

CHAPTER-I

An overview of Panchayati Raj Institutions

CHAPTER – I

PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

An Overview of Panchayati Raj Institutions

Functioning of Panchayati Raj Institutions

1.1 Introduction

The 73rd Constitutional (Amendment) Act, 1992 (Article 243) conferred Constitutional status to Panchayati Raj Institutions (PRIs) and recognised them as the third tier of Government to ensure a more participative Government structure in the country. The amendment provided for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice. It also provided for transfer of 29 subjects (*Appendix-1.I*) listed in XIth Schedule of the Constitution of India to PRIs. Accordingly, the State was required to entrust PRIs with respective functions and functionaries, so as to enable them to function as Institutions of Local Self Government (LSGIs). The Constitutional Amendment provided for establishment of a uniform system within States, conduct of regular elections, regular flow of funds, *etc.* The legislative framework for conduct of business of the PRIs in Assam are based on:

- The Assam Panchayat Act, 1994 (AP Act, 1994)
- The Assam Panchayat (Financial) Rules, 2002 (AP (F) Rules, 2002)
- The Assam Panchayat (Administrative) Rules, 2002 (AP (A) Rules, 2002) and
- Government instructions issued from time to time.

Assam is the gateway of North-East India with an area of 78,438 sq. km. The population density of Assam is 398 per sq. km, which is higher than the national average of 382 per sq. km. Sex Ratio of females in the State is 958 per 1,000 males, which is also higher than the national average of 943, as per Census 2011. Rural population in the State is 2.68 crore (86 *per cent*).

There were 2,415 PRIs in the ‘General’ areas¹ of Assam, as on 31 March 2021. The Panchayati Raj system does not exist in the Sixth Schedule Areas, where local governance is vested with the respective Autonomous District Councils (ADCs).

Statistics related to the rural population of the State and the numbers of PRIs as per census of 2011, are given in **Table 1.1**.

Table1.1: Important Statistics of the State

Sl. No.	Indicators	Unit	Value
1	Total Population	Crore	3.12
2	Rural Population	Crore	2.68
3	Sex Ratio (Females per 1000 Males)	Numbers	958

¹ Constitution of India has provided for constitution of separate Autonomous Councils for tribal areas of Assam under Sixth Schedule. Areas not falling under the provision of the Sixth Schedule are known as General areas.

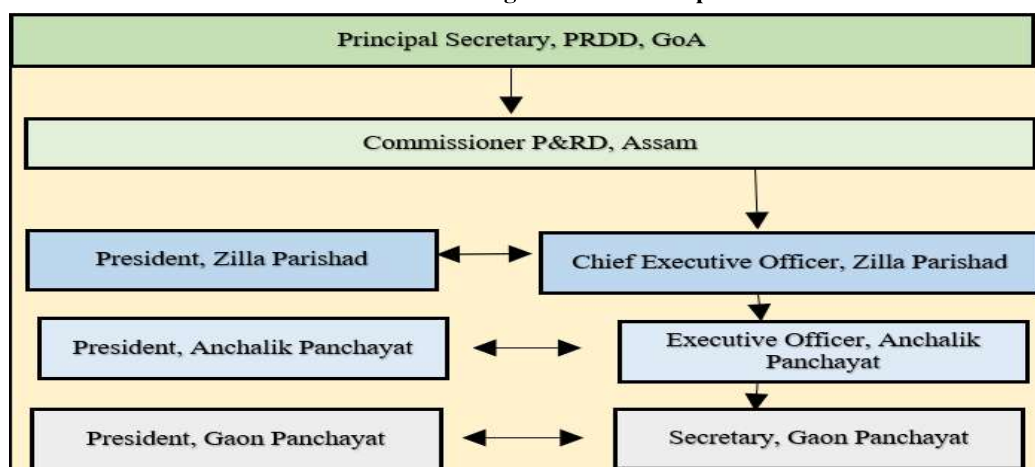
Sl. No.	Indicators	Unit	Value
4	Population Density	Per sq.km	398
5	Rural Literacy	Per cent	69.34
6	Number of districts	Number	34
7	Zilla Parishad (ZP)	Number	26
8	Anchalik Panchayat (AP)	Number	191
9	Gaon Panchayat (GP)	Number	2,198

Source: Census 2011, Statistical Handbook, Assam 2021 and eGramSwaraj website

1.2 Organisational Set-up in State Government and PRIs

The Principal Secretary (PS), Panchayat and Rural Development (P&RD) Department is the administrative head of the Department. The PS is assisted by the Commissioner, P&RD in the allocation of funds, overall control and supervision of functions and implementation of different schemes at the State level. The organisational set-up of PRIs is shown in **Chart 1.1**:

Chart 1.1:-Organisational Set-up



1.3 Functioning of PRIs

1.3.1 Administrative machinery in PRIs

The administrative set-up of Panchayats in the State comprises of a three-tier system, GPs at the village level, APs at the intermediate level (*co-terminus* with Blocks) and ZPs at the district level. The Constitution enjoins the State Government to make appropriate legislation regarding devolution of powers and functions to the Panchayats, in such a way as to enable them to function as Institutions of Local Self Government (LSGIs).

Subject to the provisions of the AP Act, 1994, Panchayats may make bye-laws to carry out their functions. The 73rd Constitutional Amendment empowers them with powers and authority in revenue mobilisation and gives them access to such resources as the State Legislature may, by law, confer on them. Accordingly, the AP (F) Rules were framed in 2002, as amended in 2004, empowering all the three tiers to levy and collect taxes. Through the AP (F) Rules, 2002, GPs got the power to levy certain taxes *viz.*, tax on houses and structures and tax on trades, *etc.* However, in April 2022, the Government rescinded the existing requirement of issuance of Trade License and suspended the levy of any tax or fee by the PRIs in setting up of business activities,

except for Foreign or Country Liquor shops, Educational institutions, Health establishment, Brick Kilns, Mobile Towers, Petrol Pumps, Timber saw mills, Go-downs, and other pollutant industries. Thus, complete autonomy to the PRIs in revenue mobilisation was not ensured.

1.3.2 Staffing pattern of PRIs

The AP (A) Rules, 2002 prescribes the staffing pattern for PRIs. In this regard, the Third Assam State Finance Commission (ASFC) observed (March 2008) that there was an acute shortage of staff at all levels of PRIs, which not only stands in the way of efficient performance of functions, but also retards collection of revenue from taxes and duties allocated to PRIs. The Third ASFC, therefore, recommended that the staffing pattern needed suitable modification, in conformity with the expanding activities of PRIs.

The Commissioner, P&RD informed (October 2023) that proposal for creation of posts as per recommendation of the Third ASFC, was submitted (May 2015) to the Government for approval.

1.3.3 Status of devolution of functions, funds and functionaries

The 73rd Constitutional (Amendment) Act, 1992, empowers the PRIs to perform functions related to 29 subjects listed in XIth Schedule of the Constitution of India. Central FCs and the State FCs had emphasised the need for complete transfer of funds, functions and functionaries (3 Fs) to the PRIs for meaningful devolution.

However, in Assam, the 3Fs were still not completely transferred to the PRIs. Activity mapping of 23 out of the 29 subjects² was done (June 2007) by GoA but orders for devolution of only seven³ out of 23 subjects were issued to the PRIs. Though seven subjects were notified to be transferred, no function has been transferred to PRIs as yet (October 2023) and line Departments and other Agencies working parallel to PRIs, are performing those functions.

1.4 Formation of various Committees

1.4.1 Standing Committees

Sections 22, 52 and 81 of the AP Act, 1994 stipulate that PRIs shall constitute Standing Committees to perform functions assigned under the Act. Details of the constitution of the Standing Committees and their roles and responsibilities are given in *Appendix-1.2*.

1.4.2 District Planning Committee (DPC)

Article 243 ZD of the Constitution of India provides that the State Government should constitute a District Planning Committee (DPC), consisting of (i) members of the House

² Activity mapping for six subjects, viz., (i) Maintenance of community assets; (ii) Markets and fairs; (iii) Libraries; (iv) Technical training and vocational education; (v) Non-conventional energy sources; and (vi) Rural housing was not done.

³ (i) Agriculture, including agricultural extension; (ii) Land improvement, implementation of land reforms, land consolidation and soil conservation; (iii) Animal husbandry, dairying and poultry; (iv) Adult and non-formal education; (v) Education, including primary and secondary schools; (vi) Khadi, village and cottage industries; and (vii) Rural electrification, including electricity distribution

of the People, who represent the whole or part of the district, (ii) members of the Assam Legislative Assembly; and (iii) number of persons, not less than four-fifth of the total number of members, from amongst the members of the ZP in districts, to consolidate the plans prepared by the Panchayats in the district and to undertake integrated development of the district. Accordingly, Section 3 of the AP Act, 1994 and AP (F) Rules, 2002 framed thereunder, provide that the State Government shall constitute a DPC, with a tenure of one year, in every district. The Deputy Commissioner is a permanent invitee to the DPC of the district, while the President of the ZP is the Chairman and the CEO of ZP is the *ex-officio* Secretary of the DPC.

The Commissioner, P&RD, Assam stated (October 2023) by that DPCs were constituted by all districts, which approves the annual Gaon Panchayat Development Plan, Anchalik Panchayat Development Plan and District Panchayat Development Plan prepared by the PRIs concerned and that the said development plans are available in the *eGramSwaraj* web portal.

1.5 Audit arrangement

1.5.1 Primary Auditor

The Director of Audit, Local Fund (DALF), Assam, established under the Assam Local Funds (Accounts & Audit) Act, 1930 is the Primary Auditor of all tiers of PRIs in the State. The Directorate is responsible for (i) carrying out the Audit of Local Funds with the help of 20 circle offices, each of which was headed by an Assistant Director to perform audit functions at the district level; and (ii) facilitating submission of Audit Reports of administrative departments. The audit must be conducted in conformity with the Assam Audit Manual, as also the relevant Government Rules and Amendments thereto, issued by the Government from time to time.

1.5.1.1 Audit coverage by the DALF

There were arrears in the audit of PRIs by the DALF, during the period 2018-19 to 2022-23, ranging between 50.68 and 58.73 *per cent*. Year-wise position of units to be audited, and those actually audited, are detailed in **Table 1.2**.

Table 1.2: Coverage of PRI units planned for audit by DALF in respect of PRIs

Year	No. of units planned for Audit	No. of units audited	Shortfall (<i>Per cent</i>)
2018-19	1,386	613	773 (55.77)
2019-20	1,105	471	634 (57.37)
2020-21	1,031	501	530 (51.40)
2021-22	1,105	545	560 (50.68)
2022-23	1,105	456	649 (58.73)

Source: Information furnished by DALF, Assam

The DALF stated (September 2023) that the shortfall in audit coverage was due to insufficient audit staff, engagement of audit personnel in specially entrusted accounts by the Government from time to time, election duty, *etc.*

Shortfall in coverage of audit by DALF has affected the accountability mechanism of PRIs in Assam.

1.5.1.2 Submission of Annual Audit Report by DALF

As per paragraph 101 (i) of the Assam Audit Manual, the DALF is required to send an Annual Audit Report to the Finance Department, by 30 September each year, incorporating major audit objections relating to Local Bodies, which are pending for settlement, for further action by the Finance Department. The DALF has so far submitted Audit Reports covering the period from 2010-11 to 2020-21. The status of submission of Audit Reports by DALF to the Government is shown in **Table 1.3**.

Table 1.3: Audit Reports submitted by DALF to the Government

Sl. No.	Audit Report for the year	Submitted to Government	Laid before Legislature
1	2010-11 and 2011-12	21 March 2013	10 February 2014
2	2012-13 and 2013-14	07 December 2014	19 December 2014
3	2014-15	13 November 2015	04 February 2016
4	2015-16 and 2016-17	30 October 2021	12 September 2022
5	2017-18 and 2018-19	30 May 2022	12 September 2022
6	2019-20 and 2020-21	Report under preparation	

Source: Information furnished by DALF, Assam

However, follow-up action and Action Taken Reports by Finance Department on the Annual Consolidated Audit Reports of the DALF remained pending, resulting in weakening of the accountability mechanism for the PRIs.

1.5.2 Audit by Comptroller and Auditor General of India

Comptroller and Auditor General of India (CAG) conducts audit of substantially financed Local Bodies under Section 14 (1) of CAG's (DPC) Act, 1971 and audit of specific Grants to Local Bodies under Section 15 of the Act *ibid*. The audit of Local Bodies is also conducted by CAG under Section 20 (1) of the Act, as per the Technical Guidance and Support (TGS) arrangements as entrusted by the State Government in May 2002, followed by the acceptance of the Standard terms and conditions of TGS (May 2011), pursuant to 13th FC recommendations.

1.5.3 Response to Audit Observations

Inspection Reports (IRs) were issued by the Accountant General (Audit), Assam to the PRI authorities concerned with a copy to the State Government. PRI authorities are required to provide responses to the audit findings contained in the IRs within a period of four weeks from the date of receipt of IRs. Important audit findings were also reported to the Government through the Audit Reports on Local Bodies. The details of outstanding paragraphs of the last five years in respect of PRIs (as of March 2023), are shown in **Table 1.4**.

Table 1.4: Details of outstanding IRs and paragraphs in respect of PRIs

Year of Issue	No. of Inspection Reports	No. of outstanding Paras	Money Value of audit objection (₹ in crore)	First reply furnished
2018-19	16	284	630.78	0
2019-20	8	92	155.90	0
2020-21	3	89	329.01	0
2021-22	67	411	155.61	3
2022-23	131	808	389.5	3
Total	225	1,684	1,660.80	6

Source: Progress Register

Thus, 1,684 paragraphs pertaining to the period 2018-2023, with a monetary value of ₹1,660.80 crore, were pending for settlement (March 2023) for want of replies/compliance from the PRIs concerned. Even the first reply had not been received for 1,678 paragraphs (99.64 *per cent*) out of 1,684 paragraphs. This was indicative of the fact that the PRIs were least interested to respond to the Audit observations and initiate corrective measures. The Administrative Heads of the departments concerned also did not ensure that the concerned officers of the PRIs took prompt and timely action in furnishing replies to IRs, which has resulted in weakening of the accountability mechanism of PRIs in Assam.

1.5.4 Discussion of Audit Reports by Legislature

The Committee on Local Fund Accounts (CoLFA), constituted by the State Legislature, discusses the Audit Reports on Local Bodies. The position of discussion of Audit Reports by the Committee is shown in **Table 1.5**.

Table 1.5: Position of Audit Reports discussed by the CoLFA

Year of Report	Laid before the Legislature	Whether discussed by Legislature	Action Taken Report, if any
2013-14	10 August 2015	Discussed	Nil
2014-15	18 July 2016	Not yet discussed	Nil
2015-16	10 March 2017	Not yet discussed	Nil
2016-17	24 September 2018	Partially discussed	Nil
2017-21	11 September 2023	Not yet discussed	Nil

It can be seen from the above table that three out of five Audit Reports laid before the Legislature were yet to be discussed. Though, one Audit Report was discussed in full and another was partially discussed by the Legislature, action taken reports were awaited (March 2023).

1.6 Accountability Mechanism of PRIs

The Assam Panchayat Act, 1994 does not provide for appointment of Ombudsman who is to act as an independent quasi-judicial authority for Local Self Government Institutions for conducting investigations and enquiries in respect of any complaints of corruption and maladministration and recommend suitable action. The Act also does not contain provisions for Social Audit to bring the activities of PRIs under close surveillance of the citizens to enable them to access the records and documents of PRIs as this would promote transparency and accountability in the day-to-day functioning of PRIs. Further, the guidelines of Centrally Sponsored Schemes *viz.*, Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Pradhan Mantri Awas Yojana (PMAY), National Social Assistance Programme (NSAP), Mid-Day Meal, *etc.* specifically provide for social audit of these schemes.

The State Government may consider amending the AP Act, 1994 to include a statutory provision for appointment of Ombudsman and for conduct of Social Audit to strengthen the accountability mechanism in PRIs.

1.6.1 Lokayukta

The Assam Lokayukta and Upa-Lokayukta Act, 1985 (Assam Act XX of 1985) was introduced to improve the standards of Public Administration, through investigation of

complaints received against ministers, legislators, and public functionaries, including those of Local Bodies.

The institution of the Lokayukta was headed by the Upa-Lokayukta since March 2001, as the post of Lokayukta had been lying vacant. The Upa-Lokayukta received 16 complaints during the years 2021-23, out of which none of the cases were related to PRIs.

The State Government needs to intensify efforts to educate the public about the existence and jurisdiction of the institution of the Lokayukta in the State.

1.7 Internal Control Mechanism in PRIs

The internal control mechanism is an integral component of an organisation, which helps to discharge its activities effectively to achieve organisational objectives. Internal control measures assist in minimising the risk of errors and irregularities and ensures compliance with applicable rules and regulations so that the implementation of programmes is carried out in an orderly, economical, efficient and effective manner.

The internal control system at each level of the PRIs has been specified by GoA under the AP Act, 1994 and the AP (F) Rules, 2002, in addition to the State Government's own rules and policies relating to finance, budget and personnel matters. Significant provisions relating to the internal control mechanism in PRIs, as contained therein, are elaborated in *Appendix-1.3*.

Audit observed that the internal control mechanism in the PRIs as well as the controlling Department viz., P&RD Department was lacking as evident from the following facts:

- There was shortfall in coverage of audit by the primary Auditor (DALF) ranging between 51 and 59 *per cent* against units planned for audit during 2018-23.
- There was delay in submission of Audit Report by DALF and no follow up action been taken by the concerned Department on the report submitted by the DALF.
- A large number of IRs issued by office of the Accountant General (Audit) remained unattended by the PRIs as well as the concerned Department.
- The Assam Panchayat Act does not have provision for appointment of Ombudsman for Social Audit.
- Budgets of the ZPs remained un-approved due to not following the prescribed procedures.

Although these shortcomings were regularly pointed out to the PRIs, as well as to the State Government, through Inspection Reports and Audit Reports, there was a marked lack of remedial action in this regard.

1.7.1 Internal Audit

Internal Audit is an important instrument for examining and evaluating the level of compliance with rules and procedures, as envisaged in the relevant Acts, in the Financial/ Accounting Rules, to provide independent assurance to management on the adequacy of the risk management and internal control framework in the Local Bodies.

Rule 18 of the AP (A) Rules, 2002 provides for utilisation of Internal Auditors of the P&RD for proper and correct maintenance of accounts of PRIs.

Though an Internal Audit Wing was in place in the Commissionerate of P&RD (CPRD), Assam, no audit was conducted by it. In fact, the Internal Auditors of CPRD audit cell pursue all audit observations of the AG, Audit/ DALF, Assam, all Public Accounts Committee and Assam Legislative assembly related matters, *etc.* The Department engages Charter Accountant every year for audit of the accounts of PRIs.

1.7.2 Submission of Budget

Rules 32, 33 & 34 of AP (F) Rules, 2002 stipulate that every GP, AP and ZP shall prepare their budgets before the beginning of the financial year in the prescribed formats. The ZPs are required to consolidate the budgets of the respective PRIs for submission to the State Government for final approval. Further, Section 96(3) of the AP Act, 1994 stipulates that no expenditure shall be incurred unless the budget is approved by the Government. The position of submission of budget by the ZPs is shown in **Table 1.6**.

Table 1.6: Status of Budget submitted by Zilla Parishads

Year	Total No. of ZP	No. of ZPs who did not submit budget for approval	No. of ZPs who submitted budget for approval	No. of ZPs whose budget was approved by Govt.	Remarks
2018-19	26	13	13	0	Budgets were not approved by the Government due to submission of incomplete particulars along with budget estimates and not enclosing the required particulars with the budget proposals.
2019-20	26	16	10	0	
2020-21	26	22	04	0	
2021-22	27	25	02	0	
2022-23	27	23	04	0	

Source: Information furnished by P&RD

It can be seen from the table above that during the period 2018-23, only 7 to 50 per cent of the ZPs submitted their budget to CPRD for approval. Further, due to not following the prescribed procedures while submitting the budget, none of the budget was approved by the Government.

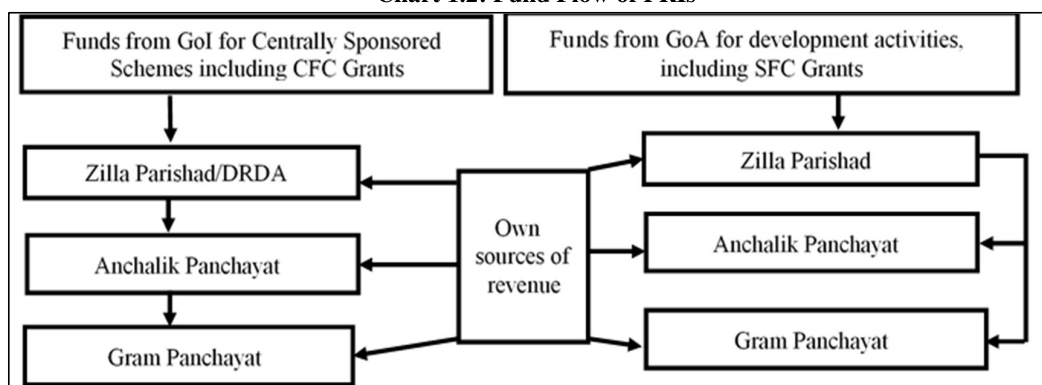
However, funds were regularly released and utilised by the PRIs irrespective of submission and approval of budgets indicating that rigour and discipline in the financial and budgeting process in the PRI ecosystem was yet to be firmly established.

1.8 Financial Reporting Issues

1.8.1 Sources of Funds

The main sources of income for Local Bodies in the State are the funds released by GoI/ GoA under various Centrally Sponsored Schemes (CSS), FC Grants, State Finance Commission (SFC) Grants and State Government Grants under various schemes. In addition, PRIs also mobilise revenue from their own sources, such as taxes, rents, license fees, *etc.* **Chart 1.2** shows the flow of funds in PRIs:

Chart 1.2: Fund Flow of PRIs



The receipts of Local Bodies, from all sources, during 2018-19 to 2022-23, are shown in **Table 1.7**.

Table 1.7: Time series data on resources of PRIs

Source	₹ in crore				
	2018-19	2019-20	2020-21	2021-22	2022-23
Own Revenue [#]	41.66	31.52	40.43	37.82	31.58
SFC Grants*	146.92	14.14	66.84	80.21	62.79
CFC Grants*	1,082.32	1,462.45	668.56	494.33	1,228.00
Interest for delayed payment of CFC Grants*	17.57	0	20.45	3.03	1.68
Total	1,288.47	1,508.11	796.28	615.39	1,324.05

Source: Information furnished by the *Finance (Economic Affairs) Department, GoA & # eGramSwaraj data.

It can be seen from the table above that own source of revenue of the Local Bodies during the period 2018-19 to 2022-23 ranged only between 2.09 *per cent* (2019-20) and 6.15 *per cent* (2021-22) with most of the resources coming from CFC Grants and SFC Grants. The own sources of revenue of PRIs showed a declining trend during the last five years indicating lack of initiative by PRIs to increase their own sources of revenue and reduce their dependence on the Government Grants.

1.8.2 Delay in Submission of Utilisation Certificates

Rule 517 (Appendix 16) of the Assam Financial Rules, 1939 provides that every grant made for a specified object is subject to certain implied conditions such as (i) the grant shall be spent for the intended purpose, and within a reasonable time if no time limit has been fixed by the sanctioning authority, and (ii) any portion of the amount which is ultimately not required for expenditure for the purpose, shall be duly surrendered.

State Government authorities who have received conditional grants are required to furnish formal Utilisation Certificates (UCs) about the proper utilisation of the grants, to the Accountant General (A&E) within 12 months of the closure of the financial year in which the grants have been released, unless specified otherwise.

Audit scrutiny showed that as of March 2023, there were 456 UCs amounting to ₹3,971.52 crore outstanding for grants paid from 2001-02 to 2021-22 to the P&RD Department. In absence of the UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which those were given.

1.8.3 Pendency in submission of DCC bills

Under Rule 21 of the Assam Contingency Manual, 1989, Drawing and Disbursing Officers (DDOs) are authorised to draw sums of money for limited purposes by preparing Abstract Contingent (AC) bills without vouchers. Subsequently, Detailed Countersigned Contingent (DCC) bills (vouchers in support of final expenditure) are required to be furnished to the Accountant General (A&E) not later than 25th of the month following the month in which such amounts are drawn.

As of 31 March 2023, the P&RD had not submitted 122 Detailed Countersigned Contingent (DCC) bills amounting to ₹102.55 crore against Abstract Contingent (AC) bills drawn during 2001-02 to 2022-23. Non-adjustment of AC bills for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DCC bills.

1.9 Maintenance of Records

1.9.1 Non-maintenance of Asset Register

Rule 19 of the AP (F) Rules, 2002 stipulates that all properties vested in the ZPs, APs and GPs are to be entered in the Register of Properties and Assets, in Form 6 and the entries are to be attested by the officer concerned. Further, Formats V & VI in the PRIASoft (Panchayati Raj Institutions Accounting Software) relate to Register of Immovable and Movable property during a particular year.

Though there is a provision in the *eGramSwaraj* for generating reports related to creation of assets, the same was not generated. As the Asset Registers were not maintained, the assets of the PRIs could not be monitored, thereby leaving possibility for mis-utilisation/ mis-management of assets. Further, as some of the assets like market sheds, multipurpose halls, burial ground, *etc.* were revenue generating, the PRIs would not be able to keep track of revenue generated by such assets, which could also lead to misappropriation of revenue generated by such assets.

The Government should take immediate steps to mobilise the PRIs to strictly maintain the asset registers and fix responsibility on the concerned officer for non-maintenance of vital records.

1.9.2 Non-reconciliation of Cash Books

Rule 8 of the AP (F) Rules, 2002, requires that all money received and payments made, should be entered in the Cash Book which should be closed daily. Further, monthly closing of the Cash Book, physical verification of cash and reconciliation of Cash Book balances with bank balances, under proper authentication, are also to be carried out.

It was observed that, in eight out of 198 PRIs⁴ audited during 2021-2023, cash book balances were not reconciled with bank balances. As no reconciliation was done by the PRIs, discrepancies between Cash Book and Bank Pass book remained undetected.

⁴ Jorhat ZP, Hajo AP, Rampur Bogibil GP, Madhupur AP, South Hailakandi AP, Lala AP, Karimganj ZP and Algapur AP.

Thus, failure to reconcile the Cash Book, in terms of the provisions of the financial rules/ manuals, indicates irregularities in cash management. In addition, it could also facilitate fraud and embezzlement of Government money.

The Government should take immediate steps to mobilise the PRIs for regular reconciliation of balances and fix responsibility for non-maintenance of vital records.

1.9.3 Non-maintenance of Stock Register and Register of Receipt Book

Rule 30 (3) and Sub-Rule (1) of Rule 16 of the AP (F) Rules, 2002 stipulate that PRIs are required to maintain Stock Register and Register of Receipt Book respectively.

However, it was observed that, in 60 out of 198 PRIs audited during 2021-2023, Stock Register and Register of Receipt Book was not maintained as detailed in **Appendix-1.4**.

Non-maintenance of Stock Register could lead to mis-utilisation of material intended for implementation of the schemes. Further, non-maintenance of the Register of Receipt Book may lead to embezzlement/ misappropriation of fund.

1.9.4 Non-maintenance of Accounts

PRIs, with their increasing role, funds and enhanced accountability, are required to spend and record public money with utmost care. Such diligence could be achieved only if the financial recording and reporting systems are well established and functional. Accordingly, Model Accounting System was introduced (October 2009) by Comptroller and Auditor General of India on the recommendation of 11th CFC.

Instances of Annual Accounts not being maintained by PRIs have been brought to the notice of State Government on several occasions through Inspection Reports and Annual Technical Inspection Reports/Audit Reports.

The Commissioner P&RD, Assam stated (October 2023) that the accounts of the PRIs has now been made up to date.

1.9.5 Non-maintenance of database

Based on the recommendations of the 11th CFC, CAG had prescribed database formats for capturing the finances of PRIs. The database formats were prescribed with a view to having a consolidated position of sector-wise resources and application of funds by PRIs, details of works executed by PRIs and their physical progress, *etc.*

Ministry of Panchayati Raj (MoPR), GoI had desired (January 2009) that CAG and NIC should work together to bring out the new version of PRIASoft that captures the three-tier revised classification and generates all the reports in the formats prescribed by the sub-committee on Budget and Accounting Standards for PRIs. PRIASoft is now called *eGramSwaraj*, which is mandatorily to be used by all the PRIs.

The PRIs were generating only five out of eight reports⁵ (Annual Receipt and Payment, Consolidated Abstract Register, Monthly Reconciliation Statement, Inventory Register and Register of Demand, Collection and Balance). However, Register of Receivables and Payables, Register of Movable Property and Register of Immovable property forming an integral part of the annual accounts were not generated by PRIs. Maintenance of these registers would help in subsequent switch-over to the modified accrual system of accounting. Due to non-maintenance of the reports, PRIs were unable to monitor their assets as well as liabilities. Thus, a clear picture of revenue and expenditure of PRIs did not emerge.

The 14th CFC, in its report, also expressed dissatisfaction, mentioning that a reliable database on the finances of PRIs, was yet to be developed.

⁵ Format-I: Monthly/ Annual Receipts & Payments accounts. Format-II: Consolidated abstract, Format-III: Monthly Reconciliation Statement, Format-IV: Receivable and Payable, Format-V: Immovable property, Format-VI: Movable property, Format-VII: Inventory Register, Format-VIII: Demand, Collection and balance