

Chapter-II

Overview of Panchayati Raj Institutions

2.1 Introduction

Pursuant to the enactment of the 73rd Constitutional Amendment Act, 1992, a three-tier Panchayati Raj System was established in Punjab under the Punjab Panchayati Raj Act, 1994 (PPR Act, 1994) with elected bodies at the village, block and district levels. Every Gram Panchayat, unless dissolved earlier as per the provisions of the PPR Act, 1994, shall continue for a term of five years from the date of its first meeting. Similarly, Panchayat Samitis and Zila Parishads also have a five-year term commencing from the date of their first convening. The functions of the PRIs are governed by various¹ Acts/Rules/Guidelines. The latest elections of PSs and ZPs were held in September 2018 and for GPs in December 2018.

The basic information of the PRIs in the Punjab State is given below:

Table 2.1: Statistics of Rural Area of Punjab

Particulars	Unit	Statistics
Rural Area	Sq. Km	48,265
Inhabited villages (Census 2011)	No.	12,581
Total Population (Census 2011)	Lakh	277.43
Rural Population (Census 2011)	Lakh	173.44
Percentage of Rural population	<i>Per cent</i>	62.52
Per capita income of Punjab at current price 2022-23	₹	182,515
Per capita income of Punjab at constant price 2022-23	₹	123,823
Zila Parishad	No.	22 ²
Panchayat Samiti	No.	152
Gram Panchayat	No.	13,241

Source: Statistical Abstract of Punjab 2023 and Information from Department of Rural Development & Panchayats.

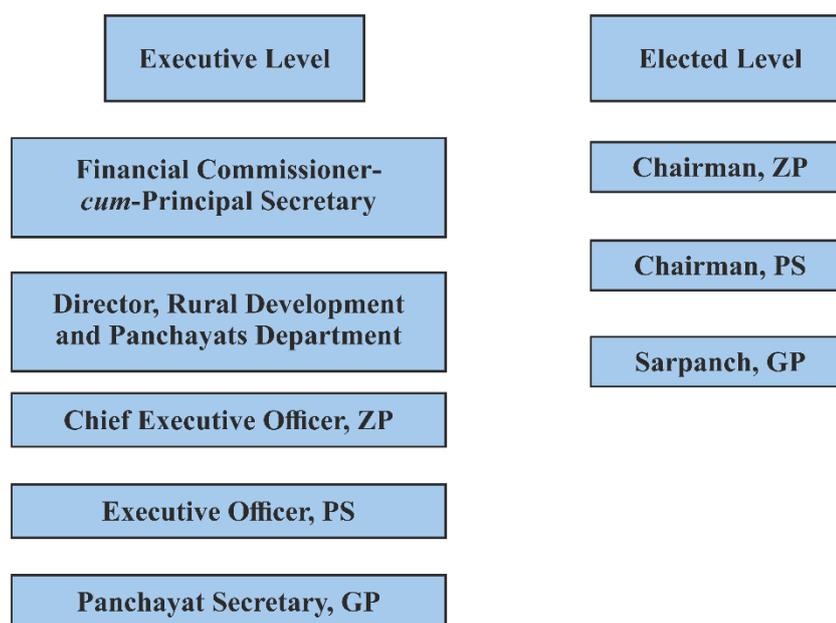
2.2 Functioning of PRIs

In Punjab, there is a Department of Rural Development & Panchayats (DRDP), with the Secretary as the administrative head. The Department functions under the control of the Director, who is assisted by three Divisional Deputy Directors to provide an administrative and technical framework for the three tiers of PRIs, namely ZP, PS and GP. The organisational structure of the PRIs in the State is depicted in **Chart 2.1**.

¹ The Punjab Panchayati Raj Act, 1994; The Punjab Panchayati Raj (Gram Panchayat) Rules, 2012; The Punjab Panchayat Samitis and Zila Parishads Services Rules, 1965 and The Punjab Panchayat Samitis and Zila Parishads Finance, Budget and Accounts Rules 2014 etc.

² Further, the 23rd district of Punjab, Malerkotla, was carved out of Sangrur district on 02 June 2021, however, the Zila Parishad for the new district had not been constituted till August 2024.

Chart 2.1: Organisational Set-up of Rural Development and Panchayat Department



Source: Information from the Department of Rural Development & Panchayats and provisions of the Act

The powers and duties of officers of the DRDP emanate from the PPR Act, 1994, the Punjab Village Common Land (Regulation) Act, 1961 and rules framed thereunder, as well as various manuals, guidelines, etc., issued by the State Government from time to time. The responsibilities of the Director of DRDP include reinstating the ceased Sarpanch/Panch, laying down suitable conditions for the publication of bye-laws framed by GPs, and cancelling and suspending resolutions of GPs, PSs and ZPs, etc. The duties and responsibilities of the Government and elected representatives of PRIs are as follows:

Table 2.2: Responsibilities of PRIs functionaries

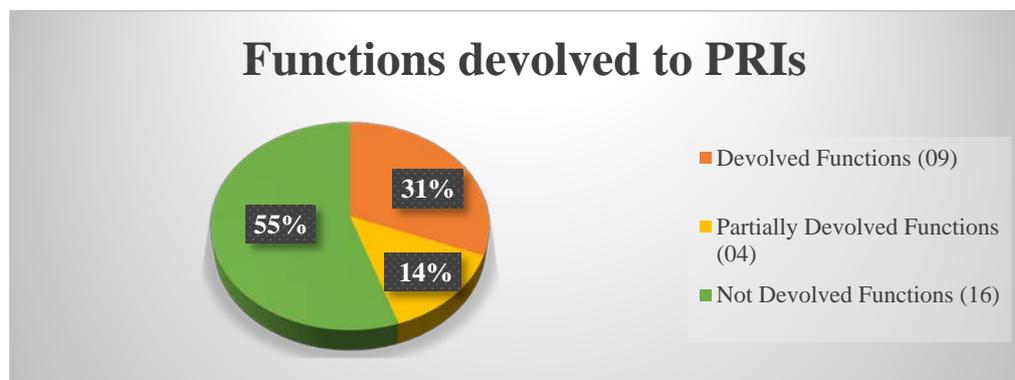
Government representative		Elected representative	
Post	Duties	Post	Duties
Chief Executive Officer, ZP	Preparation of budget of ZP and submission to the Government. Approval of the budget of Panchayat Samitis. Preparation of accounts, preparation of monthly accounts and half-yearly inspection of PSs are prescribed in Rule 18, Rule 25 and Rule 26 of Punjab Panchayat Samitis and Zila Parishads Finance, Budget and Accounts Rules, 2014	Chairman of ZP (Section 168 of PPR Act, 1994)	To convene, preside over and conduct meetings of the ZP, administrative supervision and control over the Chief Executive Officer, all officers and other employees of the Zila Parishad, etc. (Section 172 of PPR Act, 1994)
Executive Officer of PS	Preparation of budget of PS and submission to the ZP. Approval of the budget of the GPs and monitoring of functioning of the GPs	Chairman of PS (Section 105 of PPR Act, 1994)	To convene, preside over and conduct meetings of PS; discharge all duties imposed and exercise all the powers conferred on him under PPR Act, 1994, supervision and control over the Executive Officer of the PS for securing

Government representative		Elected representative	
Post	Duties	Post	Duties
			implementation of resolutions or decisions of the PS or of the Standing Committees and any general or specific directions issued by the State Government etc. (Section 109 of PPR Act, 1994)
Secretary of GP	Maintenance of the accounts, records in the prescribed forms such as the Proceeding Book, Inspection Register, Cash Receipt Book, Works Register, etc.	Sarpanch of GP (Section 10 of PPR Act, 1994)	Convening and presiding over the meeting, maintenance of the records of the GP, financial and executive administration of the GP, etc. (Section 16 of PPR Act, 1994)

Source: PPR Act 1994, the Punjab Panchayat Samitis and Zila Parishads Finance, Budget and Accounts Rules 2014, the Punjab Panchayati Raj (Gram Panchayat) Rules, 2012.

2.2.1 Status of devolution of functions to the PRIs

Article 243G of the Constitution envisages that Panchayats are responsible for implementing schemes for economic development and social justice as may be entrusted to them, in respect of 29 subjects (*Appendix 2.1*) listed in the Eleventh Schedule. The State Government devolved 13 functions to the PRIs during the years from 2004 to 2006, whereas 16 functions had not been devolved, as indicated below:



Source: Information from the Department of Rural Development & Panchayats

Out of the 13 devolved functions, four functions were subsequently taken back from the PRIs and transferred to the departments. As a result, as of October 2025, PRIs had full jurisdiction over nine functions and partial jurisdiction over four functions, as tabulated below:

Table 2.3: Status of devolution of functions in Punjab

Subjects Devolved to PRIs along with the no. as given in Schedule XI	Name of nodal Department	Status of devolution
25. Women and Child Development 26. Social Welfare, including Welfare of handicapped and mentally retarded.	1. Social Security, Women and Child Development	Full
27. Welfare of weaker sections and in particular of the Scheduled Caste and the Scheduled Tribes.	2. Welfare of Scheduled Castes and Backward Classes	Full

Subjects Devolved to PRIs along with the no. as given in Schedule XI	Name of nodal Department	Status of devolution
11. Drinking Water	3. Public Health	Full
10. Rural Housing 20. Libraries 21. Cultural Activities 22. Markets and Fairs 23. Maintenance of Community Assets	4. Rural Development and Panchayats	Full
23. Health and Sanitation including Hospitals, PHCs and Dispensaries (1,186 Subsidiary Health Centres transferred to the PRIs). 24. Family Welfare.	5. Health and Family Welfare	Partial
17. Education including Primary and Secondary School (Education Department transferred 5,752 primary schools along with 13,034 posts of ETT Teachers)	6. School Education	Partial
4. Animal Husbandry (Department transferred 581 rural veterinary hospitals)	7. Animal Husbandry	Partial

Source: Report of the Sixth Punjab Finance Commission and Information provided by the Department of Rural Development & Panchayats.

Audit observed that despite departmental request (April and October 2018) and recommendations (December 2019) of the Committee on Local Bodies and Panchayati Raj Institutions, no progress had been made towards devolution of the remaining functions to the PRIs.

It is evident from above that PRIs had full jurisdiction over only nine functions (out of 29) despite more than 32 years having elapsed since the enactment of the 73rd CAA, and no further functions had been devolved to PRIs since February 2006. This showed that there was still limited or partial devolution of the envisaged functions to PRIs, highlighting the need to devolve more functions and empowerment of PRIs in the State of Punjab to enable them to function as units of self-government.

2.2.2 Position of Manpower

As of March 2023, the sanctioned strength of key posts in PRIs was 3,053, against which actual persons-in-position were 1,879 only, which highlights a significant shortfall of 1,174 for human resources of PRIs, as given below:

Table 2.4: Sanctioned Strength and Persons in Position

Sr. No.	Designation	Sanctioned strength	Persons in position	Shortfall	Shortfall percentage
1	Dy. CEO	8	4	4	50.00
2	Accountant	58	32	26	44.83
3	Engineers or equivalent	16	11	5	31.25
4	Panchayat Officers	99	61	38	38.38
5	Superintendent	132	101	31	23.48
6	Gram Rozgar Sahayak or equivalent	116	103	13	11.21
7	Panchayat Secretary	2,406	1,466	940	39.07
8	Samiti Patwari	89	57	32	35.96
9	Tax Collector	129	44	85	65.89
Total		3,053	1,879	1,174	

Source: Departmental data

The details of sanctioned strength and persons-in-position of the department are given in **Appendix 2.2**. The significant shortfall in manpower, ranging from 11.21 per cent to 65.89 per cent, was affecting the functioning of the PRIs.

2.3 Formation of various committees

Sections 184 (1), 134 (1) and 25 (1) of the PPR Act, 1994 provide for the constitution of various Standing Committees at all levels of PRIs, viz. ZP, PS and GP to oversee specific functions relating to administration, finance and implementation of schemes.

On being asked (December 2024), the Department of Rural Development and Panchayats intimated (March 2025) that out of the total 13,415 PRIs (ZP: 22, PS: 152 and GPs: 13,241), the requisite committees were formed in 13,386 PRIs (ZP: 22, PS: 151 and GPs: 13,213) during 2022-23. Thus, the requisite committees were not formed in 29 PRIs (PS: one and GPs: 28).

The roles and responsibilities of the Committees in financial matters and implementation of schemes are summarised below:

Table 2.5: Roles and responsibilities of the Standing Committees

Level of PRIs	Standing Committee headed by	Standing Committee	Roles and responsibilities
Zila Parishad	Chairman	General Committee	Functions relating to the establishment matters, communication, buildings, rural housing, village extension, relief against natural calamities etc.
		Finance Audit and Planning Committee	Functions relating to budget estimates, scrutiny of proposals for increase of revenue, examination of receipts and expenditure statements, consideration of all proposals affecting the finances of the ZPs, general supervision of the revenue and expenditure of the ZPs, allocation of outlays to developmental works, implementation of guidelines issued by the State Government, evaluation of important programmes and small saving schemes.
		Social Justice Committee	Functions relating to promotion of education, economic, social, cultural & other interests of the Scheduled Castes (SCs) and Backward Classes (BCs), protecting SCs/BCs from social injustice and all other forms of exploitation, ameliorating the lot of the SCs and BCs, securing social justice to the SCs and BCs, women and other weaker sections of the society.
		Education and Health Committee	Functions relating to promotion of educational activities in the ZPs, undertaking the planning of education in the district within the framework of the national policy and the national and state plans, surveying and evaluating the educational activities of the ZPs, performing such other duties pertaining to education, adult literacy and cultural activities as the ZPs may assign to it, maintenance of drainage, health services, hospitals, water supply and family welfare and other allied matter.
		Agriculture and Industry Committee	Functions relating to agriculture production, animal husbandry, co-operation, village and cottage industries and industrial development of the district.
Panchayat Samiti	Chairman	General Committee	Functions relating to establishment matters, communications, building, rural housing, village extension, relief against natural calamities, water supply etc.

Level of PRIs	Standing Committee headed by	Standing Committee	Roles and responsibilities
		Finance, Audit and Planning Committee	Functions relating to preparation of budget estimates, Scrutiny of proposals for increase of revenue, examination of receipts & expenditure statement, general supervision of the revenues & expenditure of the PS, small savings schemes and development of the PS area.
		Social Justice Committee	This Committee performs the same functions as mentioned above at ZP Level.
Gram Panchayat	Sarpanch	Production Committee	Functions relating to agriculture production, animal husbandry, rural industries and poverty alleviation programmes.
		Social Justice Committee	This Committee performs the same functions as mentioned above at ZP Level.
		Amenities Committee	Functions relating to education, public health, public works and other functions of the GPs.

Source: PPR Act 1994

2.4 Response to audit observations

During the period from 2018-19 to 2022-23, office of the PAG (Audit) Punjab issued 205 Inspection Reports (ZP: 25 and PS: 180), containing a total of 2,358 paras, to the ZP and PS as detailed below.

Table 2.6: Details of Inspection Reports and paras issued to PRIs

Year	ZP								PS							
	Opening Balance		Addition during the year		Clearance during the year		Closing balance		Opening Balance		Addition during the year		Clearance during the year		Closing balance	
	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para
2018-19	59	208	3	19	0	4	62	223	1,251	6,418	39	522	0	75	1,290	6,865
2019-20	62	223	1	6	0	4	63	225	1,290	6,865	30	347	0	32	1,320	7,180
2020-21	63	225	4	64	0	4	67	285	1,320	7,180	35	393	0	36	1,355	7,537
2021-22	67	285	6	40	0	7	73	318	1,355	7,537	38	481	0	52	1,393	7,966
2022-23	73	318	11	78	0	5	84	391	1,393	7,966	38	408	0	31	1,431	8,343
Total	324	1,259	25	207	0	24	349	1,442	6,609	35,966	180	2,151	0	226	6,789	37,891

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

(ii) Further, two reports, namely the Annual Technical Inspection Report (ATIR) for the period April 2016 to March 2019 and the Report on Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), were laid before the Legislative Assembly on 29 June 2022 and 07 March 2023, respectively.

Accountability Mechanism and Financial Reporting

2.5 Source of Funds

PRIs derive funds from (i) own revenue, such as taxes on fairs, lands and buildings, user charges, rent from land and buildings and capital receipts from sale of land, (ii) transfers from the State Government and Government of India in the form of grants-in-aid for general administration, implementation of developmental schemes/works, creation of infrastructure in rural areas, etc. and (iii) grants recommended by the Central and State Finance Commissions.

The position of receipts and expenditure of PRIs for the period 2018-23 are presented in **Table 2.7** and **2.8**, respectively:

Table 2.7: Receipt of PRIs during 2018-23

(₹ in crore)

Year	Central Finance Commission	State Finance Commission	State Sponsored Schemes	Centrally Sponsored Schemes	Own Revenue	Total
2018-19	817.48	0	179.48	962.96	451.95	2,411.87
2019-20	1,104.58	0	232.04	1,045.40	465.94	2,847.96
2020-21	1,388	0	217.47	1,613.77	594.22	3,813.46
2021-22	1,026	0	516.48	1,610.41	510.75	3,663.64
2022-23	1,062	0	227.71	1,750.01	585.66	3,625.38

Source: Information from the Department of Rural Development & Panchayats, Deputy Directors' offices

Table 2.8: Expenditure of PRIs during 2018-23

(₹ in crore)

Year	Central Finance Commission	State Finance Commission	State Sponsored Schemes	Centrally Sponsored Schemes	Own Revenue	Total
2018-19	817.48	0	136.77	804.68	NA	1,758.93
2019-20	1,104.58	0	154.95	906.25	NA	2,165.78
2020-21	1,388	0	145.28	1,467.86	NA	3,001.14
2021-22	1,026	0	366.82	1,473.18	NA	2,866.00
2022-23	1,062	0	126.49	1,637.06	NA	2,825.55

Source: Information from the Department of Rural Development and Panchayats

It was evident from above that the PRIs were largely spending the funds received in respect of Centrally and State Sponsored Schemes as well as Central Finance Commission grants during the period 2018-23. However, the Department of Rural Development and Panchayats did not provide the expenditure out of its own revenue, suggesting incomplete financial reporting and therefore, it had been reported as NA (Not Available) in the above table.

Besides, the PRIs are also responsible for implementing centrally and state-sponsored schemes. In the State, five Centrally Sponsored Schemes (CSS) (*Appendix 2.3*) and three State Sponsored Schemes (SSS) were functional during the period covered. The details of funds received (directly or through the State Government) for implementation of these major schemes/ programmes and actual expenditure there against during 2019-20 to 2023-24, are presented below in **Table 2.9**:

Table 2.9: Details of funds of CSS

(₹ in crore)

Year	Particulars	MGNREGS	PMAYG	NRLM	PMKSY/ IWMP	SPMRM (RURBAN)
2018-19	Funds availability	725.74	139.64	25.97	19.03	52.58
	Expenditure	633.38	128.03	13.74	4.81	24.72
	Percentage of under utilisation	12.73	8.31	47.09	74.72	52.99
2019-20	Funds availability	889.96	45.53	41.72	19.45	48.74
	Expenditure	824.44	36.42	31.84	4.94	8.61
	Percentage of under utilisation	7.36	20.01	23.68	74.60	82.33
2020-21	Funds availability	1,393.37	89.85	43.96	16.54	70.05
	Expenditure	1,313.75	59.13	37.65	12.61	44.72
	Percentage of under utilisation	5.71	34.19	14.35	23.76	36.16

Year	Particulars	MGNREGS	PMAYG	NRLM	PMKSY/ IWMP	SPMRM (RURBAN)
2021-22	Funds availability	1,446.13	60.57	52.42	4.58	46.71
	Expenditure	1,328.43	59.56	37.49	4.53	43.17
	Percentage of under utilisation	8.14	1.67	28.48	1.09	7.58
2022-23	Funds availability	1,448.40	120.19	81.92	13.96	85.54
	Expenditure	1,392.27	100.06	60.53	8.48	75.72
	Percentage of under utilisation	3.88	16.75	26.11	39.26	11.48

Source: Information from the Department of Rural Development and Panchayats

It was evident from above that the funds under CSS remained underutilised across all schemes. The Department attributed (May 2024) the underutilisation to delayed receipt of funds under schemes such as MGNREGS, PMAY (G) and NRLM. Regarding the Integrated Watershed Management Programme (IWMP), the underutilisation was linked to the closure of projects under the scheme. For the RURBAN scheme, the delay was due to the planning of clusters and Detailed Project Reports (DPRs) for Phase-I during 2018-19 and 2019-20, which was subsequently impacted by disruptions caused by the COVID-19 pandemic.

The reply was not acceptable as the delay in the release of funds could not be construed as a valid reason for underutilisation, and it did not absolve the department of its responsibility to ensure optimal utilisation through effective scheduling and reallocation of available resources. Further, the explanations regarding project closures under IWMP and the preparation of DPRs for Phase-I of the RURBAN scheme, followed by disruptions due to the COVID-19 pandemic were generic in nature and lacked documentary evidence.

Table 2.10: Details of funds of SSS

(₹ in crore)

Year	Particulars	Cattle Fair	Discretionary Grant	Rural Development Organisation Scheme
2018-19	Funds availability	112.79	61.00	5.69
	Expenditure	70.43	60.65	5.69
	Percentage of under utilisation	37.56	0.57	0.00
2019-20	Funds availability	116.85	61.00	54.19
	Expenditure	48.61	52.15	54.19
	Percentage of under utilisation	58.40	14.51	0.00
2020-21	Funds availability	110.60	101.00	5.87
	Expenditure	50.56	88.85	5.87
	Percentage of under utilisation	54.29	12.03	0.00
2021-22	Funds availability	126.41	302.50	87.57
	Expenditure	69.98	215.64	81.20
	Percentage of under utilisation	44.64	28.71	7.27
2022-23	Funds availability	120.51	26.00	81.20
	Expenditure	34.87	25.67	65.95
	Percentage of under utilisation	71.06	1.27	18.78

Source: Information from the Department of Rural Development and Panchayats

It was evident that for the cattle fair scheme, utilisation remained consistently poor with savings ranging between 38 *per cent* and 71 *per cent* during 2018-23, whereas for the Discretionary Grant Scheme, there were savings as expenditure was less than the grants over the years, indicating persistent underutilisation. Further, the RDO Planned Scheme exhibited relatively better fund utilisation during 2018-21, except for underutilisation in 2021-22 and 2022-23.

The Department attributed (May 2024) the underutilisation of funds from the Discretionary grant, which were released and for which approvals had been granted, whereas the remaining funds were neither released nor utilised. In case of RDO grant, demand received from executive agencies was less than the allotted budget (available funds with HQs), therefore, the unutilised funds were surrendered.

2.6 Recommendations of the State Finance Commission (SFC) and utilisation of SFC Funds

As per the Explanatory Memorandum on the Action Taken Report submitted by the State Government on the recommendations of the Sixth Punjab Finance Commission for Panchayats and Urban Local Bodies, to the Governor in March 2022, 11 recommendations relating to PRIs were made, of which six were accepted by the Government. No separate action was deemed necessary for three recommendations, while two were still pending examination. The details of the accepted recommendations and the corresponding fund devolution proposed to PRIs are presented below:

Table 2.11: Allocation and release of State Finance Commission grants

(₹ in crore)

Recommendations	Year	Total Amount	Amount to be devolved to PRIs	Amount devolved	
3.5 <i>per cent</i> of State net tax own revenue to be devolved to the panchayats and the municipalities (55 <i>per cent</i> to PRIs)	1	2021-22	1,316	723.80 (55% of 1,316)	0
	2	2022-23	1,353	744.15 (55% of 1,353)	
16 <i>per cent</i> of Additional Excise Duty and 10 <i>per cent</i> of Auction Money	3	2021-22	323	130	0
	4	2022-23	338	135	
The entire proceed (100 <i>per cent</i>) of 'tax on professions, trades, calling and employment' in T-1	5	2021-22	0	0	0
	6	2022-23	157	31	
Total for 2021-22 (1+3+5)				853.80	0
Total for 2022-23 (2+4+6)				910.15	0

Source: Information provided by the Department of Rural Development and Panchayats

From the above table, it is evident that against the recommendation of SFC, no funds were released. Records/information for the period before 2021-22, i.e. fifth SFC, was not made available to audit by the Department of Rural Development and Panchayats.

2.7 Recommendations of the Central Finance Commissions (CFC), funds received and utilisation thereof

The Fifteenth Finance Commission (15th FC) recommended that, out of total grants earmarked for PRIs, 60 per cent be utilised for national priorities like drinking-water supply, rainwater harvesting and sanitation (tied grants) and 40 per cent be utilised at the discretion of the PRIs for improving basic services (untied grants).

The 15th FC further recommended that grants for PRIs shall be released in two instalments each year, in June and October, after ascertaining the eligibility conditions for the release of grants. The State Government shall transfer these grants to PRIs within ten working days of their release by the Government of India (GoI). Any delay beyond this period shall attract payment of interest and the State Government shall release the grant along with interest at the effective rate of interest applicable to market borrowings/State Development Loans (SDLs) for the previous year.

The position of allocation, release and transfer of funds under the 15th FC and 14th FC for the period 2020-21 to 2022-23 is shown below:

Table 2.12: Funds received and transferred under 15th FC

(₹ in crore)

Year	Allocation by GoI	Amount released by GoI		Date of release of 1 st instalment to PRIs (delay)	Interest released by GoP due to delay	Date of release of 2 nd instalment to PRIs (delay)	Interest released by GoP due to delay
		1st instalment (date of release)	2nd instalment (date of release)				
2020-21	694.00 (Untied)	347.00 (17.06.2020)	347.00 (31.03.2021)	13.08.2020 (43 days)	2.96	23.04.2021 to 28.12.2021 (3 to 252 days)	4.11
	694.00 (Tied)	347.00 (15.07.2020)	347.00 (07.05.2021)	27.07.2020 (No delay)	0	05.08.2021 to 28.12.2021 (72 to 217 days)	4.49
2021-22	410.40 (Untied)	205.20 (08.05.2021)	205.20 (29.03.2022)	12.07.2021 to 28.12.2021 (48 to 217 days)	2.39	06.05.2022 to 07.05.2022 (22 to 23 days)	0.84
	615.60 (Tied)	307.80 (27.08.2021)	307.80 (26.09.2022)	24.11.2021 to 09.03.2022 (71 to 176 days)	4.28	11.10.2022 (No Delay)	0
2022-23	424.80 (Untied)	212.4 (05.12.2022)	212.40 (16.03.2023)	16.12.2022 (No delay)	0	16.05.2023 (42 days)	1.70
	637.20 (Tied)	318.6 (05.12.2022)	318.60 (30.10.2023)	16.12.2022 (No delay)	0	10.11.2023 (No Delay)	0
Total					9.63		11.14

Source: Information provided by the Department of Rural Development and Panchayats

Audit observed that delays in transfer of grants from the GoP to the PRIs was upto 252 days during 2020-21 to 2022-23. Although the GoP paid interest of ₹ 20.77 crore (₹ 9.63 crore plus ₹ 11.14 crore) for the delayed releases, such delays were likely to have affected the timely utilisation of funds due to non-availability of these with the GPs, which would not be as per the spirit of fiscal devolution envisaged under the Finance Commission award.

The 14th FC grants were recommended in two components for duly constituted

Gram Panchayats: Basic Grant (BG) and Performance Grant (PG), where 90 per cent of the total grant be allocated as the Basic Grant, while the remaining 10 per cent was required to be provided as the Performance Grant.

Table 2.13: Funds received and transferred under 14th FC

(₹ in crore)

Transfer of grants to PRIs	Recommendations of 14 th FC		Actual Release by Gol		Release by GoP	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
Basic Grant	817.48	1,104.58	817.48	1,104.58	817.48	1,104.58
Performance Grant (PG)	103.10	135.00	0	0	0	0
Total	920.58	1,239.58	817.48	1,104.58	817.48	1,104.58

Source: Information from the Department of Rural Development and Panchayats

It is evident that against the total allocation of ₹ 2,160.16 crore for the period 2018-20, the Department of Rural Development and Panchayats released only ₹ 1,922.06 crore to the PRIs under the 14th FC (basic grant). The short release of ₹ 238.10 crore, pertaining to the PG, was attributed to non-submission of utilisation certificates.

On being pointed out (September 2024), the Department did not furnish any reply, following which a reminder was issued (October 2025). The discrepancy warrants reconciliation to ensure the completeness and accuracy of financial reporting.

2.8 Maintenance of Records

Rule 8 of the PPR (GP) Rules 2012, read with Section 87 of the PPR Act 1994, stipulates that the GPs are required to maintain the proceeding books, cash receipt book, register of revenue, stock register of receipt book, works register, register of Shamlat land, assets register *etc.* Besides, Section 95 of the PPR Act, 1994 provides that every GP shall prepare and submit its annual budget to Panchayat Samiti having jurisdiction over its area.

Audit, however, observed instances of non-maintenance of Asset Register, Works Register, Land Records Register (both agricultural and non-agricultural), non-preparation of budgets, etc., during the compliance audit for the year 2023-24.

2.9 Maintenance of Accounts by PRIs

In Punjab, PRIs adopted (2009) the cash-based Model Accounting System (MAS) for maintenance of their accounts. The accounting framework of PRIs is primarily governed by the provisions of the PPR Act, 1994 and the guidelines issued by the Central Finance Commission. PRIs are required³ to prepare accounts of income and expenditure and make in such form and manner as may

³ Section 96 (GP); Section 143 (PS); and Section 193 (ZP).

be prescribed. As on 31 March 2023, 13,241 GPs, 152 PSs and 22 ZPs had adopted the MAS and were maintaining receipt and payment under 15th FC through the e-Gram Swaraj portal.

Sections 96, 143 and 193 of the PPR Act, 1994, provide for the maintenance of accounts of GPs, PSs and ZPs, respectively. Further, Sections 97, 143 and 194 provide for the audit of these accounts by the Examiner, Local Fund Accounts (ELFA). The e-Gram Swaraj portal, developed for accounting and monitoring of grants released under the 15th Finance Commission, is being used by all tiers of the PRIs and the ‘Audit Online’ portal is being used for audit. All GPs punched basic data and uploaded transactions under the 15th FC grants on e-Gram Swaraj portal. The assurance on the veracity and reliability of accounts is provided to stakeholders through Financial Audit of PRIs by the ELFA. This entails examination of their Annual Accounts and supporting records to express an opinion as to whether the accounts are free from material misstatements and present a true and fair view of the activities of the entity.

Detail of the status of account completion by the PRIs is given below:

Table 2.14: Detail of Accounts prepared by PRIs for the year 2022-23

Sr. No.	PRI type	Accounts completion Status		
		No of PRIs where accounts completed	Total PRIs	Per cent completed
1.	Zila Panchayats	22	22	100
2.	Block Panchayats	151	152	99.34
3.	Gram Panchayats	13,237	13,241	99.96

Source: Data gathered from Audit Online portal

2.10 Audit of Accounts maintained by PRIs

During 2019-23, a total of 45,417 audit plans were created on the ‘Audit Online’ portal in all three tiers of PRIs, of which 42,960 reports were generated during the same period, indicating a shortfall of audit reports ranging between 0.07 per cent and 16.83 per cent (**Appendix 2.4**). Audit of GPs was undertaken by ELFA through the Audit Online portal since 2019-20, whereas audit of the remaining two tiers, i.e., PSs and ZPs, commenced from 2020-21.

2.11 Social Audit

Social Audit is a process by which the people, the final beneficiaries of any scheme, programme, policy or law, are empowered to audit such schemes, programmes, policies or laws. A social audit is an ongoing process in which potential beneficiaries and other stakeholders of an activity or project are involved at all stages, from planning to monitoring and evaluation of that activity or project.

The Social Audit Unit (SAU), Punjab, was established (August 2016) and registered (October 2016) as a society, and it functions under the Department of Rural Development and Panchayats. At the Directorate level, there was one

Director, two State Resource Persons (SRPs) and two District Resource Persons (DRPs) in position against the sanctioned strength of one Director, four SRPs and three DRPs, indicating a shortfall in manpower.

The SAU facilitates Social Audits of CSSs implemented by the State Government. The provision for conducting social audits was initially incorporated in the MGNREG scheme. Subsequently, its ambit was expanded to cover other schemes, such as 15th FC Grants, Pradhan Mantri Awas Yojana (Gramin), National Social Assistance Programme and schemes of the Department of Social Justice and Empowerment.

The details of the Social Audit calendar *vis-a-vis* the audits completed during 2018-19 to 2022-23 are presented below:

Table 2.15: Detail of Social Audit calendar vs Audits completed

Sr. No.	Financial Year	Total number of GPs	GPs planned for audit at least once in FY	GPs audited once in FY	GPs audited twice in FY	Shortfall audited in comparison to planned	Percentage of Shortfall
1	2018-19	13,363	4,793	4,792	1	0	0
2	2019-20	13,334	6,654	6,650	2	2	0.03
3	2020-21	13,330	13,093	5,925	0	7,168	54.75
4	2021-22	13,325	9,451	7,394	401	1,656	17.52
5	2022-23	13,308	6,412	6,176	433	0	0

Source: - Information provided by Social Audit Unit, Punjab

It is evident from above that there was a shortfall in number of GPs audited in comparison to the planned units, up to 54.75 per cent, whereas during 2022-23, the Social Audit of 197 units was conducted in excess of the planned units.

During 2022-23, the social audit was conducted on CSSs and the major findings were categorised as financial misappropriation; financial deviation; process violation & grievances and miscellaneous findings. The observations noted by the SAU included the absence of internal audit officials during the Social Audit process, works not approved by the Gram Sabha, excess expenditure and ghost payments, poor quality of materials used, non-provision of required work site facilities and instances of multiple job cards issued.

The matter was referred to the Government in September 2024; their reply was awaited (May 2025).