charged to works on which the materials are to be used should approximately equal the actual cost of the stores and that there may be no ultimate profit or loss in the stock accounts. It should provide, beyond the original price paid and the cost of carriage, etc., for the storage charges as defined in paragraph 3.1.1.(51)

Issue rates of cement, steel, bitumen or any other item in the contracts should not be less than the market rates of these commodities irrespective of the issue rate of the Central Stores.

NOTE 1 - It is not necessary that the Issue Rate for an item should be the same in all sub-divisions, but a uniform rate should ordinarily be prescribed for all localities in a sub-division.

NOTE 2 - The Issue Rate should be worked out to the nearest rupee, balances of below 50 paise being ignored and fractions of more than 50 paise and above taken as Rupee.

**8.2.19** The Issue rate of an article of stock should be fixed at the beginning of each year except for bitumen, cement and steel where it will be fixed each month, where wide fluctuations take place. Where the contracts are for through rates, and the materials are purchased from the PIU, the rate charged from the contractor will be market rate plus carriage charges and storage charges.

## **(ii) Storage Charge**

**8.2.20** A storage rate is fixed annually or quarterly for each Division or Sub-division on the principle that the total estimated annual expenditure is, as far as possible, recovered from the issues likely to be made during that period. On the basis of this rate, storage charges are added on a percentage basis so as to form part of the Issue Rate calculated under paragraph 8.2.18.

Under the PMGSY guidelines, the State Governments bear the expenditure on salaries and allowances etc. of its employees and such office expenses as are not met from the PMGSY funds. Therefore, the expenditure on storage charges would continue to be debited under the accounts of the State Government. However, the issue rate for stores will be fixed as inclusive of storage charges on a percentage basis.

## **(iii) Handling and Other Incidental Charges**

**8.2.21** Carriage and other incidental charges which are incurred simultaneously in connection with the several articles of stock and cannot, therefore, be allocated to the various articles, should be booked under the State Government; and not under the PMGSY accounts. A suitable percentage based on expenditure on account of these charges of the previous year should be fixed annually on the principle enunciated in the preceding paragraph and added to issue rate.

**8.2.22** (a) The Divisional Officer is responsible that the value of materials issued to contractors for PMGSY works in other divisions is recovered in cash in advance.

NOTE - A sale Account in form PMGSY/SS/F-42 A should be prepared by Sub-division in support of every such sale for Divisional Officer to effect recovery.

(b) All adjustments of the value of stock issued except on sale should be made by the Divisional Officer as in the case of receipts vide paragraph 8.2.17. The Sub-divisional Officer is, however, responsible for the clearance from works accounts of all outstandings against contractors on account of the recoverable value of materials issued to them.

(c) Stocks will not be sold to public or other departments except with prior authorization of the competent authority. In this case, 10 per cent supervision charges should be realised in addition to the value of stock including storage charges in all cases. The amount recovered on this account should not be treated as receipts on account of stock, but as revenue receipts of PMGSY Programme Fund.

### **(c) Valuation of Quantity Accounts**

**8.2.23** When received in the Divisional Office the Goods Received Sheets (form PMGSY/SS/F-35) will be valued on the basis of prices paid or payable as per bills or other claims. Extra charges, when paid or adjusted should be entered in Column 11 of these forms. The Goods Received Sheets should then be posted in the Priced Stores Ledger.

NOTE - In the case of stores, which are not paid for within the month of receipt and of which the actual value will not be known till the supplier's bill is received and paid, an estimated figure should be adopted for bringing the liabilities in the Un-paid Bill Account (account head 4.01) and also for the completion and closing of the Priced Stores Ledger.

**8.2.24** On receipt of the third and fourth copies of the indent in the Divisional Officer the issues should be valued-at the Issue Rates fixed for the purposes, vide paragraphs 8.2.18 and 8.2.19. The third copy of the indent will be used for posting the Priced Stores Ledger, and the fourth copy sent in due course to the Indenting Division in support of the claim for payment.

**8.2.25** Carriage and other incidental charges should be debited to stock only when they are incurred in connection with the general stock requirements. See also paragraph 11.8.4.

**8.2.26** To classify and collect, by objects of expenditure the charges debited to stock from time to time, the same procedure should be observed as is adopted in respect of expenditure on works, that is, registers of works should be maintained.

### **(d) Monthly Summaries of Stock Receipts and Issues**

**8.2.27** The receipt and issue transactions of the entire Division should be abstracted in the "Summary of Stock Receipts" (form PMGSY/SS/F-36) and the "Summary of Indents" (form PMGSY/SS/F-38). These forms should be posted daily in the Divisional Office from the copies of Goods Received Sheets and the Indents, the entries being made only in respect of value. The total value of receipts and issues as brought out in these Summaries should be reconciled with the corresponding monthly total of the Priced Stores Ledger, form PMGSY/SS/F-40 (Paragraph 8.2.29).

NOTE - To secure agreement between the quantity and value accounts, receipts and issues, the value of which cannot be adjusted in the accounts of the month in which the actual transactions take place, should be accounted for in the Summaries under the suspense heads "Un-paid bills" and Miscellaneous Works Advances against staff" respectively. Accordingly, those receipts and issues of the month which represent transactions,



the value of which is brought to account in the same month through the Cash Book or transfer entries should be separated from transactions not so brought to account. See also Note below paragraph 8.2.23.

**8.2.28** When abstracting the transactions recorded in the Goods Received Sheets and Indents, care should be taken to observe strictly the prescribed accounts classification, it is not sufficient to enter the name of the major head affected, but the minor and detailed heads should also be stated.

### ***V. Priced Stores Ledger***

**8.2.29** An account shall be maintained in the Accounts Branch of the Divisional Office to record day by day the transactions relating to each item of stock. This account should be maintained in form PMGSY/SS/F-40, Priced Stores Ledger, which will have different sections or sets of pages for different articles of stock with columns for receipts, issues and balances for both quantities and values. Separate Ledgers will be maintained for articles falling under each sub-head of Stock, as far as possible.

**8.2.30** All items of receipts and issues will be entered in the Ledger from the copies of Goods Received Sheets and the Indents which are received daily from the Sub-divisions vide paragraphs 8.2.6 and 8.2.11. At the end of day's postings, the balances under each article should be worked out in respect of quantities as well as values.

**8.2.31** The Ledger should be closed for both quantities and values at the end of each month. A few pages should be reserved at the end of each Ledger for abstracting the transactions (values only) pertaining to each article of stock. The monthly total of receipts, issues and balances should then be worked out for each sub-head and a consolidated abstract prepared for all the sub-heads, which should agree with the Summary of Stock Receipts and the Summary of Indents, vide paragraph 8.2.27.

### ***VI. Adjustment of Profit & Loss on Stock***

**8.2.32** In view of the wide fluctuations in the rate of bitumen, steel and cement, it is no longer practicable to prepare the profit and loss at the end of the year as the items are not sold at controlled rates fixed by Government. Therefore, to minimize the risk of loss to either the Government or the contractor, the rates should be fixed monthly. Any loss or profit in the previous month should be suitably taken care of by fixing the price of the next month.

Note: Whenever, a State Government seeks approval of the MORD/NRRDA to purchase stores and stock from PMGSY funds, it should explain how the costing will be done and who will bear the loss and what will be system of accounting. Only after the NRRDA approves the system, the stock should be purchased. Therefore,

the best way would be for the State to purchase the stock from its own resources, and supply it to the PMGSY against prior payment. The system described in subsequent paragraph is for the States where departmental work is taken up for un-avoidable reasons.

At the end of each month, the amount of excess or short-fall representing the differences in values due to revision of rates, etc, should be worked out *proforma* and credited to Miscellaneous Income if profit, or to works if loss. The loss to the works will be in proportion to the actual expenditure in a year on each work.

## **VII. Stock Taking**

**8.2.33** (a) A physical verification of all Stores shall be made at least once in every year under the rules prescribed by the "Head of Department" subject to such general directions as may be issued by the concerned departments of the State Government and subject to the condition that the verification is not entrusted to a person:

- (i) Who is the custodian, ledger-keeper or the Accountant of the Stores to be verified, or who is a nominee of, or is employed under the custodian, the ledger-keeper or the Accountant, or
- (ii) Who is not conversant with the classification, nomenclature and technique of the particular classes of stores to be verified.

The verifications shall never be left to low paid subordinates and in the case of large and important stores, it shall be, as far as possible, be entrusted to a responsible officer who is independent of the subordinate authority in charge of the stores.

(b) The result of all verifications of stock (as per provisions of the State Public Works Department Code) should be reported to the Divisional Officer for orders, but as soon as a discrepancy is noticed, the book balance must be set right by the verifying Officer, treating a surplus as a receipt and a deficit as an Issue, with a suitable remark.

**8.2.34** (a) The value of stores found surplus should be credited at once as a revenue receipt.

(b) The value of a deficit should, however not be debited to final heads, but kept under "Miscellaneous Works Advances" pending recovery or adjustment under orders of competent authority. When the loss is declared to be irrecoverable and its write off ordered, a transfer entry should be prepared clearing the head "Miscellaneous P.W. Advances" by debit to the detailed head Miscellaneous Receipts.

**8.2.35** In the case of special depots or divisions or of construction divisions where there may be large concentration of stores, their physical verification should be the duty of the executive authorities, and should be performed by such agency and in such detail as may be decided by the Department concerned in consultation with the Accounts Officer.

### ***VIII. Rectification of Accounts***

**8.2.36** Clerical errors in value accounts of stock should be dealt with generally under paragraph 7.6.4. Corrections of errors discovered after the accounts of the month are closed, should, when permissible, be made (i) by making entries of values (without quantities) in the Stock accounts of the current month when no change is to be made in the head of account affected, and (ii) by preparing transfer entries in other cases.

**8.2.37** Other corrections in Stock account may be necessary in the following cases :

(i) When quantities are found surplus or short, either as the result of stocktaking or otherwise, vide relevant paragraphs of the State Public Works Accounts Code (similar to Paragraphs 153 and 154 of the Central Public Works Department Code).

(ii) When issue rates have to be raised or lowered, vide paragraph 8.2.19.

(iii) When stores of any description become unserviceable relevant paragraphs of the State Public Works Accounts Code (similar to paragraph 152 of the Central Public Works Department Code) and have, therefore, to be removed from stock.

**8.2.38** These corrections should be effected in the following manner:

Both in quantity and value accounts, all additions to quantities should be treated as receipt and reductions therein as issues, a suitable remark being made in the entries in form PMGSY/SS/F-39 and PMGSY/SS/F-40. See also paragraphs 8.2.33 and 8.2.34. These entries must be made as soon as differences in quantities come to notice, but in the case of materials to be declared unserviceable, no adjustment should be made until receipt of orders of competent authority, which should be obtained on a Survey Report as prescribed in the State Public Works Codes.

**8.2.39** No correction will be made in the accounts in respect of stores declared to be in excess of requirements, vide paragraph 149 of the Central Public Works Department Code or equivalent paragraph of the State Public Works Department Code. Such stores will continue to be borne on the Stock account until transferred elsewhere or otherwise disposed of in the ordinary course.

### **8.3 Tools and Plant**

**8.3.1** PMGSY funds will not be used for the purchase or repairs of tools and plants.

**8.3.2** A contractor may hire the tools and plant, if available, from the State Public Works Department or equivalent on payment of hire charges and such other conditions as the State may have.

### **8.4 Road Metal**

#### **I. Quantity Accounts**

**8.4.1** Supplies of road metal should be measured and paid for in the same way as supplies of other materials for works, vide Chapter 11. But as metal is often kept in store at the road side before being laid down, a quantity account of it should be maintained in the Sub-divisional Office in form PMGSY/SS/F-42B , "Statement of Receipts, Issues and Balances of Road Metal", copies on loose sheets being submitted monthly to the Divisional Office within a fortnight of the submission of the monthly accounts.

NOTE 1 - The authority to write-off should be obtained on a Survey Report as laid in the State Public Works Codes.

NOTE 2 - This statement should show kilometer by kilometer the receipt, disposal and balance of road metal of each kind (stone, kunkar etc.). The balance of metal in each kilometer should be shown, whether there are any transactions on it during the month or not.

**8.4.2** In respect of metal required for new roads or for up-gradation of roads, the maintenance of this detailed account showing the receipts, issues and balances, kilometer by kilometer, may be dispensed with by the Divisional Officer, provided :

(1) that he should maintain in his own office, a register showing separately by each road or section of a road, the quantities of metal of each description paid for, month by month, in connection with all estimates for collection, and

(2) that, whenever any Executive Officer or subordinate responsible for any part of the balance of the metal is transferred, the accounts pertaining thereto should be verified.

This verification should be generally on the lines prescribed in paragraph 11.3.14, et. seq. the consumption since last verification being computed on a consideration of the work of construction or renewal actually done in connection with all estimates relating to the road or section.

## **II Rectification of Accounts**

**8.4.3** Metal found surplus, as the result of check measurement (vide provisions of the State Public Works Department Code corresponding to paragraph 39 of the Central Public Works Department Code) or otherwise, should at once be brought on the quantity account. Deficits should, however, not be removed from the quantity account until the recovery of their value or receipt of sanction to write-off, but a red ink remark should be recorded at once and carried forward, from month to month, until the discrepancy is set right.

## **III Schedule of Rates**

**8.4.4** A rate-book or Schedule of Rates showing the lowest rate at which metal can be supplied to the road-side throughout the division, should be kept in the divisional office in the form prescribed in the State Public Works Codes, with such modifications as may be considered necessary to suit local conditions. The rates should be revised from time to time, as old quarries are exhausted or new ones opened, or as other circumstances affect the rates. See also paragraph 11.6.10.

## **CHAPTER 9**

### **TRANSFER ENTRIES**

#### ***General***

**9.1.1** Transfer entries, that is, entries intended to transfer an item of receipt or charge from the account of a work in progress or a regular head of account to the account of another work or head- are 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 (or work), 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 or stock account e.g.
  - (i) for credit to "Unpaid Bills" on account of materials received for which the payment is not made during the month;
  - (ii) for credit to "Security Deposit" on account of balances due to contractors on closed accounts, vide paragraph 11.5.13;
  - (iii) for credit to revenue receipt heads on account of revenue not recovered in cash including lapsed Deposits;
  - (iv) 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. '

**9.1.2** 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.

**9.1.3** 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.

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

**9.1.5** For every transfer entry there must be an authority in Transfer Entry Order (form PMGSY / IA / F-17) which 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 order 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.

**9.1.6** A Transfer Entry Order may be initiated by the Sub-divisional Officer, and should be so initiated by him in all cases falling with in clauses (a), (b) and (c) of paragraph 9.1.1 which comes under his cognizance.

**9.1.7** 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 9.1.1, 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.

**9.1.8** 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.

NOTE - In cases of corrections involving a reduction in the charges against the estimate of work it is essential not only that full particulars of the vouchers and accounts in which the erroneous charges originally appeared are specified, but also that the circumstances in which the charges were allocated wrongly under the estimate for the work are set forth clearly. It is not sufficient to state that the charges were erroneously classified previously.

**9.1.9** As and when approved, each transfer entry order should be entered in the Transfer Entry Book (form PMGSY / IA /F-7), each entry initialed by the Divisional Accountant.

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

## **CHAPTER 10**

### **INCOME**

#### ***General***

**10.1.1** PMGSY Programme Fund aims to create assets. Any interest that comes on its funds with the bank belongs to MORD who provide the funds; and is not the income of the SRRDA. Any receipts by way of penalties, forfeitures etc. as part of the contract conditions are not income, but reduction in the cost of assets. Therefore, all these are taken to the head Incidental Funds. MORD, to whom this Fund belongs, decides its use.

Note: It is a wrong to equate these receipts as 'income' where net amount profit or loss is worked out between income and expenditure. The point to note is that the Programme Fund and interest earned is a liability of SRRDA towards MORD. It is not an income that belongs to SRRDA.



## **CHAPTER 11**

### **WORKS ACCOUNTS**

#### **11.1 General**

**11.1.1** Expenditure on the construction of a work may be divided broadly into two classes viz. (i) cash (ii) stores. In addition to the main charge, there are other charges affecting the cost of work. To account for all such charges affecting cost of works, separate accounts are maintained in the PIU for recording (i) the cost of individual works and (ii) the transactions of individual contractors/suppliers. These are known as works accounts.

**11.1.2** The initial record upon which the accounts of works are based is

-(i) The Measurement Book.

**11.1.3** The measurements of work done by daily rated labourers on a Muster Roll are recorded in the Measurement Book. The payments to contractors and others for the work done or other services rendered are made on the basis of measurements recorded in the Measurement Book.

**11.1.4** General instructions in regard to preparation of Muster Roll and recording of the quantum of work done in Measurement Book and also of writing the measurements in respect of work done by contract and supplies made in Measurements Books are detailed in this Chapter in paragraphs 11.2.3 and 11.2.7 to 11.2.9. The procedure prescribed by the Executing Agency for the preparation of muster rolls as per the provisions of the State Public Works Departmental or Accounts Code should be followed, *mutatis mutandis*.

**11.1.5** In recording the cost of an individual work in the accounts, no attempt is made to include therein any charge on account of general services, like Establishment and Tools and Plant, the entire cost whereof is borne by the State Government.

#### **11.2 Cash Payments**

##### **I. Introductory**

**11.2.1** Cash charges on works consist of payments (1) to labourers of their wages and (2) to contractors and others for work done or other services rendered. The cost of material procured specially for works, not paid for in the same month are charged to the accounts by transfer credit to the " Unpaid Bills" but payments to suppliers are governed by the same rules as payments to contractors for work done. Work-charged staff are not paid from the PMGSY funds. Therefore, no payment for it should be made from PMGSY Programme Fund.

The general rules relating to cash payments and vouchers apply to all these classes of payments. Only special rules are, therefore, set forth in this Chapter.

**11.2.2** Initial accounts and vouchers connected with charges relating to works must invariably specify:-

(a) The full name of the work as given in the estimate.

(b) The name of the component part of it, if separate accounts are kept up for the several component parts,  
and

(c) The charges (if any) which are of the nature of recoverable payments and the names of the contractors or others from whom recoverable.

NOTE - Normally no charge is to be incurred on behalf of a contractor, but where such expenditure is incurred under the orders of the competent authority it should be seen particularly that the contractors or others on whose behalf the charges are incurred do not get the benefit of any concession to which they would not be entitled if they had themselves incurred the charges.

## **II. Payments to Labourers**

### **(a) Departmental Labour**

**11.2.3** All persons engaged departmentally for the execution of works are considered as day labourers and their wages should be drawn on Muster Roll, form PMGSY/SS/F-48 and charged to the estimates of the works on which they are employed. Wages or salaries of the following categories are not charged to PMGSY funds:-

- (a) Permanent and temporary employees of the division.
- (b) Members of the work-charged establishment as defined in the State Public Works Department Code corresponding to paragraphs 10 and 11 of the Central Public Works Department Code.

Note 1: For all the labourers and workmen employed on Muster Rolls, a daily labour report in the form prescribed by the State Public Works Department Code indicating the number of labourers and workmen employed is required to be sent on each day to the Sub-Divisional Officer/ Divisional Officer and any discrepancies between labour reports and muster rolls should be investigated as soon as the latter are received for payment.

NOTE2 - Labour reports for Muster rolls containing 15 persons or less are not required to be sent.

**11.2.4** Subject to such departmental instructions as are issued from time to time, Muster rolls should be prepared in form PMGSY/SS/F-48 and dealt with in accordance with the following rules:-

- (a) One or more muster rolls should be kept for each road work.
- (b) Labourers may be paid more than once a month and the period covered by each payment may be determined locally, but separate rolls must be prepared for each period of payment.
- (c) The daily attendances and absences of labourers and the fines inflicted on them should be recorded daily in Part I of the muster roll in such a way as:-
  - (i) to facilitate the correct calculation of the net wages of each person for the period of payment.

(ii) to render it difficult to tamper with or to make un-authorised additions to, or alterations in, entries once made, and

(iii) to facilitate the correct classification of the cost of labour by works and sub-heads of works where necessary.

(d) After a muster roll has been closed, payment thereon should be made as expeditiously as possible. Acknowledgement, duly stamped where necessary, should be obtained from each payee on the Muster Roll and each payment should be made or witnessed by the official of highest standing available who should certify to the payments individually or by groups, at the same time specifying, both in words and in figures, at the foot of the muster roll, the total amount paid on each date. If any item remains unpaid, the details thereof should be recorded in a Register of Unpaid Wages, form PMGSY/SS/F-49 before the memorandum at the foot of the muster roll is completed by the person who made the payment. Register of unpaid wages will be kept work-wise.

(e) The subsequent payment of unpaid wages should be made on Payment Voucher form PMGSY / IA / F-6. A note of the payment be kept in the Register of Unpaid Wages as well as the relevant Muster Roll.

(f) Wages remaining unpaid for six months should be reported to the Divisional Officer who will decide in each case, whether the liability as an amount available for payment should continue to be borne in the accounts of the work concerned as exhibited in the sub-divisional record prescribed in clause (e) or should be taken to accounts. If he decides that it be taken to account, then the following transfer entry shall be made:

Debit: 11.01 or 11.02 account head

Credit: Miscellaneous Deposit

Un-paid wages taken on record.

NOTE - For action to be taken on the completion of the work, see paragraph No. 11.5.12.

(g) In Part II of the muster roll form should be recorded the progress of work done by the labour shown thereon in all cases.

NOTE 1 - The check of Muster Rolls with reference to the entries in the Measurement Books will be done to the extent of 100% by an officer not below the rank of Assistant Engineer before it is passed by the Divisional Officer.

(h) The procedure and the form for the custody and accounting of Muster Roll forms prescribed by the Executing Agency will be followed as a safeguard against their possible misuse.

## **(b) Labour engaged through a Contractor**

**11.2.5** The payment of daily labour through a contractor, instead of by muster roll in the usual way, is objectionable in principle. In a case of great emergency it may some times be found impossible to employ labour otherwise than through a contractor. Should it be possible, in such a case, to determine the quantities of work done after its completion or at intervals during its progress, it is expedient to pay the contractor, at suitable rates, on the basis of work actually executed. But, if as in the case of urgent removal of land slides, this method of payment is not practicable, it is permissible to pay the contractor on the basis of the numbers of labourers employed, day by day, his own profit or commission being either included in the rates allowed, or paid separately in lump sum or at a percentage rate. When this course is adopted a report of the numbers of labourers of each class employed day by day should be made daily by the official incharge of the work to the PIU to enable the latter to keep a check on the expenditure and to deal with the contractor's claim when received. To avoid disputes with the contractors, they should be encouraged to sign the daily reports in token of their acceptance as correct.

NOTE - The measurement book (paragraph 11.2.7) is must record the work done through this method.

## **(c) Travelling Expenses**

**11.2.6** When it is necessary to bring labourers and artificers from a distance they may be allowed wages for the number of days occupied in the journey to and from the site of the work, if they join the work with proper despatch. At the discretion of the Divisional Officer, *bona fide* travelling expenses may also be allowed to them. The above charge must be borne by the estimate of the work.

## **III. Payments to Suppliers and Contractors**

### **(a) Record of Measurement**

#### **(i) Measurement Books**

**11.2.7** Unless in any case the Executing Agency directs otherwise in accordance with the prescribed procedure, payments for all work done otherwise than by daily labour and for all supplies required for specific works are made on the basis of measurements recorded in measurement books, form PMGSY/IA/F-15 in accordance with the rules in paragraph 11.2.8. The measurement books should, therefore be considered as very important account records, and should be so written that the transactions are readily traceable in the Accounts of the PIU.

All the measurement books belonging to a division should be numbered serially and a register of them should be maintained in form PMGSY/SR/F-31 in the PIU showing the serial number of each book, the names of the sub-divisions to which issued, the date of issue and the date of its return, so that its eventual return to the divisional office may be watched.

## **(ii) Detailed Measurements**

**11.2.8** In recording detailed measurements, the following general instructions should be carefully observed:-

(a) Subject to such subsidiary orders as may be laid down by the Nodal Department, detailed measurements should be recorded only by Executive Engineer, Assistant Executive Engineer or Assistant Engineers, or by the executive subordinates in charge of works to whom measurement books have been supplied for the purpose.

(b) All items of work in a project, irrespective of their cost, shall be measured and recorded by the Officer-in-charge of the work, not lower than the rank of junior engineer/sub-engineer. It is, however, open to the rank of Sub-Divisional Officer to record measurements for any particular item of work himself.

(c) The Officer accepting the tender for any work may stipulate and require the Assistant Executive Engineer/Assistant Engineer to record measurements himself or exercise 100% check on the measurements recorded by his subordinate for any item including those, which owing to their situation, cannot subsequently be check-measured or which have very high unit rates or which in the opinion of the officer, are important.

(d) All measurements should be recorded neatly and directly in a measurement book, at the site of work, and no-where else.

(e) Each set of measurements should commence with entries stating:-

(i) In the case of bills for work done :-

(a) full name of work as given in estimate/agreement,

(b) situation of work,

(c) name of contractor,

(d) number and date of his agreement,

(e) date of written order to commence work,

(f) date of actual completion of work,

(g) date of measurement, and

(h) reference to the previous measurement.

NOTE - As an exception, the recording of entries (e) and (f) is not required in the case of work done under a piece-work agreement.

(ii) In the case of bills for supply of materials:-(a) name of supplier, (b) number and date of his agreement or order, (c) purpose of supply, (d) date of written order to commence supplies, (e) date of actual completion of supplies, and (f) date of measurement, and should end with the dated initials of the person making the measurements and with the acceptance of the measurements, by the contractor in terms of relevant clauses of his contract agreement. A suitable abstract should then be prepared in form PMGSY/IA/F-16 Bill Measurement Book which should collect, in the case of measurements for work done, the total quantities of each distinct item of work relating to each sanctioned estimate.

NOTE - As an exception, the recording of entries (d) and (e) is not required in the case of supplies made against a piece-work agreement.

(f) In the M.B.'s, and bill forms for running accounts bills, the full nomenclature of agreement items need not be re-produced but only the abbreviated nomenclature need be used. The agreement item No. shall, however, be mentioned against the abbreviated nomenclature. In the case of extra and substituted items of work for which no abbreviation/nomenclature is provided in the agreement, the full nomenclature of item shall be reproduced in the M.Bs. and bill forms for running account bills by the executive subordinate in-charge of the work. A certificate in the M.B. as under will also be recorded.

"Certified that for items where abbreviated nomenclature has been adopted, the work has been executed according to full nomenclature of the corresponding item of agreement."

(g) As all payments for work or supplies are based on the quantities recorded in the measurement book, it is incumbent upon the person taking the measurements to record the quantities clearly and accurately, and also to work out and enter in the measurement book the figures for the "contents or area" column. If the measurements are taken in connection with a running contract account on which work has been previously measured, he is further responsible (1) that reference to the last set of measurements is recorded and (2) that if the entire job or contract has been completed, date of completion is duly noted in the prescribed place, vide clause (e) above. If the measurements taken are the first set of measurements, on a running account, or the first and final measurements this fact should be suitably noted against the entrees in the measurement book and in the latter case, the actual date of completion noted in the prescribed place.

(h) The pages of the book should be machine numbered. Entries should be recorded continuously, and no blank pages left or page torn out. Any pages left blank inadvertently should be cancelled by diagonal lines, the cancellation being attested and dated by the responsible officer.

(i) The entries should be made in ink only. No entry may be erased. If a mistake is made, it should be corrected by crossing out the incorrect words or figures and inserting the corrections, the correction thus made being initialled and dated by the responsible officer. When any measurements are cancelled, the cancellation must be supported by the dated initials of the officer ordering the cancellation or by a reference to his orders initialled by the officer who made the measurements, the reasons for cancellation being also recorded. A reliable record is the object to be aimed at, as it may have to be produced as evidence in a Court of Law.

(j) On completion of the abstract, the measurement book should be submitted to the Sub-divisional Officer who after carrying out the required test check should enter the word "Check and Bill" with his dated initials. After the bill is received from the Contractor, the Sub-divisional Clerk should then check the calculation of quantities in the abstract and the bill, in case of work carried out by contract, and should then place the Measurement Book and the bill before the Sub-divisional Officer who after comparing the two should sign the bill and the Measurement Book at the end of the abstract. In case the bill from the contractor is not received within 15 days of the date of measurement, the Sub-divisional clerk should check the calculations of the quantities in the abstract and place it before the Sub-divisional Officer who shall sign it in acceptance of the calculations.

(k) Any corrections to calculations or rates made in the PIU should be made in red ink and brought to notice of the Divisional Officer and of the person recording the original measurements. In the case of final bill, payment should be deferred until the corrections have been accepted by the person making the measurements. All corrections made by the clerical staff should be in red ink.

(l) Each measurement book should be provided with an index which should be kept up-to-date.

## **Test checking of measurements**

**11.2.9** The Sub-divisional Officer must satisfy himself [before passing a bill for payment] before submitting it to the Divisional Officer for payment that the work or supply billed for has actually been carried out/completed in accordance with the claim preferred. He should personally inspect all works of any magnitude before submitting claims of final payments in connection therewith.

In addition to the above, the Sub-divisional Officer is to check measurement of the works in his charge as laid down in State Departmental Manual equivalent of the Central Public Works Department Code.

#### ***(IV) Review of Measurements***

##### **(a) Checks by Divisional Accountant**

**11.2.10** The entries recorded in each completed measurement books may be subjected to a percentage check by the Divisional Accountant under the supervision of the Divisional Officer. Detailed rules on this subject may be laid down by the Executing Agency who will also prescribe the procedure for a system of test check of recorded measurements by the Superior Officers of the Department.

##### **(b) Bills and Vouchers**

**11.2.11** The authorized forms of bills and vouchers are the following :-

- (a) First and Final Bill, PMGSY/SS/F-47.
- (b) Running Account Bill, form PMGSY/IA/F-11.
- (c) Payment Voucher, form PMGSY/IA/F-6.

The use of the forms is explained in the following paragraphs and a few explanatory footnotes are printed on the forms.

**11.2.12** First and Final Bill, form PMGSY/SS/F-47. This form should be used for making payments both to contractors for work and to suppliers, when a single payment is made for a job or contract, i.e., on its completion.

**11.2.13** Running Account Bill, form PMGSY/IA/F-11: This form is used for all running and final payments to contractors and suppliers, including cases where advance payments are proposed to be made or are already outstanding in respect of the same work against the contractor. In cases, where secured advances are to be made or are already outstanding in respect of the same work against the contractor, Account of Secured Advances, form PMGSY/IA/F-12 should be attached to the bill.

**11.2.14** Payment Voucher, form PMGSY/IA/F-6: This is a simple form of voucher intended to be used for all miscellaneous payments and advances, for which the special forms PMGSY/SS/F-47 and PMGSY/IA/F-11 are not suitable. The claim for refund of lapsed deposit should, however, be preferred in form PMGSY/SS/F-51.



### **(c) Preparation, Examination & Payment of Bills**

**11.2.15** The contractor is required to prepare the bill and submit it for payment. Before the bill of a contractor is checked, the entries in the measurement book relating to the description and quantities of work of supplies should be scrutinised and check measured by the Sub-divisional Officer as contained in paragraph 11.2.9 and the calculations of "Contents or area" should be checked arithmetically under his supervision. The bill should then be checked, from the measurement entries. The rates allowed should be entered in the abstract of measurements. Full rates as per agreement catalogue, indent or other order should be allowed only if the quality of work done or supplies made is up to the stipulated specification. When the work or supplies fall short of that standard, the payment for that item of work should be withheld until the contractor corrects the shortcomings and brings it up to the specifications.

NOTE 1 - If the contract agreement does not specify the rates to be paid for the several classes of work or supply, but merely states that the estimated rates or a certain percentage below or above them, will be allowed, it should be seen that the standard rates adopted are those of the sanctioned estimate which was in force at the time of the last date of submission of bids.

Subsequent sanctions to original or revised estimate have no effect on the terms of such an agreement. If no sanctioned estimate is in existence at the time of signing the agreement or the tender, as the case may be, the rates payable for each item of work should be specified, as any reference to an estimate not yet sanctioned is meaningless and cannot be acted upon.

NOTE 2 - Sometimes payment for supplies is made after the stores have been received and surveyed. At other times, payments are permitted on production of Railway Receipt; such payment will be treated as an advance against final settlement on receipt of the stores. The advance payments against production of Railway Receipts or to make advance payment to firms for supply of stores, should be debited to the Head of Account "advances to Contractors/Suppliers" which should be cleared by credit when the material is actually received. An account of advances to the suppliers should be kept in form PMGSY/SS/F-45.

**11.2.16** Before signing and submission of the bill to Divisional Officer for check and payment, the Sub-divisional Officer should compare the quantities in the bill with those recorded in the measurement book and see that all the rates are correctly entered and that calculations have been checked arithmetically. When the bill is on a running account, it should be compared with the previous bill. Memorandum of Payments should then be made up, any recoveries which should be made on account of the work or supply on other accounts being shown therein.

NOTE 1 - Subject to such special orders as may be issued by State Government in this behalf, whenever fractions of a rupee occur in the totals of contractors' bills, or in the case of supplies or works chargeable to more than one estimate, in the totals chargeable to each estimate, fractions less than half a rupee may be disregarded, and half a rupee and over taken as a rupee.

NOTE 2 - In PMGSY, the contracts are awarded for the completed works with the stipulation that the contractor will procure and use the materials himself and will be paid rates inclusive of the materials. However, if the contract is for the completed items of work and, under the provisions of paragraph 11.3.2, the contractor is required to obtain materials of any description from PIU, or the State Government, it should be seen that this condition is being complied with and that necessary recoveries of the cost of the materials, supplied to him, are being made in accordance with the paragraph 11.3.6. In such a case it is not permissible for the contractor to obtain the materials otherwise.

NOTE 3 - Before signing a first and final bill or the first bill on a running account the Sub-divisional Officer should see that the relevant measurement entries were marked as pertaining to such bills by the person taking the measurements, vide paragraph 11.2.8.

NOTE 4 - Bills which include charges on account of purchase of goods on which Sales Tax has also been charged should be supported, by the following Certificate signed by the Divisional Officer.

"Certified that in the case of items relating to the purchases of goods on which Sales Tax has been charged, the goods have not been exempted under the Central/State Sales Tax Act or the rules made thereunder and that the amounts paid on account of Sales Tax or Value Added Tax on these goods are correct under the provisions of that Act or the rules made thereunder and that in the case of supplies against regular contracts the relevant contract includes a specific provision to the effect that Sales Tax payable by Government".

NOTE 5 - Under section 194-C of the Income Tax Act, 1961 introduced by Finance Act, 1972, deduction of Income Tax and surcharge on it is required to be made at source by Disbursing Officers from payments made to contractors in certain cases.

Before signing the first and final bill/the Running Account bill/or the final bill in the case of Running Account Bill, Divisional Officer should see that:-

- (i) the statutory deduction on account of Income Tax and surcharge on it, wherever due, has been made from the bill of the contractors: and
- (ii) the same is specifically shown in the Memorandum of payments thereof under the item, "By recovery of amounts creditable to other works or heads of account".

**11.2.17** From the measurement book all quantities should be clearly traceable into the documents on which payments are made. When a bill is prepared or checked for the work or supplies measured, every page containing the detailed measurements must be invariably scored out by a diagonal red ink line, and when the payment is made an endorsement must be made in red ink, on the abstract of measurements, giving a reference to the number and date of the voucher of payment.

NOTE - The document on which payment is made should invariably show, in the space provided for the purpose, the number and page of the measurement book in which the detailed measurements are recorded and the date on which the measurement was made.

**11.2.18** (a) Payments for work done or supplies made on a running account should ordinarily be made monthly, or fortnightly, (as may be decided by SRRDA) as per the terms of the relevant clauses of the Contract Agreement. Both the "quantities" and "amount" of each distinct item of work or supply should be shown separately in the bill except in the case of advance payments when quantities need not be specified.

(b) Such payments should be treated as payments on a account, subject to adjustment in final bill which should be drawn, in the appropriate form but printed on yellow paper, when work or supply is completed or the running account is to be closed for other reasons. When a final payment is made on a running account, the payee, if he is able to write, should add in his own handwriting that the payment is "in full and final settlement of all demands." If the payee is illiterate, or is unable to write beyond signing his name, these words should be filled in by the officer making the payment.

NOTE 1 - The addition of the words "in full and final settlement of all demands" does not preclude the Disbursing Officer from entertaining a further bona fide claim which may have been omitted from the final bill by mistake or through inadvertence. If, despite this explanation, the contractor objects to the addition of the words in question, the payment should be rendered unconditionally, (vide Section 38 of the Indian Contract Act, 1972).

NOTE 2 - A form printed on yellow paper is never to be used except for final payment.

(c) A separate running account is maintained in respect of each contract or package. Transactions relating to two or more separate packages should not be brought on to the same running account; they should, therefore, not be covered by a single contract.

NOTE 1 - A package normally covers several roads, each road having a separate estimate. The procedure for recording the progress of work on each road will be as follow:

(a) The running account/final bill shall show the progress of work for each road separately, with an abstract of the work done for all the roads.

(b) Memorandum of Payment shall be prepared for all the roads of the package together.

Note 2: Where a contractor is not able to complete all the road in the package, the Divisional Officer may award the remaining work to another contractor under another agreement after following the requisite procedure for the rescinding etc. of the earlier contract. This will not affect the recording of the expenditure in the Register of Works, and the contractors' ledger.

**11.2.19** Where a contract agreement provides for secured advance against materials, and secured advances are allowed by the Divisional Officer under paragraph 11.2.21(a) to a contractor whose contract is for finished work, it should be seen that an Indenture in form PMGSY/IA/F-14, (or similar indenture prescribed in State Public Works Accounts Code) has been signed by the contractor, and a detailed account of the advances must be kept in form PMGSY/IA/F-12, the Account of Secured Advances, which should be attached to the Running Account Bill. There should be separate entries, in respect of each class of materials, of the quantities brought to site by the contractor and the amounts advanced under the orders of the Divisional Officer. These advances must be recovered by deduction from the contractor's bills for work done as the materials are used in construction and the items of work in which they are used are billed for on the basis of actual measurement and as per the terms and conditions of the contract. Part I of the bill and form PMGSY/IA/F-12 should be compared to see that this order is being complied with. As recoveries are made, the outstanding amounts of the items concerned in form PMGSY/IA/F-12 should be reduced by making deduction entries in the column, "Deduct-Quantity utilised in work measured since previous bill", equivalent to the quantities of the materials used by the contractor on items of work shown as executed in Part I of the bill.

NOTE - No record should be kept in Measurement Books of the quantities of the materials, but certificate printed on form PMGSY/IA/F-12 should be signed by the Divisional Officer in terms of paragraph 11.2.21 (a).

#### **(d) Aid to Contractors**

**11.2.20** It is necessary sometimes, in the interest of work, to engage labourers or contractors or to incur other liabilities on behalf of the contractor concerned, with a view to complete work which he has neglected or failed to complete. In such a case it is permissible to spend PMGSY funds on behalf of the contractor in accordance with the terms of his agreement. Otherwise, no advance or recoverable payment should be made to or on behalf of a contractor nor should financial aid be given to him in any form, except in accordance with paragraphs 11.2.21 and 11.2.22.

NOTE 1 - For rules relating to the issue of materials to contractors, see paragraph 11.3.2.

NOTE 2 - With a view to avoid subsequent disputes with the contractor, suitable intimation should be sent to him (1) as soon as action is taken under this paragraph and (2) subsequently, as charges are incurred on his account.

#### **(e) Advance to Contractors**

**11.2.21** Advances to contractors are to be made as per the conditions of contract. Generally, these fall into the following categories:

(a) Cases may arise in which a contractor, whose contract is for finished work, requires an advance on the security of materials brought to site. Divisional Officers may, in such cases, sanction advances up to an amount laid down in the conditions of contract after assessing the value of material brought to site, and provided that the material is of an imperishable nature and that a formal agreement is drawn up with the contractor under which SRRDA secures a lien on the materials and is safeguarded against losses due to the contractor postponing the execution of the work or to the shortage or misuse of the materials, and against the expense entailed for their proper watch and safe custody. Payment of such advances should be made only on the certificate of an officer not below the rank of Sub-Divisional Officer, that the contract agreement provides for secured advance by citing the relevant clause of the contract agreement, that the quantities of materials upon which the advances are made have actually been brought to site, that the contractor has not previously received any advance on that security and that all the materials are required by the contractor for use on items of work for which rate for finished work have been agreed upon. The officer granting such a certificate will be held personally responsible for any over- payment which may occur in consequence. Recoveries of advances so made should not be postponed until the whole of the work entrusted to the contractor is completed. They should be made from his bills for work done as the materials are used.

(b) Grant of mobilization advance and advance against plant and machinery etc. to the contractors for road works. Where the contract provides for the grant of mobilization advance and/or advance against plant and machinery, the grant of advances and recovery will be in accordance with the contract provisions. The contractor has to provide the bank guarantees or other securities before any advance is released to him. The Divisional Officer will satisfy himself that the bank guarantees/securities are acceptable in accordance with the conditions of the contract.

(c) Record of the Mobilisation and Machinery advances will be kept in form PMGSY/IA/F-13.

Note: Interest on Mobilisation Advance will be charged only if the contract conditions provide for it specifically. Where realized, it would be treated as "incidental receipts" (and not deduction of works expenditure) creditable to the Head 21.05, Miscellaneous Receipts.

**11.2.22** The Standard Bidding Documents of the PMGSY do not provide for advance payment for work done and not measured. Therefore, advance payment will not be made. Further, where the work has been measured, the payment to the contractor shall be made only on the running account bill after the usual action prescribed for it. However, the NRRDA may authorise advance payment in any individual case on the merits of the case with such conditions as it deems fit.

#### ***IV. Payments to Work-Charged Establishment***

**11.2.23** PMGSY funds will not be used for payment to work-charged staff.

### ***11.3 Issue of Materials***

#### **I. General**

**11.3.1** Issues of materials to works are divided into two classes:-

(1) Issue to Contractors: Issue of materials to contractors with whom agreements in respect of completed items of works i.e., for both labour and materials have been entered into.

(2) Issue Direct to Works: Issue of materials when work is done departmentally or by contractors whose agreements are for labour only.

## **II. To Contractors**

### **(a) General Conditions**

**11.3.2** (a) The issue of material to contractors who have contracted for completed items of work, is generally permissible only in the following circumstances:-

(i) When it is necessary to retain in the hands of PIU the supply of specified material to ensure their quality, and the agreement provides for it.

(b) The contract should specify (1) the materials to be supplied for use of the work, (2) the place or places of delivery, and (3) that the market rates will apply as prevalent on a specified date each month, published by an a specified authority. The contractor should be held responsible for obtaining from the PIU all such materials required for the work and for making payment therefor. The Contractor will have to make payment in advance unless the material was purchased out of the Programme Fund of PMGSY and also by the same PIU where the contractor is executing the work. In all other cases where the material is purchased out of State funds, or by other PIUs out of PMGSY funds, the material would be issued only against advance payment.

Note 1: If the material was purchased from the Programme Fund of the PMGSY by a PIU, then the PIU may issue material to the contractor for its PMGSY works, and recover the cost of the material from the running account bill of the contractor. The material issued will be debited to the account head no.17.02 Material issued to the Contractors. In such cases the deduction from his bills will be at the rates specified in the contract.

NOTE 2 - Similarly, the rates to be allowed to the contractor for item of work should be definitely stated. But, if for any specific reasons, the contract provides for the payments for work done to be made at a specified percentage below or above the rates entered in the sanctioned estimate of work (or the Schedule of Rates), it should be stated in clear terms in the contract that the deductions or additions, as the case may be, of the percentage, will be calculated on the gross (and not the net), amounts of the bills for work done, and in fixing the percentage it should be borne in mind that the calculations will be so made.

(c) No carriage or incidental charges are borne by the PIU for moving the materials beyond the place where the contractor has agreed to take delivery thereof.

**11.3.3** (a) If at any time subsequent to the execution of a contract on a through rate basis, the contractor desires the issue to him, for use on a work, of materials which exist in PIU's stock, but the supply whereof was not provided for in the contract, the material should not be issued except with the express authority of the next

higher authority who should specify in each case the rate to be charged for the materials inclusive of delivery at the place where they are stored. When submitting such a case, the Divisional Officer should elucidate the circumstances which gave rise to this contingency and should also add his recommendations in respect of the recovery rates for such materials. The rate charged for the materials should be as provided in the analysis of rate for the item of work on which it would be used plus or minus the percentage above or below the Schedule rate allowed to the Contractor or market rate or stock issue rate plus storage charges whichever is higher. No carriage or incidental charges should be borne by PIU in connection with the supply. Where the material is issued out of the stocks purchased from the funds of the State Government, the recovery rate will be decided under the orders existing on the subject, provided that the material will be issued only against advance payment by the contractor. There will be no adjustment between the PIU works and the State Works accounts.

NOTE - (a) The intention of this rule is to prohibit the supply of materials to contractors with the object of giving them financial aid, the grant of which is governed by the rules in paragraphs 11.2.21 et. seq.

(b) If in any case the materials, the supply of which is stipulated in the contract, do not become available in time for supply to the contractor, then the supply must be arranged by the Divisional Officers by purchasing the materials from other sources and then supplied to the contractor at the stipulated rates as required under Note 1 below paragraph 11.3.2 (b) read with Note 2 under 11.2.16 of the Manual *ibid*.

(c) Issue of stock materials to contractors for bona fide use on works are exempt from the usual charge of 10 per cent on account of supervision and contingencies which is made when stock materials are sold to the public

## **(b) Account Procedure**

**11.3.4** All materials required for issue to a contractor, under any of the provisions of paragraphs 11.3.2 and 11.3.3 should be made over to him on a regulated scale and restricted to actual, immediate requirement, and an unstamped, but dated acknowledgement, detailing full particulars of the materials including the rates and values chargeable to him, should at once be taken from the contractor. The issue of materials should simultaneously be entered in the Contractors Ledger, form PMGSY/IA/F-18.

**11.3.5** When the materials are obtained by purchases, full details of the articles received should at once be entered in a Measurement Book, form PMGSY / IA / F-15, in the manner prescribed in paragraph 11.2.8 (e). See also paragraph 8.2.4 and 8.2.5.

**11.3.6** The recovery from a contractor on account of the cost of material issued to him for use on a work should ordinarily be made by deduction from the first bill authorising an advance payment or an on account payment



to him for the work. Should, however, a lump-sum recovery be undesirable in any case, the Divisional Officer may permit the recovery to be effected gradually as the materials issued to the contractor are actually used in construction and the items of work in which they are used are paid for, whether by an advance payment or by an on account payment. The recovery will be finally effected as per the provisions of the contract agreement.

**11.3.7** As the issue of materials to contractors under the foregoing rules is permissible solely for the bona fide requirements of PMGSY works, Sub-divisional Officers should maintain a numerical account in the Register of Material at Site in form PMGSY/SS/F-44A so as to ensure that the aggregate of the quantities of any or all materials issued to a contractor, from time to time, for use on a work remains within the estimated requirements of his contract, vide paragraph 11.3.4.

### **(c) Return of Surplus Materials**

**11.3.8** Stores supplied by PIUs - The unused stores and materials supplied by the PIU will not be taken back. These are contractor's property as he has paid for them.

## ***III. Direct to Original Works***

### **(a) Detailed accounts of materials issued**

**11.3.9** (a) In all cases, materials issued from PIU's stores for departmental works should be taken to the Head 12 Material Directly Issued for Departmental Works (Material at Site Account).

(b) In the case of materials received direct from suppliers, or other divisions, payments for which is made from PMGSY funds, these must be taken to the Stores and Stock Account first. Full details of the articles received should at the same time be entered in a Measurement Book, form PMGSY/IA/F-15.

**11.3.10** A detailed account of item of materials showing the receipts, issues and balances, should be kept in forms PMGSY/SS/F-43, or 44 or 44A so that the total issues of each items may be watched with reference to the estimated requirements.

### **(b) Disposal of Surplus Material**

**11.3.11** (a) Materials issued to departmental works in excess of requirements may be transferred to stock, provided that they are serviceable and certain to be required.

(b) All surplus materials at site of works, which have been completed or stopped or on which outlay has been prohibited for any considerable length of time, should be transferred to the Stock Account, their value being credited to the work to which they were originally issued and debited to the Stock Account.

(c) Materials returned to stores should be priced at the rate at which these were issued last.

(d) The loss by the disposal of surplus materials at less than the book value should be debited to the Miscellaneous Income. The authority competent to declare stores surplus will be the authority declared under the State Public Works Department or its corresponding department like Rural Engineering etc.

NOTE - These rules do not apply to surplus materials which were originally procured by contractors for themselves or were issued to them and charged off to their accounts under paragraph 11.3.4. See also paragraph 11.3.8.

### **(c) Verification of Unused Balances**

**11.3.12** Unused balances of materials charged to Materials issued to works should be verified at least once a quarter in the manner prescribed in the State Public Works Department code similar to paragraph 154 of the Central Public Works Department Code. Whenever this verification is made, a report of verification of the materials should be prepared by the Sub-divisional Officer in such form as may be prescribed and submitted to the Divisional Office.

**11.3.13** A similar verification of the unused balances of materials must invariably be made on the completion of a work, but on or before the completion of a work, when no more materials are required for use in construction, steps should first be taken to dispose of all surplus materials by transfer or sale, so that (1) the PMGSY's Programme Fund may promptly receive such credits as may be admissible under paragraph 11.3.11. The balance at debit of the head "Materials at Site" may, as far as possible, represent the net cost of the materials not actually used in construction, and (3) the surplus balances awaiting clearance may be reduced to a minimum.

**11.3.14** If the Gazetted Officer or subordinate in direct charge of a work, the accounts of which are kept by sub-heads, is transferred before the accounts of it are closed the unused materials at site of the work should be verified by the relieving officer, in company with the relieved officer, and the report prescribed in paragraph 11.3.12 should be prepared by the Sub-divisional Officer and submitted to the Divisional Office.

**11.3.15** The physical verification of unused materials under each item with the balance shown in form PMGSY/SS/F-43 or 44 should be made annually in respect of all works, the accounts of which were opened on

the last day of the official year, but it is not necessary that the balance should be verified at the close of the year, if:-

- (i) the work has been under construction for not more than three months.
  - (ii) the accounts of the works are expected to be closed within three months,
- or
- (iii) the balances were verified at any time during the year.

**11.3.16** After the completion of a work, materials issued by the PIU, theoretical calculations of all the items of materials used on the work should be compared with the materials issued to find out if there is any excess or shortage and investigation made. The head Material at Site will be cleared to transfer to the works after the measurement of work are done. A Transfer Entry Order for this purpose should be made by the Divisional Officer.

## ***11.4 Adjustments***

**11.4.1** In addition to cash payments and issues of materials, there are other transactions relating to the accounts of works, which are of the nature of adjustments usually recorded in the Transfer Entry Book of the PIU. The detailed rules governing such transactions are given in Chapter 9.

## ***11.5 General Ledger of Debit Balances***

### **I. Introductory**

**11.5.1** All the transactions relating to a work, or advances for any purpose, during a month should be posted by the Divisional Officer in the General Ledger (Debit Balances) form PMGSY/IA/F-8

### **II. Classification and Record of Final Charges**

**11.5.2** The division of an Estimate into sub-heads for the purpose of accounts is guided usually by the classification sanctioned in the abstract of the estimate. For the PMGSY works awarded to contractors on full rates, the sub-heads are each of the roads of the package. For departmental works, , each road is a separate works, and its sub-heads will be the same as used in the estimates of work, under broad headings.

**11.5.3** After an Estimate has been sanctioned, it may be decided to make a change in the method originally contemplated for the execution of the work. In such a case the original abstract should be recast in accordance with the instructions laid down in paragraph 11.5.1. The details of cost and quantities already approved by

competent authority should be rearranged and the revised abstract should be approved by the Divisional Officer and thereafter treated as the sanctioned abstract of the estimate for all accounts purposes.

**11.5.4** If the number of sub-heads in the working estimate for a work being executed departmentally is large, it is permissible to break up the estimate into two or more parts, and to treat each part as sub-work for the purposes of accounts; but no part of an estimate can be separated from the rest, if any contract for the execution of work connected with it covers also work connected with the other parts. It is advisable to adopt this course if one or more parts of a work in advance of the others and no useful purpose will be served by keeping open the accounts of the completed parts.

**11.5.5** The account of the work in the Register of Works should ordinarily exhibit "amount", i.e., total charges finally classified under the relevant sub-head, namely roads.

**11.5.6** When provision is made in the abstract of estimate separately for "labour" and "materials" to execute the work either departmentally or through a contract for labour only, the account of the cost of all materials issued to the work , should be kept under a single head entitled "Materials", the sanctioned amount of which should be taken to be equivalent to the aggregate, provision for "Materials" in the estimate. Register of Works will show the amount of materials used and the labour cost.

**11.5.7** When the sub-heads of a work are divided into "labour" and "materials", the "rate of cost" of the labour charges relating to each sub-head can be watched separately and the necessary control over the expenditure on materials can be exercised through the head "Materials" and the detailed statement in form PMGSY/SS/F-43 or 44 supporting the entries under that head. It is unnecessary, therefore, for purposes of financial control over the outlay, either to record in the Works Abstract, month by month during the progress of construction, the outlay on the materials relating to sanctioned estimate or, to strike the inclusive "rate of cost" of the whole sub-head monthly.

**11.5.8** The charges classified under a final sub-head should include all ordinary expenses incidental to construction. If any part of a work is pulled down and rebuilt to any serious extent, the extra charge for construction should be debited to sub-head "Contingencies" instead or, with the sanction of the competent authority, to a new sub-head additional to the original sanctioned sub-heads of the estimate.

### **III. Suspense Accounts**

#### **(a) General**

**11.5.9** In the PMGSY accounting system, the Register of Works does not have any suspense heads, as the expenditure in each road is the final charge to it. For the works being executed departmentally, the account Material at Site Account is a transitory account to record the material issued to work. This is cleared when the work done is measured by debit to the final head of account and also posting in the Register of Works.

#### **(c) Contractors Account**

**11.5.10** Advance payments made to a contractor should not be charged of as final outlay on the work. It should be debited to the relevant minor head under the Major head Advances. A record of this should also be kept in the Contractors Ledger. "Contractors - Advance Payments", form PMGSY/IA/F-18.

**11.5.11** Advances made to contractors and suppliers under paragraph 11.2.21 are not booked to the Register of Works. These are debited to the minor head concerned under the Major Head 17 Advances, and also posted in the relevant column of the Contractors' ledger.

**11.5.12** If any wages of labourers remain unpaid after the completion of a work, the accounts of the work may be kept open for a period of one month, which may be extended to three months at the discretion of the Divisional Officer. Thereafter, the accounts of the work should be closed, the balance amount of unpaid wages should be shown in any Completion Report or Statement that may be prepared under the rules in paragraph 106 of the Central Public Works Department Code, (or similar provisions of the State Code) by a special remark, as a liability against the work.

NOTE - If unpaid wages of labourers are claimed and paid subsequently to the closing of the account of a work, the payment should ordinarily be charged against the amount outstanding in the minor head concerned. A correction to the Completion Report should be made.

**11.5.13** The works accounts of a contractor should be closed as soon he completes the construction of the roads in the package. If he does not take final payment for more than one month after the final bill for the construction work is over, , a note to this effect should be recorded on the bill, the amount of the work as passed on the bill should be incorporated in the Register of Works on the authority of the bill and the balance due to him should be removed from the accounts of the work by credit to the head "Sums due to contractors on closed accounts ", and debit to the head 11.01 or 11.2 Construction of New Roads or Up-gradation of Roads. If

the final account of a contractor shows that he has already been overpaid or that the account closes with a balance due by him, the account should be settled by a recovery in cash or otherwise, but if an immediate recovery is not practicable, the balance should be removed by debit to the head "Miscellaneous Works Advances", and recovered from the encashing his Performance Security..

**11.5.14** Disbursing Officers are responsible for keeping a strict watch over the balances under the head material issued to contractors, material issued at site, advances of various kinds to contractors with a view to prompt adjustment by recovery, settlement of account or detailed measurement, as the case may be. For this purpose the statement headed\_"Detail of Contractors closing balance" in the Works Ledger and the record of unpaid wages maintained under paragraph 11.2.3(e) should be examined monthly. Subject to the provisions of paragraph 11.5.12 these accounts should be cleared before the accounts of a work can be closed on completion.

#### ***IV. Liabilities Awaiting Incorporation***

**11.5.15** Liabilities are not incorporated in the accounts of works, except in the following cases:

- (a) Unpaid balances of partly paid running account bill or muster rolls are invariably incorporated.
- (b) The value of materials received from sources other than stock is at once brought into the accounts of works even though payments to the suppliers and adjustments crediting the transfer accounts concerned, may not be made at once, vide paragraph 11.3.9 (b); and
- (c) Wholly unpaid muster rolls and bills of contractors and suppliers are sometimes taken to account.

Disbursing Officers, are however, responsible for keeping a strict watch over all liabilities with a view to settling them promptly. Money indisputably payable should never be left unpaid. It is no economy to postpone inevitable payments, and it is very important to ascertain, liquidate and record the payment of all actual obligations at the earliest possible date.

**11.5.16** If any liabilities of works are incurred on behalf of contractors under the provisions of paragraph 11.2.21., arrangements should be made for withholding sufficient balances from their bills or for making necessary recoveries from them in due course. On the analogy of the rule in paragraph 11.2.2, all records on the authority of which liabilities may be liquidated or incorporated in the accounts, should invariably specify (1) the full name of the work as entered in the estimate, Agreement number or Supply order Number etc., and (2) the recoverable charges if any, with the name of the contractor or other person from whom recoverable.

## ***V. Register of Works***

### **I. Form of Register of Works and Its Preparation**

**11.6.1** (a) The permanent and collective record of the expenditure incurred in the division, during a year, on each work is the Register of Works. This record is maintained in the PIU, in form PMGSY/IA/F19.

**11.6.2** The Registers of Works are posted monthly from the General Ledger of Debit Balances. Where an agreement is for construction of more than one road, then each road will be taken as a subhead of the package of works. The Contractor Ledger PMGSY/IA/F-18 will take care of all the advances to the Contractor posted from the General Ledger of Debit Balances and the total payments of works done. Whereas the Register of Works shows details of up to date expenditure on roads, the Contractors Ledger shows details of each contractor's account. A separate folio or set of folios of form PMGSY/IA/F19 should be assigned to each Works Contract. The following instructions should receive special attention:-

(a) The Register of Works is part of the General Ledger of Debit Balances as it contains road wise and works wise details where as the General Ledger of Debit Balances contains broad details of expenditure on all new roads, or up gradation of roads, plantations etc. For facility of reference, the Register of Works should be supplied with an index which should be sub-divided under the prescribed heads of account classification.

(b) The sanctioned amount of estimate should be entered in respect of each work, and each road. When revised estimates are sanctioned, the revised amounts with the date of sanction should be entered below the corresponding amounts of the original estimates. This information is essential because the computerized system will then work out the difference between the sanctioned amount and the payments made to show the remaining commitments, so that PIU and SRRDA may forecast funds required for the future.

(c) Authorisations are sanctioned individually for the amount of approvals for the year should be noted in the register at the top of the page, any additions or deductions made during the year being noted in the same place. Details of all the sanctioned estimates should be kept at one place in the Register of Sanctioned Estimates in form PMGSY/SR/F-24.

### **II. Examination by Divisional Officer**

**11.6.3** Before the date of submission of the monthly accounts to the Accounts Officer, the posting of the Registers of Works should be completed and the registers should then be laid before the Divisional Officer for review. The monthly account of each work on which there has been expenditure during the month should be initialled (and dated) by the Divisional Officer in the column set apart for the purpose, in token of his having

examined the entries and found them correct. Actual, as well as, probable excesses, whether in the total cost of a work or in the rate of cost should receive special attention, and works slips showing the sanctioned estimate, actual expenditure and likely further expenditure be prepared and submitted to the Superintending Engineer, when necessary vide paragraph 36 & 46 of the Central Public Works Department Code or equivalent provisions of the State PWD code.

### ***III. Closing the Accounts on Completion of Work***

#### **(a) Settlement of Liabilities and Assets**

**11.6.4** It is an object of great importance to close the accounts of works as soon as possible after the actual work of construction is completed. A work is complete only after the final bill, for the construction of roads, of the contractor is passed and paid. No work should be shown complete if the final bill has not been paid as it gives misleading information.

NOTE - When it is decided to abandon a work, the accounts relating to the work should be closed as soon as possible after such decision is reached.

**11.6.5** Before the account of work can be closed on its completion, it should be seen that all advances from the contractor have been fully recovered as per the terms of the contract. Similarly, any amount outstanding in the account head "Material issued to contractors" or in the "Material issued for departmental works, MAS account" should be cleared by necessary adjustments. Any amount recoverable from the contractor on account of liquidated damages should first be recovered or withheld from the running account bill.

Note: The Account Heads "Material Issued to Contractors" and "Material Issued to Departmental Works, MAS accounts" should receive the special attention of the Divisional Officer who should, if necessary, investigate large closing balances under this head before permitting the accounts of the work to be closed.

#### **(b) Closing entries and review of expenditure**

**11.6.6** When the work is completed and the accounts of it have been settled and written up as indicated in paragraph 11.6.5 a double red ink line should be ruled below the final entries and a note made in red ink "Work completed in ...20 ". This note should be signed by the Divisional Officer in token of his satisfying himself that all action has been taken under those paragraphs. It will be the authority for treating the accounts of the work as closed, and a work should not be reported as completed in the divisional accounts unless this authority has been placed on record.



### **(c) Excesses over Estimates.**

#### **(i) Excesses over Approved Estimates**

**11.6.7** Estimate can only be revised by SRRDA in accordance with the PMGSY Guidelines and orders of MORD. Divisional Officer has no power to revise the estimates, in anticipation of obtaining subsequent approval. Further, no payment to the contractor or on departmental works can be made over the sanctioned estimate. This ensures financial discipline to meet the commitment of approved estimates. SRRDA does not have a contingency fund like the State Government. It can only make payments within the sanctioned estimates. Therefore, the authority approving the revised estimate should also simultaneously provide for funds. Any excess expenditure on account of awards of arbitration tribunal or the courts will be met by funds from the State Government.

#### **(ii) Completion Reports and Statements**

**11.6.8** If, however, the excess is not within the Divisional Officer's powers to deal with, a Detailed Completion Report in form PMGSY/IA/F-20 should be prepared as may be required under the rule in paragraph 106 of the Central Public Works Department Code (or the equivalent provisions of the State Public Works Department Code), and submitted to the Executing Agency for obtaining the approval of the competent authorities who will pay the excess amount before the contractor is paid or expenditure incurred on the departmental works.

The orders passed subsequently by NRRDA on the excess reported in the Completion Report or Statement should also be noted in the Register of Works to complete the record.

### ***IV. Correction of Errors after Closing of Accounts***

**11.6.9** Should an error or omission in the recorded expenditure of a work come to light after its accounts have been closed (See paragraph 48 of the Central Public Works Department Code, or the equivalent provisions of the State Public Works Department Code) the accounts may be reopened in order to rectify the error or omission unless the amount involved is not more than five thousand rupees in which case it will be sufficient to make a note of the error or omission in the relevant documents concerned.

### ***V. Schedule of Rates***

**11.6.10** To facilitate the preparation of estimates, as also to serve as a guide in settling rates in connection with contract agreements, a schedule of rate for each kind of work commonly executed be maintained in the division and kept up to date. It should be prepared on the basis of the rates prevailing in each locality and necessary

analysis of the rates for each description of work and for the varying conditions thereof should, so far as may be practicable, be recorded.

The rates entered in estimates should generally agree with the scheduled rates but where, from any cause, the latter are not considered sufficient, the deviation should be explained in detail in the report on the estimate. However, it is not necessary for the PIU to prepare the Schedule of Rates if the State Public Works division prepare it in the normal course of their duties and update it.

## **11.7 Contractors' Ledger**

(The rules in this section apply to all transactions with contractors in connection with contracts or jobs undertaken by them, whether relating to the execution of works or to the supply of materials for work or stock).

### **I. Form and Use of the Ledger**

**11.7.1** The accounts relating to contractors should be kept in the Contractors Ledger, form PMGSY/IA/F-18, a separate folio or set of folios being reserved for all the transactions with each contractor for whom a personal account is maintained, vide paragraph 11.7.2. There will be separate folio for each agreement.

**11.7.2** A personal account should be opened in the ledger for every contractor, whether or not a formal contract has been entered into with him, unless the work or supply entrusted to him is not important and no payment is made to him except on a First and Final bill, form PMGSY/SS/F-47, on completion. If only materials are issued to the contractor or any payments are made on his behalf, a ledger account must be opened.

### **II. Posting the Ledger**

**11.7.3** The Contractors Ledger should be written up in the Divisional Office. It is not necessary for the Sub-divisional Officer to maintain a similar ledger in his office, but if he maintains one, the Divisional Office may not require him to furnish extracts therefrom.

**11.7.4** Except when a Contractor's account is to be closed and the procedure prescribed in paragraph 11.5.14 is observed in respect of unpaid bills, the value of work done or supplies made by a contractor should not be credited to his account until his bill has been passed and payment made thereon. Debit entries in the Ledger should be made only on the basis of transactions recorded in the accounts, the posting being made from the supporting cash, stock or adjustment vouchers; liabilities not yet liquidated should be excluded altogether, the value of materials, if any, issued to a contractor under paragraph 11.3.2 or 11.3.3 should be debited to his account on the authority of his acknowledgement. See paragraph 11.3 7.

NOTE - Security deposits of contractors should not be included in their personal accounts in the Ledger, vide paragraph 13.1.1.

**11.7.5** (a) The form of the ledger provides for the following columns:-

1. Voucher Number
2. Date
3. Advance Payments
4. Secured Advances
5. Mobilisation Advance Materials Issued
6. Machinery Advance
7. Materials Issued
- 8 Name of Work
9. Particulars of transaction.
- 10-11. Gross Transaction, Debits and Credits.
12. Total value of work done/supplies made.
13. Remarks.

(b) Columns 10 and 11 constitute the ledger account proper and columns 3, 4, 5, 6 and 7 set forth the net effect of each posting on the various advances to the contractor making up the account. Column 12 is also not a part of the personal account, but will be found useful for the purpose of exercising a check over the continuity of bills in the case of running accounts.

(c) Columns 1, 2 and 13 require no explanation. Instructions for filling in columns 3 to 12 in the case of personal accounts are given below :-

(i) Columns 8 and 9:- "Name of Work" Here should be entered the full name of the work to which the bill or voucher relates except in the case of supplier's bills, when the name of the account concerned, Stock or Purchases, should be stated. Brief particulars describing the nature of the transactions should then be added, and against the line should then be posted, in the money columns 3, 4, 5, 6, 7, 9, 10 and 11, the figures relating to that transaction only. When a deduction made from a Contractor's bill for one work is creditable to the account of another work, and such credit is in connection with his contract for the latter work, two distinct sets of entries should be made in the ledger, one for the payment made on account of the former work and the other for the recovery creditable to the latter, as if the recovery had been made in cash. The second set of entries should be posted in a separate line, in columns 6 and 9 against the name of the work concerned. However, it may be noted that there will be a separate folio for each agreement with the same contractor.

(ii) Column 4 –“Advance Payment” – If the bill is Running Account Bill, figure D of the Memorandum of Payment should be posted in this column.

(iii) Columns 5 "Secured Advances" - Figure 'E' of the Account of Secured Advances, form PMGSY/IA/F-12 should be posted in this column.

(iii) Column 6, 7, 8 The amount of the concerned vouchers should be posted here.

(v) In columns 4,5, 6, 7, and 8 debits to contractors should be posted as plus entries and credits as minus entries.

(vi) Column 10 - "Gross Transactions - Debits" - If it is a Running Account Bill, figure H of the Memorandum of Payments should be posted in this column;

otherwise, the total amount paid or chargeable.

(vii) Column 11 - "Gross Transactions - Credits" - Here should be entered the value of work or supplies creditable to the contractor, which will be figure F or Account I in the case of Running Account Bill.

(viii) Column 12 - "Total value of Work or Supplies" - In the case of Running Account Bill, here should be entered the total value of work done or supplies made up to date, as per figure A of Account I of Bill, but before posting the bill it should be seen that the figure shown in Account I of it as "Deduct value of work shown on previous bill" agrees with the last entry in column 12 of the ledger against the work concerned. In token of this check, this last entry in column 12 -should be initialled (and dated) by the Divisional Accountant.

### **III. Balancing and Reconciliation**

**11.7.6** The Contractors Ledger accounts should be closed and balanced monthly. The closing balance of each personal account should be detailed so as to show, in respect of each separate work or account (Stock or Purchases), the amount outstanding, if any, under each of the accounts, (1) Temporary Advance, (2) Secured Advances, (3) and (4) Advance against Machinery/Mobilisation Advance, and (5) Material Issued to Contractor, with a quotation, in each case, of the last Running Account Bill and of all the vouchers supporting unadjusted outstanding under "Other Transactions" not incorporated in the last Running Account Bill. In the case of Running Account Bills, these balances can easily be ascertained from the Memorandum of Payments as indicated in the table below and it will be found convenient in practice to make a note of the outstanding balances of each bill, in the ledger when posting the bill, so that at the end of the month

the closing balance of the ledger account may be verified with the net result of the details already recorded :-

Class of Balance	Serial Number of entry in Memorandum of Payments on class of Balance in the Running Account Bill (Form PMGSY/IA/F-11)
a. Materials issued to Contractor b. Secured Advance c. Mobilisation Advance) d. Machinery Advance Advance Payment	4 and 6

**11.7.7** The Divisional Accountant should ensure the correctness of the Contractors Ledger, and also further see that there is no indication of a transaction pertaining to a running account having been settled on a form of bill not permitted to be used for the purpose.

**11.7.8** (a) Periodically, all the personal accounts in the ledger should be examined to see (1) that balances do not remain outstanding for a long time without justification, and (2) that in the case of running accounts, bills are prepared at reasonable intervals.

(b) Entries in column 12, "Total value of Work or Supplies" not bearing the initials of the Divisional Accountant recorded under paragraph 10.7.5(c) should be reviewed in particular to ascertain the cause of delay, if any, in the preparation of final bills. This examination must invariably be made before a volume of the ledger is laid aside on completion, so as to ensure that all outstanding accounts in it are carried forward to a new volume.

#### ***IV. Scrutiny of Accounts by Contractors***

**11.7.9** A contractor requiring a copy of his running account bill or an extract from his account in the Contractors' Ledger should be furnished with the same. He should be encouraged to look at his account in the ledger and sign it in token of his acceptance of it. See also Note 2 below paragraph 11.2.20.

**11.7.10** The account relating to issue of material when contract is of labour or the work is to be done departmentally the ledger will be maintained in the Register of Works, form PMGSY/IA/F-19.

## **11.8 Carriage & Incidental Charges**

**11.8.1** (a) The cost of carriage of stock materials to site of works for the departmental works should be debited to the account of the work (b) Surplus materials must always be returned to stock, the cost of carriage should be borne by the work.

(c) Incidental charges connected with the movement of materials issued to a work or returned therefrom should be adjusted in the same way as the cost of carriage.

(d) In all cases, the places from and to which materials are conveyed, the distance, the quantity and the approximate weight must be stated clearly in the payment vouchers.

### **II. Charges for Examination of Soil**

**11.8.2** The expense attendant, upon the necessary examination of the soil for works ordered by competent authority is part of the Detailed Project Reports preparation and not related to the expenditure on works.

### **III. Expenditure on Inauguration Ceremonies**

**11.8.3** The expenditure incurred with the sanction of competent authority on ceremonies connected with the inauguration of PMGSY roads should be debited to the work.

### **VII. Scope of Sanction**

**11.8.4** The authority granted by a sanction to an estimate is strictly limited by the precise objects for which the estimate was intended to provide. Accordingly it is not permissible to apply, without the sanction of the competent authority, any anticipated or actual savings, whether due to the abandonment of a part of work or to any other cause, on a sanctioned estimate of a definite project, to carry out additional work not contemplated in the original project or fairly contingent on its actual execution.

## **CHAPTER 12**

### **MISCELLANEOUS WORKS ADVANCE**

#### ***12.1 Introductory***

**12.1.1** Miscellaneous Works Advances is of temporary character and all transactions recorded under it are ultimately removed either by payment or recovery in cash or by adjustment. The transactions, therefore, consist of both debits and credits.

**12.2.1** Transactions recorded under the head "Miscellaneous Works Advances" are divided into four classes:-

- (1) Recoveries against contractors
- (2) Recoveries against staff
- (3) Advances for Expenditure on Detailed Project Report
- (4) Administrative Expenses approved by MORD/NRRDA met from the Programme Fund

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

**12.2.2** Under the heading recoveries from the contractors comes cases where excess payments have been made to the contractor and its recovery may be delayed. It also includes cases where the final bill of the contractor shows recovery even after adjusting his dues and deposits.

**12.2.3** 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 Materials at Site Account.

**12.2.4** Items in the "Miscellaneous Works 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. (Also see the explanatory note under the Chart of Accounts.)

### ***Account of Miscellaneous Works Advances***

**12.3.1** The detailed accounts of this head should be kept in form PMGSY/SR/F-23, Register of Miscellaneous Works Advances. 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.



## **CHAPTER 13**

### **DEPOSITS REPAYABLE**

#### ***13.1 Introductory***

**13.1.1** Deposit transactions of the PMGSY are of two kinds :

1. Deposits repayable which pass through the regular accounts of the PIU.
2. Interest-bearing Securities.

Deposits of the first kind comprise transactions of the following classes, which are passed through the head Deposit Repayable:

- a. Earned money deposits of contractors/suppliers
- b. Security deposits of contractors/suppliers deducted from the running accounts of the contractors;
- c. Sums due to contractors on closed accounts.
- d. Miscellaneous deposits.

The interest-bearing securities referred to in class 2 above are deposited by contractors. These do not pass through the regular accounts of division.

**13.1.2** The detailed record of deposits which pass through the General Ledger of Credit will be kept in the Register of Deposits Repayable, form PMGSY/SR/F-22

#### ***Earnest Money/ Security Deposits***

**13.2.1** Earnest money deposit is received from the bidders along with their bids. 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. Earnest money will not be received in cash.

**13.2.2** Security deposit is recovered from the running bills of contractors and suppliers.

**13.2.3** Deposits of contractors may be converted, at the cost of the depositor, into one or more of the forms of interest-bearing securities provided :

- (i) that the depositor has expressly desired this in writing, and

(ii) that the acceptance of the new forms of security is permissible under the rules as well as under the terms of the agreement or bond.

(iii) The Executing Agency's rules and orders allow it.

NOTE 1- Cash which has actually been received or recovered may be converted even though the full amount of the deposit, which is being paid in installments, has not yet been realised.

Note 2 Bank Guarantee as security. Irrevocable Bank guarantees from the Scheduled Banks tendered by a contractor may be accepted as security, when the Standard Bidding Document of PMGSY provide for it. However, it is the duty of the officer accepting the Bank Guarantee to obtain confirmation of its genuineness directly from the bank issuing the bank guarantee, without any third party intervention.

Note3. The Officer accepting the bank guarantee should keep it in his safe custody, and hand it over to his successor when a change of charge occurs. Details of the bank guarantees should be entered in the Register of Interest Bearing Securities/Bank Guarantees, form PMGSY/SR/F-27. The Divisional Officer should review the Register each month to ensure timely action before any guarantee expires, if required.

**13.2.4** Percentage deductions for security deposits, related to estimate cost of the work awarded made from contractors' bills, should be credited to the head "Security Deposits of Contractors".

**13.2.5** Without the special orders of competent authority, no security deposit should be repaid or retransferred to the depositor, or otherwise disposed of, except in accordance with the terms of his agreement.

NOTE - The Depositor's acknowledgement should be obtained in all cases of security returned. When an interest-bearing security is returned or retransferred, the acknowledgement should set forth the full particulars of the security.

### ***13.3 Other Deposits***

#### **I. Sums due to Contractors on Closed Accounts**

**13.3.1** When a work is completed and the final bill is prepared, and the contractor is not accepting the payment or avoiding the payment or delaying receiving the payment for any reason, the final bill of the contractor shall be passed for payment by the PIU and adjusted crediting the entire amount payable to the contractor to the head 3.03, "Sums due to the contractor on the closed accounts" and debit to the works. The entry will be made in the Cash Book in the cash column on both sides of the Cash Book. PIU may itself prepare the final bill of the contractor if he fails to submit it within two weeks of the date of last measurement of the works.

## **II. Miscellaneous**

**13.4.1** 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.

### ***13.5 Accounts of Interest-Bearing Securities***

**13.5.1** Transactions connected with interest-bearing securities do not pass through the Cash Book and consequently the regular accounts of the Division, unless any cash actually passes through the hands of officer of the department, which should be avoided as far as possible. A register of the receipt and disposal of these securities should, however, be kept in form PMGSY/SR/F-27 Register of Interest-bearing Securities/Bank Guarantees. At the end of the year, the monthly balance sheet as on 31<sup>st</sup> March will have a note showing the details of the interest bearing securities held in the division. This account should be supported by the certificate of the Divisional Officer that all securities shown as outstanding in this account, or their acknowledgements by the authorised custodians are in his possession.

NOTE 1 - If any Post Office Saving Bank deposits have been hypothecated to a Divisional Officer under paragraph 13.2.2(iii). the register for such securities should be kept by him and he should sign the annual certificate in respect of them.

## **CHAPTER 14**

### **ACCOUNTS OF DIVISIONAL OFFICERS OF PIUS**

#### ***14.1 Introductory***

**14.1.1** The cash and stock accounts of the divisional office for a month are closed on the last working day of the calendar month.

**14.1.2** 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 transfers should be made.

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

**14.1.3** The cash and stock accounts of the entire division, as also all transfer transactions should be scrutinised by the Divisional Accountant before they are incorporated in connected registers and schedules and the Monthly Account.

#### ***14.2 Scrutiny of Accounts***

**14.2.1** The Divisional Accountant should examine the accounts to see :

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

(ii) 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 work done, 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.

**14.2.2** The Divisional Accountant should exercise a similar check from day to day, in regard to the transactions recorded direct in the cash and stock accounts 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 stock accounts, in token of check in the manual system of accounts keeping.

**14.2.3** 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.

**14.2.4** The Divisional Accountant is responsible that every order or sanction affecting expenditure to be accounted for in the Monthly Account, 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 estimates for works should be noted in the Register of Works; other miscellaneous sanctions should be noted in a separate register opened for this purpose (form PMGSY/GEN/F-58).

NOTE 2 - Sanctions to estimates for works should be entered in the Register of Works and a collective register of all sanctioned estimates be maintained in form PMGSY/SR/F-24.

**14.2.5** 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.

**14.2.6** The works expenditure should be checked with the estimates to ensure that the charges incurred are in pursuance of the objects for which the estimate was intended to provide. The Divisional Accountant is responsible for checking the expenditure with the estimated quantity of work to be done, the sanctioned rate, and the sanctioned cost by the Ministry of Rural Development, so that he may bring to notice all deviations from the sanctioned estimate.

**14.2.7** When a recovery has been ordered to be made from a contractor 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 Miscellaneous 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.

**14.2.8** The Divisional Accountant should also see that savings due to abandonment of parts of a work, as evidenced by the quantities of the work executed or otherwise, are not utilised towards un-authorised expenditure.

**14.2.9** 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.

**14.2.10** The result of the examination of accounts and returns such as 'Stock and Sale Account' 'Material at site Account' account etc., 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.

### ***14.3 Bank Authorisation Statement by PIU***

**14.3.1** The PIU will account for in its Cash Book the remittances made into the accredited Bank as well as cheques drawn on it. At the end of the month, the accredited bank branch will send it a statement of remittances realised and payments made against cheques issued by the PIU. The Bank's statement may not inform the PIU the balance of bank authorization; it may only list the cheques paid and remittances received.

**14.3.2** On receipt of the statement from the bank, the Divisional Officer will effect a reconciliation in 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. He should also record on the form the details of cheques issued but not encashed as well as the earlier outstanding cheques now accounted for in the bank in its latest statement.. The monthly Divisional Accounts will be supported by the Bank Authorisation Utilisation and Reconciliation Statement form PMGSY/SCH/F-52 .

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

**14.3.4** The PIU will also prepare a statement of remittances into the Bank account of SRRDA, and its reconciliation with the Bank's statement in form PMGSY/SCH/F-52 (REM). It will be attached to the Monthly accounts sent to SRRDA.

## 14.4 Compilation of Accounts

### Monthly Accounts

#### (a) Introductory

**14.4.1** Before the actual compilation of the various schedules, General Ledger (Debits Balances) and General Ledger (Credit Balances), (forms PMGSY / IA / F-8 and F-9 **respectively**), should be written up from the original Cash Book, and the Transfer Entry Book in accordance with the instructions printed on the standard form and of 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 and the Schedules and also serve as an independent check over the accounts so compiled. Details of the General Ledger are posted in the Register of Works, to show road wise expenditure.

Note: The running account bill must show an abstract of road-wise expenditure.

#### (b) Registers and Schedules

**14.4.2** All cash and transfer entry transactions of the month should be posted into one of the schedule and/or registers named below, to which the transactions relates :

Serial No.	Register	Schedule
I	<b>Posted from the relevant accounts in the General Ledger of Debit Balances</b>	
1	Register of Works (Form PMGSY/IA/F-19)	1. Schedule of New Roads Constructed (Form PMGSY/SCH/F-53A) 2. Schedule of Up-gradation of Existing Roads (Form PMGSY/SCH/F-53B) 3. Schedule of Other Expenditure on Roads (Form PMGSY/SCH/F-53C) (These schedules will be prepared from the Register of Works)
2	Contractors Ledger (Form PMGSY/IA/F-18)	
3	Register of Miscellaneous Works Advance (Form PMGSY / SR / F-23)	Schedule for Miscellaneous Works Advance (Form PMGSY/SCH/F-53D) (These schedules will be prepared from the

Miscellaneous Works Advance Register)

Schedule of Current Assets Form  
PMGSY/SCH/F-53D.

**II Posted from the relevant  
accounts in the General Ledger  
of Credit Balances**

Schedule of Programme Fund received by PIU  
(Form PMGSY/SCH/F-52A)

Schedule of Incidental Funds/Misc. Income  
(Form PMGSY/SCH/F-52B)

Deposits Register (Form  
PMGSY/SR/F-22)

Schedule for Deposits Repayable (Form  
PMGSY/SCH/F-52C)

Register of Statutory Deductions  
from Contractors/ Suppliers / and  
Royalties (Form PMGSY/SR/F-  
21) and Register of Unpaid bills in  
For PMGSY/SR/F-46

Schedule of Current Liabilities Form  
(PMGSY/SCH/F-52D) from the Register of  
Statutory Deductions and the relevant accounts  
in the General Ledger of Credit Balances)

**(c) Monthly Account**

**14.4.3** The Monthly Account should be prepared in the Form PMGSY/F-1A for presentation to the Divisional Officer and submission to the Accounts Officer. This account is an abstract of the entire receipts and disbursements of the division and also the receipts and disbursements of the month worked out from the Ledger of Debit Balances and the Ledger of the Credit Balances.

**(d) Monthly Balance Sheet**

**14.4.4** The monthly balance sheet in form PMGSY/F-2B is prepared from the monthly account. It is supported by the various schedules prescribed in form PMGSY/SCH/F-52A, 52B, 52C and 52D.

NOTE 1 - The totals of the columns for receipts and payments must agree.

**14.4.5** There are certain transactions recorded in the Cash Book, which involve no operation on income, 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 7.1.1), even though not cashed at once.

**14.4.6** Save as provided in paragraph 14.4.5, all transactions of the division, as recorded in the initial accounts of cash and the transfer entry book, and posted in the Ledgers are recorded in the Register of Works, Deposits Repayable, Contractors Ledger etc. barring a few transaction like Miscellaneous Receipts for which there is no separate register for the PIU. Transactions recorded in the Cash Book and the transfer entry book are posted direct from those sources, no items being omitted.

**(e) Submission to Account Officer**

**14.4.7** The Monthly Account and the Balance Sheet is due to reach the Accounts Officer by the 5<sup>th</sup> of the next month. The balance sheet should be supported by the following schedules:

- |           |   |                      |
|-----------|---|----------------------|
| <b>1</b>  | Bank Authorisation Utilisation and Reconciliation Statement | PMGSY/SCH/F-52       |
| <b>2</b>  | Bank Remittances Reconciliation Statement                   | PMGSY/SCH/F-52 (REM) |
| <b>3</b>  | Schedule of Programme Fund received by PIU                  | PMGSY/SCH/F-52A      |
| <b>4</b>  | Schedule of Incidental Funds/Misc. Income                   | PMGSY/SCH/F-52B      |
| <b>5</b>  | Schedule of Deposits Repayable                              | PMGSY/SCH/F-52C      |
| <b>6</b>  | Schedule of Current Liabilities                             | PMGSY/SCH/F-52D      |
| <b>7</b>  | Schedule of Construction of New Roads                       | PMGSY/SCH/F-53A      |
| <b>8</b>  | Schedule of Up-gradation of Existing Roads                  | PMGSY/SCH/F-53B      |
| <b>9</b>  | Schedule of Other Expenditure on Roads                      | PMGSY/SCH/F-53C      |
| <b>11</b> | Schedule of Current Assets                                  | PMGSY/SCH/F-53D      |
| <b>12</b> | Schedule of Cash Balances                                   | PMGSY/SCH/F-57       |

## **(f) Authenticating the Accounts**

**14.4.8** The Divisional Accountant is required to sign not only the Monthly Account and the Balance Sheet but also all the schedules etc., accompanying it. It is not necessary that the Divisional Officer should sign all these documents; he must, however, sign the Monthly Account and the Balance Sheet and the List of Accounts, form PMGSY/SCH/F-52, unless he 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 PMGSY/GEN/F-60 (with a duplicate copy of the Monthly Account, and the Balance Sheet signed by himself), without which the Accounts Officer will not pass the Monthly Account finally.

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

**14.4.9** In connection with the accounts for March, the following points should receive special attention:-

(a) The entry of the closing cash balance should be supported by (1) the original cash Balance Reports (form PMGSY/SCH/F-57), 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 or temporary advance shown in the Cash Balance Reports of the Division for 31st March.

(b) The Schedule of Deposits, form PMGSY/SCH/F-52C should be accompanied by the Account of Interest-bearing Securities, form PMGSY/SR/F-27A.

(c) The Balance Sheet should attach a note showing the total amount of the contracts awarded, the payments made till 31<sup>st</sup> March, and the amount of the outstanding commitment of the contracts.

## ***II. Review of Unsettled Accounts***

**14.4.10** The several registers and schedules relating to Miscellaneous Works Advances and deposit heads of account, and the Contractors' Ledger, and Register of works, 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, and within six weeks of the submission of the monthly account for

March, a consolidated certificate in respect of the balances, other than cash, should be forwarded to the Accounts Officer in form , Annual Certificate of Balances in form **PMGSY/GEN/F-61**

### ***III Closing the Accounts of the Year***

**14.4.11** The financial year terminates on 31st March, and actual transactions taking place after that date can on no account be treated as pertaining to the year. It is, necessary, however, that as many of the unadjusted outstandings of the year as possible, 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, it is necessary that the cash accounts should be positively closed on the 31st March and also the Stock Accounts in respect of actual transactions, the Transfer Entry Book and the stock accounts should be kept open for transfer entries relating to rectification of errors and 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.

## CHAPTER 15

### ACCOUNTS OF STATE RURAL ROADS DEVELOPMENT AGENCY

#### ***Introduction***

**15.1** SRRDA will follow the double entry system of accounting and maintain separate account books for the PMGSY Programme Fund, Administrative Expenses Fund and the Maintenance Fund. For the Programme Fund, it will use the chart of accounts in Chapter-4. Following are the more important books of accounts it will maintain:

- (i) Cash book with bank column on its both receipts and payments side. (form PMGSY/IA/F-3)
- (ii) Bank Authorisation Transfer Entry Book for bank authorisations issued to PIUs. (form PMGSY/IA/F-7A)
- (iii) Transfer entry book for other adjustments. (form PMGSY/IA/F-7)
- (iv) Ledger of Credit Balances. (form PMGSY/IA/F-9)
- (v) Ledger of Debit Balances. (form PMGSY/IA/F-8)
- (iv) PIU-wise Programme Fund Register showing details of funds transferred to each PIU. (form PMGSY/IA/F-10 and 10A)
- (vii) PIU-wise Bank Authorisation Register showing the authorizations outstanding against each PIU. (form PMGSY/IA/F-10B and 10C)
- (viii) Register of Remittances into the Bank by PIUs and SRRDA. (form PMGSY/IA/F-10E)

#### ***SINGLE BANK ACCOUNT***

**15.2.1** PMGSY has only one separate bank account for its Programme Fund. The SRRDA opens it with one bank. It does not transfer funds to the PIUs. It only authorises to draw funds on its bank account and keep separate books of accounting. The bank authorizations set the quarterly withdrawal limits for each payee (contractor wise), in addition to cheques to tax authorities or cash for the chest.

**15.2.2** 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 with the bank. The bank informs the SRRDA the interest credited to SRRDA's account and its detailed calculations.

**15.2.3** 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).

**15.2.4** Since the PIUs operate on the single bank account of the SRRDA, they need an authority from the SRRDA for this. SRRDA will issue, on indents from the PIUs, Bank Authorisations in form PMGSY/GEN/F-64. It will show payees-wise and work-wise details.

**15.2.5.** 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.)

**15.2.6** SRRDA will also maintain a PIU-wise Programme Fund Registers form PMGSY/IA/F-10 to record PIU wise details of Programme Fund transferred to or received back from a PIU. It will also prepare an abstract of the outstanding Programme Funds at the close of each month in form PMGSY/IA/F-10A. The total of the transactions will appear in the relevant account heads, namely, "1.02 Programme Fund transferred by SRRDA to PIUs.

**15.2.7** SRRDA will also maintain PIU-wise Register of Bank Authorisation in form PMGSY/IA/F-10B to record the release of bank authorisation to each PIU and its utilization. It will also prepare an abstract of the outstanding Programme Funds at the close of each month in form PMGSY/IA/F-10C The total of transactions will appear in the relevant account heads, namely, 1.04 Bank Authorisations issued by the SRRDA to PIUs. The balances in these PIU-wise Registers must agree with the balances appearing in the monthly accounts from PMGSY/F1A 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 in form PMGSY/IA/F-3.

- (ii) The funds received from Government of India will be accounted for on the receipt side of the Cash Book in bank column by showing classification Account Code No.1.01. Funds received from the State Government to meet its liability for expenditure on roads in excess of approved estimates, or to meet arbitration or court awards will be credited to the Account Code 1.07. Details of the Government orders sanctioning the release of funds will be kept in the form PMGSY/SR/F-28.

Note: 1. The register will have continuous numbers, starting with 1 each financial year.

- 2. All sanctions will bear the serial number shown in this register, and kept in one folder.
- 3. The totals will be worked out at the end of each quarter.

- (iii) On receipt of requisition of funds from the PIU in the form **PMGSY/GEN/F-62**, SRRDA’s empowered officer will issue it a bank authorisation in the format, decided in consultation with the accredited bank, with endorsement to the bank showing the amount, names of payees, etc. SRRDA can cancel any amount of the bank authorization by using the format decided in consultation with the accredited bank. Bank authorizations, once issued, will not lapse. These can only be cancelled by order of the Empowered Officer.
- (iv) One signed copy of the bank authorisation will become the voucher for the entry in the “Bank Authorisation Transfer Entry (BATE) Book”, form PMGSY/IA/F-7A. No bank authorisation will be dispatched to a PIU before an entry is made in the Bank Authorisation Transfer Entry Book. Bank Authorisation authority to PIU will bear the entry number in the BATE book. Entry in the BATE Book will record debit to the account head 1.02 Programme Fund Transferred by SRRDA to the PIU; and credit to the head 1.04 Bank Authorisation Account. The detailed account of each PIU will be kept in the PIU-wise Registers for these transactions.
- (v) SRRDA has to incorporate in its books the information about the cheques issued by PIUs and remittances into the bank by them. Therefore, the monthly accounts from PIUs must reach the SRRDA by the 5<sup>th</sup> of the next month with the following schedules, among others.

Bank Utilisation Reconciliation Statement	Authorisation and	PMGSY/SCH/F-52
---	----------------------	----------------

Bank	Remittances	PMGSY/SCH/F-52
Reconciliation Statement		(REM)

SRRDA shall pass an order on each of the above schedules accepting them, and make entry on the payment side of the cash book for the cheques issued and on the receipt side for the remittances made for the total amounts. It will also post the details of cheques in the PIU-Wise Register of Cheques Issued (form PMGSY/IA/F-10D) . Entries from the Cash Book will be credited to Bank Authorisation Account in the ledger of Credit Balances. Thereafter, PIU-wise totals will be posted also in PIU-wise Bank Authorisation Register. Similar action will be taken for remittances by posting their details in PIU-Wise Register of Remittances, form , PMGSY/IA/F-10E.

- (vi) Net credit balance in the PIU-wise 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) PIUs may deposit cheques/ demand drafts/ pay orders, etc. in the PMGSY Programme Fund Account of the accredited bank. They will furnish the details of these deposits in the Bank Remittances Reconciliation Statement form PMGSY PMGSY/SCH/F-52 (REM) sent to SRRDA with the monthly balance sheet. On its receipt SRRDA shall pass an transfer entry order crediting the account head 1.02 Programme Fund transferred to PIU and debiting the Bank Account. The transfer entry will then be posted in the Cash Book and the ledger.
- (viii) Net debit balance of programme fund 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.
- (ix) In order to avoid any difference between the books of SRRDA and the PIUs, SRRDA should not issue any bank authorisation during the last five working days of the month.
- (ix) Gross amount of interest received from bank on the balances shall be taken as receipt in bank column in the Cash Book Account Code 21.01. The tax deducted at source by bank shall be shown on payment side in the bank column “tax deducted at source” Account Code 19.01. Refund for tax deducted at source shall be claimed from Income Tax Department. Where the SRRDA comes to know of tax deducted at source later, it would pass a transfer entry by credit

to the Head 20.01 Interest from Bank and debit to the head tax deducted at source” Account Code 19.01. The Transfer Entry will be posted in the ledgers.

(Note: SRRDA will take action to obtain exemption from payment of income tax as it is a not a profit making organisation.)

## **Monthly Account and Balance Sheet**

**15.4.1** SRRDA will prepare its monthly account of receipts and payments in form PMGSY/F-1 and the Monthly Balance Sheet in form PMGSY/F-2A, supported with the following schedules:

<b>Schedule of Programme Fund received by SRRDA</b>	<b>PMGSY/SCH/F-52AA</b>
Schedule of Incidental Funds/Misc. Income	PMGSY/SCH/F-52B
Schedule of Current Liabilities	PMGSY/SCH/F-52D
Schedule of Current Assets	PMGSY/SCH/F-53D
Schedule of Cash Balances	PMGSY/SCH/F-57

## **State Balance Sheet**

**15.4.2.** The SRRDA’s accounts only shows the programme fund released to the PIUs; these do not reflect its utilization on the construction of rural roads. Therefore, SRRDA has to prepare the balance sheet of the State to show the utilization of the PMGSY programme fund. For this purpose, it will follow the procedure detailed below:

(a) After examining each PIU’s account for its correctness, and taking action on the Bank Statement of Utilisation of Bank Authorisations and the Remittances in to the Bank, it will consolidate all the accounts in the Master Sheet of accounts of the PIUs in form PMGSY/F-1AA.

(ii) Thereafter, it will consolidate its own balance sheet with the Master sheet of PIUs accounts in the Master Sheet of State Balance Sheet in form PMGSY/F-1AAA. This format helps in excluding the common items of funds owed to each other.

(iii) Last step is to prepare the monthly/annual balance sheet of the State in form PMGSY/F-2

**15.4.3** The schedules to the State balance sheet will be in the following forms:

	<b>Liabilities</b>	<b>Name of Schedule</b>
1	Programme Fund received from Ministry of Rural Development, Government of India	PMGSY/SCH/F-52AA



	and Programme Fund received from the State Government	
2	Schedule of Incidental Funds and Miscellaneous Income	PMGSY/SCH/F-52B
3	Schedule of Deposits Repayable	PMGSY/SCH/F-52C
4	Schedule of Current Liabilities	PMGSY/SCH/F-52D
	<b>Schedules of Assets</b>	<b>Form of Schedule</b>
1	Schedule of Construction of New Roads (State)	PMGSY/SCH/F-53AA
2	Schedule of Up-gradation of Existing Roads (State)	PMGSY/SCH/F-53BB
3	Schedule of Other Expenditure on Roads (State)	PMGSY/SCH/F-53CC
4	Schedule of Current Assets	PMGSY/SCH/F-53D

**15.4.4** Bank Reconciliation. SRRDA will attach to its balance sheet and the State balance sheet a Bank Reconciliation Statement showing the reasons for the difference between its books and that of the bank.

### **15.5. Bank Reconciliation**

**15.5.1** On receipt of bank statement, the PIU and the Nodal Agency will prepare their own bank reconciliation statement. In normal course, the difference in the balance as per Cash Book and the bank shall be total of uncashed cheques. Bank reconciliation statement along with photocopy of bank statement shall be enclosed with the monthly account by PIU, and of the SRRDA.

### **15.6 Capital Commitments**

15.6 The Annual Balance Sheet of the PIUs, the SRRDA, and the State will carry a note stating the values of the awarded contracts, the value of work done for which payments have been made, and the balance of the capital commitment.

### **Annual Accounts**

15.7 SRRDA will prepare its annual accounts in the following formats:

1. Annual Account of Receipts and Payments (SRRDA) form PMGSY/F-1A(Annual) (This format is similar to the monthly account, only the heading is different, as required for the uniform accounting format of annual accounts of autonomous bodies.
2. Annual SRRDA Balance Sheet in form PMGSY/F-2A
3. Annual Balance Sheet (State) in form PMGSY/F-2

## **CHAPTER 16**

### **AUDIT**

#### ***Statutory Audit***

**16.1.1** SRRDA will appoint a Chartered Accountant to audit its accounts including those of PIUs. It will select the auditor from the panel of chartered accountants prepared by the Comptroller and Auditor General of India. It may appoint more than one firm of chartered accountant as its auditors if the State is large. It may keep in view the manpower of the chartered accountant to ensure that it can perform the task in a time bound manner.

**16.1.2** The SRRDA will inform the auditor the form in which it wants the audit report. Though the auditor is free to comment on the accounts, the SRRDA may require a format of report to fulfill the requirement of the Ministry of Rural Development and the State Government, apart from international agencies like the World Bank who finance the projects, or may finance the projects in future.

**16.1.3** The auditor will not take up any other work of SRRDA to ensure his independence. No auditor will continue to be SRRDA auditor for a period exceeding three years.

#### **Objective**

**6.2.1** The objective of the statutory audit of the PMGSY Programme Fund is obtain the professional opinion of the auditor on the annual financial accounts of SRRDA, including the PIUs who work for it.

#### **Scope**

**6.2.2** The audit will be carried out in accordance with the relevant national standards of auditing, and will include such tests and controls as the auditor considers necessary under the circumstances. In conducting the audit, special attention should be paid to the following:

- (i) That the SRRDA faithfully followed conditions laid down in the PMGSY guidelines / operational manual / Accounts manual in spending the funds it received from MORD for the Programme.
- (ii) That SRRDA used all the funds in accordance with the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided.
- (iii) That all the expenditure have the necessary supporting documentation; and that it has been incurred in accordance with the PMGSY guidelines, Operational Manual and the Accounts Manual.
- (iv) That proper and complete records have been kept as prescribed in the Accounts Manual, and the Operational Manual.
- (v) That the PIUs have used the funds for the PMGSY programme; and that the auditor, after visiting the PIUs and conducting audit is satisfied on this count.

- (vi) That the accounts have been prepared in accordance with consistently applied relevant principles laid down in the Accounts Manual and give a true and fair view of the financial year of receipts, payments, assets and liabilities.
- (vii) That in respect of the works taken up under aid from the World Bank, Asian Development Bank and others, the schedules to the Balance Sheet depict the correct figures of expenditure on their projects.

## **Audit Report**

16.3.1 Besides a primary opinion on the Financial Statements, the audit report of the should include a separate paragraph commenting on the accuracy and propriety of expenditures shown in the Schedules to the Balance Sheet on expenditure on roads, and others, and the extent to which World Bank and the Asian Development Bank can rely on these as a basis for reimbursement.

16.3.2 In case a qualified opinion or disclaimer is given by the auditor, the audit report should state in a clear and informative manner all the reasons for such an opinion.

16.3.3. Audit report to be accompanied by:

- Management Letter
- In respect of works funded by the World Bank or the ADB.
  - Listing on ineligible claims, if any.
  - Reconciliation of Statement of Expenditure claims with the actual expenditure as reported in the audited financial statements.

## **Time Period for Submission**

16.3.4 The audited financial statements including the audit report should be sent to the SRRDA within four 6 months of closing of the financial year.

## **Management Letter**

16.3.5 In addition to the audit reports, the auditor should prepare a "management letter" .' in which the auditor should :

- a. Give comments and observations, if any, on the accounting records, systems and controls that were examined during the course of the audit;

- b. Identify specific deficiencies and areas of weakness (if any) in systems and controls and make recommendations for their improvement;
- c. Report on the degree of compliance with the financial/ internal control procedures as documented in the financial manual of the project.
- d. Communicate matters that have come to attention during the audit which might have a significant impact of the implementation on the society; and .

Bring to attention any other matter that the auditor considers pertinent.

**16.3.6** The Observations in the Management Letter must be accompanied by a suggested recommendation from the auditors. The audit report and the Management Letter should be placed before the audit committee for its recommendations to the Executive Committee.

### **Access to Records and Documents**

**16.3.7** SRRDA and PIUs should provide the auditor access to all legal documents, correspondence, financial manual, transaction records and any other information associated with the Programme Fund as deemed necessary by the auditor.

### ***Audit by Comptroller and Auditor General of India***

**16.4** The Comptroller and Auditor General has 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.

### ***Internal Audit***

#### **Selecting Internal Auditors**

**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, competent organizations for this task.

#### **Period of Internal Audit and fees**

**16.5.2** The period of internal audit should be one year, running concurrently with the year during which the audit is done, except for some overlap. The audit is to be carried out in two phases of six months each ending on 30<sup>th</sup> September, and 31<sup>st</sup> March. The appointment letter of auditor should contain details of the date of commencement of audit, completion of audit work in each phase, the dates by which reports are to be submitted and the phase-wise fees payable. It should specify the level of the supervisory officer and the

minimum period he must visit each PIU, in each phase, and the minimum qualifications of the members of the audit team.

## **OBJECTIVES OF INTERNAL AUDIT**

**16.5.3** The broad objectives of Internal Audit shall be as under:-

- a. To ensure that the accounting and financial management systems remain reliable and effective in design and to assess the extent to which they are being followed;
- b. To review the efficacy, adequacy and application of accounting, financial and operating controls and thereby ensuring the accuracy of the books;
- c. To verify that the system of internal check is effective in design and operation in order to ensure the prevention of and early detection of defalcations, frauds, misappropriations and misapplications;
- d. To identify areas of significant inefficiencies in existing systems and to suggest necessary remedial measures;
- e. To confirm the existence of financial propriety in all decisions and verify compliance to Government and statutory requirements;
- f. To review the performance of various functions in the light of performance budgeting;
- g. To associate with Superintending Engineers, Executives of the SRRDA, and Vigilance etc., in their surprise checks and inspections in one of their visits to the unit whenever asked for;
- h. To ensure that the units have obtained confirmation and prepared statements of reconciliation of balances as on 30<sup>th</sup> June, and 31<sup>st</sup> January, under outstanding advances to contractors, and of creditors.

In this context, internal auditors shall analyse the advances to the contractors into (1) good and fully recoverable, (2) requiring adjustment entries to be passed, (3) doubtful of recovery, and (4) bad with supporting documents/ explanations and reasons as for each and every account. The analysis will be of the accounts as per the ledgers and schedules to the accounts as at beginning of the year whose audit is taken up. This analysis shall be furnished along with the Phase I audit report for the first six months.

- i. To report compliance of guidelines issued from time to time by the Ministry of Rural Development, Government of India, National Rural Roads Development Agency, the State Rural Development Department, Executive Agency and the State Rural Roads Development Agency.

- j. To report compliance of internal audit observations outstanding as at the end of the year.
- k. To report that tax deduction at source are being made in all cases, as applicable under the Income Tax Act, 1961, and other statues at prescribed rates and that TDS deposits are being made within the prescribed time and also that the unit is complying with all statutory requirements under Income Tax and other laws.
- l. Routine errors of omissions or commissions noticed during the course of internal audit may be got rectified on the spot.

### **EXTENT AND SCOPE OF INTERNAL AUDIT:**

**16.5.4** The extent and scope of internal audit will be as follows: This is only indicative. The internal auditor is free to extend any area and to any extent to cover within his review as required or as may be necessary to achieve the objectives.

#### **a. Award of Contracts**

Award of contracts for construction of new roads: 100 per cent;  
Award of up-gradation of roads: 100 per cent;  
All other contracts: 20 per cent.

#### **b. Accounts**

- (i) 100% vouching of Cash Payment Vouchers, Bank Adjustment Vouchers and Transfer Entry Vouchers. Cheque payments may be vouched to cover 50% of the transactions in each of the months selected.
- (ii) Works: A list of the cases audited should be mentioned in the report while in case of “Accounts” (vouching of cash, bank and transfer entry), the name of the months for which vouching has been reviewed may please be mentioned in the report.

#### **c. Compliance**

While conducting internal audit in a subsequent phase, the auditor will ensure that the compliance report on audit observations pointed out in reports relating to earlier audits is made and corrective action taken on those points are furnished in the Audit Report of the subsequent phase. In other words it may be ensured while conducting the audit Phase – II, that compliance report on audit observations pointed out in earlier report of Phase-I is made and corrective action taken on those points are furnished in Phase-II audit report.

## **REPORTS**

**16.5.5** Auditor should discuss results of audit with the Divisional Officer the PIU in each phase and important observations should be brought to his notice for taking timely corrective action. The reports should be prepared after duly taking into account the facts brought out in discussion. These 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; the administrative authorities have to take action for this.

**16.5.6** Internal Audit Reports should be divided into three main portions namely:

### **Part-I. IMPORTANT OBSERVATIONS, OBJECTIONS AND RESERVATIONS**

This part should contain all such irregularities which auditors want to bring to the notice of management, specifying the financial implications. This part should also bring out deviations by site from policies, systems and procedures prescribed by NRRDA, MORD and SRRDA. The observations should be arranged into self-contained audit paragraphs with a suitable title.

### **PART II COMPLIANCE AND REPORT**

This part should contain actions taken for rectification of errors pointed out by previous auditor or by the current auditors in earlier phase/phases. It should also contain the confirmations by the PIU about implementations of policies, system etc. to avoid the recurrence of such irregularities in future.

### **PART III DETAILED REPORT :**

This part shall comprise of auditors' points on confirmations on matters or areas specified in the guidelines for audit.

The report should be supplemented, in each Phase, by a statement indicating:

1. Particulars of records along with their volume and value checked as compared to the total volume and value of transactions.
2. A summary report indicating the important observations for each phase and for each area.



3. A statement indicating the audit personnel deployed, their designation and the period of deployment for each phase.

The report should also contain reference to areas where no adverse observation have been noted. In respect of other areas specific suggestion for improvement may also be highlighted for each area.

### **Submission of Internal Audit Report**

**16.5.7** The reports are to be submitted in three copies for each phase of audit to the Chief Executive Officer of the SRRDA, with two CDs of the report. Internal auditor will send two copies to the Divisional Officer.

### **Replies to the Internal Audit Reports**

**16.6** Divisional Officer should base his replies to the internal audit reports, or audit memoos, on his own knowledge, as far as possible. .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. He will forward one copy of the audit report to the Superintending Engineer with his comments for onward transmission to SRRDA.

### **Processing the Internal Audit Report:**

**16.7** The Superintending Engineer will process the internal audit report. He shall 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 SRRDA.

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.

**16.8** Once a transaction has been entered in the Audit Note or otherwise challenged in one or the other documents the responsibility for having the objection removed will devolve upon the Divisional Officer, and the Audit 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.

**16.9** The Audit 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 accorded the necessary formal approval to it: Yet, if the necessary intimation of sanction does not reach the Audit Officer/Accounts Officer when the divisional accounts in which the irregular transaction appear are being audited/inspected, the Audit Office'/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 send to the Audit Officer/Accounts Officer the earliest intimation of such of their sanctions and orders as are required to be communicated to him (vide paragraph 5.4.1) and to give it, without waiting for the receipt of the Audit Note/Inspection Report. The intimation should have the necessary information in regard to transactions for which, within their knowledge, adequate authority does not exist. A single note or statement, prepared monthly and signed by the Divisional Officer himself, will ordinarily suffice, in respect of transactions brought to account in the Monthly Account, but, if it cannot precede or accompany the Monthly Account, it should be sent to the Audit Officer/ Accounts Officer within a week of the despatch of the account.

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 effected 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 had 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.

### ***Audit Committee***

**16.10** SRRDA will appoint an Audit Committee consisting of three members of its Executive Body. Head of the Finance Division will assist the committee; however, he will not be its member. The Audit Committee will consider all the audit reports, and place its recommendations before the Executive Committee.

## **CHAPTER 17**

### **MISCELLANEOUS**

#### ***17.1 Cheque Books, Receipt Books***

The following procedure will be followed in regard to indenting, safe custody, issue and account of cheque books.

**17.1.1** Indent - The supply of cheque books required for making payments by the Divisional Officer will be made by the Bank, on the advice of the Accounts Officer, on the basis of indents received from the Divisional Officer.

**17.1.2** Issue of Cheque Books to Divisional Officer - The Divisional Officers, (who are termed as the Drawing and Disbursing Officers vested with cheque drawing powers) will requisition their requirement of cheque books/forms from the Accounts Officer.

**17.1.3** Stock Register of Cheque Books - A Stock Register of Cheque Books should be maintained to keep an account of the receipts, issues and balances of cheque books (form PMGSY / SR / F-32). Each morning the cheque cashier should take such cheque books from the Officer-in-Charge, as are likely to be used during the course of the day and should remain responsible for their use and return of the balance at the close of the day.

**17.1.4** In cases, where the power of drawal of funds by cheque(s) is withdrawn from any cheque-drawing Divisional Officer, all the unused form from the partly used cheque books with that officer shall be defaced by writing the word "Cancelled" promptly across such cheque form and its counterfoil (but without the signature of the Drawing Officer) and returned to the Accounts Officer concerned who should destroy them after keeping a note in the relevant records. All unused cheque books with such an officer shall however be returned by him to the Accounts Officer without any cancellation.

**17.1.5** Whenever a new cheque book is brought into use, the DDO should intimate the number of the cheque book and the Serial Number of the Cheque forms contained therein to the Bank as well as the Accounts Officer.

**17.1.6** Stock taking at the change of the Officer-in-Charge - Every six month, in April and October, stock taking of the cheque book should be done by an Officer other than the Officer-in-Charge and a certificate of physical count recorded by him in the Stock Register. This stock taking should also be done whenever there is

a change of the Officer-in-Charge and the Relieving Officer should initial the entry in respect of each of the cheque book noted in the form PMGSY / SR / F-32 and sign a certificate in the Stock Register in the following form :-

"Received the current cheque books as indicated by my initials in the register of account of cheque forms and the unused cheque books from .....to..... as entered in the Stock Register."

**17.1.7** The physical verification can also be entrusted either to the Inspecting Officer of the internal inspection party conducting the normal inspection of his office or by any Gazetted Officer of his department who visits that office on any other official work.

## **17.2 Transfer of Charge**

### **I. Divisional and Sub-divisional Officers**

**17.2.1** The Relieving Officer will take into account the expenditure in cash and on stores, as the case may be, from and for the first day of the month during which the relief took place, and submit the next monthly account in the same manner as if he has been in-charge during the whole month. But the Relieved Officer remains responsible for the transactions during his incumbency.

**17.2.2** In the case of transfers of divisional or sub-divisional charges, the Cash Book in the case of Divisional Office or imprest account in respect of Divisional Office and Sub-Divisional Office should be closed on the date of transfer, and a note recorded in it, over the signatures of both the relieved and Relieving Officers showing the cash or imprest balances, the number of unused cheques made over and received in transfer by them as the case may be. A copy of this note, together with a receipt in the form appended below for the stores under the immediate charge of the Relieved Officer, should be forwarded on the same day to the Superintending Engineer in the case of divisional or to the Divisional Officer in the case of sub-divisional charges.

The receipts of cash and stores balances should be prepared by the Relieved Officer, but the Relieving Officer should note any inaccuracies therein so that the Superintending Engineer or the Divisional Officer, as the case may be, may pass such orders in respect of any deficient articles as may be necessary. A copy of the receipts may be given to the Relieved Officer, if desired by him.

FORM A (For Divisional Charges)

Received in transfer from A.B., formerly Divisional Officer ..... Division, the stores in his personal charges as detailed in the annexed list.

The priced Stores Ledger is on record and have been posted up-to-date/to end of.....

Station : C.D.,

Date : Divisional Officer.....Division.

#### FORM B (For Sub-Divisional charges)

Received in transfer from A.B., formerly officer-in-charge.....sub-division the stock which has been in his personal custody as detailed in the Bin cards, which have been posted up-to-date.

Station : C.D., Date : (Relieving) Sub-Divisional  
Officer.

### **Divisional Accountants**

**17.2.3** When a Divisional Accountant is about to be relieved of his duties in a divisional office, either permanently or temporarily, he should prepare a memorandum reviewing the PMGSY accounts of the Division. The state of stock and purchase accounts and of outstandings in the accounts of works should be reviewed in particular. All important liabilities as also recoveries to be made from the staff or from contractors and others which should receive special attention should be mentioned.

Any arrears or defects in the working of the divisional office or subordinate offices rendering accounts to it should be specified with a statement of the remedies applied or contemplated. Other points requiring the special attention of the relieving Accountant, whether in regard to the initial or compiled accounts or to Inspection Notes received from the Accounts Officer should also be sent forth in detail.

The memorandum should be in a tabular form with columns for (1) remarks by the relieving Accountant (2) remarks by the Divisional Officer and (3) Orders of the Accounts Officer. The relieving Accountant should examine it when taking over charge and promptly forward it, with his remarks, to the Accounts Officer through the Divisional Officer, who will record such observations, as he may consider necessary.

### **17.3 Reconstitution of Executive Charges**

**17.3.1** When in consequence of the reconstitution of executive charges or of any other arrangements, the accounts of two or more Divisional Officers are to be amalgamated, or those of any office are either to be

broken up into parts or closed, the Divisional Officers concerned should apply in time to the Accounts Officer for instructions to be observed in regard to PMGSY accounts in giving effect to the arrangements. On all occasions, the necessary transfer between offices of unsettled accounts, of liabilities not yet brought to account, of quantity account of road metal, and of relevant account and records (including unused forms of cheque books, receipt books and cash memo books) should receive the special attention of all concerned.

- (i) Work in progress.
- (ii) Appropriation and sanctions not yet completely operated upon.
- (iii) Stock and other Purchase accounts.
- (iv) Deposit and cash balances.
- (v) Interest-bearing securities.

NOTE 1 – PIU division, once established, will not be closed without the approval of NRRDA which will decide how the records will be preserved by the successor unit.

## ***17.4 Preservation of Records***

**17.4.1** PIUs and SRRDA will ensure preservation of records as these form vital elements of contracts for works. All the vouchers of the monthly account will be neatly tied up in separate folders, and kept under lock and key of the Executive Engineer and the Divisional Accountant. Loss of any voucher will be serious dereliction of duty of both of them. A complete list of records will be kept; and signed by the relieving and relieved officer at the time of transfers. Special care, as prescribed for court or vigilance cases, will be taken in all cases of disputes with the contractor.

**17.4.2** The destruction of account records in Public Works offices is governed by such rules as prescribed by Government for the PWD divisions. However, no record will be destroyed before the period of limitation is over. In cases not covered by such rules, the specific concurrence of the Accounts Officer is necessary before any records are ordered to be destroyed and that in each Divisional office full details are maintained permanently in form PMGSY/GEN/F-63 of all records destroyed from time to time.

## **CHAPTER 18**

### **REPORTS**

#### ***General***

**18.1** SRRDA receives the PMGSY Programme Fund from the Ministry of Rural Development, Government of India. However, the World Bank and the Asian Development Bank also provide funds for the PMGSY for selected districts in selected States. Their funds come through the Government of India. These international organizations fund up to about ninety percent of the sanctioned cost of civil works. The balance amount comes from the MORD.

**18.2** SRRDA has to submit quarterly reports to the MORD on the utilization of World Bank or ADB funds. MORD, in turn, will send the reports to World Bank and the Asian Development Bank. The reports are in the following formats:

- (1). Form PMGSY/GEN/F-65 Statement for the Sources and Uses of Funds for the current quarter, current year and from the start of the programme.
- (2). Form PMGSY/GEN/F-66 Statement of Cash Withdrawal (Disbursement) for International Agencies to claim re-imburement.

18.2 It may be noted that MORD receives funds from the international organizations. Therefore, it knows the funds received. Funds to the State come only as a grant from Government of India. MORD specifies whether it is ADB / WB funded package. The funds go to the same bank account. The expenditure gets reflected in a separate schedule.

## **Manual of PMGSY Accounting System**

### **Part I Programme Fund**

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