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**Part - A**  
**Panchayat Raj Institutions**

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# **Chapter – I**

**An Overview of the Functioning, Accountability  
Mechanism and Financial Reporting issues of  
Panchayat Raj Institutions**

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## Chapter I

### An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Panchayat Raj Institutions

#### An Overview of the Functioning of the Panchayat Raj Institutions (PRIs) in the State

#### 1.1 Introduction

Government of India (GoI) enacted (1992) 73<sup>rd</sup> amendment to the Constitution to empower Panchayat Raj Institutions (PRIs) as local self-governing institutions to ensure a more participative governing structure in the country. GoI further entrusted to the PRIs the implementation of various socio-economic development schemes including those enumerated in the Eleventh Schedule to the Constitution, to the PRIs.

The States, in turn, were required to entrust these local bodies with such powers, functions and responsibilities as to enable them to function as institutions of self-governance and implement schemes for economic development and social justice.

Accordingly, State Government had enacted Andhra Pradesh Panchayat Raj (APPR) Act in 1994 repealing all the existing Acts, to establish a three-tier system viz., Gram Panchayat (GP), Mandal Praja Parishad (MPP) and Zilla Praja Parishad (ZPP) at Village, Mandal and District levels, respectively.

##### 1.1.1 State profile

As per the 2011 census, the total population of the 13 districts of Andhra Pradesh State was 4.96 crore, of which 3.50 crore (71 *per cent*) lived in rural areas. A profile of rural Andhra Pradesh is given below:

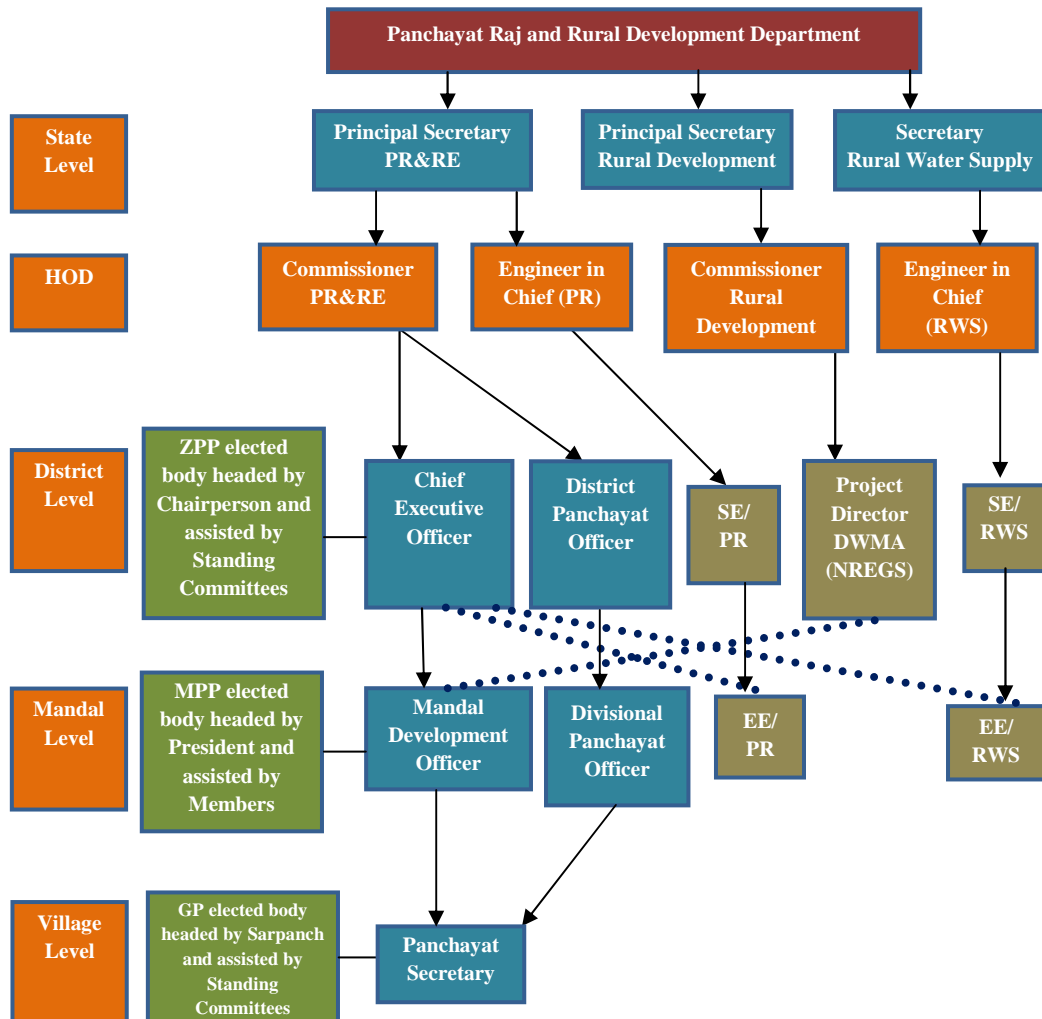
Table 1.1

Sl. No.	Indicator	Unit	State
1.	Rural population	Crore	3.50
2.	Rural population density	Sq. Km	224
3.	Rural sex ratio	Females per 1000 Males	994
4.	Rural literacy rate	Percentage	62.37
5.	Zilla Praja Parishads	Number	13
6.	Mandal Praja Parishads	Number	660
7.	Gram Panchayats	Number	12,920
<b>Total number of PRIs (5+6+7)</b>			<b>13,593</b>

Source: Information furnished (September 2016) by Commissioner, Panchayat Raj and Rural Development (CPR&RD) and 'Andhra Pradesh at a Glance' published (January 2016) by State Government

## 1.2 Organisational set-up of PRIs

Organisational arrangements for the PRIs, inclusive of Government machinery and elected representatives in the State, are as follows.



Dotted lines represent partial supervision

The PRIs are under the administrative control of the Commissioner, Panchayat Raj and Rural Employment (CPR&RE). The elected members of ZPP, MPP and GP are headed by Chairperson, President and Sarpanch, respectively. They convene and preside over the meetings of standing committees and General Body. The executive authorities of ZPP, MPP and GP are Chief Executive Officer, Mandal Parishad Development Officer and Panchayat Secretary, respectively. They hold the executive powers for the purpose of carrying out the provisions of the APPR Act, 1994.

## 1.3 Functioning of PRIs

The Eleventh Schedule, to 73<sup>rd</sup> Constitutional Amendment Act, 1992, had listed 29 subjects for devolution to strengthen the PRIs. During 2007-08, State Government

devolved 10<sup>1</sup> functions to PRIs and, thereafter, no functions were devolved. Funds relating to devolved functions are being released to PRIs through the line departments concerned. As per the information furnished (December 2016) by Commissioner, Panchayat Raj and Rural Development, six line departments had released funds amounting to ₹70.14 crore to PRIs during 2015-16, of which, only an amount of ₹4.83 crore were expended (*Appendix-1.1*).

## **1.4 Formation of various committees**

As per the provisions of APPR Act, 1994 various committees are constituted at ZPP, MPP and GP level along with District Planning Committee (DPC). At ZPP level, seven<sup>2</sup> standing committees are to be constituted to monitor the progress of implementation of works and schemes related to subjects assigned to them. In every MPP and GP, there shall be functional committees to monitor the progress of implementation of works and schemes. During 2015-16, scrutiny of the records of 28 PRIs showed that in respect of 12<sup>3</sup> PRIs, functional committees were not constituted.

The State is empowered to constitute a District Planning Committee (DPC) at district level. The DPC is to ensure that each Panchayat in the district prepares a development plan for the financial year, which is to be consolidated into the District Development Plan and submitted to the Government for incorporation into the State plan. However, the department (October 2016) did not furnish the details regarding formation of DPCs.

## **1.5 Audit arrangement**

### **1.5.1 Primary Auditor**

Director, State Audit (DSA), functioning under the administrative control of Finance Department, is the statutory auditor for PRIs under Andhra Pradesh State Audit Act, 1989. As per Section 11(2) of the Act, DSA is required to prepare a Consolidated State Audit and Review Report and present it to the State Legislature. The DSA has four Regional Offices and 13 District offices in Andhra Pradesh State. As per Section 10 of the Act, DSA is empowered to initiate surcharge proceedings against the persons responsible for causing loss to the funds of local authorities or other authorities and such amounts are to be recovered by the executive authority concerned under Revenue Recovery (RR) Act.

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<sup>1</sup> (i) Agriculture and Agriculture Extension (ii) Animal Husbandry, Dairy and Poultry (iii) Fisheries (iv) Health and Sanitation (v) Education, including Primary, Secondary and Adult Education and non-formal education (vi) Drinking Water (vii) Poverty Alleviation Programme (viii) Women and Child Development (ix) Social Welfare, including Welfare of the Handicapped and Mentally retarded (x) Welfare of the Weaker sections and in particular of the Scheduled Castes and Scheduled Tribes

<sup>2</sup> (i) Planning and Finance (ii) Rural Development (iii) Agriculture (iv) Education and Medical Service (v) Women Welfare (vi) Social Welfare and (vii) Works

<sup>3</sup> Four GPs of SPSR Nellore, three GPs of Anantapuramu, four GPs of YSR and one GP of Krishna district.

As per the information furnished (June 2016) by DSA, audit of one ZPP, three MPPs and 115 GPs were in arrears. DSA attributed (June 2016) delay in audit of accounts to non-production of records by GPs and MPPs. As of March 2016, 66,463<sup>4</sup> Surcharge Certificates for ₹86.93 crore were issued. No amounts were recovered during the year 2015-16.

DSA submitted Consolidated State Audit and Review Reports up to the year 2011-12 to the Finance department and the Government tabled (March 2016) the Report in the State Legislature. DSA stated (June 2016) that Consolidation of Reports for the years 2012-13, 2013-14 and 2014-15 were under progress. Some of the major findings observed in 2011-12 report related to excess utilisation/non-utilisation/diversion/mis-utilisation of grants, non-collection of dues, advances pending adjustments etc.

### **1.5.2 Audit by Comptroller and Auditor General of India (CAG)**

CAG has conducted audit of PRIs under Section 14 of CAG's (DPC) Act, 1971. Based on the recommendations of the Eleventh Finance Commission, State Government had entrusted (August 2004) the responsibility for providing Technical Guidance and Supervision (TGS) in connection with the accounts and audit of Local Bodies to the CAG under Section 20(1) of CAG's (DPC) Act.

Based on test-check of PRIs, a consolidated report (TGS Note) is prepared at the end of each financial year and forwarded to the DSA for improving the quality of their reports. TGS note for the year 2015-16 was issued in July 2016.

#### ***Planning and conduct of audit***

Audit process commences with assessment of the risks of departments/local bodies/schemes/programmes etc., based on expenditure incurred, criticality/complexity of activities, priority accorded to the activity by Government, level of delegated financial powers and assessment of internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, frequency and extent of audit is decided and an annual audit plan is formulated to conduct audit. During 2015-16, 28 PRIs (four ZPPs, four MPPs and 20 GPs), falling under the department of Panchayat Raj and Rural Development, were subjected to compliance audit.

Report of the Comptroller and Auditor General of India on Local Bodies for the year ended March 2015 was tabled in the State Legislature in March 2016.

### **1.6 Response to Audit Observations**

After completion of audit, Inspection Reports (IRs) containing audit findings are issued to Head of the unit concerned. Heads of offices and next higher authorities are required to respond to the observations contained in IRs within one month and take appropriate corrective action. Audit observations communicated in IRs are also

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<sup>4</sup> Upto 2014-15 66,432 cases pending recovery of surcharge of ₹86.82 crore and during 2015-16, 31 cases pending recovery of surcharge of ₹0.11 crore



discussed in meetings at district level by officers of the departments with officers of Principal Accountant General’s office.

As of March 2016, 216 IRs containing 1,421 paragraphs pertaining to the period up to 2015-16 were pending settlement, as given below. Of these, even first replies have not been received in respect of 24 IRs and 369 paragraphs.

**Table 1.2**

Year	Number of IRs /Paragraphs		IRs/Paragraphs where even first replies have not been received	
	IRs	Paragraphs	IRs	Paragraphs
Up to 2014-15	208	1,266	17	228
2015-16	8	155	7	141
<b>Total</b>	<b>216</b>	<b>1,421</b>	<b>24</b>	<b>369</b>

Lack of action on IRs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports remaining unaddressed.

## **Accountability Mechanism and Financial Reporting Issues**

### **Accountability Mechanism**

#### **1.7 Ombudsman**

Establishment of an independent Local Body Ombudsman System is one of the conditions to be complied with to have access to the performance grants recommended by Thirteenth Finance Commission (2011-15). CPR&RD stated (September 2016) that the Ombudsman system was not adopted. Though independent Local Body Ombudsman system was not adopted in the state, the State government complied with this condition by making amendments to the existing AP Lokayukta Act 1983 by bringing the elected representatives as well as the staff of Local Bodies into the purview of the Act for getting grants from the GoI.

#### **1.8 Social Audit**

Social audit involves verification of implementation of programmes/schemes and delivery of the envisaged results by the community with active involvement of primary stakeholders. Social Audit is widely accepted as an important mechanism to address corruption and strengthen accountability in government service delivery. The State Government had initiated social audits in 2006 through the Strategic Performance Innovation Unit (SPIU) to undertake social audit of implementation of Food for Work Programme in the State on a pilot basis. In May 2009, State Government created an independent autonomous body called the Society for Social Audit, Accountability and Transparency (SSAAT) to carry out social audits of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and other anti-poverty/welfare programmes of the Department of Rural Development.

Post bifurcation of the State of Andhra Pradesh into Telangana and Andhra Pradesh with effect from 2 June 2014, the existing Society has been retained for Telangana and a new Society was registered under the Registrar of Societies Act, 2001 for Andhra Pradesh.

- i. As per Section 3(1) of Scheme Rules, State Government should facilitate conduct of Social Audit of the works taken up under the Act in every Gram Panchayat at least once in six months, i.e., twice a year, and the Social Auditors are required to audit 100 *per cent* check of muster rolls and work site. During the year 2015-16, SSAAT had facilitated 13,642 Social Audits in respect of 12,920 GPs in the state. However, only 970 GPs (seven *per cent*) were covered twice a year. SSAAT attributed (December 2016) the shortfall in coverage of audit to delay in furnishing records, postponement of public hearings, dearth of resource persons etc.
- ii. As per State Social Audit Rules, the District Vigilance Cell is responsible to take follow up action on the social audit observations immediately (within three days) on conclusion of the mandal social audit public hearing. During the year 2015-16, SSAAT found deviations amounting to ₹146.31 crore, of which ₹84.78 crore were accepted by the Presiding Officers<sup>5</sup>. An amount of ₹0.21 crore was recovered as part of Social Audit i.e., before conduct of public hearing.

## **1.9 Submission of Utilisation Certificates (UCs)**

Scheme guidelines of Centrally Sponsored Schemes (CSS) and Central Finance Commissions (CFCs) stipulate that UCs should be obtained by departmental officers from the grantees and after verification should be forwarded to GoI. Scrutiny of records of 28 PRIs during 2015-16 showed that in respect of six<sup>6</sup> PRIs, UCs amounting to ₹4.04 crore for the period (2012-15) were yet to be furnished as of March 2016.

## **1.10 Internal Audit and Internal Control System of PRIs**

As per Andhra Pradesh Panchayat Raj Officers, Delegation of Powers Rules, 2000 the Commissioner shall inspect all ZPPs once in calendar year and submit copies of Inspection Notes for review by the Government. As regards GPs, Section 44(2)(a)(b) of Andhra Pradesh Panchayat Raj (APPR) Act, 1994 stipulates that Government should appoint District Panchayat Officers, Divisional Panchayat Officers and Extension Officers as Inspecting Officers for overseeing the operations of Gram Panchayats (GPs). Information regarding conduct of internal audit of the ZPPs/MPPs/GPs was not furnished by CPR&RD (September 2016).

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<sup>5</sup> District Programme Officer nominates a senior officer not less than the rank of the Additional District Programme Coordinator for presiding over the public hearing.

<sup>6</sup> Two GPs of SPSR Nellore district, two GPs of Anantapuramu district, one GP of YSR district, one GP of West Godavari district

Scrutiny of records of 20 GPs during 2015-16 showed that in respect of three<sup>7</sup> GPs, inspections were not conducted (2010-15) by any of the above authorities. While no inspection reports were found in support of inspections stated to have been conducted by the authorities concerned in 10<sup>8</sup> GPs, out of four<sup>9</sup> MPPs audited during 2015-16, inspection was not conducted in Paderu. Similarly, out of four<sup>10</sup> ZPPs audited during 2015-16 it was seen that inspection was conducted only in Srikakulam.

## Financial Reporting Issues

### 1.11 Sources of funds

Resource base of PRIs consists of own revenue generated by collection of tax<sup>11</sup> and non-tax<sup>12</sup> revenues, devolution at the instance of State and Central Finance Commissions, Central and State Government grants for maintenance and development purposes and other receipts<sup>13</sup>. The authorities responsible for reporting the use of funds in respect of Zilla Praja Parishads (ZPPs), Mandal Praja Parishads (MPPs) and Gram Panchayats (GPs) are the Chief Executive Officers (CEOs), Mandal Parishad Development Officers (MPDOs) and Panchayat Secretaries, respectively.

Summary of receipts of PRIs for the years 2011-16 is given below. Receipts for the period 2011-14 pertain to the composite State of Andhra Pradesh whereas the receipts from 2014-16 pertain to the State of Andhra Pradesh.

Table 1.3

(₹ in crore)

Sl. No.	Receipts	2011-12	2012-13	2013-14	2014-15	2015-16\$
1	Own Revenue	1,009.24	976.50	736.50	306.31*	18.88@
2	Assigned Revenue <sup>14</sup>	344.02	154.36	457.24	1,137.12#	343.76@
3	State Government Grants	1,185.85	343.97	350.59	136.78	103.48@@
4	GoI Grants	2,342.19	1,201.03	1,330.86	21.86	376.36@@
5	Other Receipts	331.68	84.18	Nil	NA**	320.44^
	<b>Total</b>	<b>5,212.98</b>	<b>2,760.04</b>	<b>2,875.19</b>	<b>1,602.07</b>	<b>1,162.92</b>

Source: Commissioner, Panchayat Raj

\* Data pertain to 12 ZPPs, MPPs of 9 districts and GPs of 13 districts

# Data pertain to 11 ZPPs, MPPs of 8 districts and GPs of 13 districts

\*\* Data not made available

\$ Data pertain to 10 districts

@ Eight ZPPs, five MPPs and one GP

@@ Seven ZPPs, four MPPs and one GP

^ Six ZPPs, four MPPs and one GP

<sup>7</sup> Two GPs of SPSR Nellore district, one GP of YSR district

<sup>8</sup> Four GPs of Anantapuramu district, two GPs of YSR district, two GPs of West Godavari district, one GP each in Krishna and SPSR Nellore districts

<sup>9</sup> Kaikalur, Ibrahimpatnam, Pakala and Paderu

<sup>10</sup> West Godavari, SPSR Nellore, Srikakulam and Kurnool

<sup>11</sup> Property tax, advertisement fee, etc.

<sup>12</sup> Water tax, rents from markets, shops and other properties, auction proceeds etc.

<sup>13</sup> Donations, interest on deposits etc.

<sup>14</sup> Seignorage fee and surcharge on stamp duty collected by Departments of Mines and Geology and Stamps and Registration are apportioned to Local Bodies in the form of assigned revenue

### 1.11.1 Financial assistance to PRIs

Financial assistance is provided by State Government to PRIs by way of grants and loans. Details of the financial assistance provided by the Government to PRIs for the years 2011-14 pertaining to the composite State and for 2014-16 pertaining to the State of Andhra Pradesh, are given below:

**Table 1.4**

(₹ in crore)

	2011-12	2012-13	2013-14	2014-15	2015-16
Budget	302.75	329.27	328.89	214.68	128.45
Actual Release	151.31	158.10	164.57	106.39	128.45
Expenditure	96.87	98.20	114.85	116.04	NA

Source: Commissioner, Panchayat Raj

NA Data not made available to audit

### 1.11.2 Fund flow arrangement in flagship programmes

Details of fund flow with regard to flagship programmes of GoI are given below:

Name of scheme	Fund flow
Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	<p>The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was enacted (September 2005) and implemented in a phased manner. The Act aims at enhancement of livelihood security of the households in rural areas of the country, by providing at least 100 days of guaranteed wage employment in every financial year to every rural household whose adult members volunteer to do unskilled manual work. Creation of durable assets is also an important objective of the Act, with other auxiliary objectives including protection of environment, empowering rural women, reducing rural urban migration, fostering social equity, and strengthening rural governance through decentralization and processes of transparency and accountability.</p> <p>The funds received from GoI and State Government are pooled in State Employment Guarantee Fund (SEGF). The fund flow is monitored through Central Fund Management System (CFMS). Share of both State and Central are kept with the nodal bank at Hyderabad. The respective designated drawing officers are required to raise the Fund Transfer Orders (FTOs) directly to the Director, EGS as and when wages/payments are due. During 2015-16 ₹4,167.85 crore was released by GoI and State Government (including Opening balance and Miscellaneous Receipts), of which ₹3,976.69 crore was incurred as expenditure. On scrutiny (July 2015) of records of Commissioner, Rural Development, it was observed that</p> <ol style="list-style-type: none"> <li>As per MGNREGS operational guidelines, a maximum of six <i>per cent</i> can be utilised towards administrative expenses over and above the wage and material expenses during the financial year. Administrative expenditure during the period 2011-16 was ₹166.29 crore. These expenses exceeded the prescribed limit by ₹48.90 crore, as worked out during the years 2011-16. CRD stated (July 2015) that efforts were being made to curtail additional expenditure over and above the prescribed limits.</li> <li>There was a delay in payment of wages amounting to ₹531.83 crore in respect of 99,21,760 wage seekers during 2010-16. Reasons were</li> </ol>

attributed to non-opening of bank accounts due to non-seeding of Aadhar numbers.

Though the department claimed that an amount of ₹14.92 crore in respect of 1,02,360 wage seekers was in suspense account, the fact remained that an amount of ₹26.19 crore in respect of 2,90,079 wage seekers was left undisbursed as of 9 December 2016.

### 1.11.3 Application of Funds

Summary of expenditure incurred by PRIs for the years 2011-14 pertain to the composite state of Andhra Pradesh and 2014-16 pertain to the residuary state of Andhra Pradesh:

Table 1.5

(₹ in crore)

Type of Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16**
Revenue	2,968.66	1,405.50	3,562.39	1,021.72*	3,000.03
Capital	1,464.15	1,033.47	1,756.98	700.27#	448.72
Total	4,432.81	2,438.97	5,319.37	1,721.99	3,448.75

\* Data pertain to only 12 ZPPs, MPPs of 9 districts and GPs of Krishna district

# Data pertain to only 11 ZPPs, MPPs of 7 districts and GPs of Krishna district

\*\* Data pertain to ten districts

## 1.12 Recommendations of State Finance Commission (SFC)

As per Article 243-I of the Constitution and Section 235 of APPR Act, 1994, constitution of SFC once in five years to recommend devolution of funds from the State Government to Local bodies is mandatory. State Government did not constitute SFC after Third SFC (2003). As no State Finance Commission was appointed, the Committee of Ministers and Secretaries felt that recommendations of Third Finance Commission could be applied for the period from 2010 to 2015 also. Fourth SFC was constituted in January 2015 and report was not submitted as of October 2016. During 2010-15, State Government released ₹214.34 crore to PRIs of Andhra Pradesh State under SFC grants and for the year 2015-16 State Government released ₹175 crore. However details of expenditure incurred during the above period was not furnished by the department.

Scrutiny of records (2015-16) of four<sup>15</sup> GPs pertaining to SFC grants showed that an amount of ₹9.63 lakh had lapsed to Government as funds were not utilised in time.

## 1.13 Recommendations of the Central Finance Commission (CFC)

### 1.13.1 Thirteenth Finance Commission

Based on the recommendations of Thirteenth Finance Commission, GoI had released

<sup>15</sup> One GP each in Krishna, SPSR Nellore, YSR and Anantapuramu districts

funds to ZPPs, MPPs and GPs. The grant was released under two components (basic component and performance based component). A portion of basic as well as performance grant was allocated to special areas<sup>16</sup>. Allocation and releases for the years 2010-14 pertained to the composite state of Andhra Pradesh and for the years 2014-15 pertained to the residuary state of Andhra Pradesh as given below:

**Table 1.6**

(₹ in crore)

13th CFC	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Allocation	486.64	834.77	1,179.62	1,357.06	828.10	4,686.19
Releases	486.64	307.65	0	1,585.57	1,744.40	4,124.26

Source: Ministry of Rural Development, GoI

Details of expenditure and UCs submitted as of March 2016 were not furnished by the department on specific request. However, on scrutiny of the records of two<sup>17</sup> PRIs, it was seen that an amount of ₹3.69 crore remained unspent during the period from 2011-12 to 2015-16.

### **1.13.2 Fourteenth Finance Commission**

The Fourteenth Finance Commission (FFC) has recommended assured transfers to the local bodies for planning and delivering basic services including water supply, sanitation including septic management, sewage and solid waste management, storm water drainage, maintenance of community assets, maintenance of roads, footpaths, street lighting, burial and cremation grounds and any other services smoothly and effectively within the functions assigned to them under relevant legislation. Grants are released under two components i.e., Basic grant and Performance grant. The division of grants between Basic and Performance Grant is in the ratio of 90:10.

Commissioner PR stated (October 2016) that against an allocation of ₹934.34 crore, GoI had released ₹928.41 crore during 2015-16. Details of expenditure incurred were not furnished by the department (September 2016).

### **1.14 Maintenance of records**

Records such as Cash book, Assets Register, Advance Register, Stock Registers, etc., are to be maintained as per the provisions of APPR Act, 1994 in respect of ZPPs and MPPs and for GPs as per GP Accounts Manual of Panchayat Raj and Rural Development Department. Scrutiny of records of 28 PRIs showed improper maintenance of cash books in six<sup>18</sup> PRIs and non-maintenance of stock registers in two<sup>19</sup> PRIs.

<sup>16</sup> Schedule areas listed under Schedule-V of Constitution

<sup>17</sup> One GP of SPSR Nellore and one GP of Krishna district

<sup>18</sup> One GP of West Godavari district, one GP of SPSR Nellore, one GP of Krishna District, one GP of Anantapuramu, MPP of Ibrahimpatnam and ZPP of Srikakulam

<sup>19</sup> One GP of West Godavari district and one GP of SPSR Nellore district

### **1.14.1 Physical verification of stores and stock**

Article 143 of Andhra Pradesh Financial Code (APFC) stipulates that all stores and stock should be verified physically once a year and a certificate to this effect be recorded by the Head of the Office in the Register concerned. On Scrutiny of records of 28 PRIs during 2015-16, it was seen that in respect of nine<sup>20</sup> PRIs, annual physical verification of stores and stock was not conducted.

### **1.14.2 Reconciliation of balances as per cash book with Bank pass book**

As per paragraph 19.6 of Andhra Pradesh Budget Manual, DDOs are required to reconcile departmental receipts and expenditure figures with those booked in treasury every month to avoid any misclassification and fraudulent drawals. Scrutiny of records of 28 PRIs during 2015-16 showed that in respect of eight<sup>21</sup> PRIs, reconciliation was pending from 2014-15 onwards.

### **1.14.3 Non-crediting of interest component to project account**

Scrutiny of records of RWS&S Division<sup>22</sup>, Eluru showed that an amount of interest of ₹0.56 crore was accrued on ₹2.70 crore sanctioned for project works under sustainability component of NRDWP<sup>23</sup>. This interest amount was not remitted to project account but retained with the jurisdictional District Collector. This resulted in NRDWP sustaining loss of interest of ₹0.56 crore.

### **1.14.4 Cases of misappropriation**

Andhra Pradesh Financial Code stipulates responsibilities of Government servants in dealing with Government money, the procedure for fixing responsibility for any loss sustained by Government and the action to be initiated for recovery. State Government had ordered (February 2004) the Secretaries of all the departments to review the cases of misappropriation in their departments on a monthly basis and the Chief Secretary to Government to review these cases once in six months with all the Secretaries concerned. Misappropriation cases noticed by Director, State Audit, which were yet to be disposed of, as of March 2016 are detailed below.

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<sup>20</sup> Three GPs of SPSR Nellore, three GPs of YSR, two GPs of Anantapuramu and one GP of West Godavari

<sup>21</sup> One GP of SPSR Nellore district, one GP of West Godavari, one GP of YSR district, one GP of Anantapuramu district, ZPPs of SPSR Nellore & Srikakulam and MPPs of Paderu and Kaikaluru

<sup>22</sup> Rural Water Supply and Sanitation

<sup>23</sup> National Rural Drinking Water Programme

Table 1.7

(₹ in lakhs)

Unit	Up to 2015		2015-16	
	No. of cases	Amount	No. of cases	Amount
Zilla Praja Parishads	144	692.92	2	0.35
Mandal Praja Parishads	755	186.72	59	83.49
Gram Panchayats	5,567	2,561.43	1,290	299.58
<b>Total</b>	<b>6,466</b>	<b>3,441.07</b>	<b>1,351</b>	<b>383.42</b>

Source: Information furnished by Director, State Audit

Urgent action needs to be taken by the Government in this regard.

### **1.15 Maintenance of Accounts by PRIs**

PRIs maintain accounts on cash basis. A Model Accounting System was prescribed by GoI in consultation with the Comptroller and Auditor General of India. State Government issued orders (September 2010) for adopting this format using PRIASoft (Panchayat Raj Institutions Accounting Software) developed by National Informatics Centre (NIC). Government stated (October 2016) that online accounts through PRIA software for the year 2015-16 were under process.

### **1.16 Issues related to AC/DC Bills**

As per Government Orders and AP Financial Code, Drawing and Disbursing Officers (DDOs) are accountable for submission of Detailed Contingent (DC) bills for the amount drawn on Abstract Contingent (AC) bills within three months from the date of drawing the amount. While incurring expenditure from Government account, head of the office should strictly adhere to the principles laid down under the standards of financial propriety. Government servant who incurs contingent expenditure should ensure that best possible value shall be received for the money spent.

As per the information available in the office of Accountant General (Accounts and Entitlements), an amount of ₹2.5 lakh was drawn on AC bills by PRIs in the State during 2015-16. DC bills were pending for the entire amount as of December 2016.

### **1.17 Maintenance of database and the formats therein on the finances of PRIs**

Commissioner of Panchayat Raj, Andhra Pradesh stated (October 2016) that during the period 2012-14 State Government had received an amount of ₹2.25 crore from Central Government for the maintenance of database on finances of PRIs. Out of this amount, ₹0.71 crore was released to District Project Monitoring Units for maintenance of the data base. However, the status of implementation of data base formats by the PRIs as prescribed by the Manual of Panchayat Raj, was not forthcoming from the State Government as on October 2016.



## **1.18 Conclusion**

State Government is yet to devise a system for obtaining a consolidated picture about the finances of the PRIs. State Government has devolved 10 out of 29 subjects listed in Eleventh Schedule to 73<sup>rd</sup> Constitutional Amendment Act, 1992. The statutory audit of one ZPP, three MPPs and 115 GPs to be conducted by DSA as of 31 March 2016 were in arrears due to non-production of records.

The accountability framework and financial reporting in PRIs were inadequate as can be seen from the findings relating to non-recovery of amounts towards deviations found in social audit, non-conducting of inspections of ZPPs and GPs by departmental authorities, non-maintenance of cash books and stock registers, non-furnishing of utilisation certificates, non-reconciliation of departmental figures with treasury, etc.