

## Chapter-1

### Introduction to the Local Government of Punjab and its Audit

#### 1.1 An overview of Local Governments of Punjab

The Government of India enacted the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Acts (73<sup>rd</sup> and 74<sup>th</sup> CAA) 1992, giving constitutional status to Panchayats (referred to as Panchayati Raj Institutions-PRIs) and Municipalities (referred to as Urban Local Bodies-ULBs) respectively. These amendments established a uniform structure, regular elections, funding through the Central and State Finance Commissions etc. for PRIs and ULBs. Consequently, the State Governments started delegating powers, functions and responsibilities to these bodies to enable them to function as Local Self-Government Institutions. Accordingly, the PRIs and ULBs were required to prepare plans and implement schemes for economic development and social justice and carry out responsibilities conferred upon them, including those listed in the Eleventh and Twelfth Schedules of the Constitution respectively. The number of PRIs and ULBs in Punjab, as of March 2023, is given below:

**Table 1.1: Number of PRIs and ULBs**

Name of State	PRIs				ULBs				Grand total
	Zila Parishad (ZP)	Panchayat Samiti (PS)	Gram Panchayat (GP)	Total PRIs	Municipal Corporation (M.Corp)	Municipal Council (MC)	Town Councils (TC)	Total ULBs	
Punjab	22	152	13,241	13,415	13	101	52	166	13,581

*Source: Department of Rural Development & Panchayats and Department of Local Government, Punjab*

**Table 1.2: District-wise details of PRIs and ULBs**

Name of District	PRIs				ULBs				Grant Total
	ZP	PS	GP	Total PRIs	M. Corp	MC	TC	Total ULBs	
Amritsar	1	9	860	870	1	3	4	8	878
Barnala	1	3	175	179	0	4	1	5	184
Bathinda	1	9	318	328	1	8	8	17	345
Faridkot	1	3	243	247	0	3	0	3	250
Fatehgarh Sahib	1	5	428	434	0	4	1	5	439
Ferozepur	1	6	836	843	0	4	4	8	851
Fazilka	1	5	435	441	1	2	1	4	445
Gurdaspur	1	11	1,285	1,297	1	7	0	8	1,305
Hoshiarpur	1	10	1,405	1,416	1	8	1	10	1,426
Jalandhar	1	11	890	902	1	8	4	13	915
Kapurthala	1	5	546	552	2	1	4	7	559
Ludhiana	1	13	940	954	1	9	1	11	965
Mansa	1	5	245	251	0	3	4	7	258
Moga	1	5	341	347	1	2	4	7	354
Sri Muktsar Sahib	1	4	269	274	0	3	1	4	278
Pathankot	1	6	421	428	1	1	1	3	431
Patiala	1	10	1,022	1,033	1	5	4	10	1,043
Rupnagar	1	5	611	617	0	5	1	6	623

SAS Nagar	1	4	332	337	1	7	1	9	346
Sangrur	1	10	598	609	0	6	4	10	619
SBS Nagar	1	5	466	472	0	4	0	4	476
Tarn Taran	1	8	575	584	0	2	2	4	588
Malerkotla	0	0	0	0	0	2	1	3	3
	<b>22</b>	<b>152</b>	<b>13,241</b>	<b>13,415</b>	<b>13</b>	<b>101</b>	<b>52</b>	<b>166</b>	<b>13,581</b>

Source: Department of Rural Development & Panchayats and Department of Local Government, Punjab

The rural and urban local bodies serve a population of 173.44 lakh and 98.67 lakh, respectively.

## **1.2 Fund Flow**

The sources of funds for PRIs and ULBs include their own resources, grants received for Centrally Sponsored Schemes (CSS) and State Sponsored Schemes (SSS). Besides, the PRIs and ULBs received grants based on the recommendations of the Central Finance Commission and the State Finance Commission. During the period from 2018-23, total funds received by PRIs ranged from ₹ 2,411.87 crore to ₹ 3,813.46 crore against which the expenditure varied from ₹ 1,758.93 crore to ₹ 3,001.14 crore. Similarly, total funds received by ULBs ranged from ₹ 3,520.47 crore to ₹ 6,600.05 crore against which the expenditure varied from ₹ 3,537.23 crore to ₹ 6,472.47 crore. Detailed description of sources of funds and expenditure of PRIs and ULBs along with appropriate analysis thereof is given in Chapter II and V respectively.

## **1.3 Brief overview of devolution**

The Eleventh and Twelfth Schedules of the Constitution enlist 29 and 18 functions to be devolved to PRIs and ULBs, respectively. As of October 2025, against the 29 functions, only 13 functions were devolved (between 2004 and 2006) to PRIs, whereas 16 functions have not been devolved so far, which highlights that no new function has been devolved to the PRIs since 2006. Further, though the State Government has devolved all the 18 functions to ULBs, the ULBs have full jurisdiction over six functions only. Detailed description of the devolved functions to PRIs and ULBs is given in Chapter II and V respectively.

## **1.4 Important activities undertaken by Local Governments during the years 2018-23**

The PRIs were involved in implementing various schemes, viz. Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Pradhan Mantri Awaas Yojana-Grameen (PMAY-G), National Rural Livelihood Mission (NRLM), Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), Shyama Prasad Mukherji RURBAN Mission, Cattle Fair, Discretionary grant, RDO (Planned Scheme) etc. during the year 2018-23, whereas the ULBs implemented various schemes viz. Swarna Jayanti Shahari Rozgar Yojana now National Urban Livelihood Mission (NULM), Jawahar Lal Nehru National Urban Renewal Mission (JNNURM)/Basic Services to the Urban Poor (BSUP), Pradhan Mantri Awas Yojna (PMAY), Atal Mission for Rejuvenation and

Urban Transformation (AMRUT), Smart City Mission, Swachh Bharat Mission (Urban), Strengthening of Fire and Emergency Services, Punjab Municipal Service Improvement Project, Municipal Development Fund, Cow Cess *etc.*

## **1.5 Audit Mandate Methodology**

### **Audit Mandate**

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

In continuation of earlier entrustments of August 2011 and August 2016, the State Government entrusted (March 2022) the test audit of the ULBs and PRIs to C&AG, under Section 20 (1) of C&AG (Duties, Power and Conditions of Service) Act 1971. The C&AG also provide Technical Guidance and Supervision (TGS) over the work of the Examiner, Local Fund Accounts (ELFA) and prepare the Annual Technical Inspection Report (ATIR) to be placed before the State Legislature. Accordingly, the ATIRs for the years 2016-19 and 2019-22 were laid before the State Legislature in June 2022 and March 2025 respectively.

#### **(ii) Primary Audit Institutions (PAI)**

Sections 97, 143 and 194 of the Panchayati Raj Act, 1994 provide for the audit of accounts of PRIs by ELFA. The ELFA was empowered (March 2022) to conduct audits of PRIs as a statutory auditor. The audit of GPs was conducted since 2019-20, whereas audit of PS and ZP were started from 2020-21. During the period from 2019-23, 45,397 audit plans were created on 'Audit Online' portal for PRIs *viz.* ZPs, PSs & GPs and 42,926 reports were generated.

Further, as per Section 176 (2) of the Punjab Municipal Corporation Act, 1976, the ELFA is required to conduct the audit of the M.Corp, whereas audit of MCs and TCs is conducted under Rule XVII.17(I)(a) of the Municipal Account Code, framed under Section 240 of the Punjab Municipal Act, 2011. Audits of ULBs conducted by ELFA during 2018-19 to 2022-23 has been given in Chapter V.

## **1.6 Overview of CAG's Audit Reports**

This Report has been structured into seven chapters including Introduction to the Local Government of Punjab and Overview of Panchayati Raj Institutions and Urban Local Bodies, Long Draft Paragraphs and chapters on Special Audits relating to PRIs and ULBs.

In Punjab, for discussion on the C&AG reports of Local Bodies, initially there was one committee on Local Bodies and Panchayati Raj Institutions, which was formed in April 2005. Subsequently, in March 2021, the committee was bifurcated as Committee on Local Bodies and Committee on Panchayati Raj Institutions. Status of paras of C&AG's report discussed by these committees is given below:

**Table 1.3: Status of paras discussed by Local Bodies committees**

Year and name of report	Date of laying of Report	Paras pointed out	Paras discussed	Paras settled	Outstanding paras
<b>ULBs</b>					
Implementation of the Constitution (74 <sup>th</sup> Amendment Act, 1992)	29.06.2022	29	Yet to be discussed		29
<b>PRI</b>					
Performance Audit on Implementation of Mahatma Gandhi National Rural Employment Guarantee	07.03.2023	31	31	31	0

*Source: Data of office of the Pr. AG (Audit) Punjab*

### **1.7 Scope of Audit**

The Compliance Audit of 198 PRIs (08: ZPs, 38: PSs and 152: GPs) and 81 ULBs (13: M.Corps, 56: MCs and 12: TCs) was conducted during 2023-24 and the findings thereof are presented in the succeeding chapters.

### **1.8 Sources of Criteria**

The criteria adopted during the compliance audit of PRIs and ULBs during the year 2023-24 are indicated below:

**Table 1.4: Criteria adopted in PRIs and ULBs**

Criteria for PRIs	Criteria for ULBs
The Punjab Panchayati Raj Act, 1994	Punjab Municipal Corporation (PMC) Act, 1976
The Punjab Village Common Lands (Regulation) Act, 1961	Punjab Municipal (PM) Act, 1911 (amended in 1994)
The Punjab Village Common Lands (Regulation) Rules, 1964	Punjab Municipal Accounting Manual, 2017
The Punjab Panchayat Samitis and Zila Parishads Finance, Budget and Accounts Rules, 2014	
The Punjab Panchayati Raj (Gram Panchayat) Rules, 2012	

### **1.9 Acknowledgement**

We acknowledge the cooperation and support extended by the Department of Rural Development & Panchayats, the audited PRIs and the Department of Local Government, the audited ULBs for providing the requisite information for the audits during 2023-24 smoothly.