Preface         - 0         v           Overview         - 0         vii           PART - A: PANCHAYAT RAJ INSTITUTIONS           Chapter - 1: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Panchayat Raj Institutions           Introduction         1.1         1           Organisational set up of PRIs         1.2         2           Functioning of PRIs         1.3         3           Audit arrangement         1.4         3           Response to audit observations         1.5         4           Sources of funds         1.6         5           Budgetary allocation and expenditure of PRIs         1.7         5           Accounting arrangement         1.8         6           Non- preparation of bank reconciliation statement         1.9         7           Non-adjustment of temporary advances         1.10         7           Release and utilisation of Thirteenth Finance         1.11         8           Commission Grants         2.1         11           Internal Control Mechanism in PRIs         2.2         24           Eccovery at the instance of Audit         3.1.1         37           PART - B: URBAN LOCAL BODIEs           Chapte	Table of Contents						
Chapter - 1: An Overview of the Functioning, Accountability   Mechanism and Financial Reporting issues of the Panchayat Raj Institutions		0 1					
Non-preparation of bank reconciliation statement   1.9   7	Preface	-	V				
Chapter – 1: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Panchayat Raj Institutions           Introduction         1.1         1           Organisational set up of PRIs         1.2         2           Functioning of PRIs         1.3         3           Audit arrangement         1.4         3           Response to audit observations         1.5         4           Sources of funds         1.6         5           Budgetary allocation and expenditure of PRIs         1.7         5           Accounting arrangement         1.8         6           Non- preparation of bank reconciliation statement         1.9         7           Non-adjustment of temporary advances         1.10         7           Release and utilisation of Thirteenth Finance Commission Grants         1.11         8           Chapter – 2: Performance Audit           Social Audit of Schemes         2.1         11           Internal Control Mechanism in PRIs         2.2         24           Chapter – 3: Audit of Transactions           Recovery at the instance of Audit         3.1.1         37           PART – B: URBAN LOCAL BODIES           Chapter – 4: An Overview of the Functioning, Accounta	Overview	-	vii				
Mechanism and Financial Reporting issues of the Panchayat Raj Institutions           Introduction         1.1         1           Organisational set up of PRIs         1.2         2           Functioning of PRIs         1.3         3           Audit arrangement         1.4         3           Response to audit observations         1.5         4           Sources of funds         1.6         5           Budgetary allocation and expenditure of PRIs         1.7         5           Accounting arrangement         1.8         6           Non-preparation of bank reconciliation statement         1.9         7           Non-adjustment of temporary advances         1.10         7           Release and utilisation of Thirteenth Finance Commission Grants         1.11         8           Chapter – 2: Performance Audit           Social Audit of Schemes         2.1         11           Internal Control Mechanism in PRIs         2.2         24           Chapter – 3: Audit of Transactions           Recovery at the instance of Audit         3.1.1         37           PART – B: URBAN LOCAL BODIES           Chapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies </th <th>PART – A: PANCHAYAT RAJ INSTITU</th> <th>ΓIONS</th> <th></th>	PART – A: PANCHAYAT RAJ INSTITU	ΓIONS					
Organisational set up of PRIs         1.2         2           Functioning of PRIs         1.3         3           Audit arrangement         1.4         3           Response to audit observations         1.5         4           Sources of funds         1.6         5           Budgetary allocation and expenditure of PRIs         1.7         5           Accounting arrangement         1.8         6           Non-preparation of bank reconciliation statement         1.9         7           Non-adjustment of temporary advances         1.10         7           Release and utilisation of Thirteenth Finance Commission Grants         1.11         8           Chapter – 2: Performance Audit           Social Audit of Schemes         2.1         11           Internal Control Mechanism in PRIs         2.2         24           Chapter – 3: Audit of Transactions           Recovery at the instance of Audit         3.1.1         37           PART – B: URBAN LOCAL BODIES           Chapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies           Introduction         4.1         39           Organisational set up of ULBs         4.2         39 <th>Mechanism and Financial Reporting issues of the</th> <th colspan="6">Mechanism and Financial Reporting issues of the Panchayat Raj</th>	Mechanism and Financial Reporting issues of the	Mechanism and Financial Reporting issues of the Panchayat Raj					
Tunctioning of PRIs	Introduction	1.1	1				
Audit arrangement         1.4         3           Response to audit observations         1.5         4           Sources of funds         1.6         5           Budgetary allocation and expenditure of PRIs         1.7         5           Accounting arrangement         1.8         6           Non- preparation of bank reconciliation statement         1.9         7           Non-adjustment of temporary advances         1.10         7           Release and utilisation of Thirteenth Finance Commission Grants         1.11         8           Chapter – 2: Performance Audit           Social Audit of Schemes         2.1         11           Internal Control Mechanism in PRIs         2.2         24           Chapter – 3: Audit of Transactions           Recovery at the instance of Audit         3.1.1         37           PART – B: URBAN LOCAL BODIES           Chapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies           Introduction         4.1         39           Organisational set up of ULBs         4.2         39           Functioning of ULBs         4.3         40           Audit arrangement         4.4         40	Organisational set up of PRIs	1.2	2				
Response to audit observations  Sources of funds  Budgetary allocation and expenditure of PRIs  Accounting arrangement  1.8  Non- preparation of bank reconciliation statement  Non-adjustment of temporary advances  Release and utilisation of Thirteenth Finance Commission Grants  Chapter – 2: Performance Audit  Social Audit of Schemes  Chapter – 3: Audit of Transactions  Recovery at the instance of Audit  3.1.1  7  PART – B: URBAN LOCAL BODIES  Chapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies  Introduction  Organisational set up of ULBs  Audit arrangement  4.1  Audit arrangement  4.4  40  Response to audit observations  Sources of funds  Budgetary allocation and expenditure of ULBs  4.7  42	Functioning of PRIs	1.3	3				
Sources of funds	Audit arrangement	1.4	3				
Budgetary allocation and expenditure of PRIs  Accounting arrangement  1.8 6 Non- preparation of bank reconciliation statement  1.9 7 Non-adjustment of temporary advances  Release and utilisation of Thirteenth Finance Commission Grants  Chapter – 2: Performance Audit  Social Audit of Schemes  2.1 Internal Control Mechanism in PRIs  Chapter – 3: Audit of Transactions  Recovery at the instance of Audit  3.1.1 37  PART – B: URBAN LOCAL BODIES  Chapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies  Introduction  4.1 39 Organisational set up of ULBs 4.2 39 Functioning of ULBs 4.3 40 Audit arrangement 4.4 40 Response to audit observations 4.5 41 Sources of funds 4.7 42 Budgetary allocation and expenditure of ULBs 4.7 4.2	Response to audit observations	1.5	4				
Accounting arrangement  Non- preparation of bank reconciliation statement  Non-adjustment of temporary advances  Release and utilisation of Thirteenth Finance Commission Grants  Chapter – 2: Performance Audit  Social Audit of Schemes  Chapter – 3: Audit of Transactions  Recovery at the instance of Audit  PART – B: URBAN LOCAL BODIES  Chapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies  Introduction  4.1 39  Organisational set up of ULBs  Audit arrangement  4.4 40  Response to audit observations  Surces of funds  Audit aryangement  4.6 42  Budgetary allocation and expenditure of ULBs  4.7 42	Sources of funds	1.6	5				
Non- preparation of bank reconciliation statement  Non-adjustment of temporary advances  Release and utilisation of Thirteenth Finance Commission Grants  Chapter – 2: Performance Audit  Social Audit of Schemes  Chapter – 3: Audit of Transactions  Recovery at the instance of Audit  3.1.1 37  PART – B: URBAN LOCAL BODIES  Chapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies  Introduction  4.1 39  Organisational set up of ULBs  4.2 39  Functioning of ULBs  Audit arrangement  4.4 40  Response to audit observations  4.5 41  Sources of funds  4.7 42  Budgetary allocation and expenditure of ULBs  4.7 42	Budgetary allocation and expenditure of PRIs	1.7	5				
Non-adjustment of temporary advances  Release and utilisation of Thirteenth Finance Commission Grants  Chapter – 2: Performance Audit  Social Audit of Schemes  Chapter – 3: Audit of Transactions  Recovery at the instance of Audit  PART – B: URBAN LOCAL BODIES  Chapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies  Introduction  4.1 39  Organisational set up of ULBs  Functioning of ULBs  Audit arrangement  4.4 40  Response to audit observations  Surces of funds  Budgetary allocation and expenditure of ULBs  4.7 42	Accounting arrangement	1.8	6				
Release and utilisation of Thirteenth Finance Commission Grants  Chapter – 2: Performance Audit  Social Audit of Schemes  Chapter – 3: Audit of Transactions  Recovery at the instance of Audit  3.1.1 37  PART – B: URBAN LOCAL BODIES  Chapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies  Introduction  4.1 39  Organisational set up of ULBs  Functioning of ULBs  Audit arrangement  4.4 40  Response to audit observations  Sources of funds  4.7 42  Budgetary allocation and expenditure of ULBs	Non- preparation of bank reconciliation statement	1.9	7				
Chapter – 2: Performance Audit           Social Audit of Schemes         2.1         11           Internal Control Mechanism in PRIs         2.2         24           Chapter – 3: Audit of Transactions           Recovery at the instance of Audit         3.1.1         37           PART – B: URBAN LOCAL BODIES           Chapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies           Introduction         4.1         39           Organisational set up of ULBs         4.2         39           Functioning of ULBs         4.3         40           Audit arrangement         4.4         40           Response to audit observations         4.5         41           Sources of funds         4.6         42           Budgetary allocation and expenditure of ULBs         4.7         42	Non-adjustment of temporary advances	1.10	7				
Social Audit of Schemes  Internal Control Mechanism in PRIs  Chapter – 3: Audit of Transactions  Recovery at the instance of Audit  PART – B: URBAN LOCAL BODIES  Chapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies  Introduction  4.1 39  Organisational set up of ULBs  4.2 39  Functioning of ULBs  Audit arrangement  4.4 40  Response to audit observations  4.5 41  Sources of funds  4.6 42  Budgetary allocation and expenditure of ULBs		1.11	8				
Internal Control Mechanism in PRIs  Chapter – 3: Audit of Transactions  Recovery at the instance of Audit  PART – B: URBAN LOCAL BODIES  Chapter – 4: An Overview of the Functioning, Accountability  Mechanism and Financial Reporting issues of the Urban Local  Bodies  Introduction  4.1 39  Organisational set up of ULBs  Functioning of ULBs  Audit arrangement  4.4 40  Response to audit observations  4.5 41  Sources of funds  4.6 42  Budgetary allocation and expenditure of ULBs	Chapter – 2: Performance Audit						
Chapter – 3: Audit of TransactionsRecovery at the instance of Audit3.1.137PART – B: URBAN LOCAL BODIESChapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local BodiesIntroduction4.139Organisational set up of ULBs4.239Functioning of ULBs4.340Audit arrangement4.440Response to audit observations4.541Sources of funds4.642Budgetary allocation and expenditure of ULBs4.742	Social Audit of Schemes	2.1	11				
Recovery at the instance of Audit  PART – B: URBAN LOCAL BODIES  Chapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies  Introduction  4.1 39  Organisational set up of ULBs  Functioning of ULBs  Audit arrangement  4.4 40  Response to audit observations  4.5 41  Sources of funds  4.6 42  Budgetary allocation and expenditure of ULBs	Internal Control Mechanism in PRIs	2.2	24				
PART – B: URBAN LOCAL BODIES  Chapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies  Introduction 4.1 39  Organisational set up of ULBs 4.2 39  Functioning of ULBs 4.3 40  Audit arrangement 4.4 40  Response to audit observations 4.5 41  Sources of funds 4.6 42  Budgetary allocation and expenditure of ULBs 4.7 42	Chapter – 3: Audit of Transactions						
Chapter – 4: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies  Introduction 4.1 39 Organisational set up of ULBs 4.2 39 Functioning of ULBs 4.3 40 Audit arrangement 4.4 40 Response to audit observations 4.5 41 Sources of funds 4.6 42 Budgetary allocation and expenditure of ULBs 4.7 42	Recovery at the instance of Audit	3.1.1	37				
Mechanism and Financial Reporting issues of the Urban Local BodiesIntroduction4.139Organisational set up of ULBs4.239Functioning of ULBs4.340Audit arrangement4.440Response to audit observations4.541Sources of funds4.642Budgetary allocation and expenditure of ULBs4.742	PART – B: URBAN LOCAL BODIE	S					
Organisational set up of ULBs4.239Functioning of ULBs4.340Audit arrangement4.440Response to audit observations4.541Sources of funds4.642Budgetary allocation and expenditure of ULBs4.742	Mechanism and Financial Reporting issues of the Urban Local						
Functioning of ULBs  Audit arrangement  4.4  Response to audit observations  4.5  Sources of funds  4.6  42  Budgetary allocation and expenditure of ULBs	Introduction	4.1	39				
Audit arrangement 4.4 40 Response to audit observations 4.5 41 Sources of funds 4.6 42 Budgetary allocation and expenditure of ULBs 4.7 42	Organisational set up of ULBs	4.2	39				
Response to audit observations4.541Sources of funds4.642Budgetary allocation and expenditure of ULBs4.742	Functioning of ULBs	4.3	40				
Sources of funds 4.6 42 Budgetary allocation and expenditure of ULBs 4.7 42	Audit arrangement	4.4	40				
Budgetary allocation and expenditure of ULBs 4.7 42	Response to audit observations	4.5	41				
	Sources of funds	4.6	42				
Accounting arrangement 4.8 43	Budgetary allocation and expenditure of ULBs	4.7	42				
1.0	Accounting arrangement	4.8	43				

	Paragraph no.	Page no.		
Non-preparation of bank reconciliation statement	4.9	44		
Non-realisation of tax revenue/non-tax revenue	4.10	44		
Non-adjustment of temporary advances	4.11	45		
Release and utilisation of Thirteenth Finance Commission Grants	4.12	45		
Chapter – 5: Performance Audit				
Integrated Housing and Slum Development Programme	5.1	49		
Service Level Benchmarking in Urban Local Bodies	5.2	64		
Chapter – 6: Audit of Transactions				
Short-levy of stamp duty	6.1.1	91		
Non-recovery of extra cost under risk and cost clause	6.1.2	91		
Idle expenditure on installation of water meters	6.2.1	92		

APPENDICES		Page no.
Appendix - 1.1	Devolution of Functions to PRIs by State Government	95
Appendix - 1.2	List of test-checked PRIs during 2014-15	
Appendix - 1.3	Non-preparation of bank reconciliation statement in PRIs	
Appendix - 1.4	Details of non-adjustment of temporary advance	101
Appendix - 1.5	Financial burden of interest to the State Government for delays in release of ThFC grant to PRIs	
Appendix - 2.1	Details of sampled Gram Panchayats	105
Appendix - 2.2	List of GPs where Social Audit Report was not countersigned by Chairperson of Gram Sabha	
Appendix - 2.3	Coverage of samples	108
Appendix - 2.4	Delay in preparation and approval of budget estimates	109
Appendix - 2.5	Differences in figures of budget estimates and actual figures of income and expenditure	109
Appendix - 2.6	Differences in closing balances of cash book and bank pass book/statement as on 31 March 2015	110
Appendix - 2.7	Non-adjustment of advances as on 31 March 2015	110
Appendix - 2.8	Outstanding paragraphs of Local Fund Audit	111
Appendix - 4.1	Devolution of Functions to Urban Local Bodies by State Government	112
Appendix - 4.2	List of test-checked ULBs during 2014-15	113
Appendix - 4.3	Non preparation of bank reconciliation statement	114
Appendix - 4.4	Non-collection of Tax Revenue (Property tax, composite tax, education cess, city development cess, show tax)	115
Appendix - 4.5	Details of non-collection of rent and premium	117
Appendix - 4.6	Details of non-tax revenue (water charges) not realised	118
Appendix - 4.7	Details of non-adjustment temporary advance	120
Appendix - 4.8	Interest payable by the State to ULBs for delay released of ThFC grants	121
Appendix - 5.1	Details of the IHSDP projects executed in ULBs	122
Appendix - 5.2	Statement showing incomplete infrastructure works	124
Appendix - 5.3	Statement of Short release of Central Assistance	125
Appendix - 5.4 Statement of Short release of State share		126
Appendix - 5.5 Details of surrendered DUs		127
Appendix - 5.6	Provision of Urban Poor Fund	128