Chapter II

Subject Specific Compliance Audit on Utilisation of Fifteenth Finance Commission grants by PRIs

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2.1 Introduction

The Fifteenth Finance Commission (XV-FC) was constituted (November 2017) by the President of India under Article 280 of the Constitution. The XV-FC submitted its report in November 2020 to the President. As part of its mandate, the XV-FC recommended grants for all the three tiers of PRIs. Out of the total earmarked grants for the PRIs, 60 *per cent* was earmarked for national priorities like drinking water supply, rainwater harvesting and sanitation (tied grants), while 40 *per cent* was untied and available for utilisation at the discretion of PRIs for improving basic services (untied grants). In July 2021, XV-FC issued Operational Guidelines for the release and utilisation of grants for PRIs for the period from 2021-22 to 2025-26.

2.2 Audit Objectives

The objectives of the audit were as under:

- To evaluate compliance with codal provisions regarding the utilisation of the grant and provision of services by Local Government.
- To assess whether the grants were utilised towards delivery of services.

2.3 Audit Criteria

The audit findings were benchmarked against the following criteria:

- The Operational Guidelines and the Manual for the implementation of the XV-FC recommendations on PRI grants (2021-26)
- The Haryana Panchayati Raj Act, 1994 and the related rules
- The Haryana Panchayati Raj Finance, Budget, Account, Audit, Taxation and Works Rules, 1996
- Instructions or guidelines issued by the Development and Panchayat Department of Haryana.

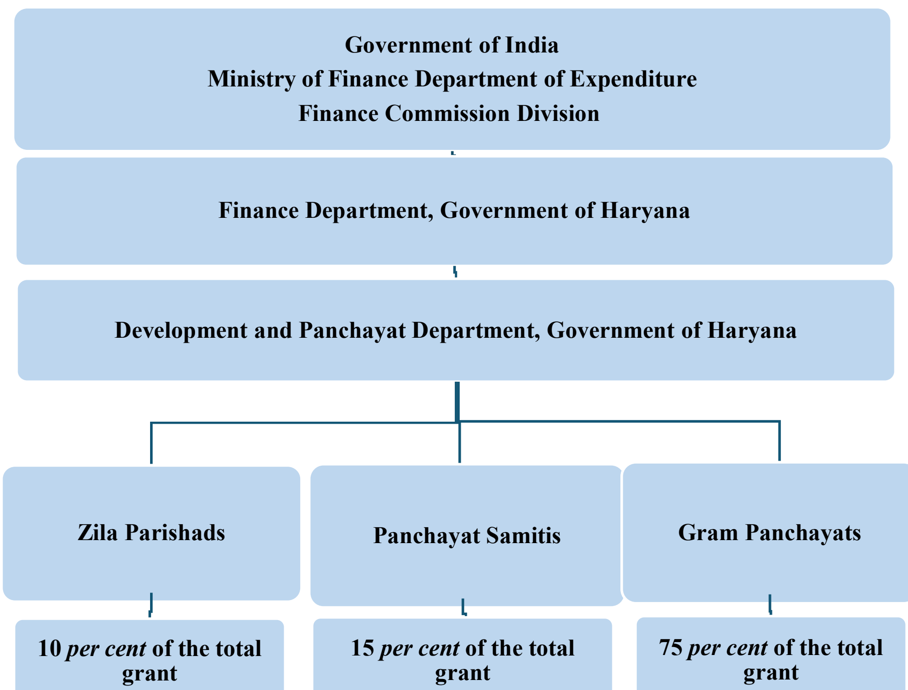
2.4 Audit Scope and Methodology

The audit covered the period from 2021-22 to 2023-24 in the selected 77 PRIs (***Appendix 2.1***) comprising five Zila Parishads (ZPs), 12 Panchayat Samitis (PSs) and 60 Gram Panchayats (GPs), which were selected using the Simple Random Sampling Without Replacement method. The audit methodology included review of the relevant records in the selected PRIs, Joint Physical Verifications and collection of documents to arrive at the audit findings.

The audit was conducted between June 2024 and January 2025 and an Entry Conference was held on 22 July 2024 with the Commissioner and Secretary to the Government of Haryana, Department of Panchayati Raj and Rural Development. The Exit Conference was held on 16 February 2026 with the Director, Development and Panchayat Department, Haryana, and replies were furnished by the Department in April 2026.

2.5 Financial Management

The XV-FC recommended assured transfer of funds to PRIs to enable them to plan and deliver basic services. As per Paragraph 3 of the Operational Guidelines, grants were to be distributed across the three tiers of PRI by the State Government, within a prescribed range. The distribution of grants was structured as follows:



Once the grants were earmarked at the State level, intra-tier distribution among respective entities was based on population (2011 census) and area, in the ratio of 90:10 or as per recommendations of the Fifth State Finance Commission.

Grants released to PRIs

During 2021-24, the Government of Haryana (GoH) received ₹ 2,468.71 crore from the Government of India as XV-FC grants for PRIs. Out of which, amount of ₹ 2,278.95 crore was transferred to the PRIs. As per the information available on eGramSwaraj portal, the PRIs incurred an expenditure of ₹ 1,338.07 crore (58.71 *per cent*) from the funds released during the period. Year-wise details of grants received by the GoH, funds released to PRIs and expenditure incurred is given below:

Table 2.1: Release and utilisation of XV-FC grants

(₹ in crore)

Year	Grants received by GoH	Funds released to PRIs	Expenditure incurred by PRIs
2021-22	467.50	467.50	340.71
2022-23	660.96	660.96	233.29
2023-24	1,340.25	1,150.49	764.07
Total	**2,468.71**	**2,278.95**	**1,338.07**

Release and utilisation of the XV-FC grants during 2021-24 in respect of selected PRIs is detailed below:

Table 2.2: Release and utilisation of XV-FC grants by selected PRIs

(₹ in crore)

Year	Opening Balance	Grant received in selected PRIs		Interest/ Recoveries	Funds available	Expenditure incurred	Closing Balance as per Bank passbooks
		Tied	Untied				
2021-22	34.25	24.27	18.90	1.63	79.05	27.92	51.13
2022-23	51.13	17.70	18.10	1.35	88.28	11.17	77.11
2023-24	77.11	35.50	30.18	2.28	145.07	28.87	116.20

During 2021-24, the utilisation of the funds remained low through all the three years, resulting in an increasing closing balance, which reached ₹ 116.20 crore by the end of 2023-24. This indicates significant under-utilisation of the XV-FC grants at PRI level.

2.6 Audit Findings

2.6.1 Discrepancies in closing balances

As per Para 8 of the Operational Guidelines, all Rural Local Bodies (PRIs) are required to maintain their accounts of XV-FC grants online on the eGramSwaraj portal. Rule 26 of the Haryana Panchayati Raj Finance, Budget, Accounts, Audit, Taxation and Works Rules, 1996 provides that Executive Officer/Chief Executive Officer will be responsible to reconcile the balance as shown in the passbook and that shown in his cash book.

Review of records of the selected PRIs and analysis of the reconciliation data revealed significant discrepancies between the closing balances as per bank accounts, cash books, and those reflected on the eGramSwaraj portal. As of March 2024, the difference between the bank balances and the cash book balances ranged from ₹ 13 to ₹ 2.49 crore in 59 out of 77 test checked PRIs[1] while the difference between the bank balances and balances reflected on

[1] Related records were not produced by one PRI (GP Kot Mithaka).

eGramSwaraj portal ranged from ₹ 15,729 to ₹ 8.55 crore in 75 PRIs, as tabulated below:

Table 2.3: Range of differences between Passbook, Cash book and eGramSwaraj

Description	No. of PRIs with differences between balances shown in Passbook and Cash book	No. of PRIs with differences between balances shown in Passbook and eGramSwaraj
Differences below 10 lakh	48	42
Difference above 10 lakh and below one crore	9	25
Difference above one crore	2	8
Total	**59**	**75**

The discrepancies indicate that the financial data of PRIs on eGramSwaraj portal was not updated regularly and reconciled with actual cash book or bank positions. Reasons for these discrepancies in data were awaited (May 2026).

The Department stated (April 2026) that differences were due to delays in updating transactions, lack of reconciliation and transitional issues.

2.6.2 Non-execution of activities for targeted services

As per Para 8.1 of the Manual for Utilisation of XV-FC Tied Grants, GPs were required to prepare the Gram Panchayat Development Plans (GPDPs) for rural economic development and social justice. Further, as per Para 12.1, ZP and PS were responsible for the identification of various activities related to sanitation to be taken up at the District and Block levels, preparation of district and block development plans for utilisation of XV-FC tied grants for various sanitation-related activities and to upload the plans on appropriate modules of eGramSwaraj portal and to ensure execution of the activities as per these plans.

Audit observed that the expenditure was incurred on certain permissible activities such as construction of community toilets, the maintenance of existing toilets, rainwater harvesting and door-to-door waste collection, promotion of non-conventional energy, healthcare services, internet connectivity, technical training under the XV-FC grants. However, no expenditure was incurred on construction of community toilets (except for bio-toilets by ZP Palwal and one community toilet by ZP Yamunanagar), maintenance of existing toilets, rainwater harvesting (by 67 PRIs) and door-to-door waste collection (by 56 GPs).

Further, the tied grants were not utilised for greywater management (except by ZP Kurukshetra), plastic waste management or creation of new water resources. The untied grants were also not used for activities such as promotion of non-conventional energy, healthcare services, internet connectivity etc.

Analysis of 4,260 approved activities under the XV-FC grants showed that only 1,215 (28.52 *per cent*) were completed or ongoing, 680 (15.96 *per cent*) were abandoned and 2,365 (55.52 *per cent*) were not initiated (***Appendix 2.2.1*** to ***2.2.3***) as summarised in Table 2.4 below:

Table 2.4: Status of Activities Approved and Executed from XV-FC Grants

Year	Number of approved activities	Ongoing/ Completed		Abandoned	Not Started	Closing balance of grants as per cash book of PRIs (₹ in crore)
		Number	Percentage of total			
2021-22	954	418	43.8	117	419	49.55
2022-23	1,811	545	30.1	511	755	69.75
2023-24	1,495	252	16.9	52	1,191	103.60
Total	**4,260**	**1,215**	**28.5**	**680**	**2,365**	

The Department stated (April 2026) that PRIs planned and executed works as per priorities decided during formulation of respective plans. Owing to paucity of funds, works were taken up as per priority. Further, the works found incomplete during inspection, were being completed by the respective PRIs.

The reply was not acceptable as 71.48 *per cent* of approved activities had been abandoned or not started despite availability of funds with PRIs.

The State Government should ensure the timely implementation and execution of approved activities by the Panchayati Raj Institutions with regular monitoring so as to avoid the abandonment or non-initiation of activities and to realise the objectives of the approved activities.

2.6.3 Release of tied grants of ₹ 5.27 crore to PRIs despite non-preparation of prescribed development plans

Para 10.1 of the Manual for the Utilisation of XV-FC Tied Grants to PRIs for Water Supply and Sanitation stipulates that block and district panchayats shall identify activities related to water supply and sanitation in coordination with the concerned line departments and ensure that such plans are uploaded on the appropriate modules of the eGramSwaraj portal. Para 5 (B) of the Operational Guidelines *inter-alia* provided that uploading of Gram Panchayat Development Plan (GPDP)/Block Development Plan (BDP)/District Development Plan (DDP) on eGramSwaraj (through DDWS-IMIS) containing details of Annual Action Plan of Village/Block/District for sanitation and Drinking Water Supply by RLBs shall be deemed to be eligible for the release of tied grants.

Further, as per Para 9.1 of the Manual, every village has to prepare a five-year Village Action Plan (VAP) co-terminus with the XV-FC period and dovetailing fund from other village level schemes for water and sanitation services.

Audit observed that six selected PRIs did not prepare the respective development plans including DDPs, BDPs and GPDPs for the financial years 2021-22 and 2023-24. However, despite that, the funds were released to these PRIs as detailed below:

Table 2.5: PRIs not preparing the Development Plans

Sl. No.	Name of PRI	Year	Tied grant received (₹ in lakh)
1	ZP Palwal	2021-22	147.60
2	PS Hathin	2021-22 and 2023-24	204.78 (68.55+ 136.23)
3	PS Palwal	2021-22	44.65
4	GP Tokas	2023-24	64.39
5	GP Balsamand	2023-24	53.93
6	GP Sarsana	2023-24	11.65
Total			**527.00**

Uploading the prescribed plans was an essential condition for release of tied grants. However, these PRIs received such grants during the year without fulfilling this requirement, indicating non-adherence to guidelines.

Audit also observed that the selected 77 PRIs did not prepare the prescribed five-year Village Action Plan.

The non-preparation of the prescribed development plans and the Village Action Plan by the PRIs highlights non-compliance with prescribed guidelines.

The Department stated (April 2026) that the non-preparation and uploading of development plans for 2021-22 and 2023-24 and the Village Action Plan were due to shortage of trained technical staff and limited familiarity with the eGramSwaraj portal. It was assured that instructions had been issued to all PRIs to ensure timely preparation and uploading of DDP/BDP/GPDP on the eGramSwaraj portal.

The State Government may consider to ensure that the District and Village Action Plans are prepared and implemented in a time-bound manner.

2.6.4 Non-compliance with eGramSwaraj-PFMS interface guidelines

As per Para 8 of the Operational Guidelines, all PRIs were required to maintain online accounts on eGramSwaraj and make all payments to vendors or service providers only through the eGramSwaraj–PFMS[2] interface.

Audit observed that instead of using the mandated eGramSwaraj-PFMS interface, selected 10 PRIs made payments of ₹ 7.76 crore (***Appendix 2.3***) through cheques or National Electronic Funds Transfer (NEFT) to various vendors during 2021-22 to 2023-24. Audit further observed that instead of making direct payments, the payment of ₹ 3.95 crore by 12 selected PRIs was made to the vendors or contractors through intermediary bank accounts, reducing transparency and increasing the risk of financial irregularities, which is contrary to the scheme provisions.

The Department stated (April 2026) that deviations from the prescribed payment procedure occurred due to non-availability of approved Annual Action Plans on the eGramSwaraj portal and lack of awareness among field functionaries. It was further stated that the instructions have been issued to all

[2] Public Financial Management System

the PRIs to ensure that all payments were made only through the eGramSwaraj–PFMS interface.

The State Government should ensure that the eGramSwaraj–PFMS interface are fully utilized to promote transparency and accountability.

2.6.5 Non-receipt of XV-FC grants of ₹ 1.48 crore by PRIs despite sanction for release

As per Para 6 of the Operational Guidelines, upon receipt of the XV-FC grants from the Government of India, the State Governments are required to transfer the same to the PRIs within ten working days. Any delay beyond this period necessitates the release of the grant along with interest for the period of delay, calculated at the average effective rate of interest on market borrowings or State Development Loans for the previous year.

The XV-FC grants worth ₹ 1.48 crore were sanctioned for 15 GPs (***Appendix 2.4***) between June 2020 and August 2023. However, review of the bank accounts and cash books of these 15 GPs indicated that the sanctioned amount of ₹ 1.48 crore was not received in their bank accounts.

The Department stated (April 2026) that the grants were transferred directly from the State treasury to the registered bank accounts of PRIs through XML files and that rejected transactions pertaining to 15 GPs had been reviewed and funds were subsequently re-transferred.

The Department did not provide the supporting documents such as passbook copies, bank statements etc. supporting the re-transfer of the approved grants for the above-mentioned PRIs.

2.6.6 Deductions of ₹ 1.91 crore from XV-FC grants for non-developmental activities

Para 3 (iii) of the Operational Guidelines provides that the State Government shall transfer each instalment of the grants received from the GoI to all the concerned entities (PRIs) without any deduction, under intimation to the nodal department on PFMS platform or e-governance system integrated with PFMS as per their shares.

Audit observed that the BDPOs of 10 selected Panchayat Samities deducted ₹ 1.91 crore from the XV-FC grants on account of contingency charges during April 2021 to March 2024, in contravention of the prescribed guidelines (***Appendix 2.5***). Further, the deducted amount was utilised by seven BDPOs towards administrative expenses, whereas three BDPOs (Palwal, Narwana and Shahbad) did not produce records relating to the utilisation of the deducted amount.

The Department acknowledged (April 2026) that the deductions towards administrative expenses were irregular and further stated that a detailed examination has been ordered to assess such deductions and instructions issued to ensure full transfer of XV-FC grants without deductions. Refund of ₹ 1.91 crore had been directed to the respective GPs and responsibility was being fixed with cases of non-production of records under examination.

2.6.7 Non-availability of provisional and audited accounts in public domain

Para 5(A)(i) of the Operational Guidelines stipulates that for the years 2021-22 and 2022-23, at least 25 *per cent* of PRIs must have both provisional accounts for the previous year and audited accounts for the year before the previous year available online in the public domain. From 2023-24 onwards, this requirement applies to all PRIs. These accounts must be accessible not only on the public domain, but also on eGramSwaraj.

Audit observed that the provisional and audited accounts for the years 2021-22 to 2023-24 for the selected PRIs were not available in the public domain. This highlighted non-compliance of the applicable guidelines as well as shortfalls in the monitoring and control mechanism.

The Department stated (April 2026) that the Ministry of Panchayati Raj developed the Audit Online application to facilitate timely audit and maintenance of Panchayat accounts.

The reply was not acceptable, as the existence of the Audit Online application did not ensure that the provisional and audited accounts were available in the public domain as required under the guidelines.

State Government should take appropriate steps to ensure that the Panchayati Raj Institutions make available the required provisional and audited accounts in public domain before receiving the Finance Commission grants.

2.6.8 Non-maintenance of Asset and Work Registers & project display boards

As per Rule 12 of the Haryana Panchayati Raj Rules, 1995, GPs are required to maintain asset and work registers. Further, the Ministry of Panchayati Raj, Government of India, issued (September 2021) a directive mandating that display boards be publicly displayed at project sites, so as to acknowledge the funding authority and ensure transparency by providing key details of the project.

Audit observed that none of the selected PRIs maintained the prescribed asset and works registers during the years 2021-22 to 2023-24. In the absence of these registers, audit could not draw any assurance regarding the availability, status, utilisation etc. of assets created out of the XV-FC grants. Further, no display boards were found at any of the project sites funded by the XV-FC, thereby violating the Ministry's directive.

The Department stated (April 2026) that the instructions have been issued to all the PRIs to maintain asset and work registers in the prescribed format, capturing details of all assets created and mandatorily install display boards at all project sites in accordance with the guidelines issued by the Ministry of Panchayati Raj.

2.6.9 Inadmissible expenditure of ₹ 1.73 crore out of XV-FC grants

The Ministry of Panchayati Raj, Government of India, stated (August 2021) that untied XV-FC grants shall be used only for improving basic service delivery and operation and maintenance of community assets and strictly prohibits expenditure on felicitation events, groundwork for political programs, decorations, welcome gates, inaugurations or activity outside the functional domain of the Panchayats.

Audit observed that 29 selected PRIs utilised the XV-FC grants of ₹ 1.73 crore **(*Appendix 2.6*)** on various inadmissible items including installation of RO units and bio-toilets in Cooperative Sugar Mills Ltd., installation of water coolers in private schools, hiring tents and decoration items for public events, erecting village welcome gates/boards for residences of PS members, making EPFO penalty payments, organising the Chief Minister's programme, renovating the office building etc. during 2021-22 to 2023-24.

The Department stated (April 2026) that a detailed scrutiny has been ordered to verify such cases and fix responsibility and ensure compliance. Further, action has been initiated to recoup inadmissible expenditure and measures for adherence and capacity-building undertaken.

The State Government should ensure adherence to codal provisions and reinforce financial controls to prevent irregularities.

2.6.10 Outstanding Utilisation Certificates

As per sanction orders issued by the Department (June 2020 to March 2024) for release of XV-FC grants, Utilisation Certificates (UCs) shall be submitted by the Chief Executive Officer of Zila Parishad in the prescribed proforma within the stipulated time.

Audit observed that the Utilisation Certificates of ₹ 144.66 crore **(*Appendix 2.7*)** for XV-FC grants for the period from 2020-21 to 2023-24 were not submitted by the concerned PRIs as of March 2024. In the absence of UCs, audit could not draw any assurance regarding utilisation of the grants.

The Department attributed (April 2026) the delayed submission of UCs to delays in compilation, reconciliation and consolidation of accounts. It was further stated that the instructions have been issued to the concerned PRIs to prepare and submit pending Utilisation Certificates on priority within a stipulated timeframe.

2.6.11 Procurement without following prescribed procedures- ₹ 6.90 crore

With the objective of introducing uniformity in the procurement processes and enhancing efficiency and transparency in procurement systems, the Government of Haryana decided (June 2015) that all purchase of goods and stores, works and services of Government departments should be made by using a single web portal and directed that all department must ensure switching over to e-tendering by July 2015. Further, the Government fixed (June 2016) as minimum threshold value of e-tendering as ₹ one lakh in respect of procurement of stores/goods/works/ services in the State in each case (without any splitting of order).

As per guidelines issued by Development and Panchayat Department, Government of Haryana (February 2020) for purchase of dustbins, RCC benches, ROs, CCTV cameras and water coolers etc. rates of all items shall be fixed by the District Level Committee headed by Deputy Commissioner concerned through an open tendering process.

Audit observed that 24 PRIs incurred an expenditure of ₹ 4.55 crore (***Appendix 2.8***) on purchases and works undertaken on quotation basis, without inviting e-tenders, whereas ₹ 2.35 crore (***Appendix 2.9***) were spent on items like HD CCTV cameras RCC benches and RO systems with water coolers without following due procedures such as procurement through Government e-Marketplace (GeM), constitution of District-Level purchase committees etc.

The Department stated (April 2026) that the deviations from the procurement norms occurred due to lack of awareness of the updated guidelines and perceived urgency in execution of works and that strict instructions had been issued to PRIs to adhere to procurement guidelines, including e-tendering thresholds, GeM procurement and constitution of District-Level Purchase Committees.

The reply is not acceptable as lack of awareness of the updated guidelines and the claimed urgency cannot justify non-compliance with the prescribed procurement norms.

The State Government should ensure that all procurement activities are carried out in accordance with the prescribed procurement procedures.

2.6.12 Withdrawal of ₹ 23.77 lakh from XV-FC grants by ex-Sarpanches despite dissolution of Panchayats

Section 18(2) of Haryana Panchayati Raj Act, 1994 provides that the BDPO shall take over the records, registers etc. of the GP from the outgoing sarpanch/panch within seven days prior to publication of the election programme or upon suspension/removal. Further, section 18(3) stipulates that in case of failure to hand over charge, the BDPO shall report the matter to the Executive Magistrate for securing such records. As per Rule 11 of the Haryana Panchayati Raj Finance, Budget, Accounts, Audit, Taxation and Works Rules, 1996, cash retained by the Sarpanch beyond the specified limit shall attract interest of 21 *per cent* per annum.

In February 2021, the BDPOs were appointed as administrators of all GPs under section 52(2) of the Act, with directions to assume charge at least seven days prior to 23 February 2021.

Review of records of GPs Rehrana and Jodhpur (PS Palwal) revealed that these PRIs were under the administrative control of the BDPO with effect from 12 February 2021. However, despite that, the ex-Sarpanches of these PRIs withdrew amount of ₹ 23.77 lakh in cash from the XV-FC grant accounts during the period from 26 September 2022 to 01 December 2022, as indicated below:

Table 2.6: Details of cash withdrawn from banks through ATM/Debit cards

(Amount in ₹ in lakh)

Name of GP	Amount withdrawn through ATM	Amount recovered	Balance amount
Rehrana	16.62	14.30	2.32
Jodhpur	7.15	7.15	0.00
Total	**23.77**	**21.45**	**2.32**

This highlighted the shortfalls in the internal controls and monitoring mechanism of the PRIs under the Administrators. It is worth highlighting that out of the total withdrawal of ₹ 23.77 lakh, an amount of ₹ 21.45 lakh has been recovered, leaving a balance of ₹ 2.32 lakh recoverable in respect of GP Rehrana as of August 2024.

The Department stated (April 2026) that due to failure in taking custody of records, a detailed inquiry had been ordered to fix responsibility, with directions issued for strict compliance with statutory provisions, reporting of non-handover cases and initiation of legal action. The recoveries had been partly made from the ex-Sarpanches, and efforts were ongoing to recover the balance with interest.

2.6.13 Payments made without obtaining acknowledgements

Rule 57 of the Haryana Panchayati Raj Finance, Budget, Accounts, Audit, Taxation and Works Rules, 1996, requires that a separate acknowledgement be obtained for every payment made by the Panchayat and such acknowledgement must be attached to the relevant voucher. The rule further requires that where payments are made to illiterate persons, the acknowledgement should be attested by witnesses. Rule 136 mandates that when works are executed through daily labour, a muster roll must be maintained, duly passed by the competent authority and the payment to each labourer must be acknowledged by signature or thumb impression on the muster roll. Any unpaid items are required to be recorded in arrears register and cleared within six months.

Audit observed that ZP Jind made payment of ₹ 31,300 to five labourers in August 2021 without obtaining the prescribed acknowledgements, whereas GP Karsindhu made payment of ₹ 42,205 to six labourers (including four anonymous labourers) in October 2023 without obtaining the acknowledgements (***Appendix 2.10***). This indicates lack of internal control and monitoring mechanism.

The Department stated (April 2026) that detailed verification of the muster rolls and records has been ordered to ascertain genuineness of payments, responsibility was being fixed for lapses and action for recovery and disciplinary proceedings would be initiated if irregularities were established.

2.6.14 Payments made without supporting bills

Rules 54 and 58 of the Haryana Panchayati Raj Finance, Budget, Accounts, Audit, Taxation and Works Rules, 1996 mandate that every payment must be supported by a bill/voucher containing full particulars and proper account classification. Where a claimant does not produce a bill, the Panchayat must prepare a bill in the prescribed form and attach the claimant's document as a sub-voucher. Rule 58 further requires cross-referencing of the bill on the cheque counterfoil to enable tracing of the original voucher.

Despite audit query, the PRIs (***Appendix 2.11***) did not provide the bills or vouchers in respect of payments of ₹ 42.37 lakh made to various vendors. Accordingly, audit could not draw an assurance regarding genuineness and accuracy of the said payment.

The Department stated (April 2026) that a detailed scrutiny of such payments has been ordered to verify the authenticity and admissibility and responsibility was being fixed for payments without supporting documents. Efforts were being made to obtain missing vouchers failing which expenditures would be treated as irregular and recovery proceedings would be initiated where required.

2.6.15 Simultaneous employment of same persons on different works and irregular payments through Muster Rolls

As per Rule 136(1) of the Haryana Panchayati Raj Finance, Budget, Accounts, Audit, Taxation and Works Rules, 1996, in cases where work is carried out through daily wage labourers, the person in charge of the work is required to maintain a muster roll in Form LXII. Furthermore, all payments to labourers must be made only after the muster roll has been duly approved by the competent authority.

Review of the records of ZP Yamunanagar and PS Pehowa revealed that five workers were shown as engaged in different works simultaneously during the same period. Payments were made to the same bank accounts or through muster rolls for these overlapping engagements, which led to payment of wages of ₹ 23,524 (***Appendix 2.12***) from the XV-FC grants.

The Department stated (April 2026) that a detailed enquiry has been ordered to verify genuineness of the muster rolls and payments. Responsibility was being fixed for improper verification and recovery of excess payment of ₹ 23,524 had been initiated.

2.7 Delivery of Services

2.7.1 Non-operational systems for rainwater harvesting and soak pit

As per the service level benchmarks listed in Item 3 of Annexure V of the Manual for the Utilisation of XV-FC Tied Grants to PRIs for Water and Sanitation, additional indicators for source sustainability include the construction of structures for groundwater recharge.

The groundwater recharge structures were constructed in 20[3] out of 59 GPs. However, during Joint Physical Verification, audit observed that four rainwater harvesting systems constructed in four selected GPs were non-functional. Additionally, 45 out of 47 soak pits constructed by PS Hathin and six GPs were found non-functional due to the overgrowth of weeds and accumulation of soil (***Appendix 2.13***).

Thus, the non-functioning ground water recharge structures indicates that the expenditure incurred on source sustainability measures did not yield the intended outcome. This undermines the objective of sustainable water resource management envisaged under XV-FC guidelines.

The Department stated (April 2026) that instructions had been issued to the GPs to undertake maintenance of rainwater harvesting structures and soak pits prior to the rainy season to maximise rainfall capture and groundwater recharge.

2.7.2 Improper disposal of grey water and non-functional grey water management project

As per Para 5.2 of the Manual for the Utilisation of XV-FC tied grants, GPs are required to focus on the treatment and reuse of grey water and ensure that untreated grey water is not discharged into water bodies or rivers.

During Joint Physical Inspection in the selected GPs, Audit observed that untreated grey water was being directly discharged into water bodies and canals in all selected GPs, as depicted in the image.

Image showing grey water discharged directly into a canal by GP Kandela (Jind Block)

A Liquid Waste Management Project (rice husk system) was constructed (November 2022) at village Babain, Kurukshetra at a cost of ₹ 13.53 lakh from XV-FC grants, to

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[3] GP Badhawar, Balsamad, Chattar, Chirwari, Darwa Majri, Dohana Khera, Judda Jattan, Khark Punia, Karsindhu, Kuchrana Kalan, Maluka, Makhand, Matloda, Nalvi, Rehrana, Rajgarh Dhabi, Sarsana, Sudhpur,Taraka and Teora.

avoid mixing of grey water with ground water. However, it was observed during Joint Physical Inspection (January 2025) that the project was non-functional due to lack of maintenance and cleanliness.

The Department stated (April 2026) that grey water management projects had been undertaken by the engineering wing using phytorid technology for treatment and reuse in irrigation and all GPs would be covered in a phased manner.

2.7.3 Non-maintenance of public toilets

The indicative list of the sanitation related works/activities at GP level given under Annexure III of Manual for the utilisation of XV-FC tied grants to PRIs provide for construction and O&M of community sanitation complex. Further, para 7(ii) of Operational Guidelines provide that 50 *per cent* of the tied grants can be utilised for the basic services of sanitation and maintenance of Open Defecation Free (ODF)[4] status and this should include management and treatment of household waste, human excreta and faecal sludge management. Audit observed that 243 public toilets were constructed by 15[5] PRIs under different schemes. However, following public toilets were non-functional due to lack of water connections, broken fixtures or poor maintenance:

- The community toilets in Saraswati Nagar (ZP Yamunanagar) constructed at a cost of ₹ 1.78 lakh were not in use due to lack of water connections, whereas the community toilets made in GPs Dudhla, Amadalpur (Yamunanagar) and Ikkas (Jind) under different schemes had not been maintained.

Image showing dilapidated condition of public toilets in Village Ikkas, Block Jind, District-Jind

- ZP Palwal incurred an expenditure of ₹ 2.28 crore on installation of 130 bio-toilets at various locations. However, 12 bio-toilets (nine in GP Mandkola, two in Chhainsa and one in Aherwan in Palwal district) costing ₹ 21.03 lakh were found non-functional during the Joint Physical Verification. Audit also observed that 143 choupals in 38 GPs were functioning without toilet facilities (***Appendix 2.14***).

The Department stated (April 2026) that necessary directions have been issued to the GPs to ensure proper operation and maintenance of public toilets and the ZPs had been instructed to monitor and make non-functional toilets operational on priority.

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4 ODF (Open Defecation Free): A status where no person practices open defecation, and all individuals use safe and hygienic toilet facilities, ensuring proper sanitation and environmental cleanliness.

5 ZP Jind, Kurukshetra, Palwal, PS Hisar-II, Shahbad, GP Amadalpur, Arya Nagar, Dudhla, Ikkas, Kandela, Ladmaki, Mayar, Ramgarh Rod, Talwandi Rana and Teora.

2.7.4 Deficiencies in solid waste management

As per the indicative list of activities in Annexure III (paragraph B) of the Manual for Utilisation of XV-FC Tied Grants, PRIs had to establish systems for the collection, segregation and processing of solid waste at the village level.

Audit observed that door-to-door solid waste collection was available in only five[6] GPs. The segregation sheds were constructed under different schemes in 15 GPs (***Appendix 2.15***), however, it was in use in only one GP Bhikhewala, Narwana block. In all other GPs, the segregation sheds were found non-functional. Thus, non-collection and improper disposal of solid waste led to the accumulation of garbage in public places, creating insanitary conditions and potential health hazards for residents, thereby affecting delivery of sanitation services.

Image showing non segregated waste dumped in Village Murtzapur, Block-Pehowa, District-Kurukshetra

The Department stated (April 2026) that instructions had been issued to the GPs to operationalise door-to-door collection, utilise existing infrastructure, strengthen segregation practices and ensure proper maintenance of assets.

2.7.5 Absence of plastic waste management mechanism

The XV-FC recommended earmarking 30 *per cent* of the total grants to PRIs for sanitation and maintenance of ODF status, including management of household waste and faecal sludge. The Manual for Utilisation of XV-FC tied grants includes activities such as plastic waste segregation and storage units, plastic waste management units for a group of villages/blocks and operation and maintenance of vehicles for transportation of plastic waste.

No plastic waste collection and management mechanism was found in the selected GPs. The Joint Physical Inspection revealed that plastic waste was floating in ponds in 30 out of 59 GPs. Plastic waste was also found scattered along roadsides (***Appendix 2.16***).

Image showing plastic waste floating in pond of Village Mohan Pur, Block-Shahbad, District-Kurukshetra

The Department stated (April 2026) that necessary directions had been issued to GPs to establish mechanisms for collection, segregation and safe disposal of plastic waste in accordance with prescribed guidelines.

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6 GP Arya Nagar, Bikhewala, Darwa Majri, Nalvi and Sudhpur

2.8 Conclusion

The audit brought out the significant issues relating to the overall utilistaion, management and service delivery from the funds of the Fifteenth Finance Commission, across all tiers of PRIs. Despite availability of substantial funds, the utilisation remained low, resulting in accumulation of unspent balances, non-execution of approved activities and shortfall in achieving intended objectives of basic services such as sanitation and waste management. Instances of non-compliance with operational guidelines and statutory provisions including non-preparation of development plans, improper maintenance of accounts and records, irregular release and inadmissible expenditure and non-adherence to prescribed eGramSwaraj–PFMS procedures were observed. Further, there were instances of shortfalls in the internal controls resulting in payments and unauthorised withdrawals.

This highlights the need to strengthen the internal controls and monitoring mechanisms for efficient and transparent utilisation of funds transferred to the Local Bodies from various sources including the Central Finance Commissions.

2.9 Recommendations

State Government may consider following -

- *Ensure adherence to codal provisions and reinforce financial controls to prevent irregularities.*
- *District and Village Action Plans must be prepared and implemented in a time-bound manner.*
- *The eGramSwaraj–PFMS interface must be fully utilized to promote transparency and accountability.*
- *All procurement activities should be carried out in accordance with the prescribed procurement procedures.*