

CHAPTER-I

- A. AN OVERVIEW OF PANCHAYATI RAJ INSTITUTIONS**
- B. FINANCIAL REPORTING**

CHAPTER-I

Section 'A' An Overview of the Panchayati Raj Institutions

1.1 Background

The 73rd Constitutional Amendments Act marked a new era in the federal democratic set up of the country so far as it conferred constitutional status to the panchayats and recognized them as the third tier of Government. The Constitutional amendment provides for devolution of powers and responsibilities to Panchayati Raj Institutions (PRIs) with respect to preparation of plans and programmes for economic development and social justice and implementation of the 29 subjects listed in XIth Schedule of the Constitution of India. The Constitutional amendment established a system of uniform structure, holding of regular election, regular flow of funds through Finance Commissions, *etc.* As a follow up, the States were required to entrust these bodies with such powers, and responsibilities so as to enable them to function as institutions of local self-government. In particular, the PRIs were required to prepare plans and implement schemes for economic development and social justice, and perform functions including those enumerated in the XIth Schedule of the Constitution.

Post the 73rd Constitutional Amendment Act, 1992; the State enacted the Manipur Panchayati Raj (MPR) Act, 1994. A two-tier PRI system at the village and district levels was established in the State, and rules were framed to enable the PRIs to function as per the Constitutional mandate.

The two-tier Panchayati Raj system envisaged in the Manipur Panchayati Raj Act, 1994 came into force with effect from 24 June 1994. The first general election to the Zilla Parishads (ZPs) and Gram Panchayats (GPs) was held in 1997. Since then, general elections for the Panchayats have been held every five years, the latest one being in September 2012.

1.2 State Profile

Manipur is situated in the North Eastern part of India. The State covers an area of 22,327 sq. km. with a population of 27.22 lakh (2011 census)¹. The State has 9 districts, of which 5 districts are located in the hill areas and 4 districts are spread out in the valley. As against the decadal growth of 17.6 *per cent* at the national level, the population of the State has grown by 18.65 *per cent* in the decade of 2001-2011. In the previous decade, population growth was 24.86 *per cent*. The total population of 27.22 lakh constitutes 0.22 *per cent* of the Indian population. The rural population of the State is 19.00 lakh which is 70 *per cent* of the total population. The service sectors along with the agricultural

¹ Including the estimated population of three blocks under Senapati District viz. i) Purul, ii) Mao Maram and iii) Paomata which is under dispute.

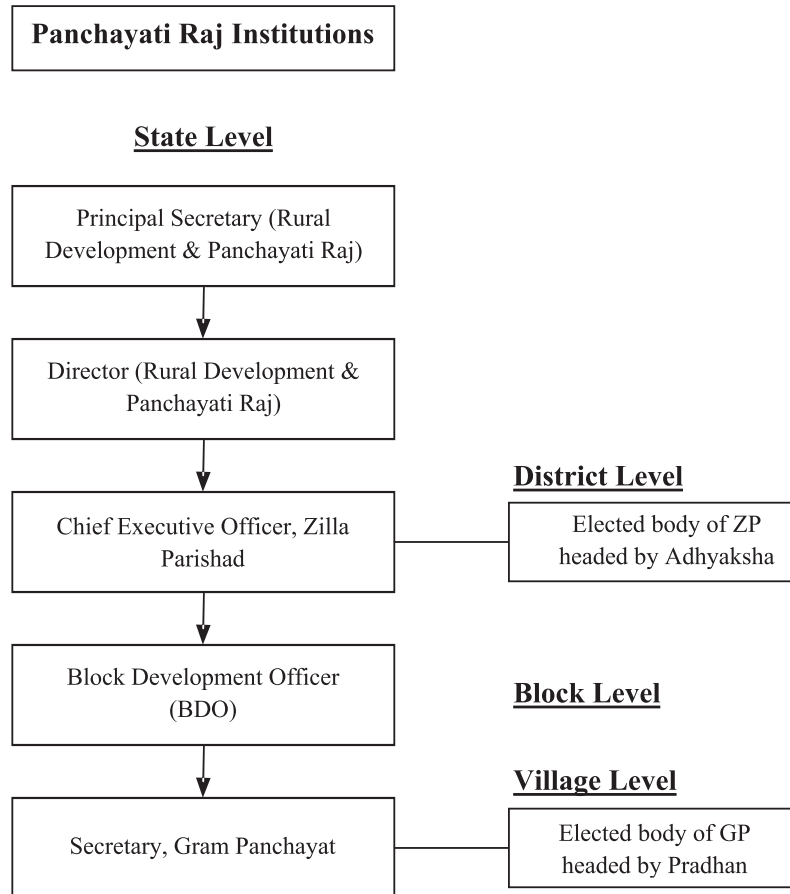
sector dominate the State's economy. The demography of the state as per 2011 census is given in table below:

Table 1.1: Statistics of the State

Sl.	Indicator	Unit	Value
1	Population	1,000s	2722
2	Density of population	Persons per sq. Km.	122
3	Gender Ratio	Female per 1000 males	987
4	Gender Ratio (Rural)	-do-	966
5	Gender Ratio (Urban)	-do-	1038
6	Literacy	Percentage	79.85
7	Number of PRIs	Numbers	165
8	Number of Zilla Parishads	Numbers	4
9	Number of Gram Panchayats	Numbers	161

1.3 Organisational set-up of PRIs

The organizational set-up of PRIs in the State is as under:



1.3.1 The broad details of responsibility of PRIs are given below:

Table 1.2: Details of responsibility of PRIs

Authority	Responsibilities
Principal Secretaries (RD&PR)	Administers the overall monitoring and implementation of schemes relating to PRIs
Zilla Parishad (elected body)	Preparation of Plan for economic development and social justice of the District
Chief Executive Officer (CEO)	The CEO is appointed by the State Government and carries out the policies and directives of the ZP
Gram Panchayat (elected body)	Preparation of Annual Plan and Annual Budget
Panchayat Secretary (PS)	The PS is appointed by the State Government for keeping of records and maintenance of Accounts

1.3.2 Composition of PRIs

Zilla Parishad: Every ZP is a corporate body by the name of its district. Each ZP consists of the members directly elected from the territorial constituencies in the district. The Adhyaksha elected by the majority of the elected members presides over and conducts meeting of the ZP. The Adhyaksha is to exercise such other powers, perform such other functions and discharge such other duties as notified by the State Government from time to time.

Gram Panchayat: Each GP has a body comprising of Pradhan and its members. The Pradhan and its members are elected by direct election by the members of the Gram Sabha from amongst themselves. The Pradhan shall preside over the meeting of the Gram Sabha and Gram Panchayat as well, and is responsible for the governance of the body.

1.4 Staffing Pattern of PRIs

The Government may, by order, specify the staffing pattern, the scales of pay and mode of recruitment of the staff of GPs and ZPs. As per provision under Section 75 of Manipur Panchayati Raj Act, 1994 the State Government shall appoint Chief Accounts Officers, Chief Planning Officer and such number of officers of Groups A, B and C Staffs for each ZP on such terms and conditions as may be prescribed. However, no appointment against the stated posts was made as of March 2013.

ZP: As per existing staffing status, each ZP is manned with staffs deputed from different departments as a part of devolution of functionaries. However, there was no uniformity in the staffing pattern for ZPs. The position of staff in the 4 ZPs as of March 2013 is detailed as below:

Table No. 1.3

Sl.No.	Name of the ZP	Persons-in-position
1	Imphal East	20
2	Imphal West	25
3	Thoubal	05
4	Bishnupur	12
	Total	62

As is evident from the table above that persons in position in the 4 ZPs vary. There were no criteria according to which the number of employees had been arrived at. Remedial steps need to be taken by the concerned Department to make an assessment of the number of officers and staff of different categories required for proper functioning of each ZP.

GP: As per Section 45 of the MPR Act, 1994, there shall be a Secretary for every Gram Panchayat who shall be appointed in such manner as may be prescribed. However, as of March 2013, there were only 113 Secretaries against the existing 161 GPs in the State. Taking into account the various functions that have been delegated to the GPs, functionaries commensurate to the functions given are required for the smooth and effective functioning of the local bodies. However, it is evident from the findings contained in Section 'B' of Chapter I and Chapter II of this Report that the provision of staff is insufficient in GPs for maintenance of accounts and carrying out of their functions in the midst of increasing financial and developmental activities.

1.5 Standing Committee

Under Sections 38 and 65 of the MPR Act, 1994, the GPs and the ZPs are required to constitute the following Standing Committees to perform the functions assigned to them:

Table 1.4: Details of Standing Committees

Level of PRIs	Chief Political Executive	Standing Committees	Political Executives
GP	Pradhan	(a) Production Committee (b) Social Justice Committee (c) Amenities committees	Pradhan is the Chairman of the three committees
ZP	Adhyaksha	(a) General Standing Committee (b) Finance, Audit and Planning Committee	Adhyaksha is the Chairman of each committee
		(c) Social Justice Committee	Up-Adhyaksha is the Chairman
		(d) Education & Health Committee (e) Agriculture & Industries Committee (f) Works Committee	Chairman is elected from the members of these committees

Source: The Manipur Panchayati Raj Act, 1994

In case of GP, each Committee shall consist of not less than three and not more than five members including the Pradhan and Up-Pradhan as the case may be. In ZP, each Standing Committee shall consist of such number of members not exceeding five including the Chairman elected by the members of ZP from amongst the Standing Committees.

However, none of the PRIs, except Imphal West ZP, have constituted the above Committees as of March 2013. In the absence of such Committees, activities/functions like Education, Agriculture, Amenities *etc.* cannot be initiated and followed up in a systematic way, and consequently these activities are not getting the focused attention.

The PRIs-wise roles and responsibilities of the Standing Committees are given in **Appendix-I**.

1.6 District Planning Committee

In terms of Article 243 ZD of the Constitution of India and Section 96 of the MPR Act, 1994, the State Government is required to constitute a District Planning Committee (DPC) in each district to consolidate the plans prepared by the Panchayats and Municipalities in the District and prepare a draft development plan for the district as a whole. The DPC was constituted in Thoubal and Bishnupur Districts in August 1997, while in Imphal East and Imphal West District, it was constituted in May 2003. As per the MPR Act, 1994, the DPC shall consist of the following members:

- a. Adhyaksha of the Zilla Parishad (Chairperson);
- b. Members of the House of the People representing the district;
- c. Members of Legislative Assembly who are elected in the district;
- d. Such number of Councilors as may be specified by the government from the member of councilors of Nagar Panchayat and Municipal Councils in the district; and
- e. Chief Executive Officer.

Though DPCs were constituted in four valley districts they were not made functional as of March 2013. None of the DPCs had engaged technical experts and secretarial support staff in different fields for preparation of draft district development plan, defeating the key purpose of constitution of the DPCs. Neither the GPs nor the ZPs prepared perspective plans to be submitted to DPC. Thus, in the absence of perspective plan of districts as a whole, funds were allocated by the Government to Local Bodies in routine manners.

1.7 Irregularities in Gram Sabha Proceedings

Section 9 of the MPR Act, 1994 states that the Gram Panchayat shall prepare the agenda for discussion of the Gram Sabha and such matters shall relate to the followings items:

- a. The annual statement of accounts of the Gram Panchayat, the report of administration of the preceding financial year and the last audit note and replies if any, made thereto.
- b. The budget of the Gram Panchayat for the next financial year.
- c. The report in respect of development programmes of the Gram Panchayat relating to the preceding year and development programmes proposed to be undertaken during the next year.

However, on test check of records of 28 GPs, it was found that nothing was mentioned in the agenda for discussion of the Gram Sabha about the points as listed above. The Gram Sabhas were held specifically for Mahatma Gandhi

National Rural Employment Guarantee Scheme (MGNREGS). As such, the Gram Sabhas of the GPs left out the vital points for discussion in their Gram Sabha Meetings proceedings.

1.8 Financial Profile

1.8.1 Fund flow to PRIs

The resource base of PRIs consists of Central Finance Commission (CFC) grants, State Finance Commission (SFC) grants, Central Government grants and State Government grants for maintenance and development purposes. Funding by the State Government was on the lines of accepted recommendations of the Second State Finance Commission (SSFC) that took into account factors like population, literacy, health, irrigation, medical facilities *etc.* The fund-wise source and its custody for each tier and the fund flow arrangements in flagship schemes are given in tables 1.5 and 1.6 below respectively. The authorities for reporting use of funds in respect of ZPs and GPs are Chief Executive Officer (CEO) and Panchayat Secretary respectively.

Tables 1.5: Fund flow mechanism in PRIs

Nature of Fund	ZPs		GPs	
	Source of fund	Custody of fund	Source of fund	Custody of fund
Own receipts	Assesses and users	Bank	Assesses and users	Bank
Revenue grants	State Government	Bank	State Government	Bank
State Finance Commission				
State Plan Scheme				
Central Finance Commission/Centrally Sponsored Scheme	Government of India	Bank	Government of India	Bank

1.8.2 Resources: Trends and Composition

The fund flow arrangements and trends of resources of PRIs for the period 2008-09 to 2012-13 are shown in the table below:

Table 1.6: Fund flow arrangements in flagship schemes

Sl.No.	Scheme	Fund flow
1	Mahatma Gandhi National Rural Employment Guarantee Scheme	Central share is released direct to the District Rural Development Agencies (DRDAs). State share provided in the Budget is released to DRDA. DRDAs disburse the fund (Central and State share together) to ZP and GPs under their jurisdiction.

Source: Schemes guidelines

Table 1.7: Time series data on resources of PRIs

Source of Revenue	2008-09	2009-10	2010-11	2011-12	2012-13
Government of India	68.48	108.59	129.38	241.39	214.04
State grants for Centrally sponsored Schemes	0.44	5.46	7.58	12.50	25.88
CFC grant	4.26	8.51	5.60	5.47	7.79
SFC grant	20.10	25.91	18.74	18.74	20.62
Salaries/Honorarium	0.86	0.72	0.72	3.42	2.70
Own Revenue	Nil	Nil	Nil	Nil	Nil
Total	94.14	149.19	162.02	281.52	271.03

(₹ in crore)

Source: Data consolidated from the data received from DRDAs, Rural Development and Panchayati Raj (RD&PR) Department

As compared to 2008-09 the grants from Central Government substantially increased during 2009-10, 2010-11 & 2011-12 due to release of more funds under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). However, grants from the Central Government decreased in 2012-13 as compared to 2011-12 as Centrally Sponsored Scheme being implemented by the PRIs was limited to MGNREGS with reasons not on record.

1.8.3 State Finance Commission Award

After the enactment of the 73rd Amendment Act to the Constitution of India, the State Government constituted three SFCs to determine the principles on the basis of which adequate financial resources would be ensured for PRIs. The recommendations of the Second State Finance Commission (SSFC) effective from 01.04.2001 were passed in the State Legislative Assembly during December 2005. The period of the SSFC covered up to 31.03.2010. The Third SFC was constituted in March 2013. As per the accepted recommendations of SSFC, the State Government is required to transfer 10 *per cent* of the State's own revenue including the State's share of Central taxes to the local bodies including District Councils. Out of this 10 *per cent*, 34.38 *per cent* is to be transferred to PRIs. The release of SSFC grants by the State Government during the last five years from 2008-09 to 2012-13 to PRIs is shown in the table as follows:

Table 1.8: Release of Funds to PRIs under SFC Award

(₹ in crore)

Sl. No.	Name of PRIs	Amount				
		Released during 2008-09	Released during 2009-10	Released during 2010-11	Released during 2011-12	Released during 2012-13
A	Zilla Parishad					
(i)	Imphal East	0.87	1.12	0.81	0.81	0.89
(ii)	Imphal West	0.59	0.76	0.55	0.55	0.61
(iii)	Thoubal	0.94	1.21	0.87	0.87	0.96
(iv)	Bishnupur	0.62	0.79	0.57	0.57	0.63
Total		3.02	3.88	2.80	2.80	3.09
B	Community Development Block					
(i)	Imphal East-I	2.19	2.82	2.04	2.04	2.24
(ii)	Imphal East-II	2.23	2.87	2.08	2.08	2.28
(iii)	Jiribam	0.52	0.67	0.49	0.49	0.54
(iv)	Imphal West-I	2.32	3.00	2.17	2.17	2.29
(v)	Imphal West –II	1.02	1.32	0.96	0.96	1.15
(vi)	Thoubal	3.55	4.58	3.31	3.31	3.64
(vii)	Kakching	1.76	2.27	1.64	1.64	1.81
(viii)	Bishnupur	1.78	2.30	1.66	1.66	1.83
(ix)	Moirang	1.71	2.20	1.59	1.59	1.75
Total		17.08	22.03	15.94	15.94	17.53
Grand Total		20.10	25.91	18.74	18.74	20.62

Source: Data consolidated from the data received from DRDAs, RD&PR Department

In the above table the funds pertaining to 2011-12 and 2012-13 were released on the basis of the recommendations of the SSFC under the head 'Assignment & Compensation' since the periods are beyond the SSFC period (2001-10). The position of funds released and shortfall in release of funds during 2008-13 are as shown in the table below:

Table 1.9: Funds to be transferred vis-à-vis actual funds transferred

(₹ in crore)

Year	State's revenue including State's share of net proceeds of Union taxes	Amount to be transferred to Local bodies including ADCs (10%)	Amount to be transferred to PRIs (34.38%)	Amount released	Short release with regard to SSFC recommendation (%)
2008-09	1004	100	34	20	14 (41)
2009-10	1033	103	35	26	9 (25)
2010-11	1517	152	52	19	33 (63)
2011-12	1834	183	63	19	44 (70)
2012-13	1882	188	65	21	44(68)

Source: Departmental records and Finance Accounts

As it is evident from the table above the transfer of funds to the PRIs during 2008-13 was lower than that of the recommendation of the SSFC. The percentage of shortfall ranged from 25 to 70 per cent. The short release of funds to PRIs against the SSFC recommendation was increasing year after year during the period 2008-13 without any recorded reason. This would impede the developmental works of the rural areas in the State.

1.9 Status of transfer of Funds, Functions and Functionaries

The 73rd Amendment to the Constitution and the MPR Act, 1994 envisaged transfer of the functions to PRIs listed in the XIth Schedule. Accordingly, the State Government through executive orders had to transfer all the 29 functions to the PRIs. For effective functioning of both the State Government and PRIs, Activity Mapping delineated the role and responsibility of PRIs. Out of 29 functions the State Government devolved functions of 16 departments to PRIs as of March 2013. The details of activities of 16 departments to be transferred to ZPs and GPs are shown in **Appendix-II**. There has been no change in the status of transfer of funds, functions and functionaries since the first time the order was issued in 2005. The status on the transfer of functions, functionaries and funds in respect of 16 Departments to ZPs and GPs as on 31.03.2013 is shown in **Appendix-III**.

The Amendment Act envisioned that the PRIs shall have necessary powers to carry out all the functions entrusted, assigned or delegated to them and, in particular, to exercise all powers specified under the MPR Act, 1994. However, due to non-transfer/partial transfer of funds and functionaries the PRIs were not able to perform the functions assigned to them.

Thus, transfer of funds, functions and functionaries to PRIs was not adequate and effective to enable them to function as institutions of local self-government.

1.10 Audit Mandate

1.10.1 Primary Auditor

The Director, Local Fund Audit (DLFA), Government of Manipur conducts audit of accounts of GPs and ZPs under Sections 44(1) and 74(1) of the MPR Act, 1994. The duty of the DLFA is to conduct audit of the accounts of PRIs and to forward the Audit Reports to the audited entities and the State Government.

The DLFA intimated (July 2013) that the Directorate has not conducted audit of accounts of any PRIs during 2012-13. The Director further stated that no Audit Report for any of the years was compiled. Also, there was no case of follow-up action on the Inspection Reports under Technical Guidance and Support (TG&S) arrangement. In this state of position, IRs could not serve the purpose of audit.

1.10.2 Organizational Set up of Director, Local Fund Audit

Director, Local fund Audit of Manipur is a Directorate headed by a Director assisted by Joint Director, Assistant Directors, Audit Officers and other ancillary staff. As on 31 December 2013, the Directorate was having 38 persons on its roll against the sanctioned strength of 65. The DLFA conducts audit of account of Local Bodies and accounts of government offices/departments as internal audit cell of Finance Department. An audit party comprises of one Audit Officer and two Auditors, and they work under the direct supervision of the Assistant Director/Joint Director.

1.10.3 Audit by C&AG of India

The Accountant General (Audit), Manipur conducts the audit of the accounts of PRIs under Section 20(1) of C&AG's Duties, Power and Condition of Service (DPC) Act, 1971. The State Government had entrusted audit of PRIs to the C&AG under Technical Guidance and Support (TG&S) arrangement in March 2012 by way of Gazette notification in pursuance of the Thirteenth Finance Commission (XIII-FC) recommendations.

1.11 Audit Coverage

Test audit of the accounts of 30 PRIs (2 ZPs for the year 2009-12 and 28 GPs for the years 2006-12) was conducted during 2012-13 (**Appendix-IV 'A'**). Results of the audit are given in the succeeding chapter.

1.12 Response to Audit Observations

Results of audit of the accounts of PRIs, conducted by the office of the Accountant General (Audit), Manipur, were forwarded to the respective units in the form of Inspection Reports (IRs) along with copies to the State Government. The authorities of PRIs were required to comply with the observations contained in the IRs and rectify the defects and report their compliance to audit.

The details of outstanding paras as of March 2013 are shown in table below:

Table 1.10: Details of outstanding paras

Year	No. of IRs issued	No. of paras issued under Pt II-A	No. of paras issued under Pt II-B	Total	Clearance	Outstanding
2006-07	2	Nil	8	8	Nil	8
2007-08	1	Nil	5	5	Nil	5
2008-09	2	Nil	8	8	Nil	8
2009-10	4	1	37	38	Nil	38
2010-11	6	Nil	35	35	Nil	35
2011-12	3	Nil	18	18	Nil	18
2012-13	30	Nil	304	304	Nil	304
Total	48	1	415	416	Nil	416

As it is evident from the table above, 416 paras were pending for settlement for want of replies from PRIs. As such, the concerned authorities failed to ensure prompt and timely action in furnishing replies to audit observations.

1.13 Conclusion

The State Government has not formulated clear policy regarding the staffing pattern of ZPs in the State. The periodicity for constitution of SFCs, as per Constitutional provisions, was not maintained by the State Government. The State Government has not devolved all the functions to the PRIs as envisaged in the XIth Schedule of the Constitution. Functionaries and funds were not adequately transferred for effective functioning of PRIs. Non-functioning of District Planning Committees indicated lack of seriousness of concerned authorities in consolidation and integration of plans of the district for social justice and economic development in the grass root level.

Section 'B' **Financial Reporting**

1.14 Framework

1.14.1 Financial reporting in PRIs is an important element for ensuring accountability. The matters relating to drawal of funds, incurring of expenditure, maintenance of accounts and rendering of accounts by GPs and ZPs are governed by the provisions of MPR Act, 1994, other Departmental Manuals, standing orders and instructions.

The PRIs maintain accounts on cash basis. All receipts and payments are required to be incorporated in the accounts as and when they occur so as to make the accounts complete and accurate. However, the MPR Act, 1994 and Rules made thereunder do not lay any provision for preparation of Annual Accounts.

1.15 Financial Reporting Issues

1.15.1 Non-Maintenance of Basic Records

In view of the nature of transactions of the PRIs, the following records are required to be maintained for greater accountability and transparency:

- Principal Cash Book;
- Grants-in-aid Register;
- Bill Register;
- Purchase file;
- Stock and Issue Register;
- Asset Register (except for MGNREGS);
- Works Registers;
- BPL Register; and
- Employment Register (except for MGNREGS).

Test-check of 2 ZPs and 28 GPs however, revealed that none of the PRIs maintained the records as mentioned above. Also, in the absence of vital accounting records, actual position of utilization of funds, execution of various schemes, stock and stores and assets created by execution of development schemes could not be ascertained. The accountability of the PRIs' authorities could not also be ensured without the vital records.

1.15.2 Deficiencies in maintenance of Cash Book

As per Central Treasury Rules every officer receiving money should maintain a Cash Book. It also envisages that all monetary transactions should be entered in the cash book as soon as they occur; the Cash Book should be closed regularly and completely checked; an erasure or overwriting of an entry once made in the Cash Book is strictly prohibited. Test-check of Cash Books of 30 PRIs revealed the following:

- i. Most of the monetary transactions were not entered in the Cash Book on the date of their occurrence.
- ii. Cash Books were not closed regularly and analysis of closing balance and physical verification of cash were not done.
- iii. There was no practice of consolidation of daily/monthly total of each Subsidiary Cash Books in the Main Cash Book.
- iv. Correction and alteration were made without initial of the competent authority.

This indicated non-adherence of the PRIs to the provisions of financial rules and resulted in improper maintenance of Cash Book. Thus, the possibilities of loss, theft, defalcation, embezzlement *etc.*, could not, therefore, be ruled out.

1.15.3 Bank Reconciliation Statement

Bank Reconciliation is a procedure which aims to reconcile the bank balance as shown in the Cash Book of the local body with that of the bank balance as per the Bank Pass Book/Statement received from the bank. However, none of the test-audited GPs and ZPs prepared Bank Reconciliation Statement. As an illustrative example, as on 31 March 2012 there was a cash balance of ₹ 1.17 lakh as per Bank Pass Book² though balance as per Cash Book of the Bishnupur ZP was ₹ 0.80 lakh thereby resulting a difference of ₹ 0.38 lakh. The reason for the difference was not explained in the Cash Book through preparation of Bank Reconciliation Statement by the ZP. Thus, the authenticity of cash balances as per Cash Books of all the test-checked PRIs could not be ascertained in the absence of reconciliation of balances with Bank Pass Book.

1.15.4 Budget Estimates

Budget is the most important tool for financial planning, accountability and control. Under Sections 42 and 72 of the MPR Act, 1994, Budget proposal containing detailed estimates of receipts and disbursements for the ensuing year is required to be prepared by GPs and ZPs. Such Budget proposal is to be submitted to the next higher authority for approval. If the approval of the higher authority is not received within such time as may be prescribed, or by the last day of the year, whichever is earlier, the budget shall be deemed to have been approved by the prescribed authority. However, test-check of 2 ZPs and 28 GPs revealed that neither the ZP nor GP prepared Budget up to 2012-13. As such, the expenditure incurred by the PRIs was irregular. Besides, no financial control could be exercised in the GPs and ZPs by the State Government in such a situation.

² Account number of UCO Bank, Bishnupur Branch:0054011000804

1.15.5 Maintenance of Accounts

Sections 43 and 73 of MPR Act, 1994 stipulate that the accounts of GPs and ZPs shall be kept in such form and manner as may be prescribed. Test-check of records of two ZPs and 28 GPs revealed that accounts were maintained on cash basis. However, the basic records such as consolidated cash books, grants-in-aid register, bill register, purchase file, stock and issue register etc. and accounts to assess the income and expenditure of the PRIs were not maintained in all the test-audited PRIs. Also Audit observed that Model Accounting System for PRIs prescribed by the Ministry of Panchayati Raj, Government of India in consultation with the C&AG of India was not adopted in any of the GPs and ZPs as of March 2012 without any recorded reason.

1.16 Conclusion

Non-maintenance of basic records/registers in PRIs was noticed resulting absence of credible financial reporting. Financial reporting in PRIs is inadequate as Cash Books were not properly maintained. The authenticity of cash balances as per Cash Books of all the test-checked PRIs could not be ascertained in the absence of Bank Reconciliation Statement. Budgets were not prepared by all the test-audited PRIs. In the absence of budget allocation, the expenditure incurred by GPs and ZPs without budget provision was irregular. Audit observed that Model Accounting System for PRIs prescribed by the Ministry of Panchayati Raj, Government of India in consultation with the C&AG of India was not adopted in any of the GPs and ZPs as of March 2012 without any recorded reason.