

CHAPTER-I

- A. AN OVERVIEW OF PANCHAYATI RAJ INSTITUTIONS**
- B. FINANCIAL REPORTING**

CHAPTER-I

Section 'A' An Overview of the Panchayati Raj Institutions

1.1 Background

The 73rd Constitutional Amendments Act, 1992 marked a new era in the federal democratic set up of the country as it conferred constitutional status to the Panchayats and recognized them as the third tier of Government. The Constitutional Amendment provides for devolution of powers and responsibilities to Panchayati Raj Institutions (PRIs) with respect to preparation of plans and programmes for economic development and social justice and implementation of the 29 subjects listed in XIth Schedule of the Constitution of India. The Constitutional Amendment established a system of uniform structure, holding of regular election, and regular flow of funds through Finance Commissions *etc.* As a follow up, the State enacted the Manipur Panchayati Raj (MPR) Act, 1994. A two-tier PRI system at the village and district levels was established in the State, and rules were framed to enable the PRIs to function as per the Constitutional mandate.

The two-tier Panchayati Raj system envisaged in the Manipur Panchayati Raj Act, 1994 came into force with effect from 24 June 1994. The first general election to the Zilla Parishads (ZPs) and Gram Panchayats (GPs) was held in 1997. Since then, general elections for the Panchayats have been held every five years. The last election was held in September 2012.

1.2 State Profile

Manipur is situated in the North Eastern part of India. The State covers an area of 22,327 sq. km with a population of 25.70 lakh (2011 census). The State has 9 districts, of which 5 districts are located in the hill areas and 4 districts are spread out in the valley. As against the decadal growth of 17.6 *per cent* at the national level, the population of the State has grown by 12.05 *per cent* in the decade of 2001-2011. The rural population of the State is 17.35 lakh which is 68 *per cent* of the total population. The service sectors along with the agricultural sector dominate the State's economy. The demography of the State as per 2011 census is given in the table below:-

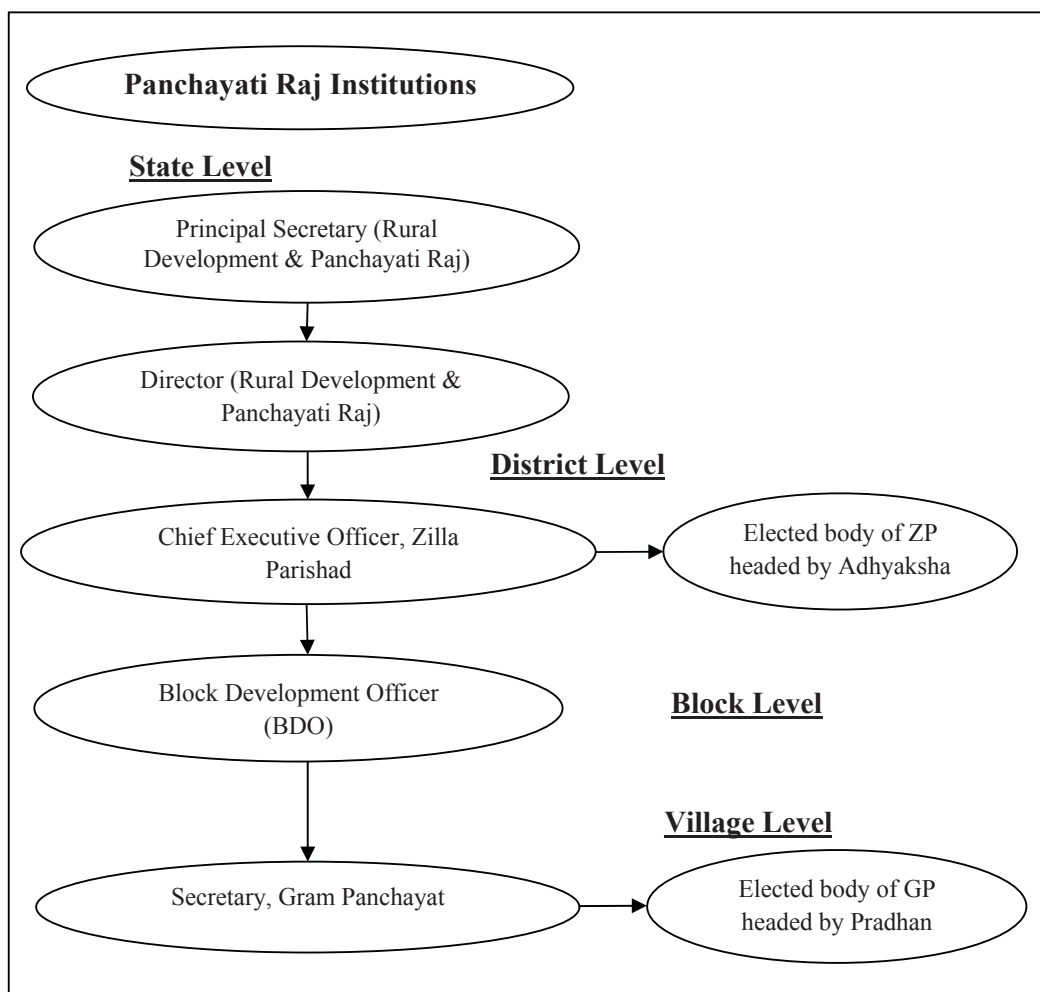
Table 1.1: Statistics of the State

Sl. No.	Indicator	Unit	Value
1	Population	1,000s	2570
2	Density of population	Persons per sq. Km.	115
3	Gender Ratio	Female per 1000 males	992
4	Gender Ratio (Rural)	Female per 1000 males	976
5	Gender Ratio (Urban)	Female per 1000 males	1026
6	Literacy	Percentage	79.21
7	Number of PRIs	Numbers	165
8	Number of Zilla Parishads	Numbers	4
9	Number of Gram Panchayats	Numbers	161

Source: Census 2011 & Departmental Records

1.3 Organisational set-up of PRIs

The organizational set-up of PRIs in the State is as under:-



1.3.1 The broad details of responsibility of PRIs are given below:

Table 1.2: Details of responsibility of PRIs

Authority	Responsibilities
Principal Secretary (RD&PR)	Administers the overall monitoring and implementation of schemes relating to PRIs
Zilla Parishad (elected body)	Preparation of Plan for economic development and social justice of the District
Chief Executive Officer (CEO)	The CEO is appointed by the State Government and carries out the policies and directives of the ZP
Gram Panchayat (elected body)	Preparation of Annual Plan and Annual Budget
Panchayat Secretary (PS)	The PS is appointed by the State Government for keeping of records and maintenance of Accounts

Source: Departmental Records

1.3.2 Composition of Panchayati Raj Institutions (PRIs)

Zilla Parishad (ZP): Every ZP is a corporate body which consists of the members directly elected from the territorial constituencies in the district. The Adhyaksha elected by the majority of the elected members presides over and conducts meeting of the ZP. The Adhyaksha is to exercise such other powers, perform such other functions and discharge such other duties as notified by the State Government from time to time.

Gram Panchayat (GP): Each GP has a body comprising Pradhan and its members. The Pradhan and its members are elected by direct election by the members of the Gram Sabha from amongst themselves. The Pradhan shall preside over the meeting of the Gram Sabha and Gram Panchayat as well and is responsible for governance of the body.

1.4 Staffing Pattern of PRIs

The Government may, by order, specify the staffing pattern, the scales of pay and mode of recruitment of the staff of GPs and ZPs. As per provision under Section 75 of Manipur Panchayati Raj Act, 1994 the State Government shall appoint Chief Accounts Officers, Chief Planning Officer and such number of officers of Groups A, B and C Staffs for each ZP on such terms and conditions as may be prescribed. However, no appointment against the stated posts was made as of March 2014.

Zilla Parishad: Each ZP is manned with staff deputed from different departments as a part of devolution of functionaries. However, there was no uniformity in the staffing pattern for ZPs. The position of staff in the four ZPs as of March 2014 is detailed as below:

Table No.1.3: ZP wise staff position

Sl. No.	Name of the ZP	Persons-in-position
1	Imphal East	22
2	Imphal West	27
3	Thoubal	05
4	Bishnupur	15
Total		69

Source: Departmental Records

As regards the sanctioned strength, the Directorate of Rural Development and Panchayati Raj, Government of Manipur (Director RD&PR), expressed (April 2015) their inability to furnish the information/data. Therefore audit is unable to comment on the adequacy or otherwise of the manpower issue.

It is evident from the above table that persons in position in the four ZPs varied between 5 to 27. Remedial steps need to be taken by the concerned Department to make an assessment of the number of officers and staff of different categories required for proper functioning of each ZP.

Gram Panchayat: As per Section 45 of the MPR Act, 1994, there shall be a Secretary for every Gram Panchayat who shall be appointed in such manner as may be prescribed. However, as of March 2014, against a sanctioned strength of 161 Panchayat Secretaries, there were only 88 Secretaries in the State. The shortfall of 73 Secretaries was attributed to vacancies arising on account of retirement, death and promotion to higher post of the incumbents.

Taking into account the various functions that have been delegated to the GPs, adequate functionaries are essential to carry out the smooth and effective functioning of the local bodies. However, it is evident from the findings contained in Section 'B' of Chapter I and Chapter II of this Report that the provision of staff was insufficient in GPs for maintenance of accounts and carrying out of their functions in the midst of increasing financial and developmental activities.

1.5 Standing Committee

Under Sections 38 and 65 of the MPR Act, 1994, the GPs and the ZPs are required to constitute the following Standing Committees to perform the functions assigned to them:

Table 1.4: Details of Standing Committees

Level of PRIs	Chief Political Executive	Standing Committees	Political Executives
GP	Pradhan	(a) Production Committee (b) Social Justice Committee (c) Amenities committees	Pradhan is the Chairman of the three Committees
ZP	Adhyaksha	(a) General Standing Committee (b) Finance, Audit and Planning Committee	Adhyaksha is the Chairman of each Committee
		(c) Social Justice Committee	Up-Adhyaksha is the Chairman
		(d) Education & Health Committee (e) Agriculture & Industries Committee (f) Works Committee	Chairman is elected from the members of these Committees

Source: The Manipur Panchayati Raj Act, 1994

In case of GP, each Committee shall consist of not less than three and not more than five members including the Pradhan and Up-Pradhan as the case may be. In ZP, each Standing Committee shall consist of such number of members not exceeding five including the Chairman elected by the members of ZP from amongst the Standing Committees.

However, none of the PRIs, except Imphal West ZP, have constituted the above Committees as of March 2014. In the absence of such Committees, activities/functions like Education, Agriculture and Amenities *etc.* cannot be initiated and followed up in a systematic way. Consequently these activities are not getting focused as envisaged.

The PRIs-wise roles and responsibilities of the Standing Committees are given in **Appendix-I**.

1.6 District Planning Committee

In terms of Article 243 ZD of the Constitution of India and Section 96 of the MPR Act, 1994, the State Government is required to constitute a District Planning Committee (DPC) in each district to consolidate the plans prepared by the Panchayats and Municipalities in the District and prepare a draft development plan for the district as a whole. The DPC was constituted in Thoubal and Bishnupur Districts in August 1997, while in Imphal East and Imphal West District, it was constituted in May 2003. As per the MPR Act, 1994, the DPC shall consist of the following members:

- a. Adhyaksha of the Zilla Parishad (Chairperson);
- b. Members of the House of the People representing the district;
- c. Members of Legislative Assembly who are elected in the district;
- d. Such number of Councilors as may be specified by the government from the member of councilors of Nagar Panchayat and Municipal Councils in the district; and
- e. Chief Executive Officer;

Though DPCs were constituted in four valley districts they were not made functional as of March 2014. None of the DPCs had engaged technical experts and secretarial support staff in different fields for preparation of draft district development plan, defeating the key purpose of constitution of the DPCs. Neither the GPs nor the ZPs prepared perspective plans to be submitted to DPC. Thus, in the absence of perspective plan of districts as a whole, funds were allocated by the Government to Local Bodies in routine manners.

1.7 Irregularities in Gram Sabha Proceedings

Section 9 of the MPR Act, 1994 states that the Gram Panchayat shall prepare the agenda for discussion of the Gram Sabha and such matters shall relate to the followings items:-

- The annual statement of accounts of the Gram Panchayat, the report of administration of the preceding financial year and the last audit note and replies if any, made thereto.
- The budget of the Gram Panchayat for the next financial year.
- The report in respect of development programmes of the Gram Panchayat relating to the preceding year and development programmes proposed to be undertaken during the next year.

However, examination of 21 GPs revealed that the Gram Sabha meetings were held specifically for Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). The vital points as stated above were not included in the agenda for discussion.

1.8 Financial Profile

1.8.1 Fund flow to Panchayati Raj Institutions

The resource base of PRIs consists of Central Finance Commission (CFC) grants, State Finance Commission (SFC) grants, Central Government grants and State Government grants for maintenance and development purposes. Funding by the State Government was on the lines of accepted recommendations of the Second SFC that took into account factors like population, literacy, health, irrigation, medical facilities *etc.* The fund-wise source and its custody for each tier and the fund flow arrangements in flagship schemes are given in tables 1.5 and 1.6 below respectively. The authorities for reporting use of funds in respect of ZPs and GPs are Chief Executive Officer (CEO) and Panchayat Secretary respectively.

Table 1.5: Fund flow mechanism in PRIs

Nature of Fund	ZPs		GPs	
	Source of fund	Custody of fund	Source of fund	Custody of fund
Own receipts	Assessee and users	Bank	Assessee and users	Bank
Revenue grants	State Government	Bank	State Government	Bank
State Finance Commission				
State Plan Scheme				
Central Finance Commission/Centrally Sponsored Scheme	Government of India	Bank	Government of India	Bank

Source: Departmental Records

1.8.2 Resources: Trends and Composition

The fund flow arrangements and trends of resources of PRIs for the period 2009-10 to 2013-14 are shown in the table below:

Table 1.6: Fund flow arrangements in flagship schemes

Sl. No.	Scheme	Fund flow
1	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	Central share is released direct to the District Rural Development Agencies (DRDAs). State share provided in the Budget is released to DRDA. DRDAs disburse the fund (Central and State share together) to ZP and GPs under their jurisdiction.

Source: Schemes guidelines

Table 1.7: Time series data on resources of PRIs

(₹ in crore)

Source of Revenue	2009-10	2010-11	2011-12	2012-13	2013-14
Government of India grants	108.59	129.38	241.39	214.04	70.45
State grants for Centrally Sponsored Schemes	5.46	7.58	12.50	25.88	11.77
CFC grant	8.51	5.60	5.47	7.79	12.57
SFC grant	25.91	18.74	18.74	20.62	20.62
Salaries/Honorarium	0.72	0.72	3.42	2.70	2.91
Own Revenue	Nil	Nil	Nil	Nil	Nil
Total	149.19	162.02	281.52	271.03	118.32

Source: Data consolidated from the data received from DRDAs, Rural Development and Panchayati Raj (RD&PR) Department

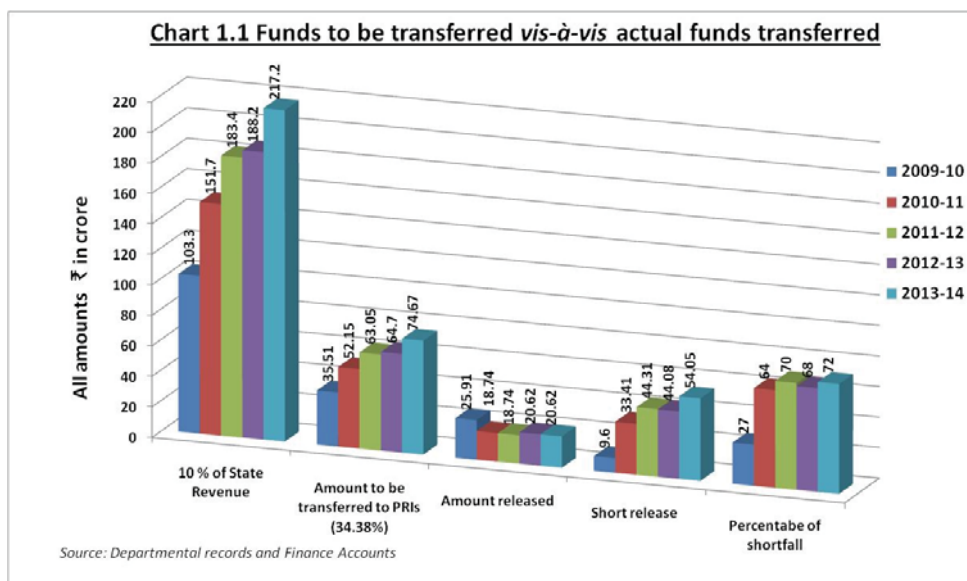
As compared to 2009-10 the grants from Central Government substantially increased during 2010-11 & 2011-12 due to release of more funds under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). However, grants from the Central Government decreased in 2012-13 as compared to 2011-12. Reasons for decrease was sought from the Department, the reply is still awaited (December 2014). The drastic decline of grants during 2013-14 was due to less release of funds under MGNREGS.

1.8.3 State Finance Commission Grants

Since the enactment of the 73rd Amendment Act to the Constitution of India, the State Government has constituted three State Finance Commissions (SFCs) to determine the principles on the basis of which adequate financial resources would be ensured for PRIs. The recommendations of the Second SFC effective from 01/04/2001 were passed in the State Legislative Assembly during December 2005. The period of the Second SFC covered upto 31/03/2010. As per the accepted recommendations of Second SFC, the State Government is required to transfer 10 *per cent* of the State's own revenue including the State's share of Central taxes to the local bodies including the Autonomous District Councils (ADCs)¹. Out of this 10 *per cent*, 34.38 *per cent* is to be transferred to PRIs.

The Third SFC was constituted in March 2013 and its report was due in June 2013. Awaiting recommendations of the Third SFC, the State Government agreed to continue adoption of the recommendation of the Second SFC until the recommendation of the Third SFC is accepted for implementation. Thus, funds pertaining to 2011-12 to 2013-14 were released on the basis of the recommendations of the Second SFC under the head 'Assignment & Compensation' as the report of the Third SFC is still awaited. The position of funds released and shortfall in release of funds during 2009-14 are as shown in the chart below:-

¹Institutions of local bodies in the five hill districts of the State.



As it is evident from the chart above that both the committed/budgeted amount and the actual release of fund by the State Government to the PRIs during 2009-14 was lower than that of the recommendation of the Second SFC. The shortfall in actual fund transferred ranged from 27 to 72 per cent which showed an increasing trend. The reason for short release of funds was not recorded. Such shortfall in fund transfers would impede the developmental works of the rural areas in the State.

1.9 Status of transfer of Funds, Functions and Functionaries

The 73rd Amendment to the Constitution and the MPR Act, 1994 envisaged transfer of the functions to PRIs listed in the XIth Schedule. Accordingly, the State Government through executive orders were to transfer all the 29 functions to the PRIs. For effective functioning of both the State Government and PRIs, Activity Mapping delineated the role and responsibility of each tier of PRIs. Out of 29 functions, the State Government devolved functions of 16 departments to PRIs as of March 2014. The details of activities of 16 departments to be transferred to ZPs and GPs are shown in **Appendix-II**. There has been no change in the status of transfer of funds, functions and functionaries since the first time the order was issued in 2005. The status on the transfer of functions, functionaries and funds in respect of 16 Departments to ZPs and GPs as on 31/03/2014 is shown in **Appendix-III**.

A comparative statement of fund transfer and devolution of functions with other contemporaries in the North East region is shown in the table below:

Table 1.8: Status of transfer of funds and functions vis-à-vis other North Eastern States

State	Amount Required to be Transferred (₹ in crore)	Amount Actually Transferred (₹ in crore)	Shortfall in Release of Fund (₹ in crore)	Shortfall in release of fund (in per cent) ²	Number of subjects devolved
Manipur	179.90	58.10	121.80	67.70 %	16
Sikkim	140.69	22.14	118.55	84.26 %	15
Tripura	88.00	54.39	33.61	38.19 %	5
Assam	1275.64	415.47	860.17	67.43 %	23

Source: ATIR of the respective State for the year ended 31 March 2013

The 73rd Amendment Act envisioned that the PRIs shall have necessary powers to carry out all the functions entrusted, assigned or delegated to them and to exercise all powers specified under the MPR Act, 1994. However, due to non-transfer/partial transfer of funds and functionaries the PRIs were not able to perform the functions assigned to them more effectively and efficiently.

Thus, transfer of funds, functions and functionaries to PRIs was not adequate and effective to enable them to function as institutions of local self-government.

1.10 Vigilance Mechanism

1.10.1 Social Audit

The primary objective of social audit is to bring the activities of PRIs under close surveillance of people to enable them to access the records and documents of PRIs. Such access to information would facilitate transparency and accountability in day-to-day functioning of PRIs. The State Government had established the Manipur Social Audit Agency (MSAA) in January 2014. The MSAA had identified MGNREGS and Indira Awaas Yojana (IAY) schemes for taking up Social Audit. However recruitment of staff for MSAA was stated (April 2015) to be under process.

In response to audit query on the status of Social Audit in PRIs, the Director RD&PR stated (June 2014) that they cannot provide any information as none of the Gram Panchayat has submitted such report to the Directorate

As per MGNREG Audit of Scheme Rules, 2011, the State Government needs to take up concrete steps to conduct social audit in every Gram Panchayat at least once in every six months. Though the MSAA was established in January 2014, there was no report of any social audit. As such, the Directorate needs to ensure that social audit is conducted as envisaged in the Scheme Rules.

² For Sikkim the figure is for 2012-13 only while for the other states the figure is for three years ie., 2010-11 to 2012-13.

1.11 Audit Mandate

1.11.1 Primary Auditor

The Director, Local Fund Audit (DLFA), Government of Manipur conducts audit of accounts of GPs and ZPs under Sections 44(1) and 74(1) of the MPR Act, 1994. The duty of the DLFA is to conduct audit of the accounts of PRIs and to forward the Audit Reports to the audited entities and the State Government.

The DLFA intimated (September 2014) that except for GPs under DRDA Imphal West, all the PRIs were covered during the audit of DRDAs during 2013-14. The Director further stated that no Audit Report for any of the years was compiled. Also, there was no case of follow-up action on the Inspection Reports (IRs) under Technical Guidance and Support (TG&S) arrangement. Therefore, IRs could not serve the purpose of such audit. Also, the DLFA did not submit its Annual Audit Plan to the Office of the Principal Accountant General (Audit), Manipur. In the absence of such plan, the office of the Principal Accountant General (Audit), could not suggest for any improvement of the Annual Audit Plan under TG&S.

1.11.2 Organizational Set up of Director, Local Fund Audit

The Director of Local fund Audit of Manipur is assisted by Joint Director, Assistant Directors, Audit Officers and other ancillary staff. As on 31 March 2014, there were 46 persons on the roll of DLFA against the sanctioned strength of 65. The DLFA conducts audit of account of Local Bodies and accounts of government offices/departments as internal audit cell of Finance Department, Government of Manipur. An audit party comprises one Audit Officer and two Auditors who work under the direct supervision of the Assistant Director/Joint Director.

1.11.3 Audit by Comptroller and Auditor General of India

The State Government has entrusted (March 2012) audit of PRIs to the Comptroller and Auditor General of India (CAG) with the responsibility of providing Technical Guidance and Support (TG&S) under Section 20(1) of the CAG's Duty, Power and Conditions of Service (DPC) Act, 1971 in pursuance of the Thirteenth Finance Commission (XIIIFC) recommendations.

Accordingly the Principal Accountant General (Audit), Manipur conducted the audit of the accounts of the PRIs. The result of audit i.e., Annual Technical Inspection Report (ATIR) (audit of PRIs conducted during preceding years) is sent by the Principal Accountant General (Audit) to the State Government for necessary remedial action. The ATIR for the year ended March 2013 was laid on the floor of the State Legislative Assembly in July 2014.

1.12 Audit Coverage

Audit of the accounts of 25 PRIs (four ZPs for the year 2011-13 and 21 GPs for the years 2008-13) was conducted during 2013-14 (**Appendix-IVA**). Results of the audit are given in the succeeding chapter.

1.13 Conclusion

The State Government has not formulated clear policy regarding the staffing pattern of ZPs in the State. The periodicity for constitution of SFCs, as per Constitutional provisions, was not maintained by the State Government. The State Government has not devolved all the functions to the PRIs as envisaged in the XIth Schedule of the Constitution. Functionaries and funds were not adequately transferred for effective functioning of PRIs. District Planning Committees did not function which indicated lack of seriousness of concerned authorities for consolidation and integration of plans of the district for social justice and economic development in the grass root level.

1.14 Recommendations

The Government may consider:

- staffing in ZPs and GPs is prescribed and is sufficient for maintenance of accounts and carrying out their functions;
- making District Planning Committee functional;
- transferring of fund and functionaries to the PRIs as envisaged in the XIth Schedule of the Constitution to enable them to function as institutions of Local self-government.

Section 'B' Financial Reporting

1.15 Framework

1.15.1 Financial reporting in PRIs is an important element for ensuring accountability. The matters relating to drawal of funds, incurring of expenditure, maintenance of accounts and rendering of accounts by GPs and ZPs are governed by the provisions of MPR Act, 1994, other Departmental Manuals, standing orders and instructions.

The PRIs maintain accounts on cash basis. All receipts and payments are required to be incorporated in the accounts as and when they occur so as to make the accounts complete and accurate. However, the MPR Act, 1994 and Rules made there under do not lay any provision for preparation of Annual Accounts.

1.16 Financial Reporting Issues

1.16.1 Basic Records not maintained

In view of the nature of transactions of the PRIs, the following records are required to be maintained for greater accountability and transparency:

- Principal Cash Book;
- Advance Register;
- Cheque Receipt and Issue Register;
- Grants-in-aid Register;
- Bill Register;
- Stock and Issue Register; and
- Asset Register (except for MGNREGS).

Audit of four ZPs and 21 GPs however, showed that none of the PRIs except the nine test audited GPs of Imphal East District maintained the records as mentioned above. Also, in the absence of vital accounting records, actual position of utilization of funds, execution of various schemes, stock and stores and assets created by execution of development schemes could not be ascertained. Ensuring accountability of the PRIs' authorities would not be possible without these vital records.

1.16.2 Deficiencies in maintenance of Cash Book

As per Central Treasury Rules, every officer receiving money should maintain a Cash Book. It also envisages that all monetary transactions should be entered in the Cash Book as soon as they occur; the Cash Book should be closed regularly and completely checked; an erasure or overwriting of an entry once made in the Cash Book is strictly prohibited. Test-check of Cash Books of 25 PRIs showed the following:

- i. Most of the monetary transactions were not entered in the Cash Book on the date of their occurrence.
- ii. Cash Books were not closed regularly and analysis of closing balance and physical verification of cash were not done.
- iii. There was no practice of consolidation of daily/monthly total of each Subsidiary Cash Books in the Main Cash Book.

This indicated that the PRIs did not adhere to the provisions of financial rules and maintenance of Cash Book was not proper. Thus, this situation is fraught with the risk of lost, theft, defalcation and embezzlement of public money.

1.16.3 Bank Reconciliation Statement

Bank Reconciliation is a procedure which aims to reconcile the bank balance as shown in the Cash Book of the local body with that of the bank balance as

per the Bank Pass Book/Statement received from the bank. However, none of the test-audited GPs and ZPs prepared Bank Reconciliation Statement. As an illustrative example, as on 31 March 2013 there was a cash balance of ₹ 195.10 lakh as per Bank Pass Book³ though balance as per Cash Book of the Imphal East ZP was ₹ 6.88 lakh which resulted a difference of ₹ 188.22 lakh. The reason for the difference was not explained in the Cash Book through preparation of Bank Reconciliation Statement by the ZP. Thus, the authenticity of cash balances as per Cash Books of all the test-checked PRIs could not be ascertained in the absence of reconciliation of balances with Bank Pass Book.

1.16.4 Budget Estimates

Budget is the most important tool for financial planning, accountability and control. Under Sections 42 and 72 of the MPR Act, 1994, Budget proposal containing detailed estimates of receipts and disbursements for ensuing year is required to be prepared by GPs and ZPs. Such Budget proposal is to be submitted to the next higher authority for approval. If the approval of the higher authority is not received within such time as may be prescribed, or by the last day of the year, whichever is earlier, the budget shall be deemed to have been approved by the prescribed authority. However, test-check of four ZPs and 21 GPs showed that neither the ZPs nor GPs prepared Budget upto 2013-14. As such, the expenditure incurred by the PRIs was irregular. Besides, no financial control could be exercised on the GPs and ZPs by the State Government in such a situation.

1.16.5 Maintenance of Accounts

Sections 43 and 73 of MPR Act, 1994 stipulate that the accounts of GPs and ZPs shall be kept in such form and manner as may be prescribed. Test-check of records of four ZPs and 21 GPs showed that accounts were maintained on cash basis. However, the basic records such as consolidated cash books, grants-in-aid register, bill register, advance register, stock and issue register etc. were not maintained in all the test-audited PRIs except the 9 test audited GPs of Imphal East District. Accounts to assess the income and expenditure of the PRIs were not maintained in all the test-audited PRIs. Audit also observed that Model Accounting System (MAS) for PRIs prescribed by the Ministry of Panchayati Raj, Government of India in consultation with the CAG of India which the State Government had agreed to adopt with effect from April 2013 was not adopted in any of the GPs and ZPs as of March 2014 due to lack of skilled personnel.

1.17 Conclusion

Financial Reporting was not credible as basic records/ registers were not maintained by the PRIs. Financial reporting in PRIs is inadequate as Cash Books were not properly maintained. The authenticity of cash balances as per Cash Books of all the test-checked PRIs could not be ascertained in the absence of Bank Reconciliation Statement. Budgets were not prepared by all

³Account number 0054011000804 of UCO Bank, Bishnupur Branch

the test-audited PRIs. In the absence of budget allocation the expenditure incurred by GPs and ZPs was irregular. Audit observed that Model Accounting System for PRIs prescribed by the Ministry of Panchayati Raj, Government of India in consultation with the CAG of India was not adopted in any of the GPs and ZPs as of March 2014 without any recorded reasons.

1.18 Recommendations

The Government may consider to ensure:

- Maintenance of basic accounting records in PRIs;
- Preparation of budget estimate for PRIs;
- Adoption of the prescribed Model Accounting System for PRIs.