

PART-A
PANCHAYATI RAJ INSTITUTIONS

CHAPTER-I

**An Overview of the Functioning,
Accountability Mechanism and
Financial Reporting Issues of
Panchayati Raj Institutions**

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MECHANISM AND FINANCIAL REPORTING ISSUES OF
PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

The Rajasthan Panchayat Samiti and Zila Parishad Act, 1959 conforms to the new pattern of Panchayati Raj which provides for a three tier¹ structure of local self-governing bodies at district, block and village levels and enhanced decentralisation of powers.

The Rajasthan Panchayati Raj Act (RPRA), 1994 came into effect from April 1994, consequent to the 73rd Constitutional Amendment giving constitutional status to Panchayati Raj Institutions (PRIs). It delineated functions, powers and responsibilities of PRIs enabling them to function as third tier of Government. Later, Rajasthan Panchayati Raj Rules (RPRRs), 1996 were incorporated there under to ensure smooth functioning of the PRIs.

There were 33 Zila Parishads (ZPs) with two cells in each ZP viz. Rural Development Cell (RDC) and Panchayat Cell (PC), 352 Panchayat Samitis (PSs) and 11,341 Gram Panchayats (GPs) functioning in the State as of March 2020.

Rajasthan is the largest state in the country in terms of size and spans an area of 3.42 lakh square kilometers (sq. km). As per the Census 2011, the total population of the State was 6.85 crore, of which 5.15 crore (75.18 per cent) is living in rural areas. The comparative demographic and developmental profile of the State *vis-à-vis* the national profile as per Census 2011 is given in Table 1.1 below:

Table 1.1

S.No.	Indicator	Unit	Figures as per Census 2011	
			State level	National level
1.	Population	Crore	6.85	121.06
2.	Population (Rural)	Crore	5.15	83.35
3.	Population (Urban)	Crore	1.70	37.71
4.	Population Density	Persons per sq. km	200	382
5.	Decadal Growth Rate	Percentage	21.30	17.70
6.	Sex Ratio	Females per 1,000 males	928	943
7.	Total Literacy Rate	Percentage	66.10	73.00
8.	Female Literacy Rate	Percentage	52.10	64.60
9.	Male Literacy Rate	Percentage	79.20	80.90
10.	Total Literacy Rate (Rural)	Percentage	61.40	67.77
11.	Female Literacy Rate (Rural)	Percentage	45.80	57.93
12.	Male Literacy Rate (Rural)	Percentage	76.20	77.15
13.	Birth Rate	Per 1,000 Population	24 (2018)	20 (2018)*
14.	Death Rate	Per 1,000 Population	5.9 (2018)	6.2 (2018)*
15.	Infant Mortality Rate	Per 1,000 Live Births	37 (2018)	32 (2018)*
16.	Maternal Mortality Rate	Per lakh Live Births	164 (2016-18)	113 (2016-18)*

Source: As per Department of Economic and Statistics, Govt. of Rajasthan
**As per Economic Review 2020-21, Govt. of Rajasthan*

¹ Zila Parishad at District level, Panchayat Samiti at Block level and Gram Panchayat at Village level.

1.2 Organisational set up

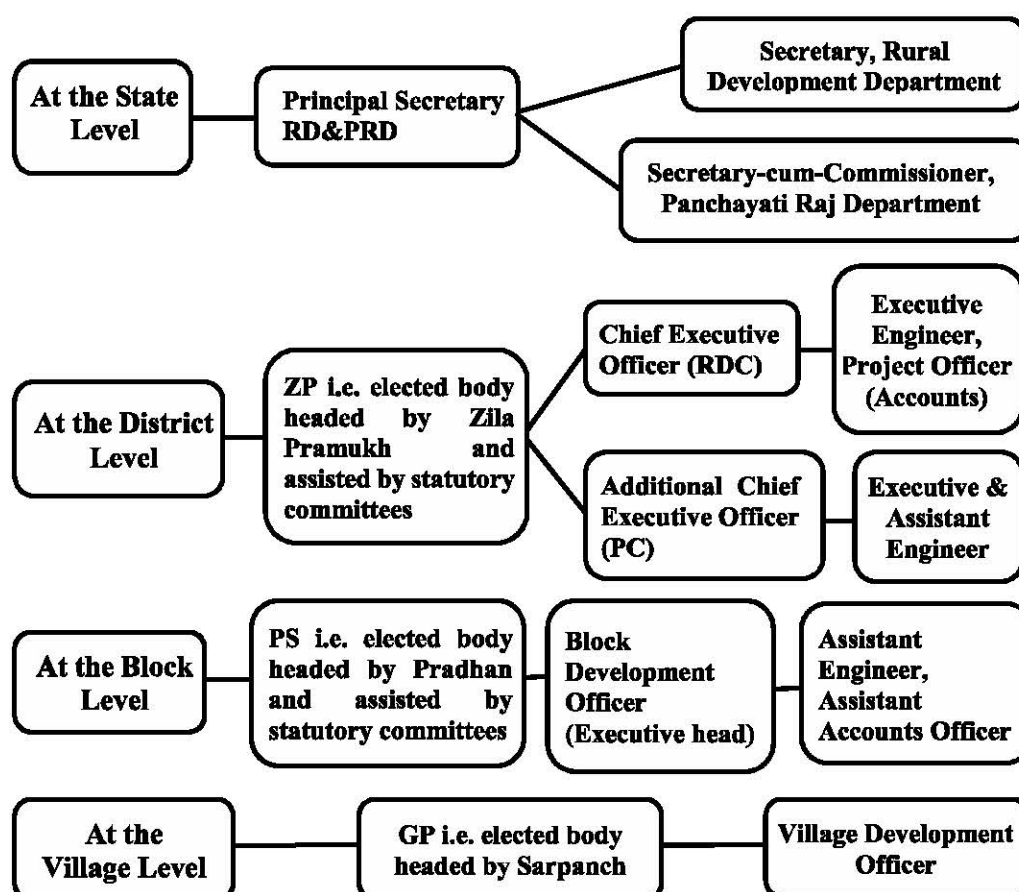
‘Special Scheme Organisation’ was established in 1971 to give priority and special importance to Rural development. The jurisdiction was increased and it was reorganized as ‘Special Schemes and Integrated Rural Development Department’ in 1979. Further, it was renamed as ‘Rural Development Department’ (RDD) in 1999.

Most of the schemes of RDD are executed by PRIs. Therefore, for coordination at district level, Rural Development Cell (RDC) under CEO was created by merging District Rural Development Authority (DRDA) with ZPs. Similarly, at State level, to establish coordination between activities of Rural Development and Panchayati Raj and ensure better execution of Programmes, RDD and Panchayati Raj Department (PRD) were merged to form Rural Development and Panchayati Raj Department (RD&PRD).

All the schemes under RDD and PRD are executed through Principal Secretary, RD&PRD.

The organisational set up of the PRIs is given in Chart 1.1 below:

Chart 1.1



1.3 Functioning of PRIs

Section 2 (xvii) of RPRA, 1994 defines the PRI as an institution of Self-Government established under this Act for rural areas at the level of village or block or district. Various Central and State schemes/programmes are implemented through the PRIs at district, block and village levels.

The 33 functions of a village level PRI (GP) include general administrative works related to agriculture, minor irrigation, drinking water, education and rural sanitation etc., as specified in the first schedule of RPRA, 1994.

Similarly, functions of PS (30 functions) and ZP (19 functions) are specified in the second and third Schedule of RPRA, 1994 respectively.

1.3.1 Devolution of Funds, Functions and Functionaries to Panchayati Raj Institutions

Following the 73rd Constitutional Amendment, orders on devolution were issued by the Government of Rajasthan (GoR) in June 2003 and October 2010. Accordingly, out of 29 functions to be devolved in terms of XI Schedule of the Constitution, 28 functions were initially transferred. However, funds and functionaries were transferred in respect of 20 subjects only (*Appendix I*). Subsequently, devolution of funds, functions and functionaries of five subjects relating to Public Health Engineering Department, Public Works Department and Food and Civil Supply Department were withdrawn in January 2004 from PRD.

1.4 Formation of various committees of PRIs

1.4.1 District Planning Committee

In pursuance of Article 243 ZD of the Constitution of India and Section 121 of RPRA, 1994, State Government constituted District Planning Committee (DPC) in all the districts of the State. District Collector is a member of the DPC and he or his nominated officer has to attend the meetings of DPC. The required quorum for DPC meeting is 33 *per cent* of members elected from rural and urban areas.

The main objective of DPC is to consolidate the plans prepared by the Panchayats and the Municipalities in the district and to prepare a draft developmental plan for the district as a whole and forward it to the State Government. The DPC should meet at least four times in a year.

Important decisions such as review/approval of district annual plans, quarterly/yearly, physical/financial progress of schemes, review of implementation of various schemes are taken in DPC meetings. However, during 2017-18, out of 33 districts, only four ZPs of Bhilwara, Dausa, Jhunjhunu and Pali held four DPC meetings. In Sikar and Baran five meetings

were held in the year. In another 21 districts² two or three meetings were held and remaining six districts, held only one meeting.

Similarly, during 2018-19, out of 33 districts, only two ZPs of Dungarpur and Jhunjhunu held four DPC meetings. In another 25 districts³ one to three meetings were held and remaining six⁴ districts did not hold any meetings. The information regarding number of DPC meetings held by ZPs during 2019-20, was not provided by PRD despite repeated reminders (February 2021, March 2021 and April 2021).

1.4.2 Standing Committees

According to section 55-A, 56 and 57 of RPRA, 1994, respectively every GP, PS and ZP shall constitute five standing committees, one each for the following group of subjects, namely (a) administration and establishment, (b) finance and taxation, (c) development and production programmes including those relating to agriculture, animal husbandry, minor irrigation, co-operation, cottage industries and other allied subjects, (d) education, (e) social service and social justice including rural water supply, health and sanitation, *gramdaan*, communication, welfare of weaker sections and allied subjects. These standing committees shall be headed by the elected member or elected chairperson of the institution concerned respectively.

Actual status of constitution and working of standing committees was not made available by PRD.

1.5 Audit Arrangement

1.5.1 Primary Auditor

Section 75(4) of the RPRA, 1994 stipulates that all the accounts to be kept and maintained by a PRI shall be audited by the Director, Local Fund Audit Department (DLFAD) as per provisions of the Rajasthan Local Fund Audit Act (RLFAD), 1954. The Audit Report⁵ of the DLFAD will include two chapters on Audit of PRIs viz. one on 'Status of accounts of PRIs' and other on 'Audit findings'. The paragraphs pertaining to PRIs are discussed by the Committee on Local Bodies and Panchayati Raj Institution constituted by Rajasthan State Legislature.

2 Three meetings: eight ZPs (Ajmer, Chittorgarh, Churu, Dholpur, Jaipur, Karauli, Kota and SawaiMadhopur); two meetings: 13 ZPs (Bikaner, Dungarpur, Hanumangarh, Ganganagar, Jalore, Jhalawar, Jodhpur, Nagaur, Rajsamand, Sirohi, Tonk, Pratapgarh and Udaipur); and one meeting: six ZPs (Alwar, Banswara, Badmer, Bharatpur, Bundi and Jaisalmer).

3 Three meetings: five ZPs (Barmer, Bhilwara, Karauli, Pali and SawaiMadhopur); two meetings: nine ZPs (Ajmer, Alwar, Chittorgarh, Churu, Dausa, Jodhpur, Nagaur, Sikar and Tonk); and one meeting: 11 ZPs (Baran, Banswara, Bikaner, Bundi, Dholpur, Sriganganagar, Jaipur, Jalore, Kota, Rajsamand and Udaipur).

4 Bharatpur, Hanumangarh, Jaisalmer, Jhalawar, Pratapgarh and Sirohi.

5 Section 18 of the Rajasthan Local Fund Audit Act, 1954 requires Director, LFAD to submit his Annual Consolidated Report on audited accounts to the State Government for laying this report before the State legislature.

The Audit Reports of DLFAD, Rajasthan for the year 2016-17, 2017-18, 2018-19 and 2019-20 have been laid before the State legislature on 27 February 2018, 13 February 2019, 26 February 2020 and 25 February 2021 respectively.

1.5.1.1 Certification of Annual Accounts of Panchayati Raj Institutions

As per Rule 23 (h) of the Rajasthan Local Fund Audit Rules (RLFAR), 1955, LFAD is required to certify the correctness of the annual accounts of PRIs at all three levels i.e. ZPs, PSs and GPs. In view of Fourteenth Finance Commission guidelines, the GoR issued (September 2017) orders that Audit and certification of accounts of the PRIs till the year 2015-16 and 2016-17 be undertaken on priority basis by the DLFAD, to make them eligible for performance grant in subsequent years.

During 2017-18, out of 10,222 PRI⁶s, annual accounts of only 6,802 PRIs (mostly pertained to the years 2015-16 and 2016-17) were certified and accounts of 3,420 PRIs (33.46 per cent) remained uncertified. All the certificates, except 20, were issued with qualifications by the DLFAD.

Similarly, during 2018-19, out of 10,219 PRI⁷s, annual accounts of only 6,553 PRIs (mostly pertained to the years 2016-17 and 2017-18) were certified and accounts of 3,666 PRIs (35.87 per cent) remained uncertified. All the certificates, except 11, were issued with qualifications by the DLFAD.

Further, DLFAD during 2019-20, certified annual accounts of 4,270 PRIs out of total 10,220 PRI⁸s in the State and accounts of 5,950 PRIs (58.22 per cent) remained uncertified. All these accounts were certified with qualifications.

The number of certification of accounts consistently decreased during 2017-20. Thus, DLFAD has not been able to certify the accounts of all PRIs in a year. Further, certification of most of the annual accounts with qualification was indicative of improper and incomplete maintenance of accounts by the PRIs.

1.5.1.2 Arrears of Audit of Local Fund Audit Department

The details of audit conducted by DLFAD during the period 2017-20 is given in Table 1.2 below:

Table 1.2

S. No.	Year	Number of PRIs due for audit				Number of PRIs audited				Number of PRIs in arrears			
		ZP	PS	GP	Total	ZP	PS	GP	Total	ZP	PS	GP	Total
1.	2017-18	33	295	9,894	10,222	4	56	1,779	1,839	29	239	8,115	8,383
2.	2018-19	33	295	9,891	10,219	8	38	1,434	1,480	25	257	8,457	8,739
3.	2019-20	33	295	9,892	10,220	14	95	3,427	3,536	19	200	6,465	6,684

Source: Number of PRIs as provided by PRD and number of PRIs audited as provided by DLFAD

6 Number of PRIs in the State as of March 2017 were 10,222 (ZPs:33; PSs:295 & GPs:9,894).

7 Number of PRIs in the State as of March 2018 were 10,219 (ZPs:33; PSs:295 & GPs:9,891).

8 Number of PRIs in the State as of March 2019 were 10,220 (ZPs:33; PSs:295 & GPs:9,892).

Huge arrears of Audit for past many years has been commented in earlier Audit Reports also. However, concrete action to improve the situation has not been taken by the Department.

A total of 7,182 inspection reports (IRs) containing 69,225 paragraphs issued by the Director LFAD were pending for settlement as of March 2020. Out of these, 7,114 paragraphs involving monetary value of ₹ 19.14 crore were related to embezzlement.

Thus, huge pendency of IRs and paragraphs are indicative of lack of initiative on part of both LFAD & the PRIs towards enhancing accountability.

1.5.2 Audit by Comptroller and Auditor General of India

Comptroller and Auditor General of India (CAG) conducts test Audit of PRIs under Section 14 of CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the proviso of sub section (4) of section 75 of the RPRA⁹, 1994, as amended on 27 March 2011 and submits Audit Report to the State Government for placement in the State legislature.

1.5.2.1 Implementation of Technical Guidance and Support/Supervision

Thirteenth Finance Commission recommended that the responsibility of providing Technical Guidance and Supervision (TG&S) over the audit of all the tiers of Panchayati Raj Institutions and Urban Local Bodies be given to C&AG of India. In pursuance of above recommendations Finance (Audit) Department, GoR, issued notification on 2 February 2011 for adoption of 13 parameters (*Appendix-II*) regarding TG&S. Accordingly TG&S Cell was constituted (November 2012) in the office of Principal Accountant General (General & Social Sector Audit) Rajasthan¹⁰ for providing TG&S to DLFAD. These TG&S arrangements were further extended to cover the period of Fourteenth Finance Commission (2015-20) also vide GoR's notification (25 April 2016) on the same terms and conditions.

Comments/suggestions in respect of three Factual Statements (FSs) & three Draft Paragraphs (DPs) during 2017-18, four FSs & two DPs during 2018-19 and five FSs and three DPs during 2019-20 proposed by DLFAD for inclusion in their Audit Report were communicated to DLFAD under the TG&S by the Office of Principal Accountant General (General & Social Sector Audit).

During the period 2017-18, DLFAD did not forward any IRs for comments under TG&S. During 2018-19 and 2019-20, three IRs in each year were forwarded by DLFAD for comments under TG&S. After due scrutiny, the suitable comments for technical guidance were communicated (May 2019 and May 2020) to DLFAD.

9 All accounts kept and maintained by PRI shall be audited, as soon as may be after the end of each financial year, by the DLFAD for the State and provisions of the Rajasthan Local Fund Audit Act, 1954 shall apply, provided that the CAG of India may also carry out a test Audit of such accounts.

10 Now known as Office of the Accountant General (Audit-I), Rajasthan w.e.f. 18th May 2020.

Further, in compliance of parameter 4 and 5 of TG&S, test check audit of three LFAD audited PSs Alsisar, Mundavar and Pisangan during 2017-19 and two PSs Osian and Pipalkhunt during 2019-20 was conducted by this office and their inspection reports were sent (October 2017, April 2018 and May 2019) to DLFAD for compliance of the objections. Reply of DLFAD was not received (November 2021).

1.6 Response to Audit observations

1.6.1 Response to Inspection Reports and paragraphs

As of March 2020, 2,951 IRs comprising 27,149 paragraphs issued by the Principal Accountant General (General and Social Sector Audit) Rajasthan in respect of the PRIs i.e. ZPs and PSs (including GPs) were pending for settlement as detailed in Table 1.3 below:

Table 1.3

S.No.	Year	IRs	Paragraphs
1	Upto 2008-09	1,263	9,291
2	2009-10	150	2,021
3	2010-11	104	925
4	2011-12	206	2,471
5	2012-13	191	2,413
6	2013-14	203	2,246
7	2014-15	170	1,304
8	2015-16	161	1,478
9	2016-17	178	1,670
10	2017-18	133	1,429
11	2018-19	123	1,215
12	2019-20	69	686
	Total	2,951	27,149

Recovery of ₹ 19,958, ₹ 18,684 and ₹ 2,04,250 was made at the instance of Audit in PS-Anoopgarh (2017-18), PS-Lunkaransar (2018-19) and PSs Dungarpur, Pindwada and Pisangan (2019-20).

Huge pendency of IRs and paragraphs indicates lack of prompt response on the part of PRIs.

For early settlement of outstanding paragraphs in IRs, GoR issued (August 1969) instructions to all the departmental officers for sending first reply to IRs within a month and replies to further audit observations within a fortnight. These instructions have been reiterated from time to time. The instructions issued in March 2002 envisaged appointment of nodal officers and Departmental Committee in each of the Administrative Department for ensuring compliance to all the matters relating to audit.

It was however, observed that first compliance of 23 IRs containing 291 paragraphs (issued during 2017-2020) have not been received as of August 2021.

For early disposal/settlement of the outstanding IRs and paragraphs, the Finance Department instructed (April 2016) all the departments to hold four Audit

Committee meetings in a year. However, against eight prescribed Audit Committee meetings (four each by PRD and RDD) to be held in a year, only three (PRD:1 and RDD:2), three (PRD:2 and RDD:1) and four (PRD:2 and RDD:2) meetings were conducted during the year 2017-18, 2018-19 and 2019-20 respectively.

Recommendation:

1. *Efforts should be made by Panchayati Raj Department and Rural Development Department to conduct Audit Committee meetings regularly to settle the pending paragraphs. PRIs should also take prompt action to rectify the irregularities pointed out by Audit.*

1.6.2 Response to paragraphs that featured in Audit Report

Reply to all the paragraphs which appeared in C&AG's Audit Report for 2016-17 have been received as on August 2021. However, reply for 24 paragraphs having money value of ₹ 2,217.04 crore were received after the prescribed time.

1.6.3 Discussion on Audit Reports by the Committee

A Committee on Local Bodies and Panchayati Raj Institution has been constituted since 01 April, 2013 in Rajasthan Vidhan Sabha to examine and discuss the Audit Reports of Comptroller and Auditor General of India on Local Bodies. Audit Reports till the year 2012-13 has been discussed/deemed discussed by the committee. Audit Reports for the year 2013-14 to 2015-16 are due for report writing and Audit Report for the year 2016-17 is pending discussion by the committee.

Accountability Mechanism and Financial Reporting issues

Accountability Mechanism

1.7 Social Audit

Social Audit was formally introduced through Mahatma Gandhi National Rural Employment Guarantee (MGNREG) Audit of Scheme Rules¹¹, 2011. These rules prescribe procedures and the manner for conducting Social Audit.

For further simplification, delegation of responsibilities to various functionaries and effective implementation of the scheme, the GoR formulated detailed Social Audit Guidelines in 2012. In Rajasthan, Directorate of Social Audit (DSA) was constituted (September 2009) under the administrative set up of Principal Secretary RD&PRD. Director, Social Audit is responsible for conducting Social Audit of scheme¹² in the State as per provisions of the Social Audit Guidelines, 2012.

11 MGNREG Audit of Scheme Rules, 2011 were notified (30 June 2011) by the GoI in exercise of the powers conferred by sub section (1) of section 24 of the MGNREG Act, 2005.

12 In addition to MGNREG Scheme, Social Audit of Integrated Watershed Management Programme (IWMP) also commenced from April 2013 by adopting these guidelines.

In the beginning of the year, the DSA with a view to cover each GP in a period of six months, prepares Annual calendar in two parts, each of a half yearly period. Corrective action is taken by executive agencies, line departments and payment authorities and the follow up action is taken by Directorate and GoR.

The position of Social Audit conducted by Director, Social Audit during 2017-20, is as given in Table 1.4 below:

Table 1.4

S. No.	Year	No. of GPs to be audited in each half	No. of GPs audited		No. of grievances registered		No. of grievances redressed/ closed	
			I st half	II nd half	I st half	II nd half	I st half	II nd half
1.	2017-18	9,894	9,244	7,814	259	201	Nil	Nil
2.	2018-19	9,891	7,587	9,262	1,567	63	1,317	21
3.	2019-20	9,892	8,717	3,671	551	Nil	346	Nil

It is evident from the above table that during 2017-18 Social Audit of 13.79 *per cent* GPs could not be conducted. This percentage further increased to 14.82 and 37.38 *per cent* during 2018-19 and 2019-20 respectively. Further, a total of 957 grievances were pending redressal as of January 2021 and no grievances were settled/closed in three of the six half-yearly periods of 2017-18 to 2019-20.

1.8 Investigation by Lokayukta

The Office of the Lokayukta, Rajasthan was set up in February 1973 as per the Rajasthan Lokayukta and Up-Lokayukta Act, 1973, with an objective of resolving cases of corruption, misutilisation of power by Ministers and higher officials of the GoR. It is an independent constitutional authority. The actions of Pramukh and Up-Pramukh of a ZP, Pradhan and Up-Pradhan of a PS and Chairman of any standing committee constituted by or under RPRA, 1994 are covered under the Lokayukta. However, the acts of the Sarpanch or Panch of GP do not fall under the direct jurisdiction of the Lokayukta in Rajasthan.

The position of complaint cases against the officers and employees of RD&PRD in Lokayukta, Rajasthan is as given in Table 1.5 below:

Table 1.5

S.No.	Year	Opening balance	Complaint received	Total	Complaint resolved	Closing balance
1.	2017-18	393	820	1,213	744	469
2.	2018-19	469	737	1,206	634	572
3.	2019-20	572	483	1,055	0	1,055

It is evident from above that 2,040 complaints cases against the officers and employees of RD&PRD were received in Lokayukta, Rajasthan during 2017-20 and adding an opening balance of 393 cases, there were a total of 2,433 cases. Out of this, 1,378 cases were disposed and the remaining 1,055 cases were pending (as on March 2020).

1.9 Submission of Utilisation Certificates

As per rule 284 and 286 of the General Financial & Accounts Rules (Part-I) of Government of Rajasthan, PRIs shall submit Utilisation Certificate (UCs) for the grant released to them for specific purpose. The UCs shall be prepared separately by the Vikas Adhikaris/Secretaries concerned and sent to the District Level Officer of Department concerned which released the grant. The District Level Officer shall countersign the same and submit it directly to the Accountant General, Rajasthan.

1.9.1 Panchayati Raj Department

The position of pending UCs in respect of the grants of 5th State Finance Commission (SFC) and 14th Finance Commission (FC) as of March 2018 and March 2019 is given in Table 1.6.

Table 1.6

(₹ in crore)

S.No.	Year of allotment	Pending UCs for the amount	
		5 th State Finance Commission Grants	14 th Finance Commission Grants
1.	2017-18	2,429.90	2,360.62
2.	2018-19	2,291.57	1,246.68
3.	2019-20	NA	NA

*NA (Not Available): The information was not made available by PRD despite repeated reminders.

PRD provided ZP wise amount of the pending UCs for 2017-18 and the total amount of pending UCs for 2018-19 in respect of grants of 5th SFC and 14th FC, however, ZP wise amount of the pending UCs for 2018-19 was not provided.

The Department needs to take concrete action to obtain the pending UCs for the grants released, from the ZPs concerned.

1.9.2 Rural Development Department

The position of pending UCs in respect of the Central and State sponsored schemes upto the year 2017-18, 2018-19 and 2019-20 is given in Table 1.7 as under:

Table 1.7

(₹ in crore)

S. No.	Name of Scheme	Pending UC for amount		
		As of March 2018	As of March 2019	As of March 2020
1.	MLALAD	1,432.58	1,282.79	912.95
2.	Swa Vivek Zila Vikas Yojna	14.98	10.99	9.42
3.	MGNREGS	805.36	56.53	65.51
4.	MAGRA	95.65	89.52	53.45
5.	MEWAT	125.75	82.92	56.16
6.	DANG	93.89	80.95	44.37
7.	BADP	260.93	347.40	275.52
8.	MPLAD	200.63	313.82	NA
9.	GGJVY	97.64	144.96	84.18
10.	SPMRM	1.85	123.95	NA
Total		3,129.26	2,533.83	1,501.56

*NA (Not Available): The information was not made available by RDD despite repeated reminders.

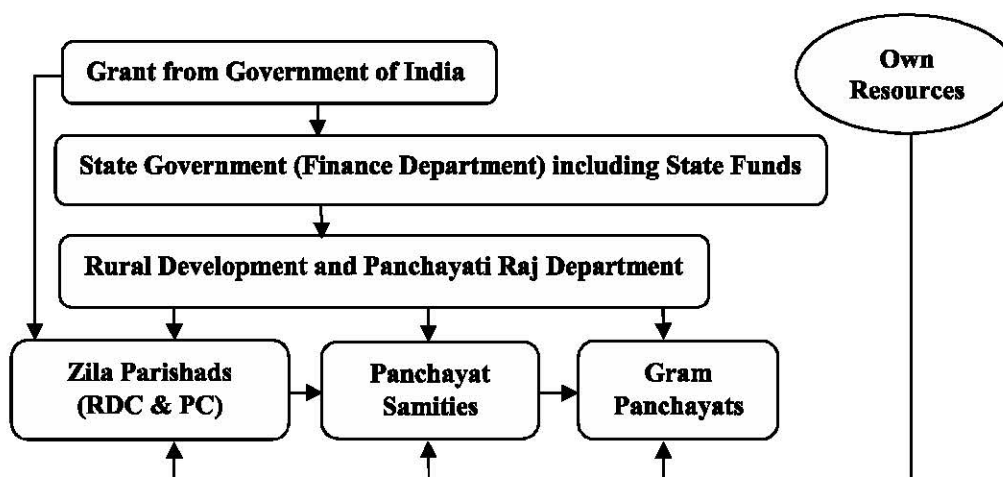
The Department is required to make efforts to ensure timely submission of UCs.

1.10 Financial Reporting Issues

1.10.1 Source of Funds

The receipts and expenditure of PRIs from all the sources are compiled by PRD and RDD separately at the State level. The schemes of PRD and RDD are usually executed by all the three tiers of PRIs. The fund flow of PRIs is given in Chart 1.2 below:

Chart 1.2



1.10.1.1 Financial Position of Panchayati Raj Institutions as per Panchayati Raj Department

PRIs have their own sources of tax and non-tax revenue *i.e.* fair tax, building tax, fees, rent from land and buildings, water reservoir etc. and capital receipts from sale of land. In addition, the PRIs receive funds from the State Government and Government of India (GoI) in the form of grants-in-aid/loans for general administration, implementation of developmental schemes/works, creation of infrastructure in rural areas etc. PRIs also receive funds under recommendations of the Central/State Finance Commissions. The position of receipts and expenditure of PRIs for the schemes compiled by PRD for the period 2015-20 is given in Table 1.8 below:

Table 1.8

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
(A) Revenue receipts					
Tax (own revenue)	NA	NA	NA	Nil	NA
Non-Tax (ZP) (own revenue)	NA	NA	NA	11.28	NA
Total Own Revenue	NA	NA	NA	11.28	NA
Grants-in-aid from State Government	3,832.57	5,237.27	6,456.10*	4,717.62*	NA
Thirteenth Finance Commission Grants	1.63	Nil	Nil	Nil	NA
Fourteenth Finance Commission Grants	1,471.95	2,305.52	2,657.47	1,362.11@	5,043.12@
Total Receipts	5,306.15	7,542.79	9,113.57	6,091.01	NA
(B) Expenditure					
Revenue Expenditure (Pay and allowances and maintenance expenditure)	5,047.40	7,499.67	8,486.82	6,440.25	NA
Capital Expenditure	0.56	43.13	25.00	6.50	NA
Total Expenditure	5,047.96	7,542.80	8,511.82	6,446.75	NA
Source: As per data provided by PRD. @ : As per data of State Finance Audit Report (2019-20 and 2020-21)					
NA: Not available, The information for the year 2019-20 was not made available by PRD despite repeated reminders.					
*It includes amount pertaining to Fifth State Finance Commission grant.					

The above table indicates that:

- There has been a steep decrease in total receipts in the year 2018-19 by 33.17 per cent over the previous year. State Government grants decreased by 26.93 per cent and Fourteenth Finance Commission grants also decreased by 48.74 per cent over the previous year in the same period. However, this position could not be compared for the year 2019-20 as the department did not provide the relevant information even after repeated reminders.
- Total expenditure in 2018-19 also decreased by about 24.26 per cent over the previous year. However, the expenditure could not be compared for the year 2019-20 as the department did not provide the relevant information even after repeated reminders.
- Non availability of figures of own revenue (tax and non-tax) with the Department for the year 2014-18 reflects the weakness of the management information system of Department. There are certain revenue receipts in ZPs and PSs in the form of rent from shops, fisheries, auctions, tender receipts, other taxes, etc. However, these were not compiled or consolidated at State level. The department did not provide the relevant information for the year 2019-20 even after repeated reminders.

Hence, PRIs are totally dependent on grants-in-aid received from State Government and Finance Commission. Complete dependency on grants and lack of fiscal autonomy is a matter of serious concern that needs to be addressed for improving governance at grass-root level.

1.10.1.2 Financial Position of Panchayati Raj Institutions compiled by Rural Development Department

The position of receipts and expenditure of the rural development schemes compiled by RDD for the years 2015-20 is given in Table 1.9 below:

Table 1.9

(₹ in crore)

S. No.	Particulars	2015-16			2016-17			2017-18			2018-19			2019-20		
		CSS	SSS	Total	CSS	SSS	Total	CSS	SSS	Total	CSS	SSS	Total	CSS	SSS	Total
1.	Opening balance	790.73	329.16	1,119.89	249.68	765.52	1,015.20	364.42	953.38	1,317.80	801.32	1,998.37	2,799.69	1,403.27	1,688.39	3,091.66
2.	Receipts	662.04	530.78	1,192.82	216.76	639.78	856.54	4,129.55	792.53	4,922.08	5,571.22	289.47	5,860.69	15,875.70	392.34	16,268.04
3.	Total available funds*	1,457.37	754.48	2,211.85	440.92	1,103.03	1,543.95	4,493.99	1,745.92	6,239.91	6,373.04	2,287.84	8,660.88	17,278.97	2,080.73	19,359.70
4.	Expenditure	1,077.59	652.85	1,730.44	304.16	767.04	1,071.20	4,068.26	666.32	4,734.58	5,243.65	603.01	5,846.66	13,847.90	578.36	14,426.26
5.	Closing balance	379.78	101.63	481.41	136.76	335.99	472.75	425.73	1,079.60	1,505.33	1,129.39	1,684.83	2,814.22	3,431.07	1,502.38	4,933.45
6.	Percentage of expenditure to the total available funds	73.94	86.53	78.23	68.98	69.53	69.38	90.53	38.16	75.88	82.28	26.36	67.51	80.14	27.80	74.52

CSS: Centrally Sponsored Scheme, SSS: State Sponsored Scheme.
 *Total available funds include Interest on funds and exclude unsanctioned amount as per information provided by the Department.
 Source: As per data provided by RDD.

The above table indicates that:

- There are consistent difference in closing balance of the previous year and opening balance of next year for each of the years. Similar discrepancies were also commented in the previous Audit Reports but they still persist. Urgent remedial action for reconciliation of the differences need to be taken by the GoR.
- Total receipts from Central and State Government have increased by about 474.64 per cent, 19.07 per cent and 183.71 per cent and the expenditure also increased by about 341.98 per cent, 23.49 per cent and 146.74 per cent in 2017-18, 2018-19 and 2019-20 respectively over the previous year.
- Utilisation of available funds was about 75.87 per cent, 67.51 per cent and 74.52 per cent during 2017-18, 2018-19 and 2019-20 respectively.

Scheme-wise financial status and progress of work under schemes during the year 2019-20 is as given in Table 1.10 below:

Table 1.10

(₹ in crore)

Sl. No.	Name of scheme	Total available funds	Expenditure	Expenditure in percentage of available funds	Total available works	Completed	Percentage of completion	Work not started
1.	MLA-LAD	1,656.06	401.26	24.23	6,263	5365	85.66	210
2.	Swa Vivek Zila Vikas Yojna	11.65	2.23	19.16	27	22	81.48	1
3.	MGNREGS	8,083.23	6,896.41	85.32	4,57,168	2,92,426	63.96	NA
4.	MAGRA	93.02	39.56	42.53	39	33	84.62	0
5.	MEWAT	86.42	30.26	35.02	112	99	88.39	1
6.	DANG	84.42	40.05	47.44	26	13	50	6
7.	BADP	441.26	165.74	37.56	676	478	70.71	0
8.	MPLAD	690.19	148.74	21.55	1,170	888	75.90	85
9.	MGJVY	149.17	64.99	43.57	85	70	82.35	1
10.	SPMRM	127.85	30.76	24.06	1,085	313	28.85	397

1.10.2 Recommendations of the State Finance Commission

Fifth State Finance Commission (SFC) period commenced from the year 2015-16. An amount of ₹ 2,770.93 crore, ₹ 2,252.95 crore and ₹ 449.73 crore was provided to the PRIs by the Department as Fifth SFC grant during the year 2017-18, 2018-19 and 2019-20 respectively. The grant was distributed in the ratio of 5:20:75 to ZPs, PSs and GPs. Accordingly, directions and guidelines were given for utilisation of the grant. The grant is to be released as untied fund for development of basic citizen amenities and their maintenance.

1.10.3 Recommendations of the Central Finance Commission

1.10.3.1 Fourteenth Finance Commission Grants

The Fourteenth Finance Commission covered the period from the year 2015-16 to 2019-20. During the period 2015-20, State Government received grants amounting to ₹ 12,840.17 crore (as shown in **Table 1.8**) and the same was fully transferred to the PRIs.

As per the Fourteenth Finance Commission guidelines, the concerned ZP and PS would be responsible to ensure fair and optimum utilisation of the grants by the GPs. For claiming performance grant, the GPs, shall submit audited accounts that relate to year not earlier than two years preceding the year in which the performance grant is sought. The GPs will have to show increase in their own revenue over the preceding year as reflected in the audited accounts.

1.10.4 Unutilised Funds

Out of 33 ZPs, only 26 ZPs¹³, 24 ZPs¹⁴ and 23 ZPs¹⁵ furnished their annual accounts in 2017-18, 2018-19 and 2019-20 respectively. The position of the unutilized fund based on these accounts is shown in **Table 1.11** below:

Table 1.11

(₹ in crore)

S.No.	Year	Opening Balance	Receipts in the year	Total funds	Expenditure	Closing Balance
1.	2017-18	747.20	1,090.68	1,837.88	1,104.77	733.11
2.	2018-19	653.59	829.43	1,483.02	882.30	600.72
3.	2019-20	639.22	452.42	1,091.64	558.61	533.03

Source: Annual accounts of the Districts.

- 13 Zila Parishad: Ajmer, Banswara, Baran, Barmer, Bhilwara, Bikaner, Bundi, Chittorgarh, Churu, Dausa, Dholpur, Dungarpur, Hanumangarh, Jalore, Jhunjhunu, Jodhpur, Karauli Kota, Nagaur, Pali, Pratapgarh, Rajsamand, Sirohi, Sikar, Tonk and Udaipur.
- 14 Zila Parishad: Ajmer, Banswara, Baran, Bharatpur, Bhilwara, Bikaner, Bundi, Chittorgarh, Churu, Dholpur, Dungarpur, Hanumangarh, Jaisalmer, Jhalawar, Jhunjhunu, Jodhpur, Karauli, Kota, Pali, Pratapgarh, Rajsamand, Sikar, SawaiMadhopur and Tonk.
- 15 Zila Parishad: Ajmer, Banswara, Baran, Barmer, Bhilwara, Bikaner, Bundi, Chittorgarh, Churu, Dausa, Dholpur, Dungarpur, Hanumangarh, Jalore, Jhunjhunu, Jodhpur, Karauli Kota, Nagaur, Pali, Pratapgarh, Rajsamand, Sirohi, Sikar, Tonk and Udaipur.

These balances include funds from Central & State Finance Commissions, and other grants under various schemes. Non utilisation of available funds is indicative of the deficiency in planning and implementation. The PRD at State level needs to analyse and prioritise the provision of funds to the PRIs and ensure their optimum utility in time.

1.10.5 Maintenance of Records

As per provisions contained in Rule 245 of RPRR, 1996, a quarterly statement of income and expenditure is required to be prepared in prescribed proforma by each PRI and sent to next higher authority. Similarly, at the end of the year a GP/PS is required to prepare an abstract of annual accounts in prescribed proforma vide rule 246 of Rules *ibid* showing its income and expenditure under each head of budget and forward it to the State Government through ZP by first May of the following year. Abstract of annual accounts is required to be accompanied by a statement of grants-in-aid received and spent during the year, statement of loans and amount outstanding, a list of works undertaken under the various schemes and a statement of assets and liabilities.

Provisions regarding maintenance of records viz. cash book, asset register, advance register, stock register and other records have also been enumerated in the RPRR, 1996.

Test check of 264 PRIs (ZPs: 09, PSs: 30 and GPs: 225) and 191 PRIs (ZPs: 10, PSs: 16 and GPs: 165) was conducted during 2017-18 and 2019-20 respectively. The deficiencies noticed during the test check, are summarised in Table 1.12 below:

Table 1.12

S.No.	Year	PRIs not maintaining separate cash books for different schemes			PRIs not preparing quarterly statement of accounts of income and expenditure			PRIs not preparing annual accounts in prescribed formats		
		ZP	PS	GP	ZP	PS	GP	ZP	PS	GP
1.	2017-18	7	18	Nil	4	12	207	3	10	152
2.	2019-20	Nil	1	Nil	4	1	52	1	Nil	52

It was observed that most of the GPs prepared annual accounts in initial receipts and expenditure statements called '*Goshwara*'. Moreover, 146 GPs out of the test checked 225 GPs during 2017-18 did not submit annual accounts to the State Government.

Out of the total 295 Panchayat Samitis in the State, 201 PSs submitted annual accounts to the State Government during 2017-18. The remaining 94 PSs did not submit annual accounts to the State Government as of October 2018. Further, 231 PSs submitted annual accounts to the State Government during 2018-19. The remaining 64 PSs did not submit annual accounts to the State Government as of October 2019. During 2019-20, 222 PSs submitted annual accounts to the State Government. The remaining 73 PSs did not submit annual accounts to the State Government as of January 2021.

The entire accountability process has thus been restricted to furnishing of a simple '*Goshwara*' at GP level and quarterly and annual accounts statements at

PS and ZP level, against the provisions of the RPRR 1996, which prescribed different formats for the accounts.

1.10.5.1 PRIASoft is a centralised accounting package that facilitates maintenance of accounts under Model Accounting System. Data is entered at District/Block /GP level and is integrated at State level. It was noticed that the PRIs were entering transactions relating to the grants of Central and State Finance Commission and Untied funds. According to the information provided by the Department, 14 ZPs, 101 PSs and 1,988 GPs had closed their year book for the year 2017-18. There were less than 10 *per cent* entries in five ZPs¹⁶ in PRIASoft and four ZPs¹⁷ did not make any entry in PRIASoft. During this year 2,103 PRIs closed their year book compared to 684 PRIs in the year 2016-17 and 282 during 2015-16.

Further, as per the information provided by the Department for the year 2018-19, 30 ZPs, 272 PSs and 9,294 GPs had closed their year book. It was also noticed that at GP level in 14 ZPs, there were 100 *per cent* entries in PRIASoft while in GPs of Bikaner and Pali ZPs, there were less than 60 *per cent* entries in PRIASoft. There was significant improvement as 9,596 PRIs closed their year book during 2018-19 compared to 2,103 PRIs in the year 2017-18 and 684 PRIs during 2016-17.

The information regarding closing of year book and entries in PRIASoft made by PRIs for the year 2019-20 was not provided by the PRD.

1.10.5.2 As per Rule 247(2) of RPRRs, 1996, every ZP is required to prepare annual accounts of receipts and expenditure and furnish the same to the State Government by 15 May of every year.

The position of submission of Accounts by total 33 ZPs (Panchayati Raj Cell) for the period 2017-20 (as of October 2021) is as given in the **Table 1.13** below:

Table 1.13

S.No.	Annual Account for the year	No. of ZPs submitted Annual Account within prescribed time	No. of ZPs submitted Annual Account with delay (range)
1.	2017-18	22	11 (1 to 85)
2.	2018-19	24	9 (1 to 112)
3.	2019-20	23	10 (5 to 123)

Similarly, annual accounts of ZPs (RDC) were required to be submitted to RDD by 30 September of every year.

¹⁶ ZPs: Dausa, Jaipur, Jhalawar, Kota, Sirohi

¹⁷ ZPs: Jhalawar, Jodhpur, Karauli, Sirohi.

The position of submission of Accounts by total 33 ZPs (RDC) for the period 2016-20 (as of October 2021) is as given in the Table 1.14 below:

Table 1.14

S. No.	Annual Accounts for the year	No. of ZPs submitted Annual Accounts within prescribed time	No. of ZPs submitted Annual Accounts with delay (range)	No of ZPs did not submit Annual Accounts
1.	2016-17	3	29 (10 to 797 days)	1 (ZP Pali)
2.	2017-18	3	29 (4 to 1,108 days)	1 (ZP Pali)
3.	2018-19	3	28 (7 to 611 days)	2 (ZP Banswara and Pali)
4.	2019-20	8	23 (5 to 362 days)	2 (ZP Banswara and Pali)

As evident from the table, ZP (RDC) Banswara and Pali consistently did not submit their annual accounts at all. Both ZP (RDC) and ZP (Panchayati Raj Cell) needs to make efforts to submit annual accounts on time.

1.10.6 Reconciliation of Balances as per Cash Book with Bank Pass Book

Rule 238 of RPRR, 1996 stipulates that it shall be the duty of Panchayat Secretary to reconcile the deposit and drawals with bank pass book every month on the basis of Panchayat record and get the mistakes corrected, if any. Similarly, in case of PS and ZP, cashier shall reconcile the PD account with treasury every month.

During 2017-18, Audit scrutiny of 46 PRIs¹⁸ revealed that in 56 cases, differences to the tune of ₹ 44.63 crore between the figures of PRIs records and bank /treasury accounts were pending to be reconciled as of March 2018. During 2018-19, Audit scrutiny of 15 PRIs¹⁹ revealed that in 15 cases, differences to the tune of ₹ 32.38 crore between the figures of PRIs records and bank /treasury accounts were pending to be reconciled as of March 2019. During 2019-20, Audit scrutiny of 16 PRIs²⁰ revealed differences to the tune of ₹ 36.01 crore between the figures of PRIs records and bank/treasury accounts in 17 cases which were yet to be reconciled as of March 2020.

1.10.7 Maintenance of Database and the Formats on the Finances of Panchayati Raj Institutions

Ministry of Panchayati Raj, Government of India had introduced (October 2009) eight simplified accounting database formats (prescribed by the C&AG of India) for implementation by PRIs at District and State level. These formats were meant to compile data of the PRIs on consolidated financial position, income and tax receipts, non-tax receipts, total receipts, details of expenditure and physical progress of funds allotted under Central/State Finance Commissions. These formats were agreed to be adopted for mandatory implementation by the Department with effect from April 2011. These formats were incorporated in the RPRR, 1996 through a notification in May 2015.

18 ZPs: (Panchayat Cell) six, ZPs: (RD Cell) five and PSs: 35.

19 ZPs: (Panchayat Cell) four, ZPs: (RD Cell) three and PSs: eight.

20 ZPs: (Panchayat Cell) four, ZPs: (RD Cell) four and PSs: eight.

However, PRIs have not been compiling and presenting the accounts data in these formats.

State Government intimated (January 2021) that the accounts in the database formats, as mentioned above has been furnished by ZPs Alwar, Dholpur, Hanumangarh, Nagaur and constituent 17 PSs.

Recommendations:

- 2. The Panchayati Raj Institutions need to strengthen their financial position by generating revenue through own tax and non-tax sources, to reduce continued dependency on grants provided by GoI and State Government,*
- 3. Efforts should be made by Panchayati Raj Institutions to implement the model accounting system prescribed by CAG and the centralized accounting package PRIASoft instead of continuing to prepare the accounts in a conventional receipt and expenditure format.*

1.11 Conclusion

As mandated by RPRA, 1994, five standing committees were to be constituted by each PRI. However, the actual status of their constitution has not been made available to Audit, despite repeatedly commenting in the previous Audit Reports. Further, meetings of DPC to discuss and prepare a draft development plan for the district, were also not conducted by most of the districts in prescribed numbers and manner, as envisaged.

Certain sources of revenue like fair tax, building tax, fees, rent from land and buildings, water reservoir etc. and capital receipts from sale of land had been provided to the PRIs. However, the PRIs have remained dependent upon the grants in aid released by State and central Government. PRIs have failed to recognize the importance of generation of own revenue. Even figures of 'own revenue' were not available with the Department for the past many years.

Accounting formats have been formulated since 2009. However, the PRIs were still maintaining their accounts in conventional formats. Scheme wise separate cash books, quarterly accounts of Income and Expenditure and annual accounts in prescribed formats were also not maintained by many of the PRIs. Thus, record maintenance of PRIs continued to be poor and incomplete to that extent. *PRIASoft*, an online centralised accounting package that facilitates maintenance of accounts under Model Accounting System, was not being fully utilized as many PRIs were not making entries in it.

DLFAD is the primary auditor of PRIs. Huge arrears in audit as well as certification of accounts of PRIs on part of the DLFAD, is an area of concern. DLFAD also did not ensure compliance to the observations made by this office under parameter 4 and 5 of TG&S. Social audit coverage of PRIs has been decreasing over the years.

The PRIs have not provided even the first compliance of 23 IRs containing 291 paragraphs (issued during 2017-2020). The prescribed number of Audit Committee Meetings to settle the outstanding audit paras were not conducted in any of the years during the period 2017-20.