

# CHAPTER-I

## AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF PANCHAYATI RAJ INSTITUTIONS

### 1.1 Introduction

The Rajasthan Panchayat Samiti and Zila Parishad Act, 1959 conforms to the new pattern of Panchayati Raj which provided for a three tier<sup>1</sup> structure of local self governing bodies at district, block and village levels and enhanced decentralization of powers.

Consequent to 73rd Constitutional Amendment giving constitutional status to Panchayati Raj Institutions (PRIs), the Rajasthan Panchayati Raj Act (RPRA), 1994 came into effect from April 1994, which delineated functions, powers and responsibilities of PRIs enabling them to function as third tier of Government. Later, Rajasthan Panchayati Raj Rules (RPRRs), 1996 were incorporated there under to ensure the smooth functioning of PRIs.

There were 33 Zila Parishads (ZPs) with two cells in each ZP viz. Rural Development Cell (RDC) and Panchayat Cell (PC), 295 Panchayat Samitis (PSs) and 9,894 Gram Panchayats (GPs) functioning in the State as of March 2017.

Rajasthan is the largest State in the country in terms of size and spans an area of 3.42 lakh square kilometers (sqkm). As per the Census 2011, the total population of the State was 6.85 crore, of which 5.15 crore (75.18 per cent) lived in rural areas. The comparative demographic and developmental profile of the State vis-à-vis the national profile as per Census 2011 is given in **Table 1.1** below:

**Table 1.1**

Indicator	Unit	Figures as per Census 2011	
		State level	National level
Population	Crore	6.85	121.06
Population (Rural)	Crore	5.15	83.35
Population (Urban)	Crore	1.70	37.71
Population Density	Persons per sqkm	200	382
Decadal Growth Rate	Percentage	21.30	17.70
Sex Ratio	Females per 1,000 males	928	943
Total Literacy Rate	Percentage	66.10	73.00
Female Literacy Rate	Percentage	52.10	64.60
Male Literacy Rate	Percentage	79.20	80.90
Total Literacy Rate (Rural)	Percentage	61.40	67.77
Female Literacy Rate (Rural)	Percentage	45.80	57.93
Male Literacy Rate (Rural)	Percentage	76.20	77.15
Birth Rate	Per 1,000 Mid Year Population	24.8 (2015)	20.8 (2015)
Death Rate	Per 1,000 Mid Year Population	6.3 (2015)	6.5 (2015)
Infant Mortality Rate	Per 1,000 Live Births	43 (2015)	37 (2015)
Maternal Mortality Rate	Per lakh Live Births	244 (2011-13)	167 (2011-13)

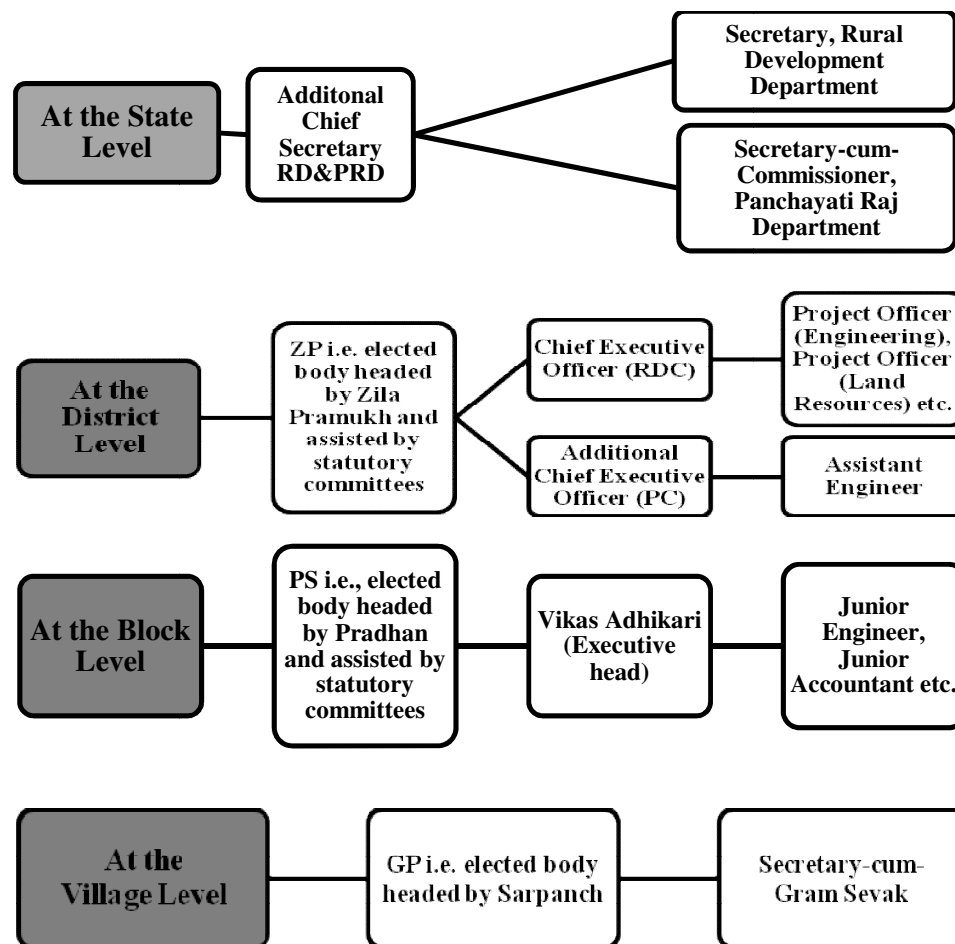
*Source: As per Department of Economic and Statistics*

1. Zila Parishad at District level, Panchayat Samiti at Block level and Gram Panchayat at Village level.

## 1.2 Organisational set up

Rural Development Department (RDD) and Panchayati Raj Department (PRD) dealing with the affairs of the PRIs are under the administrative control of Additional Chief Secretary, Rural Development and Panchayati Raj Department (RD&PRD). The organisational set up of the PRIs is given in **Chart 1.1** below:

*Chart 1.1*



## 1.3 Functioning of PRIs

Section 2 (xvii) of RPR, 1994 defines the PRI as an institution of Self-Government established under this Act for rural areas at the level of village or block or district. Various Central and State schemes/programmes are implemented through the PRIs at district, block and village levels.

Functions of a village level PRI (GP) include 33 functions like general administrative works related to agricultural, minor irrigation, drinking water, education and rural sanitation etc., as specified in the first schedule of RPR, 1994.

Similarly, functions of PS (30 functions) and ZP (19 functions) are specified in the second and third Schedule of RPRA, 1994 respectively.

### ***1.3.1 Devolution of Funds, Functions and Functionaries to Panchayati Raj Institutions***

Following the 73rd Constitutional Amendment, orders on devolution were issued by the Government of Rajasthan (GoR) in June 2003 and October 2010. Accordingly, out of 29 functions to be devolved in terms of XI Schedule of the Constitution, 28 functions were initially transferred. However, funds and functionaries were transferred in respect of 20 subjects only (*Appendix-I*). Subsequently, devolution of funds, functions and functionaries of five subjects relating to Public Health Engineering Department, Public Works Department and Food and Civil Supply Department were withdrawn in January 2004 from PRD.

There is no further change in the position of devolution of functions since inception.

## **1.4 Formation of various committees of PRIs**

### ***1.4.1 District Planning Committee***

In pursuance of Article 243 ZD of the Constitution of India and Section 121 of RPRA, 1994, State Government constitutes District Planning Committee (DPC) in all the districts of the State. District Collector is a member of the DPC and he or his nominated officer attends the meeting of DPC. The required quorum for DPC meeting is 33 *per cent* of members elected from rural and urban areas.

The main objective of DPC is to consolidate the plans prepared by the Panchayats and the Municipalities in the district and to prepare a draft developmental plan for the district as a whole and forward it to the State Government.

During 2016-17, important decisions such as review/approval of district annual plans, quarterly/yearly, physical/financial progress of schemes, review of implementation of various schemes were taken in DPC meetings. However, out of 33 districts, three ZPs of Bhilwada, Jhunjhunu and Kota held four DPC meetings. In another 19 districts<sup>2</sup> two or three meetings were held and remaining 11 districts, held only one meeting inspite of prescribed four meetings in a year.

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2. Three meetings held by nine ZPs (Alwar, Bundi, Chittorgarh, Dausa, Jaipur, Jalore, Jodhpur, Rajsamand, Sikar); two meetings held by 10 ZPs (Ajmer, Barmer, Churu, Dungarpur, Hanumangarh, Pali, Sawai Madhopur, Sirohi, Tonk and Udaipur); and one meeting was held at 11 ZPs (Baran, Banswara, Bharatpur, Bikaner, Dholpur, Ganganagar, Jaisalmer, Jhalawar, Karauli, Nagaur and Pratapgarh).

### **1.4.2 Standing Committees**

As per the provisions contained in section 55-A, 56 and 57 of RPRA, 1994, every GP, PS and ZP shall respectively constitute five standing committees, one each for the following group of subjects, namely (a) administration and establishment, (b) finance and taxation, (c) development and production programmes including those relating to agriculture, animal husbandry, minor irrigation, co-operation, cottage industries and other allied subjects, (d) education, (e) social service and social justice including rural water supply, health and sanitation, *gramdaan*, communication, welfare of weaker sections and allied subjects.

These standing committees shall be headed by the elected member or elected chairperson of the institution concerned respectively.

Actual status of constitution and working of standing committees was not made available by GoR.

## **1.5 Audit Arrangement**

### **1.5.1 Primary Auditor**

Section 75(4) of the RPRA, 1994 stipulates that all the accounts kept and maintained by a PRI shall be audited by the Director, Local Fund Audit Department (DLFAD) as per provisions of the Rajasthan Local Fund Audit Act (RLFAA), 1954. The Audit Report<sup>3</sup> of the DLFAD includes two chapters on Audit of PRIs viz. one of 'Status of accounts of PRIs' and other of 'Audit findings'. The paragraphs pertaining to PRIs are discussed by the Committee on Local Bodies and Panchayati Raj Institution constituted by Rajasthan State Legislature.

The Audit Report of DLFAD, Rajasthan for the year 2015-16 has been laid before the State legislature on 28 March 2017.

#### **1.5.1.1 Certification of Annual Accounts of Panchayati Raj Institutions**

As per Rule 23 (h) of the Rajasthan Local Fund Audit Rules (RLFAR), 1955, LFAD is required to certify the correctness of the annual accounts of PRIs at all three levels i.e. ZPs, PSs and GPs. In view of Fourteenth Finance Commission guidelines, the GoR issued (September 2017) orders that Audit and certification of accounts of the PRIs till the year 2015-16 be undertaken on priority basis by the DLFAD, to make them eligible for performance grant in subsequent years.

The DLFAD certified the accounts of 6413 PRIs out of the total 10,222 PRIs in the State during the year 2016-17. Out of these 6413 accounts, only nine certificates were issued by DLFAD without any qualifications. The remaining 6,404 accounts were certified with qualifications, which were indicative of

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3. Section 18 of the Rajasthan Local Fund Audit Act, 1954 requires Director, LFAD to submit his Annual Consolidated Report on audited accounts to the State Government for laying this report before the State legislature.

improper and incomplete maintenance of accounts. Out of these 6,413 certified accounts, 3,936 accounts pertained to earlier years i.e. 2014-15. The remaining 3,809 units (37.26 per cent) out of total 10,222 units remained, un-certified.

Though there has been improvement in the certification of accounts during 2016-17 (6,413 certifications) over the year 2015-16 (2,290 certifications), the accounting system of PRIs continues to be poor as mentioned above.

#### ***1.5.1.2 Arrears of Audit of Local Fund Audit Department***

Against total 10,222 units of PRIs (ZPs: 33, PSs: 295 and GPs: 9,894) there were arrears of 8809 units of PRIs (ZPs: 28, PSs: 263 and GPs: 8,518) as of March 2017 due to vacant posts and election duties of staff. There have been huge arrears of Audit for past many years as commented in earlier Audit Reports, however, no constructive action has been taken by the Department.

Director, LFAD issued total 6,575 inspection reports (IRs) containing 60,335 paragraphs which were pending for settlement as of March 2017. Out of these, 7,421 paragraphs involving monetary value of ₹ 24.48 crore were related to embezzlement.

Thus, huge pendency of inspection reports and paragraphs are indicative of lack of initiative towards accountability.

#### ***1.5.2 Audit by Comptroller and Auditor General of India***

Comptroller and Auditor General of India (CAG) conducts Audit of PRIs under Section 14 of CAG's (Duties, Powers and Conditions of Service) Act, 1971 and under the proviso of sub section (4) of section 75 of the RPR<sup>4</sup>, 1994, as amended on 27 March 2011 also empowers the CAG to conduct Audit of the accounts of PRIs and submit such Audit Report to the State Government for its placement in the State legislature.

##### ***1.5.2.1 Implementation of Technical Guidance and Support/Supervision***

In pursuance of recommendations of Thirteenth Central Finance Commission, Finance (Audit) Department, GoR, issued notification on 2 February 2011 for adoption of 13 parameters under the Technical Guidance and Supervision/Support (TG&S) over the Audit of all the tiers of PRIs and ULBs by DLFAD. These TG&S arrangements were further extended to cover the period of Fourteenth Finance Commission (2015-20) also vide GoR's notification (25 April 2016) on the same terms and conditions.

Comments/suggestions in respect of four factual statements and two draft paragraphs proposed by DLFAD for inclusion in their Audit Report were communicated to DLFAD under the TG&S.

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4. All accounts kept and maintained by PRI shall be audited, as soon as may be after the end of each financial year, by the DLFAD for the State and provisions of the Rajasthan Local Fund Audit Act, 1954 shall apply, provided that the CAG of India may also carry out a test Audit of such accounts.

During the period 2016-17, no IRs were forwarded by DLFAD under TG&S for comments.

## **1.6 Response to Audit Observations**

### **1.6.1 Response to Paragraphs and Inspection Reports**

As of March 2017, 2,562 IRs comprising 23,959 paragraphs issued by the Principal Accountant General (General and Social Sector Audit) Rajasthan in respect of the PRIs i.e. ZPs and PSs (including GPs) were pending for settlement as detailed in **Table 1.2** below:

*Table 1.2*

<b>Year</b>	<b>IRs</b>	<b>Paragraphs</b>
Upto 2008-09	1,303	9,846
2009-10	157	2,242
2010-11	112	1,123
2011-12	213	2,801
2012-13	189	2,587
2013-14	185	1,830
2014-15	178	1,393
2015-16	161	1,580
2016-17	64	557
<b>Total</b>	<b>2,562</b>	<b>23,959</b>

Huge pendency of IRs and paragraphs indicates lack of prompt response on the part of PRIs.

### **1.6.2 Response to Paragraphs Appeared in Audit Report**

(i) Seven paragraphs involving money value of ₹ 27.65 crore which appeared in previous Audit Report 2015-16 were pending with GoR for want of reply as on March 2018.

(ii) Only three meetings of Audit Committee were conducted during the year 2016-17 by the PRD & RDD whereas eight Audit Committee meetings were required to be conducted.

### **1.6.3 Discussion on Audit Reports by the Committee**

A Committee on Local Bodies and Panchayati Raj Institution has been constituted since 1 April 2013 in Rajasthan Vidhan Sabha to examine and discuss the Audit Reports of Comptroller and Auditor General of India on Local Bodies. As of February 2018, Audit Report for the year 2005-06 is in the process of being discussed by the committee.

#### **Recommendation:**

*1. In view of the large number of pending paragraphs and Inspection Reports, efforts should be made by Panchayati Raj Department and Rural Development Department to ensure compliance and regularly conduct Audit Committee meetings to settle the pending paragraphs.*

## **Accountability Mechanism and Financial Reporting issues**

### **Accountability Mechanism**

#### **1.7 Social Audit**

Social Audit was formally introduced through Mahatma Gandhi National Rural Employment Guarantee (MGNREG) Audit of Scheme Rules<sup>5</sup>, 2011. These rules prescribe procedures and the manner for conducting Social Audit.

For further simplification, delegation of responsibilities to various functionaries and effective implementation of the scheme, the GoR formulated detailed Social Audit Guidelines in 2012. In Rajasthan, Directorate of Social Audit was constituted (September 2009) under the administrative set up of Principal Secretary RD&PRD. Director, Social Audit is responsible for conducting Social Audit of scheme<sup>6</sup> in the State as per provisions of the Social Audit Guidelines, 2012.

The Directorate of Social Audit prepares Annual calendar in two parts with half yearly periods in the beginning of the year with a view to cover each GP in a period of six months. Corrective action is taken by executive agencies, line departments and payment authorities and the follow up action is taken by Directorate and GoR.

Director, Social Audit, intimated (July 2017) that Social Audit was conducted in 9,361 GPs in the first half and 9,296 GPs in the second half against the targeted 9,894 GPs during financial year 2016-17. During first half of the year 2016-17, the Social Audit Unit registered 59 grievances; however, none of them was resolved as of March 2017.

#### **1.8 Lokayukta**

The Office of the Lokayukta, Rajasthan was set up in February 1973 as per the Rajasthan Lokayukta and Up-Lokayukta Act, 1973, with an objective of resolving cases of corruption, misutilisation of power by Ministers and higher officials of the GoR. It is an independent constitutional authority. The actions of Pramukh and Up-Pramukh of a ZP, Pradhan and Up-Pradhan of a PS and Chairman of any standing committee constituted by or under RPRA, 1994 are covered under the Lokayukta. However, the acts of the Sarpanch or Panch of GP do not fall under the direct jurisdiction of the Lokayukta in Rajasthan.

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5. MGNREG Audit of Scheme Rules, 2011 were notified (30 June 2011) by the GoI in exercise of the powers conferred by sub section (1) of section 24 of the MGNREG Act, 2005.

6. In addition to MGNREG Scheme, Social Audit of Integrated Watershed Management Programme (IWMP) was also commenced from April 2013 onwards by adopting these guidelines.

Joint Secretary, Lokayukta, Rajasthan intimated (June 2017) that 3,951 cases of complaints against the officers and employees of RD&PRD were received during 2011-17. Out of this, 2,372 cases were disposed and the remaining 1,579 cases were pending.

## **1.9 Submission of Utilisation Certificates**

As per rule 284 and 286 of the General Financial & Accounts Rules (Part-I) of Government of Rajasthan, PRIs shall submit Utilisation Certificate (UCs) for the grant released to them for specific purpose. The UCs shall be prepared separately by the Vikas Adhikaris/Secretaries concerned and sent to the District Level Officer of Department Concerned which released the grant. The District Level Officer shall countersign the same and submit it directly to the Accountant General, Rajasthan.

### **1.9.1 Panchayati Raj Department**

During the year 2016-17, GoR released the grant of ₹ 6,379.24 crore to the PRIs. However, the Department did not furnish any UCs for the released amount.

### **1.9.2 Rural Development Department**

During the year 2016-17, GoR released a grant of ₹ 856.54 crore to RDD. However, the Department did not furnish UCs of various Central and State Sponsored Schemes.

Thus the Department requires to make efforts to ensure timely submission of UCs so that funds allotted are optimally utilised.

## **1.10 Internal Audit and Internal Control System of PRIs**

As per provisions laid down in the RPRA, 1994 Audit of PRIs is being conducted by the DLFAD as per the provision of the RLFAA, 1954. The DLFAD has full access to accounts of the PRIs. The extent and nature of Audit by DLFAD has been outlined in the RLFAR, 1955 which includes certification of correctness of annual accounts of the PRIs also.

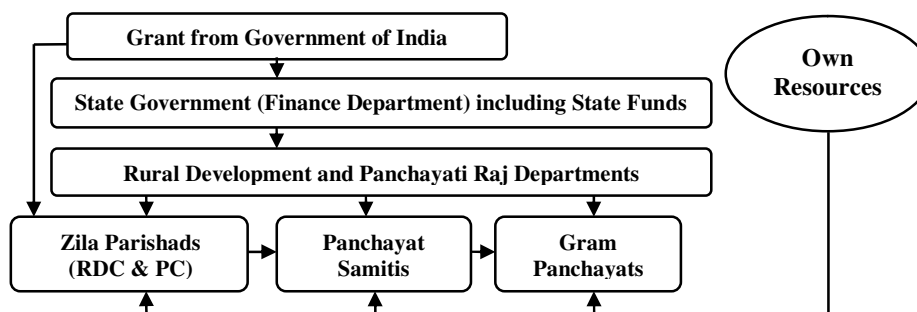
## **1.11 Financial Reporting Issues**

### **1.11.1 Source of Funds**

The receipts and expenditure of PRIs from all the sources are compiled by PRD and RDD separately at the State level. The schemes of PRD and RDD are executed by all the three tiers of PRIs. The fund flow of PRIs is given in **Chart 1.2** below:



Chart 1.2



### 1.11.1.1 Financial Position of Panchayati Raj Institutions as per Panchayati Raj Department

In addition to their own sources of tax and non-tax revenue i.e. fair tax, building tax, fees, rent from land and buildings, water reservoir etc. and capital receipts from sale of land, the PRIs receive funds from the State Government and Government of India (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 under recommendations of the Central/State Finance Commissions. The position of receipts and expenditure of PRIs for the schemes compiled by PRD for the period 2012-17 is given in **Table 1.3** below:

Table 1.3

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
<b>(A) Revenue receipts</b>					
Tax (own revenue)	NA	NA	NA	NA	NA
Non-Tax (ZP) (own revenue)	2.90	4.66	Nil	NA	NA
<b>Total Own Revenue</b>	<b>2.90</b>	<b>4.66</b>	<b>Nil</b>	<b>NA</b>	<b>NA</b>
Grants-in-aid from State Government	2,928.48	3,107.37	4,777.81	3,832.57	5,237.27*
Thirteenth Finance Commission Grants	953.81	1,017.14	1,042.09	1.63	NIL
Fourteenth Finance Commission Grants	-	-	-	1,471.95	2,305.52
<b>Total Receipts</b>	<b>3,885.19</b>	<b>4,129.17</b>	<b>5,819.90</b>	<b>5,306.15</b>	<b>7,542.79</b>
<b>(B) Expenditure</b>					
Revenue Expenditure (Pay and allowances and maintenance expenditure)	3,863.29	4,083.79	5,403.36	5,047.40	7,499.67
Capital Expenditure	19.00	10.12	1.85	0.56	43.13
<b>Total Expenditure</b>	<b>3,882.29</b>	<b>4,093.91</b>	<b>5,405.21</b>	<b>5,047.96</b>	<b>7,542.80</b>
Source: As per data provided by PRD. NA : Not available					
* It includes ₹ 2,624.72 crore pertaining to Fifth State Finance Commission grant.					

The above table indicates that:

- There has been steep increase in total receipts in 2016-17 by 42.15 per cent<sup>7</sup> over the previous year. State Government grants increased by 36.65 per cent<sup>8</sup> over the previous year in the same period.

7. Total receipt of 2016-17 (₹ 7,542.79 crore) - Total receipt of 2015-16 (₹ 5,306.15 crore) = ₹ 2,236.64 crore/Total receipt of 2015-16 (₹ 5,306.15 crore) x 100 = 42.15 per cent.

8. State Government Grant of 2016-17 (₹ 5,237.27 crore) - State Government Grant of 2015-16 (₹ 3,832.57 crore) = ₹ 1,404.70 crore/Total receipt of 2015-16 (₹ 3,832.57 crore) x 100 = 36.65 per cent.

- Total expenditure in 2016-17 also increased by about 49.42 *per cent* over the previous year.
- There has been more thrust on revenue expenditure (salaries and maintenance works) than on creation of assets (capital expenditure) as expenditure on creation of assets was only 0.57 *per cent* during the year 2016-17. The continuance of meager capital expenditure over the years is an area of concern, as creation of durable asset and infrastructure for public welfare is one of the principal motives of rural developmental works.
- Non availability of figures of own revenue with the Department for the past many years reflects the weakness of the Department. Though, there are certain revenue receipts in ZPs and PSs in the form of rent from shops, fisheries, auctions, tender receipts, other taxes, etc., these were not compiled or consolidated at State level. Hence, total dependency on grants-in-aid received from State Government and Finance Commission continues. Complete dependency on grants and lack of fiscal autonomy is a matter of serious concern that needs to be addressed for improving governance at grass-root level.

**1.11.1.2 Financial Position of Panchayati Raj Institutions compiled by Rural Development Department**

The position of receipts and expenditure of the rural development schemes compiled by RDD for the years 2013-17 is given in **Table 1.4** below:

**Table 1.4**

(₹ in crore)

Particulars	2013-14			2014-15			2015-16			2016-17		
	CSS	SSS	Total	CSS	SSS	Total	CSS	SSS	Total	CSS	SSS	Total
Opening balance	673.29	373.98	<b>1,047.27</b>	823.89	325.44	<b>1,149.33</b>	790.73	329.16	<b>1,119.89</b>	249.68	765.52	<b>1,015.20</b>
Receipts	972.45	647.25	<b>1,619.70</b>	754.30	613.51	<b>1,367.81</b>	662.04	530.78	<b>1,192.82</b>	216.76	639.78	<b>856.54</b>
Total available funds	1,645.74	1,021.23	<b>2,666.97</b>	1,580.11	938.95	<b>2,519.06</b>	1,457.37	754.48	<b>2,211.85</b>	440.92*	1,103.03*	<b>1,543.95</b>
Expenditure	1,006.78	743.88	<b>1,750.66</b>	1,042.46	504.71	<b>1,547.16</b>	1,077.59	652.85	<b>1,730.44</b>	304.16	767.04	<b>1,071.20</b>
Closing balance	638.96	277.35	<b>916.31</b>	537.65	434.24	<b>971.89</b>	379.77	101.63	<b>481.40</b>	136.76	335.99	<b>472.75</b>
Percentage of expenditure to the total available funds	61.17	72.84	<b>65.64</b>	65.97	53.75	<b>61.42</b>	73.94	86.53	<b>78.23</b>	68.98	69.53	<b>69.38</b>

CSS: Centrally Sponsored Scheme, SSS: State Sponsored Scheme.  
 \*Total available funds include Interest on funds and exclude unsanctioned amount as per information provided by the Department.  
 Source: As per data provided by RDD

The above table indicates that:

- There was a difference of ₹ 533.80 crore<sup>9</sup> between the closing balance of the year 2015-16 and opening balance of 2016-17. The Department has been providing the budget figures based on Monthly Progress Reports as received from the districts in which adjustment of UCs of many completed works were pending. As similar discrepancies between closing balance of the previous year and the opening balance of the next year were pointed out in earlier Audit Reports and continue to persist, urgent remedial action for reconciliation of the differences needs to be taken by the GoR.
- Total receipts from Central and State Government declined by about 28 per cent and the expenditure also decreased by about 38 per cent in 2016-17 over the previous year.
- During 2016-17, utilisation of total available funds was only about 69.38 per cent, which was less by 8.85 percent over the previous year.

### 1.11.2 Recommendations of the State Finance Commission

Fifth State Finance Commission (SFC) commenced from the year 2015-16 and as per the information provided, an amount of ₹ 2,624.71 crore was provided to the PRIs by the Department as Fifth SFC grant during the year 2016-17. The grant was distributed in the ratio of 5:20:75 to ZPs, PSs and GPs. Accordingly, ₹ 131.24 crore was released to ZPs, ₹ 524.94 crore to PSs and ₹ 1,968.53 crore to GPs. Directions and guidelines were given for utilisation of the grant. However, details of the progress of utilisation of funds were not made available.

### 1.11.3 Recommendations of the Central Finance Commission

#### 1.11.3.1 Fourteenth Finance Commission Grants

The period of Fourteenth Finance Commission commenced from the year 2015-16. Grants received by the State Government from the year 2015-16 and transferred to the PRIs are shown in **Table 1.5** below:

**Table 1.5**

(₹ in crore)

Grant particulars	Funds received	Funds transferred to PRIs
14 <sup>th</sup> FC grant for 2015-16	1,471.95	1,471.95
14 <sup>th</sup> FC grant for 2016-17	2,305.52	2,305.52
<b>Total</b>	<b>3,777.47</b>	<b>3,777.47</b>

As per the Fourteenth Finance Commission guidelines, the concerned ZP and PS would be responsible to ensure fair and optimum utilisation of the grants by the GPs. For claiming performance grant, the GPs, shall submit audited accounts that relate to year not earlier than two years preceding the year in

9. Opening balance of 2016-17 (₹ 1,015.20 crore) – Closing balance of 2015-16 (₹ 481.40 crore) = ₹ 533.80 crore.

which the performance grant is sought. The GPs will have to show increase in their own revenue over the preceding year as reflected in the audited accounts.

Details of the progress of utilisation of the funds were not made available.

#### **1.11.4 Unutilised Funds**

Scrutiny of the annual accounts of 21 ZPs<sup>10</sup> is shown in **Table 1.6** below:

**Table 1.6**

(₹ in crore)

Opening Balance April 2016	Receipts in the year	Total funds	Expenditure	Closing Balance March 2017
934.41	1,353.77	2,288.18	1,553.22	734.96

*Source: Annual accounts of the Districts.*

These balances include funds from Central/State Finance Commissions, and other grants for various schemes. The PRD at State level needs to analyse and prioritise the provision of funds to the PRIs and ensure their optimum utility in time.

#### **1.11.5 Maintenance of Records**

As per provisions contained in Rule 245 of RPRR, 1996, a quarterly statement of income and expenditure is required to be prepared in prescribed proforma by each PRI and sent to next higher authority. Similarly, at the end of the year a GP/PS is required to prepare an abstract of annual accounts in prescribed proforma vide rule 246 of Rules *ibid* showing its income and expenditure under each head of budget and forward it to the State Government through ZP by first May of the following year. Abstracts of annual accounts is required to be accompanied by a statement of grants-in-aid received and spent during the year, statement of loans and amount outstanding, a list of works undertaken under the various schemes and a statement of assets and liabilities.

Provisions regarding maintenance of records viz. cash book, asset register, advance register, stock register and other records have also been enumerated in the RPRR, 1996.

Test check of 359 PRIs (ZPs: 20, PSs: 45 and GPs: 294) revealed that 16 PSs did not prepare quarterly accounts and 10 PSs did not prepare annual accounts. 25 PSs were not maintaining separate cash book for different schemes. Out of 20 test checked ZPs, 10 ZPs did not maintain separate cash books for different schemes and five ZPs did not prepare quarterly accounts (Jodhpur, Bharatpur, Churu, Kota and Rajsamand) and six ZPs did not prepare annual accounts (Jodhpur, Tonk, Jhunjhunu, Kota, Chittorgarh and Bundi). Out of the total 295 Panchayat Samitis in the State, 131 submitted annual accounts to the State Government. The remaining 164 PSs were not submitted accounts to the State

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10. Zila Parishads: Ajmer, Alwar, Baran, Barmer, Bhilwara, Bundi, Bikaner, Chittorgarh, Dholpur, Hanumangarh, Jaipur, Jalore, Jhunjhunu, Nagaur, Rajsamand, Karauli, Pratapgarh, Sikar, Sirohi, Sriganganagar and Tonk.

Government as of September 2017. Test checked GPs were not preparing quarterly accounts statements and annual accounts. These were maintained as initial receipts and expenditure statements called 'Goshwara'. One hundred seventy two GPs out of the test checked 294 GPs had not submitted accounts to the State Government.

The entire accountability process has thus been restricted to furnishing of a simple 'Goshwara' at GP level and quarterly and annual accounts statements at PS and ZP level, against the provisions of the RPRR 1996, which prescribed different formats for the accounts.

**1.11.5.1** PRIASoft is a centralised accounting package that facilitates maintenance of accounts under Model Accounting System. Data is entered at District/Block /GP level and is integrated at State level. It was noticed that the PRIs were entering transactions relating to the grants of Central and State Finance Commission and Untied funds. According to the information provided by the Department, 10 out of 33 ZPs, 30 out of 295 PSs and 644 out of 9,894 GPs had closed their year book for the year 2016-17 and six ZPs<sup>11</sup> did not make any entry in PRIASoft during the year. In eight other ZPs<sup>12</sup> only opening balances were entered whereas transactions and vouchers were not entered.

There was little improvement this year as 684 PRIs closed their year book over the previous year's 282 PRIs. The Department did not furnish any specific reply.

**1.11.5.2** As per Rule 247(2) of RPRRs, 1996, every ZP is required to prepare annual accounts of receipts and expenditure and furnish the same to the State Government by 15 May of every year. Out of 33 ZPs of Panchayati Raj Cell, 21 ZPs<sup>13</sup> submitted their annual accounts within the prescribed time, while ZP, Barmer and Bhilwara submitted their accounts for the year 2016-17 with a delay of 37 and 45 days respectively. Remaining 10 ZPs<sup>14</sup> did not submit their annual account to PRD as of October 2017.

Annual accounts of ZPs (RDC) for the year 2015-16 were required to be submitted to RDD by 30 September 2016. Out of the 33 ZP (RDC), only four ZPs viz: Dholpur, Jaipur, Tonk and Udaipur submitted annual accounts for the year 2015-16 within the prescribed time, while 27 ZPs<sup>15</sup> submitted their annual accounts with delays ranging from 32 to 361 days. ZP, Barmer and Pali did not send their annual account for 2015-16 to RDD as of October 2017.

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11. Barmer, Bharatpur, Bundi, Ganganagar, Hanumangarh and Karauli.

12. Alwar, Bhilwara, Bikaner, Churu, Dungarpur, Jaisalmer, Pratapgarh and Sikar.

13. Ajmer, Alwar, Bikaner, Bundi, Chittorgarh, Dholpur, Ganganagar, Hanumangarh, Jaipur, Jalore, Jhunjhunu, Kota, Nagaur, Pali, Rajsamand, Karauli, Sikar, Sirohi, Tonk, Udaipur and Partapgarh.

14. Banswada, Baran, Bharatpur, Churu, Dausa, Dungarpur, Jaisalmer, Jhalawar, Jodhpur and Sawai Madhopur.

15. Ajmer, Alwar, Baran, Banswara, Bharatpur, Bhilwara, Bikaner, Bundi, Chittorgarh, Churu, Dausa, Dungarpur, Ganganagar, Hanumangarh, Jaisalmer, Jalore, Jhalawar, Jodhpur, Jhunjhunu, Karauli, Kota, Nagaur, Rajsamand, Sawai Madhopur, Sikar, Sirohi, and Pratapgarh.

**1.11.6 Reconciliation of Balances as per Cash Book with Bank Pass Book**

Rule 238 of RPRR, 1996 stipulates that it shall be the duty of Panchayat Secretary to reconcile the deposit and drawals with bank pass book every month on the basis of Panchayat record and get the mistakes corrected, if any. Similarly, in case of PS and ZP, cashier shall reconcile the PD account with treasury every month.

Audit scrutiny of 24 PRIs<sup>16</sup> revealed that in 24 cases, differences to the tune of ₹ 10.65 crore were pending to be reconciled as of March 2017 between the figures of PRIs records and bank /treasury accounts.

**1.11.7 Maintenance of Database and the Formats on the Finances of Panchayati Raj Institutions**

Ministry of Panchayati Raj, Government of India had introduced (October 2009) eight simplified accounting database formats (prescribed by the C&AG of India) for implementation by PRIs at District and State level. These formats were meant to compile data of the PRIs on consolidated financial position, income and tax receipts, non-tax receipts, total receipts, details of expenditure and physical progress of funds allotted under Central/State Finance Commissions. These formats were agreed to be adopted for mandatory implementation by the Department with effect from April 2011. These formats were incorporated in the RPRR, 1996 through a notification in May 2015. However, PRIs have not been compiling and presenting the accounts data in these formats.

**Recommendation**

2. *In view of the continued dependency on grants provided by GoI and State Government, the Panchayati Raj Institutions need to strengthen their financial position by generating revenue through own tax and non-tax sources.*

3. *Efforts should be made by Panchayati Raj Institutions to implement the model accounting system prescribed by CAG and the centralized accounting package PRIASoft instead of continuing to prepare the accounts in a conventional receipt and expenditure format.*

**1.12 Conclusion**

*The accountability mechanism and financial reporting of the Panchayati Raj Institutions in the State continue to be weak. Partial certification by the DLFAD in majority of the PRIs is another area of concern. Despite there being many accounting formats prescribed and accounting packages developed, the State Government has failed to evolve a sound accounting system. The PRIs continue to maintain their accounts in conventional formats. GPs were receiving direct fund transfer from Central Finance Commission to*

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16. Zila Parishads (Panchayat Cell): three, Zila Parishads (RD Cell): three and Panchayat Samitis: 18.

*make them self-reliant. Despite this, no records and returns were maintained. Non-availability of figures of 'own revenue' with the Department for the past many years reflects the failure of the PRIs to even recognize the importance of generation of own revenue leading to the total dependence on grants-in-aid received from State Government. Complete dependency on grants and lack of fiscal autonomy is a matter of serious concern that needs to be addressed for improving governance at grass-root level. The State Government has been releasing grants to the PRIs without getting Utilisation Certificates for grants already allocated. Huge pendency of Audit objections over the years indicates State Government's lack of interest in addressing the issues pointed out by Audit.*