

CHAPTER-I

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

The Rajasthan Panchayat Samiti and Zila Parishad Act, 1959 conforms to the new pattern of Panchayati Raj which provides for a three tier¹ structure of local self-governing bodies at district, block and village levels and enhanced decentralisation of powers.

The Rajasthan Panchayati Raj Act (RPRA), 1994 came into effect from April 1994, consequent to the 73rd Constitutional Amendment giving constitutional status to Panchayati Raj Institutions (PRIs). It delineated functions, powers and responsibilities of PRIs enabling them to function as third tier of Government. Later, Rajasthan Panchayati Raj Rules (RPRRs), 1996 were incorporated there under to ensure smooth functioning of the PRIs.

There were 33 Zila Parishads (ZPs) with two cells in each ZP viz. Rural Development Cell (RDC) and Panchayat Cell (PC), 352 Panchayat Samitis (PSs) and 11,341 Gram Panchayats (GPs) functioning in the State as of March 2021.

Rajasthan is the largest state in the country in terms of size and spans an area of 3.42 lakh square kilometers (sq. km). As per the Census 2011, the total population of the State was 6.85 crore, of which 5.15 crore (75.18 per cent) is living in rural areas. The comparative demographic and developmental profile of the State *vis-à-vis* the national profile as per Census 2011 is given in Table 1.1 below:

Table 1.1

Indicator	Unit	Figures as per Census 2011	
		State level	National level
Population	Crore	6.85	121.06
Population (Rural)	Crore	5.15	83.35
Population (Urban)	Crore	1.70	37.71
Population Density	Persons per sq. km	200	382
Decadal Growth Rate	Percentage	21.30	17.70
Sex Ratio	Females per 1,000 males	928	943
Total Literacy Rate	Percentage	66.10	73.00
Female Literacy Rate	Percentage	52.10	64.60
Male Literacy Rate	Percentage	79.20	80.90
Total Literacy Rate (Rural)	Percentage	61.40	67.77
Female Literacy Rate (Rural)	Percentage	45.80	57.93
Male Literacy Rate (Rural)	Percentage	76.20	77.15
Birth Rate*	Per 1,000 Population	23.7(2019)	19.7 (2019)
Death Rate*	Per 1,000 Population	5.7 (2019)	6.0 (2019)
Infant Mortality Rate*	Per 1,000 Live Births	35 (2019)	30 (2019)
Maternal Mortality Rate*	Per lakh Live Births	164 (2016-18)	113 (2016-18)

Source: As per Department of Economic and Statistics, Govt. of Rajasthan
*As per Economic Review 2021-22, Govt. of Rajasthan

1 Zila Parishad at District level, Panchayat Samiti at Block level and Gram Panchayat at Village level.

1.2 Organisational set up

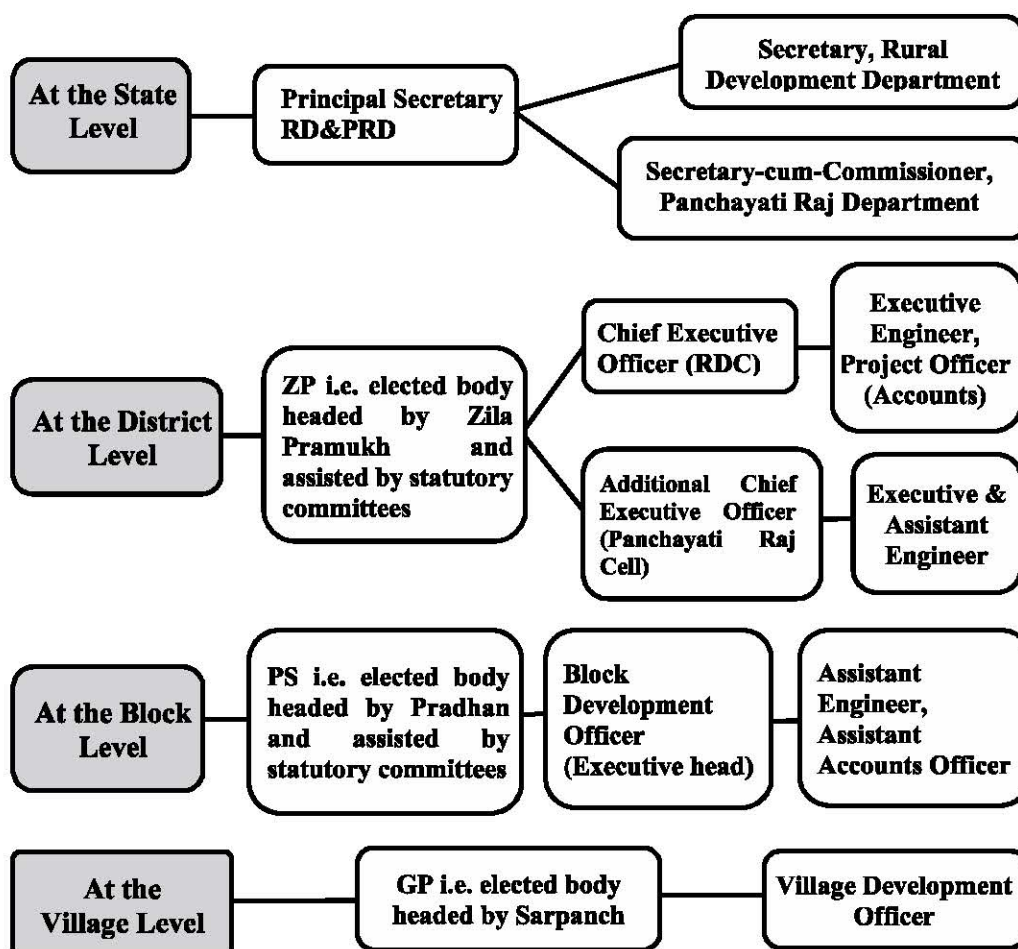
To accord due priority and special importance to rural development ‘Special Scheme Organisation’ was established in 1971. While increasing its jurisdiction, it was reorganized as ‘Special Schemes and Integrated Rural Development Department’ in 1979. Further, it was renamed as ‘Rural Development Department’ (RDD) in 1999.

Most of the schemes of RDD are executed by PRIs. Therefore, for coordination at district level, Rural Development Cell (RDC) under CEO was created by merging District Rural Development Authority (DRDA) with ZPs. Similarly, at State level, to establish coordination between activities of Rural Development and Panchayati Raj and ensure better execution of Programmes, RDD and Panchayati Raj Department (PRD) were merged to form Rural Development and Panchayati Raj Department (RD&PRD).

All the schemes under RDD and PRD are executed through Principal Secretary, RD&PRD.

The organisational set up of the PRIs is given in **Chart 1.1** below:

Chart 1.1



1.3 Functioning of PRIs

Section 2 (xvii) of RPRA, 1994 defines the PRI as an institution of Self-Government established under this Act for rural areas at the level of village or block or district. Various Central and State schemes/programmes are implemented through the PRIs at district, block and village levels.

The 33 functions of a village level PRI (GP) include general administrative works related to agriculture, minor irrigation, drinking water, education and rural sanitation etc., as specified in the first schedule of RPRA, 1994.

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

1.3.1 Devolution of Funds, Functions and Functionaries to Panchayati Raj Institutions

Following the 73rd Constitutional Amendment, orders on devolution were issued by the Government of Rajasthan (GoR) in June 2003 and October 2010. Accordingly, out of 29 functions to be devolved in terms of XI Schedule of the Constitution, 28 functions were initially transferred. However, funds and functionaries were transferred in respect of 20 subjects only (*Appendix I*). Subsequently, devolution of funds, functions and functionaries of five subjects relating to Public Health Engineering Department, Public Works Department and Food and Civil Supply Department were withdrawn in January 2004 from PRD.

1.4 Formation of various committees of PRIs

1.4.1 District Planning Committee

In pursuance of Article 243 ZD of the Constitution of India and Section 121 of RPRA, 1994, State Government constituted District Planning Committee (DPC) in all the districts of the State. District Collector is a member of the DPC and he or his nominated officer has to attend the meetings of DPC. The required quorum for DPC meeting is 33 *per cent* of members elected from rural and urban areas.

The main objective of DPC is to consolidate the plans prepared by the Panchayats and the Municipalities in the district and to prepare a draft developmental plan for the district as a whole and forward it to the State Government. The DPC should meet at least four times in a year. Important decisions such as review/approval of district annual plans, quarterly/yearly, physical/financial progress of schemes, review of implementation of various schemes are taken in DPC meetings.

However, the information regarding number of DPC meetings held by ZPs during 2020-21, was not provided by PRD despite repeated reminders (September 2021, January 2022, February 2022 and April 2022).

1.4.2 Standing Committee

According to section 55-A, 56 and 57 of RPRA, 1994, respectively every GP, PS and ZP shall constitute five standing committees, one each for the following group of subjects, namely (a) administration and establishment, (b) finance and taxation, (c) development and production programmes including those relating to agriculture, animal husbandry, minor irrigation, co-operation, cottage industries and other allied subjects, (d) education, (e) social service and social justice including rural water supply, health and sanitation, *gramdaan*, communication, welfare of weaker sections and allied subjects. These standing committees shall be headed by the elected member or elected chairperson of the institution concerned respectively.

Actual status of constitution and working of standing committees was not made available by PRD despite repeated reminders (September 2021, January 2022, February 2022 and April 2022).

1.5 Audit Arrangement

1.5.1 Primary Auditor

Section 75(4) of the RPRA, 1994 stipulates that all the accounts to be kept and maintained by a PRI shall be audited by the Director, Local Fund Audit Department (DLFAD) as per provisions of the Rajasthan Local Fund Audit Act (RLFAD), 1954. The Audit Report² of the DLFAD will include two chapters on Audit of PRIs viz. one on 'Status of accounts of PRIs' and other on 'Audit findings'. The paragraphs pertaining to PRIs are discussed by the Committee on Local Bodies and Panchayati Raj Institution constituted by Rajasthan State Legislature.

The Audit Report of DLFAD, Rajasthan for the year 2020-21 has been laid before the State legislature on 11 March 2022.

1.5.1.1 Certification of Annual Accounts of Panchayati Raj Institutions

As per Rule 23 (h) of the Rajasthan Local Fund Audit Rules (RLFAR), 1955, LFAAD is required to certify the correctness of the annual accounts of PRIs at all three levels i.e. ZPs, PSs and GPs.

During 2020-21, DLFAD certified annual accounts of 8,634 PRIs out of total 11,726 PRI³s in the State and accounts of 3,092 PRIs (26.37 *per cent*) remained uncertified. The status of accounts certified with/without qualifications was not made available by the DLFAD despite repeated reminders (September 2021, January 2022 and February 2022). In absence of which, Audit could not ascertain whether the annual accounts of PRIs were maintained properly and in complete format.

Thus, DLFAD has not been able to certify the accounts of all PRIs in a year.

2 Section 18 of the Rajasthan Local Fund Audit Act, 1954 requires Director, LFAAD to submit his Annual Consolidated Report on audited accounts to the State Government for laying this report before the State Legislature.

3 Total PRIs, those accounts were due for certification during 2020-21 were 11,726 (ZPs: 33; PSs: 352 & GPs: 11,341), in the State.

1.5.1.2 Arrears of Audit of Local Fund Audit Department

There were 11,726 units of PRIs (ZPs: 33, PSs: 352 and GPs: 11,341) as of March 2020. Against this DLFAD audited 2,732 units of PRIs (ZPs: 6, PSs: 82 and GPs: 2,644) during 2020-21 leaving behind an arrear of 8,994 units of PRIs (ZPs: 27, PSs: 270 and GPs: 8,697). DLFAD informed (October 2021) that the main reasons of arrear were vacant post and deployment of audit personnel for special investigation and election related work.

Huge arrears of Audit for past many years has been commented in earlier Audit Reports also. However, concrete action to improve the situation has not been taken by the Department.

A total of 7,349 Inspection Reports (IRs) containing 76,136 paragraphs issued by the Director LFAD were pending for settlement as of March 2021. Out of these, 7,111 paragraphs involving monetary value of ₹ 22.55 crore were related to embezzlement.

Thus, huge pendency of IRs and paragraphs are indicative of lack of initiative on part of both LFAD & the PRIs towards enhancing accountability.

1.5.2 Audit by Comptroller and Auditor General of India

Comptroller and Auditor General of India (CAG) conducts test Audit of PRIs under Section 14 of CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the proviso of sub section (4) of section 75 of the RPRA⁴, 1994, as amended on 27 March 2011 and submits Audit Report to the State Government for placement in the State legislature.

1.5.2.1 Implementation of Technical Guidance and Support/Supervision

Thirteenth Finance Commission recommended that the responsibility of providing Technical Guidance and Supervision (TG&S) over the audit of all the tiers of Panchayati Raj Institutions and Urban Local Bodies be given to C&AG of India. In pursuance of above recommendations Finance (Audit) Department, GoR, issued notification on 2 February 2011 for adoption of 13 parameters (*Appendix II*) regarding TG&S. Accordingly TG&S Cell was constituted (November 2012) in the office of Principal Accountant General (General & Social Sector Audit) Rajasthan⁵ for providing TG&S to DLFAD. These TG&S arrangements were further extended to cover the period of Fourteenth Finance Commission (2015-20) also vide GoR's notification (25 April 2016) on the same terms and conditions.

Comments/suggestions in respect of two Factual Statements (FSs) during 2020-21 proposed by DLFAD for inclusion in their Audit Report were communicated to DLFAD under the TG&S by the Office of Accountant General (Audit-I), Rajasthan.

4 All accounts kept and maintained by PRI shall be audited, as soon as may be after the end of each financial year, by the DLFAD for the State and provisions of the Rajasthan Local Fund Audit Act, 1954 shall apply, provided that the CAG of India may also carry out a test Audit of such accounts.

5 Now known as Office of the Accountant General (Audit-I), Rajasthan w.e.f. 18th May 2020.

During the period 2020-21, three IRs were forwarded by DLFAD for comments under TG&S. After due scrutiny, the suitable comments for technical guidance were communicated (May 2020) to DLFAD.

Further, in compliance of parameter 4 and 5 of TG&S, audit of PS Sanganer was conducted by this office and the inspection report was sent (March 2021) to DLFAD for compliance of the objections. Reply of DLFAD was not received (April 2022).

1.6 Response to Audit observations

1.6.1 Response to Inspection Reports and paragraphs

As of March 2021, 3,043 IRs comprising 28,215 paragraphs issued by the Accountant General (Audit-I) Rajasthan in respect of the PRIs i.e. ZPs and PSs (including GPs) were pending for settlement as detailed in Table 1.2 below:

Table 1.2

Year	IRs	Paragraphs
Upto 2009-10	1,410	11,305
2010-11	104	925
2011-12	206	2,471
2012-13	191	2,413
2013-14	203	2,246
2014-15	170	1,298
2015-16	161	1,478
2016-17	178	1,666
2017-18	133	1,424
2018-19	123	1,206
2019-20	141	1,551
2020-21	23	232
Total	3,043	28,215

Recovery of ₹ 4.68 lakh was made at the instance of Audit in PS-Maulasar and PS-Laxmangarh during 2020-21.

Huge pendency of IRs and paragraphs indicates lack of prompt response on the part of PRIs.

For early settlement of outstanding paragraphs in IRs, GoR issued (August 1969) instructions to all the departmental officers for sending first reply to IRs within a month and replies to further audit observations within a fortnight. These instructions have been reiterated from time to time. The instructions issued in March 2002 envisaged appointment of nodal officers and Departmental Committee in each of the Administrative Department for ensuring compliance to all the matters relating to audit.

It was however, observed that first compliance of 32 IRs containing 381 paragraphs have not been received as of November 2021.

For early disposal/settlement of the outstanding IRs and paragraphs, the Finance Department instructed (April 2016) all the departments to hold four Audit Committee meetings in a year. However, against the eight prescribed Audit Committee meetings (four each by PRD and RDD) to be held in a year, only six

(PRD: 4 and RDD: 2) meetings were conducted during 2020-21. Secretary, RDD stated (June 2022) that due to Covid pandemic, the prescribed number of Audit Committee meetings could not be held during 2020-21.

Recommendation:

1. *In view of the large number of pending paragraphs and Inspection Reports, efforts should be made by Panchayati Raj Department and Rural Development Department to ensure submission of compliance and regular conduct of Audit Committee meetings to settle the pending paragraphs.*

1.6.2 Response to paragraphs that featured in Audit Report

Reply to all the paragraphs which appeared in C&AG's Audit Report for 2016-17 have been received as on August 2021. However, reply for 24 paragraphs having money value of ₹ 2,217.04 crore were received after the prescribed time.

1.6.3 Discussion on Audit Reports by the Committee

A Committee on Local Bodies and Panchayati Raj Institution has been constituted since 01 April, 2013 in Rajasthan Vidhan Sabha to examine and discuss the Audit Reports of Comptroller and Auditor General of India on Local Bodies. Audit Reports till the year 2012-13 has been discussed/deemed discussed by the committee. Audit Reports for the year 2013-14 to 2015-16 are due for report writing and Audit Report for the year 2016-17 is pending discussion by the committee. Audit Report for the period ending March 2020 has been submitted to the Governor and the State Government on 06 April 2022 for placement in State Assembly.

Accountability Mechanism and Financial Reporting issues

Accountability Mechanism

1.7 Social Audit

Social Audit was formally introduced through Mahatma Gandhi National Rural Employment Guarantee (MGNREG) Audit of Scheme Rules⁶, 2011. These rules prescribe procedures and the manner for conducting Social Audit.

For further simplification, delegation of responsibilities to various functionaries and effective implementation of the scheme, the GoR formulated detailed Social Audit Guidelines in 2012. In Rajasthan, Directorate of Social Audit (DSA) was constituted (September 2009) under the administrative set up of Principal Secretary RD&PRD. Director, Social Audit is responsible for conducting Social Audit of scheme⁷ in the State as per provisions of the Social Audit Guidelines, 2012.

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

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

Thereafter, as per direction of Government of India, State Government constituted (September 2019) an independent social audit entity, Society for Social Audit, Accountability and Transparency (SSAAT). At present, seven⁸ schemes are being audited by SSAAT. The SSAAT has to prepare a calendar at the beginning of the year which shall in advance lay out the sequence in which Social Audit will be conducted across all GPs of the State, while ensuring that every GP is audited twice a year.

As per information provided by SSAAT, Social Audit was not conducted during 2020-21 due to COVID pandemic.

1.8 Investigation by Lokayukta

The Office of the Lokayukta, Rajasthan was set up in February 1973 as per the Rajasthan Lokayukta and Up-Lokayukta Act, 1973, with an objective of resolving cases of corruption, misutilisation of power by Ministers and higher officials of the GoR. It is an independent constitutional authority. The actions of Pramukh and Up-Pramukh of a ZP, Pradhan and Up-Pradhan of a PS and Chairman of any standing committee constituted by or under RPRA, 1994 are covered under the Lokayukta. However, the acts of the Sarpanch or Panch of GP do not fall under the direct jurisdiction of the Lokayukta in Rajasthan.

During 2020-21, 268 complaints cases against the officers and employees of RD&PRD were received in Lokayukta, Rajasthan and adding an opening balance of 1,055 cases, there were a total of 1,323 cases. Out of this, 40 cases were disposed and the remaining 1,283 cases were pending (as on March 2021).

1.9 Submission of Utilisation Certificates

As per rule 284 and 286 of the General Financial & Accounts Rules (Part-I) of Government of Rajasthan, PRIs shall submit Utilisation Certificate (UCs) for the grant released to them for specific purpose. The UCs shall be prepared separately by the Vikas Adhikaris/Secretaries concerned and sent to the District Level Officer of Department concerned which released the grant. The District Level Officer shall countersign the same and submit it directly to the Accountant General (Accounts & Entitlement), Rajasthan.

1.9.1 Panchayati Raj Department

The position of pending UCs as of March 2021 against the grants released in respect of 5th State Finance Commission and 14th/15th Finance Commission was not provided by Panchayati Raj Department despite repeated reminders (September 2021, January 2022, February 2022 and April 2022).

8 (i). Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS); (ii). 15th Central Finance Commission Grants (15th CFC Grants); (iii) National Social Assistance Programme (NSAP); (iv) Pradhan Mantri Awas Yojana-Gramin (PMAY-G); (v) Swachh Bharat Mission-Gramin (SBM-G); (vi) 14th Central Finance Commission Grants (14th CFC Grants); (vii) Shyama Prasad Mukherji Rurban Mission (SPMRM).

1.9.2 Rural Development Department

The position of pending UCs in respect of the Central and State sponsored schemes upto the year 2020-21 is given in Table 1.3 as under:

Table 1.3

(₹ in crore)

Sl. No.	Name of Scheme	Pending UC for amount			
		As of March 2018	As of March 2019	As of March 2020	As of March 2021
1.	MLALAD	1,432.58	1,282.79	912.95	1,053.19
2.	Swa Vivek Zila Vikas Yojna	14.98	10.99	9.42	5.44
3.	MGNREGS	805.36	56.53	65.51	181.47
4.	MAGRA	95.65	89.52	53.45	37.16
5.	MEWAT	125.75	82.92	56.16	40.51
6.	DANG	93.89	80.95	44.37	32.23
7.	BADP	260.93	347.40	275.52	174.93
8.	MPLAD	200.63	313.82	NA	NA
9.	MGJVV	97.64	144.96	84.18	49.50
10.	SPMRM	1.85	123.95	NA	66.28
11.	CMJNY	-	-	-	8.25
Total		3,129.26	2,533.83	1,501.56	1,648.96

*NA (Not Available): The information was not made available by RDD despite repeated reminders.

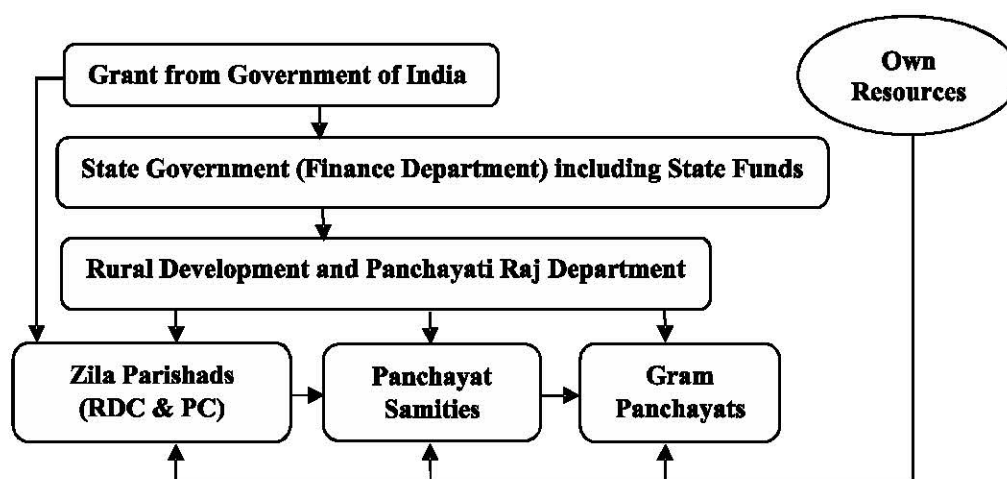
The Department is required to make efforts to ensure timely submission of UCs.

1.10 Financial Reporting Issues

1.10.1 Source of Funds

The receipts and expenditure of PRIs from all the sources are compiled by PRD and RDD separately at the State level. The schemes of PRD and RDD are usually executed by all the three tiers of PRIs. The fund flow of PRIs is given in Chart 1.2 below:

Chart 1.2



1.10.1.1 Financial Position of Panchayati Raj Institutions as per Panchayati Raj Department

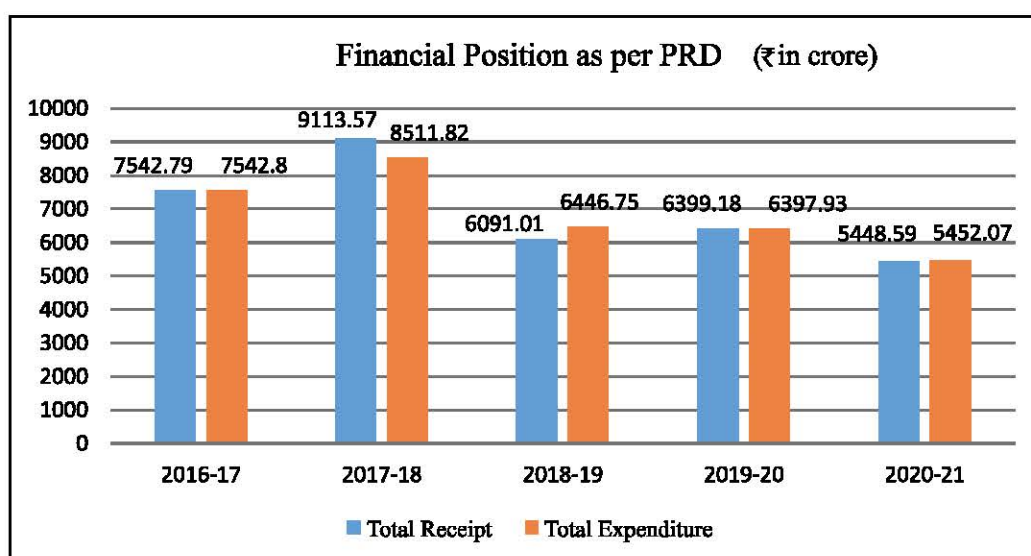
PRIs have their own sources of tax and non-tax revenue i.e. fair tax, building tax, fees, rent from land and buildings, water reservoir etc. and capital receipts from sale of land. In addition, the PRIs receive funds from the State Government and Government of India (GoI) in the form of grants-in-aid/loans for general administration, implementation of developmental schemes/works, creation of infrastructure in rural areas etc. PRIs also receive funds under recommendations of the Central/State Finance Commissions. The position of receipts and expenditure of PRIs for the schemes compiled by PRD for the period 2016-21 is given in Table 1.4 below:

Table 1.4

(₹ in crore)					
Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
(A) Revenue receipts					
Tax (own revenue)	NA	NA	Nil	NA	NA
Non-Tax (ZP) (own revenue)	NA	NA	11.28	NA	NA
Total Own Revenue	NA	NA	11.28	NA	NA
Grants-in-aid from State Government	5,237.27	6,456.10*	4,717.62*	1,356.06*	3,517.59*
Fourteenth Finance Commission Grants	2,305.52	2,657.47	1,362.11	5,043.12	-
Fifteenth Finance Commission Grants	-	-	-	-	1,931.00
Total Receipts	7,542.79	9,113.57	6,091.01	6,399.18	5,448.59
(B) Expenditure					
Revenue Expenditure (Pay and allowances and maintenance expenditure)	7,499.67	8,486.82	6,440.25	990.61	961.13
Expenditure under Fifth State Finance Commission	-	-	-	361.95	2,556.44
Expenditure under Fourteenth Finance Commission	-	-	-	5,043.12	-
Expenditure under Fifteenth Finance Commission	-	-	-	-	1,931.00
Capital Expenditure	43.13	25.00	6.50	2.25	3.5
Total Expenditure	7,542.80	8,511.82	6,446.75	6,397.93	5,452.07

Source: As per data provided by PRD. NA: Not Available
*It includes amount pertaining to Fifth State Finance Commission grant.

Chart 1.3



The above table indicates that:

- There has been a steep decrease in total receipts in the year 2018-19 by 33.17 per cent over the previous year. State Government grants decreased by 26.93 per cent and Fourteenth Finance Commission grants also decreased by 48.74 per cent over the previous year in the same period. Total receipts in the year 2020-21 also decreased by 14.85 per cent over the previous year.
- Accordingly, there has been a consistent decrease in total expenditure over the previous years since 2018-19 (2018-19: 24.26 per cent, 2019-20: 0.76 per cent, 2020-21: 14.78 per cent).
- Non availability of figures of own revenue (tax and non-tax) with the Department for the period 2016-21 (except non-tax own revenue for the year 2018-19) reflects the weakness of the management information system of Department. There are certain revenue receipts in ZPs and PSs in the form of rent from shops, fisheries, auctions, tender receipts, other taxes, etc. However, these were not compiled or consolidated at State level.

Hence, PRIs are totally dependent on grants-in-aid received from State Government and Finance Commission. Complete dependency on grants and lack of fiscal autonomy is a matter of serious concern that needs to be addressed for improving governance at grass-root level.

1.10.1.2 Financial Position of Panchayati Raj Institutions compiled by Rural Development Department

The position of receipts and expenditure of the rural development schemes compiled by RDD for the years 2016-21 is given in Table 1.5 below:

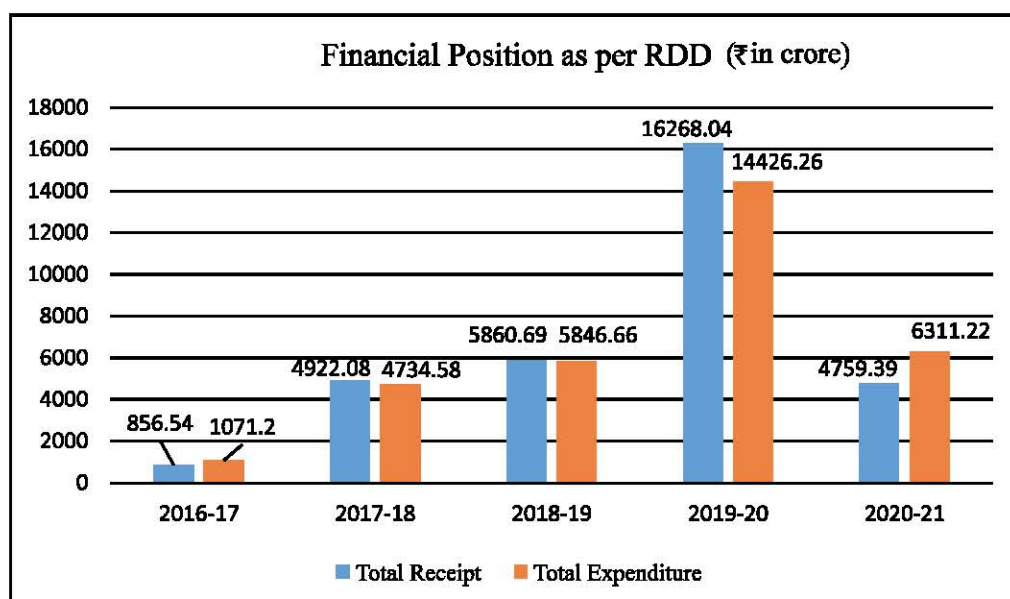
Table 1.5

Particulars	2016-17			2017-18			2018-19			2019-20			2020-21		
	CSS	SSS	Total	CSS	SSS	Total	CSS	SSS	Total	CSS	SSS	Total	CSS	SSS	Total
Opening balance	249.68	765.52	1,015.20	364.42	953.38	1,317.80	801.32	1,998.37	2,799.69	1,403.27	1,688.39	3,091.66	2,665.99	1,501.21	4,167.2
Receipts	216.76	639.78	856.54	4,129.55	792.53	4,922.08	5,571.22	289.47	5,860.69	15,875.70	392.34	16,268.04	4,503.45	255.94	4,759.39
Total available funds	440.92	1,103.03	1,543.95	4,493.99	1,745.92	6,239.91	6,373.04	2,287.84	8,660.88	17,278.97	2,080.73	19,359.70	7,169.44	1,757.15	8,926.59
Expenditure	304.16	767.04	1,071.20	4,068.26	666.32	4,734.58	5,243.65	603.01	5,846.66	13,847.90	578.36	14,426.26	5,772.10	539.12	6,311.22
Closing balance	136.76	335.99	472.75	425.73	1,079.60	1,505.33	1,129.39	1,684.83	2,814.22	3,431.07	1,502.38	4,933.45	1,397.27	1,218.02	2,615.29
Percentage of expenditure to the total available funds	68.98	69.53	69.38	90.53	38.16	75.88	82.28	26.36	67.51	80.14	27.80	74.52	80.51	30.68	70.70

CSS: Centrally Sponsored/Sector Scheme, SSS: State Sponsored Scheme

Source: As per information provided by RDD.

Chart 1.4



The above table indicates that:

- There are consistent difference in closing balance of the previous year and opening balance of next year for each of the years. Similar discrepancies were also commented in the previous Audit Reports but they still persist. Urgent remedial action for reconciliation of the differences need to be taken by the GoR.
- Total receipts from Central and State Government has decreased by about 70.74 per cent and the expenditure also decreased by about 56.25 per cent in 2020-21 over the previous year.
- Utilisation of available funds was about 70.70 per cent during 2020-21, which decreased by 3.82 per cent over previous year.

Scheme-wise financial status and progress of work under schemes during the year 2020-21 is as given in Table 1.6 below:

Table 1.6

(₹ in crore)

Sl. No.	Name of scheme	Total available funds	Expenditure	Expenditure in percentage of available funds	Total available works	Completed	Percentage of completion	Work not started
1.	MLA-LAD	1483.53	430.33	29.01	23,234	10,840	46.66	2,234
2.	Swa Vivek Zila Vikas Yojna	9.57	4.14	43.26	97	2	2.06	18
3.	MGNREGS	2,256.14	2,004.78	88.86	9,86,370	3,98,549	40.41	1,38,861
4.	MAGRA	56.49	19.34	34.24	590	20	3.39	15
5.	MEWAT	58.16	17.65	30.35	812	5	0.62	15
6.	DANG	44.37	12.15	27.38	644	11	1.71	40
7.	BADP	301.32	126.32	41.92	1,658	916	55.25	5
8.	MPLAD	109.87	16.41	14.94	756	341	45.11	118
9.	MGJVY	105.03	55.53	52.87	1,080	29	2.69	66
10.	SPMRM	132.36	66.08	49.92	1,892	588	31.08	604

Source: Information provided by Department.

1.10.2 Recommendations of the State Finance Commission

Fifth State Finance Commission (SFC) period commenced from the year 2015-16. An amount of ₹ 2,556.44 crore as remaining grant for the year 2019-20 was provided to PRIs during 2020-21. The grant was distributed in the ratio of 5:20:75 to ZPs, PSs and GPs. Accordingly, directions and guidelines were given for utilisation of the grant. The grant is to be released as untied fund for development of basic citizen amenities and their maintenance.

1.10.3 Recommendations of the Central Finance Commission

1.10.3.1 Fifteenth Finance Commission Grants

The 15th Finance Commission submitted two reports. The first report, consisting of recommendations for the financial year 2020-21 and the final report with recommendations for the period 2021-26. During the period 2020-21, State Government received grants amounting to ₹ 1,931 crore (as shown in *Table 1.4*) and the same was fully transferred to the PRIs.

1.10.4 Unutilised Funds

Out of 33 ZPs, the annual accounts of nine⁹ ZPs for the year 2020-21 were provided during audit. The position of the unutilized fund based on these accounts is shown in *Table 1.7* below:

Table 1.7

(₹ in crore)

Year	Opening Balance	Receipts in the year	Total funds	Expenditure	Closing Balance
2020-21	179.90	185.56	365.46	117.80	247.66

Source: Annual accounts of the nine Districts.

These balances include funds from Central & State Finance Commissions, and other grants under various schemes. Non utilisation of available funds is indicative of the deficiency in planning and implementation. The PRD at State level needs to analyse and prioritise the provision of funds to the PRIs and ensure their optimum utility in time.

The annual accounts of remaining ZPs was not provided to Audit by PRD despite repeated reminders (September 2021, January 2022, February 2022 and April 2022).

1.10.5 Maintenance of Records

As per provisions contained in Rule 245 of RPRR, 1996, a quarterly statement of income and expenditure is required to be prepared in prescribed proforma by each PRI and sent to next higher authority. Similarly, at the end of the year a GP/PS is required to prepare an abstract of annual accounts in prescribed proforma vide rule 246 of Rules *ibid* showing its income and expenditure under

9 ZPs Bharatpur, Dholpur, Jhalawar, Jhunjhunu, Jodhpur, Karauli, Rajsamand, Sawai Madhopur and Sri Ganganagar.

each head of budget and forward it to the State Government through ZP by first May of the following year. Abstract of annual accounts is required to be accompanied by a statement of grants-in-aid received and spent during the year, statement of loans and amount outstanding, a list of works undertaken under the various schemes and a statement of assets and liabilities.

Provisions regarding maintenance of records viz. cash book, asset register, advance register, stock register and other records have also been enumerated in the RPRR, 1996.

Out of the total 352 Panchayat Samitis in the State, 189 PSs submitted annual accounts to the State Government during 2020-21. The remaining 163 PSs did not submit annual accounts to the State Government as of October 2021.

1.10.5.1 PRIASoft is a centralised accounting package that facilitates maintenance of accounts under Model Accounting System. Data is entered at District/Block /GP level and is integrated at State level. It was noticed that the PRIs were entering transactions relating to the grants of Central and State Finance Commission and Untied funds. According to the information provided by the Department, 33 ZPs, 333 PSs and 11,066 GPs had closed their year book for the year 2020-21. It was noticed that in PSs of nine¹⁰ ZPs, there were less than 90 per cent entries (ranging from 75 per cent to 88.89 per cent).

1.10.5.2 As per Rule 247(2) of RPRRs, 1996, every ZP is required to prepare annual accounts of receipts and expenditure and furnish the same to the State Government by 15 May of every year.

As per the information provided by PRD, out of 33 ZPs (Panchayati Raj Cell), only 18 ZPs (Panchayati Raj Cell) submitted Accounts for the year 2020-21 within prescribed time and remaining 15 ZPs submitted Accounts with delays ranging from 13 to 111 days.

Similarly, annual accounts of ZPs (RDC) were required to be submitted to RDD by 30 September of every year.

As per the information provided by RDD, out of 33 ZPs (RDC), only 26 ZPs (RDC) submitted Accounts for the year 2020-21 with delays ranging from 39 to 196 days (as of January 2022). Remaining seven¹¹ ZPs did not submit the Accounts for the year 2020-21 till January 2022.

Both ZP (RDC) and ZP (Panchayati Raj Cell) needs to make efforts to submit annual accounts on time.

1.10.6 Reconciliation of Balances as per Cash Book with Bank Pass Book

Rule 238 of RPRR, 1996 stipulates that it shall be the duty of Panchayat Secretary to reconcile the deposit and drawals with bank pass book every month on the basis of Panchayat record and get the mistakes corrected, if any.

10 ZP Baran, Bharatpur, Bikaner, Jaisalmer, Jalore, Jhunjhunu, Rajsamand, Sawai Madhopur and Tonk.

11 ZP Ajmer, Banswara, Baran, Bhilwara, Jalore, Jhunjhunu and Pali.

Similarly, in case of PS and ZP, cashier shall reconcile the PD account with treasury every month.

During 2020-21, Audit scrutiny of 11 PRIs¹² revealed that in 12 cases, differences to the tune of ₹ 3.30 crore between the figures of PRIs records and bank/Public Deposit (PD) accounts were pending to be reconciled as of March 2021.

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

Ministry of Panchayati Raj, Government of India had introduced (October 2009) eight simplified accounting database formats (prescribed by the C&AG of India) for implementation by PRIs at District and State level. These formats were meant to compile data of the PRIs on consolidated financial position, income and tax receipts, non-tax receipts, total receipts, details of expenditure and physical progress of funds allotted under Central/State Finance Commissions. These formats were agreed to be adopted for mandatory implementation by the Department with effect from April 2011. These formats were incorporated in the RPRR, 1996 through a notification in May 2015. However, PRIs have not been compiling and presenting the accounts data in these formats.

The position of maintenance of database and formats on finances for the year 2020-21 was not provided by the PRD despite repeated reminders (September 2021, January 2022, February 2022 and April 2022).

Recommendations:

2. *The Panchayati Raj Institutions need to strengthen their financial position by generating revenue through own tax and non-tax sources, to reduce continued dependency on grants provided by GoI and State Government.*
3. *Efforts should be made by Panchayati Raj Institutions to implement the model accounting system prescribed by CAG and the centralized accounting package PRIASoft instead of continuing to prepare the accounts in a conventional receipt and expenditure format.*

1.11 Conclusion

As mandated by RPRA, 1994, five standing committees were to be constituted by each PRI, however, the actual status of their constitution has not been made available to Audit, despite repeatedly commenting in the previous Audit Reports.

Though, certain sources of revenue like fair tax, building tax, fees, rent from land and buildings, water reservoir etc. and capital receipts from sale of land had been provided to the PRIs, but they have remained dependent upon the

12 ZPs: (Panchayat Cell) one, ZPs: (RD Cell) two and PSs: eight.

grants in aid released by State and Central Government. Even figures of '*own revenue*' were not available with the Department for the past many years.

DLFAD is the primary auditor of PRIs, however, huge arrears in audit as well as certification of accounts of PRIs on part of the DLFAD, is an area of concern. DLFAD also did not ensure compliance to the observations made by this office under parameter 4 and 5 of TG&S.

Piling up of outstanding Audit objections over the years indicates the lack of interest of the PRIs in addressing the issues pointed out by Audit. The PRIs have not provided even the first compliance of 32 IRs containing 381 paragraphs. The prescribed number of Audit Committee Meetings to settle the outstanding audit paras were also not conducted.