

CHAPTER I

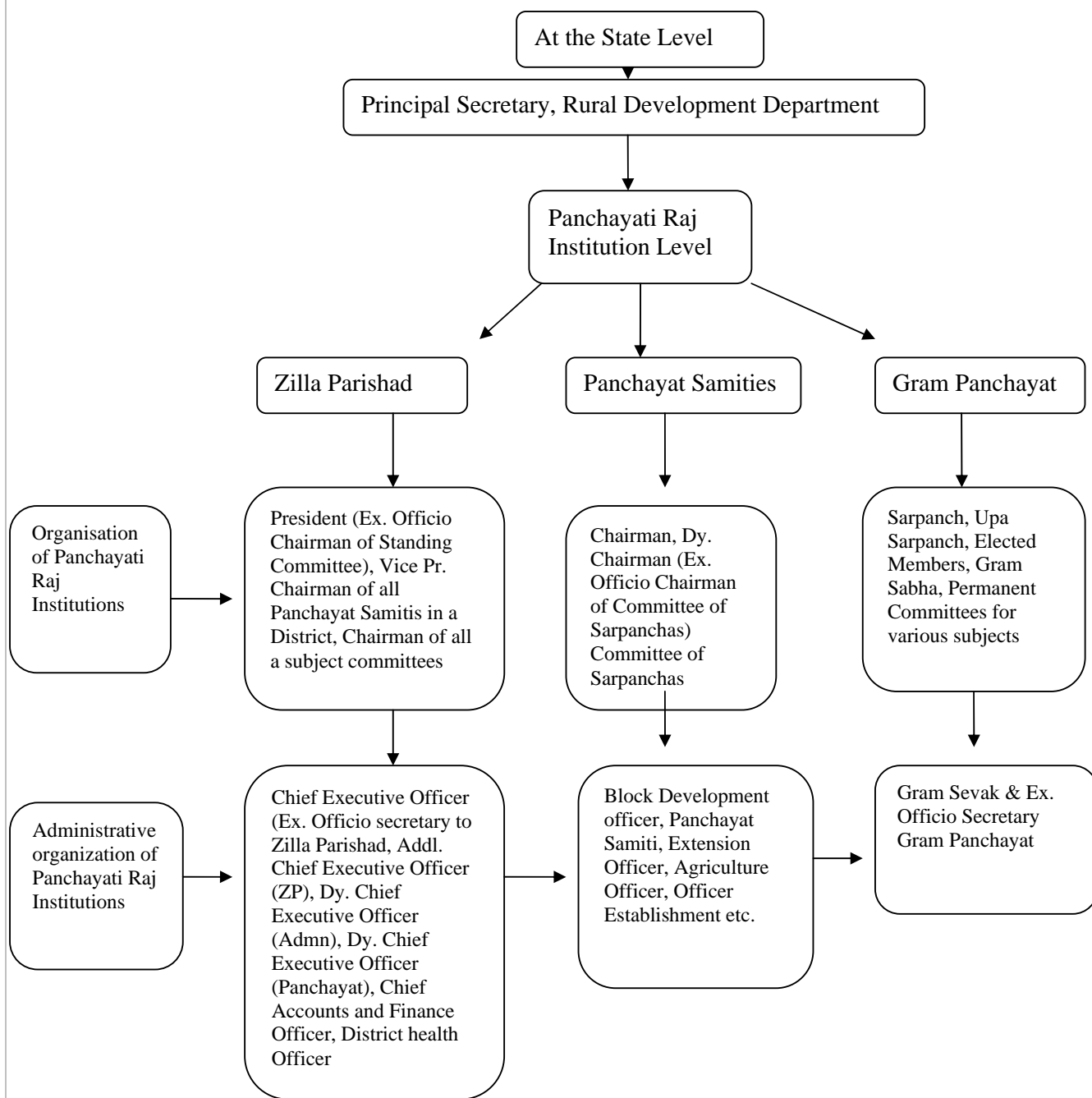
1.1 Introduction

Zilla Parishads and Panchayat Samitis in Maharashtra function under the Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961. Accounting transactions are regulated as per the Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968. The Eleventh Finance Commission (EFC) recommended that the Comptroller and Auditor General of India shall be responsible for exercising control and supervision over the proper maintenance of the accounts and their audit for all the three tiers/levels of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs).

The State Government has placed the work of Local Fund Audit under the Technical Guidance and Supervision (TGS) of the Comptroller and Auditor General of India. During 2004-05, the transactions of 14 Zilla Parishads (ZPs), 121 Panchayat Samitis (PSs) and 242 Gram Panchayats (GPs) were test checked. A supplementary test check of the accounts of the ZPs was also done.

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1.2 Organisational structure



1.3 Audit coverage

1.3.1 A test check of records of 14 ZPs¹⁸ out of 33 ZPs for periods between 1996-97 and 2003-04 was conducted during the year 2004-05. While auditing the accounts of 14 ZPs and 121 PSs, records relating to selected 242 GPs falling under the jurisdiction of respective PSs were also test-checked

1.4 Financial Profile

1.4.1 Sources of Funds

In order to achieve regional balance, the allocation and release of funds to PRIs is based on certain indicators such as population, backwardness in irrigation, literacy percentage, backwardness in medical and health facilities etc. Allocation of resources is also governed by the recommendations of the State Finance Commission. Some of the salient features of the recommendations of 1st State Finance Commission Report published in January 1997 as under:-

- The revenue realized from Transfer & Agency schemes shall be kept with Zilla Parishad & not transferred to Government. Where the rate of agency charges payable shall be 10% instead of 3% of expenditure
- Every Zilla Parishad shall be paid Rs 25 lakh/per year as incentive grant subject to some conditions, out of which 50% amount shall be distributed to Panchayat Samiti in equal proportion by ZPs.
- The Land Revenue Cess collected by PRIs & the Land Revenue Cess Grant Disbursement based thereon shall be

¹⁸ Akola, Amravati, Aurangabad, Bhandara, Gadchiroli, Hingoli, Jalna, and Washim (period covered up to 2002-03)
Dhule, Jalgaon, Nasik, Nandurbar, Pune, Thane (period covered up to 2003-04)

related to the demand & not the recovery, 66.67% of the demand there of shall be paid as an advance to the PRIs payable in one or two instalments and also to the GPs.

- Out of revenue collected by State Government on Account of Professional Tax, 10% amount shall be kept aside out of which 20% shall be paid to GPs based on population.
- To meet the expenditure on Water Supply Schemes & to run them on the principle of No Profit/No Loss, the water rates shall be revised accordingly and Where there is no piped Water Supply scheme and they have to depend on borewells & Public Wells, the GPs shall levy water taxes for which amendment is required to be made in VP Act.
- A periodical review of the levy of taxes shall be made the rates shall be kept to the level of their expenditure and they shall be so revised that the expenditure made thereon shall be recovered out of service charges.
- The Government shall disburse minimum 75% Grant upto December of the year & the balance upto February.
- The Administrative machinery of the Chief Local Fund Accounts shall be strengthened to accelerate the audit.

There are mainly two sources of funds for the ZPs -(i) Government grants and (ii) ZPs' own income¹⁹. Funds required for the execution of various developmental activities are provided by the State Government and the Government of India (GOI) in the form of block grants. Grants from Government constitute more than 95 *per cent* of the funds of the ZPs.

¹⁹ Cess on land revenue, increased cess, matching grant in the form of local cess, cess on irrigation tax, agency commission, forest revenue grant, stamp fee grant and others.

As per the provisions of Mumbai Local Fund Audit Act 1930, the Chief Auditor Local Fund Accounts (CALFA) is entrusted with the Audit of ZPs & Panchayat Samiti Accounts.

Thirty third Review Report for the year 2003-04 on the Accounts of Panchayati Raj Institutions by the Chief Auditor, Local Fund Accounts, Maharashtra State included the following comments.

1). The audit for the year 2003-04 was completed by the CALFA in respect of 33 ZPs and 349 PSs.

2) As per the provisions of Zilla Parishad & Panchayat Samiti Act & the annual accounts of the ZPs for any financial year are required to be finalised by 30 June of the following year. However in respect of all 33 ZPs not a single Zilla Parishad had completed the accounts by due date and submitted them to CALFA for certification. After the accounts were submitted many omissions noticed in the accounts were to be rectified and hence they were not forwarded to CALFA for certification till December 2004.

3) As per the above provision the annual accounts of Zilla Parishad for a particular year are to be published in the Government Gazette by 15th November of the subsequent year. As the accounts were not finalised they could not be published.

1.4.2 Release of Funds

The financial support from the State Government for the implementation of various functions of PRIs is in the form of grants transferred on block basis as well as scheme linked appropriation from the Consolidated Fund of the State. Grant-in-aid in respect of certain Central Sector Schemes (such as Western Ghat Development Project, Integrated Waste Land Development Programme, Prime Minister's Gram Sadak Yojana etc.) and

Centrally Sponsored Schemes (such as Jawahar Gram Samridhi Yojana, Swarna Jayanti Gram Swarozgar Yojana, Employment Assurance Scheme, Indira Awas Yojana etc.) are directly released to the ZPs by the GOI.

Finance Department releases funds to ZPs quarterly for the first three quarters and monthly for the last quarter of the financial year according to the provisions made for different services, including salaries and maintenance grant, etc.

1.4.3 Application of funds

Out of the funds so received, the PRIs provide funds for expenditure on salaries, spillover work, State Plan Schemes and State's share on Centrally Sponsored Schemes. These institutions determine the location where the asset has to be created and also identify the beneficiaries under different schemes. As such, schematic expenditure of the PRIs is covered under transferred schemes, agency schemes and own schemes of the ZPs. An illustrative list of schemes under the three categories is given in Annexure- I.

In all the 14 ZPs²⁰, during the year 2003-04, while the expenditure on transferred schemes(TS) and agency schemes(AS) varied between 56.14 to 98.62 *percent*, it was only 1.38 to 43.96 *per cent* on ZPs own schemes. The details of expenditure incurred on the schemes were as under:

²⁰ Amravati, Akola, Aurangabad, Bhandara, Dhule, Dadchiroli, Hingoli, Jalgaon, Jalna, Nashik, Nandurbar, Pune, Thane and Washim.

(Amount in crore of Rupees)

Name of Zilla Parishad	Expenditure TS & AS	% of Expenditure on TS & AS to total Expenditure	Expenditure Zilla Parishad's own Scheme	% of Expenditure on Zilla Parishad own schemes to total expenditure
Amravati	227.84	56.14	178.71	43.96
Akola	125.45	92.95	9.52	7.05
Aurangabad	355.05	95.73	15.83	4.27
Bhandara	110.02	86.73	16.84	13.27
Dhule	134.95	96.52	4.86	3.48
Gadchiroli	122.37	95.15	6.24	4.85
Hingoli	88.20	97.92	1.87	2.08
Jalgaon	289.57	59.24	199.26	40.76
Jalna	128.33	98.62	1.79	2.38
Nashik	600.75	91.27	57.45	8.73
Nandurbar	113.27	90.78	11.50	9.22
Pune	324.29	93.72	21.72	6.28
Thane	261.00	97.11	7.77	2.89
Washim	83.94	96.52	3.03	3.99

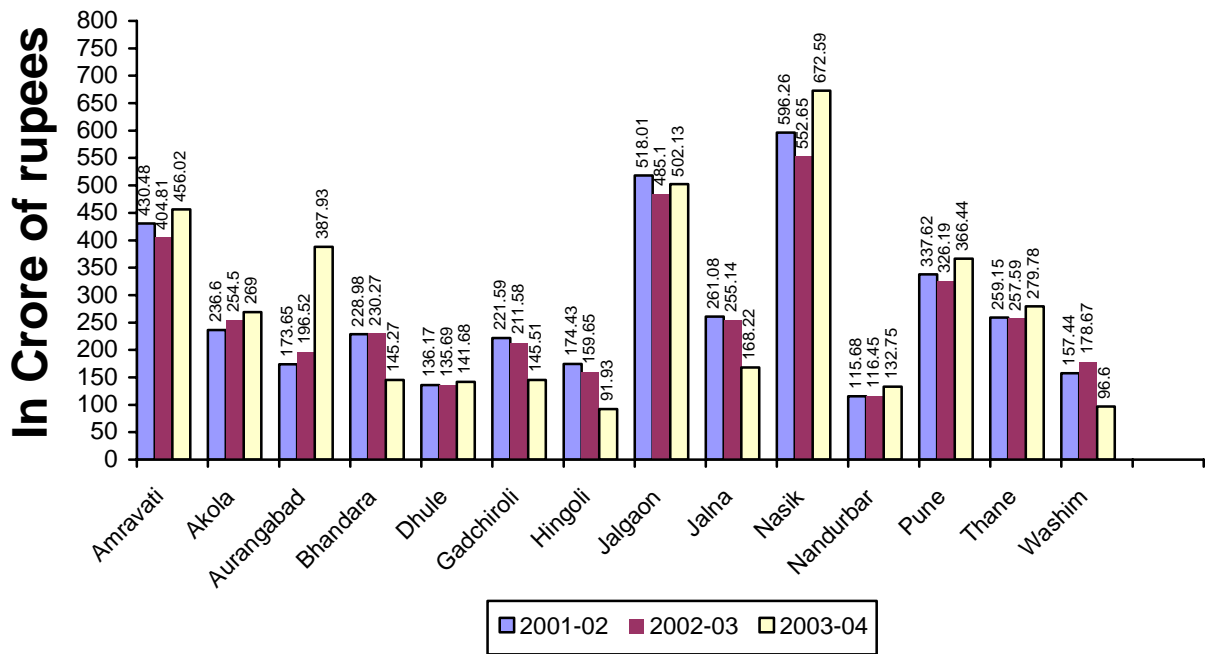
1.4.4 Financial position of ZPs

The financial position of 14 ZPs for the financial years between 2001-2002 and 2003-04 is shown in the following graphs.

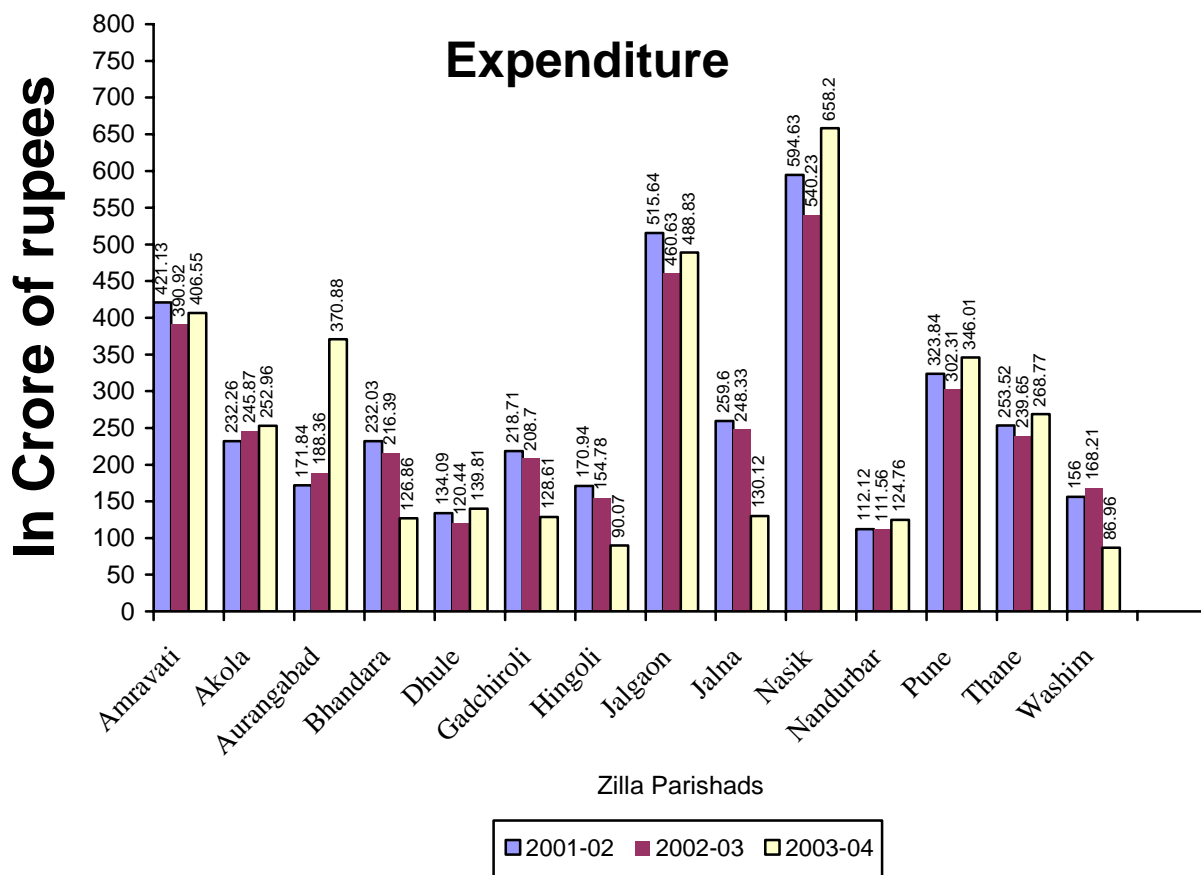
There was increase in receipt during the year 2003-04 as compared to 2002-03 in Amravati, Akola, Aurangabad, Dhule, Jalgaon, Nashik, Nandurbar, Pune and Thane and decrease in Bhandara, Gadchiroli, Hingoli, Jalana and Washim. This increase ranged from 3.51 percent (Jalgaon) to 97.39 percent (Aurangabad), and decrease ranged from 31.22 percent (Gadchiroli) to 46.04 percent (Washim).

There was increase in expenditure during the year 2003-04 as compared to 2002-03 in Amravati, Akola, Aurangabad, Dhule, Jalgaon, Nashik, Nandurbar, Pune and Thane and decrease in expenditure in Bhandara, Gadchiroli, Hingoli, Jalana and Washim. The increase range from 2.88 percent (Akola) to 96.89 percent (Aurangabad) and the decrease range from 38.37 percent (Gadchiroli) to 48.30 percent (Washim).

RECEIPTS



GRAPH 1



GRAPH 1I

Para 1.5 Outstanding Inspection Report and Paras.

Audit observations on financial irregularities and defects in initial accounts/records noticed during local audit but not settled on the spot are communicated to the Heads of Offices and departmental authorities through Inspection Reports (IRs). The more important and serious irregularities are reported to the Government. Besides, statements indicating the number of observations outstanding for over six months are also sent to the Government for expediting their settlement.

At the end of March 2006, 408 Inspection Reports of Zilla Parishads and Panchayat Samities issued by Audit containing 1376 paras issued during the period 2001-02 to 2003-04 were pending settlement. The yearwise breakup of the outstanding Inspection Reports and Paras at the end of March 2006 was as under:-

Year	Inspection Reports	Paragraphs
Upto 2001-02	39	94
2002-03	47	170
2003-04	322	1112
Total	408	1376