

# CHAPTER-I

## OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF PANCHAYATI RAJ INSTITUTIONS

### 1.1 Introduction

The Rajasthan Panchayat Samiti and Zila Parishad Act, 1959 conforms to the new pattern of Panchayati Raj which provided for a three tier<sup>1</sup> structure of local self governing bodies at district, block and village levels and enhanced decentralisation of powers.

Consequent to 73<sup>rd</sup> Constitutional Amendment giving Constitutional status to Panchayati Raj Institutions (PRIs), the Rajasthan Panchayati Raj Act (RPR), 1994 came into effect from April 1994. It delineated functions, powers and responsibilities of PRIs enabling them to function as third tier of Government. Later, Rajasthan Panchayati Raj Rules (RPRRs), 1996 were incorporated thereunder to ensure the smooth functioning of PRIs.

There were 33 Zila Parishads (ZPs) with two cells in each ZP viz. Rural Development Cell (RDC) and Panchayat Cell (PC), 295 Panchayat Samitis (PSs) and 9,894 Gram Panchayats (GPs) functioning in the State as of March 2016.

Rajasthan is the largest State in the country in terms of size and spans an area of 3.42 lakh square kilometers (sqkm). As per the Census 2011, the total population of the State was 6.85 crore, of which 5.15 crore (75.18 per cent) lived in rural areas. The comparative demographic and developmental profile of the State vis-à-vis the national profile as per Census 2011 is given in **Table 1.1** below:

**Table 1.1**

Indicator	Unit	Figures as per Census 2011	
		State level	National level
Population	Crore	6.85	121.06
Population (Rural)	Crore	5.15	83.35
Population (Urban)	Crore	1.70	37.71
Population Density	Persons per sqkm	200	382
Decadal Growth Rate	Percentage	21.30	17.70
Sex Ratio	Females per 1,000 males	928	943
Total Literacy Rate	Percentage	66.10	73.00
Female Literacy Rate	Percentage	52.10	64.60
Male Literacy Rate	Percentage	79.20	80.90
Total Literacy Rate (Rural)	Percentage	61.40	67.77
Female Literacy Rate (Rural)	Percentage	45.80	57.93
Male Literacy Rate (Rural)	Percentage	76.20	77.15
Birth Rate	Per 1,000 Mid Year Population	25.6 (2013)	21.4 (2013)
Death Rate	Per 1,000 Mid Year Population	6.5 (2013)	7.0 (2013)
Infant Mortality Rate	Per 1,000 Live Births	47 (2013)	40 (2013)
Maternal Mortality Rate	Per lakh Live Births	244 (2011-13)	167 (2011-13)

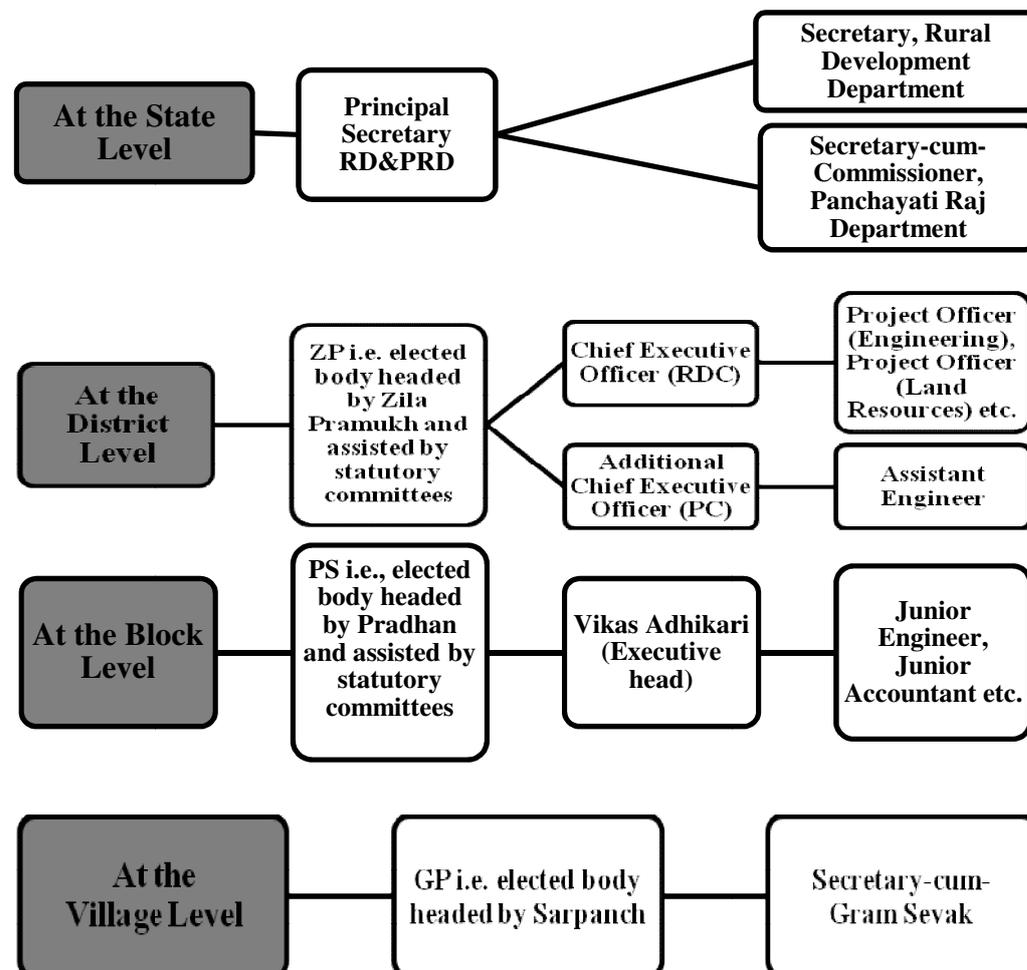
*Source: As per Economic Review 2015-16, Department of Economic and Statistics.*

1. Zila Parishad at District level, Panchayat Samiti at Block level and Gram Panchayat at Village level.

## 1.2 Organisational Set up

Rural Development Department (RDD) and Panchayati Raj Department (PRD) dealing with the affairs of the PRIs are under the administrative control of Principal Secretary, Rural Development and Panchayati Raj Department (RD&PRD). The organisational set up of the PRIs is given in **Chart 1.1** below:

*Chart 1.1*



## 1.3 Functioning of PRIs

Section 2 (xvii) of RPR, 1994 defines the PRI as an institution of Self-Government established under this Act for rural areas at the level of village or block or district. Various Central and State schemes/programmes are implemented through the PRIs at district, block and village levels.

Functions of a village level PRI (GP) include 33 functions like general administrative works related to agriculture, minor irrigation, drinking water, education and rural sanitation etc., specified in the first schedule of RPR, 1994.

Similarly, functions of PS (30 functions) and ZP (19 functions) are specified in the second and third Schedules of RPRA, 1994 respectively.

### ***1.3.1 Devolution of Funds, Functions and Functionaries to Panchayati Raj Institutions***

Following the 73<sup>rd</sup> Constitutional Amendment, orders on devolution were issued by the State Government in June 2003 and October 2010. Accordingly, out of 29 functions to be devolved in terms of XI<sup>th</sup> Schedule of the Constitution, 28 functions were initially transferred. However, funds and functionaries were transferred in respect of 20 subjects only (*Appendix-I*). Subsequently, devolution of funds, functions and functionaries of five subjects relating to Public Health Engineering Department, Public Works Department and Food and Civil Supply Department were withdrawn in January 2004 from PRD.

To ensure effectiveness of the devolution for betterment of the lives of rural people, PRD sought (2014) feedback and suggestions from the concerned Departments on the effectiveness of the functions devolved to the PRIs to facilitate a reconstituted committee of ministers to review the effectiveness. Government of Rajasthan stated (May 2015) that a Committee headed by the District Collector was formed at District level to monitor these activities. It was also suggested that administrative issues pertaining to employees of Medical Department may be transferred to ZPs to exercise control over the employees functioning as part of devolution. However, no action was taken in this regard (September 2016).

## **1.4 Formation of various Committees of PRIs**

### ***1.4.1 District Planning Committee***

In pursuance of Article 243ZD of the Constitution of India and Section 121 of RPRA, 1994, State Government constituted District Planning Committee (DPC) in all the districts of the State. District Collector is a member of the DPC and he or his nominated officer attends the meeting of DPC. The required quorum for DPC meeting is 33 *per cent* of members elected from rural and urban areas.

The main objective of DPC was to consolidate the plans prepared by the Panchayats and the Municipalities in the district, prepare a draft developmental plan for the district as a whole and forward it to the State Government.

During 2015-16, important decisions such as review/approval of district annual plans, quarterly/yearly physical/financial progress of schemes, review of implementation of various schemes<sup>2</sup> were taken in DPC meetings. However, out of 33 districts, only Bhilwara district held the prescribed four DPC

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2. Thirteenth Finance Commission, Bhamashah scheme, utilisation of untied funds, backward region grant fund, medical facilities, other social welfare schemes, environmental issues, issues concerning children's education, maintenance of law and order, submission of utilisation certificates etc.

meetings. 31 districts<sup>3</sup> did not hold the prescribed number of meetings and Alwar district did not hold any meeting of DPC during 2015-16.

The reasons for not holding DPC meetings from the Department were awaited (January 2017).

#### **1.4.2 Standing Committees**

As per the provisions contained in sections 55-A, 56 and 57 of RPRA, 1994, every GP, PS and ZP should respectively constitute five standing committees, one each for the following group of subjects, namely (a) administration and establishment, (b) finance and taxation, (c) development and production programmes including those relating to agriculture, animal husbandry, minor irrigation, co-operation, cottage industries and other allied subjects, (d) education and (e) social service and social justice including rural water supply, health and sanitation, *gramdaan*, communication, welfare of weaker sections and allied subjects. These standing committees were to be headed by the elected member or elected chairperson of the institution concerned respectively.

Actual status of constitution and working of standing committees was not made available by the State Government, which indicated the weaknesses in monitoring and internal control mechanism.

### **1.5 Audit Arrangement**

#### **1.5.1 Primary Auditor**

Section 75(4) of the RPRA, 1994 stipulated that all the accounts kept and maintained by a PRI should be audited by the Director, Local Fund Audit Department (DLFAD) as per provisions of the Rajasthan Local Fund Audit Act (RLFAA), 1954. The Audit Report<sup>4</sup> of the DLFAD includes two chapters on Audit of PRIs viz. one of “Status of accounts of PRIs” and other of “Audit findings”. The paragraphs pertaining to PRIs are discussed by committee on Local Bodies and Panchayati Raj Institution constituted by Rajasthan State Legislature.

The Audit Report of DLFAD, Rajasthan for the year 2014-15 was laid before the State legislature on 28 March 2016.

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3. Three meetings held by 14 districts (Ajmer, Banswara, Bundi, Chittorgarh, Dausa, Dungarpur, Jaipur, Jalore, Jhunjhunu, Kota, Nagaur, Pali, Rajsamand, Sikar) Two meetings held by 12 districts (Bharatpur, Bikaner, Churu, Dholpur, Ganganagar, Jaisalmer, Jhalawar, Jodhpur, Karauli, Sawai Madhopur, Tonk and Udaipur) and one meeting held by five districts (Baran, Barmer, Hanumangarh, Sirohi and Pratapgarh).
  4. Section 18 of the Rajasthan Local Fund Audit Act, 1954 requires Director, LFAD to submit his Annual Consolidated Report on audited accounts to the State Government for laying this report before the State Legislature.

### **1.5.1.1 Certification of Annual Accounts of Panchayati Raj Institutions**

As per Rule 23 (h) of the Rajasthan Local Fund Audit Rules (RLFARs), 1955, LFAD is required to certify the correctness of the annual accounts of PRIs at all three levels i.e. ZPs, PSs and GPs. In view of Fourteenth Finance Commission guidelines, the State Government issued (May 2016) orders that certification of accounts for the year 2014-15 and earlier years of all the PRIs in the State be undertaken by the DLFAD on priority basis.

The DLFAD certified the accounts of 2,290 PRIs out of the total 10,222 PRIs in the State during the year 2015-16. Out of these 2,290 accounts certificates, only 14 were issued without any qualifications. The remaining 2,276 accounts were certified with qualifications which were indicative of improper and incomplete maintenance of accounts. Out of these 2,290 certified accounts, 790 accounts pertained to earlier years i.e. 2013-14 and earlier.

As only 1,500 accounts representing 14.67 *per cent* of the total 10,222 PRIs accounts were certified for 2015-16, it was not possible for Audit to verify the correctness of figures given in the annual accounts prepared by the PRIs at the ZP, PS and GP level.

### **1.5.1.2 Arrears of Audit of Local Fund Audit Department**

Against total 10,222 units of PRIs (ZPs: 33, PSs: 295 and GPs: 9,894) there were arrears in Audit of 8,365 units of PRIs (ZPs: 23, PSs: 207 and GPs: 8,135) as of March 2016 due to vacant posts and election duties of staff.

Director, Local Fund Audit Department issued total 6,575 inspection reports (IRs) containing 60,471 paragraphs which were pending for settlement as of March 2016. Out of 60,471 paragraphs, 7,444 paragraphs involving monetary value of ₹ 23.84 crore were related to embezzlement.

Thus, the performance grant to be obtained from the Fourteenth Finance Commission may receive a setback in the coming years due to slow certification process.

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

Comptroller and Auditor General of India (CAG) conducts Audit of PRIs under Section 14 of CAG's (Duties, Powers and Conditions of Service) Act, 1971 and under the proviso of sub section (4) of section 75 of the RPRA<sup>5</sup>, 1994, (as amended on 27 March 2011) CAG is also empowered to conduct Audit of the accounts of PRIs and submit such Audit Report to the State Government for its placement in the State Legislature.

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5. All accounts kept and maintained by a PRI shall be audited, as soon as may be after the end of each financial year, by the DLFAD for the State and provisions of the Rajasthan Local Fund Audit Act, 1954 shall apply, provided that the CAG of India may also carry out a test Audit of such accounts.

### **1.5.2.1 Implementation of Technical Guidance and Support/Supervision**

In pursuance of recommendations of XIII<sup>th</sup> Central Finance Commission, Government of Rajasthan (GoR), Finance (Audit) Department issued notification on 2 February 2011 for adoption of 13 parameters under the Technical Guidance and Supervision/Support (TG&S) over the Audit of all the tiers of PRIs and ULBs by DLFAD. These TG&S arrangements were further extended to cover the period of Fourteenth Finance Commission (2015-20) also vide GoR's notification (25 April 2016) on the same terms and conditions.

Comments/suggestions in respect of four factual statements and six draft paragraphs proposed by DLFAD for inclusion in their Audit Report and comments on 17 IRs<sup>6</sup> of DLFAD upto March 2016 were communicated to DLFAD under the TG&S by the Principal Accountant General (General and Social Sector Audit) Rajasthan.

## **1.6 Response to Audit Observations**

### **1.6.1 Response to Paragraphs and Inspection Reports**

As of March 2016, 2,553 IRs comprising 26,662 paragraphs issued by the Principal Accountant General (General and Social Sector Audit) Rajasthan in respect of the PRIs i.e. ZPs and PSs (including GPs) were pending for settlement as detailed in **Table 1.2** below:

**Table 1.2**

<b>Year</b>	<b>IRs</b>	<b>Paragraphs</b>
Up-to 2007-08	1,231	9,284
2008-09	199	2,725
2009-10	163	2,482
2010-11	115	1,534
2011-12	215	3,240
2012-13	190	2,833
2013-14	187	2,071
2014-15	181	1,628
2015-16	72	865
<b>Total</b>	<b>2,553</b>	<b>26,662</b>

Huge pendency of IRs and paragraphs indicates lack of prompt response on the part of PRIs which results in recurrence of the deficiencies and lapses pointed out earlier. An amount of ₹ 3.99 lakh was recovered at the instance of Audit during the year 2015-16.

### **1.6.2 Response to Paragraphs Appeared in Audit Reports**

Five paragraphs involving money value of ₹ 620.84 crore which appeared in previous Audit Reports, were pending for replies with State Government as on 31 December 2016.

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6. ZPs: five, PSs: seven and GPs: five.

### 1.6.3 Discussion on Audit Reports by the Committee

A Committee on Local Bodies and Panchayati Raj Institutions had been constituted since 1 April 2013 in Rajasthan Vidhan Sabha to examine and discuss the Audit Reports of Comptroller and Auditor General of India on Local Bodies. Audit Report for the year 2004-05 has been discussed by the Committee and subsequent reports are yet to be discussed.

## Accountability Mechanism and Financial Reporting issues

### Accountability Mechanism

#### 1.7 Social Audit

Social Audit was formally introduced through Mahatma Gandhi National Rural Employment Guarantee (MGNREG) Audit of Scheme Rules<sup>7</sup>, 2011. These rules prescribed procedures and the manner for conducting Social Audit.

For further simplification, delegation of responsibilities to various functionaries and effective implementation of the scheme, the GoR formulated detailed Social Audit Guidelines in 2012. In Rajasthan, Directorate of Social Audit was constituted (September 2009) under the administrative set up of Principal Secretary, RD&PRD. Director, Social Audit is responsible for conducting Social Audit of Scheme<sup>8</sup> in the State as per provisions of the Social Audit Guidelines, 2012.

The Directorate of Social Audit prepares Annual calendar in two parts with half yearly periods in the beginning of the year with a view to cover each GP over a period of six months. Corrective action is taken by executive agencies, line departments and payment authorities and the follow up action is taken by Directorate and the State Government.

Director, Social Audit, intimated (May 2016) that Social Audit was conducted by 8,603 GPs (against targeted 9,395 GPs) in the first half and 9,158 GPs (against targeted 9,894 GPs) in the second half of financial year 2015-16.

#### 1.8 Lokayukta

The Office of the Lokayukta, Rajasthan was set up in February 1973 as per the Rajasthan Lokayukta and Up-Lokayukta Act, 1973, with an objective of resolving cases of corruption, mis-utilisation of power by Ministers and higher officials of the State Government. It is an independent constitutional authority. The actions of Pramukh and Up-Pramukh of a ZP, Pradhan and Up-Pradhan of a PS and Chairman of any standing committee constituted by or under RPR, A,

7. MGNREG Audit of Scheme Rules, 2011 were notified (30 June 2011) by the GoI in exercise of the powers conferred by subsection (1) of section 24 of the MGNREG Act, 2005.

8. In addition to MGNREG Scheme, Social Audit of Integrated Watershed Development Programme (IWMP) was also commenced from April 2013 onwards by adopting these guidelines.

1994 are covered under the Lokayukta. However, the acts of the Sarpanch or Panch of GP do not fall under the direct jurisdiction of the Lokayukta in Rajasthan.

Joint Secretary, Lokayukta, Rajasthan intimated (May 2016) that 1,852 cases of complaints against the officers and employees of RD&PRD were received during 2011-16. Out of this, 1,547 cases were disposed and the remaining 305 cases were pending.

## **1.9 Submission of Utilisation Certificates**

### **1.9.1 Panchayati Raj Department**

The Department has furnished budget position for the year 2015-16 with a total revised estimate of ₹ 7,373.66 crore to the PRIs in the State. This amount was inclusive of plan, non-plan items, grants of Central and State Governments. A total allotment of ₹ 7,030.83 crore was made against this. The Central and State Government grants made out of the above, amounting to ₹ 5,306.15 as shown in **Table 1.3** below:

*Table 1.3*

(₹ in crore)

Name of Grant	Revised Estimate	Allotment
Fifth State Finance Commission Grant	2,457.13	2,247.39
Other Grant from State Government	1,612.45	1,585.18
Fourteenth Finance Commission Grant	1,471.95	1,471.95
Thirteenth Finance Commission Grant	1.63	1.63
<b>Total</b>	<b>5,543.16</b>	<b>5,306.15</b>

The Department did not furnish any utilisation certificates or any expenditure particulars for the allotted amount.

### **1.9.2 Rural Development Department**

As per the scheme-wise financial position furnished by RDD for the year 2015-16 (March 2016) as shown in **Table 1.4** below:

*Table 1.4*

(₹ in crore)

Year	Opening balance (April 2015)	Release amount	Interest amount on available funds and other income	Total available fund	Expenditure against available fund
2015-16	1,119.89	1,086.16	5.80	2,211.85	1,730.45 (78.24 per cent)

Utilisation Certificates on scheme-wise basis were not available with the Department, which stated that the same were being called for from the Districts and would be furnished in due course.

## **1.10 Internal Audit and Internal Control System of PRIs**

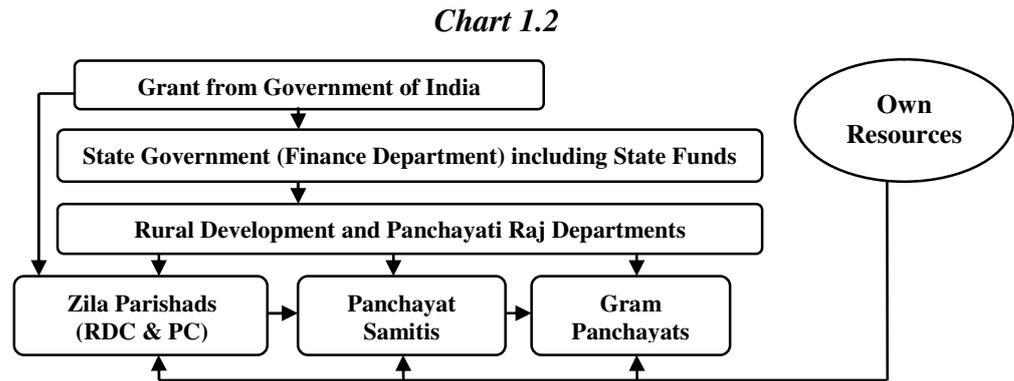
As per provisions laid down in the RPRA, 1994 Audit of PRIs is being conducted by the DLFAD as per the provision of the RLFAA, 1954.

The DLFAD has full access to accounts of the PRIs. The extent and nature of Audit by DLFAD has been outlined in the RLFARs, 1955 which includes certification of correctness of annual accounts of the PRIs also.

## 1.11 Financial Reporting Issues

### 1.11.1 Source of Funds

The receipts and expenditure of PRIs from all the sources are compiled by PRD and RDD separately at the State level. The schemes of PRD and RDD are executed by all the three tiers of PRIs. The fund flow of PRIs is given in **Chart 1.2** below:



#### 1.11.1.1 Financial Position of Panchayati Raj Institutions as per Panchayati Raj Department

In addition to their own sources of tax and non-tax revenue i.e. fair tax, building tax, fees, rent from land and buildings, water reservoir etc., and capital receipts from sale of land, the PRIs receive funds from the State Government and Government of India (GoI) in the form of grants-in-aid/loans for general administration, implementation of developmental schemes/works, creation of infrastructure in rural areas etc. Funds are also provided under recommendations of the Central/State Finance Commissions. The position of receipts and expenditure of PRIs for the schemes compiled by PRD for the period 2011-16 is given in **Table 1.5** below:

**Table 1.5**

Particulars	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>(A) Revenue receipts</b>					
Own Tax	NA	NA	NA	NA	NA
Own Non-Tax (ZP)	NA	2.90	4.66	Nil	NA
<b>Total Own Revenue</b>	<b>NA</b>	<b>2.90</b>	<b>4.66</b>	<b>Nil</b>	<b>NA</b>
Grants-in-aid from State Government	2,197.21	2,928.48	3,107.37	4,777.81	3,832.57*
Thirteenth Finance Commission Grants	609.40	953.81	1,017.14	1,042.09	1.63
Fourteenth Finance Commission Grants	-	-	-	-	1,471.95
<b>Total Receipts</b>	<b>2,806.61</b>	<b>3,885.19</b>	<b>4,129.17</b>	<b>5,819.90</b>	<b>5,306.15</b>
<b>(B) Expenditure</b>					
Revenue Expenditure (Pay and allowances and maintenance expenditure)	2,805.64	3,863.29	4,083.79	5,403.36	5,047.40
Capital Expenditure	0.97	19.00	10.12	1.85	0.56
<b>Total Expenditure</b>	<b>2,806.61</b>	<b>3,882.29</b>	<b>4,093.91</b>	<b>5,405.21</b>	<b>5,047.96</b>
Source: As per data provided by PRD. NA : Not available					
* It includes ₹ 2,247.39 crore pertaining to Fifth State Finance Commission.					

The above table indicated that:

- Total receipts in 2015-16 decreased by about nine *per cent* over the previous year. There has been about 20 *per cent* decrease in State Government grants in the same period.
- Total expenditure in 2015-16 decreased by about seven *per cent* over the previous year.
- There has been more thrust on revenue expenditure (salaries and maintenance works) than on creation of asset (capital expenditure). As per the financial position furnished by the Department, out of the allocation of a mere ₹ 2.35 crore for modernisation of ZP/PS buildings in the State, only ₹ 0.56 crore was spent during 2015-16. The continuance of meager capital expenditure over the years is an area of concern, as creation of durable asset and infrastructure for public welfare is one of the principal motives of rural developmental works.
- Non-availability of figures of ‘Own Tax’ with the Department for the past many years reflects the weakness of the PRI to even recognise the importance of generation of own revenue. Further, the negligible contribution of Total Own Revenue (Own tax and Own Non-tax) of PRIs reflects the total dependence on grants-in-aid received from State Government and Finance Department. Complete dependence on grants and lack of fiscal autonomy is a matter of serious concern that needs to be addressed for improving governance at grass-root level.

**1.11.1.2 Financial Position of Panchayati Raj Institutions Compiled by Rural Development Department**

The position of receipts and expenditure of the rural development schemes compiled by RDD for the years 2012-16 is given in **Table 1.6** below:

**Table 1.6**

(₹ in crore)

Particulars	2012-13			2013-14			2014-15			2015-16		
	CSS	SSS	Total	CSS	SSS	Total	CSS	SSS	Total	CSS	SSS	Total
Opening balance	770.62	253.86	<b>1,024.48</b>	673.29	373.98	<b>1,047.27</b>	823.89	325.44	<b>1,149.33</b>	790.73	329.16	<b>1,119.89</b>
Receipts	648.18	535.86	<b>1,184.04</b>	972.45	647.25	<b>1,619.70</b>	754.30	613.51	<b>1,367.81</b>	662.04	530.78	<b>1,192.82</b>
Total available funds	1,418.80	789.72	<b>2,208.52</b>	1,645.74	1,021.23	<b>2,666.97</b>	1,580.11	<b>938.95</b>	<b>2,519.06</b>	1,457.37	754.48	<b>2,211.85</b>
Expenditure	885.28	431.78	<b>1,317.06</b>	1,006.78	743.88	<b>1,750.66</b>	1,042.46	504.71	<b>1,547.16</b>	1,077.59	652.85	<b>1,730.44</b>
Closing balance	533.52	357.94	<b>891.46</b>	638.96	277.35	<b>916.31</b>	537.65	434.24	<b>971.89</b>	379.77	101.63	<b>481.40</b>
Percentage of expenditure to the total available funds	62.40	54.68	<b>59.64</b>	61.17	72.84	<b>65.64</b>	65.97	53.75	<b>61.42</b>	73.94	86.53	<b>78.23</b>

Source: As per data provided by RDD.

CSS: Centrally Sponsored Scheme, SSS: State Sponsored Scheme.

The above table indicates that:

- There was a difference of ₹148 crore between the closing balance of 2014-15 and the opening balance of 2015-16. Regarding the difference in figures, State Government stated (November 2016) that information provided was based on Monthly Progress Reports received from districts in which UCs of many completed works was pending adjustment. The reply of the State

Government needs to be viewed in the light of the fact that similar discrepancies were also commented in the previous Audit Reports but these still continue to persist. Remedial action for reconciliation of the differences, therefore, needs to be taken by the State Government.

- Total receipts from Central and State Government declined by about 13 *per cent* but the expenditure increased by about 12 *per cent* in 2015-16 over the previous year.
- During 2015-16, utilisation of available funds was only about 78 *per cent*.

### **1.11.2 Recommendations of the State Finance Commission**

Fifth State Finance Commission (SFC) commenced from the year 2015-16 and as per information provided, an amount of ₹ 2,247.39 crore was provided to the PRIs in the State by the Department as Fifth SFC grant during the year. The grant was distributed in the ratio of 5:15:80 to ZPs, PSs and GPs. Accordingly ₹ 112.37 crore to ZPs, ₹ 337.11 crore to PSs and ₹ 1,797.91 crore to GPs, was released. These amounts were released, based on the recommendations of the Interim Report submitted by the Fifth SFC for the year 2015-16.

Details of the progress of utilisation of the funds were not made available.

### **1.11.3 Recommendations of the Central Finance Commission**

#### **1.11.3.1 Fourteenth Finance Commission Grants**

The period of Fourteenth Finance Commission commenced from the year 2015-16. Grants received by the State Government as first installment in the year 2015-16 and transferred to the PRIs are shown in **Table 1.7** below:

**Table 1.7**

(₹ in crore)

Grant particulars	Funds received by the Department	Funds transferred by the Department to PRIs
Basic General Grant	1,471.95	1,471.95

The concerned ZP and PS would be responsible to ensure fair and optimum utilisation of the grants by the GPs. For claiming performance grant, the GPs, shall submit audited accounts that relate to year not earlier than two years preceding the year in which the performance grant is sought. The GPs would have to show increase in their own revenue over the preceding year as reflected in the audited accounts.

Details of the progress of utilisation of the funds were not made available.

### **1.11.4 Unutilised Funds**

Scrutiny of the annual accounts of 19 ZPs, revealed that there were huge balances lying unutilised with District units (March 2016) totaling ₹ 101.97 crore. Despite unutilised balances as of April 2015, funds were released by the State Government for the year 2015-16. These balances pertained to State

Finance Commissions, other grants and grants from Central Finance Commissions as shown in **Table 1.8** below:

**Table 1.8**

(₹ in crore)

<b>Grant name</b>	<b>Unutilised amount as of March 2016</b>
First State Finance Commission	0.03
Second State Finance Commission	2.67
Third State Finance Commission	4.35
Fourth State Finance Commission	27.96
Untied funds (State Government)	18.66
Sadi Kambal (State Government)	19.64
Eleventh Finance Commission	0.26
Twelfth Finance Commission	3.73
Thirteenth Finance Commission	20.90
Untied Thirteenth Finance Commission	3.77
<b>Total</b>	<b>101.97</b>

Non-utilisation of available funds amounting to ₹ 101.97 crore was indicative of the deficiency in planning and implementation. The PRD at State level needs to analyse and prioritise the provision of funds to the PRIs and ensure their optimum utility.

#### **1.11.5 Maintenance of Records**

As per provisions contained in Rule 245 of RPRRs, 1996, a quarterly statement of income and expenditure is required to be prepared in prescribed proforma by each PRI and sent to next higher authority. Similarly, at the end of the year, a GP/PS is required to prepare an abstract of annual accounts in prescribed proforma vide rule 246 of Rules *ibid* showing its income and expenditure under each head of budget and forward it to the State Government through ZP by first May of the following year. Abstracts of annual accounts are required to be accompanied by a statement of grants-in-aid received and spent during the year, statement of loans and amount outstanding, a list of works undertaken under the various schemes and a statement of assets and liabilities.

Provisions regarding maintenance of records viz. cash book, asset register, advance register, stock register and other records have also been enumerated in the RPRR, 1996.

Test check of 298 PRIs (ZPs: 12, PSs: 38 and GPs: 248) revealed that 13 PSs did not prepare quarterly accounts and 11 PSs did not prepare annual accounts. Three out of 12 test checked ZPs did not prepare quarterly accounts (Chittorgarh, Durgarpur and Rajsamand) and three ZPs did not prepare annual accounts (Baran, Chittorgarh and Dungarpur). None of the test checked GPs were preparing and maintaining the accounts in prescribed formats. They were maintaining a simple initial receipts and expenditure statements called 'Goshwara', a raw data wherein the monetary transactions are entered at an initial stage.

**1.11.5.1** As per recommendations of Thirteenth Finance Commission, an accounting framework and codification pattern consistent with the Model

Panchayat Accounting System should be adopted. In addition, for proper monitoring of the budget allocation and consolidation of accounts of PRIs at State level, the States are required to allot specific codes to each ZP, PS and GP.

The Department did not furnish reply to Audit in this regard (September 2016). As noticed by Audit, the PRIs continue to follow the conventional form of accounting process.

**1.11.5.2** As for implementation of PRIASoft, a centralised accounting package that facilitates maintenance of accounts under Model Accounting System, it was noticed that the PRIs were entering transactions relating to the grants of Central and State Finance Commission and Untied funds. Total of 282 PRIs i.e. one ZP (out of 33), 10 PSs (out of 295) and 271 GPs (out of 9,894) had entered their data in PRIASoft and closed their books for the year 2015-16 and the work in rest of the PRIs was in process.

The usage of PRIASoft has drastically fallen as compared to last two years when 9,427 PRIs (out of total 9,458 PRIs) and 5,771 PRIs closed their year book in the centralised accounting package during the previous year 2013-14 and 2014-15 respectively. The Department had not furnished specific reply for such a poor performance.

**1.11.5.3** As per Rule 247(2) of RPRRs, 1996, every ZP is required to prepare annual accounts of receipts and expenditure and furnish the same to the State Government by 15 May every year. Out of 33 ZPs of Panchayati Raj Cell, 21 ZPs<sup>9</sup> submitted their annual accounts within the prescribed time limit, while three ZPs (Chittorgarh, Jalore and Rajsamand) submitted their annual accounts for the year 2015-16 with a delay ranging from 78 days to 120 days and nine ZPs<sup>10</sup> did not submit their annual account to PRD as of September 2016.

Annual accounts of ZPs (RDC) for the year 2014-15 were required to be submitted to RDD by 30 September 2015. Out of the 33 ZPs of RDC, only ZPs, Chittorgarh (RDC) sent their annual accounts for the year 2014-15 within the prescribed time limit, while 28 ZPs<sup>11</sup> submitted their annual accounts with delays ranging from 38 to 223 days and four ZPs (Churu, Jalore, Pali and Sirohi) did not send their annual account to RDD as of September 2015.

### **1.11.6 Reconciliation of Balances as per Cash Book with Bank Pass Book**

Rule 238 of RPRRs, 1996 stipulated that it shall be the duty of Panchayat Secretary to reconcile the deposit and drawals with bank pass book every

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9. Ajmer, Alwar, Banswara, Barmer, Bikaner, Bundi, Dausa, Dholpur, Dungarpur, Ganganagar, Hanumangarh, Jaipur, Jhunjhunu, Kota, Nagaur, Pali, Karauli, Sikar, Sirohi, Tonk and Pratapgarh.
  10. Baran, Bharatpur, Bhilwara, Churu, Jaisalmer, Jhalawar, Jodhpur, Sawai Madhopur and Udaipur.
  11. Ajmer, Alwar, Baran, Banswara, Barmer, Bharatpur, Bhilwara, Bikaner, Bundi, Dausa, Dholpur, Dungarpur, Hanumangarh, Jaipur, Jaisalmer, Jhalawar, Jodhpur, Jhunjhunu, Karauli, Kota, Nagaur, Pratapgarh, Rajsamand, Sikar, Shriganganagar, Sawai Madhopur, Tonk and Udaipur.

month on the basis of Panchayat record and get the mistakes corrected, if any. Similarly in case of PS and ZP, cashier should reconcile the PD account with treasury every month.

Audit scrutiny of 34 PRIs<sup>12</sup> revealed that in 53 cases, differences of ₹ 10.96 crore were pending to be reconciled as of March 2016 in the figures of PRIs' records and bank/treasury accounts.

#### ***1.11.7 Maintenance of Database and the Formats on the Finances of Panchayati Raj Institutions***

Ministry of Panchayati Raj, GoI had also introduced (October 2009) eight simplified accounting data base formats (prescribed by the C&AG of India) for implementation by PRIs at District level and State level. These formats were meant to compile data of the PRIs on consolidated financial position, income and tax receipts, non-tax receipts, total receipts, details of expenditure and physical progress of funds allotted under Central/State Finance Commissions. These formats were agreed upon to be adopted for mandatory implementation by the Department with effect from April 2011. These formats were incorporated in the RPRRs, 1996 through a notification only in May 2015. As per a reply furnished by the Department (August 2016), the PRIs are yet to implement these accounting formats.

### **1.12 Conclusion**

The accountability mechanism and financial reporting of the Panchayati Raj Institutions in the State continue to be weak. Partial certification of incomplete and improper accounts by the DLFAD in majority of the PRIs is another area of concern. Despite there being many accounting formats prescribed and accounting packages developed, the State Government has failed to evolve a sound accounting system. The PRIs continue to maintain their accounts in conventional formats. The PRIs at PS and ZP level were maintaining records and returns in the prescribed formats of the Rules. The GPs were receiving direct fund transfer from Central Finance Commission to make them self-reliant. Despite this, no records and returns were maintained.

Non-availability of figures of 'Own tax' with the Department for the past many years reflects the failure of the PRI to even recognise the importance of generation of own revenue leading to the total dependence on grants-in-aid received from State Government and Finance Department. Complete dependence on grants and lack of fiscal autonomy is a matter of serious concern that needs to be addressed to for improving governance at grass-root level. The State Government has been releasing grants to the PRIs without getting the utilisation certificates for grants already allocated. Huge pendency of Audit objections over the years indicates State Government's lack of interest in attending to Audit objections pertaining to important accounting and financial issues and the ways and means to address them.

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12. ZPs (PC): two, ZPs (RDC): three and PSs: 29.