

Part - A

Panchayati Raj Institutions

CHAPTER I

**An Overview of the Functioning, Accountability
Mechanism and Financial Reporting issues of
Panchayati Raj Institutions (PRIs)**

Chapter-I

An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Panchayati Raj Institutions (PRIs)

Functioning of the PRIs in the State

1.1 Introduction

The 73rd Constitutional Amendment Act, 1992 conferred Constitutional status to the Panchayati Raj Institutions (PRIs) and recognised them as the third tier of Government to ensure a more participative Government structure in the country. The amendment provided for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice. It also provided for transferring of 29 subjects listed in the XIth Schedule of the Constitution of India to PRIs. Accordingly, the State was required to entrust PRIs with respective, functions and functionaries, so as to enable them to function as Institutions of Local Self Government (LSGIs). The Constitutional Amendment provided for the establishment of a uniform system within the States, conduct of regular elections, regular flow of funds *etc.* The legislative framework for conduct of business of the PRIs includes;

- Assam Panchayat Act, 1994 (AP Act, 1994);
- Assam Panchayat (Financial) Rules, 2002 [AP (F) Rules, 2002];
- The Assam Panchayat (Administrative) Rules, 2002 [AP (A) Rules, 2002]; and
- Government instructions, issued from time to time.

The Administrative set-up of panchayats in Assam consists of a three-tier system; Gaon Panchayats (GPs) at the Village level; Anchalik Panchayats (APs) at the intermediate level (co-terminus with Blocks); and Zilla Parishads (ZPs) at the District level.

There were 2,412 PRIs in the ‘General’ areas² of Assam, as on 31 March 2017. The Panchayati Raj system does not exist in the Sixth Schedule Areas, where local governance is vested with the Autonomous District Councils (ADCs).

Statistics related to the rural population of the State and the numbers of PRIs as per census of 2011, are given in **Table 1.1**.

² Areas not listed in the sixth schedule of the Constitution of India

Table 1.1

Sl. No.	Indicator	Unit	Value
1	Population	crore	3.12
2	Population density	persons / sq.km.	398
3	Rural population	per cent	86
4	Rural Sex Ratio	per thousand	960 ³
5	Rural Literacy Rate	per cent	69.34
6	Zilla Parishads (ZPs)	numbers	21
7	Anchalik Panchayats (APs)	numbers	189
8	Gaon Panchayats (GPs)	numbers	2,202

Source: Economic Survey, Assam 2016-17.

The position of PRIs in Assam, in terms of number, average area and average population, is given in **Table 1.2**.

Table 1.2

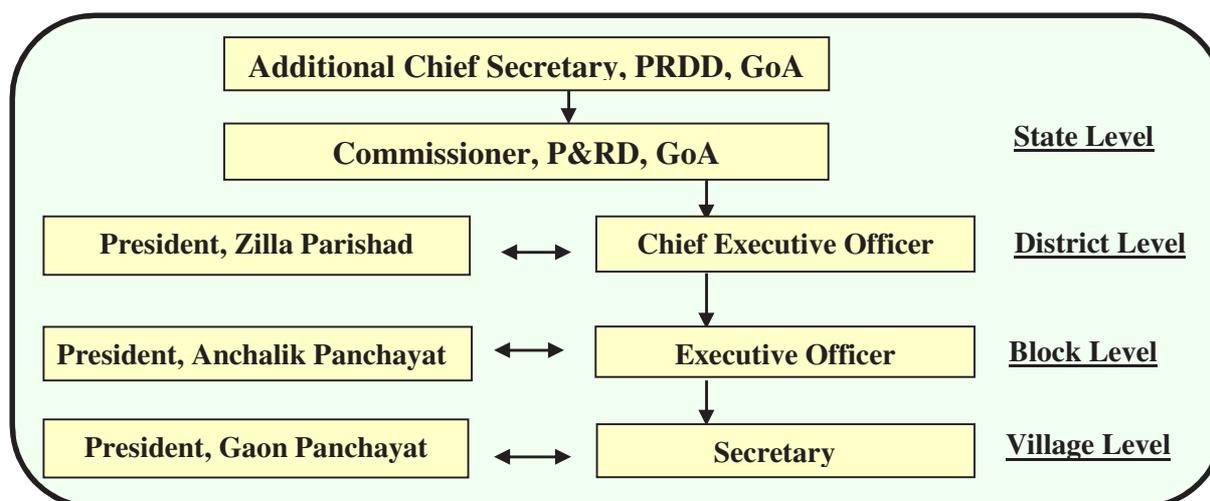
Level of LB	No.	Average Area per PRIs (Sq. Km)	Average population
		<i>As per 2011 census</i>	
Zilla Parishad (ZP)	21	2032.93	1188256
Anchalik Panchayat (AP)	189	219.78	128460
Gaon Panchayat (GP)	2202	18.46	10793

Source: Assam State Finance Commission's report submitted for 14th Central Finance Commission.

1.2 Organisational Set-up in State Government and PRIs

The Additional Chief Secretary, Panchayat and Rural Development Department (PRDD) is the administrative head of the department. He is assisted by the Commissioner, Panchayat and Rural Development (P&RD) in the allocation of funds, overall control and supervision of functions and implementation of different schemes at the State level. The organisational set-up of PRIs is shown in **Figure 1.1**:

Figure 1.1



³ 960 females per 1000 males

1.3 Functioning of PRIs

1.3.1 Administrative machinery in PRIs

The Administrative set up of panchayats in the State comprises of a three-tier system, GPs at the village level, APs at the intermediate level (coterminous with Blocks) and ZPs at the district level. The Constitution enjoins the State Government to make appropriate legislation regarding devolution of powers and functions to the panchayats, in such a way as to enable them to function as Institutions of LSG.

Subject to the provisions of the AP Act, 1994 panchayats may make bye-laws to carry out their functions. The 73rd Constitutional Amendment empowers them with powers and authority in revenue mobilisation and gives them access to such resources as the State Legislature may, by law, confer on them. Accordingly, the AP (F) Rules were framed in 2002 and amended in 2004, empowering all the three tiers to levy and collect taxes. Through the AP (F) Rules, 2002, GPs got the power to levy certain taxes *viz.*, tax on houses and structures and tax on trades *etc.* However, the relevant bye-laws were not framed (March 2017).

1.3.2 Staffing pattern of PRIs

The AP (A) Rules 2002 prescribes the staffing pattern for PRIs. In this regard, the third Assam State Finance Commission (ASFC) observed that there was an acute shortage of staff at all levels of PRIs which not only stands in the way of efficient performance of functions, but also retards collection of revenue from taxes and duties allocated to PRIs. The third ASFC, therefore, recommended that the staffing pattern needed suitable modification, in conformity with the expanding activities of PRIs.

The Commissioner, P&RD stated (August 2017) that proposal for creation of posts as per recommendation of the third ASFC was submitted to the Government for approval which was awaited (August 2017).

1.3.3 Status of devolution of functions, funds and functionaries

The 73rd Constitutional (Amendment) Act, 1992, empowers the PRIs to perform functions related to 29 subjects listed in the XIth Schedule of the Constitution of India. The Central Finance Commissions and the State Finance Commissions had emphasised the need for complete transfer of funds, functions and functionaries (3Fs) to the PRIs for meaningful devolution. However, in Assam the 3Fs were still not completely transferred to the PRIs. Till August 2017, though activity mapping of 23 out of the 29 subjects were done by the GoA, orders for devolution of only seven out of 23 subjects were issued to the PRIs. Though seven subjects were notified to be transferred, no function has been transferred to PRIs as yet and line departments and other agencies working in parallel with PRIs are performing those functions.

Further, against 4th ASFC's recommendation for devolution of ₹ 3389.40 crore during 2011-12 to 2015-16, only ₹ 999.60 crore was released to PRIs as a result of which PRIs could not take up the visible schemes like construction of roads, income generating assets, tourist lodges, markets and parking lots as well as complete office and residential buildings for PRIs as discussed in **Chapter-II**.

1.4 Formation of various committees

1.4.1 Standing Committees

Sections 22, 52 and 81 of the AP Act, 1994 stipulate that PRIs shall constitute Standing Committees to perform functions assigned under the Act. Details of constitution of the Standing Committees and their roles and responsibilities are given in *Appendix-I*.

1.4.2 District Planning Committee (DPC)

Article 243 ZD of the Constitution of India provides that the State Government should constitute a District Planning Committee (DPC), consisting of (i) members of the House of the People, who represent the whole or part of the district, (ii) members of the Assam Legislative Assembly; and (iii) number of persons, not less than four-fifth of the total number of members, from amongst the members of the ZP in districts, to consolidate the plans prepared by the panchayats in the district and to undertake integrated development of the district. Accordingly, section 3 of the AP Act, 1994 and AP (F) Rules 2002 framed thereunder, provide that the State Government shall constitute a DPC, with a tenure of one year, in every district. The Deputy Commissioner is a permanent invitee to the DPC of the district, while the President of the ZP is the Chairman and the CEO of ZP is the *ex-officio* Secretary of the DPC.

It was observed that most of the DPCs failed to perform their primary objective *i.e.* preparation of the District Plan as envisaged in the AP Act, 1994 as they did not call for submission of annual plans from the PRIs and other stakeholders, for preparing the Annual District Plans as a whole.

1.5 Audit arrangement

1.5.1 Primary Auditor

The Director of Audit, Local Fund (DALF), Assam, established under the Assam Local Funds (Accounts & Audit) Act, 1930 is the Primary Auditor of all tiers of PRIs in the State. The Directorate is responsible for (i) carrying out the Audit of Local Funds with the help of 20 circle offices, each of which was headed by an Assistant Director to perform audit functions at the district level; and (ii) facilitating submission of Audit Reports of the administrative departments.

The audit has to be conducted in conformity with the Assam Audit Manual, as also the relevant Government Rules and Amendments thereto, issued by the Government from time to time.

1.5.1.1 Audit coverage by the DALF

There were arrears in the audit of PRIs, by the DALF, during the period 2012-17, ranging between 21 and 50 per cent. The year-wise positions of units to be audited, and those actually audited, are detailed in **Table 1.3**.

Table 1.3

Year	No. of units planned for audit	No. of units audited	Shortfall	Percentage of shortfall
2012-13	1423	788	635	45
2013-14	1130	888	242	21
2014-15	1131	842	289	26
2015-16	1511	753	758	50
2016-17	1560	801	759	49

Source: Information furnished by DALF, Assam.

Reason for shortfall in coverage of units to be audited by DALF was sought (July 2017), to which response is still awaited (February 2018). Apart from this, there were also arrears in issue of 1044 audit reports (as of March 2017).

1.5.1.2 Presentation of the Annual Audit Report

As per para 101 (i) of the Assam Audit Manual, the DALF is required to send an Annual Audit Report to the Finance Department by 30th September each year, incorporating major outstanding audit objections relating to PRIs which were pending for settlement, for further action by the Finance Department. The DALF had submitted (December 2017) three Audit Reports covering the period from 2010-11 to 2015-16. The status of consolidated Audit Reports submitted by the DALF to the Government is shown in **Table 1.4** below:

Table 1.4

Sl. No.	Consolidated Audit Report for the year	Submitted to Government	Laid before Legislature
1	2010-11 and 2011-12	21 March 2013	10 February 2014
2	2012-13 and 2013-14	7 December 2014	19 December 2014
3	2014-15 and 2015-16	13 November 2016	Yet to be laid

However, follow-up action and Action Taken Reports by Finance Department on the Annual Consolidated Audit Reports of the DALF is wanting, thereby weakening the accountability mechanism for the PRIs.

1.5.2 Audit by Comptroller and Auditor General of India

Comptroller and Auditor General (CAG) of India conducts audit of substantially financed PRIs under Section 14 (1) of CAG's (DPC) Act, 1971 and audit of specific grants to PRIs under

section 15 of the Act *ibid*. The audit of PRIs is also conducted by CAG under Section 20 (1) of the Act, as per the Technical Guidance and Support (TGS) arrangements, as entrusted by the State Government in May 2002, followed by acceptance of the standard terms and conditions of TGS (May 2011), pursuant to the 13th FC recommendations.

1.6 Response to Audit Observations

Inspection Reports (IRs) were issued by the Accountant General (Audit), Assam to the audited PRI authorities with a copy of each to the State Government. PRI authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions brought out in the IRs and report their compliance promptly within three months from the date of receipt of the IRs. Important audit findings were also reported to the Government through the Audit Reports on Local Bodies. The details of outstanding IRs and Audit paras, in respect of PRIs (as of March 2017) is shown in **Table 1.5**.

Table 1.5

Year of Issue	No. of Inspection Reports	No. of Outstanding Audit Paras	Money Value (₹ in crore)	First reply furnished
Up to 2012-13	572	3879	711.59	220
2013-14	51	366	176.50	8
2014-15	109	820	475.25	18
2015-16	34	317	172.04	1
2016-17	108	971	830.91	14
Total	874	6353	2366.29	261

Source: Progress Register of Accountant General (Audit), Assam.

As of March 2017, 6353 paragraphs with a monetary value of ₹ 2366.29 crore were pending for settlement for want of replies from the concerned PRIs. Further, even the first reply had not been received for 6092 paragraphs out of the 6353 paragraphs. This situation is indicative of the fact that compliance to the audit observations was not taken seriously. The administrative heads of the departments concerned also did not take steps to ensure that the concerned officers of the PRIs took prompt and timely action in furnishing replies to IRs thereby contributing to the weakening of the accountability mechanism for PRIs.

1.7 Discussion of Audit Reports by Legislature

The Committee on Local Fund Accounts (CoLFA), constituted by the State Legislature, discusses the Audit Reports on LBs. The position of discussion of Audit Reports, by the Committee, is shown in **Table 1.6**.

Table 1.6: Position of Audit Reports discussed by the CoLFA

Year of Audit	Laid before the Legislature	Whether discussed by Legislature	Action Taken Report, if any
2009-10	19 December 2011	Discussed	Nil
2010-11	04 April 2013	Not yet discussed	Nil
2011-12	19 July 2013	Not yet discussed	Nil
2012-13	04 August 2014	Not yet discussed	Nil
2013-14	10 August 2015	Discussed	Nil
2014-15	18 July 2016	Not yet discussed	Nil
2015-16	10 March 2017	Not yet discussed	Nil

As it can be seen from the above that, discussion of five Audit Reports is pending. Moreover, action taken reports on all the discussed reports are awaited (December 2017).

Accountability Mechanism of PRIs

1.8 Ombudsman

As per guidelines issued by the Ministry of Finance on implementation of the recommendations of the 13th Finance Commission, the State Government was required to appoint an Ombudsman who was to act as an independent quasi-judicial authority for Institutions of LSG at the state level, conduct investigations and enquiries in respect of any complaints of corruption and maladministration against the functionaries of Local Bodies (both elected members and officials) and, recommend suitable action in accordance with the provisions of the Act. However, there was no provision in the AP Act, 1994 for appointing of an Ombudsman for the PRIs. GoA may consider suitably amending the AP Act, 1994 to include the provision of appointment of an Ombudsman.

1.9 Social Audit

The primary objective of Social Audit (SA) is to bring the activities of PRIs under close surveillance of people to enable them to access the records and documents of PRIs as this would promote transparency and accountability in the day-to-day functioning of PRIs. Except for a provision made under the Assam Rural Employment Guarantee Scheme under the MGNREGA, the State Government is yet to amend the AP Act, 1994, to include a statutory provision for conduct of SA.

In July 2014, the Government designated the State Institute of Rural Development (SIRD) as the Nodal Agency for conducting SA of all the Panchayati Raj Schemes and Rural Development Schemes of the GoI/GoA under PRDD. Accordingly, the SIRD conducted SA of 2201 Gaon Panchayats during November 2014. As SIRD is not an independent Social Audit Unit (SAU), Assam Society for Social Audit was established (December 2016) as SAU to conduct SA in the State which started pilot audits as per MGNREG Audit of Scheme Rules, 2011, from September 2017.

Section 7(4) of the MGNREG Audit of Schemes Rules, 2011 provides that the State Government shall be responsible to take follow up action on the findings of the SA. However, it was observed that follow up action on the findings of SA conducted by SIRD is yet to be taken (September 2017).

1.10 Lokayukta

The Assam Lokayukta and Upa-Lokayukta Act, 1985 was enacted to improve the standard of public administration and provided for investigation of complaints against ministers, legislators and public functionaries including those of PRIs. The institution of the Lokayukta in Assam is headed by the Upa-Lokayukta since March 2001 as the post of Lokayukta had not been filled up since March 1995. Though the State Government had taken a number of initiatives for creating public awareness about the Lokayukta and Upa-Lokayukta Act, the Upa-Lokayukta received only 15 complaints during 2016-17, none of which were related to PRIs. This situation points to the need to further intensify efforts to educate the public about the existence and jurisdiction of the institution of the Lokayukta/Upa-Lokayukta in the State and its mandate with regard to PRIs.

1.11 Submission of Utilisation Certificates (UCs)

The scheme guidelines of Centrally Sponsored Scheme (CSS) stipulate that Utilisation Certificates (UCs) should be obtained by departmental officers from the grantees, and that these be forwarded to the GoI after verification. Test-check of 46⁴ PRIs during 2016-17, however, revealed that two⁵ PRIs had not submitted UCs amounting to ₹ 3.13 crore.

Pendency in submission of the UCs indicates weak internal control and leaves scope for possible misutilisation of funds.

1.12 Internal Audit and Internal control system in PRIs

1.12.1 Internal Audit

Internal Audit is an important instrument for examining and evaluating the level of compliance with rules and procedures, as envisaged in the relevant Acts and Financial/Accounting Rules, so as to provide independent assurance to management on the adequacy of the risk management and internal control framework in the PRIs.

Rule 18 of the AP (A) Rules, 2002 provides for utilisation of internal auditors of the P&RD to check proper and correct maintenance of accounts of PRIs. An internal audit wing staffed by

⁴ Five ZPs, 22 APs and 19 GPs

⁵ Bongaigaon ZP= ₹89.56 lakh Sadiya AP= ₹223.54 lakh.

internal auditors, was in place in the Commissionerate of P&RD, Assam. However, no internal audit of PRIs had been conducted as of August 2017.

1.12.2 Internal control mechanism in PRIs

The internal control mechanism is an integral component of an organisation which helps it to discharge its activities effectively to achieve organisational objectives. Internal control measures assist in minimising the risk of errors and irregularities and ensures compliance with applicable rules and regulations so that the implementation of programmes is carried out in an orderly, economical, efficient and effective manner.

The internal control system at each level of the PRIs has been specified by the GoA under the AP Act, 1994 and the AP (F) Rules, 2002, in addition to the State Government's own rules and policies relating to finance, budget and personnel matters. Significant provisions relating to the internal control mechanism in PRIs, as contained therein, are elaborated in *Appendix-II*.

The following deficiencies, indicating inadequacy of the internal control mechanism in the PRIs, were observed in Audit:

- The Department lacked control over its own revenue resources, as data regarding revenue mobilisation of the PRIs was not available. The department did not provide details of revenue collected for the year 2016-17.
- The Department failed to furnish information on the present status of preparation of accounts of the PRIs.
- Funds were released by the Government even though ZPs had not submitted budget proposals thereby defeating the purpose of annual budgeting and planning as detailed in **paragraph 1.12.2.1**.

Although these shortcomings were regularly pointed out to the PRIs, as well as to the State Government, through Inspection Reports and Audit Reports, there was a marked lack of remedial action in this regard.

1.12.2.1 Submission of Budget

As per the AP Act 1994, budget proposals containing detailed estimates of Income and Expenditure expected during the ensuing year are to be prepared by the respective Standing Committees of PRIs after considering the estimates and proposals submitted by the executive authorities of the PRIs every year. Rules 32, 33 & 34 of AP (F) Rules, 2002 further stipulate that every GP, AP and ZP shall prepare their budgets before the beginning of the Panchayat financial year in the prescribed formats. After considering the proposals, their Finance, Audit and Planning Committees are to prepare the budget showing the income and expenditure in respective PRI for the ensuing year and place them before the concerned governing bodies for

approval. The approved budgets of the PRIs are to be consolidated by the ZPs for submission to the State Governments for final approval.

The position of submission of budget by ZPs is shown in **Table 1.7** below.

Table 1.7: Position of year-wise receipt of budget by Commissioner P&RD

Financial year	No. of budgets received in P&RD from ZPs	No. of budgets returned for rectification	No. of budgets received back in P&RD after rectification
2012-13	14	13	3
2013-14	8	0	0
2014-15	7	4	0
2015-16	11	1	0
2016-17	16	8	0

Source: Information collected from the department

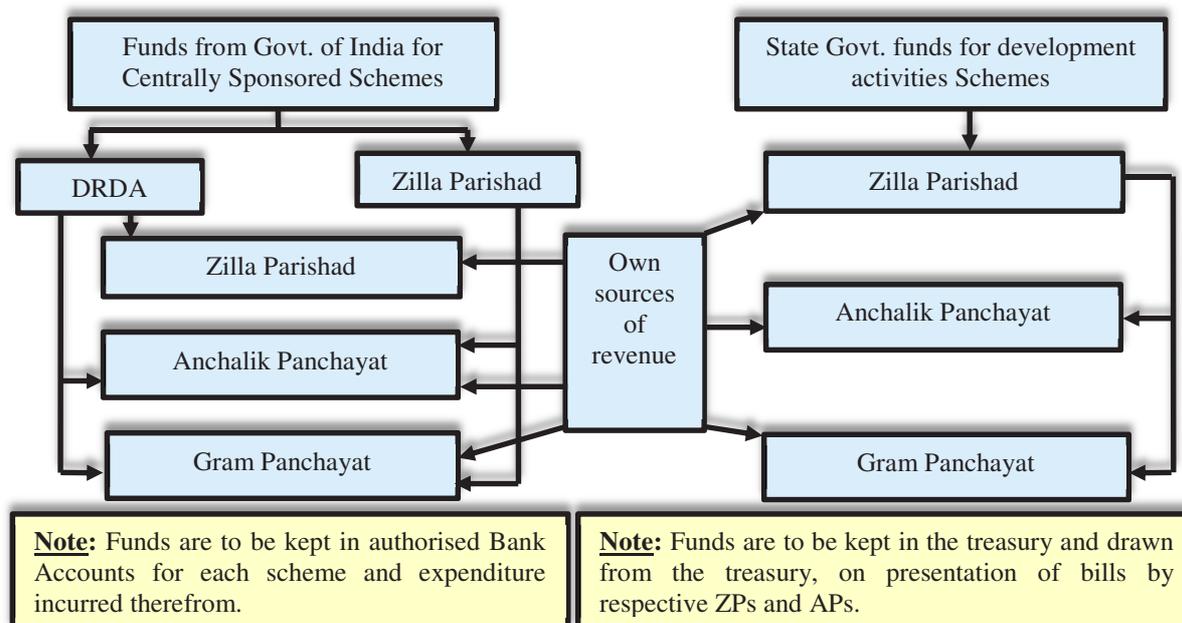
It can be seen from the table that the ZPs had not submitted budgets regularly during 2012-13 to 2016-17. Many of the ZPs who had submitted their budgets were returned by the Commissioner, P&RD due to improper submission of budget proposals with instructions to re-submit them after necessary rectification. However, except for three ZPs during 2012-13, none of the other ZPs had re-submitted their budget proposals and funds were released by the Government, irrespective of receipt of budget proposals.

Release of funds by the Government against the above backdrop indicates that rigour and discipline in the financial and budgeting process in the PRI ecosystem was yet to be firmly established.

Financial Reporting issues of PRIs

1.13 Sources of funds

The main sources of income for PRIs in the State is the funds released by the GoI under various Centrally Sponsored Schemes, Central Finance Commission grants, State Finance Commission grants and State Government grants under various schemes. In addition, PRIs also mobilise revenue from taxes, rents, license fees *etc.* The fund flow of PRIs is shown in **Figure 1.2**.

Figure 1.2: Fund Flow Chart


The receipts of PRIs, from all sources during 2012-13 to 2016-17 is given in **Table 1.8** below:

Table 1.8: Time-series data on resources of PRIs

(₹ in crore)					
Source	2012-13	2013-14	2014-15	2015-16	2016-17
Own Revenues	176.16	193.80	213.18	8.16	Not furnished
SFC transfers	104.42	158.23	298.84	147.36	72.13
CFC transfers	362.05	201.93	270.54	292.40	106.22
State Sponsored Schemes (SSS)	89.09	197.29	147.04	486.00	0.00
Centrally Sponsored Schemes (CSS)	1211.38	2000.58	1879.94	2070.00	3367.81
Total	1943.10	2751.83	2809.54	3003.92	3546.16

Source: Information furnished by Commissioner P&RD, Assam, and Finance (Economic Affairs) Department, GoA.

As it can be seen from the above, there was an increasing trend of collection of own revenues by the PRIs during 2012-13 to 2014-15. However, in 2015-16 there was a drastic fall in collection of own revenue by the PRIs. The Commissioner, P&RD did not furnish any reason for this reduction in own revenue of PRIs though called for (September 2017). The Commissioner, P&RD, also failed to furnish the figures of own revenue collected by PRIs during 2016-17. No funds were released to the PRIs under SSS during 2016-17. Funds released under SFC and CFC in 2016-17 were less than 50 per cent in comparison to 2015-16.

1.13.1 Public investment in the Social Sector and Rural Development

Details of outlays by the GoI in Assam in the Social Sector and Rural Development through major CSS during 2012-13 to 2016-17 are shown in **Table 1.9** below:

Table 1.9: Statement showing investment through major CSS**(₹ in crore)**

Sl. No.	Scheme	Year	Allocation of funds	Funds Released to PRIs	Short release of funds (4)-(5)
(1)	(2)	(3)	(4)	(5)	(6)
1	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	2012-13	1017.51	588.46	429.05
		2013-14	1034.61	647.31	387.30
		2014-15	1101.02	554.6	546.42
		2015-16	1520.51	745.93	774.58
		2016-17	1430.17	1462.91	-32.74*
2	Indira Awas Yojana (IAY)	2012-13	894.37	71.27 [@]	823.10
		2013-14	1040.21	985.9	54.31
		2014-15	1373.78	937.45	436.33
		2015-16	1428.73	1104.13	324.60
		2016-17	2031.59	1382.75	648.84
3	Backward Region Grant Fund (BRGF)	2012-13	177.75	92.92	84.83
		2013-14	228.79	199.88	28.91
		2014-15	213.65	139.41	74.24
		2015-16	Discontinued		
		2016-17	Discontinued		
4	National Social Assistance Programme (NSAP)	2012-13	167.14	156.13	11.01
		2013-14	230.82	230.82	0.00
		2014-15	248.46	248.46	0.00
		2015-16	197.81	197.81	0.00
		2016-17	473.51	324.22	149.29
5	National Rural Livelihood Mission (NRLM)	2012-13	217.14	162.91	54.23
		2013-14	291.45	105.92	185.53
		2014-15	172.70	16.46	156.24
		2015-16	129.77	21.72	108.05
		2016-17	256.97	197.93	59.04

Source: Information furnished by the Department;

* minus figure actually indicates excess release

[@] State share only.

It can be seen from the above that there were constant short releases of funds to PRIs by GoA in respect of all schemes except National Social Assistance Programme (NSAP) (2013-14; 2014-15; 2015-16). These schemes are aimed at welfare and development of the rural poor and hence short releases of funds under these schemes would have set back the pace of development of the State's rural population.

1.13.2 Fourteenth Finance Commission Grant

The weightage adopted by the 14th Finance Commission (14th FC) for distribution of funds among the States was 90 *per cent* on population (as per 2011 population data) and 10 *per cent* on area. The grants to each State are divided into two parts - a grant to duly constituted gram panchayats and a grant to duly constituted municipalities on the basis of the urban and rural population of the States, using the data of Census 2011. An amount of ₹ 5416.58 crore was recommended for the PRIs in Assam. This amount had two components *viz.*, General Basic

Grants (90 per cent of the recommended amount) and Performance Grants (10 per cent of the recommended amount).

The grants so recommended had to go directly to the PRIs who were directly responsible for the delivery of basic services, without any share going to any other levels. The State Government was to take care of the needs of the other levels.

As per the 14th FC recommendations for the period 2015-20, States would be eligible to draw their Basic Grants which would remain fixed for each State while Performance Grants on the other hand could be drawn only after submission of audited annual accounts that relate to a year not earlier than two years preceding the year in which the concerned gram panchayats sought to claim the performance grant. The gram panchayats were also required to show an increase in their own revenues over the preceding year, as reflected in their audited accounts.

1.13.3 Penal interest for late release of funds by the State Government

As per recommendation of 13th FC the States were to release the grants to the PRIs within 15 days from the date of receipt of grants. In case of delay the State Government was to release the instalment with interest at the bank rate of Reserve Bank of India for the number of days of delay. The position of grants released during 2012-17 by GoI and GoA and penal interest for late release of funds to PRIs, is shown in the **Table 1.10**.

Table 1.10: Release of 13th FC and 14th FC Grants to PRIs

(₹ in crore)				
Programme year	Scheme components	Received from GoI	Released to PRIs	Penal interest for late release of funds
2012-13	General Performance Grant	124.40	124.40	1.91
	General Basic Grant	181.61	181.61	
2013-14	General Performance Grant	139.88	0.00	2.21
	General Basic Grant	204.80	201.93	
2014-15	General Performance Grant	190.08	0.00	7.19
	General Basic Grant	279.26	263.74	
2015-16	General Performance Grant	0.00	0.00	0.00
	General Basic Grant	584.80	292.40	
2016-17	General Performance Grant	106.22	0.00	10.49
	General Basic Grant	809.76	0.00	
TOTAL				21.80

Source: Director, Finance (Economic Affairs) Department, Assam.

It was observed that during the period covered under 13th and 14th Finance Commission award, the State Government had paid penal interest of ₹ 21.80 crore to PRIs for late release of funds. Further, during 2016-17 no funds were released by GoA though it received ₹ 915.98 crore from GoI. As the time factor plays an important role in Assam in view of season-specific limitations, delays in release of funds would have adversely impacted the timely implementation of projects

increasing the possibility of cost-overruns and leading to a higher number of incomplete projects.

1.13.4 Maintenance of Records

1.13.4.1 Non-maintenance of Assets Registers

Rule 19 of the AP (F) Rules, 2002 stipulates that all properties vested in the ZPs, APs and GPs are to be entered in a Register of Properties and Assets, prescribed in Form 6 and the entries therein are to be attested by the officer concerned. Audit observed that the said Register was not maintained by six⁶ test-checked PRIs. The State Government also did not at any point of time call for any return on the nature of the assets, year of creation and monetary value of the assets held by the ZPs, APs and GPs.

1.13.4.2 Non-reconciliation of Cash Books

Sub rules 4 (a), (b) and (c) of Rule 8 of the AP (F) Rules 2002, require that all money received and payments made, should be entered in the Cash Book which should be closed on daily basis. Further, monthly closing of the Cash Book, physical verification of cash and reconciliation of Cash Book balances with bank balances, under proper authentication, are also to be carried out. Sub-rule 4(e) of Rule 8 further stipulates that at the close of each month, the bank balance as reflected in the Cash Book, should be reconciled with the balances as per the bank accounts.

In the course of audit, it was, however, observed that Cash Book balances were not reconciled with bank balances in three PRIs and the un-reconciled balances ranged from ₹ 4523 to ₹ 2.43 crore as shown in **Table 1.11** below:

**Table 1.11: Details of PRIs which had not reconciled Cash Book with Bank Passbook
(Amount in ₹)**

Sl No.	Name of PRIs	Name of the schemes	As on date	Balance as per Bank Pass Book	Balance as per Cash Book	Difference
1	Bongaigaon ZP	NSAP	31-3-2016	40910987	26815674	14095313
2	Kamrup ZP	Own fund	31-3-2016	6233233.35	6353661	(-)120427.65
3	Narsingpur AP	Own Fund	31-3-2015	953077.00	957600	(-)4523
		Kalpataru	31-3-2015	247470	51470	196000
		CM Special fund	31-3-2015	38966700	14682300	24284400

Failure to maintain the Cash Books in accordance with the requirements of the financial rules could be indicative of irregularities in cash management. In addition, it could also facilitate fraud and embezzlement of public money.

⁶ Madhya Jorhat AP, Bechimari AP, Kalaigaon AP, Jugijan AP, Pakhimoria AP, Burha GP.

1.13.5 Maintenance of Accounts by PRIs

PRIs, with their increasing role, funds and enhanced accountability, are required to spend and record public money with utmost care. Such diligence could be achieved only if the financial recording and reporting systems are well established and functional. Accordingly, the Model Accounting System (MAS) for Panchayats was introduced in October 2009 by Ministry of Panchayati Raj. Though the GoA had accepted the MAS, the Commissioner, P&RD, could not furnish data on the present status of its implementation by PRIs.

The PRIs had also not adopted completely the accounting formats prescribed by the CAG. PRIs were generating only three (Annual Receipt and Payment, Consolidated Abstract Register and Monthly Reconciliation Statement) out of eight reports prescribed by the CAG from receipt and payment data as recorded in their Cash Book. Due to this, a clear picture of revenue and expenditure of PRIs could not be seen.

Instances of annual accounts not maintained by PRIs have been brought to the notice of State Government on several occasions, through Inspection Reports and Annual Technical Inspection Reports (ATIRs)/Audit Reports.

1.13.6 Maintenance of database and the formats therein on the finances of PRIs.

Based on the recommendations of the 11th FC, the CAG had prescribed database formats for capturing the finances of PRIs. The database formats are prescribed with a view to having a consolidated position of sector-wise resources and application of funds by PRIs, details of works executed by PRIs and their physical progress *etc.*

The 14th FC in its report had also expressed dissatisfaction, noting that a reliable base data on the finances of the PRIs, was yet to be developed. The 5th ASFC also recommended that PRIs should be brought within the ambit of computerisation and e-governance. However, computerisation of PRIs in Assam was adversely affected, as only 1237 out of 2202 GP offices were electrified till August 2017.

Against the above backdrop, effective steps are required to be taken to develop the financial database and promote computerisation in PRIs at the earliest.

