

## PART – A

### Chapter – I

## STRUCTURE AND FINANCES OF THE PANCHAYATI RAJ INSTITUTIONS

### 1.1 Introduction

**1.1.1** In keeping with the provisions of the 73<sup>rd</sup> Constitutional Amendment, the Assam Panchayat Act (APA), 1994, was enacted. It replaced the APA, 1986. The Act provided for a three-tier Panchayat system comprising of Gaon Panchayat (GP) at the village level, Anchalik Panchayat (AP) at the block level and Zilla Parishad (ZP) at the district level. The first Panchayat election (in terms of the APA, 1994) was held in December 2001. Accordingly, 2487 GPs, 203 APs and 21 ZPs were constituted. However, after creation of Bodo Territorial Autonomous Districts (BTAD), an autonomous district council, the number of GPs, APs and ZPs were reduced to 2202, 185 and 20 respectively. The second round of Panchayat election was held in March 2007 in which 27116 representatives were elected.

**1.1.2** The Panchayati Raj Institutions (PRIs) aim to function as units of Local Self Government (LSG) to promote people's participation in governance and also as vehicles for effective implementation of rural development programmes. The overall supervision, co-ordination and implementation of rural development schemes at Intermediate Panchayat and District level and preparation of the plan for the development of the district was vested with ZP.

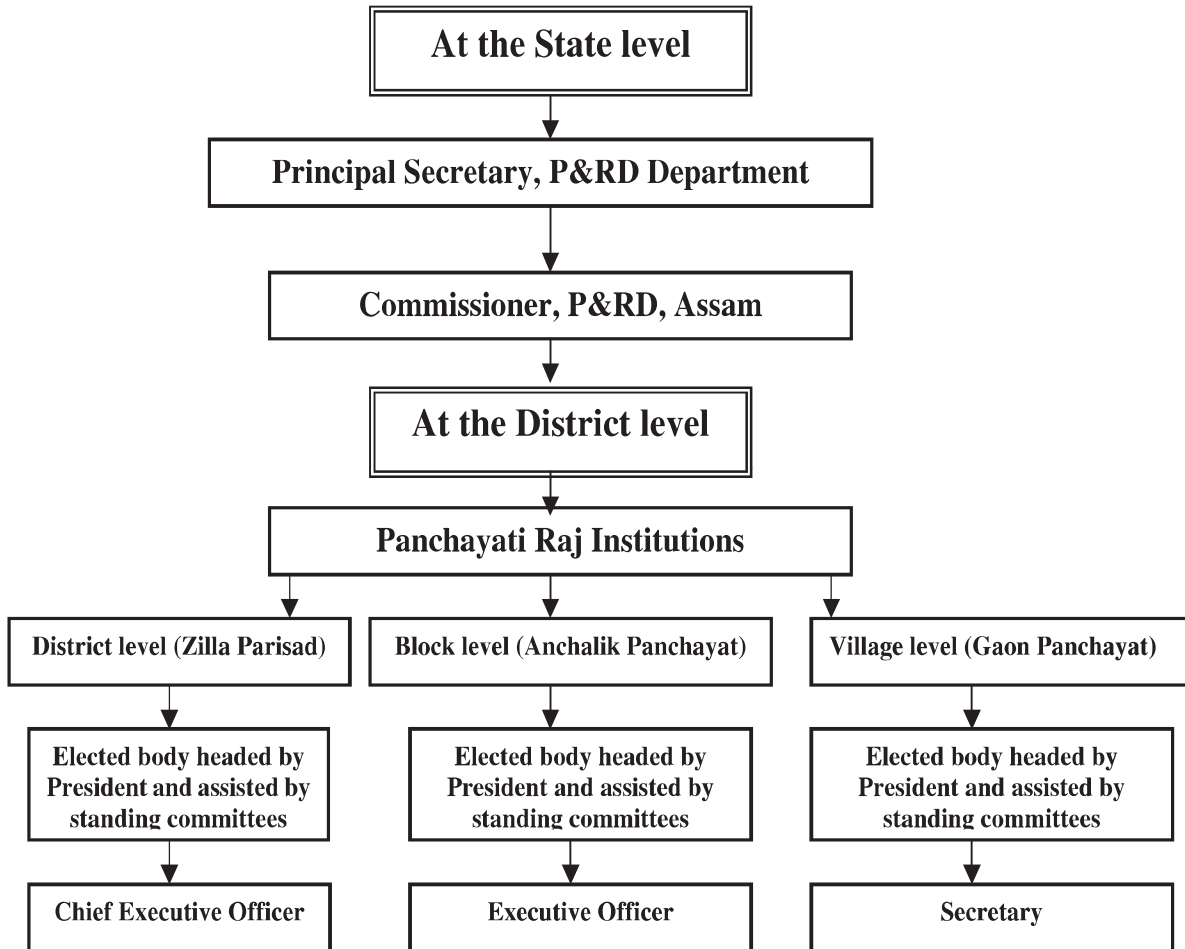
### 1.2 Profile of PRIs

There were 2407 PRIs in the State as on 31 March 2009, the details of various categories of PRIs, their area and population were as follows:

Type of PRI	Number	Area (sq km)	Average area/ PRI sq km	Population	Average population per PRI
Zilla Parishad	20	40658.64	2032.93	20198790	1009940
Anchalik Panchayat	185	40658.64	219.78	20198790	109183
Gaon Panchayat	2202	40658.64	18.46	20198790	9173

### 1.3 Organizational set up

The following organogram depicts the organizational set up of Panchayati Raj Institutions in Assam:



The Presidents of ZPs and APs are the Chairpersons of the respective General Standing Committees and Finance (GSCAF) and Audit and Planning Committee (AAPC). The Executive Officers of the APs and the Chief Executive Officers (CEOs) of ZPs are the ex-officio Secretaries of the respective GSCAFs, AAPCs of each tier of Panchayats. The members of the GP elect the standing committee members from amongst the elected members. The President of the GP is the ex-officio member and Chairperson of the Standing Committees.

#### **1.4 Devolution of funds, functions and functionaries**

**1.4.1** The communication received from the Principal Secretary, P&RDD, reflected only the current state of finances of the PRIs without taking into consideration the funds and functionaries that were supposed to be transferred to them from the line departments along with the subjects listed in the 11<sup>th</sup> Schedule of the Constitution. Although activity mapping had been reported to be completed (2007) in respect of 23 functions, the consequent devolution of funds and functionaries was yet to take place. In a meeting of P&RDD and chaired by the Minister of Revenue, all the departments had been urged to issue notifications by 07 February 2007, indicating functions and posts to be transferred to different tiers of PRIs and specifying the responsibilities of the officials against the activity transferred. However, target date so given passed by without any recorded compliance. Even the merger of District Rural Development Agencies (DRDAs) with the ZPs, which was to take place by the 01 January 2007, was yet to be done.

#### **1.4.2 Activity Map**

The 73<sup>rd</sup> Amendment of the Constitution envisaged devolution of functions mentioned in the 11<sup>th</sup> Schedule to PRIs. The State Government, with an intention to strengthen the independent functioning of the PRIs, drew up detailed Activity mapping in respect of PRIs (June 2006) indicating devolution of powers for 23 out of 29 functions included in the 11<sup>th</sup> Schedule of the Constitution along with Fund, Function and Functionaries. Scrutiny of records of 85 PRIs revealed that the functions listed in the Activity Map were not being carried out by PRIs. Principal Secretary, P&RDD (16 January 2010) informed that though Activity mapping which included transfer of Funds, Functions and Functionaries had been notified by the P&RDD but field level transfer of the same had not taken place.

#### **1.5 Powers and Functions vested with PRIs**

The APA, 1994, vests PRIs with the following powers and duties:

- (i) Prepare Development Plan/Annual Action Plan/Budget of its estimated receipts and disbursements.

- (ii) Implement schemes funded by the Government of India (GOI) through the DRDAs and schemes transferred by the State Government to the PRIs.
- (iii) Levy and collect various taxes, duties, tolls, rents and fees.

## 1.6 Sources of Revenue

**1.6.1** The main sources of revenue of PRIs broadly comprise of:

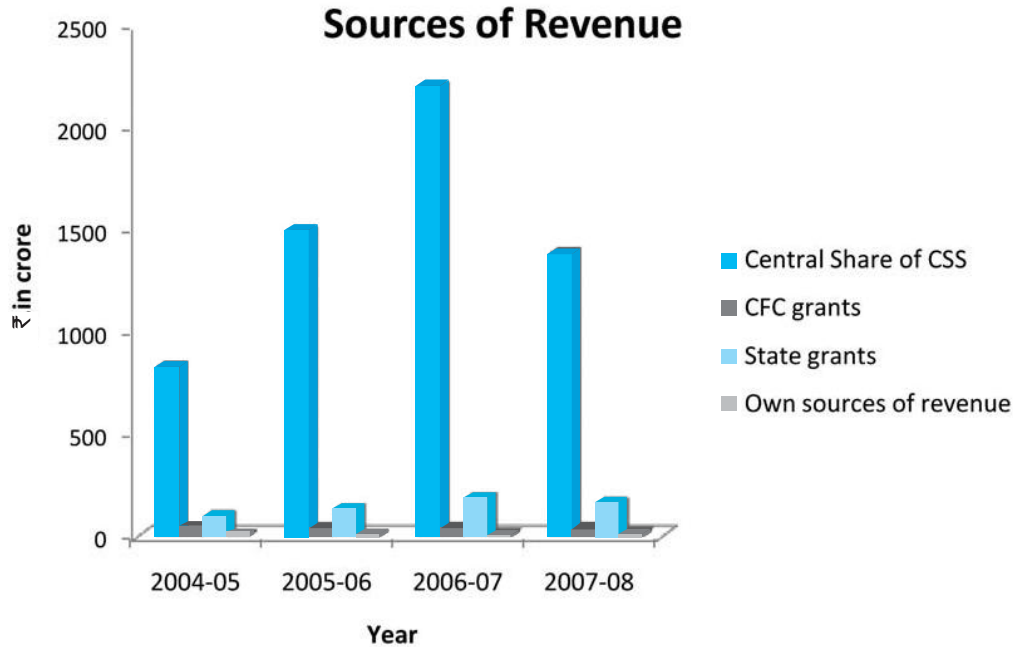
- (i) The Internal Tax and non-tax revenue,
- (ii) Resources transferred from the State in the form of assigned taxes and duties,
- (iii) Grants-in-Aid from the State and Central Governments,

Apart from this, PRIs also perform agency functions to implement various rural development programmes under Centrally Sponsored Schemes (CSS) funded mainly through DRDAs. Fund received by the PRIs, during the last five years were as below:

(₹ in Crore)								
Year	Central Share of CSS	CFC grants	State grants	Total grants received from central & State Governments	Own sources of revenue	Total revenue from all sources	Percentage of Government Grants to total revenue	Percentage of OSR to total grants
2004-05	825.58	21.66	102.08	949.32	8.63	957.95	99.09	0.01
2005-06	1487.72	39.53	134.57	1661.82	8.79	1670.61	99.47	0.53
2006-07	2198.10	42.37	190.76	2431.23	12.30	2443.53	99.49	0.51
2007-08	1382.50	42.37	166.14	1591.01	16.00	1607.01	99.00	1.00
2008-09	1125.31	47.97	520.69	1646.00	NA	NA		

**Source: 2004-05 to 2007-08:** Information furnished by the State Government in 2008 to the Thirteenth Finance Commission. **2008-09:** Commissioner P&RD, Assam

It would be seen from the above that during the period from 2004-05 to 2007-08 the PRIs continued to be overwhelmingly dependent on grants from the Central and State Government as illustrated below:



**Note:** Graphical presentation for the period 2008-09 could not be given due to non-availability of information related to own source of revenue.

Section 25 of the Assam Panchayat Act, 1994 provides that subject to such rules as may be made in this regard and subject to such maximum rates as the Government may prescribe, the GPs may impose taxes, duties and levy fees and tolls to augment their own resource base. The State Government also made rules and prescribed rates for imposition of taxes, duties and fees. However, non-adoption of bye-laws by GPs resulted in non-imposition of taxes and fees. Thus, PRI's own source of revenues comprise meager income from leases of Markets, Fisheries, Pounds and Ferries *etc.*, rendering them largely dependent upon the State and Central Government Grants.

## 1.7 Allocation and expenditure

### 1.7.1 State Budget allocation *vis-à-vis* actual releases made

Budget Allocation (BA) of funds for Rural Development (RD) including salary and allowances, schematic fund and other grants against the total State Budget allocation for the State were as under:

(₹ in crore)

Year	Total State Budget allocation	BA for Rural Development	Percentage of BA on RD against Total State BA	Expenditure on Rural Development	Savings
2004-05	30794.50	481.59	1.56	422.05	59.54
2005-06	21451.09	537.40	2.50	369.35	168.05
2006-07	21864.30	863.20	3.94	550.96	312.24
2007-08	23567.10	938.08	3.98	771.93	166.15
2008-09	27204.10	1003.00	3.68	651.98	351.02

Source: Appropriation Accounts 2004-05 to 2008-09.

It would be seen from above that allocation fund for Rural Development was less than 4 per cent of total State Budget allocation for the last five years. Apart from this, there were short releases of fund by the State Government which was the main reason for savings during 2004-05 to 2008-09.

### 1.7.2 Budget allocation and expenditure under State Schemes

Budget Allocation (BA) of funds to PRIs for Rural Development Programmes in the State sector were as under:

(₹ in crore)

Year	Major Head of Account	Minor Head of Accounts	Budget allocation	Expenditure	Excess (+) Savings (-)
2004-05	2515-ORDP <sup>1</sup>	101, Assistance to PRIs	30.33	22.84	(-)7.49
2005-06	-do-	-do-	46.48	27.30	(-)19.18
2006-07	-do-	-do-	59.61	27.04	(-)32.57
2007-08	-do-	-do-	62.27	36.76	(-)25.51
	-do-	-do-	Nil	0.49	(+)0.49
	-do-	800, District Development Plan	100.10	63.74	(-)36.36
2008-09	2501-SPRD <sup>2</sup>	800, Interest subsidy for Women	2.00	Nil	(-)2.00
	-do-	800, Rural Housing	10.00	Nil	(-)10.00
	-do-	800, Enhancement of wages for NREGS	5.00	Nil	(-)5.00

Source: Appropriation Accounts 2004-05 to 2008-09.

Reasons for excess expenditure of ₹ 0.49 crore without budget provision for Assistance to PRIs in 2008-09 and savings against other provisions during 2004-05 to 2008-09 were not intimated (December 2010)

### 1.7.3 Preparation of un-realistic budget

Preparation of budget for estimated receipts and expenditure is essential for optimal utilization of limited resources to achieve the objective of the organization. The shortcomings noticed in preparation of budget are given below:

<sup>1</sup> Other Rural Development Programmes.

<sup>2</sup> Special Programmes for Rural Development.

Sl. No.	Name of PRIs	Period	Receipts		Excess provision	Expenditure		Excess provision
			Estimated	Actual		Estimated	Actual	
1.	Morigaon ZP	02-08	2.33	1.81	0.52	2.39	1.28	1.11
2.	Bongaigaon ZP	07-09	1.55	1.10	0.45	1.55	0.30	1.25
3.	Karimganj ZP	02-06	102.94	28.77	74.17	102.94	24.71	78.23
4.	Badarpur AP	02-09	4.66	1.62	3.04	4.66	1.49	3.17
5.	Boitamari AP	06-09	3.50	0.19	3.31	0.36	0.20	0.16
6.	Bhawanipur AP	06-07	0.14	0.03	0.11	0.13	0.02	0.11
<b>Total</b>			<b>115.12</b>	<b>33.52</b>	<b>81.60</b>	<b>112.03</b>	<b>28.00</b>	<b>84.03</b>

It may be observed from the above table that the actual receipts were substantially less than the budget provisions during 2002-09 and six PRIs incurred less expenditure of ₹ 84.03 crore against the budget estimates. Estimates of receipts were prepared without considering the factors like past trends, capacity to generate revenue and anticipated grants allocated under state and central plans, thereby leaving a large gap between the anticipated revenue and actual receipts. Estimates of expenditure which were based on inflated revenue estimates were also inflated to the extent that required fund could not be generated to meet the estimated expenditure. Thus, the budget estimates were unrealistic due to non-assessment of probable receipts against expenditure.

#### 1.7.4 Expenditure incurred by GPs without preparation of budget

As per Rule 32 of Assam Panchayat (Financial) Rules, 2002, every GP had to approve and adopt by the end of February each year, the budget for the following financial year. No fund was to be released to GPs until the budget approved under the rule for the same financial year is received by AP having the jurisdiction over it. 61 GPs (detailed in **Appendix-1**) did not prepare, approve and adopt the budget for the years 2002-09 and un-authorizedly spent ₹39.20 cores without any budget allocation. In absence of any budget, the actual requirement of funds was not communicated to Government and funds were released in routine manner to these GPs.

#### 1.8 State Finance Commission (SFC)

Finance Department had constituted a Finance Commission Cell in the State Finance Department to assist Central Finance Commission (CFC) and SFC to monitor the progress of implementation of their recommendations. This cell was also to monitor

utilisation of fund released by GOI under State Plan, various CSS and State Share (SS) besides collection of data on a regular basis in respect of Local Bodies (LBs).

The Third Assam State Finance Commission (TASFC) was constituted in February 2006. TASFC submitted its final report on 27 March 2008 covering the period from 2006-07 to 2010-11. TASFC recommended that 10 *per cent* of non-plan Own Tax Revenue Receipt, after deducting actual collection charges of State Government, should form the Divisible Pool (DP) out of which allocation should be made to PRIs and ULBs during the three financial years 2008-11. The State Government accepted these recommendations and accordingly made provisions in the budget from 2008-09 onwards.

## **1.9 District Planning Committee (DPC)**

**1.9.1** Section 3 of APA, 1994 and AP (F) Rules 2002 framed there under provide that the State Government shall constitute a District Planning Committee (DPC) in every district. However, it was noticed that delay in commencement of functioning of DPC in nine districts ranged from 1 to 2 years from the date of the framing of the Rule. No information in respect of commencement of functioning of DPC in Goalpara district was available.

In accordance with the provision of APA, 1994, the GPs were required to forward their Plan proposal to APs for consolidation and onward transmission to ZPs concerned. The DPC in the ZPs was to prepare the Annual District Development Plan (ADDP) based on fiscal ceilings communicated by the State Government duly incorporating the development plans of the APs and GPs, Municipalities and Town Committees of the districts with special attention to the matters of common interest of Local Bodies. The Chairperson/ Chairman of every DPC shall forward the district plan as recommended by such committee, to the Government for approval within a specified period as may be prescribed by the State Government. It was, however, noticed in the test checked ZPs that GPs, APs, MBs/TCs did not forward their plan proposals for consolidation and CEOs of the ZPs did not insist that the lower tier of PRIs should forward proposals as visualized.

In absence of incorporation of defined needs of the grass root level the DPC prepared the DDP in routine manner. No integrated district plan as a whole had been prepared by the DPC for their respective district. Thus, functioning of the DPC was not up to the standards set in APA, 1994, in these districts.



### **1.9.2 Non-release of District Plan Fund to Dhemaji District**

As intimated (January 2010) by the Joint Commissioner, P&RD, District Plan for Dhemaji District for the year 2007-08 was not approved by the HLC (High Level Committee) and accordingly DDP fund of ₹1.23 crore for the said year was not released by the State Government. Reason for non-approval of schemes by HLC was, however, not intimated. Consequently aims and objectives of the programme remain unfulfilled depriving the populace of the deserving benefits.

### **1.9.3 Non-release of Backward Region Grant Fund due to non-formation of DPC in Goalpara district**

Backward Region Grant Fund (BRGF), launched in February 2006 in eleven districts of the state, aims to bridge critical gaps in local infrastructure and other developmental requirements that were not being adequately met through existing inflows. It consists of two funding windows *viz*,

- a) A capacity building fund of ₹1 crore per annum to each BRGF district to build capacity in planning, implementation, monitoring, accounting, improving accountability and transparency, and;
- b) An untied grant of ₹10 crore per annum to each BRGF district.

Programmes identified for implementation under the fund should be selected through Gaon Sabhas in rural areas and ward committees in the urban areas and to be consolidated into the district plans by the District Planning Committee (DPC). Funds would be released annually by the Ministry of Panchayati Raj (MOPR) on receipt of Plan approved by the High Level Committee (HLC), set up at the State level.

Due to non-formation of DPC in Goalpara district, GOI did not release BRGF grant of ₹13.21 crore for the district with consequential impact on development of the district.

### **1.10 Status of creation of database of finances and maintenance of accounts**

**1.10.1** Based on the recommendation of Eleventh Finance Commission (EFC), CAG had prescribed database formats for finances of all PRIs with a view to have a consolidated position of sector wise resources, application of funds and their physical progress *etc.* As of September 2009, computer & networking at ZP and AP level have

been completed and software called PRISM for maintenance of database has been developed. However, computerization at GP level has not been done yet and the software has not yet been introduced. Thus, a complete database of finances in a consolidated form covering all the PRIs in the State was not available.

**1.10.2** The State Government also agreed (August 2004) to adopt the accounting formats prescribed by CAG and amended the Assam Panchayat (Financial) Rules, 2002 in August 2004 incorporating some of the formats prescribed by CAG. However, these formats had not been adopted by the PRIs. The State Government constituted (April 2009) a drafting committee to prepare Panchayati Raj (Budget) Rules, 2009 even when the formats prescribed under the Assam Panchayat (Financial) Rules, 2002 were not adopted by the PRIs.

### **1.11 Grants recommended by Twelfth Finance Commission (TFC)**

**1.11.1** The share of grants recommended by TFC to PRIs in the State was ₹526 crore for release during 2005-10. The average annual share of PRIs was ₹105.20 crore. The PRIs were to improve the service delivery in respect of Water Supply and Sanitation (WSS) by taking over assets relating to WSS created under Swajaldhara Programme and were to utilize the funds for maintaining them, apart from creating other income generating sources. The State was to assess the funds required for building database and maintenance of accounts of Local Self Government Institutions (LSGIs) and to earmark funds accordingly from the grants.

### **1.11.2 Delay in release of TFC grants**

According to Para 6.1 of the TFC guidelines, grants to Local Bodies are to be released by GOI to the States in two equal installments in July and January every year and the States have to mandatorily transfer the grants to different tiers of PRIs within 15 days of receipt, failing which interest at the rate prescribed by Reserve Bank of India is to be paid for the delayed period.

GOI as of December 2009 released a total amount of ₹315.60 crore as TFC grants for the period from 2005-06 to 2008-09. However, the State Government did not release the grants within the stipulated period and delayed the release of grants by 45 to 549 days as detailed below:

(₹ in crore)

Year of grant	Installment	Amount of grant awarded by TFC	Amount of grant released by GOI	Date of receipt by the State Govt.	Amount of grants released to PRIs	Date of release of grants to PRIs	Days Delayed in release of grants	Interest payable 5.5 per cent
2005-06	First	52.60	52.60	28-12-05	42.36	08-12-06	330	2.11
					6.41	16-12-06	338	0.33
					1.27	21-3-07	433	0.08
					2.58	26-6-07	438	0.17
	Second	52.60	52.60	22-6-07	42.36	15-10-07	100	0.64
					6.41	28-9-07	83	0.08
					3.82	14-11-07	130	0.07
2006-07	First	52.60	52.60	22-6-07	52.60	07-01-09	549	4.35
	Second	52.60	52.60	10-7-09	50.04	08-9-09	45	0.34
2007-08	First	52.60	52.60	10-7-09	102.67	04-12-09	132	2.04
2008-09	First	52.60						
	Second	52.60						
<b>Total</b>		<b>420.80</b>	<b>315.60</b>		<b>310.52</b>		<b>2578</b>	<b>10.21</b>

Allocation of balance grant of ₹5.08 crore (₹315.60 crore – ₹310.52 crore) had not been made nor was the grant released to the PRIs for execution of schemes.

As there were delays ranging 45 to 549 days in actual credit of allocated grants to individual account of PRIs, interest of ₹10.21 crore (as worked out by audit at the rate of 5.5 per cent) was due for payment to the PRIs. However, the State Government as of June 2009 released ₹3.23 crore only as interest to PRIs.

### 1.11.3 Allocation of Grants under TFC

Out of the total grants of ₹157.80 crore (including six schedule areas) received upto March 2009, ₹5.51 crore was assigned for maintenance of accounts, ₹9.04 crore for creation of database, ₹6.19 crore for O&M, ₹13.75 crore for creation of other income generating sources, ₹92.60 crore for WSS for PRIs in general areas. According to the guidelines issued by the State Government, the fund received under the TFC grant from GOI was to be shared among ZPs, APs and GPs in the ratio of 10:30:60 respectively. The Commissioner, P&RD allocated and distributed the grants to PRIs through ZPs. However, detail position of fund released by two ZPs during 2006-08, as summarized below, disclosed that the ratio stipulated by the State Government, had not been followed:

(₹ in lakh)

Sl. No.	Name of ZP	Total fund Recd.	Fund required to be released		Actual release of fund		Excess / Short release of fund	
			APs	GPs	APs	GPs	APs	GPs
1.	Karimganj	420.34	126.10	252.20	126.27	220.29	(+) 0.17	(-) 31.91
2.	Cachar	415.90	124.77	249.54	134.87	235.80	(+) 10.10	(-) 13.74
<b>Total</b>		<b>836.24</b>	<b>250.87</b>	<b>501.74</b>	<b>261.14</b>	<b>456.09</b>	<b>(+) 10.27</b>	<b>(-) 45.65</b>

Thus, due to non- adoption of formula recommended by the State Govt. the APs of the test checked ZPs received ₹10.27 lakh more, GPs received ₹45.65 lakh less, during 2006-08.

Moreover, the test checked PRIs did not maintain any account showing receipts of funds and corresponding expenditures on WSS, creation of database, maintenance of accounts, creation of other income generating sources, O&M and expenditure on other developmental works.

#### 1.11.4 Utilization Certificate

Principal Secretary, Finance Department was required to furnish Utilization Certificate (UC) to the GOI, Ministry of Finance every year for the TFC grants spent by PRIs. As per information furnished by Finance Department, it was noticed that UCs of ₹157.80 crore (first and second installments of 2005-06 and first installment of 2006-07) were sent to the GOI on the basis of grants released to the PRIs, although ₹9.04 crore earmarked for database of finances of PRIs were lying unspent in the bank account of ZPs (February 2010) as per direction of the Commissioner, P&RD. The UC rendered by the Principal Secretary, Finance did not reflect the reality.

#### 1.12 Audit Arrangement

**1.12.1** The State Government, under section 29, 61 and 98 of APA 1994 and Rule 37(ii) AP (F) Rules 2002 framed there under, made a provision to prescribe an authority as primary auditor to conduct audit of the accounts of the PRIs. However, till December 2009, such an authority had not been prescribed by the State Government.

The State Government accepted the TGS arrangement and entrusted the CAG of India to conduct audit of PRIs under section 20 (I) of CAG's (DPC) Act, 1971. The parameters for the said arrangement have not yet been finalized by the State Government despite repeated persuasions.

Thus due to State Government's failure to prescribe an authority as primary auditor of PRIs and finalize the parameters of TGS, effective Audit Arrangement of PRIs has not taken place.

### **1.12.2 Director of Audit (Local Fund)**

Director of Audit, Local Fund (DALF), Assam under the provisions of Assam Local Funds (Accounts & Audit) Act, 1930 conducts audit of the accounts of any local authority such as universities, colleges, schools, religious and charitable institutions *etc.*, including PRIs and ULBs in the State. Though DALF is conducting the audit of PRIs, State Government had not yet made any provision in the relevant Act making DALF the primary auditor of PRIs. It was only in January 2010, the Panchayat & Rural Development Department, through a departmental order, entrusted the DALF as primary auditor to conduct the audit of the accounts of PRIs under the Technical Guidance and Supervision (TGS) of CAG of India.

### **1.12.3 Audit Coverage by DALF**

Out of total auditable 2407 PRI units, (GPs-2202, APs-185 and ZPs-20), audit of 2321 PRIs could not be conducted by DALF as of February 2010, stated to be due to shortage of staff and facilities. However, inspection reports on audit conducted by DALF were not forwarded by the DALF to the Senior Deputy Accountant General (LB Audit & Accounts) Assam, for consolidation in the ATIR.

### **1.12.4 Results of Audit by DALF**

Ten out of 28 PRIs test checked in review on "Maintenance of Accounts" conducted during July-September 2009, stated that their accounts were audited by DALF, but inspection reports, if any issued by DALF, could not be shown to audit.

As stated by the Director (February 2010), DALF is required to send an Annual Report to the Finance Department by 30 September each year incorporating major outstanding audit objections relating to LBs which were pending for settlement for further action by the Finance Department. However, the State Government did not set up any committee for discussion of Annual Report of DALF.

As stated by the Director (February 2010), no consolidated Annual Report had so far been sent to Finance Department and preparation of outstanding paras of the audit reports in a consolidated form was under progress from the current year (2009-10).

Thus in the absence inspection reports and Annual Consolidated Reports, the results of audit conducted by DALF remain unreported without any follow up action thereby creating an environment of serious financial irregularities leading to loss to Government.

### 1.13 Audit Coverage by CAG

**1.13.1** The Senior Deputy. Accountant General (LB Audit& Accounts), Assam conducts audit of PRIs under section 20(I) of CAG's (DPC) Act, 1971. The audit of accounts of 85 PRIs (Nine ZPs, 15 APs and 61 GPs)<sup>3</sup> covering accounts up to March 2009 was conducted during June to December, 2009 (**Appendix-2**).

#### 1.13.2 Response to audit observation:

Results of audit of the accounts of PRIs, conducted by the Senior Deputy Accountant General (LB Audit& Accounts), Assam, were communicated to the respective PRIs in the form of Local Audit Reports (LARs) with copy to the State Government. Replies were required to be furnished within four weeks of receipt of LARs. Only 65 PRI units furnished reply to the LARs. Due to non-furnishing of specific reply by the auditee units, only 22 paragraphs had been settled as on date (February 2010). The year wise position of LARs and outstanding paragraphs with money value is given below:

(₹ in crore)							
Year	LAR issued			Number of paragraph settled		Outstanding	
	Number of LARs	Number of Paragraphs involved	Money value	Paragraph	Money value	Paragraph	Money value
Upto 2006-07	50	762	68.93	-	-	762	68.93
2007-08	155	1316	64.70	04	0.13	1312	64.57
2008-09	97	878	239.71	18	81.12	860	158.59
<b>Total</b>	<b>302</b>	<b>2956</b>	<b>373.34</b>	<b>22</b>	<b>81.25</b>	<b>2934</b>	<b>292.09</b>

Thus 302 LARs and 2934 paragraphs with monetary value of ₹ 292.09 crore were pending for settlement (February 2010) for want of replies from PRIs.

<sup>3</sup> Detail given in Appendix-2

Correspondences were made for placement of LBs report in the State Legislative Assembly for discussion and settlement of the objections on the spot by constituting Audit Committee at appropriate level. Action of the State Government was awaited (February 2010).

#### **1.14 Conclusion**

- Because of an extremely low 'Own Revenue' base, PRIs were largely dependent on Government funds to carry out their functions.
- Appropriation of fund without preparation of budget or preparation of unrealistic budget led to unauthorized expenditure or unnecessary savings in the PRIs.
- Devolution fund, functions and functionaries at the field level yet to take place.
- In the absence of Consolidated Annual Audit Report of PRIs, the results of audit of the accounts of PRIs conducted by DALF remain unreported without any follow up action.
- There was also poor response and delays in furnishing replies to audit observations leading to accumulation of outstanding audit paras.

#### **1.15 Recommendations**

- PRIs should be encouraged to mobilize their own resources through imposition of taxes and fees so as to minimize dependency on governmental assistance.
- PRIs should take steps to prepare realistic budget based on past trends, capacity to generate revenue and anticipated grants allocated under State and Central plans. Accountability may be fixed on the responsible officers/officials for non-preparation of budget and lapses in budgetary and financial control.
- State Government may take effective steps for actual devolution of fund and functions at the grass root level and ensure that the concerned staffs of the departments are transferred to the PRIs for successful working of local self government.
- State Government may issue suitable instructions to the DALF for preparation of consolidated Annual Audit Reports of PRIs so as to bring in transparency on the state of affairs of PRIs.

- State Government should also issue suitable instructions to all tiers of PRIs to ensure prompt response to audit observations. Government should also constitute Audit Committee at appropriate level for prompt settlement of outstanding audit objections.