
Part - A

Panchayat Raj Institutions

Chapter – I

An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Panchayat Raj Institutions

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An Overview of the Functioning of the Panchayat Raj Institutions (PRIs) in the State

1.1 Introduction

Government of India (GoI) enacted (1992) 73rd amendment to the Constitution to empower Panchayat Raj Institutions (PRIs) as local self-governing institutions to ensure a more participative governing structure in the country. GoI further entrusted to the PRIs the implementation of various socio-economic development schemes, including those enumerated in the Eleventh Schedule to the Constitution.

The States, in turn, were required to entrust these local bodies with such powers, functions and responsibilities as to enable them to function as institutions of self-governance and implement schemes for economic development and social justice.

Accordingly, State Government enacted Andhra Pradesh Panchayat Raj (APPR) Act¹ in 1994 repealing all the existing Acts, to establish a three-tier system *viz.*, Gram Panchayat (GP), Mandal Praja Parishad (MPP) and Zilla Praja Parishad (ZPP) at Village, Mandal and District levels respectively.

1.1.1 State profile

As per 2011 census, total population of the 10 districts of Telangana State was 3.52 crore, of which 2.16 crore (61 *per cent*) lived in rural areas. A profile of rural Telangana is given below:

Table 1.1

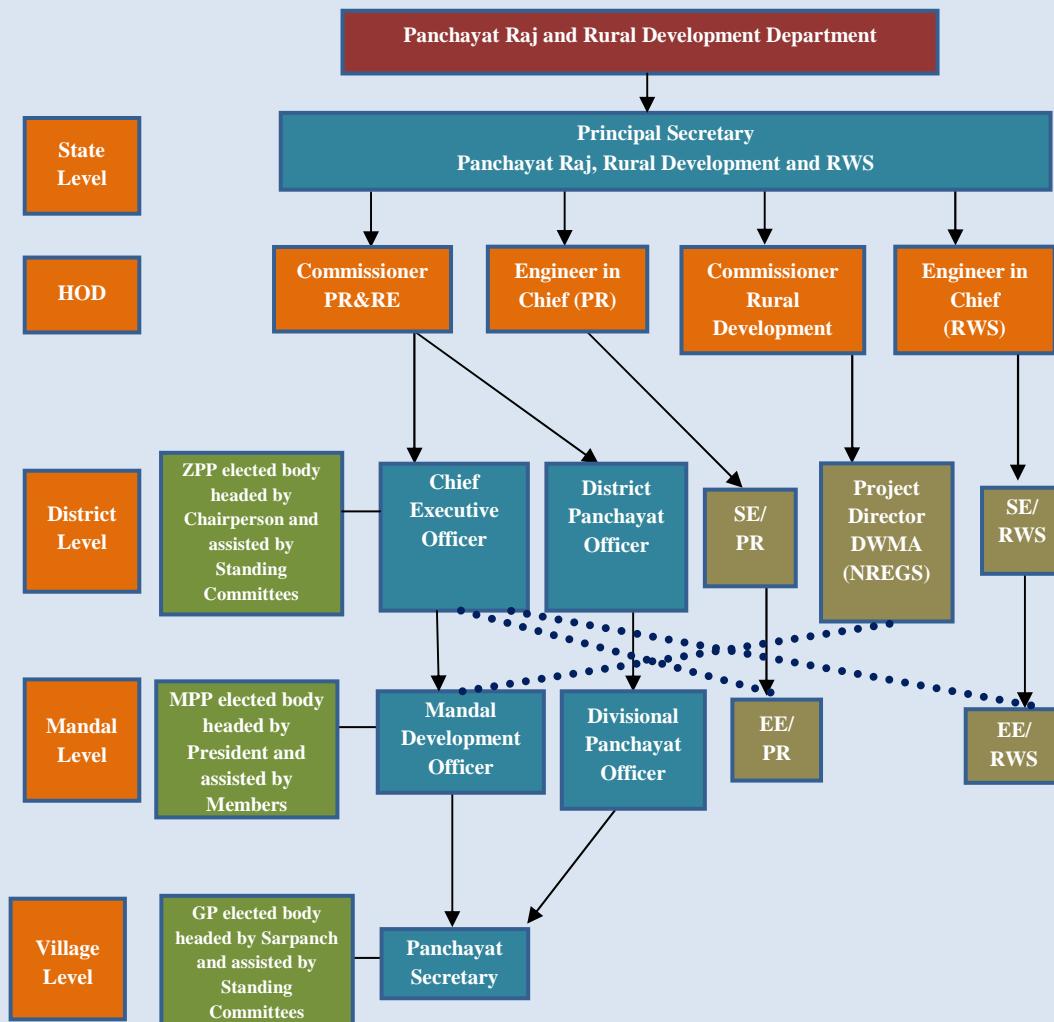
Sl. No.	Indicator	Unit	State
1.	Rural population	Crore	2.16
2.	Rural sex ratio	Females per1000 Males	999
3.	Rural literacy rate	Percentage	57.25
4.	Zilla Praja Parishads	Number	9
5.	Mandal Praja Parishads	Number	438
6.	Gram Panchayats	Number	8,695
Total number of PRIs (4+5+6)			9,142

Source: Information furnished by CPR&RD and 'Telangana at a Glance' published (January 2015) by State Government

¹ Applicable in relation to the State of Telangana also as per Andhra Pradesh Reorganisation Act, 2014

1.2 Organisational set-up of PRIs

Organisational arrangements for the PRIs, inclusive of Government machinery and elected representatives in the State, are as follows.



The PRIs are under the administrative control of the Commissioner, Panchayat Raj and Rural Employment (CPR&RE). The elected members of ZPP, MPP and GP are headed by Chairperson, President and Sarpanch respectively. They convene and preside over the meetings of standing committees and General body. The executive authorities of ZPP, MPP and GP are Chief Executive Officer, Mandal Parishad Development Officer and Panchayat Secretary respectively. They hold the executive powers for the purpose of carrying out the provisions of the APPR Act, 1994.

1.3 Functioning of PRIs

Eleventh Schedule to 73rd Constitutional Amendment Act, 1992 listed 29 subjects for devolution to strengthen the PRIs. During 2007-08, State Government devolved 10² functions to PRIs and thereafter no functions were devolved. Funds relating to devolved functions are being released to PRIs through line departments concerned. As per the information furnished (November 2015) by CPR&RD, only four departments released funds amounting to ₹14.14 crore to PRIs in 8 out of 9 districts during 2014-15 (*Appendix-1.1*).

1.4 Formation of various committees

As per the provisions of APPR Act, 1994 various committees are constituted at ZPP, MPP and GP level along with District Planning Committee (DPC). At ZPP level, seven³ standing committees are to be constituted to monitor the progress of implementation of works and schemes related to subjects assigned to them. In every MPP and GP, there shall be functional committees for agriculture, public health, water supply, sanitation, family planning, education and communication to monitor the progress of implementation of works and schemes. During the year 2014-15, scrutiny of the records of 38 PRIs revealed that in respect of 19⁴ PRIs, functional committees were not constituted.

The State is empowered to constitute a District Planning Committee (DPC) at district level. DPC shall ensure that each Panchayat in the district prepares a development plan for the financial year which shall be consolidated into the District Development Plan and shall be submitted to the Government for incorporation into the State plan. Scrutiny of records of Khammam, Mahbubnagar and Medak districts revealed that there were delays in finalisation of annual plans for the years 2012-13 to 2014-15 by the DPCs and the delays ranged from 186 days to 360 days.

1.5 Audit arrangement

1.5.1 Primary Auditor

Director, State Audit (DSA) functioning under the administrative control of Finance Department, is the statutory auditor for PRIs under Andhra Pradesh State Audit Act, 1989. As per Section 11(2) of the Act, DSA is required to prepare a Consolidated State Audit and Review Report and present it to the State Legislature. The DSA has two Regional Offices and nine district offices in the State. As per Section 10 of the Act, DSA is empowered to initiate surcharge proceedings against the persons

² (i) Agriculture and Agriculture Extension (ii) Animal Husbandry, Dairy and Poultry (iii) Fisheries (iv) Health and Sanitation (v) Education, including Primary, Secondary and Adult Education and non-formal education (vi) Drinking Water (vii) Poverty Alleviation Programme (viii) Women and Child Development (ix) Social Welfare, including Welfare of the Handicapped and Mentally retarded and (x) Welfare of the Weaker sections and in particular of the Scheduled Castes and Scheduled Tribes

³ (i) Planning and Finance (ii) Rural development (iii) Agriculture (iv) Education and Medical service (v) Women welfare (vi) Social welfare and (vii) Works

⁴ 9 GPs of Mahbubnagar district and 10 GPs of Rangareddy district

responsible for causing loss to the funds of local authorities or other authorities and such amounts are to be recovered by the executive authority concerned under Revenue Recovery (RR) Act.

As per the information furnished (May 2015) by DSA, audit of two ZPPs, accounts of 22 MPPs and 4,410 GPs were in arrears. DSA attributed (May 2015) non-production of records by GPs and MPPs for delay in audit of accounts. As of March 2015, 1,294 Surcharge Certificates for ₹3.50 crore were issued, out of which ₹36.52 lakh in respect of 114 cases were recovered.

DSA submitted Consolidated State Audit and Review Reports up to the year 2010-11 to Finance department and the Government tabled (February 2014) the Report in the State Legislature. DSA stated (May 2015) that Consolidation of Report for 2011-12 was completed and printing work was not taken up due to lack of funds. Consolidation of Report for the years 2012-13 and 2013-14 is yet to be taken up. Audit on the accounts for the year 2014-15 is under progress. Some of the major findings noticed in 2010-11 report relate to excess utilisation/non-utilisation/diversion/mis-utilisation of grants, non-collection of taxes and fee, advances pending adjustments etc.

1.5.2 Audit by Comptroller and Auditor General of India

CAG conducts audit of PRIs under Section 14 of CAG's (DPC) Act, 1971. Based on the recommendations of the Eleventh Finance Commission, State Government entrusted (August 2004) the responsibility for providing Technical Guidance and Supervision (TGS) in connection with the accounts and audit of Local Bodies under Section 20(1) of CAG's (DPC) Act.

Based on test check of PRIs, a consolidated report (TGS Note) is prepared at the end of each financial year and forwarded to the DSA for improving the quality of their reports. TGS note for the year 2014-15 was issued in November 2015.

Planning and conduct of audit

Audit process commences with assessment of risk of department/local body/scheme/programme etc., based on expenditure incurred, criticality/complexity of activities, priority accorded for the activity by Government, level of delegated financial powers and assessment of internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, frequency and extent of audit is decided and an annual audit plan is formulated to conduct audit. During 2014-15, 38 PRIs (1 ZPP and 37 GPs) falling under the department of Panchayat Raj and Rural Development were subjected to compliance audit.

Report of the Comptroller and Auditor General of India on Local Bodies for the year ended March 2014 was tabled in the State Legislature in March 2015.

1.6 Response to Audit Observations

After completion of audit, Inspection Reports (IRs) containing audit findings are issued to head of the unit concerned. Heads of offices and next higher authorities are required to respond to observations contained in IRs within one month and take appropriate corrective action. Audit observations communicated in IRs are also discussed in meetings at district level by officers of the departments with officers of Principal Accountant General's office.

As of August 2015, 256 IRs containing 1,805 paragraphs pertaining to the period up to 2014-15 were pending settlement as given below. Of these, first replies have not been received in respect of 47 IRs and 407 paragraphs.

Table 1.2

Year	Number of IRs /Paragraphs		IRs/Paragraphs where even first replies have not been received	
	IRs	Paragraphs	IRs	Paragraphs
Up to 2013-14	255	1,794	46	396
2014-15	1	11	1	11
Total	256	1,805	47	407

Lack of action on IRs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports.

Accountability Mechanism and Financial Reporting Issues

Accountability Mechanism

1.7 Ombudsman

Establishment of an independent Local body ombudsman system is one of the conditions to be complied with to have access to the performance grants recommended by the Thirteenth Finance Commission (2011-15). CPR&RD stated (August 2015) that ombudsman system was not adopted. Though independent ombudsman system was not adopted in the state, the State Government complied this condition by making amendments with the existing AP Lokayukta Act 1983 and hence, grants were released by GoI.

1.8 Social Audit

Social audit involves verification of implementation of programme/scheme and delivery of its envisaged results by the community with active involvement of primary stakeholders. Social Audit is widely accepted as an important mechanism to address corruption and strengthen accountability in government service delivery. The State Government initiated social audits in 2006 through the Strategic Performance Innovation Unit (SPIU) to undertake social audit of implementation of Food for Work Programme in the State on a pilot basis. In May 2009, State Government created an independent autonomous body called the Society for Social Audit, Accountability and

Transparency (SSAAT) to carry out social audits of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and other anti-poverty/welfare programmes of the Department of Rural Development.

Post bifurcation of the State of Andhra Pradesh into Telangana and residuary State of Andhra Pradesh with effect from 2 June 2014, the existing Society has been retained for Telangana and a new Society was registered under the Registrar of Societies Act, 2001 for the residuary State of Andhra Pradesh.

A review of 'Audit of Scheme Rules, 2011 (Social Audit)' was undertaken by audit for the period 2012-15. Major audit findings are listed below:

- i. SSAAT was envisaged to be an independent body for facilitating and monitoring the social audit process in the State. However, all the policy decisions, finance and administrative issues with long term implications or any new social audit programmes proposed to be taken up by SSAAT are being administered by the Principal Secretary, Rural Development. Further, decisions relating to release of funds or involving expenditure of over rupees one lakh were taken by the Commissioner, Rural Development (CRD). Even the calendar of social audit schedule was approved by the CRD. Thus the Social Audit Unit (SAU) lacked functional independence in the State.
- ii. GoI guidelines (March 2009) on MGNREGS provided for six *per cent* of the expenditure on the programme for administrative expenditure. Up to one *per cent* of the total annual expenditure under MGNREGS may be used for meeting cost of establishment of Social Audit Unit (SAU) and conducting of social audit of MGNREGS works. Audit scrutiny of the funds released during 2012-15 for social audit revealed that SSAAT was pegged at approximately 0.56 to 0.70 *per cent* of the total expenditure on MGNREGS.
- iii. As per Section 3(1) of Scheme Rules, State Government should facilitate conduct of Social Audit of the works taken up under the Act in every Gram Panchayat at least once in six months and the Social Auditors are required to audit 100 *per cent* verification of muster rolls and work site. During 2012-15, Social Audit covered 77 to 94 *per cent* of GPs implementing MGNREGS in each year.
- iv. As per State Social Audit Rules, the District Vigilance Cell is responsible to take follow up action on the social audit observations immediately (within three days) on conclusion of the Mandal social audit public hearing. Deviations found in social audit during 2012-15 were ₹446.31⁵ crore, of which ₹293.92 crore was approved by presiding officer⁶. Against this, only ₹1.03⁷ crore (less than one *per cent*) was recovered as of March 2015. The post of Vigilance Officer is vacant in three out of nine districts of the State.

⁵ 2012-13 - ₹170.97 crore, 2013-14 - ₹152.89 crore and 2014-15 - ₹122.45 crore

⁶ District Programme Officer nominates a senior officer not less than the rank of the Additional District Programme Coordinator for presiding over the public hearing.

⁷ 2012-13 - ₹0.34 crore, 2013-14 - ₹0.42 crore and 2014-15 - ₹0.27 crore

1.9 Submission of Utilisation Certificates (UCs)

Scheme guidelines of Centrally Sponsored Schemes (CSS) and Central Finance Commissions (CFCs) stipulate that UCs should be obtained by departmental officers from the grantees and after verification should be forwarded to GoI. Scrutiny of records of 38 PRIs during 2014-15 revealed that in respect of 29⁸ PRIs, UCs amounting to ₹7.55 crore for the period (2010-2014) were yet to be furnished as of March 2015.

1.10 Internal Audit and Internal Control System of PRIs

As per the information furnished (August 2015) by CPR&RD no internal audit system was adopted. As per Andhra Pradesh Panchayat Raj Officers, Delegation of Powers Rules, 2000 the Commissioner shall inspect all ZPPs once in calendar year and submit copies of Inspection Notes for review by the Government.

In respect of GPs, as per Section 44(2)(a)(b) of APPR Act, 1994 the Government should appoint District Panchayat Officer, Divisional Panchayat Officer and Extension Officers as Inspecting Officers for overseeing the operations of Gram Panchayat (GP). Scrutiny of records of 37 GPs during 2014-15 revealed that in respect of 10⁹ GPs, inspections were not conducted (2010-14) by any of the above authorities, while no inspection reports were found in support of inspections conducted by the authorities concerned in two¹⁰ GPs.

Financial Reporting Issues

1.11 Sources of funds

Resource base of PRIs consists of own revenue generated by collection of tax¹¹ and non-tax¹² revenues, devolution at the instance of State and Central Finance Commissions, Central and State Government grants for maintenance and development purposes and other receipts¹³. The authorities responsible for reporting the use of funds in respect of Zilla Praja Parishads (ZPPs), Mandal Praja Parishads (MPPs) and Gram Panchayats (GPs) are the Chief Executive Officer (CEO), Mandal Parishad Development Officer (MPDO) and Panchayat Secretary respectively.

Summary of receipts of PRIs for the years 2010-15 are given below. Receipts for the period 2010-14 pertain to the composite state whereas the receipts for 2014-15 pertain to the state of Telangana.

⁸ 19 GPs of Mahbubnagar, 9 GPs of Rangareddy and CEO, ZP, Khammam

⁹ 5 GPs of Mahbubnagar, 1 GP of Nalgonda and 4 GPs of Rangareddy district

¹⁰ Aloor and Changonda GPs of Mahbubnagar district

¹¹ Property tax, advertisement fee etc.,

¹² Water tax, rents from markets, shops and other properties, auction proceeds etc.,

¹³ Donations, interest on deposits etc.,

Table 1.3

(₹ in crore)

Sl. No.	Receipts	2010-11	2011-12	2012-13	2013-14	2014-15
1	Own Revenue	955.77	1,009.24	976.50	736.50	16.96*
2	Assigned Revenue¹⁴	262.39	344.02	154.36	457.24	10.97*
3	State Government Grants	797.05	1,185.85	343.97	350.59	19.60
4	GoI Grants	2,639.37	2,342.19	1,201.03	1,330.86	1,131.28
5	Other Receipts	362.45	331.68	84.18	Nil	NA
	Total	5,017.03	5,212.98	2,760.04	2,875.19	1,178.81

Source: Commissioner, Panchayat Raj

* data pertains to only 4 ZPPs and GPs of Adilabad district

1.11.1 Financial assistance to PRIs

The quantum of financial assistance provided by State Government to PRIs by way of grants and loans for the years 2010-14 pertain to composite state of Andhra Pradesh and 2014-15 pertain to state of Telangana is given below:

Table 1.4

(₹ in crore)

Sl. No.	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Budget	292.29	302.75	329.27	328.89	203.18	1,456.38
Actual Release	141.64	151.31	158.10	164.57	30.30	645.92
Expenditure	122.08	96.87	98.20	114.85	30.30	462.30

Source: Commissioner, Panchayat Raj

1.11.2 Fund flow arrangement in flagship programmes

Details of fund flow with regard to the two flagship programmes of GoI are given below:

Scheme	Fund flow
Backward Region Grant (BRGF)	The funding under the scheme is made by GoI through two funding windows namely i) capability building fund and ii) development grant. The funds should be released by State Government to PRIs within 15 days of release of funds by GoI failing which State Government has to pay penal interest to PRIs at RBI rate of interest for the period of delay. Funds are to be kept in a nationalized bank or post office by the PRIs and interest earned on these is to be utilized in accordance with

¹⁴ Seigniorage fee and surcharge on stamp duty collected by Departments of Mines and Geology and Stamps and Registration are apportioned to Local Bodies in the form of assigned revenue

	<p>the guidelines of the programme.</p> <p>Capability building fund: During 2011-15 (upto 1 June 2014), ₹39.74 crore¹⁵ was released by composite state of Andhra Pradesh towards Capability building fund, of which ₹24.94 crore was incurred as expenditure. Details for the year 2014-15 were not furnished despite specific request</p> <p>Development grant: During 2011-14, ₹831.11 crore was allocated by GoI to composite state of Andhra Pradesh as against ₹681.15 crore only was released and ₹634.55 crore was spent. In 2014-15 as against allocation of ₹285.50 crore, ₹89.42 crore only was released to Telangana State, expenditure details not furnished.</p>
<p>Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)</p>	<p>The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was enacted (September 2005) and implemented in a phased manner. The Act aims at enhancement of livelihood security of the households in rural areas of the country, by providing at least 100 days of guaranteed wage employment in every financial year to every rural household whose adult members volunteer to do unskilled manual work. Creation of durable assets is also an important objective of the Act, with other auxiliary objectives including protection of environment, empowering rural women, reducing rural urban migration, fostering social equity, and strengthening rural governance through decentralization and processes of transparency and accountability.</p> <p>The funds received from GoI and GoTS are pooled in State Employment Guarantee Fund (SEG). The fund flow is monitored through Central Fund Management System (CFMS). Share of both State and Central is kept with the nodal bank at Hyderabad. The respective designated drawing officers are required to raise the Fund Transfer Orders (FTOs) directly to the Director, EGS as and when wages/payments are due.</p> <p>During 2011-15 (upto 1 June 2014) ₹20,844.31 crore was released by GoI and composite state of Andhra Pradesh, of which ₹21,789.17 crore was incurred as expenditure. From 2 June 2014 to 31 March 2015, ₹1,299.44 crore was released by GoI and state of Telangana, of which ₹1,352.43 crore was incurred as expenditure.</p>

1.11.3 Application of funds

Summary of expenditure incurred by PRIs for the years 2010-14 pertain to composite state of Andhra Pradesh and 2014-15 pertain to state of Telangana is given below.

¹⁵ includes interest credited

Table 1.5

(₹ in crore)

Sl. No.	Type of expenditure	2010-11	2011-12	2012-13	2013-14	2014-15
1	Revenue expenditure	3,314.82	2,968.66	1,405.50	3,562.39	134.15#
2	Capital expenditure	1,545.82	1,464.15	1,033.47	1,756.98	32.22*
	Total	4,860.64	4,432.81	2,438.97	5,319.37	166.37

Source: Commissioner, Panchayat Raj

data pertains to only 4 ZPPs and GPs of Adilabad district

* data pertains to only 3 ZPPs and GPs of Adilabad district

1.12 Recommendations of State Finance Commission (SFC)

As per Article 243-I of the Constitution and Section 235 of APPR Act, 1994, constitution of SFC once in five years to recommend devolution of funds from the State Government to Local bodies is mandatory. Third SFC was constituted in January 2003 and submitted its report in 2008. However, State Government issued orders for implementation of the recommendations of SFC only in December 2013. Against ₹1,274.34 crore recommended by SFC for devolution of funds to PRIs of composite State of Andhra Pradesh every year, Government accepted to release only ₹113.64 crore per annum. While ₹664.59 crore per annum was treated as fulfilled on the grounds of allocating the funds under respective heads¹⁶ in Budget, ₹496.11 crore per annum was not accepted¹⁷ by the Government. As parallel State Finance Commission was not appointed by December 2013, the Committee of Ministers and Secretaries felt that recommendations of Third Finance Commission could be applied for the period from 2010 to 2015 also. During 2010-15, State Government released ₹135.63 crore to PRIs of Telangana state, of which ₹94.81 crore was spent as of October 2015.

Scrutiny (2014-15) of records of 13¹⁸ GPs pertaining to SFC grants revealed that an amount of ₹3.72 lakh was lapsed to Government as funds were not utilised in time.

1.13 Recommendations of the Thirteenth Finance Commission

Based on the recommendations of Thirteenth Finance Commission, GoI released funds to ZPPs, MPPs and GPs. The grant is released under two components (basic component and performance based component). A portion of basic as well as performance grant is allocated to special areas¹⁹. Allocation and releases for the years 2010-14 pertain to composite state of Andhra Pradesh and information in respect of 2014-15 pertain to state of Telangana are given below:

¹⁶ construction of GP buildings, provision for basic civic amenities and core amenities in GPs, construction and maintenance of rural roads, provision for drinking water facilities in schools, maintenance of cyclone shelters, maintenance of rural water supply schemes and hand pumps released to GPs etc.

¹⁷ apportionment of excise income and income from market committees, reimbursement of education contingent grant to ZPPs, provision for rural water supply schemes and rural sanitation

¹⁸ 8GPs of Mahbubnagar district and 5 GPs of Rangareddy district

¹⁹ Schedule areas listed under Schedule-V of Constitution

Table 1.6

(₹ in crore)

13th CFC	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Allocation	486.64	834.77	1,179.62	1,357.06	652.89	4,510.98
Releases	486.64	307.65	0	1,585.57	895.16	3275.02

Source: Ministry of Rural Development, GoI

Commissioner PR stated that ₹1,722.91 crore was released during 2010-15 to Telangana districts and ₹976.11 crore was incurred as of October 2015.

1.14 Maintenance of Records

Records such as Cash book, Assets Register, Advance Register, Stock Registers etc., are to be maintained as per the provisions of APPR Act, 1994 in respect of ZPPs and MPPs and for GPs as per GP Accounts Manual of Panchayat Raj and Rural Development Department. Scrutiny of records of 38 PRIs revealed improper maintenance of cash book in five²⁰ PRIs, non-maintenance of stock registers in 19²¹ PRIs and non-maintenance of asset register in seven²² PRIs.

1.14.1 Advances pending adjustment

As per Andhra Pradesh Financial Code, advances paid should be adjusted without any delay and the Drawing and Disbursing Officers (DDOs) concerned should watch their adjustment. Scrutiny of records of 38 PRIs during 2014-15 revealed that in respect of three²³ PRIs, funds amounting to ₹2.46 lakh advanced to staff for various purposes during 2010-14 remained unadjusted as of March 2015.

1.14.2 Physical verification of stores and stock

Article 143 of Andhra Pradesh Financial Code stipulates that all stores and stock should be verified physically once a year and a certificate to this effect be recorded by the Head of the Office in the Register concerned. Scrutiny of records of 38 PRIs during 2014-15 revealed that in respect of 12²⁴ PRIs, annual physical verification of stores and stock was not being conducted.

1.14.3 Non-reconciliation of departmental figures with treasury

As per paragraph 19.6 of Andhra Pradesh Budget Manual, DDOs are required to reconcile departmental receipts and expenditure with those booked in treasury every month to avoid any misclassification and fraudulent drawals. Scrutiny of records of 38 PRIs during 2014-15 revealed that in respect of 22²⁵ PRIs, reconciliation was pending from 2010-11 onwards.

²⁰ 4 GPs of Mahbubnagar and 1 GP of Rangareddy district

²¹ 12 GPs of Mahbubnagar and 7 GPs of Rangareddy districts

²² 3 GPs of Mahbubnagar and 4 Rangareddy district

²³ 3 GPs of Rangareddy district

²⁴ 5 GPs of Mahbubnagar and 7 GPs of Rangareddy district

²⁵ 14 GPs of Mahbubnagar and 8 GPs of Rangareddy district

1.14.4 Cases of misappropriation

Andhra Pradesh Financial Code stipulates responsibilities of Government servants in dealing with Government money, procedure for fixing responsibility for any loss sustained by Government and action to be initiated for recovery. State Government ordered (February 2004) the Secretaries of all the departments to review the cases of misappropriation in their departments on a monthly basis and the Chief Secretary to Government to review these cases once in six months with all the Secretaries concerned. Misappropriation cases noticed by Director, State Audit during 2013-15 yet to be disposed, as of May 2015 are given below.

Table 1.7

(₹ in lakh)

Unit	2013-14		2014-15	
	No. of cases	Amount	No. of cases	Amount
Zilla Praja Parishads	21	18.29	0	0
Mandal Praja Parishads	167	37.15	2	1.13
Gram Panchayats	934	325.74	15	3.48
Total	1,122	381.18	17	4.61

Source: Information furnished by Director, State Audit

Urgent action needs to be taken by the Government in this regard.

1.15 Maintenance of Accounts by PRIs

PRIs maintain accounts on cash basis. Model accounting system was prescribed by GoI in consultation with the Comptroller and Auditor General of India. State Government issued orders (September 2010) for adopting this format using PRIASoft, i.e., Panchayat Raj Institutions Accounting Software developed by National Informatics Centre (NIC).

Government confirmed (September 2014) that online accounting was completed in all the PRIs. However, test check (2014-15) of accounts of 38 PRIs using PRIASoft revealed that in Ravalkole GP of Rangareddy district, uploaded the Receipts and Payments in PRIASoft, but Annual Accounts were not being generated. In respect of eight²⁶ PRIs, there were discrepancies between PRIASoft generated accounts and manually prepared accounts for the years from 2011-12 to 2013-14.

1.16 Issues related to AC/DC Bills

As per Government orders²⁷, an amount drawn on Abstract Contingent (AC) bills should be adjusted by submitting Detailed Contingent (DC) bills for the expenditure incurred, to the AG(A&E) with supporting vouchers within one month of drawal of such amounts.

²⁶ 4 GPs of Mahbubnagar and 4 GPs of Rangareddy district

²⁷ GO Ms No.285 Finance (TFR-II) Department dated 15 October 2005, Andhra Pradesh Treasury Code, Rule 16, sub rule 18 (d) and GO Ms Nos. 391 and 507 of April/May 2002 of Finance Department

Scrutiny (February 2015) of records of test-checked PRI (ZPP Medak) revealed that CEO, ZPP Medak drew (March/April 2014) AC bills amounting to ₹6.39 crore for conducting Zilla Parishad Territorial Constituency (ZPTC) and Mandal Parishad Territorial Constituency (MPTC) elections. Chief Executive Officer, ZPP Medak stated (February 2015) that ₹0.26 crore was yet to be remitted to the Government account. However, details of DC bills for ₹6.13 crore was not furnished.

1.17 Maintenance of database and the formats therein on the finances of PRIs

State Government released (2002-10) Eleventh and Twelfth Finance Commission grants amounting to ₹67.37 crore²⁸ to Commissioner Panchayat Raj of composite State of Andhra Pradesh for creation of database on finances of PRIs. Of this ₹14.03 crore was allocated to Telangana State and transferred to Commissioner Panchayat Raj, Telangana.

1.18 Conclusion

State Government is yet to devise a system for obtaining a consolidated picture about the finances of the PRIs. State Government devolved 10 out of 29 subjects listed in Eleventh Schedule to 73rd Constitutional Amendment Act, 1992. Of these, funds relating to only four departments (Agriculture, Animal Husbandry, Backward Classes Welfare and Fisheries) were released to PRIs. Forty two *per cent* of sanctioned posts were lying vacant under various categories. The statutory audit of two ZPPs, 22 MPPs and 4,410 GPs to be conducted by DSA were in arrears due to non-production of records.

Accountability framework and financial reporting in PRIs were inadequate as evidenced by non-recovery of amounts towards deviations found in social audit, non-conducting of inspections of ZPPs and GPs by departmental authorities, improper maintenance of cash books and stock registers, non-furnishing of utilisation certificates, advances pending adjustment, poor conducting of physical verification of stores and stock, non-reconciliation of departmental figures with treasury and non-disposal of misappropriation cases, etc.

²⁸ including interest

