
CHAPTER-I

AN OVERVIEW

OF THE FUNCTIONING, ACCOUNTABILITY

MECHANISM AND FINANCIAL REPORTING ISSUES OF

PANCHAYATI RAJ INSTITUTIONS

SECTION A

CHAPTER- I

An Overview of the Functioning, Accountability Mechanism and Financial Reporting Issues of Panchayati Raj Institutions

1.1 Introduction

In conformity with the provisions of the 73rd Constitutional Amendment, The Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961 (ZP/PS Act) and The Maharashtra Village Panchayats Act, 1958 (VP Act) were amended in 1994. A three tier system of Panchayati Raj Institutions (PRIs) comprising Zilla Parishads (ZPs) at the district level, Panchayat Samitis (PSs) at the block level and Gram Panchayats (GPs) at the village level were established in the State. As per 2011 Census, the total population of the State stood at 11.24 crore of which, 55 *per cent* was from rural areas.

The demographic and developmental status of the State as per Census 2011 is given in **Table 1.1.1**.

Table 1.1.1: Important statistics of the State

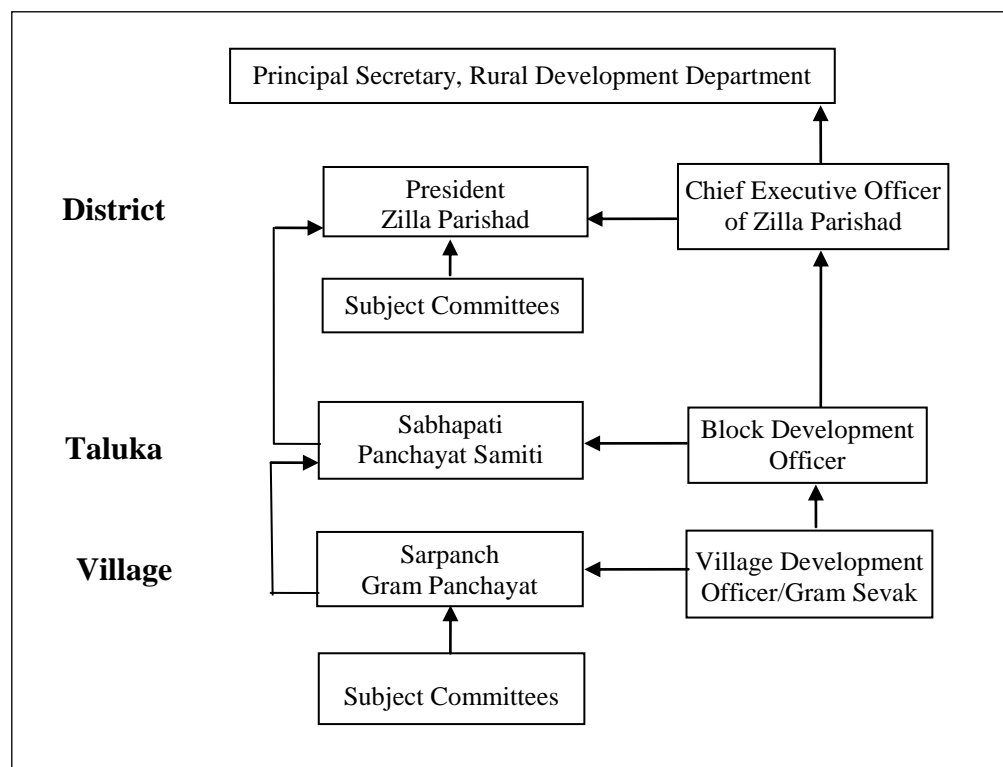
Indicator	Data
Population	11,23,74,333
Population density	365 km ²
Gender ratio	952:1000
Rural population	6,15,56,074
Literacy in <i>per cent</i> (Rural)	77.00
Number of PRIs	28,241
(i) District Panchayats	34
(ii) Block Panchayats	351
(iii) Village Panchayats	27,856

Source: Information furnished by the Rural Development and Water Conservation Department (21 February 2018) and Census 2011

1.2 Organisational Setup of PRIs

The organisational set up of PRIs in Maharashtra is depicted below.

Chart 1: Organisational structure of PRIs



The Chief Executive Officer (CEO) in the ZP, the Block Development Officer (BDO) in the PS and the Village Development Officer (VDO)/Gram Sevak in the GP, report functionally to the respective elected bodies and administratively to their next superior authority in the State Government hierarchy.

There were 27,856 GPs for 43,665 villages in Maharashtra as of December 2017. The VDO/Gram Sevak, a village level functionary, functions as Secretary to the GP and is also responsible for maintenance of accounts and records at GP level. However, sanctioned strength of VDOs/Gram Sevaks was 22,858 which showed that not even one VDO/Gram Sevak post was sanctioned for each GP. The persons-in-position was 21,349 only with a shortage of 1,509 as of March 2017.

1.3 Functioning of PRIs

1.3.1 There are 36 districts in Maharashtra. Two districts (Mumbai and Mumbai Suburban) do not have rural areas and therefore, there are 34 ZPs in the State. The ZPs have their own Departments for Education, Public Works, Health, Minor Irrigation, Rural Water Supply, Social Welfare, Animal Husbandry, Agriculture, Women and Child Welfare, Finance, General Administration and Village Panchayat.

1.3.2 The ZPs are required to prepare a budget for the planned development of the districts and utilisation of the resources. The Government of India (GoI) Schemes funded through the District Rural Development

Agency (DRDA) and the State Government Schemes are also implemented by the ZPs. The ZPs are empowered to impose water tax, pilgrim tax and special tax on land and buildings *etc.*

1.3.3 The intermediate tier of Panchayat at the Taluka level in Maharashtra is called the PS. There were 351 PSs in the State. The PSs do not have their own source of revenue and are fully dependent on the Block Grants received from ZPs. The PSs undertake developmental works at the block level.

1.3.4 The VP Act provides for the constitution of Gram Sabha, a body consisting of persons registered in the electoral rolls of the villages within the GP area. The GPs are empowered to levy tax on buildings, betterment charges, pilgrim tax, taxes on fairs/festivals/entertainment, taxes on bicycles, vehicles, shops, hotels *etc.*

1.3.5 Gram Sabhas are required to meet periodically. They select beneficiaries for the Central/State Government Schemes, prepare and approve development plans and projects to be implemented by the GPs, grant permission for incurring expenditure by GPs on developmental Schemes. They also convey their views on the proposals for acquisition of land by GPs.

1.3.6 Of the 29 functions referred to in the XI Schedule of the Constitution of India, 14 functions¹ and 15,840 functionaries were transferred to the PRIs. Non-transfer of all functions and functionaries had also been commented in earlier Audit Reports.

1.3.7 The broad accountability structure in PRIs is shown in **Table 1.1.2**.

Table 1.1.2: Accountability structure in PRIs

PRIs	Functions Assigned
Zilla Parishad, CEO	<ol style="list-style-type: none"> 1. Drawal and disbursal of fund 2. Preparation of annual budget and accounts 3. Supervision and control of officers of the ZP 4. Finalisation of contracts 5. Publishing statement of accounts of ZPs in the Government Gazette
Chief Accounts and Finance Officer, ZP	<ol style="list-style-type: none"> 1. Compilation of the accounts of ZP 2. Providing financial advice
Heads of Departments in ZPs	<ol style="list-style-type: none"> 1. According technical sanctions to the works and implement development Schemes 2. Supervising the work of Class II officers
Panchayat Samiti, BDO	<ol style="list-style-type: none"> 1. Drawal and disbursal of funds 2. Execution and monitoring of Schemes and maintenance of accounts and records
Gram Panchayat, Gram Sevak	<ol style="list-style-type: none"> 1. Secretary to the Gram Sabha 2. Execution and monitoring of Schemes and maintenance of accounts and records
Source: The Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961	

¹. 1. Minor irrigation, water management and watershed development, 2. Animal husbandry, dairying and poultry, 3. Rural housing, 4. Drinking water, 5. Roads, culverts, bridges, ferries, waterways and other means of communication, 6. Non-conventional energy sources, 7. Poverty alleviation programme, 8. Adult and non-formal education, 9. Libraries, 10. Cultural activities, 11. Health and sanitation, including hospitals, primary health centres and dispensaries, 12. Women and child development, 13. Social welfare, including welfare of the handicapped and mentally retarded, 14. Public distribution system

1.3.8 Of the State Government's total revenue receipts of ₹ 1,49,326 crore during 2016-17 (excluding State's share of Union taxes and duties and Grants-in-aid from GoI), the PRIs were allocated ₹ 18,627 crore (12.47 per cent).

1.4 Formation of various Committees

The ZP/PS Act provides for formation of various Committees viz., Standing Committee, Finance Committee, Works Committee, Agriculture Committee, Social Welfare Committee, Education Committee, Health Committee, Animal Husbandry and Dairy Committee, Water Management and Sanitation Committee etc. in every ZPs under Sections 78 to 80.

Rural Development and Water Conservation Department stated (February 2018) that all these Committees were functioning in all ZPs/GPs.

1.5 Audit Arrangement

1.5.1 Primary Auditor

Director, Local Fund Audit (DLFA) is the primary auditor of the accounts of local bodies and discharges duties and responsibilities as per the provisions of The Maharashtra Local Fund Act, 1930.

Placing of Audit Review Report of DLFA

As per Government of Maharashtra (GoM) Resolution of 01 April 1968, DLFA shall submit annually a consolidated report of the audited accounts to the Legislative Assembly. The Audit Review Report for the year 2014-15 has been placed in the State Legislature in August 2017.

Arrears in Audit/Certification by DLFA

As of December 2017, of the total 34 ZPs, certification of accounts of only two ZPs up to the year 2016-17, 11 ZPs up to the year 2015-16 and 21 ZPs up to the year 2014-15 was completed.

In respect of compliance audit, of the total 34 ZPs, DLFA completed audit of 20 ZPs for the year 2015-16 and 14 ZPs for the year 2014-15. There were arrears in audit and certification of accounts due to non-submission/delayed submission of approved accounts.

1.5.2 Audit by the Comptroller and Auditor General of India

The Comptroller and Auditor General of India conducts audit of ZPs and PSs under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Section 142 A of the ZP/PS Act also contains an enabling provision for audit by the Comptroller and Auditor General of India.

Audit of GPs was also entrusted (March 2011) to the Comptroller and Auditor General of India under Technical Guidance and Supervision by the GoM under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The Audit Report (Local Bodies) of the Comptroller and Auditor General of India for the year ended 31 March 2016 was placed in the State Legislature in

August 2017 and the Audit Report for the year ended 31 March 2014 has been taken up for discussion by Public Accounts Committee (PAC) along with paragraphs from previous reports pending for discussion.

1.6 Response to Audit Observations

1.6.1 Outstanding Inspection Reports and Paragraphs of PRIs Audited by Accountant General

As of June 2017, a total of 3,048 Inspection Reports and 9,962 paragraphs of PRIs audited by Principal Accountant General/Accountant General, Maharashtra up to June 2017 were outstanding as shown in the **Table 1.1.3**.

Table 1.1.3: Position of outstanding inspection reports and paragraphs

Year	Inspection Reports	Paragraphs
Up to 2012-13	2194	5521
2013-14	212	763
2014-15	140	750
2015-16	355	1959
2016-17	147	969
Total	3048	9962

Source: Information compiled in the offices of the Principal Accountant General/Accountant General, Maharashtra (Mumbai and Nagpur)

1.6.2 Paragraphs Appeared in Audit Reports but Pending for Discussion by PAC

As of February 2018, of the 20 paragraphs pertaining to PRIs that appeared in Audit Reports from 2011-12 to 2015-16, 09 paragraphs were discussed by the PAC while 11 paragraphs were pending for discussion as shown in the **Table 1.1.4**.

Table 1.1.4: Position of pending for discussion by PAC

Year of Audit Report	Number of Paragraphs in Audit Report	Number of Paragraphs discussed in PAC	Number of Paragraphs pending for discussion in PAC
2011-12	09	05	04
2012-13	01	01	00
2013-14	04	01	03
2014-15	02	02	00
2015-16	04	00	04
Total	20	09	11

Source: Information compiled in the offices of the Principal Accountant General/Accountant General, Maharashtra (Mumbai and Nagpur)

Accountability Mechanism and Financial Reporting Issues

Accountability Mechanism

1.7 Lokayukta

The State of Maharashtra has established the institution of Lokayukta in Maharashtra on 25 October 1972 based on the concept of Ombudsman in accordance with The Maharashtra Lokayukta and Upa-Lokayukta Act, 1971.

As of March 2017, 715 complaints pertaining to PRIs were received. Of these, 470 complaints were disposed by the Lokayukta while 245 complaints were

pending for disposal as shown in **Table 1.1.5**. Majority of complaints pertained to grievances for non-receipt of pensionary benefits, compensation *etc.*

Table 1.1.5: Position of disposal of complaints by Lokayukta

Particular	Complaints received from Zilla Parishad	Complaints received from Panchayat Samiti	Total
Complaints receipt during 01 April 2016 to 31 March 2017	655	60	715
Complaints disposal during 01 April 2016 to 31 March 2017	427	43	470
Complaints pending as on 31 March 2017	228	17	245

Source : Information furnished by Office of the Lokayukta and Upa-Lokayukta, Maharashtra State, Mumbai

1.8 Social Audit

Social audit is a continuous and ongoing process which includes verification of quantity and quality of works at different stages of implementation to ensure transparency and public accountability in the implementation of projects, laws and policies and its results by the community with active involvement of primary stakeholders. The process also combines people's participation and monitoring with the requirements of the audit discipline.

The GoM established (11 September 2013) Social Audit Unit (SAU) in Maharashtra. The State Employment Guarantee Council was to monitor the action taken by the State Government on the observations raised during social audit and incorporate the Action Taken Report in the annual report to be laid before the State Legislature.

The SAU in the State is headed by the Director who is assisted by one Assistant Director, three State Co-coordinators and six Regional co-coordinators for six Regions of the State.

The Director, SAU stated (September 2017) that of the 1,000 GPs to be covered during 2016-17, social audit of only 720 GPs was completed and Social Audit Reports of all the 720 GPs were sent to the concerned District Programme Coordinators.

1.9 Internal Audit and Internal Control System of PRIs

An effective Internal Control System and strict adherence to Statutes, Codes and Manuals minimises the risk of errors and irregularities, and also help to protect resources against loss due to waste, abuse and mismanagement.

The Department stated (February 2018) that Internal Audit and Internal Control System exists in PRIs and internal audit is done/carried out as per the Circular (05 December 2015) of GoM.

1.10 Submission of Utilisation Certificates

The Bombay Financial Rules, 1959 provide that for the grants provided for specific purposes, utilisation certificates (UCs) should be obtained by the departmental officers from the grantee institutions and after verification, the UCs should be forwarded to the concerned accounting offices *i.e.* Accountant

General (Accounts and Entitlements), Maharashtra within 12 months from the dates of their sanction.

As of November 2017, a total of 909 UCs pertaining to the Department involving ₹ 1,801.54 crore were pending submission from field offices.

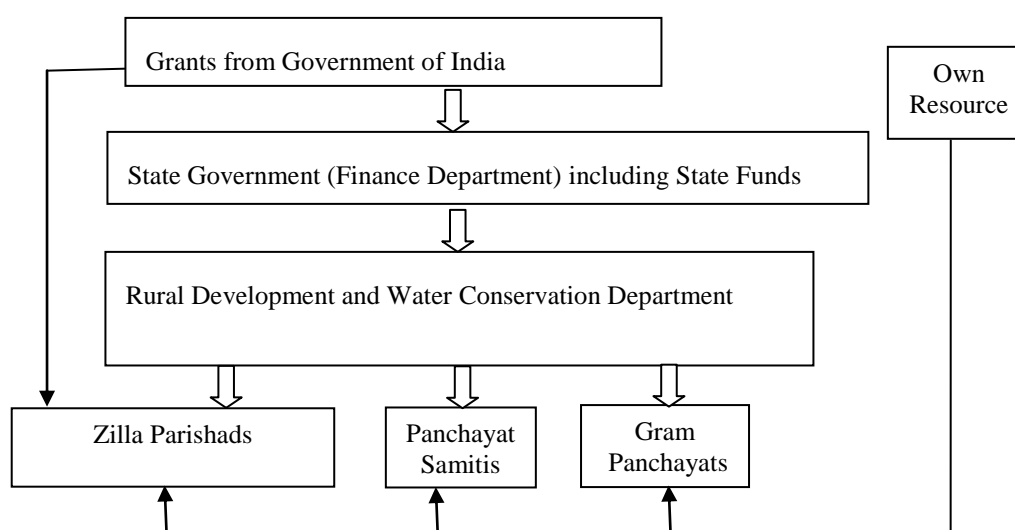
1.11 Financial Reporting Issues

1.11.1 Source of Funds

In addition to their own sources for tax and non-tax revenue *i.e.* fair tax, building tax, fees, rent from land and building, water charges *etc.* and capital receipts from sale of land, the PRIs also receive funds from the State Government and GoI in the form of grants-in-aid/loans for general administration, implementation of developmental schemes/works, creation of infrastructure in rural areas *etc.* Funds are also provided on the recommendations of the Central/State Finance Commissions.

The fund flow mechanism is as shown in **Chart 2**.

Chart 2: Source of Funds



The position of receipts and expenditure of PRIs for the period 2012-17 is shown in **Table 1.1.6**.

Table 1.1.6 : Position of receipts and expenditure of PRIs during 2012- 2017

Description	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Own revenue	1277.26	1566.99	1757.27	1376.82	1550.28
Grants received from GoM	25589.64	26529.94	28865.72	31519.84	30909.97
Finance Commission grants	1321.13 (13 th FC)	1431.15 (13 th FC)	1445.10 (13 th FC)	1623.32 (14 th FC)	2542.61 (14 th FC)
Other Central Govt. Grant	469.39	555.03	692.31	695.69	681.76
Total receipts	28657.42	30083.11	32760.40	35215.67	35684.62
Total expenditure	27994.41	30252.86	33199.77	33529.03	31968.64

Source: Information furnished by the Department

1.11.2 Recommendations of the State Finance Commission

Article 243 (I) of the Constitution of India requires that the State Finance Commission (SFC) be appointed at the expiry of every fifth year.

The Fourth SFC was constituted in February 2011 and was to submit its report to the State Government by September 2012 for implementation of its recommendations during 2011-12 to 2015-16. However, the date for submission of report was extended by the State Government up to December 2014. The report was printed (November 2017) and the recommendations were submitted to the GoM for its approval (October 2017).

1.11.3 Utilisation of the Central Finance Commission Grants

The 14th Finance Commission (14th FC) recommended grants of ₹ 15,035.68 crores to the PRIs during 2015-20. The grant includes two components viz., General Basic Grants (GBG) and General Performance Grant (GPG)². For receiving grants from Rural Development Department (RDD) under GBG³ and GPG⁴, the Gram Panchayats were required to fulfill conditions of GR (July 2015) of GoM.

The following grants were received by GoM under 14th FC and disbursed by them to the PRIs during the period 2015-17 as detailed in **Table 1.1.7**.

Table 1.1.7: Details of grants received and utilized:

(₹ in crore)

Year	Category of Grants	Recommendations of 14 th FC	Actual Grants released by GoI (including forfeited grants of other states)	Grants released by GoM to PRIs	Utilisation of grants by PRIs as per UCs furnished	Balance Grants to be utilised
2015-16	Basic	1623.32	1623.32	1623.32	1623.32	Nil
2016-17	Basic	2247.77	2247.77	2247.77	2247.77	Nil
	Performance	294.84	294.84	294.84	294.84	Nil
	Total	4165.93	4165.93	4165.93	4165.93	Nil

Source: Information furnished by Finance Department, GoM

It could be seen from the above table that the entire Basic and Performance grants received were utilized.

The release and utilisation of 14th FC grants was scrutinized in four ZPs namely Thane-Palghar, Ahmednagar, Pune and Nashik where 10 GPs each were selected. The audit findings regarding delays in release and utilisation of grants are discussed below:

1.11.3.1 Delay in release of grants

As per the GoI Guidelines (8 October 2015) for 14th FC, the grants shall be released to the States in two installments, in June and October every fiscal year. The State should release the grants to the Gram Panchayats within fifteen days of it being credited to their account by the Union Government. Further, a

2. GBG-₹ 13,532.12 crore and GPG- ₹ 1,503.56 crore

3. The share of each Gram Panchayat under Basic Grant should be distributed using 2011 Census with a weight age in the ratio of 90:10 for population and area respectively

4. (i) updated accounts of Gram Panchayats should be kept and should have been audited till 2014-15, further, it should show income/expenditure distinctly; and (ii) there must be an increase in revenue from its own sources from previous year

Resolution (GR) was issued by the GoM on 21 December 2015 regarding appropriation, planning and controlling of fund under 14th FC. As per the GRs issued from time to time related to releasing of fund, the grant should be credited in account of Gram Panchayats (GP) within five to ten days through ECS/ NEFT/ RTGS.

Audit observed following delays in release of grants.

- During 2016-17, the Finance Department, GoM delayed the release of 14th FC grants (₹ 1,123.88 crore) by nine days for which an interest of ₹ 1.87 crore was paid to the GPs.
- In four ZPs⁵, during the period 2015-17, RDD released the grants of ₹ 799.12 crore to ZPs with delays beyond a month and ranging up to 181 days (ZP, Palghar). Similarly, the ZPs also delayed the releasing of grants to GPs ranging up to 393 days (ZP, Ahmednagar). In case of ZP, Nashik, grants of ₹ 16.61 crore received in March 2017 was yet to be disbursed to GPs (February 2018).

The Finance Department stated (January 2018) that though the copy of release order of 09 December 2016 from GoI was obtained through email on 02 January 2017, the post copy was not received and hence the delay. The RDD stated that due to delay in issuing the GR regarding disbursement of fund, planning and control which was issued on 21 December 2015, there was delay in releasing of fund to GPs. (ZP Thane). The ZP Ahmednagar stated that the delay was due to difference in account number and IFSC code. No reply was received from ZP Nasik.

The reply itself indicated that there was delay in releasing of grants in 2016 and 2017 which was after the issue of above GR.

1.11.3.2 Unspent balance of funds

As per GoI guidelines of 14th FC, the GoI shall release the instalments of grants after receipt of the utilization certificate for the previous instalment. The GoI had released ₹ 4,165.93 crore grants during the period 2015-17 and the GoM had furnished UCs for the said amount. The GoI had also released further grants during 2017-18.

However, in 28 GPs under four ZPs, it was observed that out of ₹ 28.71 crore received as grants during the period 2015-17, there were unspent balances of ₹ 14.76 crore though the entire grant was shown as utilized as stated in **Table 1.1.8**

⁵ Ahmednagar, Nashik, Pune and Thane

Table 1.1.8: Details of unspent balances in 28 selected GPs under four ZPs (in ₹)

Name of ZP	Name of GP	Total grant	Unspent balance
Ahmednagar	LoniKhurd	9681126	5989340
	Vambori	11930197	7285478
	Kolhar Bk.	8330471	2890350
	Sonai	10711392	4804092
	Parner	8574517	6219153
	Nagardeole	10995428	5882261
	Limpangaon	8909989	3530305
	Kashti	9070662	7250280
Pune	Kirkatwadi	3576707	2569466
	Manjri Bk.	20336610	8541367
	Kadamvakvasti	10617554	5065063
	Urulikanchan	16871572	9794342
	Lonikalbhor	12898877	4079731
	Wagholi	13578718	12478978
	Narayangaon	8238947	2951362
	Shikrapur	8300401	3897083
	Dehu	6932067	5169625
Thane	Vashind	10774379	7467292
	Asangaon	7253113	6586515
	Mokhavane	10023860	6770855
	Mharal	16450397	536767
Nashik	Chandori	6168294	2875032
	Pimpalgaon	17011677	7113402
	Lasalgaon	7042737	3271279
	Dabhadi	7530270	2448407
	Ghoti	10113747	5617236
	Namput	9834732	5193998
	Andarsul	5367033	1300881
	Total	28,71,25,474	14,75,79,940

Source : Details received from various GPs during audit

The concerned GPs stated that the unspent balance would be spent at the earliest.

1.11.3.3 Procedural Irregularities

(i) Irregular purchase procedure

As per GR (26 November 2014 and 18 December 2014), works costing more than three lakhs have to be done by e-tendering and for works costing less than three lakh, quotation should be called for.

During scrutiny of records of GP under ZP Ahmednagar, ZP Nashik and ZP Pune, it was noticed that between the period May 2016 and February 2017 neither the GPs invited quotations for purchases made for items costing less than rupees three lakh nor was e-tendering done for items above rupees three lakh as detailed in **Table 1.1.9**

Table 1.1.9: Purchases made/works undertaken without quotation/e-tendering

Name of ZP	Name of GP	Particulars	Range of cost of each purchase/work (in ₹)	Total Amount (in ₹)
Ahmednagar	Kolhar Bk.	Cement, pipes	45000 to 94000	391650
	Sonai	Waste bin (245500 x 3 bills)	245500	736500
	Belapur Bk.	Pipeline, gutter repairing <i>etc</i>	115000 to 299000	2849360
Pune	Narayangaon	Tractor	581000	581000
Nashik	Kasbe Vani	Work of paver block	67000 to 122000	299300
	Dabhadi	Pipeline works	12500 to 98000	383730
				5241540

Source: Records of GPs

In reply, the GPs stated that henceforth quotation/tendering would be called as per procedure.

(ii) Non-deduction of taxes and non-remittances of tax to respective heads.

As per the General conditions of contract, the statutory deductions *i.e.* Income Tax, Insurance, Labour Welfare Cess is to be deducted from contractor's bills for every work and to be deposited in Government Account.

In four GPs, it was noticed that statutory deductions *i.e.* Income Tax, Insurance, and Labour Welfare Cess were neither made nor remitted in respect of five works amounting to ₹ 10.73 lakh (one GP)⁶ and 13 works amounting to ₹ 85.33 lakh (three GPs)⁷ under ZP, Ahmednagar and ZP Pune respectively.

In reply, the above GPs stated (January 2018) that the amount of Income Tax, Insurance and Labour Welfare Cess would be recovered from the security deposit of the Contractor and remitted to concerned account.

(iii) Fund transferred to ZP without deploying staff for "Aaple Sarkar Seva Kendra" in Village

Under 14th Finance Commission, as per GR (11 August 2016), a separate "Aaple Sarkar Seva Kendra (ASSK)" was to be established in GP having yearly income more than ₹ 15 lakh. A Centre operator was to do the work in ASSK which comprised computerization of Form 1 to 33, Local Government Directory, Area Profile, National Panchayat Portal *etc.* The monthly remuneration of ₹ 10,450/- plus Service tax was to be transferred three months in advance to ZP Level Fund.

In three GPs⁸ of ZP Nashik, it was noticed that ₹ 4.03 lakh was transferred to ZP Nashik however, no staff was deputed in the ASSK of these GPs.

The GPs replied that the amount of remuneration was transferred as per instructions received from the ZP.

6. Nighoj

7. Kadamwakvasti (₹ 22.18 lakh), Uralikanchan (₹ 52.04 lakh) and Narayangaon (₹ 11.11 lakh)

8. Pimpalgaon, Vadalibhoi and Kasbevani

1.11.3.4 Delays in completion of work.

During the period from 2015-16 to 2016-17 various works *i.e.* construction of road, gutter, development of sources of drinking water, repair works, payment of electricity bill of RWS schemes, installation of RO system, installing of water meter, solid waste management, fixing of paver block, construction of GP building, Anganwadi, installation of LED/solar light *etc.* were done in Gram Panchayats under 14th FC.

Scrutiny of records of GPs in ZP Ahmednagar and ZP Pune, revealed that the works which should have been completed in six months, remained incomplete even after lapse of stipulated date of completion. Audit further observed that works orders were either not available on record or issued without specifying the stipulated period for completion of work. The details of incomplete works are given in **Table 1.1.10**.

Table 1.1.10: Details of incomplete works

Name of ZP	Name of GP	Name of work	Estimated Cost (₹)	Administrative Approval	Work Order date	Stipulated date of completion	Exp. till date (₹)
Ahmednagar	Sonai	Construction of water filter shed	115083	01.05.16	24.11.16	23.05.17 (6 months)	65000
		RCC gutter in Sawmill area	228027	01.05.16	24.11.16	Not available on record	175000
	Belapur Bk.	pipeline work in Gaikwadwasti and Nagarpalika limit	299805	30.05.16	Not available on record	Not available on record	270456
		pipeline work in Khatod Colony	290506	30.05.16	Not available on record	Not available on record	153843
Pune	Wagholi	Construction of road	2499678	30.03.16	26.03.17	25.08.17 (6 months)	844184
	Manchar	Water supply (fixing of motor)	257800	NA	May 2016		200000
		Pavor block-Kazipura to ZunaImambara	265709	Sept'16	15.11.16		232000
		Pavor block- Bada Imambara to Zuna Photo Studio	181745	Sept'16	15.11.16		140000
		Total	4138353				2080483

Source : Records of GPs

In reply (January 2018), the GP- Sonai and Belapur Bk stated that work would be completed under intimation to audit. The GP Wagholi stated that the work was stopped due to agitation of farmers and that the work was under progress. The GP Manchar stated that works were physically completed, but due to want of evaluation reports the works appear incomplete.

1.11.3.5 Execution of inadmissible works out of 13th FC grants

As per 13th FC guidelines (August 2010), the broad categories on which 13th FC grants were to be spent included solid waste management, road works, sanitation, maintenance of assets created *etc.*

In ZP, Sangli and four PSs⁹, an expenditure of ₹ 26.40 lakh was incurred from 13th FC grants on 18 inadmissible works such as, repairs of samaj mandir, construction of stage, repairs of gymnasium and talim of the owner of GP, construction/repair of auditorium, construction of protection wall to masjid/hanuman palkhi, etc. during the period 2014-16.

In reply the GPs concerned stated that the works were selected as per the resolution passed by the General Body of the respective PSs.

The reply of the department was not tenable as the 13th FC guidelines clearly stipulated the works to be undertaken. The resolution passed by the concerned General Bodies was the violation to the conditions of release of grants.

1.11.4 Reconciliation of Balances as per Cash Book with Bank Pass Book

As per Rule 57 of Maharashtra ZPs and Panchayat Samitis Account Code, 1968, cash book was to be closed on the last working day of the month and the balances were to be reconciled with the bank pass book. In 16¹⁰ of 147 test-checked units during Local audit of 2016-17, reconciliation of balances as per cash book with bank pass book was not done.

1.11.5 Maintenance of Accounts by PRIs

Under the provisions of Section 136 (2) of the ZP/PS Act, the BDOs forward the accounts approved by the PSs to the ZPs and these form part of the ZPs' accounts. Under provisions of Section 62 (4) of the VP Act, the Secretaries of the GPs are required to prepare annual accounts of GPs.

In accordance with the provisions of Section 136 (1) of the ZP/PS Act and Rule 66 A of The Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968, CEOs of ZPs were required to prepare annually, statements of accounts of revenue and expenditure of the ZPs along with statements of variations of expenditure from the final modified grants on or before 10 July of the following financial year to which the statements relate. The accounts were then placed before the Finance Committee and finally before the ZPs for approval along with the Finance Committee reports.

The abstracts of the approved accounts of the ZPs/PSs are prepared by CAFO and forwarded to DLFA for audit, certification and publication in the Government Gazette.

As per Section 136 (1) of ZP/PS Act and Rule 66 A of The Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968, the prescribed date for approval of annual accounts of ZPs for a financial year was 30 September of the following year and accounts of ZPs are required to be published in the Government Gazette by 15 November of the year. Accordingly, the accounts for 2016-17 should have been finalised by September 2017 and published by

^{9.} Tasgaon, Shirala, Miraj under ZP, Sangli and Muktainagar under ZP, Jalgaon

^{10.} (i) BDO, PS, Raver, and (ii) VDO, GP, Bhodegaon ZP, Ahmednagar; (iii) VDO, GP, Chinwal, ZP, Jalgaon; (iv) 4.VDO, GP, Takli and (v) VDO, GP Wakhri, ZP Pandharpur, (vi) BDO, Manvat, (vii) BDO, Sonpeth, (viii) BDO, Parbhani, and (ix) BDO, Palam, ZP, Parbhani, (x) BDO, Sindkhed Raja, ZP, Buldhana, (xi) BDO, Bhiwapur, (xii) BDO, Nagpur, (xiii) BDO, Narkhed, (xiv) BDO, Umred, (xv) BDO, Ramtek, and (xvi) BDO, Parseoni, ZP, Nagpur

November 2017.

The Department stated (February 2018) that annual accounts for the year 2013-14 and 2014-15 had been prepared by the ZPs and process of placement of both years annual account in the State legislature was in progress.

For the year 2015-16, out of 34 ZPs, annual accounts of 26 ZPs were finalized and approved by their General Bodies. Six ZPs (Satara, Dhule, Parbhani, Amravati, Akola and Yavatmal) had not finalized accounts and information on two ZPs (Beed and Latur) was not available. For the year 2016-17, Accounts finalization process was in progress.

1.11.6 Issues related to Abstract Contingent and Detailed Contingent Bills

As per the Maharashtra Treasury Rules, 1968, the DDOs were required to submit Detailed Contingent (DC) bills (comprising vouchers in support of final expenditure) drawn against Abstract Contingent (AC) bills, within 30 days to the office of the Accountant General (Accounts and Entitlements), Maharashtra.

As of November 2017, DC bills in respect of 296 AC bills involving ₹ 6.29 crore pertaining to the Rural Development Department were outstanding.

1.11.7 Implementation of Eco-friendly Villages for Sustainable Development

For transforming villages in the State of Maharashtra into Environmentally Sustainable Village or an Eco-Village¹¹, GoM, Rural Development and Water Conservation Department (Department) launched a Scheme namely Paryavaran Santulit Samruddha Gram Yojana¹² (August 2010). The objectives of the Scheme included coordinating implementation of all Gram Panchayat (GP) level Schemes, preparing the Environmental Development Plan (EDP)¹³ of largely populated GPs (with population exceeding 5000) and providing amenities so that these villages can be developed as Growth Centres.

The GPs were required to fulfill certain criteria (**Appendix 1.1**) to participate in the Eco-Village Scheme. A GP which fulfills the criteria qualifies for the first year and upon fulfilling further criteria specified for the second year qualifies for the second year and similarly for the third year. The participating GPs were eligible for incentive grants ranging from ₹ two lakh to ₹ 12 lakh per annum for first three years based on its population¹⁴. The GPs could use the incentive grants so received on the prescribed environment related

¹¹. An Eco-Village is a sustainable human settlement which is in harmony with all aspects of life, including social, cultural and ecological dimensions

¹². Also known as Eco-friendly villages for sustainable development

¹³. EDP should contain baseline data, SWOT analysis, profile, base map and other maps, Village Development Plan, participatory situation assessment, analysis and identification of issues and project plans with action plan

¹⁴. GPs with population above 10,000-₹ 10 lakh, of which GPs located at Taluka Headquarters- ₹ 12 lakh; from 7,001 to 10,000-₹ eight lakh; from 5,001 to 7,000-₹ five lakh; from 2,001 to 5,000-₹ four lakh; from 1,001 to 2,000- ₹ three lakh; and up to 1,000- ₹ two lakh

activities¹⁵. Further, as per GR of August 2010 an allocation of two *per cent* of the incentive grants was to be provided for Advertisement and Publicity management. The GoM revamped the Scheme in November 2016 as „Smart Gram’ Scheme.

Audit test-checked records of the Department, five Zilla Parishads¹⁶ (ZPs) out of 33 ZPs including 10 Panchayat Samitis (PSs) and 30 Gram Panchayats (GPs) covering the period 2010-2015 between January and August 2016 to seek an assurance that the incentive grants released were utilized, EDP was prepared and implemented and the villages were developed into a eco-friendly villages. These ZPs had received a total of ₹ 227.77 crore as incentive grants during 2010-15.

1.11.7.1 No Defined Parameters for Eco-village

The Scheme guidelines envisaged development of villages into environmentally sustainable village or an Eco-village. The GPs with population of more than 10,000 were to be developed as Growth Centres after fulfilling the eligibility criteria as well as preparation of EDP. These GPs need to provide basic services of higher capacity and better quality. Audit observed that:

- No parameters were defined for a village to be considered as an Eco-village. 3,502 GPs fulfilled the prescribed criteria for the first year (**Appendix 1.1**), of which 2,300 GPs qualified for the second year and a mere 1,089 GPs were further qualified for the third year. Of these 1,089 GPs who fulfilled the criteria for all the three years, not a single GP was declared as an Eco-village.
- As regards growth centres, none of the 55 GPs (population more than 10,000) under four ZPs¹⁷ were developed as Growth Centres due to non-implementation of EDPs owing to lack of funds.

1.11.7.2 Preparation of EDP

Preparation of EDP and its implementation was essential for execution of works to promote economic development of villages. The GoM had empanelled 24 agencies and had issued guidelines (August 2011) for preparation of EDP through these agencies. The fees payable to them should not exceed ₹ 10 lakh per EDP as per GR (16 September 2010).

¹⁵. (i) Nurseries and tree conservation; (ii) Scientific and Commercial management of Solid Waste; (iii) Scientific and eco-friendly management of waste water and drainage; (iv) Storm water drainages; (v) Use of solar street light, use and management of solar energy; (vi) Development and use of other renewable energy; (vii) Construction of crematorium and related facilities; (viii) Internal roads in village and tree-plantation; (ix) Gardens and bus-stops; (x) Rajeev Gandhi Bharat Nirman Gram Suvidha Kendra; (xi) Other development projects for environmental balance; and (xii) Matters related to planning, implementation and conservation of the above project

¹⁶. Ahmednagar, Aurangabad, Kolhapur, Nagpur and Thane-Palghar

¹⁷. Thane, Kolhapur, Ahmednagar and Aurangabad

Audit observed that

- In four selected ZPs¹⁸, 285 out of the 329 GPs with more than 5000 population had not prepared EDP during the period from December 2012 to December 2016 due to lack of funds.
- In ZP, Kolhapur, an expenditure of ₹ 10.00 lakh incurred for preparation of EDPs in three GPs¹⁹ was rendered but EDPs were not implemented by the GPs due to non-receiving of funds from GoM for execution of works as per EDPs.

1.11.7.3 Non-utilisation of Grants

The GoM had released incentive grants of ₹ 227.77 crore to the selected five ZPs. However, the details of expenditure incurred by the GPs under the Scheme were not consolidated in any of the three levels viz., block, ZP and State. Scrutiny of records in 30 selected GPs revealed instances of non-utilisation of grants and consequent blocking of funds of ₹ 80.33 lakh as shown in **Table 1.1.11** below:

Table 1.1.11 - Details showing non-utilisation of grants

(₹ in lakh)

Name of office	Unutilised grants	Particulars
ZP, Thane	52.00	Grants received in January 2014 for the purpose of advertisement and publicity remained idle for more than three years.
6 of 30 selected GPs	28.33	Grants received during the period 2011-15 were lying unspent in 6 GPs ²⁰ under ZP, Aurangabad and Ahmednagar.
Total	80.33	

Source: Records of GPs/ZPs

The ZP, Thane stated (November 2017) that as necessary directions from the GoM on the matter were not received, the funds were lying with the ZP. The Village Development Officers of the GPs stated (December 2017) that the funds would be utilised on receipt of directions from higher authority.

1.11.7.4 Execution of Works

One of the objectives of the Scheme was coordinating implementation of all existing GP level Schemes by considering environmental aspects to promote economic development of villages. Audit observed that:

- During the period 2010-16, execution of 1,403 works under various schemes²¹ at a cost of ₹ 50.89 crore by 29²² of 30 selected GPs, were concentrated mainly on road works (38 per cent) and due importance to the environmental aspects was not given, as shown in **Table 1.1.12** below:

¹⁸ Kolhapur, Ahmednagar, Aurangabad and Nagpur

¹⁹ Uchgaon, Tardal and Hathkanangale under ZP, Kolhapur

²⁰ Kumbhephal, PS-Aurangabad, and Ghanegaon PS-Gangapur, ZP-Aurangabad; Duttanagar, PS, Shrirampur; Javalekadlag, Gunjalwadi and Ghulewadi, PS, Sangamner, ZP-Ahmednagar

²¹ Such as Nirmal Bharat Abhiyaan, Sour Urja Pathdive Karyakram, Scheduled Caste and Navboudhwasti Development Scheme, 20 per cent Zilla Parishad Cess fund, urban facilities, Dalit wasti sudhar yojana etc

²² Information in respect of One GP-Asangaon, PS, Shahapur, ZP, Thane was not available

Table 1.1.12: Details showing execution of works in selected GPs

Type of work	No. of works	Per cent (work-wise)	Amount (₹ in crore)	Per cent (cost-wise)
Road works	529	38	22.85	45
Gutter works	299	21	17.08	34
Water supply, school crematorium, etc.	416	30	8.77	17
Toilet works	44	3	0.83	2
Tree plantation	78	6	0.69	1
Solid Waste Management works	32	2	0.61	1
Others	5	0	0.06	0
Total	1403	100	50.89	100

Source: Records of GPs

- Works relating to permanent solid and liquid waste management²³ were either not started or cancelled. In ZP, Kolhapur, out of 120 works sanctioned during 2014-15, 36 GPs submitted their proposals, of which only four were completed. 32 works were not started due to non-availability of land. In ZP, Aurangabad, out of 57 works sanctioned during 2011-15, 18 were cancelled due to lack of coordination among various departments. As a result, the released grants amounting to ₹ 1.86 crore were lying with the PSs, thereby blocking the funds ranging from two to five years.

The ZP, Kolhapur stated (April 2016) that due to non-availability of land owned by the GPs and funds, permanent Waste Management facilities could not be developed.

- In respect of existing State Scheme of Solar Street Light Program²⁴, the target²⁵ of installing 1,593 solar street lights in four ZPs could not be achieved as funds of ₹ 1.85 crore were blocked in four ZPs²⁶ for a period ranging from one to three years due to non-purchase of solar street lights by ZPs/non-supply by vendors and non-receipt of Central/State share.

1.11.7.5 Monitoring and Evaluation

As per Scheme guidelines, a State-level unit would be established for technical knowledge, assistance and monitoring with expert from various fields like rural development, agriculture and environment etc. and an independent evaluation of the Scheme should be done every year. Incentives and awards were to be given to GPs initiating new projects with innovative practices. Further, GPs were to maintain separate account for the funds of the Scheme and the account of the Scheme should be audited regularly and Social Audit should be done at GP level.

²³ Under the existing central Scheme of Nirmal Bharat Abhiyaan (now Swachh Bharat Mission)

²⁴ Also known as Sour Urja Pathdive Karyakram and funding was to be shared by GPs and GoM in the ratio of 10:90

²⁵ Thane-120 (2011-12) and 363 (2013-14); Aurangabad-138 (2013-14); Ahmednagar-489 (2010-11) and 339 (2013-14); and Nagpur 507(2013-14)

²⁶ Thane-₹ 0.44 crore; Aurangabad- ₹ 0.05 crore; Ahmednagar- ₹ 0.74 crore; and Nagpur- ₹ 0.63 crore

Audit observed that;

- No State-level unit was formed and no such evaluation of the Scheme was done every year, nor any incentive and awards were given to any of the GPs.
- Eight GPs²⁷ in two ZPs (Thane and Palghar) did not maintain separate account and kept the Scheme funds in Village Fund. In the absence of a separate account, audit could not ascertain the receipt, utilization of funds and reconciliation with the bank account pertaining to this eco-village Scheme.
- In two of five selected ZPs, social audit was not conducted at 11 GPs²⁸.
- Tree Plantation Register was not maintained by seven GPs²⁹ under ZPs of Thane-Palghar and Nagpur. Further, under three ZPs of Thane-Palghar, Ahmednagar and Nagpur, 11 GPs³⁰ though had maintained the register, they did not include the details of survival of plants.
- Fourteen GPs³¹ under ZPs of Thane-Palghar, Ahmednagar and Nagpur did not maintain toilet register in respect of usage of toilet by families, bio-gas register regarding families using bio-gas and street lights register.

Further, the details of expenditure incurred by GPs from the incentive grants were not available in any of the three levels *viz.*, PS, ZP and State which indicates weak monitoring.

The GoM stated (September 2016) that as no evaluation was done, a Committee had been constituted (2015) to review the scheme and on its recommendation the said scheme was being revamped.

²⁷ GPs- Atgaon, Andaad, Lenad-Budruk and Asangaon under PS, Shahapur (Thane District) and GPs- Vadavali, Ghonshai-Met, Kudus and Wada under PS, Wada (Palghar District)

²⁸ Belapur Budruk, Dattanagar, Malwadgaon, Ghulewadi, Gunjalwadi and Javalekadalag under ZP, Ahmednagar; Ranala, Temsna, Butibori, Ruikhairi and Lava under ZP, Nagpur

²⁹ GPs - Atgaon, Andad and Lenard-Budruk under PS, Shahapur (Thane District), GP Wada under PS, Wada (Palghar District) and GPs - Koradi, Temsna and Ranala under PS, Kamptee (Nagpur District)

³⁰ GPs - Vadavali, Ghonshai-Met, Belapur Budruk, Malwadgaon, Dattanagar, Ghulewadi, Gunjalwadi, Javalekadalag, Butibori, Ruikhairi and Lava

³¹ GPs-Atgaon, Andad and Lenard-Budruk under PS, Shahapur (Thane District) and GPs- Vadavali, Ghonshai-Met and Wada under PS, Wada (Palghar District), Belapur Budruk, Malwadgaon and Dattanagar (Ahmednagar District), Koradi, Temsna and Ranala, under PS, Kamptee; Butibori and Ruikhairi under PS, Nagpur Rural (Nagpur District)