

# **PART II**

## **PANCHAYAT RAJ INSTITUTIONS**

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### **CHAPTER IV**

#### **AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF PANCHAYAT RAJ INSTITUTIONS**

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### AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF PANCHAYAT RAJ INSTITUTIONS

#### Highlights

All the 29 functions listed for devolution as per Seventy-third constitutional amendment had been reported as transferred to panchayat raj institutions. However, no functionaries for carrying out these functions have been transferred.

Despite the Entertainment Tax and Surcharge on Stamp Duty collections assigned to the panchayat raj institutions fluctuating, the Directorate of Rural Development and Panchayat Raj had not ascertained the correctness of the revenue apportioned by the Commercial Tax and Registration Departments, indicating the absence of a monitoring mechanism.

The database creation in panchayat raj institutions was only partial.

#### 4.1 Introduction

**4.1.1** In the first few years after independence, community development programmes were implemented in the State through a three tier system of local bodies *viz.*, panchayats, community development blocks and district boards. While panchayats and blocks were responsible for implementation of programmes, the district boards were in-charge of administration. Subsequently, a two tier system of panchayat administration *viz.*, panchayats at village level and panchayat unions (PUs) at block level was introduced in the State by the Panchayats Act, 1958 and the district boards were abolished.

**4.1.2** To promote greater autonomy at the grass root level and to involve people in identification and implementation of developmental programmes involving gram sabhas, the Seventy-third Constitutional Amendment Act, 1992 was promulgated (April 1993). Consequently, the Tamil Nadu Panchayats Act, 1994 was enacted which came into effect from 22 April 1994. Under this Act a three tier system of panchayat raj institutions (PRIs) *viz.*, village panchayats (VPs) at grass root level of village, panchayat unions or block panchayats at the intermediary level and district panchayats (DPs) at the apex level was established. There were 12,618 VPs, 385 PUs and 29 DPs in the State as of March 2006.

#### 4.2 Administrative arrangements

**4.2.1** The administrative control of the PRIs vests with the Secretary to Government, Rural Development Department. The responsibility for implementation of rural development programmes through PRIs devolves on the Director of Rural Development and Panchayat Raj (DRDPR).

**4.2.2** The District Collector is the Inspector for all the three tiers of PRIs at district level. District Rural Development Agency (DRDA), a society registered under Societies Registration Act, 1860 monitors all the schemes implemented by PRIs in the district. The DRDA is headed by the District Collector who is assisted by a Project Officer/Additional Collector.

**4.2.3** The executive authority for the DPs is the Secretary at the level of Assistant Director of Rural Development and its Chairman is an elected representative.

**4.2.4** In the case of PUs, the Block Development Officer (BDO) (Block panchayat), who is also the Commissioner of the Panchayat Union Council, is the executive authority and the Chairman is an elected representative. Another BDO (VPs) is responsible for the implementation of the schemes by the VPs. In case of VPs, the President, an elected representative, is the executive authority.

### **4.3 Accounts and database formats**

**4.3.1** State Government issued orders (April 2004) adopting the accounts formats prescribed by the Comptroller and Auditor General of India. The accounts formats have not been fully operationalised as yet as some modifications to suit State specific requirements are under-way. Government stated (December 2006) that the matter is under consideration with DRDPR and final orders will be issued soon.

**4.3.2** State Government also agreed (February 2005) to adopt the database formats on the finances of the rural local bodies (RLBs), prescribed by the Comptroller and Auditor General of India. Principal Accountant General is monitoring the progress of compilation of database at field level.

**4.3.3** Accounts maintained by PRIs are discussed below:

**(a) Village panchayats**

Village panchayats are required to maintain four accounts *viz.*,

- (i) Village Panchayat Fund Account
- (ii) Village Panchayat Earmarked Fund Account
- (iii) Village Panchayat Scheme Fund Account
- (iv) Village Panchayat Drinking Water Account

The cash balances of the above accounts are maintained in Co-operative Banks, Regional Rural Banks, Post Office Savings Banks and Nationalised Banks, in that order of priority and operated jointly by the President and Vice President of the panchayat.

**(b) Panchayat unions**

Panchayat unions are required to maintain four accounts, *viz.*,

- (i) General Fund Account
- (ii) Education Fund Account

(iii) Nutritious Meal Fund Account

(iv) Scheme Account

Besides the above, two more accounts are also maintained according to necessity viz.,

➤ Village Panchayat Consolidated Fund Account

➤ NABARD (10 per cent) Account

The above accounts are operated through the Treasury and amounts released through the State budget are deposited in them. The amounts received directly from Government of India for certain schemes are deposited in Banks, as required under the orders issued.

**(c) District panchayats**

The main source of finances for the DPs are State and Central Government grants. After meeting expenditure on staff and contingencies, the DPs can take up works with the remaining funds. The DPs are required to maintain two accounts, viz.,

(i) General Fund Account

(ii) Scheme Fund Account

The funds received by DPs are kept in banks, irrespective of the purpose for which received.

A chart showing the funds flow to PRIs is given in **Appendix XXII**.

**4.4 Audit arrangements**

**4.4.1** In accordance with Section 193 of Tamil Nadu Panchayats Act, 1994 Government of Tamil Nadu appointed the following officers as Auditors for PRIs:

Tier of PRI	Auditors appointed	Periodicity
District panchayat	Director of Local Fund Audit (DLFA)	Annually
Panchayat union	DLFA	Quarterly
Village panchayat	(i) Deputy Block Development Officer (DBDO) except audit of scheme accounts	Quarterly
	(ii) Assistant Director of Rural Development (Audit) except audit of scheme accounts	Quarterly
	(iii) DLFA for audit of scheme accounts	Annually (test check)

**4.4.2** Accounts of DPs and PUs are also audited by Principal Accountant General (Civil Audit) under Section 14(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). Further technical guidance is provided by the Principal Accountant General to DLFA regarding audit of DPs and PUs in terms of March 2003 order of Government of Tamil Nadu.

**4.4.3** A training programme on the new budget and format of accounts in PRIs for the staff of PRIs, DRDAs and DLFA, *viz.*, Extension Officers (Accounts), Assistant Directors (Panchayat), Assistant Directors (Audit), Officers from DLFA, Secretaries to DPs and DBDOs was conducted in August 2005 by the Principal Accountant General. These trained staff will in turn train the district and block officials. The training of all cadres is an ongoing process (November 2006).

#### **4.4.4 Devolution of functions, functionaries and funds**

**4.4.4.1** Though all 29 functions (**Appendix XXIII**) listed in the Eleventh schedule of the Constitution of India have been reported as transferred to PRIs, no functionaries have been transferred to PRIs and funds for various purposes are being transferred as grants-in-aid to the PRIs.

**4.4.4.2** Based on the announcement made in the Legislative Assembly on 11 August 2006, State Government ordered (January 2007) the constitution of a High Level Committee for examining further devolution of powers and responsibilities to the RLBs and to give suitable recommendations.

**4.4.4.3** The DRD stated that though the State Government had given powers and functions to the local bodies to match the implementation capacity and financial devolution, the decentralisation and delegation of power was a dynamic and continuous process.

**4.4.4.4** Government in the Rural Development Department stated (February 2007) that after the receipt of the report of the High Level Committee, more devolution of powers to the PRIs would be considered.

**4.4.4.5** The Government reported to the Twelfth Finance Commission, that the transfer of functionaries was a major problem faced by the Government, which could only be solved in a phased manner in due course of time. At present the expenditure towards the salaries of teachers of panchayat union elementary schools was being met from State funds. The Second State Finance Commission (SSFC) had recommended transfer of elementary education personnel, and also salary grants relating to them to local bodies instead of meeting salary expenditure from State funds directly. Under Public Health also, the SSFC had recommended that the funds to meet the running cost of medical institutions in the local body areas be routed through the concerned local bodies and that the maintenance of Primary Health Centres and sub-centres be entrusted to Panchayat Union Councils along with adequate budget provisions therefor. Government stated that these recommendations were under active consideration and orders would be issued soon. However, the fact remains that without the transfer of functionaries to PRIs, programme implementation and service delivery can be adversely impacted, thus negating one of the objectives of decentralisation.

## **4.5 Receipt and expenditure of rural local bodies**

**4.5.1** The details of receipts of PRIs during the last three years, as reported by DRDPR, in January 2007, are given in the table below. However,

the accuracy of these figures could not be authenticated in the absence of data compiled from the audited accounts of PRIs by the department/Government.

(Rupees in crore)

Category of PRI	Year	Own Revenue	Assigned Revenue	Grants	Loans	Total
Village panchayats	2003-04	125.97	185.58	647.37	-	958.92
	2004-05	149.37	149.03	746.87	-	1045.27
	2005-06	158.83	198.77	1054.42	-	1412.02
Panchayat unions	2003-04	65.32	29.43	633.37	-	728.12
	2004-05	79.62	4.80	797.83	-	882.25
	2005-06	81.31	8.75	899.88	-	989.94
District panchayats*	2003-04	-	-	112.00	-	112.00
	2004-05	-	-	122.80	-	122.80
	2005-06	-	-	127.12	-	127.12

\* The receipts of district panchayats mainly consists of grants.

It would be seen that the receipts of all the PUs and VPs had increased during 2003-06, mainly due to increased receipt of grants.

**4.5.2** The details of expenditure of all the three tiers of PRIs during the last three years 2003-04 to 2005-06, as reported by DRDPR duly incorporating the expenditure incurred out of State and Central Finance Commission grants, are given below:

(Rupees in crore)

Category of PRI	Year	Revenue Expenditure	Capital Expenditure	Total Expenditure
Village panchayats	2003-04	708.74	159.46	868.20
	2004-05	777.42	176.96	954.38
	2005-06	967.19	311.40	1278.59
Panchayat unions	2003-04	480.63	183.06	663.69
	2004-05	650.75	232.94	883.69
	2005-06	679.28	250.30	929.58
District panchayats	2003-04	53.74	37.60	91.34
	2004-05	70.30	46.96	117.26
	2005-06	76.45	58.31	134.76

**4.5.3** In absence of consolidation of audited accounts of all the PRIs, a comprehensive picture of the finances of PRIs was not available.

**4.5.4** The component-wise details of receipts and expenditure for the years 2003-06 as reported by DRDPR are given in the succeeding paragraphs.

## 4.6 Receipt of PRIs

### 4.6.1 Source of receipts

The source of receipts for PRIs is their own revenue consisting of tax and non-tax revenue, assigned revenue from the State Government and grants given by

State and Central Finance Commissions. The percentage share of allocation of various revenues among the PRIs is given in **Appendix XXIV**.

#### 4.6.2 Tax revenue

The main components of tax revenue in VPs are House Tax, Profession Tax and Advertisement Tax. The position of cumulative demand (including arrears), collection and balance of these taxes during 2003-06 by the VPs as reported by DRDPR is given below:

(Rupees in crore)

Year	House Tax			Professional Tax			Advertisement Tax		
	D	C	B	D	C	B	D	C	B
2003-04	54.34	48.84(90)	5.50	27.90	26.44(95)	1.45	0.72	0.71(99)	0.01
2004-05	59.80	53.91(90)	5.89	29.56	28.31(96)	1.25	0.42	0.37(88)	0.05
2005-06	67.10	61.15(91)	5.95	32.40	31.34(97)	1.06	0.17	0.17(100)	NIL

(D: Demand, C: Collection, B: Balance)

Figures in brackets indicate percentage of collection to demand.

It would be seen that the percentage of collection of House Tax as compared to the demands raised was at 90 and 91 during 2003-06 and the percentage of collection of both Profession Tax and Advertisement Tax was also satisfactory.

#### 4.6.3 Non-tax revenue

The main non-tax revenue of PUs is receipts from remunerative enterprises, fairs and festivals, ferries operation, choultries, marriage halls, markets, fishery rentals and fines and penalties besides interest receipts.

Some of the major non-tax revenues of VPs are water charges, building licence fees, fees for approval of layouts, Dangerous and Offensive (D&O) trade licence fees, receipts from fairs and festivals, plantation lease amount, shandy lease amount and fishery rentals besides interest receipts.

The details of non-tax revenue realised by PRIs during 2003-06 are given below. However, no details for the revenue realised were furnished by DRDPR.

(Rupees in crore)

Category of PRI	Year	Non-tax revenue realised
Village panchayats	2003-04	50.20
	2004-05	66.30
	2005-06	66.17
Panchayat unions	2003-04	65.32
	2004-05	79.62
	2005-06	81.31

It will be seen that the non-tax revenue actually realised by PUs showed an increasing trend. However, in respect of VPs, though the non-tax revenue realised had increased from 2003-04 to 2004-05, it decreased during 2005-06.

In order to augment the non-tax revenue base of the PRIs, the Government needs to act upon some of the recommendations of SSFC like formation of separate committees at village panchayat level for revising the D&O licence

fee, sharing rent from the fisheries between PUs and VPs, fixing upset price for forest produce, etc.

#### 4.6.4 Assigned revenue

This includes the class of taxes and levies traditionally collected by Government and assigned to the local bodies. SSFC considered the assigned revenue as part of the resource base of the PRIs and desired that the base needed to be maintained.

Entertainment Tax, Stamp Duty Surcharge, Local Cess, Local Cess Surcharge and Seigniorage Fees are some of the revenues assigned by Government to PUs and VPs and the quantum of such revenue assigned to these local bodies during 2003-06 as reported by DRDPR are given below:

(Rupees in crore)

	Year	Local Cess	Local Cess Surcharge	Entertainment Tax	Stamp-Duty Surcharge	Seigniorage Fees	Other assigned revenues	Total
Village panchayats	2003-04	3.21	ND	2.99	143.72	18.14	17.52	185.58
	2004-05	2.31	ND	3.18	104.74	26.30	12.50	149.03
	2005-06	2.15	ND	1.74	144.77	27.08	23.03	198.77
Panchayat unions	2003-04	ND	18.39	2.07	ND	8.97	-	29.43
	2004-05	ND	2.02	1.21	ND	1.57	-	4.80
	2005-06	ND	6.41	0.99	ND	1.35	-	8.75

ND – assigned revenue not due.

The Local Cess assigned to VPs and the Local Cess Surcharge assigned to PUs had declined during 2005-06 as compared to 2003-04 figures. While the assigned Entertainment Tax to PUs declined, the same assigned to VPs was fluctuating during 2003-06. The Stamp Duty Surcharge assigned to VPs was also fluctuating during 2003-06. While the Seigniorage Fees assigned to PUs declined, the same assigned to VPs increased during 2003-06. The DRDPR stated (February 2007) that consequent on the waiver of Land Revenue by Government due to drought, there was decline in both Local Cess and Local Cess Surcharge. Regarding Entertainment Tax and Surcharge on Stamp Duty, the DRDPR stated that the revenue assigned by Commercial Tax Department and the Registration Department was passed on to the VPs and PUs and the reasons for the decrease would be ascertained from these departments and intimated to Audit.

#### 4.6.5 Grants received by PRIs

The details of State Finance Commission grants and Central Finance Commission grants received by the PRIs during 2003-06 are given below:

##### 4.6.5.1 State Finance Commission grants

Government ordered (March 2002) the following for devolution from the State's own tax revenues to the local bodies.

- The rural and urban local bodies would receive eight *per cent* of the State's own tax revenues after excluding the Entertainment Tax



receipts. The vertical sharing of resources between rural and urban local bodies would be in the ratio of 58:42.

- Of the total devolution to the PRIs, the resources would be shared among the VPs, PUs and the DPs in the ratio of 47:45:8.

The details of State Finance Commission grants devolved to PRIs during 2003-06 are given below:

(Rupees in crore)

Category of PRI	2003-04	2004-05	2005-06
Village panchayats	355.62	398.26	499.27
Panchayat unions	266.89	400.43	426.25
District panchayats	49.01	64.15	69.23
Total SFC grants	671.52	862.84	994.75
Amount adjusted by way of deduction	138.08*	30.75**	37.15**
Net grant released	533.44	832.09	957.60

\* including Rs 105.08 crore adjusted towards Tamil Nadu Electricity Board dues and Rs 33 crore towards pension contribution of employees.

\*\* adjustment made towards pension contribution of employees.

The utilisation of SSFC grants in three selected districts (Coimbatore, Thanjavur and Vellore) has been reviewed in audit and commented on in paragraph 5.2.

#### 4.6.5.2 Eleventh/Twelfth Finance Commission grants

The grants released by Government of India based on the recommendations of the Eleventh Finance Commission (EFC) and Twelfth Finance Commission (TFC) are shown below:

(Rupees in crore)

Category of PRI	2003-04	2004-05	2005-06
Village panchayats	47.28	47.28	139.20
Panchayat unions	38.68	38.68	34.80
District panchayats	(No grants given to district panchayats)		

The DRDPR reported that the Finance Commission grants received by PRIs were utilised in entirety.

The utilisation of EFC grants in six selected districts<sup>1</sup> has been reviewed in audit and commented on in paragraph 5.3. Of the EFC grants released by Government of India for the period 2000-05, Rs 25.96 crore was earmarked for the maintenance of accounts and Rs 10.38 crore for the creation of a database on the finances of the PRIs. State Government released (March 2004 and March 2005) Rs 35.93 crore towards purchase of computers for 385 PUs, Rs 28.40 lakh for software development and Rs 11.89 lakh for the training of staff. As mentioned in para 4.3.1 supra, the final approval of the database formats on the finances of the PRIs is under consideration of the State

<sup>1</sup> Dharmapuri, Erode, Tiruchirappalli, Tiruvannamalai, Tiruvarur and Villupuram.

Government and the database of PRIs is yet to be compiled utilising these computers.

A sum of Rs 870 crore has been allotted to the State by TFC as their award during the period 2005-06 to 2009-10. Rupees 174 crore is earmarked to be released every year to panchayats and PUs. Out of this, Rs 24.39 crore was for purchase of computers for VPs. DRDPR stated (January 2007) that orders had been placed (September 2006) with Electronic Corporation of Tamil Nadu Limited (ELCOT), a State Government undertaking, for the supply of computers to 6,096 VPs<sup>2</sup>.

#### 4.6.6 Other grants

Apart from the finance commission grants, other grants received by PRIs during 2003-06 are given below:

(Rupees in crore)

Category of PRI	2003-04	2004-05	2005-06
Village panchayats	244.47	301.33	415.95
Panchayat unions	327.80	358.72	438.83
District panchayats	62.99	58.65	57.89
<b>Total</b>	<b>635.26</b>	<b>718.70</b>	<b>912.67</b>

Though the entire grants received were reported as utilised, the details of grants and the purposes of utilisation were not furnished by DRDPR.

### 4.7 Expenditure of PRIs

#### 4.7.1 Revenue expenditure

Revenue expenditure consists of salaries and pensions, expenditure on repairs and maintenance and administration.

The details of revenue expenditure incurred by PRIs during the last three years viz., 2003-04 to 2005-06, as reported by DRDPR are given below:

(Rupees in crore)

Category of PRI	Revenue expenditure				Total
	Year	Salaries	Pension	Other revenue expenditure (including SSFC grants utilised)	
Village panchayats	2003-04	48.31	0.46	659.97	708.74
	2004-05	51.14	0.10	726.18	777.42
	2005-06	59.91	0.26	907.02	967.19
Panchayat unions	2003-04	63.89	3.54	413.20	480.63
	2004-05	63.80	2.59	584.36	650.75
	2005-06	66.99	0.91	611.38	679.28
District panchayats	2003-04	1.70	0.04	52.00	53.74
	2004-05	1.72	0.09	68.49	70.30
	2005-06	1.84	0.04	74.57	76.45

<sup>2</sup> Out of 12,618 VPs, computers were supplied to 6,522 VPs in the first two phases.

During the above period all the three tiers recorded an increasing trend of revenue expenditure with the percentage of increase ranging from 36 to 42 per cent.

#### 4.7.2 Capital expenditure

Quantum of capital expenditure reported as incurred by PRIs, as reported by DRDPR, are as given below:

(Rupees in crore)

Category of PRIs	2003-04	2004-05	2005-06
Village panchayats	159.46	176.96	311.40
Panchayat union	183.06	232.94	250.30
District panchayats	37.60	46.96	58.31
<b>Total</b>	<b>380.12</b>	<b>456.86</b>	<b>620.01</b>

As in the case of revenue expenditure, the capital expenditure in all three tiers showed an increasing trend.

Based on the details compiled by DRDPR, the expenditure incurred towards the main core sectors viz., water supply, street lighting and road works during 2003-05 are furnished below:

(Rupees in crore)

Name of the core sector	Category of PRI	2003-04	2004-05	2005-06
Water supply	Village panchayats	27.28	35.75	36.38
	Panchayat unions	35.97	34.43	37.27
	District panchayats	5.71	4.14	5.69
<b>Total</b>		<b>68.96</b>	<b>74.32</b>	<b>79.34</b>
Street lights	Village panchayats	8.33	11.34	14.35
	Panchayat unions	1.53	1.28	2.32
	District panchayats	0.64	1.47	1.69
<b>Total</b>		<b>10.50</b>	<b>14.09</b>	<b>18.36</b>
Road works	Village panchayats	36.62	42.25	53.89
	Panchayat unions	39.67	55.89	88.51
	District panchayats	16.87	23.37	26.97
<b>Total</b>		<b>93.16</b>	<b>121.51</b>	<b>169.37</b>

In addition to above, works under the core sectors of roads and water supply were also executed under other schemes<sup>3</sup> executed through various agencies<sup>4</sup> with the assistance of Central and State Governments.

<sup>3</sup> Water supply works: Rural water supply schemes, Combined water supply schemes, Individual power pump schemes, Mini power pump schemes, Accelerated Rural Water Supply Programme, Swajaldhara etc.

Road works: District and other roads schemes, Improvement to rural road schemes with the assistance from NABARD/HUDCO etc., Pradhan Mantri Gram Sadak Yojana, etc.

<sup>4</sup> Water supply works: Tamil Nadu Water Supply and Drainage Board.  
Road works: Highways Department, Tamil Nadu Road Development Corporation.

### 4.7.3 Position of availability of funds in PRIs

The details of opening balance, receipts, expenditure and closing balance in respect of local bodies under each tier of PRIs, as compiled from the details furnished by DRDPR, duly incorporating the State/Central Finance Commission grants utilised, during 2003-04 to 2005-06, are given below:

(Rupees in crore)

Category of PRIs	Year	Opening balance	Receipts	Total available funds	Expenditure	Closing balance
Village panchayats	2003-04	107.95	958.92	1066.87	868.20	198.67
	2004-05	198.67	1045.27	1243.94	954.38	289.56
	2005-06	289.56	1412.02	1701.58	1278.59	422.99
Panchayat unions	2003-04	196.75	728.12	924.87	663.69	261.18
	2004-05	261.18	882.15	1143.33	883.69	259.64
	2005-06	259.64	989.94	1249.58	929.58	320.00
District panchayats	2003-04	25.68	112.00	137.68	91.34	46.34
	2004-05	46.34	122.80	169.14	117.26	51.88
	2005-06	51.88	127.12	179.00	134.76	44.24

The above details showed that barring the year 2004-05, in respect of panchayat unions, expenditure by all tiers was well within the receipts for the year.

## 4.8 Audit of PRIs

**4.8.1** DLFA is the statutory Auditor for all the three tiers of PRIs. The position of arrears in completion of audit of rural local bodies, as reported (October 2006) by DLFA, as of September 2006 is as given below:

Category of PRIs	Total number to be audited	Number of RLBs wherein Audit not completed for		
		2003-04	2004-05	2005-06
District panchayats	29	-	-	8
Panchayat unions	385	-	-	164
Village panchayats	2,524*	1,365	2,158	2,524

\* 20 per cent of the total number of VPs to be test checked by the DLFA as per Government orders of November 2002

The regular audit of VPs was conducted by the DBDOs.

**4.8.2** The main reason attributed (October 2006) by DLFA for non-completion of audit in the above institutions was non-submission of accounts by the institutions.

**4.8.3** The number of paragraphs included in the Inspection Reports (IRs) of DLFA, pending settlement as of March 2006 in respect of PUs and DPs aggregated to 31,501 and 663 respectively. The reported (June 2006) position of year-wise pendency by DLFA is as given below:

Year of IR	Number of paragraphs pending in respect of	
	Panchayat unions	District panchayats
Upto 1999-2000	11,549	160
2000-2001	1,081	50
2001-2002	1,398	42
2002-2003	1,525	43
2003-2004	3,741	68
2004-2005	12,207	300
<b>Total</b>	<b>31,501</b>	<b>663</b>

There is an urgent need for holding regular joint sittings in each district with the District Officers of the Local Fund Authority for expeditious settlement of long pending audit observations.

#### **4.9 Response to Audit**

Audit Reports upto the year 1996-97 were discussed by the Committee on Public Accounts (PAC) and recommendations were issued. Despite the directions of the PAC to Government Departments for furnishing prompt reply to pending recommendations as of December 2006, there were 240 recommendations (10 C&AG Reports) relating to the period 1982-83 to 1996-97 pertaining to the Rural Development Department pending final settlement, which *inter-alia* consisted of paragraphs relating to rural local bodies.

#### **4.10 Conclusion**

There was no mechanism with the Panchayat Raj Department for collection (centrally) of data on receipts and expenditure of PRIs during the year so that an overall financial picture for each year may be available. Though all the 29 functions to be devolved as per the Constitution of India, were reported as transferred to the rural local bodies, by the Director of Rural Development and Panchayat Raj, the functionaries have not yet been transferred. The performance of village panchayats in terms of collection *vis-à-vis* demand of taxes was very good as per the reports of the Director of Rural Development and Panchayat Raj. Despite the fluctuation in the assigned revenue towards Entertainment Tax and Surcharge on Stamp Duty to panchayat raj institutions during 2003-06, the department had not ascertained specific reasons for the same.

#### **4.11 Recommendations**

- Action should be initiated to institute an effective mechanism for collection and compilation of funds flow and expenditure incurred by the panchayat raj institutions for monitoring and decision making.
- Arrangements for speedy settlement of audit objections and inspection paragraphs should be strengthened and the pendency reduced in a phased manner.