

***ACCOUNTING PROCEDURE
FOR
DISTRICT RURAL DEVELOPMENT AGENCIES/SOCIETIES
(as amended in 2001)***



***Government of India
Ministry of Rural Development
New Delhi***



Arun Bhatnagar
Secretary

Government of India
Ministry of Rural Development

FOREWORD

The Ministry of Rural Development is glad to release this Booklet relating to the Accounting Procedure for the District rural Development Agencies/Zila Panahayats. It may be recalled that in the initial years of the DRDAs, and that several changes have since occurred. The revised instructions in the Booklet about prove to useful to streamline the system of maintenance of Annual Accounts by the DRDAs and in segregating the expenditure made under Rural Development Scheme. It would also facilitate linking of monitoring of expenditure to the Panchayat achievements registered in each district.

2. Considerable care has gone into the preparation of the Booklet and a draft was circulated to the States and Union Territories, as also the DRDAs for comments/Suggestions. This exercise has been carried out under the guidance of Shri Lalit Mathur, Additional Secretary and Financial Advisor, Ministry of Rural Development. We are also thankful for the efforts put in by Shri A.S. Chauhan, Chief Controller of Accounts who has supervised the work and by Shri Bhupal Nanda, Deputy Controller of Accounts.

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Arun Bhatnagar
Secretary to the Government of India

Dated 27th December 2001

PREFACE

The Revised Accounting Procedure for District Rural Development Agencies/Zila Panchayats/DLC on NSAP/Societies have been prepared after getting the feedback from the dedicated teams of the Accounts Wing of the Ministry of Rural Development. The Study Teams had visited around 100 Districts/DRDAs, 200 Blocks and 350 Panchayats. The site visit and first Hand information collected from the operational level about the difficulties and discrepancies in the existing Accounting guidelines and remedial action/improvement needed in the system for smooth and perfect accounting procedure become a guiding factor to prepare the present accounting procedure. A draft of this was sent to all DRDAs for their comments and an overwhelming response from approximately 225 DRDAs further helped us in improving upon the existing Accounting guidelines.

I convey my deep indebtedness and sincere thanks to Shri Lalit Mathur, IAS, Additional Secretary and Financial Advisor, Ministry of Rural Development who gave me inspiration and guidance for preparing the Revised Accounting Procedure. This was again reinforced by Shri Arun Bhatnagar, IAS, Secretary, Ministry of Rural Development. They were of the view to bring out a simplified version of accounting procedure to facilitate the flow of funds and monitoring of expenditure from the Ministry of Rural Development right up to Panchayat level.

I would like to place on record my deep appreciation to Shri Bhupal Nanda, Deputy Controller of Accounts, Shri J.L. Maini, Senior Accounts Officer and Shri Sandeep R. Pai, Jr. Accounts Officer for their immense help provided in preparation of this booklet. Shri Satish Nandan, Private Secretary also deserves appreciation in providing secretarial support for making this booklet.

My gratitude is also to Rural Development Secretaries in the State Governments and Project Directors/Chief Executive Officers who spared their valuable time and gave their suggestions to update the Accounting procedure. The Revised Accounting Procedure is user friendly and a person with basic accounting knowledge can implement it.

A.S. CHAUHAN
CHIEF CONTROLLER OF ACCOUNTS

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INTRODUCTION

The Ministry of Rural Development sponsors many schemes under the Poverty Alleviation and Rural Employment Schemes such as Swaranjayanti Gram Swarozgar Yojana (SGSY), Jawahar Gram Smridhi Yojana (JGSY), Indira Awaas Yojana (IAY), Employment Assurance Scheme (EAS). In the Social Sector, the Ministry has been sponsoring National Old Age Pension Scheme, National Family Benefit Scheme and National Maternity Benefit Scheme. The schemes namely Accelerated Rural Water Supply Programme and Central Rural Sanitation Programme are part of Department of Drinking Water Supply. The Department of Land Resources is handling the Integrated Wastelands Development Programme, Desert Development Programme, Drought Prone Areas Programme for the development of Land Resources in the country.

2. There are 571 district in India and the central share as well as the state share are released directly to the **District Rural Development Agencies (DRDA's), Zila Panchayats(ZP's) and District Level Committee on NSAP(DLC on NSAP)**. The percentage of funds provided by the Central Government varies from 50% to 100% from scheme to scheme. In the case of Union Territories, 100% of the expenditure is borne by the Government of India. The schemes are implemented through the DRDA's/ZP's/DLC on NSAP . The DRDA's are autonomous bodies set up under the Societies Registration Act. The Accounting Procedure which was earlier approved by the Comptroller and Auditor General (C & AG) for the Small Farmer's Development Agency Programme (SFDA) was extended to the erstwhile scheme of Integrated Rural Development Programme(IRDP) now known as SGSY *mutatis mutandis* pending the formulation of detailed accounting procedure for the IRDP.
3. Based on the recommendations of an inter-ministerial working group a revised accounting procedure was drawn up in 1984 and was approved by the C & AG of India. The main modifications brought about in the revised procedure for SFDA and approved for the DRDA in 1984 provided that:
 - (i) The accounts should be maintained on commercial principle on Double Entry System.
 - (ii) The Agencies should maintain annually among others the following:
 - (a) Receipt and Payment Account
 - (b) Income and Expenditure Account
 - (c) Balance Sheet

- (iii) There should be an audit by a Chartered Accountant or any other recognised body of the Accountants every year and
 - (iv) There should be test audit by the C&AG of India.
 - (v) Provision was made for the maintenance of Block wise accounts through the Cash Book.
 - (vi) A uniform format was prescribed for Subsidy Register (**Annexure-II**) as well as the Cash Book.
 - (vii) Specific time limits were incorporated for compilation and submission of annual accounts. The annual accounts are to be compiled by the DRDA by 30th June. After approval by the Governing body the accounts shall be got audited by the Chartered Accountants or any other Auditor as envisaged under the Rules by 31st August. A copy of such Audit Report along with annual statement of Accounts certified by the Auditor and the Chairman of the Agency shall be furnished simultaneously to the Government of India and the State Government not later than 30th September.
 - (viii) A standard format for furnishing Utilisation Certificate was prescribed.
 - (ix) Powers of Project Officer/Project Director for signing cheques fixed at 10,000/- and was subsequently raised to Rs.50,000/-.
 - (x) A charter of duties and responsibilities of the accounting wing of the DRDA was suggested.
4. The Study Teams of CCA's Wing carried out the study of accounting practices followed by the DRDA's of 100 districts during the years 1998-99, 1999-2000 and 2000-2001. The study group of National Institute of Financial Management had also submitted their project report on the delivery of funds by the Ministry Rural Development to the Implementing Agencies. Based on the feedback received from these study teams, the need for modifying the Accounting Procedure was felt and following important amendments have been incorporated in the Accounting Procedure 1984:
- (1) The accounts of the DRDA's/ZP's/DLC on NSAP and Block shall be maintained on Accrual basis/Double entry basis. (**CHAPTER-I**)

- (2) Multiplicity of Bank Accounts for one scheme is not permissible. Scheme wise accounts shall be opened in the Nationalised/Cooperative/ Regional Rural Banks and funds received in common Bank Account from the Govt. of India and State Governments shall be transferred to the scheme wise bank account only. **(CHAPTER-I)**
- (3) DRDA's/ZP's/DLC on NSAP and Blocks are required to maintain Scheme wise Cash Book. Name of the bank and Account number should be written on the first page of the Cash Book. **(CHAPTER-II)**
- (4) Funds are not allowed to be diverted from one scheme to another or from the Central Scheme to State Scheme by DRDA/ZP/DLC on NSAP. **(CHAPTER-VI)**
- (5) Funds transferred to BDO's, to Panchayats and/or to other implementing agencies shall be reflected as advance to them and may be adjusted against the receipt of adjustment Bills from them. **(CHAPTER-VII)**
- (6) Interest earned on funds of each scheme should be added in the scheme funds. **(CHAPTER-VIII)**
- (7) The Comptroller and Auditor General shall have the right of superimposed audit of the accounts of the society, and for this purpose, shall have the right of access to the books and other relevant records of the society. Copy of the annual accounts along with the audit report and comments of the agency thereon shall be sent to the audit office. **(CHAPTER-XII & XIII)**
- (8) Funds received both for Central as well as State Share for Rural Development Schemes and National Social Assistance Programme Schemes i.e. NOAPS and NFBS should be kept **in a Savings Bank Account in a Nationalised /Cooperative/ Regional Rural Banks. Funds in no case be kept in the Fixed Deposits/Term Deposits.** **(CHAPTER-IX)**
- (9) The Powers of the Project Director for signing cheques have been raised from Rs.50,000/- to Rs. 1,00,000/-. Any cheque beyond this limit should be signed by both the Project Director and the Executive Director. **(CHAPTER-XI)**
- (10) The Central Schemes being implemented through District Level Implementing Agencies(DRDA, ZP, DLC on NSAP) will be subject to the Internal Inspection by the Ministry of Rural Development, Govt. of India. **(CHAPTER-XII)**

- (11)The Annual Financial Statements should be accompanied by the Schedules of Grants/Subsidies received, Interest Earned on unutilised funds kept in Banks, Establishment Expenses, Other Administrative Expenses, Expenditure on Grants and Subsidies and Schedule of assets created during the year. **(CHAPTER-XVIII)**
- (12)DRDAs/Blocks should maintain a register of the Permanent and Semi Permanent assets acquired wholly or mainly out of Government Grants. The Register should be maintained separately in respect of each scheme. A list of annual assets acquired should be sent to the State Government and Ministry of Rural Development as Schedule of Annual Financial Statements. **(CHAPTER-XIX)**

CHAPTER- I

GENERAL GUIDELINES (Accounting System)

In pursuance of the provision made under rule 31 of the Rules of the Small Farmers Development Agency/Marginal Farmers and Agricultural Labourers Development Agency (now DRDA) the following arrangement is prescribed in regard to maintenance of Accounts by the Society (DRDA), ZP's and DLC on NSAP as also the nature of inspection and audit to be applied there on. **In states where the DRDAs have been merged with the Zila Panchayats, these guidelines would be applicable even in such Zila Panchayats for DRDA Accounts or Rural Development Schemes accounts maintained by them. Similarly, in states where DRDAs are no longer implementing agencies and are existing only for monitoring of schemes these accounting procedure shall be implemented by such DRDAs for effective progress and monitoring of schemes.**

Wherever the State Government's accounting procedure are inconsistent with the Accounting Procedure mentioned in the subsequent paragraphs, the State Government may amend such rules so as to make them consistent with these accounting procedures.

1. DRDA's/ZP's and Blocks are responsible for the correct accounting of money distributed to the implementing agencies. They are supposed to supervise and control the whole accounting functions of Blocks/Panchayats. Project Directors/CEO's are supposed to carry out essential checks indicated in **Chapter XV**.
2. The accounts of the each District Rural Development Agency (DRDA)/ZP/DLC and Block shall be maintained on accrual basis/double entry system like other commercial organisation.
3. DRDA's/ZP/DLC/Block & Panchayats should maintain a consolidated Receipt and Payment Account register common for all schemes on the basis of Pass Book, Cash Transaction as recorded in the Cash Book and posted in Ledger. The Register should be in the Form prescribed at **Annexure X (A&B) & XI (A&B)**. This consolidated information should be made available to Inspecting Officers and Audit parties.
4. Interest earned on funds of each scheme should be added in the scheme fund. Income and Expenditure Account should depict the same separately.
5. Principal of one Bank account for each scheme must be followed by DRDA and line level. Second Bank Account for the same scheme, if at all required could only be opened with the approval of the State Secretary (RD). Multiplicity of Bank Accounts for one scheme is not permissible.

6. The Ministry of Rural Development will telegraphically transfer funds/grants relating to all the schemes in a Common Bank Account opened by the DRDA/ZP in SBI or its associate Bank(SBM, SBT, SBP, SBIN, SBH, SBBJ, SBS). The Telegraphic Transfer message would contain the name of the scheme under which the funds have been remitted. The DRDA/ZP should transfer the amount so received immediately to the respective Scheme Accounts' so maintained.
7. **Funds received both from Central and State Governments should be kept in the 'Savings Bank Accounts' only. Funds in no case be kept in the Fixed Deposits/Term Deposits. All existing FD's/TD's should be encashed and transferred to the respective scheme account.**
8. Scheme Account should be maintained only in "**Nationalised/Cooperative/Regional Rural Banks**". In no case funds are to be kept or transferred in Treasuries, or in Personal Ledger Account, Treasury Savings Accounts, Treasury Public Deposit Account etc.
9. State Share received against each scheme should also be transferred in the respective scheme account maintained in the Banks. No funds should be kept in Treasuries.
10. (i) Funds transferred to Block Development Officers/Implementing Agencies shall be reflected as advance to them and be adjusted against the receipt of adjustment bills. Second advance for the same project can be given subject to the condition that 60% funds have been utilized/expenditure incurred out of advance already issued. However third advance cannot be given till the first advance is fully settled.
(ii) Advances to BDO should be shown as advance in the Cash Book and Balance Sheet and not as final Expenditure on the scheme.
(iii) Expenditure on the scheme should be on the basis of adjustment bills or on receipt of the utilisation certificates.
11. DRDA's/ZP's should prepare following Schemewise Annual Statements as per **Chapter XVII**
 - i) Receipt and Payment Account
 - ii) Income and Expenditure Account
 - iii) Balance Sheet
 - iv) Utilisation Certificate
 - v) A statement of Annual Opening and Closing Balance of each Scheme.
 - vi) A certificate of Imprest adjustments at the end of Financial Year.

12. Payments to state P.W.D., Forest Department and to other Implementing Agencies for various works may be termed as Deposit works for which separate accounts may be kept and executing agency shall render the account of each deposit and expenditure against such work every month to the DRDA/BDO's as the case may be.
13. The DRDA's Accounts Officer shall acknowledge the receipt of funds received from the Banker of the Ministry. The acknowledgement receipt, in the prescribed proforma (**Annexure I**), should reach to the Pay and Accounts Officer, (Special Cell), Ministry of Rural Development, Room no. 548, Krishi Bhawan, New Delhi-110001 with in seven days of the receipt of funds.
14. **Subsidies from SGSY scheme fund should not be released by the lead Bank / DRDA to branches before the receipt of the intimation from the branch bank confirming that the loan release cases of the beneficiaries have been processed and sanctioned. Thereafter subsidy equal to sanctioned amount should be released on monthly basis. Instances of refund of unutilised subsidy by the bank branches may be reduced to the minimum.**
15. DRDA's are not authorised to take overdraft from the Banks. No overdraft at any stage be paid to DRDAs on behalf of any scheme of Govt. of India. Bank should not entertain any such request as Government of India is not liable for such payment.
16. **Flow of funds from DRDA's/ZP's/Block's/Gram Panchayats and Implementing Agencies should be through cheque/Demand Draft only.**

CHAPTER II

Maintenance of Cash Book

1. The DRDA/ZP/DLC in NSAP are required to maintain separate Cash Book for each Scheme. Against each entry in the cash book, name of the block and implementing agencies should be indicated. The Cash Book shall be maintained by all the District Rural Development Agencies in the specimen attached at **Annexure VIII**. The transactions relating to schemes of other Ministries should not be included in these Cash Books.
2. Like DRDA's each Block is required to maintain separate Cash Book for each scheme as per **Annexure VIII**. The transactions relating to schemes pertaining to other Ministries should not be included in these Cash Books.
3. The name of the Bank and the Bank Account no. of the Scheme should be written on the first page of the Cash Book as it will be useful to the Inspecting Officers and Audit Officers.
4. Cash Book shall be closed on every transacting day. All receipts and payments should be posted in the Cash Book on regular basis. After balancing the amount it should be signed by the Cashier and DDO.
5. The Cash Book should be certified, summarised, closed and signed on the last working day of the month by the Project Director, DRDA/ CEO, Zila Panchayat/DLC on NSAP.
6. All receipts of money should be entered in the Cash Book on the day they are received. Interest Earned on scheme fund should also be reflected in the Cash Book .
7. **The monthly closing balance should have details of Balances available in the Bank Pass Book, entries in the Cash Book and Cash in Hand. Balance should also be supported by the copies of Bank Pass Book. A certificate in this regard should be recorded at the close of every month.**
8. **There may be some debits and credits for Bank charges, commission or interest, which will appear in the Monthly Bank statement. These items should be incorporated in the Cash Book in the following month so that Cash Book balances agree with the Bank Balance.**

CHAPTER III

Maintenance of Scheme Ledger

1. Each DRDA/ZP/DLC on NSAP should maintain Scheme wise Ledgers. Different pages of Ledgers should be for different Blocks. Thus there will be numbers of ledgers equivalent to the number of Schemes in the District and each Ledger will have detail of Blocks, date of release of Advance, Amount of Advance released, voucher number, cheque number and date of receipt of UC's/Adjustment Bill. Proforma may be seen at **Annexure VI**.
2. At the end of the month a scheme-wise abstract should be prepared showing Monthly Advances and the monthly adjustment/expenditure in respect of each scheme and each Block.
3.
 - (a) Each Block should maintain a Scheme wise Ledger with different pages for different Panchayats, under which name of the Panchayats/Village, date of release of Advances, Amount of advance, Cheque number and date of receipt of UC's/Adjustment Bill should be given. Proforma is given at **Annexure VI-A**.
 - (b) At the end of the month a scheme wise abstract should be prepared showing the release and monthly Expenditure in respect of each scheme in each Panchayat. This monthly abstract should reach to DRDA's in the first week of subsequent month.
4. Trial Balance for the month using General Ledger and Cash Book should be prepared. If Trial Balance is not tallied then error of posting in Cash Book and Ledger should be checked.

CHAPTER IV

Maintenance of Block wise and Panchayat wise Payment Register

1. Each DRDA/ZP/DLC on NSAP should maintain Block wise Payment Registers. Different pages of the register should be allocated for different schemes. Thus there will be number of registers equivalent to the number of Blocks in the District and each register will have detail of Schemes, date of release of Advance, Amount of Advance released, and date of receipt of UC's/Adjustment Bill. Proforma may be seen at **Annexure VII-A.**
2. Block wise register should be closed on monthly basis along with progressive expenditure of each month.
3. Each Block should maintain Panchayat wise Payment Register. Different pages of register should have detail of different schemes. The register should have name of the scheme, date of advance, amount of advance, and detail of adjustment bill. (**Annexure VII-B**)
4. Panchayat wise register should be closed on monthly basis along with progressive expenditure of each month.
5. Each Panchayat should maintain payment register as per **Annexure VII-C.**

CHAPTER V

Maintenance of Receipt Register

FOR DRDAs

1. Each DRDA/ZP/DLC on NSAP should maintain a Consolidated Receipt Register indicating name of the scheme, amount received, sanction no., date of receipt of funds and source of receipts of funds i.e. Govt. of India, State Government, Others etc. **(Annexure X-A)**
2. The Register should be closed each month and abstract should be prepared indicating the total receipt during the month.

FOR BLOCKS

1. Each Block should maintain a Consolidated Receipt Register indicating name of the scheme, amount received, sanction no., date of receipt of funds and source of receipts of funds i.e. DRDA, others etc.
2. The Register should be closed each month and abstract should be prepared indicating the total receipt during the month.
(Annexure XI-A)

FOR PANCHAYATS

1. Each Panchayat should maintain a Receipt Register indicating name of the scheme, amount received, sanction no., date of receipt of funds and source of receipts of funds i.e. DRDA, Blocks, others etc.
(Annexure XII)
2. The Register should be closed each month and abstract should be prepared indicating the total receipt during the month.

CHAPTER VI

Reappropriation

1. If any grant has been made by the Government of India or by the State Government of India or by the State Government to the Society for a specific purpose, the society shall not without the prior sanction of the granting authority, appropriate such grant or sum or any part thereof for a purpose other than the approved purpose i.e. Funds are not allowed to be diverted from one scheme to another scheme or from Central Scheme to State Scheme.
2. **In no case funds are allowed to be diverted from one scheme to another scheme or from Central Scheme to State Scheme.**
3. **Unutilised funds under any head/scheme should be reflected as " Opening Balance " in the next financial year. PD, DRDA/CEO, ZP should sign the Annual Closing and Opening Balance Statements.**
4. **Reappropriation of funds from one district to another district of the state is not allowed.**

CHAPTER VII

Guidelines for Payments

1. BDO'S/Implementing Agencies will receive their funds from DRDA's/ZP's as advance and adjustment bills should be submitted to DRDAs/ZPs to settle the advance. There is no limit on reimbursement, however second advance for the same project can be given subject to the condition that 60% funds has been utilised/expenditure incurred out of advance already issued. However, third advance cannot be given till the first advance is fully settled.
2. All payments exceeding Rs.1,000/- shall be made in Cheque/DD, in cases where it is not possible to make payment by Cheque/DD then such reasons should be recorded in the Cash Book. The Drawing and Disbursing Officer will satisfy himself about the mode of payment.
3. All payments should be supported by documents such as bills/receipts and cash memos.
4. When disbursing the payments, the Accountant/Accounts Officer should obtain the signature of the payee acknowledging receipt of the cheque or cash as the case may be. This signature must be affixed in appropriate space.
5. All paid vouchers be retained for the **period of 5 years** from the date of adjustment/settlement of Advance, or till the Statutory Audit for that period is completed, **whichever is later**.
6. Bills and Vouchers which have been paid by cheques shall be divided into the following classes, namely (I) salary and establishment Bill and (ii) other bills. Each class of bills should be pasted in a separate guard file and shall be consecutively numbered in order of payment. But sub-vouchers which have been paid in cash out of the permanent advance, shall be separately filed together with the recoupment vouchers covering them.
7. A system of debit voucher for each payment (whether by cheque or in Cash) may be introduced. The debit voucher may indicate sanction number, particular of expenditure, ledger head under which it is classified and mode of Payment (Cheque/DD/Cash). The debit voucher may be approved by the Accounts Officer and shall form the basis for posting the Cash Book.
8. Payment made to Blocks/ Panchayats and Other implementing agencies be entered in Payment Register as per **Annexure X(A&B)**.

CHAPTER VIII

PROCEDURE FOR BANK RECONCILIATION

1. The DRDA's/ZPs and Banks should reconcile their accounts on monthly basis. Pass Book should be updated twice in a month i.e. on 10th and last working day of every month. The Bank Reconciliation Statement should be pasted in the Cash Book at the end of each month. The Bank Reconciliation Statement should be prepared as per proforma at **Annexure IX**.
2. The Balance appearing in Pass Book/Bank Statement should be reconciled with entries shown in Cash Book. In the event of any cheques issued during a month remaining uncashed at the close of the month, **there will necessarily be a difference between the balance brought out in the Cash Book and of the Pass Book and of the certificate issued by the Agency of the Bank under rule 10. This difference shall be explained by a note in the last page of the Cash Book for the month in the following manner.**

Balance as per Cash Book. As on 31.5.99	Rs. 100 500
Add cheques issued but not presented for payments per	50 000
Less cheques deposited in to the bank but not cleared & credited by the bank	(-) 30 500
Add Interest credited by the bank	+ 3 250
Less bank cheques or interest claimed by the bank	(-) <u>1 250</u>
Balance as per pass book	<u>1,22,000</u>

3. At the end of each Month a summary of the outstanding cheques issued but not presented to Banks should be prepared indicating date, cheque no., amount and Payees name.
4. Cheques older than 6 months from the date of issue and not presented to the Bank should be investigated by the PD/CEO,ZP and then written back in Cash Book noting the reference number, date of payment voucher and head of Accounts liability for payment in future after following the procedure laid down in Chapter VIII.

5. All moneys remitted to the Bank to the Credit of the Society and all payments made by the Bank on cheques or otherwise on account of the society shall be entered in a Pass Book. The Pass Book shall remain in the custody of the Accounts Officer and it shall be sent to the Bank at least twice in a month. The Bank should update entries of Receipt and Payment, balance the account and sign the Pass Book. The amount should be entered in words as well as in figures. On receipt of the Pass Book by the Bank, the receipt and payment upto date, shall be entered therein and when the Book is received on the last working day of the month, the account shall be balanced and signed by the Agent of the bank, the amount being entered in words as well as in figures. The Pass Book shall be returned to the Office of the Society(DRDA) as soon as the entries prescribed in this rule have been made in it.
6. The Project Director/CEO,ZP shall examine the Pass Book at least once in a month and shall immediately call the attention of the Bank to any discrepancy that may appear between the credits and debits shown in the Pass Book and these shown in the accounts of the Society.

CHAPTER IX

Coordinated functions of Banks with DRDAs/ZPs/DLC

1. Funds received both for Central as well as State Share for Rural Development Schemes and National Social Assistance Programme Schemes i.e. NOAPS and NFBS should be kept in a Savings Bank Account in a Nationalised /Cooperative/ Regional Rural Banks. Funds in no case be kept in the Fixed Deposits/Term Deposits.
2. The Bank should immediately intimate to the DRDAs/ZPs about the receipt of Telegraphic Transfer (TT) of funds. On receipt of such intimation, the Project Director shall immediately send the pass book to the bank for making necessary entries in the Pass Book.
3. The bank should credit the accounts of DRDA/ZP on the day of receipt of TT. The accredited bank will be liable for penal interest for delay (in terms of no. of days) in crediting the accounts of DRDA/ZP. In case of repeated instances of delay, the matter should be referred to this Ministry and with prior approval, the account in such Bank should be closed and a new SB Account should be opened in other Branch of SBI or its Associate Banks.
4. Interest earned on funds of each scheme should be added in the scheme fund. The bank shall intimate in writing to the Project Director about the amount of interest earned so that necessary entries are made in the Cash Book maintained by the DRDA/ZP.
5. Banks should confirm the DRDA/BDO's that loan release cases of the beneficiaries have been processed and sanctioned. Thereafter, subsidy equal to sanctioned amount should be released to the Bank on monthly basis. Instances of refund of unutilised subsidy by the bank branches may be reduced to the minimum.
6. DRDA's/ZPs are not authorised to take overdraft from the Banks. No overdraft at any stage be paid to DRDAs/ZPs on behalf of any scheme of Govt. of India. Bank should not entertain any such request as Government of India is not liable for such payment.
7. In case of non receipt of TT's by the bank, the banker as well as the Project Director should immediately contact **Asstt. General Manager, State bank of Bikaner & Jaipur, G-72, 1st Floor, Connaught Place, New Delhi-110001, (Telephone No. 011-3358464, 3712083, 3719044 Fax: 3712081, 3713994)** the accredited bank of the Ministry of Rural Development, Govt. of India and the Pay and Accounts Office whose address and telephone no. is also given in the sanction order.
8. On the receipt of "Sanction Order" from the Ministry of Rural Development, the Project Director should contact the Bank to ensure the receipt of funds through TT, necessary credit by the Bank in the accounts of DRDA/ZP and for making necessary entries in the Pass Book.

CHAPTER X

Guidelines for Cheque Books.

1. Cheque books will be supplied by the Bank only; and no other forms shall be used. The cheque books and the counterfoils/record slips of used cheques shall be kept in the custody of the Accounts Officer/Project Director for audit.
2. On receipt of cheque book from the bank, the Project Director shall count the cheques and shall record on the back of the cheque book that "this cheque book contains..... forms. The cheque books will also be entered in the register meant for the purpose.
3. Cheques for sums not exceeding Rs. 1,00,000/- shall be signed by the Project Director, DRDA/ZP. Cheques for sums exceeding Rs.1,00,000/- will be signed both by the Project Director,DRDA and Executive Director,DRDA. At Block Level the cheques for more than Rs.50,000/- should be signed by two Gazetted officers including BDO.
4. No cheque shall be signed unless required for immediate delivery to the person to whom the money is to be paid, nor until the Bill which it will discharge, has been presented in a complete form, examined and passed for payment.
5. If a cheque, after it has been signed cannot be delivered to the payees on account of his non-appearance on a particular date, it should be lodged in an Iron safe; the key of which should be kept in the custody of the Accounts Officer.
6. In case of Lost Cheque, on intimation of such loss from the Payee, the drawee bank should be asked to provide '**Non Payment Certificate**'. The Payee should be asked to execute an Indemnity Bond for an amount equal to the cheque lost. Only then a fresh cheque should be drawn in favour of the payee.
7. In case of time barred cheques, fresh cheques are required to be issued on receipt of request and no revalidation shall be resorted to. The time barred cheque should not be destroyed but preserved as a voucher/sub-voucher and fresh cheque should be issued on this basis. To avoid misuse of cancelled cheque the word " VOID" should be written over the leaf.
8. Every payment made, either in cash or by cheque, shall be covered by a receipt stamped if necessary, signed by the person to whom the money is due and to whom it has actually been paid.

9. All accounts received in cash or cheque/Draft will be acknowledged by printed receipts which will be signed by the Drawing and Disbursing Officer or other person authorised to work on his behalf. The receipts with their counterfoils will be machine numbered and their record will be kept in the receipts register.
10. Counter foils/Record Slips of cheques should bear payees name, amount, the date of issue, voucher number and the initials of the signatories.
11. All cheques other than Self Cheque should be a Crossed Cheque/Account Payee Cheque and in no case a Bearer cheque should be issued.

CHAPTER XI

GUIDELINES REGARDING PERMANENT IMPREST

- 1. In order to carry out Contingency Nature, Petty cash payment of miscellaneous nature, a Permanent Imprest of Rs.5,000/- may be sanctioned and paid to any Gazetted Officer of the office of the DRDA/ZP for a specific purpose or for petty contingent transactions.**
- 2. Permanent Imprest Account shall be submitted by the imprest holder at least once in a month and get the amount recouped.**
- 3. All Permanent Imprest must be adjusted at the close of the financial year i.e. 31st of March every year or at the time of relinquishing the charge by the Imprest Holder due to retirement/transfer etc.**
- 4. In case the Imprest Holder does not submit any Account for three months continuously, he shall be asked to render the account for adjustment failing which further imprest should not be allowed.**
- 5. The Permanent advance fixed as per the State Government Rules /General Financial Rules shall be recouped as often as may be necessary in the following manner:-**

The Project Director/Accounts Officer shall compare the sub-vouchers with the entries in the permanent advance account. He shall deface them by stamping "Cancelled" thereon so that they cannot be used again. He shall total and initial the column "Amount of sub- voucher" in the permanent advance account. The voucher for recoupment shall be drawn out, in a suitable form and it shall be en faced with the usual payment order. The Project Officer shall draw out a cheque in own favour for the amount.

CHAPTER XII

GUIDELINES FOR AUDITING THE ACCOUNTS OF DRDA/ZP

1. The Comptroller and Auditor General shall have the right of superimposed audit of the accounts of the society, and for this purpose, shall have the right of access to the books and other relevant records of the society. Copy of the annual accounts along with the audit report and comments of the agency thereon shall be sent to the audit office.
2. **The Annual Accounts of the DRDA's/ZP's/DLC on NSAP, Block and selected Gram Panchayats shall be audited by the Chartered Accountant or by the Local Fund Audit Department, A copy of their Audit Report should also be sent to the respective Accountant Generals (A. G's), State Governments and Programme Divisions in the Ministry of Rural Development, Govt. Of India.**
3. The Chartered Accountant or Local Fund auditor shall have access to the Record of DRDA's, Zila Panchayats, Blocks and Gram Panchayats. They must physically certify and sign the accounts so audited. Chartered Accountant must audit offices of DRDAs/ZPs/DLCs and all blocks and selected Gram Panchayat.
4. The Project Director shall ensure that, the annual accounts of the agency are prepared by a date not later than **30th June** comprising of Receipt & Payment Account, Income and Expenditure Account and Balance Sheet. After approval by the Governing Body he shall have the accounts audited by the Chartered Accountant or by the Local Fund Audit Department.
5. A copy of such audit report (duly signed by auditor) along-with the annual statement of accounts certified by the auditor and the C.E.O. of the Agency thereon shall be furnished simultaneously to Government of India and the State Government before **30th September**.
6. **The Central Schemes being implemented through District Level Implementing Agencies/ZP's may be subject to the Internal Audit by the Ministry of Rural Development, Govt. of India and State Government Teams.**

CHAPTER XIII

Guidelines regarding Selection of Chartered Accountant Firms

1. Preference should be given to select an experienced Chartered Accountant listed in the panel of A.G.'s of the State or C & A.G. of India. However, in areas where empanelled CA's are not available or which are remote or inaccessible, the Local Fund Audit Party or any other Chartered Accountant with Professional Qualifications prescribed by the respective State Governments from time to time.
2. The C & AG of India shall have right to lay down some specific qualifications and experience of Chartered Accountant for certain areas or in special cases.
3. The C & AG shall have right to issue directives to Chartered Accountants (CA's) about each audit.
4. Any professional misconduct on the part of the CA shall be reported to the Institute of Chartered Accountant of India. CA shall be responsible for such action taken by the Institute under the code of conduct as defined under provision contained in the Chartered Accountant Act 1949.
5. The Chartered Accountant shall also be responsible for inviting attention of any material departure from generally accepted procedure of Audit. Its failure shall be considered as professional misconduct as defined under the Chartered Accountant Act of 1949.
6. If the Ministry of RD, Government of India or State Government notices that Account audited by any Chartered Accountant is not up to the standard, incorrect, deviates from factual ground realities, misrepresent the facts, etc. then the Ministry of Rural Development, Govt. of India / State Government may debar such CA from audit and shall report against such Chartered Accountant to the Institute of Chartered Accountants of India, New Delhi for initiating action under their conduct rules.

CHAPTER XIV

GUIDELINES REGARDING SENDING REPORTS TO THE CENTRAL GOVERNMENT

1. All DRDAs/ZPs should send following audited Annual Financial Statements to the M/O RD, State Government and to the State AG by 30th Sept. of the subsequent financial years.
year.
 - (a) Receipt and Payment Account
 - (b) Income and Expenditure Account
 - (c) Balance Sheet
 - (d) Audit Certificate of the Chartered Accountant
2. A Statement showing the Schedule of Fixed Assets created under each scheme held by the Agency at the end of the financial year shall be sent to the State Government and to the Government of India in the prescribed form. The value of assets should be shown at the original cost in the accounts. **(Schedule –VI)**
3. All DRDA's/ZPs/DLC should send their Scheme wise Opening Balance as on 1st of April brought forward the unspent balance of the Previous year. The Report should reach to the M/O RD, Budget Division by 30th May of each year. The Opening balance should include unspent balances lying with the Implementing Agencies/BDOs/Gram Panchayats as on 31st March.
- 4.. All the Agencies shall send a Utilization Certificate to the Government of India (Ministry of Rural Development) in the prescribed pro forma given in respective scheme guidelines along with annual statement of accounts. The Utilization Certificate must be prepared strictly on the basis of the Receipts and Payment Account and Opening / closing balances in both Receipts and Payment Accounts.
- 5.. As the existing Utilisation Certificates do not reflect reality, a complete list of completed and incomplete works should be attached with the U.Cs. This should also show where the unspent money is lying.
6. A compiled expenditure report on quarterly basis should be sent to the State Government and the Ministry of Rural Development, Government of India. The Report should have Opening Balance, Total Receipts (both from the Govt. of India and the State Government) and expenditure under various scheme heads of accounts along with cumulative total at the end of the quarter.

CHAPTER XV

Duties and Responsibilities of Project Director.

1. In case PD/CEO is working as DDO, he shall sign all entries of Receipt and Payments made in the Cash Book on each transaction day.
2. Closing Balance in the Cash Book along with certificate and summary of Monthly statement is to be signed and dated by the PD/CEO.
3. Monthly Bank Reconciliation Statement shall be signed by the PD/CEO and pasted in the Cash Book at the close of the each month.
4. PD/CEO shall examine the pass Book from time to time at least once a month and shall immediately call attention of the Bank of any discrepancy noticed in the Bank Reconciliation Statement.
5. Monthly review of Advances paid to various executing agencies/Implementing Agencies and adjustment of bills thereon shall be carried out.
6. Monthly receipts and expenditure Statement should be signed. He should ensure that scheme wise expenditure met in accordance to allocation.
7. PD/CEO shall be responsible for getting the Annual Accounts prepared, which shall include Receipt and Payment Account, Income and Expenditure Account and Balance Sheet. He will sign these before getting the same audited from the CA.
8. PD/CEO must sign all the UC's being sent to the M/O RD along with annual statement of Accounts.
9. PD/CEO must ensure that negative (-) balance do not figure in the opening and Closing Balances of each scheme.
10. PD/CEO while forwarding the proposal for II instalment must issue a certificate that no funds are kept in Fixed Deposit Receipts.
11. PD/CEO must ensure that Imprest Amount is adjusted at the close of every financial year 31st March.
12. PD/CEO must ensure that Opening Balance in each scheme is communicated to the Ministry of RD, Govt. of India at the close of financial year latest by 30th May every year.
13. PD/CEO should maintain a watch on the expenses of Blocks with reference to the allocation in different schemes.

CHAPTER XVI

DUTIES & RESPONSIBILITIES OF THE VARIOUS WINGS OF DRDA's/ZP

A. Establishment Wing: The head of Establishment Wing should arrange and ensure proper maintenance of the following records:

1. Preparation of Pay bills, TA bills, Contingent bills towards administrative expenses, their scrutiny and submission to the Project Director for approval.
2. Maintenance of following Registers
 - (a) Pay bill register and Acquittance register.
 - (b) Loan register in G.F.R. form 20 (Share capital loan).
 - (c) Register of fixed charges.
 - (d) Traveling allowance Register.
 - (e)** Service books of employees of the Society.
 - (f) Leave Salary and Pension contributions etc. of employees whose service have been loaned by the Agency to the appropriate authorities (Accountant General, etc).
 - (g) Register of advances to staff and their recovery.
 - (h) Stock register of (a) Consumable articles; (b) non consumable articles.

B. Accounts Wing:

The Accounts officer or the head of the Accounts wing should arrange and ensure proper maintenance of the following records:

1. Preparation of the budget estimates under different heads viz. Administrative expenses, subsidy risk fund, etc.
2. Maintaining a watch on the expenses of blocks with reference to the allocation in different scheme.
3. A system of debit voucher for each payment by cheque or in cash may be introduced. The debit voucher may be approved by the Accounts Officer/Project Officer and form the basis for posting the cash book/ledger.
4. Preparation of cheques for payments on the basis of the sanction/pass orders on bills or approved debit vouchers.

5. Monthly Bank Reconciliation of balances as per the books of the Agency with the balances as per the books of the banks in which the cash balances of the agency are kept.
6. To watch the receipt of funds from State and Central Government and to acknowledge the receipt of funds to the Ministry of RD and the State Government as the case may be .
7. Preparation of monthly reports of expenditure under different heads, and different blocks for comparison and review with budget allotments. Quarterly progress report to be sent to the State Govt./ Govt. of India.
8. Quarterly Receipt and Expenditure Report to be sent to the State Govt./Govt. of India.
9. Preparing a consolidated register of all funds received from Central and State Government and Block wise and Scheme wise Expenditure made.
(Annexure X-A & XII)

10. Preparation of Annual Financial Statements for Audit as in Chapter XVII

11. Watching Adjustment Bills/ UC's from the Blocks and Implementing Agencies for the advance given to them and allowing subsequent advance.
12. Dealing with correspondence relating to audit objections and inspections reports till they are finally settled.
13. Maintenance of the accounting records as given in **Chapter XIX**.

C. Assistant Project Officer

- (a) Scrutiny of subsidy claims made by Banks dealing with SGSY.
- (b) Watching the receipt of utilization reports and adjustment bills from the Banks/ Credit Institutions in respect of subsidies advances made to them, within the stipulated period, processing the adjustment to final heads making necessary entries in the Scheme wise beneficiary register; in the event of default, ensuring recovery of under-utilized subsidies and interest thereon.

- (c) Register of subsidies Scheme wise, beneficiary wise (these registers may be kept separately for each block).
- (d) Register to monitor and record the expenditure on subsidies in different blocks against the block ceiling.
- (e) Register to review the progress of expenditure against the budget allotment for (i) Administrative Expenses under different Ledger heads (ii) Expenditure on subsidies for different programmes in different sectors and (iii) Risk Fund / Managerial Subsidy.

CHAPTER XVII

GUIDELINES FOR ANNUAL FINANCIAL STATEMENTS

The following annual Financial Statements shall be prepared by the DRDA/Agency for each scheme.

(a) Receipts and Payments Accounts

The summary of the Receipts and Payments should be tallied with the cash book. The Proforma of Receipts & Payment Account may be seen at **Annexure III**. It has following features.

- (1) It starts with an opening balance on the debit side showing cash in hand and balance in bank.
- (2) Receipts are recorded on the debit side and payment on the credit side.
- (3) Both receipts and payment are classified under suitable headings.
- (4) All transactions occurring during the year shall be recorded in this account. In other words, receipts and payments pertaining to the previous year, current year and next year are recorded in it. Moreover it records receipts and payments of both capital and revenue nature.
- (5) This account ends with a closing balance which represents cash in hand or bank balance at the end of the year. If however, it shows a credit balance, it means it is bank overdraft.

(b) Income & Expenditure Account

It is prepared on the principles of Profit and Loss Account of a Non-Profitable organisations. The Proforma may be seen at **Annexure IV** . Special features of the account are:-

- (1) Expenditure is on the debit side of this account and Incomes are recorded on its credit side.
- (2) Items of only revenue nature are shown. Items of capital nature are excluded.
- (3) Expenses and Incomes are adjusted in the following manner:-
 - i) Include all figures relating to the current year only even if the items are not fully settled in cash and.
 - ii) Exclude figures relating to future or previous years.

- iii) Interest earned on funds of each scheme should also be shown as Income.

Note: Steps for preparing Income and Expenditure Account out of Receipts and Payments Account.

For this purpose the following steps may be necessary

- (1) Exclude the opening and closing balances of the Receipts and Payments Account.
- (2) All items of capital nature recorded in the receipts and payments account should be excluded.
- (3) Any income and expenditure of the previous year or next year must be excluded.
- (4) Any income earned but not received during the year should be provided for, similarly of expenditure incurred but not paid should be recorded in.
- (5) Items like depreciation, bad debts etc., which are not paid in cash, must be taken into account.
- (6)** All items of capital nature appearing in receipts and payments account but not shown in the income & expenditure account should be shown in the balance sheet.

(c) Balance Sheet

- i) The Balance Sheet must be prepared for every financial year in the prescribed Proforma at **Annexure V**.
- ii) The Balance Sheet should show all balance of Assets and Liabilities Account at close of the year with the comparative figure for previous period.
- iii) Accounts Officer and Project Director/CEO must sign the Balance Sheet, before forwarding it either for audit or to Executive Committee.
- iv) The necessary annexure to the balance Sheet should be numbered in sequence and attached thereof.
- v) The annual accounts along with Balance Sheet shall be subjected to Audit.
- vi) The Audited Annual Accounts along with the Balance Sheet and Audit Report should be sent to the Ministry of Rural Development

Government of India and the State Government by the 30th September of next year.

(d) Schedules:-

The Annual Financial Statements should be accompanied by the following Schedules:

- (i) Schedule of Assets created during the year**
- (ii) Schedule of Grants/Subsidies received.**
- (iii) Schedule of Interest Earned on unutilised funds kept in Banks.**
- (iv) Schedule of Establishment Expenses *(For DRDA Admn. only)***
- (v) Schedule of Other Administrative Expenses
*(For DRDA Admn. only)***
- (vi) Schedule of Expenditure on Grants & Subsidies**

After the preparation of Annual Financial Statements, as mentioned above, the Project Director shall lay them before the Governing Body for their approval.

(e) Utilisation Certificate:

The DRDA/ZP/DLC shall submit utilization certificate along with Annual Statement of Accounts. The Blocks and other executing agencies shall render their accounts against advance given to them by the DRDA. The UC's shall be signed by the PD/CEO.

CHAPTER XVIII

List of Monthly Statements to be prepared by DRDA/ZP/DLC.

DRDA's/ZP/DLC shall prepare following monthly statements for each scheme.

1. Preparation of Bank Reconciliation Statement.
2. Monthly / Fortnightly review of Bank Pass Book.
3. Monthly Closing of Cash Book having " Summary of Statement of Transaction".
4. Monthly closing of scheme wise ledger by the DRDAs indicating the advances given and their adjustment made.
5. Monthly closing of Scheme wise and Panchayat wise Register by the DRDAs/BDOs' indicating summary of advances and their adjustment made.
6. Monthly closing of Receipt and Payment Register.
7. Summary of cheques issued but not presented in the Bank during the month.
8. Monthly Expenditure Statement.

CHAPTER XIX

Summary of Accounting Records to be maintained by the DRDAs/ZPs

1. Cash Book
2. Ledger
3. Journal
4. Cheque Issue Register
5. Register of Receipt Books
6. Register of Cheque Books
7. Register of Advance Implementing Agencies
8. Register of risk fund/managerial subsidies Bank account register to record the cheques issued against the balances in different banks and to work out the balance from time to time.
9. Register to review the progress of expenditure against the budget allotments for (I) administrative expenses under different ledger heads: (ii) expenditure on subsidies for different programmes in different sectors; and (iii) risk fund/managerial subsidy.
10. Permanent advance Account (Petty cash book and recoupment vouchers).
11. Provident funds accounts if any for employees of the DRDA/DRDS, under the rules of the society.
12. Register to record the recovery and remittance of (I) Provident Fund Contributions; (ii) Income tax; (iii) Loans and Advances (iv) Register to watch the disposal of Audit objections (A.G.'s inspection, C.A.'s audit).
13. Assets register in G.F.R. Form 19.
14. Bank reconciliation register with separate folios for the reconciliation of balances held with different branches of the bank by the DRDAs.
15. Any other register considered necessary in connection with the work of maintenance of accounts.

16. Register of Consolidated Receipt and Payment.
17. Deposit Register in a format to be maintained for EMD, Security Deposit and Income Tax Deduction.
18. Scheme wise Ledger having Block wise Detail.
19. Petty Cash Book
20. Recoupment Register (for Imprest)
21. Register of Audit and settlement of Audit Objections
22. Block wise Scheme wise Register for watching Utilisation from BDO's Implementing Agencies for amount advanced to them. The Register should show the following items also:
 - (a) Funds advanced to the Blocks under different Schemes.
 - (b) Expenditure intimated by the Blocks against advances.
 - (c) Amount Outstanding against each BDO pending adjustment.
23. A monthly account showing the allotment and expenditure under each item, shall be prepared and put up before the PD/CEO.

CHAPTER XX

GOVERNMENT OF INDIA DECISION NO 6 UNDER G.F.R. 149.

Disposal or utilisation for other purposes of assets acquired out of government grants not permissible except with prior approval-(a) In making grants to non-government or quasi- Government bodies or institutions, a condition should be laid down that assets acquired wholly or substantially out of Government, shall not be disposed off; encumbered or utilised for purposes other than those for which the grants were sanctioned.

(G.I., M.F., O.M. No. F ii(8)-E.ii(A)/60. Dated the 2nd February, 1960)

b) The following procedure should be observed in regard to assets acquired wholly or substantially out of Government grants:-

- (i) An undertaking should be obtained by the sanctioning authorities from the grantee institutions that they (the institutions)agree to be governed by the conditions of grants which result in the creation or acquisition of permanent or semi-permanent assets.
- (ii) The grantee institutions should maintain a register in Form AG.F.R. 19 of the permanent and semi-permanent assets acquired wholly or mainly out of Government grants. The register should be maintained by the grantee institutions separately in respect of each sanctioning authority and a copy thereof furnished to the respective sanctioning authorities annually.
- (iii) The sanctioning authorities should maintain block accounts also in form G.F.R. 19 of permanent and semi permanent assets acquired wholly or mainly out of Government grants. This record should be of a permanent nature and should be posted from the annual returns furnished by the grantee institutions under (ii) above.
- (iv) The register of assets and the Block Accounts, maintained by the grantee institutions and the sanctioning authorities respective should be available for open to scrutiny by Audit.

(G.I., M.F., O.M. No. F 11(8)-E II(A)/60,dated the 28th March, 1961).

Explanation – The term ‘assets’ used in clauses (a) and (b) of this decision means (i) immovable, property; and (ii) movable property of a capital nature where the value exceeds Rs.1,000/-

(G.I., M.F. O.M. No. F.II (14)- E-II(A)/62, dated the 29th June,1962).

NOTE:- Library books and articles of furniture need not be taken as falling within the terms “assets”. It is not, therefore, necessary to indicate such articles in Form G.F.R. 19. Inventories of such articles in the prescribed form should nevertheless be maintained by the authorities and produced at the time of audit.

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