

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 tier¹ structure of local self governing bodies at district, block and village levels and enhances decentralisation 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 and powers of PRIs enabling them to function as third tier of Government. Later, Rajasthan Panchayati Raj Rules (RPRRs), 1996 were incorporated thereunder 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), 248 Panchayat Samitis (PSs)² and 9,177 Gram Panchayats (GPs) in the State. State Government vide notification dated 5 November 2014 reconstituted the PRIs, which enhanced the number of PSs and GPs to 295 and 9,894 respectively as of March 2015.

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 | Creore | 6.85 | 121.06 |
| Population (Rural) | Creore | 5.15 | 83.35 |
| Population (Urban) | Creore | 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 | 25.9 (2012) | 21.6 (2012) |
| Death rate | Per 1,000 Mid year Population | 6.6 (2012) | 7.0 (2012) |
| Infant mortality Rate | Per 1,000 live births | 49 (2012) | 40 (2012) |
| Maternal Mortality Rate | Per lakh live births | 255 (2010-12) | 178 (2010-12) |

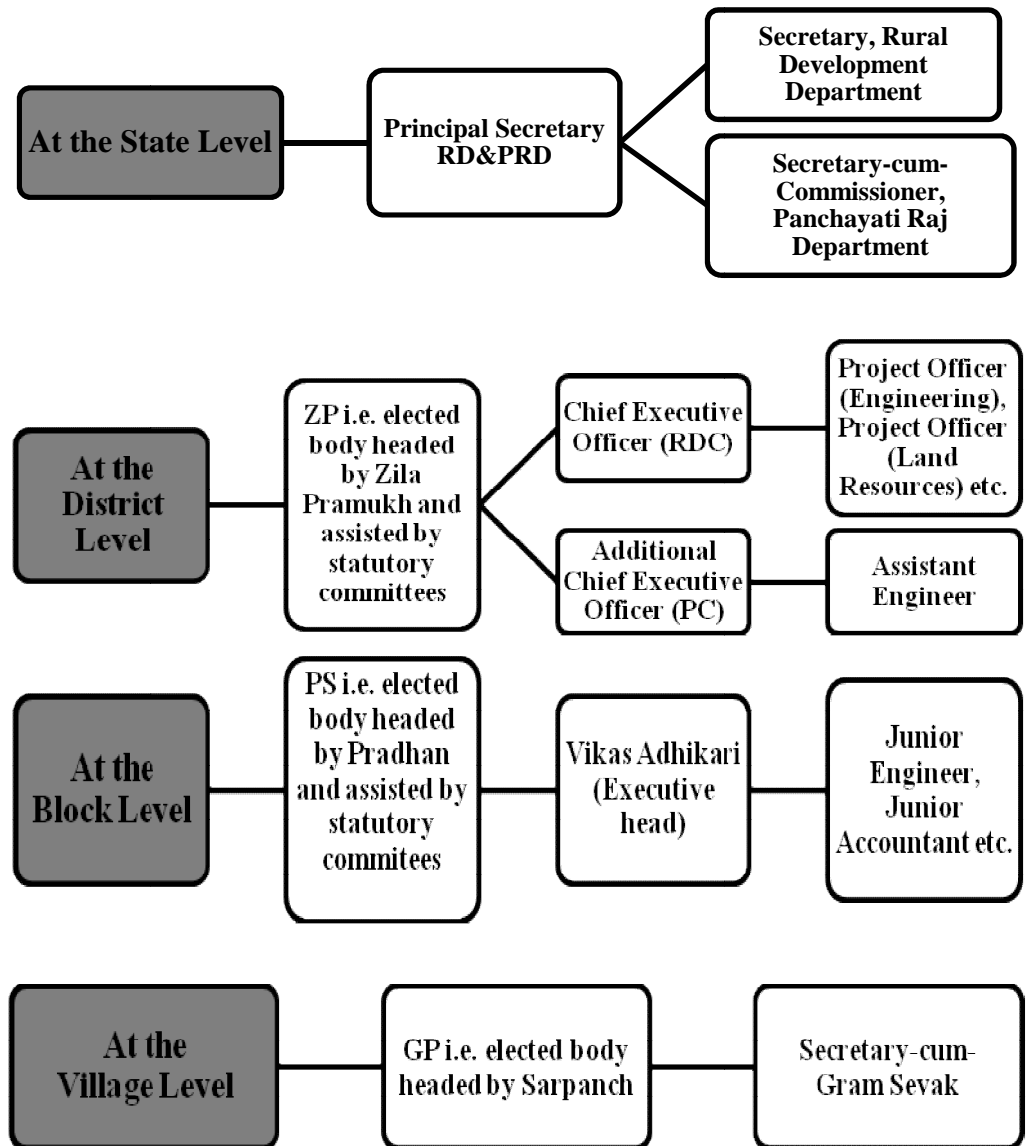
Source: As per Department of Economics and Statics

1. Zila Parishad at District level, Panchayat Samiti at Block level and Gram Panchayat at village level
2. This does not include PS, Reshabhdev which is not functional due to stay by court of law

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 Principal 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.

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

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

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

Following the 73rd Constitutional Amendment, orders on devolution were issued by the State Government 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.

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 2014-15, important decisions such as approval of District Annual Plan/five year plan, annual plan of Backward Region Grant Fund, Zila Navachar Funds works and discussion on sanctioned works under untied funds scheme were taken in DPC meetings. However, out of 33 districts, only four districts (Barmer, Chittorgarh, Jaisalmer and Pratapgarh) held the prescribed four DPC meetings, 25 districts did not hold the prescribed number of meetings and remaining four districts (Baran, Bharatpur, Dholpur, and Nagaur) did not hold any meeting at all. Baran and Dholpur did not hold any meetings of DPC during 2013-14 also.

The Department attributed the reasons for not holding of DPC meetings as required was due to General, Urban Local Bodies and Panchayats elections and restructuring of DPC in progress.

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, *gramdan*, 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.

Government stated (January 2016) that the actual status of constitution and working of standing committees were being collected from PRIs and would be intimated to Audit accordingly.

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 (LFAD) as per provisions of the Rajasthan Local Fund Audit Act (RLFAA), 1954. The Audit Report³ of the Director, LFAD 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 committee on Local Bodies and Panchayati Raj Institution constituted by Rajasthan State Legislature.

The Audit Report of LFAD, Rajasthan for the year 2013-14 has been laid before the State legislature on 25 March 2015.

- ***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 ZPs, PSs and GPs. However, only transaction Audit was being conducted by the LFAD and certification of annual accounts was not being done at any level of PRIs. Director, LFAD replied that due to non-maintenance of books of accounts by PRIs, it is not possible to certify the accounts.

In absence of certification of accounts, it was not possible for Audit to ascertain the correctness of figures given in the annual accounts prepared by the PRIs at the ZP, PS and GP level.

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

- **Arrears of Audit of Local Fund Audit Department**

Against total 9,457 units of PRIs there were arrears of 7,857 units of PRIs (ZPs: 27, PSs: 203 and GPs: 7,627) as of March 2015 due to vacant posts and election duties of staff.

Director, LFAD issued total 6,444 inspection reports (IRs) containing 59,266 paragraphs which were pending for settlement as of March 2015. Out of 59,266 paragraphs, 7,596 paragraphs involving ₹ 21.35 crore were related to embezzlement.

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 RPR⁴, 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.

- **Implementation of Technical Guidance and Support/Supervision**

In pursuance of recommendations of XIII Central Finance Commission, Government of Rajasthan (GoR), Finance (Audit) Department 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 Director Local Fund Audit.

Comments/suggestions in respect of 11 factual statements and draft paragraphs proposed by Director, LFAD for inclusion in their Audit report and comments on the 12 IRs of Director, LFAD upto March 2015 were communicated to Director, LFAD (upto March 2015) under the TG&S by the Principal Accountant General (General and Social Sector Audit) Rajasthan.

1.6 Response to Audit Observations

- **Response to Paragraphs and Inspection Reports**

As of March 2015, 2,372 IRs comprising 25,932 paragraphs issued by the Principal Accountant General (General and Social Sector Audit) Rajasthan in respect of ZPs and PSs (including GPs) were pending for settlement as detailed in **Table 1.2** below:

Table 1.2

| Year | IRs | Paragraphs |
|---------------|-------|------------|
| Up to 2006-07 | 1,052 | 7,131 |
| 2007-08 | 185 | 2,204 |
| 2008-09 | 200 | 3,138 |
| 2009-10 | 163 | 2,557 |

4. All accounts kept and maintained by a Panchayati Raj Institution shall be audited, as soon as may be after the end of each financial year, by the Director, Local Fund Audit 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

| Year | IRs | Paragraphs |
|--------------|--------------|---------------|
| 2010-11 | 115 | 1,697 |
| 2011-12 | 215 | 3,554 |
| 2012-13 | 190 | 3,069 |
| 2013-14 | 187 | 2,075 |
| 2014-15 | 65 | 507 |
| Total | 2,372 | 25,932 |

This indicated lack of prompt response on the part of PRIs which resulted in recurrence of the deficiencies and lapses pointed out earlier. However, an amount of ₹ 4.59 lakh was recovered in five cases during 2014-15 at the instance of Audit.

- ***Response to Paragraphs Appeared in Audit Reports***

Nine paragraphs involving money value of ₹ 1,072.07 crore appeared in previous four Audit Reports⁵ were pending with State Government for want of reply as on 31 December 2015.

- ***Discussion on Audit Reports by the Committee***

A Committee on Local Bodies and Panchayati Raj Institution has been constituted since 01 April 2013 in Rajasthan Vidhan Sabha to examine and discuss the Audit Reports of Comptroller and Auditor General of India on local bodies.

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 Rules⁶, 2011. For the purpose of these rules, Audit of scheme includes Social Audit also. 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 on 29 September 2009 under the administrative set up of Principal Secretary RD&PRD. Director, Social Audit is responsible for

5. Audit Report 2008-10 (one para: ₹ 15.17 crore), 2010-12 (two para: ₹ 236.46 crore), 2012-13 (one para: ₹ 0.52 crore) and 2013-14 (five para: ₹ 819.92 crore)

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

conducting Social Audit of scheme⁷ in the State as per provisions of the Social Audit Guidelines, 2012.

Further Audit comments on Social Audit have been included in paragraph number 2.3 of this report.

1.8 Lokayukta

In the State, The Rajasthan Lokayukta and Up-Lokayuktas Act, 1973 came into force on 3 February 1973 which also covers 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.

However, the acts of the Sarpanch or Panch of GP do not fall under the direct jurisdiction of the Lokayukta in Rajasthan.

1.9 Submission of Utilisation Certificates

In RDD, against grants of ₹ 2,519.06 crore released as on March 2015 by RDD to ZPs, utilisation certificates (UCs) of ₹ 2,321.64 crore (92.06 per cent of total grants) were pending against executing agencies. Year-wise breakup of pending UCs as on March 2015 was not provided by the department though called for.

It was informed (January 2016) by the RD&PRD that pending UCs were being collected from the PRIs.

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 Director, LFAD as per the provision of the RLFAA, 1954.

The Director, LFAD has full access to accounts of the PRIs. The extent and nature of Audit by Director, LFAD has been outlined in the RLFAR, 1955 which includes certification of correctness of annual accounts of the PRIs also.

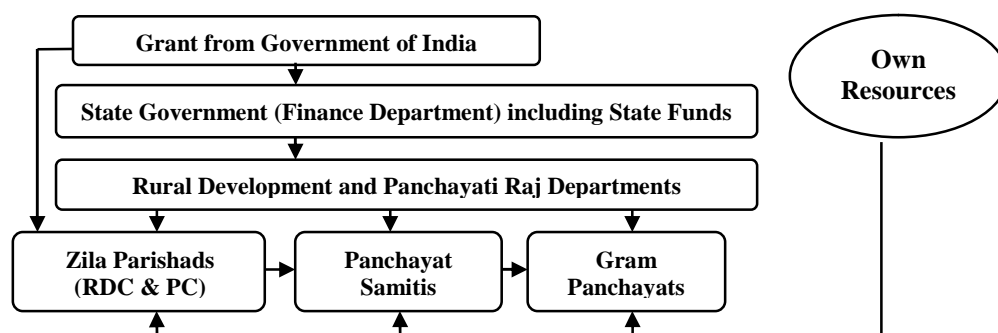
1.11 Financial Reporting Issues

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:

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

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 2010-15 is given in **Table 1.3** below:

Table 1.3

| Particulars | (₹ in crore) | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| (A) Revenue receipts | | | | | |
| Own Tax | NA | NA | NA | - | - |
| Own Non-Tax (ZP) | NA | NA | 2.90 | 4.66 | Nil |
| Total Own Revenue | - | - | 2.90 | 4.66 | Nil |
| Grants-in-aid from State Government | 1,051.77 | 2,197.21 | 2,928.48 | 3,107.37 | 4,777.81 |
| Thirteenth Finance Commission Grants | 370.10 | 609.40 | 953.81 | 1,017.14 | 1,042.09* |
| Total Receipts | 1,421.87 | 2,806.61 | 3,885.19 | 4,129.17 | 5,819.90 |
| (B) Expenditure | | | | | |
| Revenue Expenditure (Pay and allowances and maintenance expenditure) | 1,416.22 | 2,805.64 | 3,863.29 | 4083.79 | 5,403.36 |
| Capital Expenditure | 5.65 | 0.97 | 19.00 | 10.12 | 1.85 |
| Total Expenditure | 1,421.87 | 2,806.61 | 3,882.29 | 4,093.91 | 5,405.21 |
| <i>Source: As per data provided by PRD NA : Not available</i> | | | | | |
| <i>* It includes ₹ 171.20 crore pertaining to year 2013-14, which was allotted in April 2014</i> | | | | | |

The above table indicated that:

- Total receipts and expenditure increased by 40.95 and 32.03 per cent respectively in 2014-15 over the previous year.
- Grants-in-aid from the State Government increased by 53.76 per cent in 2014-15 over the previous year.
- Similarly, Thirteenth Finance Commission (TFC) grants also increased by 2.45 per cent in 2014-15 over the previous year.

- Own revenue of PRIs is shown 'Nil' for the year 2014-15 and reflects total dependency on grants-in-aid received from State Government and Finance Commission grants. Complete dependency on grants and lack of fiscal autonomy of PRIs is a matter of serious concern that needs to be addressed for improving governance at the grass root level.
- A huge portion of expenditure (99.97 per cent) was incurred on pay and allowances and maintenance. Thus, capital expenditure (developmental works) comprised only 0.03 per cent of the total expenditure of ₹ 5,405.21 crore in the year 2014-15.

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 2011-15 is given in **Table 1.4** below:

Table 1.4

(₹ in crore)

| Particulars | 2011-12 | | | 2012-13 | | | 2013-14 | | | 2014-15 | | |
|--|----------|--------|-----------------|----------|--------|-----------------|----------|---------|-----------------|-----------|---------------|-----------------|
| | CSS | SSS | Total | CSS | SSS | Total | CSS | SSS | Total | CSS | SSS | Total |
| Opening balance | 745.84 | 206.32 | 952.16 | 770.62 | 253.86 | 1,024.48 | 673.29 | 373.98 | 1,047.27 | 823.89 | 325.44 | 1,149.33 |
| Receipts | 1,010.65 | 259.01 | 1,269.66 | 648.18 | 535.86 | 1,184.04 | 972.45 | 647.25 | 1,619.70 | 754.30 | 613.51 | 1,367.81 |
| Total available funds | 1,756.49 | 465.33 | 2,221.82 | 1,418.80 | 789.72 | 2,208.52 | 1,645.74 | 1021.23 | 2,666.97 | 1,580.11* | 938.95 | 2,519.06 |
| Expenditure | 1,070.03 | 216.69 | 1,286.72 | 885.28 | 431.78 | 1,317.06 | 1,006.78 | 743.88 | 1,750.66 | 1,042.46 | 504.71 | 1,547.16 |
| Closing balance | 686.46 | 248.64 | 935.10 | 533.52 | 357.94 | 891.46 | 638.96 | 277.35 | 916.31 | 537.65 | 434.24 | 971.89 |
| Percentage of expenditure to the total available funds | 60.92 | 46.57 | 57.91 | 62.40 | 54.68 | 59.64 | 61.17 | 72.84 | 65.94 | 65.97 | 53.75 | 61.42 |

Source: As per data provided by RDD
 CSS: Centrally Sponsored Scheme, SSS: State Sponsored Scheme
 *This includes receipt of ₹ 1.92 crore on account of interest on available funds in CSS

The above table indicated that:

- There was a difference of ₹ 233.02 crore between the closing balance of 2013-14 and the opening balance of 2014-15. Regarding the difference in figures, State Government stated (November 2014) that information provided was based on Monthly Progress Reports received from districts in which adjustment of UCs of many completed works remains pending. Similar discrepancies were also commented in the previous Audit Reports but they still persist. Remedial action for reconciliation of the differences needs to be taken by the State Government.
- Total receipts from Central and State Government declined by 15.55 per cent. The expenditure also declined by 11.62 per cent in 2014-15 in comparison to 2013-14.
- During 2014-15, utilisation of available funds was 61.42 per cent and there was decline in utilisation of funds over the previous year.

1.11.2 Recommendations of the State Finance Commission

As per information provided by the department, grants of ₹ 2,073.75 crore were released during 2014-15 under Fourth State Finance Commission (SFC-IV) among GPs, PSs and ZPs in the ratio of 85, 12 and three *per cent* respectively. Accordingly, State Government transferred SFC-IV grants of ₹ 2,073.75 crore to PRIs (GPs: ₹ 1,762.69 crore, PSs: ₹ 248.85 crore and ZPs: ₹ 62.21 crore) during 2014-15.

1.11.3 Recommendations of the Central Finance Commission

The position of allocation and expenditure of TFC grants to the State PRIs is exhibited in the **Table-1.5** below:

Table 1.5

(₹ in crore)

| Year | Allocation to the State by TFC | Opening Balance | Received from GoI | Total available funds (Col.3+Col.4) | Expenditure | Unspent Balances | |
|--------------|--------------------------------|-----------------|-------------------|-------------------------------------|-----------------|------------------|------------|
| | | | | | | Amount | Percentage |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 2010-11 | 370.30 | - | 370.10 | 370.10 | 74.75 | 295.35 | 79.80 |
| 2011-12 | 576.10 | 295.35 | 609.40 | 904.75 | 250.50 | 654.25 | 72.31 |
| 2012-13 | 845.40 | 654.25 | 953.81 | 1,608.06 | 378.36 | 1,229.70 | 76.47 |
| 2013-14 | 998.40 | 1,229.70 | 1,017.14 | 2,246.84 | 1,198.97 | 1,047.87 | 46.64 |
| 2014-15 | 1,179.10 | 1,047.87 | 1,043.72* | 2,091.59 | 1,336.58 | 755.01 | 36.09 |
| Total | 3,969.30 | | 3,994.17 | | 3,239.16 | | |

Source: Compiled from data provided by PRD
 * It includes ₹ 1.60 crore released by GoI on 31 March 2015 but further allotted to PRIs on 9 April 2015

It would be seen from the above table that:

- Government of India released ₹ 24.87 crore in excess of original allocation during the award period 2010-15.
- The unspent amount ranged between 36.09 *per cent* to 79.80 *per cent*.
- Slow utilisation of funds led to accumulation of ₹ 755.01 crore as on 31 March 2015.
- An amount ₹ 1,367.78 crore included in the total available funds was drawn as performance grant by the State without complying with the performance grant conditions such as adoption of Model Accounting System, allotment of specific codes to ZPs, PSs and GPs etc. prescribed by the CAG.
- During 2014-15, State Government released TFC grants to PRIs within the prescribed 10 days from dates of credit to the State Government accounts by GoI.

1.11.4 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.

In test checked 178 PRIs (ZP: One, PSs: 29 and GPs: 148), though the prescribed returns/statements were being maintained by the ZP and PSs but none of the GP prepared/maintained the prescribed returns/accounts. Other prescribed records⁸ were being maintained by all the test checked PRIs. However, ledger showing expenditure incurred under various heads of expenditure incurred out of the funds in prescribed format (vide rule 236 of RPRR, 1996) was not being maintained by the PRIs. Due to non-maintenance of ledgers, Director, LFAD did not certify the annual accounts of the PRIs.

- As per recommendations of TFC, an accounting framework and codification pattern consistent with the Model Panchayat Accounting System should be adopted. In addition, for proper monitoring of the budget allocation and consolidation of accounts of PRIs at State level, the States are required to allot specific codes to each ZP, PS and GP.

However, annual accounts for the year 2014-15 were maintained by the PRIs in conventional formats prescribed under Chapter 11 of RPRRs, 1996. Meanwhile, simplified accounting formats 2009 issued by Ministry of Panchayati Raj, GoI have been adopted for mandatory implementation with effect from 1 April 2011.

It was noticed in 178 PRIs test checked (ZP: One, PSs: 29 and GPs: 148), GPs did not maintain the accounts as per formats prescribed in the RPRR, 1996. The GPs used to prepare statement of annual income and expenditure (*Goshwara*) by just mentioning name of scheme/work.

Panchayati Raj Department intimated (July 2015) that out of 9,458 PRIs, 9,427 PRIs (ZPs: 33, PSs: 248 and GPs: 9,146) closed their year books for the period 2013-14 and in 2014-15, 5,771 PRIs (ZPs: 17, PSs: 177 and GPs: 5,577) closed (up to January 2016) their year books on Panchayati Raj Institution Accounting Software (PRIASoft), which is a centralised accounting package that facilitates maintenance of accounts under Model Accounting System.

The Department attributed the slow progress of closing of annual accounts to shortage of staff and slow speed of internet.

8. Cash book, asset register, advance register, stock register and other records

- 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 every year.

It was observed that 12 out of 33 ZPs (PC) sent their annual accounts within the prescribed time while 20 ZPs (PC) sent their annual accounts for the year 2013-14 with delays ranging from one to 97 days and one ZPs (Jhalawar) did not sent their annual accounts to PRD as of July 2015.

Annual accounts of ZPs (RDC) for the year 2013-14 were required to be sent to RDD by 30 September 2014.

It was observed that 32 out of 33 ZPs (RDC), sent their annual accounts for the year 2013-14 with delays ranging from 76 to 293 days while ZP (RDC) Pali did not send their annual accounts to RDD as of August 2015. It was further observed that ZP (RDC), Pali sent their annual accounts for the year 2010-11 in July 2015.

1.11.5 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 80 PRIs⁹ revealed that in 112 cases balances to the tune of ₹ 87.68 crore as of 31 March 2015 were pending for reconciliation with bank and PRIs records.

1.11.6 Maintenance of Database and the Formats on the Finances of Panchayati Raj Institutions

Database formats for district and State level as recommended by the CAG were also not been maintained by the PRD as insertion of new formats in the RPRR, 1996 could not be done up to April 2015. The issue of insertion was pending with the Law Department of Rajasthan.

As per information provided (January 2016) by PRD the implementation of the aforesaid database formats as recommended by CAG have been incorporated in Rule 246 of RPRRs, 1996 (May 2015) and PRIs have been directed to maintain the database in the prescribed formats accordingly.

1.12 Conclusion

- The PRIs should take effective steps to augment their own resources so as to minimise dependence on Government assistance and to provide better civic facilities.

9. ZPs (PR): Nine, ZPs (RD Cell): Five and PSs: 66

- Annual Accounts were neither maintained in the prescribed formats nor submitted to RDD/PRD within the stipulated time. Further, certification of correctness of annual accounts of PRIs was not being done by Director, LFAD. In absence of certification of accounts, the correctness of figures given in the annual accounts prepared by the PRIs could not be ascertained.
- Substantial portion of CSS/SSS grants was not utilised for the intended benefits of the rural people.
- There were huge pendency of Audit observations and delays in their settlement. The Government should issue suitable instructions to PRIs to ensure prompt response to the Audit observations.
- Government should also ensure that all the committees as prescribed in the Act for PRIs be constituted and functions effectively.