

OVERVIEW

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1. Functioning of Panchayati Raj Institutions

A review of finances of Panchayati Raj Institutions (PRIs) revealed that of the 29 functions referred to in the XI Schedule of the Constitution of India, 14 functions and 15,480 functionaries (being the manpower) were transferred to the PRIs. Of the State Government's total revenue receipts of ₹ 2,03,280 crore during 2018-19 (excluding State's share of Union taxes and duties and Grants-in-aid from GoI), the PRIs were allotted ₹ 21,124 crore (10.39 per cent).

The Director, Local Fund Accounts Audit (DLFA), under the administrative control of Finance Department, Government of Maharashtra is the statutory auditor for all the PRIs in the State. DLFA prepares annually, an Audit Review Report (ARR) containing important audit observations issued during the year to the PRIs. The ARR is placed in the State Legislature through Rural Development & Panchayat Raj Department (RDD).

Audit of PRIs is conducted under Section 14 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The important audit observations arising out of audit of PRIs are processed for inclusion in the cluster based Audit Report of C&AG which is placed before the State Legislature under Article 151(2) of the Constitution of India. Annual Technical Inspection Report (ATIR) on Local Bodies in the State containing an overview of the functioning, accountability mechanism and financial reporting issues of Local bodies is also submitted to Government of Maharashtra for placement in State Legislature as per provisions contained in Government of Maharashtra, Finance Department's Government Resolution (GR) of March 2011. ATIR for the year ended 31 March 2018 was placed in the State Legislature in September 2020.

The Thirteenth Finance Commission (December 2009) recommended that the Comptroller and Auditor General of India (C&AG) should be entrusted with the responsibility of Technical Guidance and Supervision (TGS) over maintenance of accounts and audit of the Panchayati Raj Institutions and the Urban Local Bodies. Accordingly, the Technical Guidance and Supervision (TGS) was entrusted to CAG by the State Government in March 2011. The GR *inter alia* provided for training of officers and employees of DLFA by C&AG, besides commenting on the audit report of DLFA.

As of March 2019, 145 out of 562 complaints pertaining to PRIs received by the Lokayukta during 2018-19 were pending for disposal. The Social Audit Unit of the State conducted social audit of 2,001 Gram Panchayats (GPs) out of the 3,710 GPs to be covered during 2018-19. As of December 2020, 945 Utilisation Certificates (UCs) for grants amounting to ₹ 2,830.50 crore released till March 2018 by RDD were pending submission from the field offices.

In Maharashtra State, there were 34 Zilla Parishads, 351 Panchayat Samitis and 27,868 Gram Panchayats.

Scrutiny of records in 38 out of 1,022 test-checked units during 2018-19, revealed a number of discrepancies such as daily/monthly closing of cash books not done, non-maintenance of separate cash books for various schemes, regular attestation of daily entries by Drawing and Disbursing Officers (DDOs) not done, *etc.* In 58 out of 1,022 test-checked units, reconciliation of balances as per cash book with bank pass book was not done.

Preparation of accounts by Zilla Parishads (ZPs) and certification of these accounts by DLFA was in arrears. As on September 2020, annual accounts of all ZPs for the year 2015-16 were prepared and certified. Annual accounts of one ZP for the year 2016-17, eight ZPs for the year 2017-18 and 23 ZPs for the year 2018-19 were pending certification.

RDD, made it compulsory (October 2013) for all ZPs and GPs to maintain their annual accounts in Model Accounting System (MAS) formats I to VIII as prescribed by the Ministry of Panchayati Raj. The PRIs were maintaining their accounts in MAS format I to III only. The formats IV to VIII were not maintained by any of the ZPs and GPs.

The Ministry of Rural Development in coordination with National Informatics Centre had created a web portal namely Panchayati Raj Institution Accounting Software *i.e.*, 'PRIASoft' for online maintenance of accounts of PRIs. PRIs had to enter the accounting information on regular basis in PRIASoft. As per the online data uploaded in system (September 2020), out of 137 annual accounts prepared and certified during the period 2014-19, only 55 annual accounts (40 *per cent*) were maintained in PRIASoft.

As of December 2020, Detailed Contingent (DC) bills in respect of 87 Abstract Contingent (AC) bills involving ₹ 1.57 crore pertaining to RDD were outstanding.

(Paragraphs 1.3.7, 1.3.8, 1.5.1, 1.5.2, 1.6, 1.8.1, 1.8.2, 1.10, 1.11.4.1, 1.11.4.2, 1.11.5.1, 1.11.5.2, 1.11.5.3 and 1.11.6)

2. Functioning of the Urban Local Bodies

Article 243W inserted through the 74th Constitutional Amendment envisaged devolution of powers and responsibilities to municipalities in respect of 18 functions mentioned in Twelfth Schedule of the Constitution. All the functions were transferred/assigned to the Urban Local Bodies (ULBs) by the year 1994.

Of the State Government's total revenue receipts of ₹ 2,03,280 crore during 2018-19 (excluding State's share of Union taxes and duties and Grants-in-aid from GoI), ULBs were allotted ₹ 28,959 crore (14.25 *per cent*).

The audit of Municipal Councils is done by Director, Local Fund Accounts Audit (DLFA) as per provisions in Section 104 of Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965. The audit of all Urban Local Bodies (ULBs) was assigned to DLFA in March 2011.

In Maharashtra State, there were 27 Municipal Corporations classified into five categories based on the criteria of population and per capita income. Similarly, 369 Municipal Councils including Nagar Panchayats have been created for smaller urban areas and classified into three categories based on their population.

As of June 2019, out of 27 Municipal Corporations, audit of two Municipal Corporations (MCs) was pending from the year 2014-15, 21 MCs from the year 2015-16 and four MCs from the year 2016-17 onwards. Audit Review Report on accounts of ULB for the year 2012-13 was placed in State Legislature in July 2019.

Audit of ULBs is conducted under Section 14 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Technical Guidance and Supervision (TGS) is also provided by C&AG to DLFA.

The important audit observations arising out of audit of ULBs are processed for inclusion in the cluster based Audit Report of C&AG which is placed before the State Legislature under Article 151(2) of the Constitution of India.

As of March 2019, 105 out of 607 complaints pertaining to ULBs received by the Lokayukta were pending for disposal. As of December 2020, 1,045 UCs for grants amounting to ₹ 3,732.50 crore released till March 2018 by UDD were pending submission from the field offices.

Scrutiny of records in 17 out of 237 test-checked units during 2018-19, revealed that in five units cash book was not maintained and in the remaining 12 units, discrepancies such as improper maintenance of cash book and incomplete cash books were observed. In seven out of 237 test-checked units, reconciliation of balances as per cash books with bank pass books was not done.

The Urban Development Department, (UDD) Government of Maharashtra adopted (July 2005) National Municipal Accounts Manual for implementation of accrual based accounting system by ULBs from 2005-06. As per the information furnished by 26 out of the 27 MCs, the system of maintaining the accounts on accrual basis was implemented in 22 MCs while four MCs were yet to implement the same. All the Municipal Councils had prepared their accounts on accrual basis. The Nagar Panchayats (NPs) have commenced the work of accrual-based accounting system.

There was arrears in preparation of annual accounts by MCs and Municipal Councils/(NPs). Out of 27 MCs, 16 MCs had prepared their annual accounts till 2018-19 while there was arrears in preparation of annual accounts in respect of the remaining 11 MCs for the period 2015-19. As per the information furnished by 232 Municipal Councils and 120 NPs, there was arrears in preparation of annual accounts in respect of 42 Municipal Councils and 43 NPs for the period 2015-19.

As of December 2020, only eight DC bills amounting to ₹9.83 lakh pertaining to UDD were pending.

(Paragraphs 2.3.3, 2.5.1, 2.5.2, 2.8.1, 2.9, 2.11.4.1, 2.11.4.2, 2.11.5, 2.11.5.1 and 2.11.6)