

CHAPTER I

AN OVERVIEW OF THE PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

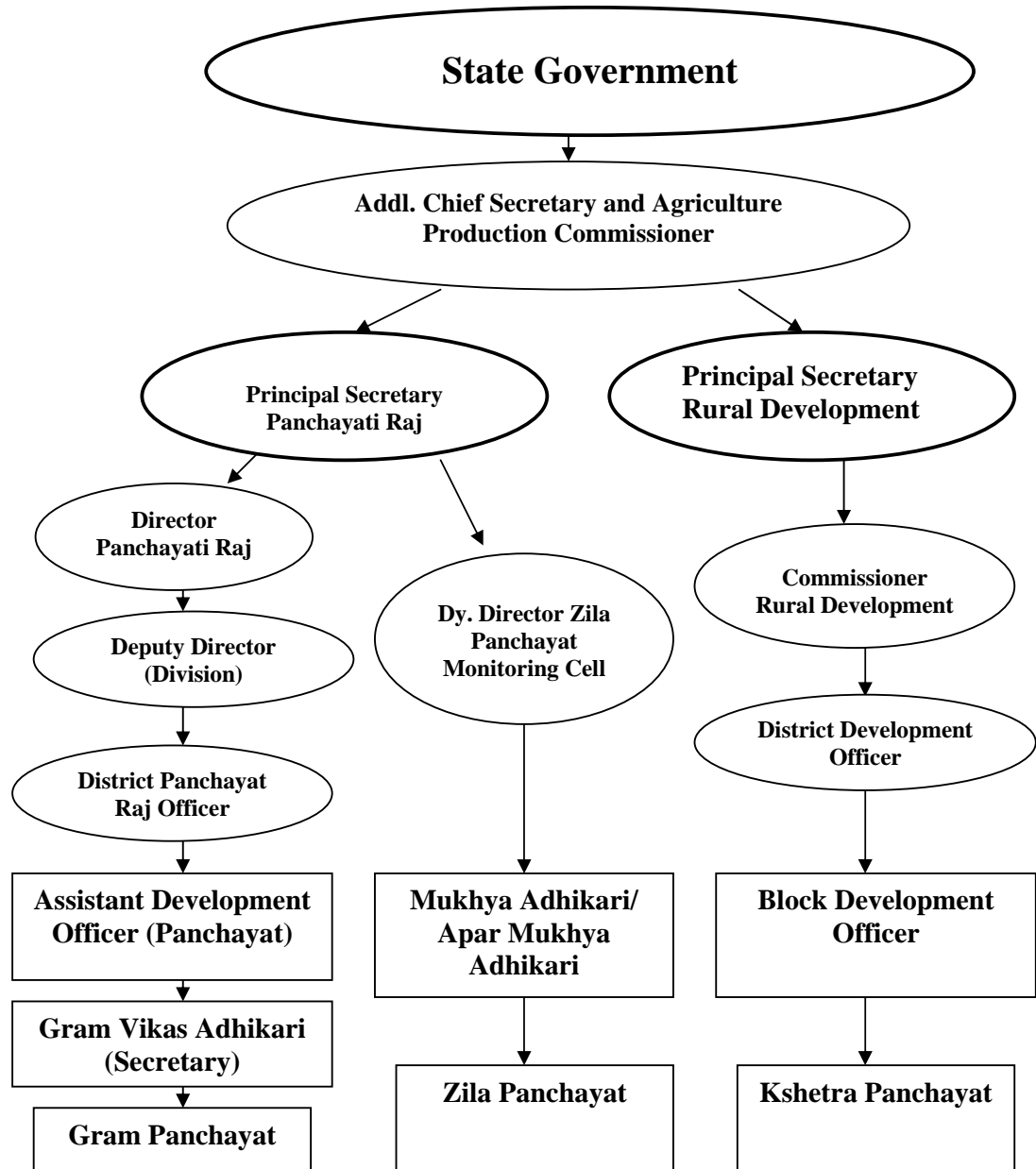
1.1.1 In keeping with the 73rd Constitutional amendment, Uttar Pradesh Kshetra Panchayat and Zila Panchayat Adhiniyam was enacted in 1994 to establish a three-tier Panchayat Raj Institutions (PRIs) system of elected bodies- Gram Panchayats (GPs) at village level, Kshetra Panchayats (KPs) at intermediate level and Zila Panchayats (ZPs) at the district level.

1.1.2 Besides paving way for decentralization of functions, functionaries and funds until then vested with the State Government, the system (PRIs) aimed at increasing participation of people and effective implementation of rural development programmes. The overall supervision, co-ordination, planning and implementation of developmental schemes vested with the ZPs.

1.1.3 At the end of 31 March 2006, there were 70 Zila Panchayats, 820 Kshetra Panchayats and 52002 Gram Panchayats in the State. Total rural population of the State was 13.22 crore as per census 2001. Last election was held during June 2005- October 2005 in which 51976-Gram Pradhan, 816 Pramukh, Kshetra Panchayat and 70 Adhykha, Zila Panchayat were elected.

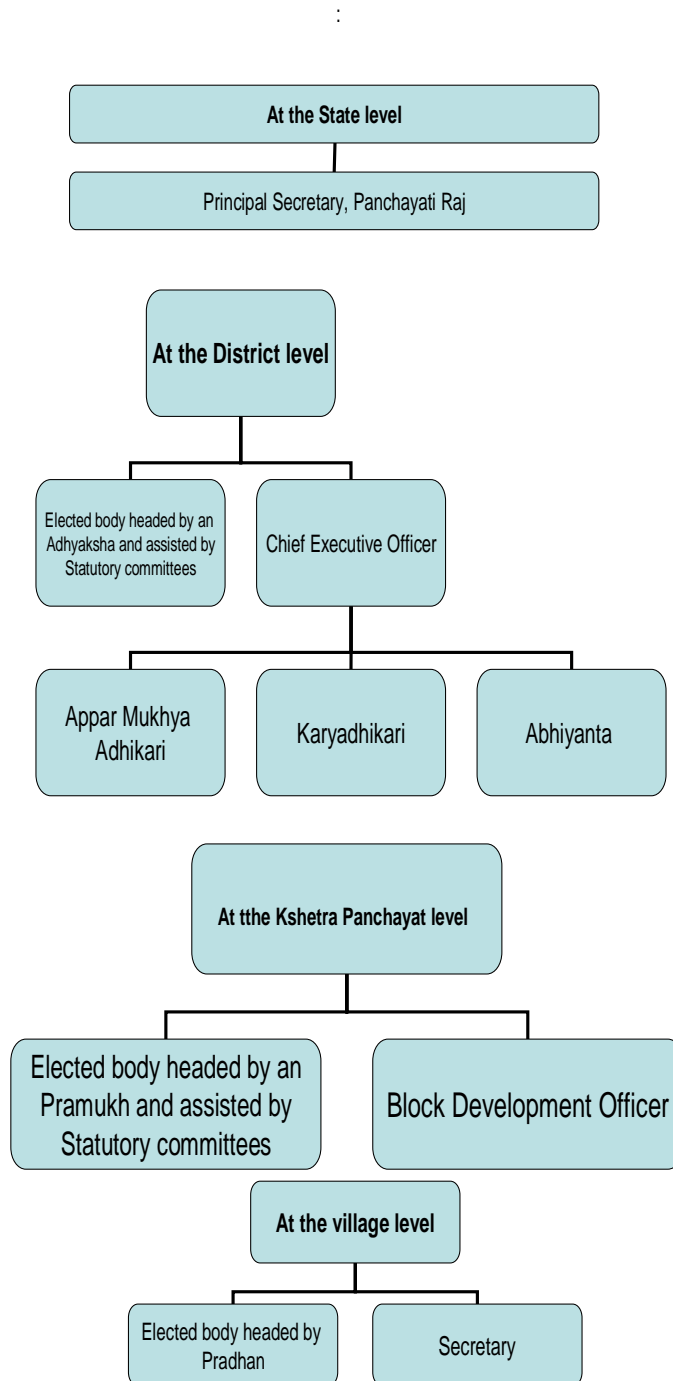
1.2 Organizational set-up

1.2.1 The Administrative control of the various units of PRIs is shown as below:



While the 'Adhyaksha' heads the Zila Panchayats, 'Pramukh' and 'Pradhan' head the Kshetra Panchayats and Gram Panchayats respectively.

1.2.2 The organizational structure is as shown below:



1.3 Database on finances

The Eleventh Finance Commission (11th FC) recommended that a database on the finances of the PRIs should be developed at the district, state and central government level and be easily accessible by computerizing it and linking it through VSAT². The data were to be collected and compiled in standard formats prescribed by the C&AG of India. This would have facilitated comparison of performance of PRIs among the states at the GOI level and the Government at the state level. The database was, however, not developed as of May 2008. Action taken at the Government level in this regard is awaited (July 2008).

1.4 Sources of revenue

1.4.1 For execution of various developmental works, the GOI and State Government provide funds in the form of grants. The funds of PRIs are availed from the following sources:-

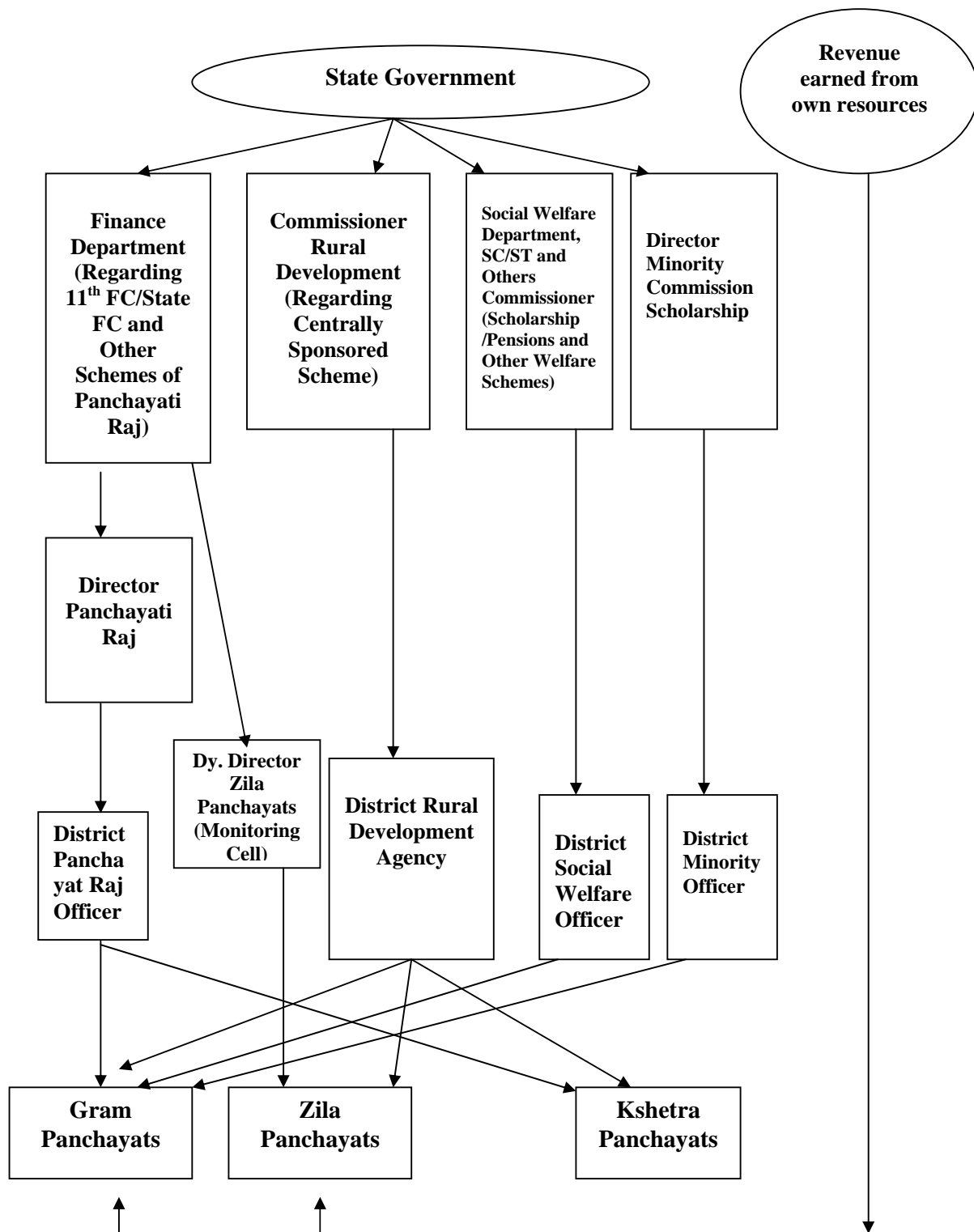
- Grants assigned under the recommendations of the Eleventh Finance Commission (11th FC) and Twelfth Finance Commission (12th FC).
- Devolution of five *per cent* of net proceeds of total tax revenue of the State Government under the recommendations of the Second State Finance Commission (2nd SFC).
- Grants received through District Rural Development Agency (**DRDA**) for execution of Centrally Sponsored Schemes (**CSS**).
- Funds remitted by the respective departments for functions transferred to the PRIs.
- Revenue earned by the PRIs out of their own resources such as taxes, rent, fees, issue of licenses, tehbazari³, Boat Ghat (lease rent for jetty landing) etc.

² Very Small Aperture Terminal.

³ Tax on trades and callings carried on within the Panchayat Raj Institutions limits.

1.4.2 The flow chart of funds to PRIs is shown as under:

Funding in PRIs – a schematic presentation



1.4.3 The aggregate receipts of grants by the PRIs under the recommendation of Eleventh Finance Commission (11th FC) / Twelfth Finance Commission (12th FC), State Finance Commission (SFC), grants released for Centrally Sponsored Schemes (CSS) and revenue realized from their own resources during 2003-06 were as under:-

(Rs in crore)

Sl. No.	Year	11 th FC/ 12 th FC	SFC	CSS	Own resources	Total
1	2003-04	221.62	550.00	1363.00	61.90	2196.52
2	2004-05	0.00	778.45	1688.25	72.25	2538.95
3	2005-06	585.60	868.82	1949.96	81.95	3486.33
Total		807.22	2197.27	5001.21	216.10	8221.80

The position of utilization of grants against the allocations under 11th, 12th FC and SFC, release of grant for various CSS and revenue realized from own sources of the PRIs are discussed in the succeeding paragraphs.

1.4.3.1 11th FC and 12th FC Grants

Position of funds available and expenditure against 11th and 12th FC grants during 2003-06 were as under:-

(Rs. in crore)

Year	Name of the grants	Fund Available	Expenditure	Balance
2003-04	11 th FC	221.62	221.29	0.33
2004-05	11 th FC	Nil	Nil	Nil
2005-06	12 th FC	585.60	585.02	0.58

Source: Information furnished by Director, Panchayati Raj, Lucknow.

It is evident from the table that 11th FC grant of Rs. 0.33 crore and 12th FC grant of Rs 0.58 crore lapsed due to non-drawal of funds at the Directorate level which deprived the PRIs of providing various civic amenities e.g. road, water supply and sanitation etc. to their citizens to that extent.

1.4.3.2 State Finance Commission Grant

Position of funds available and expenditure of SFC grants during 2003-06 were as under:-

(Rs. in crore)

Year	Funds available	Expenditure	Balance(per cent)
2003-04	550.00	372.24	177.76 (32)
2004-05	778.45	710.23	68.22 (9)
2005-06	868.82	481.77	387.05 (45)

Source: Information furnished by Director, Panchayati Raj, Lucknow.

The position of non-utilization of funds by the PRIs ranged between nine *per cent* and 45 *per cent* of the available funds during 2003-06 as of October 2007. Non-utilization of the SFC grant within a reasonable period indicated the failure of the PRIs to manage their affairs in a planned manner to provide the intended benefit to their citizens.

1.4.3.3 Grants released for Centrally Sponsored Schemes

The GOI launches various social and welfare oriented programmes as centrally sponsored schemes based on matching share of the State Government. These programmes are implemented with the involvement of the PRIs. Position of grants received from Central Government and State Government and released to PRIs through the respective DRDAs for CSS during the period 2003-06 was as under:

(Rs. in crore)

Sl. No.	Name of Schemes	Year	Grants received		Grant released
			Central	State	
1.	Sampurna Gramin Rojgar Yojna	2003-04	643.60	231.75	875.35
		2004-05	771.39	266.58	1037.97
		2005-06	934.49	316.09	1250.58
2.	Swaran Jayanti Gram Swarojgar Yojna	2003-04	117.56	40.74	158.30
		2004-05	172.93	57.23	230.16
		2005-06	170.18	57.08	227.26
3.	Indira Awas Yojna	2003-04	246.76	82.59	329.35
		2004-05	315.09	105.03	420.12
		2005-06	354.52	117.60	472.12

Source: Information furnished by Commissioner Rural Development.

1.4.3.4 Revenue realized from own resources

Revenue realized by the ZPs, KPs and GPs from their own resources against the target fixed by the State Government during 2003-06 were as under:

(Rs. in crore)

Sl. No.	Name of PRIs	Number	2003-04		2004-05		2005-06	
			Target	Achievement	Target	Achievement	Target	Achievement
			1	ZPs	70	62.07	53.99	74.00
2	KPs	820	Nil	Nil	Nil	Nil	Nil	Nil
3	GPs	52002	7.26	7.91	7.87	7.78	8.71	8.39
Total (per cent)		52892	69.33	61.90 (89)	81.87	72.25 (88)	83.19	81.95 (98)

Source: Information furnished by Director, Panchayati Raj, Lucknow and Deputy Director, Zila Panchayat (Monitoring cell), Lucknow

The position of realization of revenue from their own sources in respect of Zila Panchayats and Gram Panchayats was encouraging during 2003-06 and ranged from 88 per cent to 98 per cent against the target fixed by the State Government. However, neither the State Government had fixed any target for Kshetra Panchayats nor did they realize revenue from their own resources during the above period.

1.5 Allocation and utilization of 11th FC/ 12th FC and SFC grants

1.5.1 The Central Finance Commission is appointed by the President of India for allocation of resources between the GOI and the state governments. The local bodies were brought within the purview of the 11th FC grants to augment the consolidated fund of the states to enable them to supplement the resources of the local bodies. Similar terms of reference were also made for the 12th FC. Accordingly, the 11th and 12th FC made recommendations to the GOI for release of grants to the state governments for the PRIs. The State Government released 11th FC, 12th FC grants to the PRIs after their receipt from the GOI. Similarly, the State Government also released the SFC grants to the PRIs.

The funds are released directly to ZPs under intimation to the Deputy Director Zila Panchayat (Monitoring Cell) while in case of GP, it is routed through the Director Panchayati Raj at the state level and through District Panchayat Raj Officer (DPRO) at the district level. The DPRO allocates the share of the GPs on the basis of population and area of Gram Panchayat. The funds are credited to the bank account of the respective GPs.

1.5.2 As per recommendation of 11th FC, the GOI released Rs 933.71 crore to the State Government during 2001-05 for development work e.g. road, water supply and sanitation etc. Out of which, the State Government released Rs 921.88 crore

to PRIs and retained Rs 11.84 crore at their level. Further, Rs 43.21 crore lapsed at the Directorate level, due to non-utilization of funds as per details in the following table.

SI No	Particulars	Amount (Rs in crore)
1	Creation of database and computerization	42.07
2	Surplus amount on maintenance of accounts	00.89
3	Lapsed amount due to non drawl	00.22
4	Surplus amount due to merger of few Gram Panchayats in Urban Local Bodies	00.03
Total		43.21

Source: Information furnished by Director, Panchayati Raj

Retention of the funds at the government level and non-utilization of the funds at the Directorate level including Rs 42.07 crore for creation of database on finances and computerization vitiated the objectives of providing the resource support to the PRIs as the Government of India (GOI) rejected (August 2005) request for the extension of time. Thus, the purpose of high priority to the expenditure on creation of database and maintenance of accounts for providing accurate information on the finances of the PRIs was defeated.

1.5.2 Devolution of SFC grant

As per recommendations of the 2nd SFC, five *per cent* of the net proceeds of the tax revenue are to be devolved to the PRIs. The devolution of the funds and actual funds released by the State Government during 2003-06 were as under:-

(Rs in crore)				
Year	Net proceeds of tax revenue of State Government	Funds required to be devolved	Actual funds released by the State Government	Short release of funds
2003-04	13601	680	550	130
2004-05	15693	785	778	7
2005-06	18858	943	869	74
Total	48152	2408	2197	211

The table indicates that non-devolution of funds as per norms prescribed by 2nd SFC, resulted in short release of Rs 211 crore to the PRIs during 2003-06.

1.6 Financial position of the test checked PRIs

Financial position of the test checked ZPs, KPs and GPs during 2003--06 is detailed in the following table.

(Rs in Crore)

Name of Units	Number of Units audited	Opening Balance	Received	Total	Expenditure	Closing Balance
2003-04⁴ (Appendix 1 and 2)						
ZPs	28	107.62	173.09	280.71	158.11	122.60
KPs	78	25.83	45.18	71.01	56.38	14.63
Total	107	133.45	218.27	351.72	214.49	137.23
2004-05(Appendix 3, 4 and 5)						
ZPs	47	193.93	304.90	498.83	319.79	179.04
KPs	129	31.43	114.64	146.07	101.68	44.39
GPs	1253	10.67	48.19	58.86	47.21	11.65
Total	1430	236.03	467.73	703.76	468.68	235.08
2005-06(Appendix 6, 7 and 8)						
ZPs	47	179.04	419.32	598.36	292.20	306.16
KPs	130	44.58	126.18	170.76	121.67	49.09
GPs	2909	24.96	109.48	134.44	89.43	45.01
Total	3086	248.58	654.98	903.56	503.30	400.26

Source: Inspection Reports of the audited units

Above table reveals that expenditure did not keep pace with the release of grants during 2003-06 and was considerably less than available resources. The unspent balances of grants were indicative of poor planning for utilization of funds towards the intended objectives in a time bound manner.

1.7 District planning committees

Under Section 63 and 86 of Uttar Pradesh Kshetra Panchayat and Zila Panchayat Adhiniyam, 1961, ZP shall prepare every year a development programme for the district after including the development plan of KPs and GPs and submit it to the District Planning Committee (DPC) for approval. Uttar Pradesh District Planning Committee Act, 1999 was enacted for constitution of DPC. As the DPCs were not constituted even after its enactment, the 2nd SFC also recommended (paragraph 18.4) for constitution and functioning of the DPC. The State Government while accepting the recommendations issued (February 2007) orders for constitution of the DPC. Despite these recommendations and issuance of the government orders,

⁴ Details of GPs were not available.

DPCs were non-functional as of June 2008. Due to non-functioning of the DPC, there was no effective monitoring over the developmental programme.

1.8 Devolution of funds, functions and functionaries

The Act envisaged devolution of funds as well as transfer of functions and functionaries from the parent department to the PRIs relating to 29 subjects listed in the 11th Schedule of the Constitution. In 1999, sixteen functions related to 12 departments⁵ were devolved to PRIs and village level functionaries of eight departments⁶ were transferred to Gram Panchayats as multi purpose workers. This was pursued with a view to creating a pool of Multi Purpose Panchayat Level workers and establishing village secretariats. However, the Government while reviewing these arrangements reverted (2006) the employees to their parent departments except Village level workers of Panchayati Raj, Social Welfare and Rural Development. Funds of eight functions were transferred as of May 2008. Thus, the effective functioning of PRIs hampered because of lack of transfer of corresponding funds and functionaries to PRIs. Besides, the objective of the operation of functional Village Secretariat was also defeated.

1.9 Budgeting and budgetary process

As per provisions of the UP Kshetra Panchayat and Zila Panchayat Manual⁷, each unit of PRIs shall prepare an annual budget. Out of 130 KPs test checked, only eight KPs (*Appendix-9*) had prepared the annual budget. 2909 test checked GPs did not prepare their annual budget during 2004-06.

1.10 Accounting arrangements

Accountant / accounts clerk were maintaining accounts in ZP and KP respectively and Chartered Accountant/ Village Development Officer in GPs.

⁵ Agriculture, Animal Husbandry, Basic Education, Food&Civil Supply, Health, Land Development Minor Irrigation, Panchayati Raj, Rural Development, Social Welfare, Water Supply and Youth Welfare.

⁶ Agriculture, Health, Land Development Minor Irrigation, Panchayati Raj, Rural Development, Social Welfare and water supply.

⁷ Section 110

1.10.1 Adoption of accounts formats prescribed by C&AG

On the recommendations of 11th FC, the C&AG, prescribed Budget and Accounting formats for all the tiers of PRIs in the year 2002. Although, the Government accepted (March 2003) the formats, but did not ensure its implementation at the ZPs and KPs level. As a result, the objective to introduce a proper accounting system to facilitate realistic assessment of the needs of the ZPs and KPs for basic civic and developmental functions was not achieved.

The GPs were maintaining their accounts in the C&AG's accounts format through Chartered Accountants (CAs). However, the point remains that accounts of the GPs were in arrears since 2004-05 mainly due to delay in appointment of CAs, non-submission of the records to CAs etc.

Thus, in the absence of data necessary for a rational determination of the gap between the cost of service delivery and the capacity to raise resources could not be assessed.

1.10.2 Preparation of annual accounts

The 11th FC stressed the need for maintenance of accounts in a transparent manner and allocated funds⁸ to the GPs as these accounts were not being maintained at that level. However, the 12th FC noticed that the data quality at the grass root level was poor and accurate information on the finances of the PRIs was not available at the state level. Further, the 12th FC recommended for maintenance of credible information on the finances of the PRIs at the state level in order to assess the actual requirement of funds for each tier of the PRI. However, these accounts were not compiled at the district as well as at the State level. As a result, allocation of funds to the PRIs was not based on the 'need-based assessment'.

Further, the 2nd SFC recommended (paragraph 11.21) for mandatory preparation of annual accounts of PRIs but it was not accepted by the State

⁸ At the rate of Rs four thousand per GP per year.

Government. During 2005-06, out of 47 ZPs and 130 KPs test checked, four⁹ ZPs and 19 KPs (*Appendix 10*) had not prepared annual accounts. As a result, the true and fair view of actual income and expenditure of these ZPs and KPs was not ascertainable.

Sofar as accounts of GPs are concerned, Chartered Accountants (CAs) prepared the accounts of all 52000 GPs till 2003-04 in the accounting formats prescribed by the C&AG. For the ensuing years, the CAs prepared the accounts of only 19840 GPs for the year 2004-05 and 5769 GPs for 2005-06 as of May 2008. The reasons for delay in preparation of the accounts of the GPs attributed to non-submission of the records to the CA by the Village Development Officers and Assistant Development Officers at the block level.

1.10.3 Non reconciliation of Cash Balances

The section 84 (2) of UP Zila Parishads and Kshetra Samities (Budget and General Accounts) Rules, 1965, provides that the receipts and expenditure entered in the cash book should be compared item by item with the treasury or Bank Pass Books at the end of each month and the balances agreed.

Out of 47 ZPs and 130 KPs test checked, there was a difference of Rs 13.38 crore as of March 2006 between the cash book and treasury/bank pass book in 18 Zila Panchayats (*Appendix 11*) and 48 Kshetra Panchayats (*Appendix 12*). In the absence of reconciliation of cash balances, incidence of fraud/ embezzlement/ misappropriation of funds could not be ruled out.

1.11 Recommendations of State Finance Commission

Second State Finance Commission (2nd SFC) was constituted in February 2000 for the period 2001-2006. Recommendations of the 2nd SFC in five parts relating to 245 paragraphs of Panchayati Raj and Urban Local Bodies were tabled (June 2002) before the Governor for approval. Details of the recommendations are as under:-

⁹ Farrukhabad, Lucknow, Sonbhadra and Unnao

Number of parts	Particulars	Number of Recommendations
1	General	11
2	Panchayati Raj Institutions	93
3	Urban Local Bodies	107
4	District Planning Committees and State Finance Commission Cell	5
5	Principles of transformation and share of Local Bodies	29

Source: Information furnished by Finance Department, Government of Uttar Pradesh.

The State Government fully accepted 61 out of 93 recommendations of 2nd SFC relating to PRIs mainly on the issues of timely release of the grants, enhancement in their own resources and transferring of certain percentage of income of ZPs to GPs etc. The Government had in principle/partly accepted 14 recommendations relating mainly to the capacity buildings, resource mobilization etc of the PRIs. However, the Government did not accept 18 recommendations, which relate mainly to imposing of property tax in rural areas, revision of land revenue rates, enhancing income of PRIs through licence etc.

1.12 Audit arrangement

The Chief Audit Officer, Cooperative Societies and Panchayats (CAO) acts as Primary Auditor of all the three tiers of PRIs. The CAO is assisted by one Joint CAO, two Deputy CAOs and Audit Officers at the state level and 10 Deputy CAOs 55 Regional Audit Officers and 89 District Audit Officer (DAO) at district level.

The audit by C&AG of India flows out of the entrustment of Technical Guidance and Supervision under Section 20(1) of the C&AG's (DPC) Act, 1971.

1.13 Primary audit arrears

Being primary auditor, CAO is required to audit all the units of the PRIs in the State. Primary audit of PRIs for the period 2004-05 to 2006-07 was in arrears ranging between 78.40 *per cent* and 26.12 *per cent* as of October 2007 as detailed below:

Sl No	Name of PRIs	2004-05		2005-06		2006-07	
		Allotted	Arrear (per cent)	Allotted	Arrear (per cent)	Allotted	Arrear (per cent)
1	ZPs	70	46 (65.71)	70	37 (52.86)	70	65 (92.86)
2	KPs	809	105 (12.98)	809	111 (25.22)	809	204 (25.22)
3	GPs	52139	41506 (79.61)	51772	13605 (26.28)	51772	18282 (35.31)
Total		53018	41567 (78.40)	52651	13753 (26.12)	52651	18551 (35.23)

Source: Information furnished by CAO, Co-operative Societies and Panchayats

CAO stated (October 2007) that the arrear was due to non-submission of records by ZPs, KPs and GPs. The non-production of records to the CAO for audit was a serious setback to the reliability of financial reporting. Moreover, the possibility of misutilisation of funds and other irregularities could also not be ruled out.

1.14 Position of entrustment of audit / TGS to C&AG

The Eleventh Finance Commission recommended exercising of Technical Guidance and Supervision (TGS) over the proper maintenance of accounts of PRIs and their audit by C&AG under section 20(1) of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971. Consequently, the State Government entrusted the audit of local bodies to C&AG of India in October 2001. However, suitable amendments in the State Acts/ Rules were not made (October 2007) even after a lapse of six years.

1.15 Audit coverage

Test audit of the accounts of 47 Zila Panchayats, 130 Kshetra Panchayats and 2909 Gram Panchayats for the year 2005-06 was conducted during 2006-07. The important findings are discussed in the succeeding paragraphs and chapters.

1.16 Utilization of Twelfth Finance Commission grants

The Twelfth Finance Commission (12th FC) has earmarked Rs 2928.00 crore for the PRIs of Uttar Pradesh for the period 2005-2010 with the recommendation to utilize the grants to improve the service delivery by the Panchayats in respect of water supply and sanitation. According to the recommendation, it is mandatory for the State government to transfer the grants released by the GOI to the PRIs

with in fifteen days of its receipt and simultaneously ensure that grants are credited to their bank accounts. Position of grants released by the Government of India to the State Government and from State Government to PRIs is as under:-

(Rs in crore)

Year	Amount of grants received from Central Government	Date of received of the grants from Central Government	Total allocation of grant by the State Govt. to PRIs	Amount of grant released to PRIs by the State Government	Date of release of grants by the State Government
2005-06	292.80 (1 st Installment)	28-11.2005	292.80	292.80	8-12-2005
	292.80 (2 nd Installment)	02-03-2006	292.80	292.80	10-03-2006
2006-07	292.80 (1 st Installment)	13-9-2006	292.80	292.80	19-9-2006
	292.80 (2 nd Installment)	18-5-2007	292.80	292.80	31-5-2007

Test Check of 35 PRIs revealed that the first and second installment of Twelfth Finance Commission grant for 2005-06 was credited to the treasury/bank account with a delay upto 98 days and 96 days respectively (**Appendix 13 and 14**) in disregard to the 12th FC's recommendations, besides, delay in developmental work. Further, out of Rs 40.74 crore received during 2005-06 in test checked 23 ZPs, 87 KPs and 1325 GPs, Rs 33.76 crore was unutilized as of date specified in **Appendix 15, 16 and 17**. Non-utilization of about 83 per cent of the 12th FC grant indicated the reluctance of the PRIs towards the objectives of providing civic amenities e.g. roads, sanitation, water supply etc.to the population of their area.

1.17 Arrears in tax collection

PRIs earn revenue out of their own resources through taxes, rent, fees, issue of licenses, tehbazari, boat *ghat* etc.

In six ZPs, demand for Rs 5.02 crore was raised for the year 2005-06 which included arrear of Rs 2.23 crore. Out of this, only Rs. 1.54 crore was recovered during the year and balance (Rs. 3.48 crore) was outstanding against the tenants, licensees and contractors on accounts of rents, license fees etc. The arrears included Rs 97 lakh for more than ten years while Rs 2.51 crore was outstanding for more than one year (**Appendix 18**). Slackness of the PRIs

in revenue realization especially the outstanding dues was a serious setback to their financial viability.

1.18 Non transfer of income share to GPs

Government of Uttar Pradesh order (October 2002) envisages that ZPs must ensure regular transfer of fifty *per cent* of their income earned from disposal of dead animals to GPs including arrears.

Scrutiny (May 2006-March 2007) of the records of 47 ZPs revealed that contrary to the Government order, nine ZPs had not transferred fifty *per cent* (Rs 1.88 crore) of their income earned (Rs 3.77 crore) from disposal of dead animals to GPs as of audit date (*Appendix 19*).

1.19 Internal control

The main objectives of a sound internal control system in an organization are

- ❖ Promoting orderly, economical, efficient and effective operations and delivery quality products and services consistent with the organization's missions;
- ❖ Safeguarding resources against loss due to waste, abuse, mismanagement, errors, fraud and irregularities;
- ❖ Adhering to laws, regulations, and management directives; and
- ❖ Developing and maintaining reliable financial and management data and fairly disclosing that data in timely reports.

Test check of accounts of PRIs for the year 2006-07, revealed that 762 para on poor financial management and financial irregularities resulting in excess expenditures, fraudulent payment, misappropriation of funds, diversion of funds and loss of revenue etc were communicated through the Audit Inspection Reports of the Senior Deputy Accountant General (Local Bodies) Uttar Pradesh Allahabad. However, the compliance of these paragraphs was extremely poor and indicated that the accounting system and internal controls were inadequate to provide assurance against financial irregularities.

1.20 Conclusion

Despite availability of funds, database on finances was not created and thus, the objective of development of financial management information system was not fulfilled. The funds were allocated to the PRIs without any need-based

assessment of their activities. The PRIs were unable to utilize funds in a time bound manner due to poor planning and management. Internal control and monitoring mechanisms at all the level was unable to provide an assurance to the Department on the reliability of their financial reporting and adequacy of systems and procedure.

1.21 Recommendation

- ❖ The Government should ensure that database on finances are created at the district level as well as at the state level as per recommendations of the 11th and 12th FC.
- ❖ The grants should be utilized in a time bound manner to derive the intended benefit.
- ❖ The Government should ensure that District Planning Committees are effective and functional.
- ❖ The PRIs should be made accountable for preparation of their annual accounts in the standard formats within a specified period and their accounts should be compiled at the district level and at the State level for an objective assessment for allocation and utilization of funds.
- ❖ The Government should make ZPs, KPs and GPs accountable to the CAO for submission of records for audit.
- ❖ Internal control system of the PRIs should be strengthened to provide assurance on reliability of data and financial reporting.