

OVERVIEW

This Report consists of three chapters related to *Panchayati Raj* Institutions. Chapter 1 provides an Overview of the Functioning, Accountability Mechanism and Financial Reporting. Chapter 2 includes Performance Audit on 'PRIs' resources and their utilisation'. Chapter 3 includes findings on Audit of Transactions. A synopsis of audit findings included in the report is presented below:

Chapter 1 An Overview of the Functioning, Accountability Mechanism and Financial Reporting

Audit arrangements

The entrustment of Technical Guidance and Support audit of PRIs was continued in the State as per the recommendation of Thirteenth Finance Commission. The CAG or his representative will have the right to report to State Legislature the result of audit at his discretion, as per the entrustment (2011).

However, Annual Technical Inspection Reports/Audit Report sent to the Government for the year ended March 2013, March 2014 and March 2015 have not been placed before the State Legislature as of March 2017.

Further, the Chief Audit Officer, Co-operative Societies and *Panchayats* (CAO) is the Primary Auditor, empowered to conduct the audit of all the three tiers of PRIs. It was noticed that during 2015-16, 18,222 units out of 52,728 PRIs units planned for audit by CAO were not audited.

(Paragraph 1.5)

Devolution of functions and funds to PRIs

Only 16 out of 29 functions pertaining to PRIs mentioned in the Eleventh Schedule of the Constitution have been devolved to PRIs as of October 2016. The remaining functions were yet to be devolved to the PRIs.

The revenue realized (₹ 898.74 crore) by PRIs from their own sources compared to their total resources (₹ 30,696.07 crore) of 2011-16 was insignificant (three *per cent*) indicating large dependency on the Government grant for financing their activities.

PRIs in the State suffered loss of resources of ₹ 332.68 crore in 2011-12 as the grants released were lapsed on account of not being drawn from treasuries by 31 March 2012. The grants released (₹ 1931.30 crore) by GoI in 2015-16 was transferred to GPs after a delay of four days and consequently, GoUP had to incur an avoidable interest of ₹ 1.64 crore. Further, the grant (₹ 1,909.18 crore) released by GoI in 2015-16 was transferred to GPs by the State Government with a delay of 19 days but due interest of ₹ 6.08 crore was not paid to GPs.

(Paragraph 1.3.1, 1.11.1.2, 1.11.2.1 and 1.11.3.1)

Utilisation of funds

During 2011-16, total grants received from GoI (₹ 12,765.39 crore) and from the State Government (₹ 17,031.94 crore) by PRIs in the State were reported to have been utilised, but audit noticed substantial unutilised balances (₹ 172.82) in test checked 202 PRIs (10 ZPs, 26 KPs and 166 GPs) at the end of March 2016.

(Paragraph 1.10)

Maintenance of accounts

Accounting in PRIASoft incorporated all the formats (eight formats) prescribed by CAG. However, out of the eight formats, reports in only three formats (Annual Receipt & Payment Account, Consolidated Abstract Register and Monthly Reconciliation Statement) were being generated by ZPs and KPs. In GPs, only Annual Receipt and Payment Account and Consolidated Abstract Register were being generated.

(Paragraph 1.11.5)

Chapter 2 Performance Audit on “PRIs’ resources and their utilisation”

Financial management

Weak Financial Management of PRIs led to available funds not being utilised leaving a balance of ₹ 172.82 crore (ZPs: ₹ 151.99 crore, KPs: ₹ 10.57 crore and GPs: ₹ 10.26 crore) in the test checked PRIs at the end of March 2016. During 2011-16, test checked 26 KPs and 166 GPs drew funds ₹ 84.93 crore and ₹62.09 crore from their *Kshetra Nidhi* and *Gram Nidhi* respectively without passing their annual budgets though required under their Acts.

(Paragraph 2.7.2.2)

ZP resources

During 2011-16, there was accumulation of unrealised rent fee of ₹ 2.12 crore in nine ZPs. Rate of license fee of Industrial and Commercial premises was not revised since 1999 and 2005 respectively. Consequently, license fee ₹ 3.81 crore was not levied during 2012-16 in two ZPs. Potential tax sources viz., advertisement tax and tax on passing of maps of commercial premises available with ZPs were not tapped. Due to ineffective levy of tax during 2011-16, there was loss of Circumstances & Property tax (CP tax) of ₹ 5.52 crore in five ZPs.

Undue favour was given to a defaulting licensee in ZP Sonbhadra for collecting transportation fee from vehicles collecting and transporting sand, *morum*, stone grit *etc.* by waiving off license fee of ₹ 2.43 crore for the period 2008-10 and not recovering the license fee of ₹ 1.62 crore pertaining to 2012-13 from the same licensee as of June 2016.

(Paragraph 2.7.1.1)

Planning

There was no annual planning for effective utilisation of resources in test checked ZPs and KPs. GPs did not prepare *Gram Panchayat Development Plan* (GPDP) though required under the *Panchayati Raj Act, 1947*.

(Paragraph 2.7.2.1)

Execution of works

Deficiencies were noticed in execution of works such as execution of *intra* GP works (₹394.14 crore), short levy of penalty amounting to ₹6.28 crore for delay in completion of works *etc.* The test checked GPs purchased construction material amounting to ₹17.00 crore during 2011-16 without following the prescribed purchase procedures.

(Paragraph 2.7.2.3)

Monitoring

Monitoring of resource generation and their utilisation by State and district level officers was not robust. Various deficiencies of internal control/checks were noticed in test checked PRIs.

(Paragraph 2.7.2.4)

Chapter 3 Audit of Transactions

Violation of the tendering rules led to extension of undue favour of ₹ 29.52 lakh to contractors in *Zila Panchayat* Varanasi and Jalaun.

(Paragraph 3.1)

Payment of ₹ 0.82 lakh without ensuring proper checks in two *Kshetra Panchayats*.

(Paragraph 3.2)

Unfruitful expenditure of ₹ 1.60 crore incurred on construction of incomplete and sub-standard *Gram Panchayat Sachivalaya* in *Zila Panchayat*, Fatehpur.

(Paragraph 3.3)

Unfruitful expenditure of ₹ 59.64 lakh due to incomplete construction of Bharat Nirman Rajiv Gandhi *Seva Kendra* building in *Kshetra Panchayat* Amaria, Pilibhit and objective of its utilisation as a Citizen Centric Knowledge Resource Centre was also not fulfilled.

(Paragraph 3.4)