

CHAPTER II

OVERVIEW OF PANCHAYAT RAJ INSTITUTIONS

2.1 Introduction

The 73rd Constitutional Amendment Act, 1992 (CAA) gave constitutional status to the institutions of rural local self-governments in the country. The Panchayat Raj system is a three-tier system of local self-government institutions in rural areas that includes Grama Panchayats, Block Panchayats and District Panchayats. In pursuance of the 73rd Constitutional Amendment Act, Government of Kerala (GoK) enacted the Kerala Panchayat Raj Act 1994 (KPR Act), endowing Panchayat Raj Institutions (PRIs) with necessary powers and authorities to enable them to function as institutions of self-government and for securing a greater measure of participation of the people in planned development and local Governmental affairs. The 73rd CAA also introduced the Eleventh Schedule, and the matters enumerated therein were identified as functions which could be entrusted to PRIs.

There are 941 Grama Panchayats, 152 Block Panchayats and 14 District Panchayats in the State. In the three-tier Panchayat Raj system in the State, each tier functions independently of the other. District-wise number of PRIs, population and per capita income are given in **Table 2.1**.

Table 2.1: District-wise details of PRIs

Sl. No.	District	Rural population (in lakh)	Per Capita income (₹) (district)	Number of PRIs		
				Grama Panchayats	Block Panchayats	District Panchayats
1	Thiruvananthapuram	15.30	145214	73	11	1
2	Kollam	14.48	180947	68	11	1
3	Pathanamthitta	10.65	113425	53	8	1
4	Alappuzha	9.79	195817	72	12	1
5	Kottayam	14.09	171528	71	11	1
6	Idukki	10.57	149686	52	8	1
7	Ernakulam	10.48	202863	82	14	1
8	Thrissur	10.25	164800	86	16	1
9	Palakkad	21.33	130112	88	13	1
10	Malappuram	22.96	109422	94	15	1
11	Kozhikode	10.13	136648	70	12	1
12	Wayanad	7.88	104305	23	4	1
13	Kannur	8.82	145441	71	11	1
14	Kasaragod	7.98	127641	38	6	1
Total				941	152	14

(Source: Economic Review-2023 and Thadhesakam 2023 issued by LSGD)

2.2 Functioning of PRIs in the State

Consequent to the enactment of KPR Act, 1994, PRIs have assumed an important role in the formulation and implementation of developmental programmes at the grassroots level which involve active participation of all sections of people in the form of Grama Sabhas, Working Groups (WGs) and Development Seminars for the overall development of PRIs. Every year PRIs have to prepare a development plan for the succeeding year, adhering to the guidelines issued by the Government and submit the plan to the District Planning Committee (DPC) for approval. In the decentralised planning set-up, WGs, Grama Sabhas, Standing Committees (SCs), DPCs and Implementing Officers are the institutions/groups involved in the plan formulation process and its implementation.

According to the KPR Act, it shall be the duty of PRIs to take care of the requirements of the areas of their jurisdiction in respect of the matters enumerated in the respective Schedules of the Acts and PRIs shall have the exclusive power to administer the matters enumerated in the Schedules and to prepare and implement schemes relating thereto for economic development and social justice.

2.3 The Status of devolution of Functions and Functionaries

The Eleventh Schedule of the Constitution contains 29 functions (**Appendix 1.1**) pertaining to the PRIs. The KPR Act envisaged transfer of functions of various Departments of the Government to LSGIs, together with the staff to carry out the functions transferred. As mandated by KPR Act, the Government transferred (September 1995) 26 of these functions to PRIs. The functions relating to minor forest produce, distribution of electricity and implementation of land reforms are yet to be transferred to PRIs. Government also transferred the assets, liabilities, institutions and schemes relating to the transferred functions along with the officials to the Panchayats with effect from 02 October 1995. However, Audit noticed that PRIs were fully responsible for only five out of 26 functions transferred and had limited/no role with regard to 12 functions. In respect of nine functions, audit noticed parallel implementation of schemes by PRIs and Government Departments. Details are given in **Table 2.2**.

Table 2.2: Status of devolution of functions to PRIs

Sl. No.	Responsibilities	Functions
1	Full jurisdiction/Major role	<ol style="list-style-type: none"> 1. Roads, culverts, bridges, ferries, waterways and other means of communication 2. Maintenance of community assets 3. Rural Housing 4. Poverty alleviation programme 5. Markets and Fairs

Sl. No.	Responsibilities	Functions
2	Limited role	<ol style="list-style-type: none"> 1. Minor irrigation, water management and water shed development 2. Fisheries 3. Small scale industries including food processing industries 4. Khadi, Village and Cottage Industries 5. Drinking water 6. Non-conventional energy sources 7. Technical training and vocational education 8. Adult and non-formal education 9. Libraries 10. Family welfare 11. Welfare of weaker sections and in particular of the Scheduled Castes and Scheduled Tribes
3	No role	<ol style="list-style-type: none"> 1. Public distribution system
4	Overlapping jurisdiction-Parallel implementation of schemes by PRIs and Government Departments	<ol style="list-style-type: none"> 1. Agriculture including agricultural extension 2. Animal Husbandry, Dairying and Poultry 3. Social Forestry and Farm Forestry 4. Fuel and Fodder 5. Education including primary and secondary schools 6. Cultural activities 7. Health and Sanitation including Hospital, Primary Health Centres and Dispensaries 8. Women and Child development 9. Social welfare including welfare of the handicapped and mentally retarded
5	Function not transferred	<ol style="list-style-type: none"> 1. Minor forest produce 2. Land improvement, implementation of Land reforms, Land consolidation and Soil Conservation 3. Rural electrification including distribution of electricity

(Source: Details furnished by Principal Directorate, LSGD)

2.3.1 Parallel implementation of schemes

In the absence of clear demarcation of activities, audit noticed overlapping of functions. Schemes relating to the transferred functions, which were included in the Annual Plans of PRIs, were implemented in a parallel manner by the Departments concerned also. Almost all functions related to Agriculture, Animal husbandry, Dairy development and Scheduled Caste and Scheduled Tribe development implemented through PRIs were also implemented in a parallel manner by the respective Departments.

According to KPR Act, Ward Sabhas were to identify and include eligible applicants from the respective ward area, based on the criterion prescribed in the beneficiary-oriented scheme guidelines. Parallel implementation of schemes by Government resulted in beneficiary selection by departmental officers for departmental schemes. The beneficiary lists prepared by departmental officers were not subject to scrutiny by Ward Sabhas and for that reason, such selection was vulnerable to the risk of duplication of beneficiaries. Implementation of schemes of similar nature relating to the transferred functions by PRIs and

Government/Departments in a parallel manner carries the risk of dilution of accountability of PRIs and departments towards effective implementation of schemes. Further, Departments continuing to implement programmes on devolved functions goes against the spirit of decentralisation, reducing the autonomy of PRIs.

2.3.2 Lack of role clarity in the powers and functions of PRIs with regard to transferred institutions

Powers and functions of PRIs with regard to transferred institutions have not been clearly laid down by the State. There is lack of clarity in the relationship between Local Governments and the Departments including parastatals performing functions assigned to Local Governments. All the transferred institutions are still kept under administrative control of the parent Government Department. The staff are appointed, transferred and their salaries are paid by the State Government. As such there exists dual control of PRIs and parent departments in the administration of the transferred institutions.

2.3.3 Transfer of functionaries

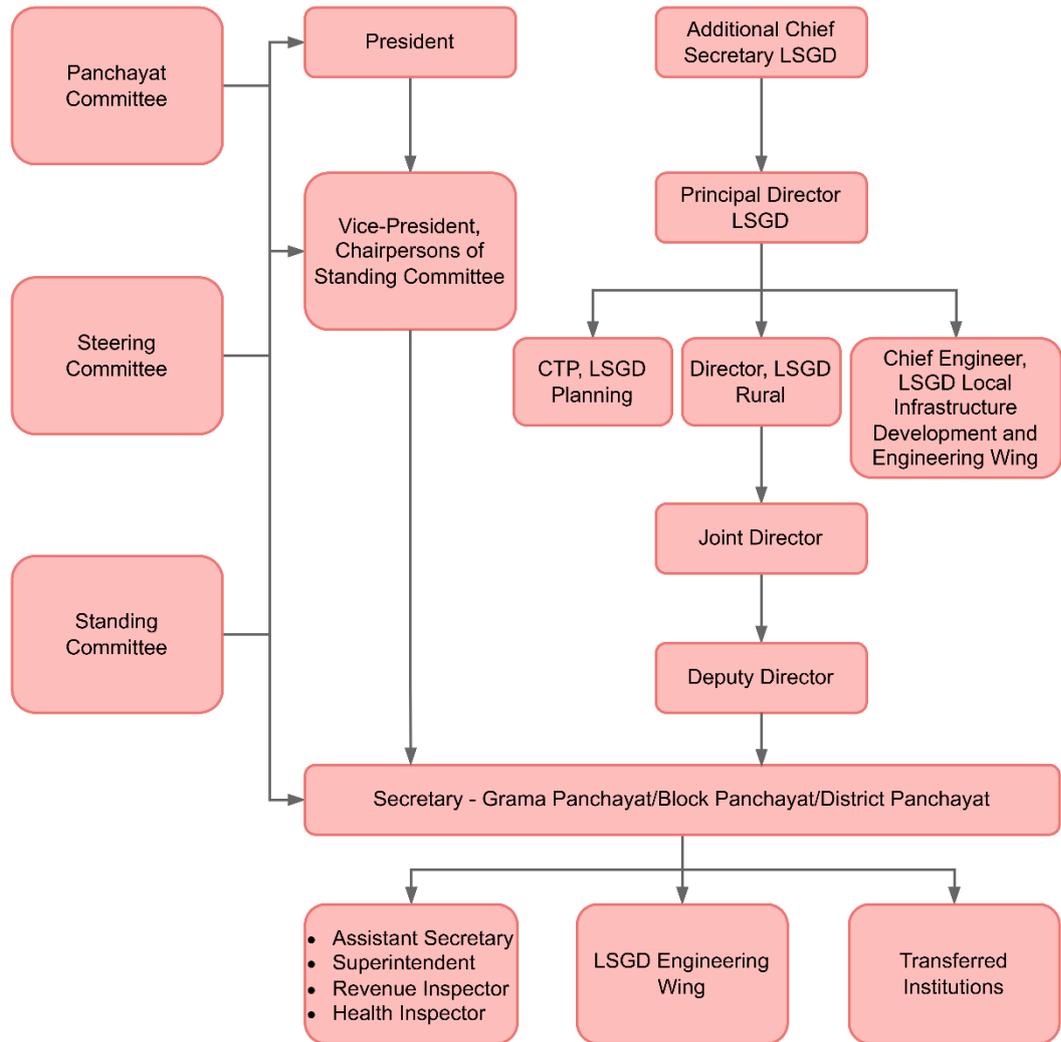
For efficient discharge of transferred functions, the LSGIs require qualified and trained personnel. Against the requirement of 1213 clerical posts assessed (July 2000) in PRIs, there was shortage of 62 personnel in Block Panchayats and 33 in District Panchayats (January 2024). Social Justice Department and Scheduled Caste and Scheduled Tribe Development Departments have not deployed any personnel to LSGIs (January 2024).

2.4 Organisational setup of PRIs

In the three-tier Panchayat Raj system in the State, each tier functions independently of the other. Local Self Government Department (LSGD) is empowered to issue general guidelines to LSGIs in accordance with the National and State policies in matters such as finance, maintenance of accounts, office management, formulation of schemes, selection of sites and beneficiaries, proper functioning of Grama Sabha, welfare programmes, environmental regulations, etc. The President is the Head of PRIs. Each PRI has a Secretary, who is the Chief Executive Officer. The members of each tier of PRIs elect the President, Vice-President and Chairpersons of the Standing Committees.

State Government, in October 2022, integrated five services under LSGD, viz., Panchayat, Rural Development, Urban Affairs, Town and Country Planning Department, Local Self Government Engineering wing and Municipal Common Service of LSGD and formed LSGD Common Service with Principal Director (LSGD) at its head. The Commissionerate of Rural Development, Directorate of Panchayats and Directorate of Urban Affairs were merged to form two wings viz., Directorate of LSGD (Rural) and Directorate of LSGD (Urban). LSGD Engineering wing was renamed as Local Infrastructure Development and Engineering Wing and Town and Country Planning wing as LSGD Planning Wing. Organogram at Government level and at PRI level is given in **Chart 2.1**.

Chart 2.1: Organogram at Government level and PRI level



2.5 Formation of various Committees

Section 162 of the Kerala Panchayat Raj Act deals with constitution of standing committees in every Panchayat and 162B deals with constitution of Steering Committee in every Panchayat.

Standing Committees

Standing Committees² analyse issues and proposals before these are considered for taking a decision by the Panchayat Committees. There are four³ Standing Committees for each Grama Panchayat and Block Panchayat, five⁴ for each District Panchayat. The Standing Committees have the power to make resolutions in respect of their subjects. Every resolution passed by the Standing Committees needs to be placed in the next meeting of the Panchayat Committee

² Standing committee consists of members elected by the elected members of the LSGIs from among themselves

³ (1) Standing Committee for Finance, (2) Standing Committee for Development, (3) Standing Committee for Welfare, (4) Standing Committee on Health and Education

⁴ (1) Standing Committee for Finance, (2) Standing Committee for Development, (3) Standing Committee for Welfare, (4) Standing Committee for Public Works, (5) Standing Committee for Health

of the PRIs. The Panchayat Committee can modify resolutions, if considered necessary.

Steering Committee

Steering Committee coordinates and monitors the working of Standing Committees. The Steering Committee consists of the President, Vice-President of the PRIs concerned and Chairpersons of the Standing Committees.

District Planning Committee

Article 243 ZD, of the Constitution of India, included vide the Seventy-fourth Constitutional Amendment Act, stipulates constitution of a District Planning Committee at the district level in every State to consolidate the plans prepared by the Panchayats and the Municipalities in the district and to prepare a draft development plan for the district. Section 53 of KM Act, included in pursuance of Article 243ZD, provides for the constitution of a District Planning Committee (DPC) for consolidation of plans prepared by the Panchayats and the Municipalities. The tenure of DPC is five years.

The DPC consists of 15 members⁵ headed by the District Panchayat President as the Chairman and District Collector as the Member Secretary. Member of Parliament (MP) and Member of Legislative Assembly (MLA) representing the concerned district are the permanent invitees of the District Planning Committee of that district and district level officers of departments are joint secretaries of the Committee. Though the DPCs were to prepare the Draft Development Plan for the whole district for the next financial year before 30 September of every year, and the Chairman of the Committee was to forward the same to the Government for approval, District Plans have not been prepared since 2018-19.

2.6 Response to Audit Observations

The Handbook of Instructions for Speedy Settlement of Audit Objections/Inspection Reports (IRs)/timely disposal of draft audit paragraphs and matters pertaining to the Public Accounts Committee, issued by the State Government in 2010 and 2017, provides for prompt response by the Executive to the IRs issued by the Accountant General for rectification, in compliance with the prescribed rules and procedures. The Heads of Offices and next higher authorities are required to comply with the audit observations contained in the IRs, rectify the defects and omissions and promptly report their compliance to the Accountant General within four weeks of receipt of IRs. It was noticed that as of 2022-23, 401 IRs (1941 paragraphs) were outstanding in PRIs. Year-wise details of IRs and paragraphs outstanding are given in **Appendix 2.1**.

2.6.1 Discussion by Legislative Committee

Committee on Local Fund Accounts (LFAC), which came into effect from 18 February 2003, examines the Reports of the Comptroller and Auditor General of India, relating to the accounts of the Local Self-Government Institutions,

⁵ President of the District Panchayat of that district, District Collector, one person having considerable experience in the administration of planning nominated by the Government and twelve members from among the elected members of panchayat at district level and Municipalities in the district in proportion to the ratio between the population of rural areas and of urban areas in the district.

which are laid annually before the Legislative Assembly. According to the Rules of procedure and conduct of business in the Kerala Legislative Assembly, the Committee shall also perform such other functions in respect of the Audit Reports of the Local Bodies audited by the Comptroller and Auditor General of India as may be assigned to it by the Speaker from time to time.

All the paragraphs which appeared in CAG's Audit Reports relating to PRIs were discussed by the Local Fund Accounts Committee (June 2024).

2.7 Accountability Mechanism and Financial Reporting

2.7.1 Source of Fund

Devolved functions can be carried out effectively by LSGIs only when they are supported by sufficient financial resources. Financial resources are obtained through fiscal transfers facilitated by State Finance Commissions and compliance to Central Finance Commission recommendations as well as through increased access to own sources of revenue. The resources of PRIs consist of own revenue such as tax and non-tax revenue, funds devolved by State Government, Government of India (GoI) grants and loans from financial institutions. The State Government provides three types of funds to LSGIs from the Consolidated Fund viz., Grants (General Purpose Fund, Maintenance Fund, Development Fund), Funds for State Sponsored Schemes and State share of Centrally Sponsored Schemes (CSSs). The composition of resources of PRIs for the period 2018-19 to 2022-23 is given in **Table 2.3**.

Table 2.3: Composition of resources of PRIs during 2018-2023

Resources	2018-19	2019-20	2020-21	2021-22	2022-23
Own Revenue:					
i. Tax Revenue	587.74	561.47	554.89	422.24	703.39
ii. Non-Tax Revenue	158.70	161.66	150.04	116.27	276.10
Total Own Revenue	746.44	723.13	704.93	538.51	979.49
State Fund:					
i. Traditional Functions	2181.16	1284.29	1354.02	1545.64	1475.79
ii. Maintenance Expenditure (Road Assets and Non-Road Assets)	1905.02	2227.34	2391.65	2656.48	2433.27
iii. Expansion and Development	4308.97	4278.73	4168.01	3901.30	4394.34
iv. Funds for State sponsored schemes	2267.48	236.79	361.41	168.57	327.63
v. State share of Centrally Sponsored Schemes	255.29	210.61	314.98	391.71	768.25
Total State Fund	10917.92	8237.76	8590.07	8663.70	9399.28

Resources	2018-19	2019-20	2020-21	2021-22	2022-23
GoI grants:					
i. Centrally Sponsored Schemes	2609.62	3620.70	4394.40	3716.55	4279.78
ii. Development and expansion (15 th FC)	904.03	1093.48	2219.94	2113.62	1598.34
Total GoI grants	3513.65	4714.18	6614.34	5830.17	5878.12
Receipts from other sources:					
Loans	1195.95	515.12	208.65	76.61	354.31
Total Receipts	16373.96	14190.19	16117.99	15108.99	16611.20

(Source: Data collected from Information Kerala Mission, State Finance Commission Cell, Kerala Urban and Rural Development Finance Corporation (KURDFC), Kerala State Poverty Eradication Mission (Kudumbashree))

Of the total receipts during 2018-19 to 2022-23, the percentage share of State fund decreased from 66.68 per cent to 56.58 per cent; Central Fund increased from 21.46 per cent to 35.39 per cent and Own revenue increased from 4.56 per cent to 5.90 per cent.

2.7.2 Expenditure incurred by PRIs against the funds allocated by GoK

The State Government provides three types of funds viz., General purpose fund, Development fund and Maintenance fund to LSGIs from the Consolidated Fund of the State based on the recommendations of State Finance Commissions. Appendix IV to the Detailed Budget Estimates of the Government gives the LSGI-wise allocation of funds. Details of funds released and expenditure incurred during 2022-23 are given in **Table 2.4**.

Table 2.4: Expenditure incurred by PRIs during 2022-23

Sl.No.	Category of Fund	Head of Account	Amount Authorised	Expenditure	Unspent balance
1.	General purpose fund	3604-00-200-83 (03 to 05)	1475.79	1473.98	1.81
2.	Maintenance fund (Non Road)	3604-00-200-82 (03 to 05)	911.76	721.88	189.88
3.	Maintenance fund (Road)	3054-80-196-37, 3054-80-198-37	1521.51	999.50	522.01
4.	Expansion and Development	3604-00-200-81 (03,08,13,04,09, 14,05,10,15)-35	4394.34	3833.41	560.93
	Total		8303.40	7028.77	1274.63

(Source: State Finance Commission Cell, Government Orders, Voucher Level Computerisation Figures)

Out of the total allotment of ₹6827.61 crore towards Development and Maintenance funds, ₹1272.82 crore (18.64 per cent) lapsed at the end of the financial year.

2.7.3 Application of Resources

In terms of activities, total expenditure constitutes expenditure on Productive Sector, Infrastructure Sector, Service Sector and other expenditure⁶. Development expenditure of PRIs from all sources of funds during the period from 2018-19 to 2022-23 is given in **Table 2.5**:

Table 2.5: Application of Resources by PRIs

						(₹ in crore)
Sector	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Productive Sector	948.82	661.86	1171.34	1009.30	1076.14	4867.46
Infrastructure Sector	4986.21	4079.69	4699.43	5107.19	5597.12	24469.64
Service Sector	2387.28	1598.08	3375.56	2144.88	1967.90	11473.70
Total Development Expenditure	8322.31	6339.63	9246.33	8261.37	8641.16	40810.80

(Source: Details furnished by IKM)

- During the period 2018-19 to 2022-23 the total Development Expenditure from all sources of funds was ₹40,810.80 crore and the percentage of expenditure on productive sector, infrastructure sector and service sector were 11.93 per cent, 59.96 per cent and 28.11 per cent, respectively.
- The amount spent on productive sector ranged from 10.44 per cent to 12.67 per cent during 2018-19 to 2022-23, indicating that the LSGIs assigned low priority to productive sectors like Agriculture, Animal Husbandry, Fisheries, Industries, etc.

2.7.4 Implementation of projects by LSGIs

Details of projects formulated, taken up, completed and expenditure incurred during the period 2018-19 to 2022-23 are given in **Table 2.6**.

Table 2.6: Details of projects formulated, taken up and expenditure incurred

Year	Type of LSGI	Number of projects			Amount (₹ in crore)			Percentage of expenditure ⁷
		Formulated	Taken up	Completed	Outlay of projects formulated	Expenditure on projects taken up	Expenditure on completed projects	
2018-19	GP	194142	137526	118586	11959.58	6261.91	3924.11	52.36
	BP	16496	12794	10345	1448.24	892.96	726.33	61.66
	DP	13670	7309	5539	2322.72	1167.04	878.81	50.24
2019-20	GP	207892	118396	82030	12156.81	4985.02	2775.17	41.00
	BP	17422	10123	6254	1415.99	628.27	392.64	44.00
	DP	14585	5255	3039	2290.63	726.41	340.05	32.00

⁶ Salaries and honorarium, contingency expenditure, other administrative expenditure, terminal benefits, etc.

⁷ Percentage of expenditure on projects taken up to total outlay of projects formulated

Year	Type of LSGI	Number of projects			Amount (₹ in crore)			Percentage of expenditure ⁷
		Formulated	Taken up	Completed	Outlay of projects formulated	Expenditure on projects taken up	Expenditure on completed projects	
2020-21	GP	227830	176260	147490	13307.50	6750.16	5144.30	50.72
	BP	19214	16049	12583	1588.88	993.12	752.62	62.50
	DP	13898	9828	7714	2453.84	1491.89	1086.53	60.80
2021-22	GP	144715	110352	83449	9874.68	5048.72	3370.24	51.13
	BP	13715	11142	7914	1361.28	788.32	549.64	57.91
	DP	6940	3714	2566	1505.44	836.19	597.25	55.54
2022-23	GP	150456	106911	84267	11194.88	5011.22	3592.75	44.76
	BP	14678	11387	8367	1458.31	865.79	645.91	59.37
	DP	7267	3682	2266	1562.71	790.22	594.04	50.57
Total		1062920	740728	582409	75901.49	37237.24	25370.39	49.06

(Source: Details furnished by IKM)

- Against projects formulated, projects taken up for implementation ranged from 57 per cent to 77 per cent in GPs, 58 per cent to 84 per cent in BPs and 36 per cent to 71 per cent in DPs.
- Against projects taken up for implementation, percentage of completed projects ranged from 69 per cent to 86 per cent in GPs, 62 per cent to 81 per cent in BPs and 58 per cent to 78 per cent in DPs.
- With reference to the outlay of projects formulated, the percentage of utilisation of fund ranged from 41 per cent to 52 per cent in GPs, 44 per cent to 63 per cent in BPs and 32 per cent to 61 per cent in DPs.

2.8 Recommendations of the State Finance Commissions (SFC)

According to Article 243 I of the Constitution, State Finance Commission was to review the financial position of the Panchayats and to make recommendations on the principles which should govern (i) the distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State and the allocation between the Panchayats at all levels of their respective shares of such proceeds; (ii) the determination of the taxes, duties, tolls and fees which may be assigned to or appropriated by the Panchayats; (iii) the grants-in-aid to the Panchayats from the Consolidated Fund of the State; (iv) the measures needed to improve the financial position of the Panchayats, etc. The first SFC was constituted on 23 April 1994, covering the period 1996-2001. Since then, six SFCs have been constituted in the State (March 2024). The status of acceptance and implementation of recommendations of fifth and sixth SFCs by Government are given in **Table 2.7**.

Table 2.7: Status of acceptance and implementation of recommendations of SFCs by Government

SFC	Period	Total no. of recommendations	Accepted by GoK	Deferr ed	Not accept ed	Partia lly accept ed	Implemen ted
Fifth SFC	2016-17 to 2020-21	103	74	3	26	0	36
Sixth SFC	2021-22 to 2025-26	136	109	3	20	4	44

(Source - State Finance Commission Reports and details furnished by SFC Cell, Finance Department)

Out of the 74 accepted recommendations of fifth SFC, only 36 recommendations have been implemented by the State. Of the 109 accepted recommendations of sixth SFC, only 44 recommendations have been implemented till date (December 2024).

2.8.1 Status of transfer of funds

The major share of financial resources of PRIs comprised of grants recommended by the SFC. SFC allocation accepted by the State and funds actually released to PRIs during the periods 2019-20 to 2022-23 are given in **Table 2.8:**

Table 2.8: Details of SFC grants due and released to PRIs during 2019-20 to 2022-23
(₹ in crore)

Year	SFC allocation accepted by State	Actual allocation in Budget-Appendix IV	Actual release from Finance Department GoK ⁸	Short (-) / Excess (+) release	Percentage of Short(-) / Excess (+) release
2019-20	8022.23	8022.23	7995.49	(-) 26.74	(-) 0.33
2020-21	7735.41	7192.14	7913.68	(+) 178.27	(+) 2.30
2021-22	7922.04	7873.45	8103.43	(+) 181.39	(+) 2.29
2022-23	8332.48	8292.36	8303.39	(-) 29.09	(-) 0.35
Total	32012.16	31380.18	32315.99	(+) 303.83	

(Source: Data furnished by SFC Cell, Finance Department)

Audit noticed a short release of ₹26.74 crore and ₹29.09 crore to PRIs by GoK respectively during 2019-20 and 2022-23.

2.8.2 Delayed allotment of funds

The sanction for allotment of funds for a financial year was to be issued by the State in three instalments on or before 25 of March, July and November every year and the LSGIs were to utilise the funds with effect from the first working day of the next month. The funds not drawn up to 31 March of a financial year would lapse automatically. Audit observed that there was delay of up to 80 and 42 days respectively in the allotment of Development funds and Maintenance

⁸ Includes re-authorisation of unspent balances of previous year

funds during 2022-23. Delayed release of funds reduced the time available to LSGIs for utilisation of these funds.

2.9 Recommendations of the Central Finance Commission (CFC) and utilisation of CFC Funds

Article 280(3)(bb) of the Constitution mandates the Central Finance Commission (CFC) to recommend measures to augment the Consolidated Fund of a State to supplement the resources of Panchayats based on the recommendations of the respective SFCs.

While 14th CFC recommended for providing of Basic grant and Performance grant to PRIs, 15th CFC recommended for providing untied Basic Grant and Tied Grant. The details of 14th and 15th CFC grants received by PRIs in the State during the audit period are shown in **Table 2.9**:

Table 2.9: Details of Fourteenth and Fifteenth CFC grants received by PRIs during 2018-19 to 2022-23⁹

(₹ in crore)

Year	General Basic Grants			Performance Grants/Tied Grants			Utilisation
	Allocation by GoI	Release by GoI to State	Release from State to PRIs	Allocation by GoI	Release by GoI to State	Release from State to PRIs	
2018-19	802.78	802.78	802.78	101.25	0	101.25	680.43
2019-20	1084.73	1084.73	1084.73	132.57	0	0	493.53
2020-21	814.00	814.00	814.00	814.00	814.00	814.00	1294.00
2021-22	481.20	481.20	481.20	721.80	721.80	721.80	1543.17
2022-23	498.40	498.40	498.40	747.60	747.60	747.60	2395.98
Total	3681.11	3681.11	3681.11	2517.22	2283.40	2384.65	6407.11

(Source: Data furnished by SFC Cell, Finance Department)

- Though Performance grant of ₹233.82 crore pertaining to the period 2018-19 and 2019-20 was due from GoI, the amount has not been released by GoI till date (March 2024). Of ₹233.82 crore, State released ₹101.25 crore to PRIs.
- According to the Ministry of Finance Guidelines, the grant should be transferred to the LSGIs within 15 days of it being credited to the account of State Government. In case of delay, the State Government should release the instalment along with the interest for delayed period at the prevailing Bank rate of Reserve Bank of India, paid from its own funds. Audit noticed that during the financial year 2019-20, an amount of ₹26.75 lakh was distributed to PRIs as interest for delay in authorising balance amount of first instalment of Basic Grant to Rural Local Governments¹⁰.

⁹ Does not include re-authorisation of unspent balances and Health Sector Grant

¹⁰ G.O.(Rt) No. 6335/2019/Fin dated 08 August 2019

2.10 Maintenance of Records

Reports/returns prescribed in the KPR Act for submission by the lower tiers of PRIs to the higher tiers and from the higher tiers to Government are given in the **Table 2.10**.

Table 2.10: Report/returns for submission by the lower tiers of PRIs to the higher tiers

Report/returns to be submitted by lower tiers to higher tiers	Authority to whom the returns/reports submitted	Act/Rules
Budget (GP, BP and DP)	The Government and the DPC	KPR Act-214 (7)
Development plans of GP, BP and DP	DPC	KPR Act-175 (1)
Administration report of GP and BP	DP	KPR Act-192(3)
Consolidated Administration Report of the District	Government	KPR Act-192(4)
Annual Accounts of PRIs	Local Fund Examiner for Audit (KSAD)	KPR Act-215

2.11 Maintenance of Accounts by PRIs

Double entry Accrual System of accounting is being followed by PRIs in the state from 2011-12. The accounts are prepared in Saankhya software developed by GoK through Information Kerala Mission. The accounts prepared in Saankhya and Annual Financial statements are submitted to Statutory Auditor, Kerala State Audit Department (KSAD). As per Rule 64 of Kerala Panchayat Raj (Accounts) Rules 2011, the KSAD is the responsible authority for the audit of Accounts of PRIs. KSAD, the Primary Auditor has completed audit of accounts of all PRIs up to 2022-23 and certified the accounts pertaining to the period up to 2022-23 (June 2024).

2.11.1 Status of uploading on Audit Online

The State Government has accepted the Model Accounting System (MAS) prescribed by the Ministry of Panchayat Raj (MoPR). Saankhya double entry accounting system is based on MAS prescribed by MoPR. The Accounts of all LSGIs have been finalised up to the period 2022- 23 and uploaded in Audit Online Portal (June 2024).

2.11.2 Supplementary Audit by CAG

A total of 110 accounts audited by KSAD have been further test-checked by CAG under TGS during the period 2021-22 and 2022-23. Improper accounting of Assets and Liabilities were noticed in 101 cases and improper accounting of Income and Expenditure (Receipts and payments) in 108 cases. Non-inclusion of comparative amounts in AFS and non-inclusion of financial/key ratios were noticed in 88 cases and 59 cases respectively. Details are given in **Appendix 2.2**.

2.12 Social Audit

In pursuance of the MGNREGA Audit of Scheme Rules, 2011, Social Audit Unit (SAU) was set up in the State in 2015¹¹. However, the SAU Kerala -

¹¹ G.O (Rt) No. 3906/2015/LSGD dated 30 December 2015

Mahatma Gandhi NREGA Social Audit Society Kerala (MGNSASK) - was registered, as an independent Society under the Travancore-Cochin Charitable Societies Act, 1955 with the legal mandate to conduct social audit in the State and started functioning from December 2017. The core responsibility of SAU was to carry out Social Audit activities with the assistance of Resource Persons appointed at the Village, Block and District levels. The major activities carried out by Director, SAU was the preparation of the audit calendar on the basis of volume of work under the scheme, execute and monitor the Social Audit activities on the basis of the calendar, monitoring the progress of conducting and uploading social audit reports on the National web portal (MIS) etc. Audit of SAU, Kerala was conducted by Office of Accountant General (Audit), Kerala during September 2022 covering the period from 2017-18 to 2019-20.