

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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AUDIT PROCESS UNDER MGNREGA

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ABSTRACT

Audit is an effective and reliable instrument in the financial management to know what is going on, how it is going on and what is happening in Panchayati Raj Institutions in terms of its funds and function. Through audit, one is able to understand and observe the ultimate results and conclusions about the success or failure in terms of performance of panchayats. It enables to review and modify the policies and programmes and to remove the short coming and defects noticed in the functioning of the administrative unit and particularly of the system. An efficient and excellent auditing system acts as watchdog and also a well-wisher and adviser to the panchayats. The auditor is expected to follow the principles of corrective, reformative and preventive measures. Through the instrument of auditing one can ascertain that how much money has been spent, how it is spent, for what purpose it is spent, what is achieved and what should have been spent to achieve.

KEYWORDS

Panchayati Raj, MGNREGA & audit.

INTRODUCTION

With the passage of time the flow of funds to panchayats has increased considerably and several developmental works and welfare activities are entrusted to panchayats. Therefore, it is essential to conduct an effective audit of panchayats. In view of this 73rd constitutional amendment has provided a mandated provision for auditing of accounts of panchayats. The mandated provision allows states to legislate on it and the state government has to prescribe the authority for auditing of accounts for panchayats. In the light of the above constitutional amendments act, the provision for conducting the annual accounts of panchayati raj institutions has been made under section 118 of Himachal Pradesh Panchayat Raj Act, 1994 and financial rules 2002 notified their under. Here an attempt has been made to know the process of audit under MGNREGA.

OBLIGATIONS OF AUDITORS

- It is not a primary function of audit to detect fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements will not be detected, even though the audit is properly planned and performed in accordance with auditing standards generally accepted. An audit does not guarantee that all material misstatements will be detected because of such factors as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much of the evidence available to the auditors is pervasive rather conducive in nature. For these reasons, the auditor is able to obtain only a reasonable assurance that material misstatements in the financial statements will be detected.
- In the event of auditors discovering anything which seems likely to involve the discovery of embezzlement and /or serious irregularities, the same may be communicated to Director Panchayati Raj.
- The observation regarding misappropriation embezzlements should not be raised in general manner without giving the full financial implications of the lapse. Because without this information the objection detracts from the effectiveness and fails to give a proper idea of the gravity the lapse on the part of the panchayat whose accounts are subject to audit. The auditor should not simply point out the detection of short realization/ misappropriation/ embezzlements but also suggest action to recover the amount from the defaulter concerned and taking suitable action against the defaulter according to law.
- The auditors should also verify and tick in the cashbook the credit of the embezzled amount, if any, recovered and credited by the office bearer concerned at fault.
- The audit should also scrutinize the record of service matters relating to contractual/ regular employees of the panchayat and also mention staff position in the audit report.¹

OBLIGATIONS OF PANCHAYAT SECRETARY

It shall be the duty of the Panchayat Secretary concerned to place the record for the audit viz. Cashbook, ledger, financial statements, (i.e. income and expenditure, panchayat nidhi and trial balance) registers and other relevant accounts record for the audit along with the compliance report of the previous audit. In case he fails to put up the necessary accounts/information/record required by the auditors in the commencement of the audit of the panchayats the same will be communicated to the concerned authority immediately by the auditor for necessary action.

DIFFERENT KINDS OF AUDIT**POST-AUDIT**

The accounts of all receipts and expenditure of Panchayats for the financial year shall be ordinarily audited by the auditors. The scope of post audit of panchayati raj institution may be grouped in to three general categories;

1. Financial accountability and legality the verification of accounting records and review of internal control concerning income and expenditures.
2. Performance efficiency-the examination of the efficiency and economy of PRIs and
3. Development work and other programmes and evaluation.

SPECIAL AUDIT

Special audit means an audit of accounts pertaining to a specified item or series of items, which requires thorough examination of the accounting of Panchayati Raj Institutions for the specific period with the prior approval of Director Panchayati Raj.

RE-AUDIT

If Director is not satisfied with the audit of the panchayat conducted by the auditor in that event re-audit of the panchayat will be conducted by another auditor (s).

GENERAL PRINCIPLES OF AUDITORS

- Take reasonable steps to obtain information relevant to the audit. Auditor should take into account information from the panchayats, any changes in legislation, and the results of previous audit work.
- Keep up to date with developments in professional matters.
- Look out for and take into account any unusual circumstances.
- Consider audit objectives and plan work to adhere to them.
- Discuss the main features of the audit with the panchayat.

- Ensure that conclusions are adequately supported by reliable evidence.

The evidence should be sufficient for an auditor to ascertain about the facts to reach conclusion.

- Maintain objectivity where appropriate.
- The approach should be straightforward, honest and sincere in his approach to his professional work. He must be fair and must not allow prejudice or bias to override his objectivity. He should maintain an impartial attitude.

APPROACH TO AN AUDIT

For an intelligent efficient audit or inspection of accounts, it is necessary auditor should concentrate on the followings aspects.

- To make a critical review of the system of book keeping, accounting and internal control.
- To make such tests and enquiries as the auditors consider necessary to form an opinion as to the reliability of the records as a basis for the preparation of accounts.
- To make a critical review of the financial statements, in order to make a report thereupon, stating whether, in the opinion of the auditors, the accounts are presented and the items are described in such a way that they show true and fair view of the Panchayat.
- Auditor should have an intimate acquaintance with various Act, Codes, Statues and Manuals relating thereto, and he should also be conversant with the subsidiary rules and order issued from time to time. It should be ensured that rules are strictly enforced.
- Sometimes some irregular payment or some slight discrepancy is detected in the course of audit. The general tendency is to embody this in a formal objection statement, which in course of time is replied to, the requirements of audit department are complied within a particular case in question, and then the matter ends. But the case should not be winded up at this stage. Small circumstances like cited above may lead to the detection of large irregularities, or a defect in the system liable to lead to fraud, and their value and importance must be borne in mind.
- The Auditor should avoid such frivolous objections which complicate the procedure rather than to simplify it.
- The function of is not merely to criticize, but to assist, they will meet with little difficulty in this direction. They should assist the Panchayat with advice and show, by means of practical examples, how the account registers should be posted and thus endeavor to eliminate the possibility of mistake in procedure due to ignorance.
- Auditor should use courteous and simple language in drafting audit objections.
- Auditors should not merely audit the payment vouchers as a mechanical check seeing that a proper acquaintance is attached with the voucher in support of the payment and that the amount has been paid to the actual payee or that the rates etc., charged are arithmetically correct and are in accordance with the standard schedule of rates. In order to apply the higher functions of audit, it is necessary to see that the charges in the bill are not extravagant. In such cases, however, no hard and fast rules can be down as it demands the exercise of great intelligence and due care of the Auditor.
- No Auditor is competent to undertake any investigation, which is not strictly with the scope of audit. If anything important is noticed during the course of audit, it should specifically be brought to the notice of District Panchayat Officer/Director.
- Auditors should confine themselves to the facts, which have a bearing on the accounts. They should not touch finances and matters not falling strictly within the scope of audit.

PRODUCTION OF RECORD FOR AUDIT

Auditors must ensure that all the registers, accounts and other record such as demand and collection register of tax, marriage register, ration card, rent register etc. required for audit are produce in audit. Written requisition for supply of information/record should be issued in the beginning of audit of the panchayat, the accounts of which are to be audited. Omission on the part of Panchayat to put up necessary accounts, if not asked for, sufficiently in advance of the conclusion of audit is not an adequate ground for failure to conduct the audit. If an auditor states that he asked for particular record, but that was not produced, he must be able to prove it from the requisitions.

If in any case, complete accounts records of an individual item or head of accounts are not made available and incompleteness of the records and information supplied are not sufficient to conduct the audit smoothly, the matter should be promptly brought to the notice of the DPO and in the event of failure on the part of Panchayat for production of record, the matter should be brought to the notice the DPO setting forth the full facts, for deciding if the audits should be suspended. The Auditors should not omit to exercise the prescribed checks if a part of the record is not available. He should exercise all the prescribed checks and specifically raise objection if any of the subsidiaries is not made available.²

REVIEW OF PREVIOUS AUDIT REPORTS

The first duty of an Auditor should be to see that deficiencies pointed out in the previous audit report and objection statement have been remedied as promised in the annotated replies, either by the production of the required documents, by recovery of overpayments, or by adoption of the procedure suggested. The further correspondence, if any, on the replies should also be pursued, with a view to ensuring how the several matters referred to were eventually settled. In all cases where the promised action has not been taken, attention should at once be drawn to the matter, and in cases of recoveries or missing documents, the Panchayat should be given every opportunity of repairing its previous omissions, before the completion of audit, if, however, the promised recoveries have not been effected, or the required documents etc. are not produced till the conclusion of audit, the fact should be clearly mentioned the audit report with additional remarks as are called for. Auditors should particularly see that in case of serious irregularities as pointed in the previous audit, the actions should have been taken by the Panchayat. If no action or partial has been taken and the results are unsatisfactory, he should report the matter separately to the Director Panchayati Raj through District Panchayat Officer. The job of disposal of old outstanding audit objections should not be left till the current audit is over. It is not sufficient to see that an annotated copy has been prepared and submitted. It has also to be verified that it was submitted within the prescribed period failing which the auditors should clearly state in part II of their draft audit reports, the date on which the audit report was received in the office of Panchayat and the date on which the copy of annotated replies was forwarded to the Director/District Panchayat Officer. Where the annotated copy is not submitted even till the commencement or conclusion of the next audit, it is not sufficient merely to point out this omission in part II of the audit report. The lapse on the part of Panchayat should specifically be brought to the notice of the Director/District Panchayat Officer.

Auditor should see that if an objection in its original form has been met, fresh observation on the system relating thereto, record or document, if any, should appear in part-III of the current audit report. An old objection should under circumstances be kept alive if it has met in its original form. At the commencement of the audit, auditor should issue a requisition to the concerned whose accounts are to be audited requesting him to arrange for the production of record which was not produced in the last audit and the details of which are noted in the last audit report. The record should be checked with respect to the requirements of audit and defects, if any, should be incorporated in the current audit report.

All objections which outstanding for over five years should be examined with particular care if the auditor feels that the he is not component to withdraw them after verifying the concerned record, they should refer all such objections along with replies of the Panchayat to the Director/District Panchayat Officer for consideration. Such objection which stands to be settled be recommended for dropping them to the concerned prescribed authority.

AUDIT UNDER THE MGNREGA

The audit of schemes under MGNREGA/BRGF other schemes will be done either by the chartered accountant appointed by the State Government. The accountant general will also conduct the audit of accounts of MGNREGA in addition to the audit conducted the chartered accountant. The audit agency of the department is to conduct the audit of all receipt and expenditure as per the provision of full 79 of H.P. Panchayati Raj Financial Rule 2002.

JOB CARD APPLICATION REGISTER

In this register the name of the applicant, date of receipt of application and the detail of job card issued are provided. It also contained reason in case the job card is not issued.

JOB CARD REGISTERED

In this register the detail or the members of the households who have been issued job cards are given.

MUSTER ROLL RECEIPT REGISTER

This register is to be maintained by the Gram Panchayat which received the muster roll from the programme officer.

WORK REGISTER

This register contains details of the work such as number and date of sanction order, completion date, expenditure, incurred and date of social audit. This register will be maintained by the gram panchayat and other implementing agencies.

ASSETS REGISTER

This register contains details of assets, its cost, location current status, benefits dryable and the details of works which have been taken on the assets.

COMPLAINT REGISTER

This register contains the date of receipt of the complaint, the details of complaint, the action taken on the complaint and the date of final disposal.

MONTHLY ALLOTMENT AND UTILIZATION CERTIFICATE WATCH REGISTER

This register contains site expenditure balance available with the implementing agency and the details regarding submission and pendency of utilization certificate.

CASH BOOK

Entries of receipt and expenditures will be checked with bank passbooks, receipt books, vouchers and muster rolls. Entries of receipt and expenditure will be checked with bank pass books receipt books, vouchers and muster rolls etc.

CHECK LIST FOR AUDIT OF WORK UNDER MGNREGA

- Whether administrative/technical section has been obtained.
- Whether payment of wages have been made through banks/post offices.
- Whether unemployment allowance has been provided
- The social audit undertaken by Gram Sabha /Ward Sabha.
- It is also be seen by the auditor that under the scheme work cannot be executed by contractor and through labour displacing machine.³

E-GOVERNANCE IN RURAL AREAS

Ministry of Rural Development, Government of India has developed a number of applications to automate the processes of information generation and strengthening E-governance. Efforts are also made to develop national level ICT solutions for some important activities like the land records computerization, MIS for Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), online monitoring of schemes of the Ministry, Rural Bazaar, Rural Soft, Below Poverty Line (BPL) census 2002 etc.

In India, Poverty alleviation programmes have been important rudiments of public policy to provide unskilled workers with short-term employment on public works. They provide income transfers to rural households during periods when they undergo on account of lack of opportunities of employment. In areas with high unemployment rates and under-employment, from these programmes transfer benefits prevent poverty from worsening, especially during lean seasons. Durable assets that these programmes generate have the potential to generate second-round employment benefits as requisite infrastructure is developed. India has a long history and knowledge in implementing wage employment programmes implemented by the state governments with the assistance of Central Government. These schemes are self-targeting, and the objective is to provide enhanced livelihood security, particularly to those dependent on casual manual labour. Therefore, audit process under these programmes should be well managed and fare.

CONCLUSION

It can be concluded that audit is an effective and reliable instrument in the financial management to know what is going on, how it is going on and what is happening in Panchayati Raj Institutions in terms of its funds and function. Through audit, one is able to understand and observe the ultimate results and conclusions about the success or failure in terms of performance of panchayats. It enables to review and modify the policies and programmes and to remove the short coming and defects noticed in the functioning of the administrative unit and particularly of the system. An efficient and excellent auditing system acts as watchdog and also a well wisher and adviser to the panchayats. The auditor is expected to follow the principles of corrective, reformatory and preventive measures. Through the instrument of auditing one can ascertain that how much money has been spent, how it is spent, for what purpose it is spent, what is achieved and what should have been spent to achieve.

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2. Ibid., pp. 12-14.
3. Ibid., pp. 16-18.
4. www.mgnrega.nic.in Retrieved on March 2016.

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