

**REPORT OF THE STUDY TEAM
ON
THE AUDIT OF ACCOUNTS OF
PANCHAYATI RAJ BODIES
1965**



**MINISTRY OF COMMUNITY DEVELOPMENT AND COOPERATION
(DEPARTMENT OF COMMUNITY DEVELOPMENT)
GOVERNMENT OF INDIA**

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CHAPTER I

INTRODUCTORY

1. The Study Team on the Audit of Accounts of Panchayati Raj Institutions was set up by Resolution No. 9/1/64-Bud., dated 27th June, 1964, of the Government of India, Ministry of Community Development and Cooperation, which is reproduced below :—

“Panchayati Raj is now under implementation in ten States. In three more States, necessary legislation has been enacted and arrangements are under way for the establishment of higher tier institutions. By the end of the Third Plan period the entire country will have been covered by Panchayati Raj institutions. In this context the need for timely and efficient audit of the accounts of Panchayati Raj institutions assumes special significance.

2. The Study Group on Budgeting and Accounting Procedure of Panchayati Raj institutions set up in July 1962 incidentally went into the question of audit and found that the arrangements in vogue in the States were generally satisfactory. They recommended that the States should aim at cent per cent audit of accounts of Panchayati Raj institutions and that there should be a system of test audit of expenditure of grants by the Accountants General. These recommendations are under various stages of implementation by the State Governments.

3. With the progressive devolution of resources and functions to Panchayati Raj Institutions the need for ensuring soundness and propriety in their financial transactions has become urgent. It has, therefore, become necessary to undertake a detailed examination of the actual working of the present system of audit of the accounts of Panchayati Raj institutions, to locate the deficiencies, to devise measures to strengthen the system and to suggest a basic pattern of audit suitable for all States, allowing for local modifications. The Government of India have accordingly decided to set up a Study Team to go into the question and to make detailed recommendations.

4. The composition of the team will be as follows :—

Chairman : Shri R. K. Khanna, Additional Deputy Comptroller and Auditor General.

Member : Shri J. C. Luther, Deputy Secretary, Ministry of Finance.

Member-Secretary : Shri K. K. Uppal, Deputy Secretary, Ministry of Community Development and Cooperation.

The team will coopt for its deliberations in the States visited by them, representatives of the States' Accountants General, Development Commissioners and Examiners of Local Fund Accounts.

5. The terms of reference of the Study Team will be as follows :—

- (i) To study the practical working of the system of audit of accounts of the Panchayati Raj institutions at various levels and to suggest a basic pattern of audit for adoption with necessary modifications to suit local conditions;

- (ii) To recommend, in particular, measures for strengthening the system of audit so as to ensure its adequacy in relation both to quantum and frequency;
- (iii) To suggest, if necessary, a phased programme of the revised system for adoption, with due regard, among other things, to its financial implications and the availability of trained and experienced personnel; and
- (vi) To make such other recommendations of an incidental and consequential nature, bearing on the budgeting and accounting procedures of Panchayati Raj bodies, as the Study Team may consider necessary, to realise the objectives in view.

6. The team should submit its report by the 31st January, 1965.

7. The headquarters of the team shall be New Delhi. The team may undertake tours as and when necessary and may also meet such persons who may have expert knowledge on the subject."

1.2. The first meeting of the Study Team was held on 6th July, 1964 and a programme formulated for studying the budgeting, accounting and audit procedures of Panchayati Raj institutions and for consultations with the Accountants General and the State Government officials by undertaking trips to various States. Accordingly, we visited the States mentioned in Annexure I on the dates indicated and studied actual functioning of the Panchayati Raj bodies. We had fruitful discussions with Sarpanches, Chairmen and members of the Panchayat Samitis and Zila Parishads, State officials in the field as well as at the headquarters, the Accountants General and their representatives and some prominent non-officials. In Assam we had the opportunity of meeting the Minister for Finance, Community Development and Panchayats and Deputy Minister for Community Development and Panchayats.

1.3. Although the aim was to cover all the States in which Panchayati Raj bodies had come up fully we regret that due to paucity of time it was not possible to visit Mysore.

1.4. The list of officers coopted with the Study Team is given in Annexure II while that of non-officials is in Annexure III.

1.5. The Comptroller and Auditor General of India was kind enough to loan the services of Shri P. K. Ramachandran, an Assistant Accounts Officer in his organisation, to function as Assistant Secretary to the team. Since all the members of the team including the member-secretary were part-time the loan of a full-time Assistant Secretary by the Comptroller and Auditor General was of great assistance.

1.6. In response to a direction of the Comptroller and Auditor General, Accountants General in the respective States had prepared briefs on the working of Panchayati Raj institutions with particular reference to the aspect of budgeting and accounting arrangements, audit procedures and financial control even before the team started functioning. These briefs were of considerable use to the Study Team. Some more information was sought from the Accountants General, State Governments and the Examiners, Local Fund Accounts on 2nd December, 1964, and again from the State Governments on 22nd February, 1965. The aforesaid letters are reproduced in Annexure IV.

1.7. Under the Resolution constituting the Study Team, it was indicated that the team should submit its report by the 31st January, 1965. This time limit was extended up to 31st March, 1965, by Resolution No. 9/1/64-Bud., dated 12th February, 1965, by the Government of India, Ministry of Community Development and Cooperation.

1.8. Our Report is divided in two parts. Part I is the main report embodying our findings and recommendations. Part II contains the Annexures. We have given a brief account of the arrangements for accounting and audit in existence in respect of Panchayati Raj bodies and indicated the strands which should constitute the basic pattern of audit for these bodies. We have dealt at some length with the procedure of surcharge which obtains and the direction in which the modifications should be made. We have also dealt with the role of Accountant General in the audit of Panchayati Raj bodies and examined the desirability of placing a consolidated finance and audit report before the legislature.

1.9. After completing our visits to the States we had the opportunity to exchange views on the present audit arrangements and measures for toning it up with the Minister for Community Development and Cooperation and officials of the Ministry. We are grateful to them as well as the officials and non-officials in the States for having spared their time for the Study Team and given the benefit of their consultations.

CHAPTER II

BACKGROUND

2.1. Although the institution of Panchayats has a long historical origin, full-fledged Panchayati Raj comprising Panchayats at the base and Panchayat Samitis and Zila Parishads as the two higher tiers is fairly recent. This new set-up of democratic institutions came into being in Rajasthan and Andhra Pradesh in 1959. It has gradually spread out and, in addition to the two States already mentioned, is now functioning in Assam, Gujarat, Madras, Maharashtra, Mysore, Orissa, Punjab, Uttar Pradesh, and West Bengal—11 States in all. In other States village Panchayats are in existence but the two higher tiers are yet to be established. In West Bengal there is an intermediate stage between the lowest and the middle tier, known as Anchal Panchayats, which correspond to the former Union Boards and have been permitted to continue for historical reasons.

2.2. On 31st March, 1964, there were 214,898 Village Panchayats (covering 97 per cent of the village and rural population), 3,155 Panchayat Samitis and 230 Zila Parishads.

2.3. These institutions are elected bodies at the village, block and district level, conceived as units of local self-Government and charged with the implementation of planning and development programme. It was not intended that Panchayati Raj in various States should conform to a rigid pattern. Adherence to certain fundamental principles alone was laid down, these principles being the establishment of organically connected three tiers; transfer of power, responsibility and adequate finance; implementation of development activities through these bodies; and provision for further devolution of power and responsibility in the future. This was made clear in the recommendations of the Central Council of Local Self-Government,

“While the broad pattern and the fundamentals may be uniform, there should not be any rigidity in the pattern. In fact the country is so large, and Panchayati Raj so complex a subject with far-reaching consequences, that there is fullest scope for laying out various patterns and alternatives. What is most important is the genuine transfer of power to the people. If this is ensured, form and pattern may necessarily vary according to conditions prevailing in different States.”

2.4. Thus there is great diversity from State to State in the devolution of powers and functions to the Panchayati Raj bodies, and it is most marked at the highest tier. While Zila Parishads in Maharashtra have full executive functions, in Madras they are altogether advisory. In Andhra Pradesh, Assam, Gujarat and West Bengal they have some executive functions. In the remaining States only supervision and co-ordination vests in them. This supervision and assistance of the lower tiers by the higher ones assumes different forms. For instance, in Andhra Pradesh, Assam, Maharashtra, Orissa, Rajasthan and Uttar Pradesh, the budget of the Village Panchayat is sanctioned by the Panchayat Samiti.

2.5. Against this background it was inevitable that diversity should also characterise the resources position of the Panchayati Raj bodies. Generally

the Panchayats are empowered to impose compulsory taxes such as levy on profession, property, and vehicles, and cess of land revenue. A part of land revenue is given to them as a grant by some of the State Governments. In Bihar it is 6½ per cent, in Punjab 10 per cent, in Gujarat 25.30 per cent, in Maharashtra 30 per cent, in Mysore 35 per cent, while in Kerala entire land revenue is given as basis tax grant. In some States like Assam and Gujarat Panchayat Samitis too are empowered to levy taxes. The other sources open to them are the budget of the Block, the State Government grants, and part of the land revenue. Zila Parishads too receive the grants from the State exchequer, apart from share of land cess and other taxes assigned to them. In Gujarat, Maharashtra, Uttar Pradesh and West Bengal they are empowered to levy taxes, but here again there is no uniformity. In regard to particular schemes transferred to them for execution as agency functions by the State Governments, the Panchayat Samitis and Zila Parishads receive the funds earmarked. According to the Report of the Study Team on Panchayati Raj Finances, in 1961-62 the budget of a selected district in Punjab was Rs. 6 lakhs, in Orissa 26 lakhs, in Uttar Pradesh 37 lakhs, and in Andhra Pradesh 120 lakhs. In 1962-63 the budget of Poona Zila Parishad in Maharashtra was 213 lakhs.*

2.6. For want of adequate data it is not possible to have a precise all India picture of the amounts raised by these bodies through their own resources. As estimated by Shri B. Maheshwari, in Rajasthan Panchayat Samitis draw about 90 per cent of their total income from grants and loans.** The same is the position in regard to Zila Parishads in Maharashtra. In Madras 21 per cent of the income of the Panchayat Union Councils comes from local resources while in Orissa it is nil for the two higher tiers because they have no power of taxation. We deem it a fair estimate that on the whole State exchequers are contributing, by way of grants and loans, 90 per cent or more of the total income of the Panchayati Raj bodies.

2.7. Not only because it constitutes the major portion of their budgets but also *per se* this contribution is very sizeable. In 1961-62, in the 11 States under reference, an amount of Rs. 8,389 lakhs was given as grants and loans to the Panchayati Raj bodies against the plan outlays of Rs. 44,388 lakhs. In 1962-63, the corresponding figures were Rs. 14,401 lakhs and Rs. 53,273 lakhs, in 1963-64 Rs. 17,312 lakhs and Rs. 63,247 lakhs, and in 1964-65 Rs. 19,405 lakhs and Rs. 76,536 lakhs. In 1961-62, the grants and loans constituted 18.89 per cent of the Plan outlays, in 1962-63 it rose to 27.03 per cent, in 1963-64 to 27.37 per cent, and in 1964-65 it is 25.35 per cent. A graphic representation is given at pages 7 and 8 while State-wise figures are abstracted in Annexure V.

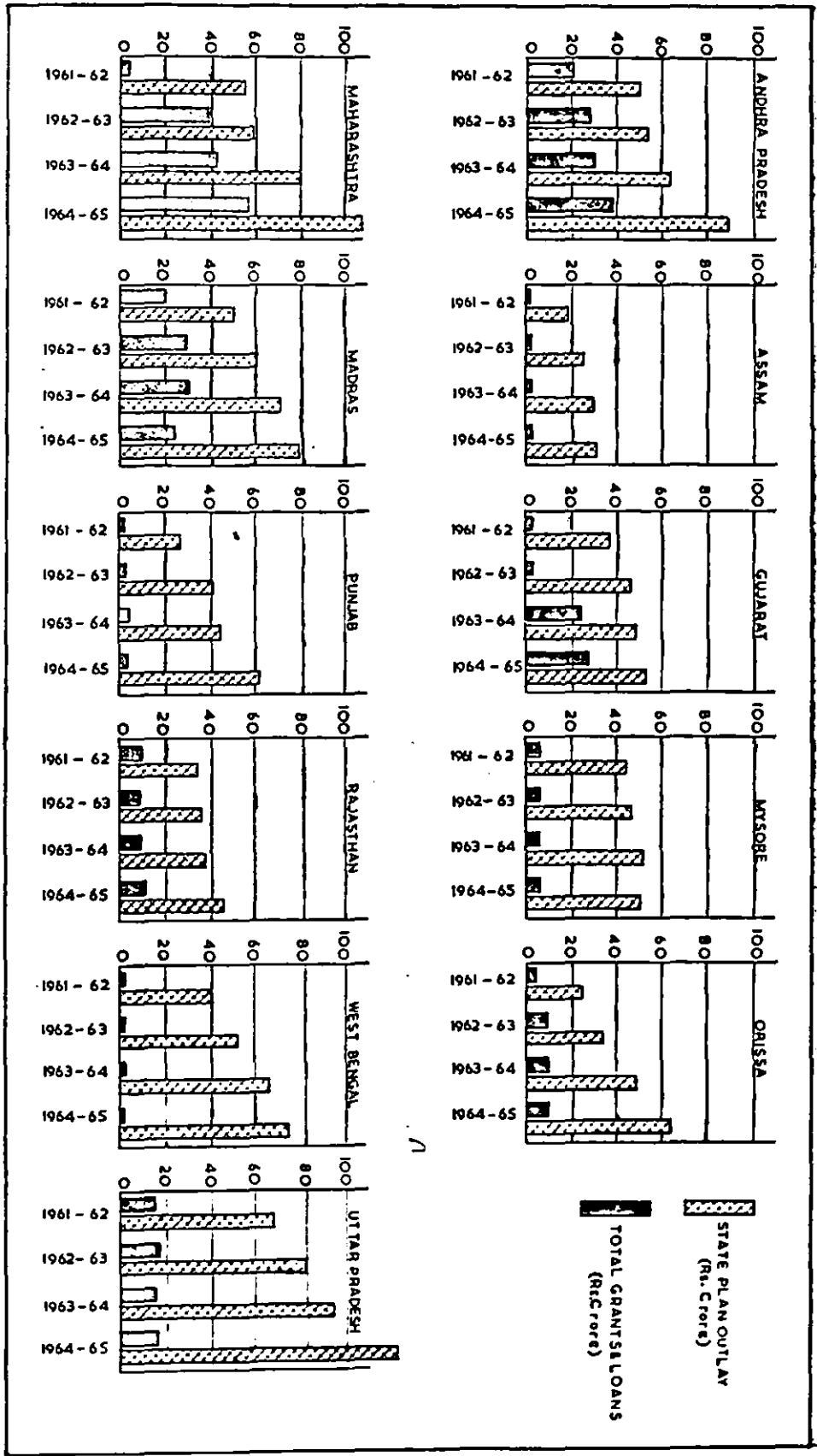
2.8. The very massiveness of the amounts made available to Panchayati Raj bodies underscores the need and urgency for a sound system of audit to ensure the propriety of their financial transactions. Since it is visualised that in the future the income of these bodies will increase substantially, the need for effective safeguards will become even greater. The Committee of the Consultative Council of Panchayati Raj has recommended that entire land revenue should be earmarked for the Panchayati Raj bodies, and a

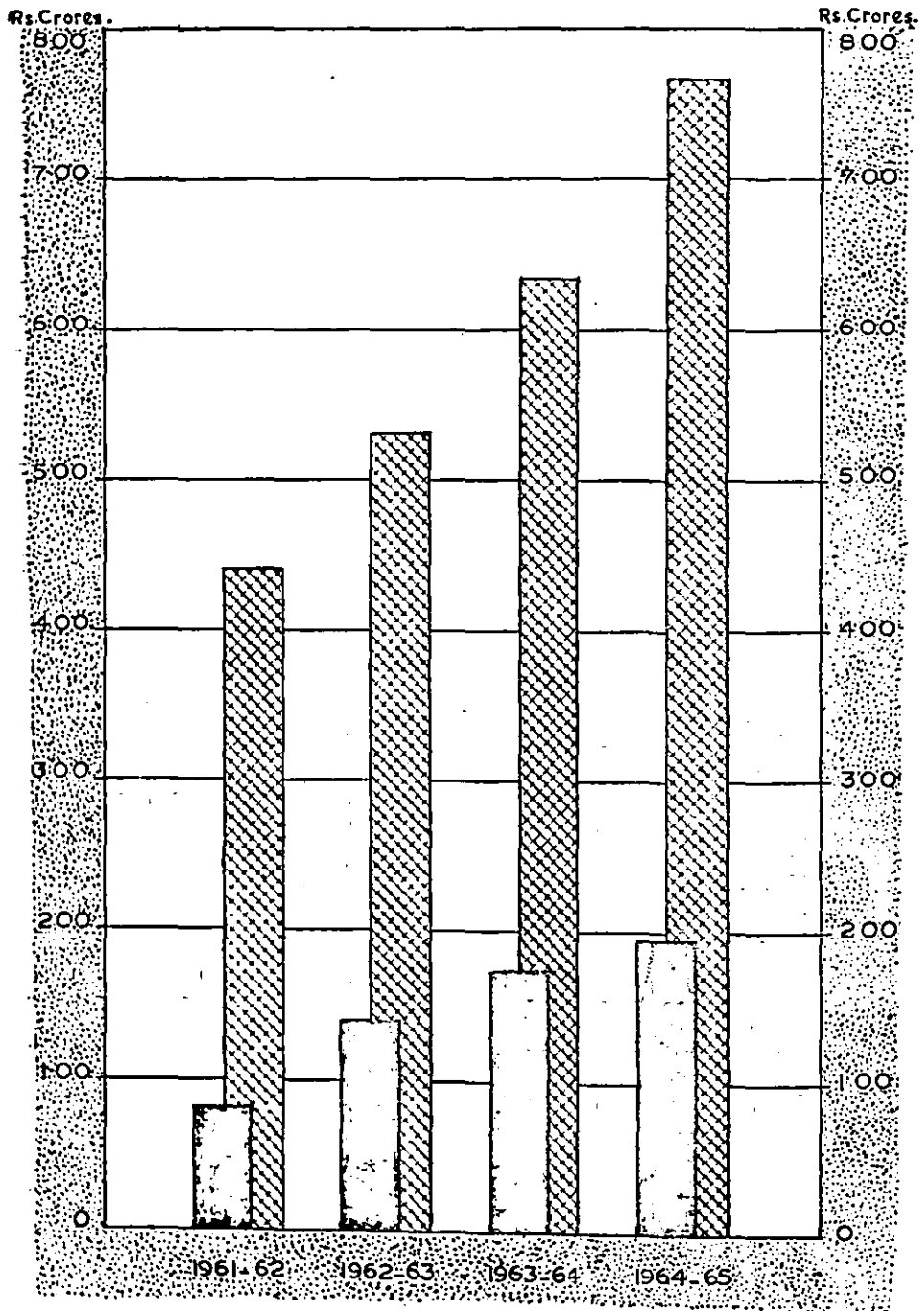
*Page 32.

**The Indian Journal of Public Administration, October—December 1962, page 566.
LICD&C/64

part of the rupee counterpart of P.L. 480 funds also set aside for capital assistance to them to build their remunerative assets.*

2.9. Audit is the instrument through which control and supervision is exercised, deficiencies located, and loopholes plugged to ensure soundness all-round. Since sound accounting is *sine qua non* to effective audit, we first propose to examine the accounting arrangements obtaining in various States and outline the measures for improvement. This is followed by a description of the audit set-up and the direction in which changes could be brought about for prompt and efficacious results.





 PLAN OUT-LAYS OF 11 STATES

 GRANTS AND LOANS OF 11 STATES

CHAPTER III

ACCOUNTS

3.1. Undoubtedly the most important ingredient of a sound system of accounting is the accounting personnel, adequate in number and technically qualified. On their performance more than on any other factor, depends the success in the operation of the system. This applies with full force to Panchayati Raj bodies, to all the three tiers alike. The problem has, of course, greater magnitude with respect to the panchayats because, as already pointed out, their number is over 2 lakhs and it is no easy task finding sufficient number of accountants having qualifications and experience commensurate with their requirements. Our impression is that in terms of the availability of suitable personnel the accounting arrangements have not kept pace with the growth of the institutions.

3.2. The following chart gives the particulars regarding the number of panchayats and Panchayat Secretaries, their qualifications training etc. in the States where Panchayati Raj has been established in full :

State	No. of Panchayats	No. of Panchayat Secretaries	Qualification	Training Programme for Secretaries		
				Percentage trained secretaries and total in position	No. of training centres	Capacity of training
1	2	3	4	5	6	7
Andhra Pradesh	15,268	514	S.S.L.C.	69	1	—
Assam ..	2,570	2,577	Middle	16	2	640
Gujarat ..	11,536	6,915	Vernacular Final	100	8	1,300
Madras ..	12,563	*	*	*	*	*
Maharashtra	19,741	20,843	Vernacular Final	81	13	4,500
Mysore ..	7,450	7,000	S.S.L.C.	43	10	7,000
Orissa ..	2,340	2,243	Eng. Middle	75	6	1,200
Punjab ..	13,452	1,100	Matric but relaxable.	80	1	200
Rajasthan ..	7,391	7,300	Middle	50	20	800
Uttar Pradesh	72,333	8,711	High School	17	12	2,400
West Bangal ..	15,101	800	School Final	35	1	120

*The part-time clerks or Karnams, appointed as part-time clerks, look after the office work. Before appointments as Karnams, they are required to pass special test in Village Manual of Accounts, survey, and power and duties of Village Officers.

3.3. While an ideal arrangement would be for each Panchayat to have a Panchayat Secretary it is not possible to lay it down as a rigid formula of

universal application. The income of the village Panchayat and its capacity to pay the Secretary are very relevant considerations. (Despite Government's contribution this capacity might still be meagre). In Uttar Pradesh 72,333 Panchayats have 8,711 Secretaries. In Punjab there are 1,100 Panchayat Secretaries for 13,452 Panchayats, so on an average a Panchayat Secretary is looking after more than 10 Panchayats. Obviously he is not able to do justice to the work. The Sarpanches explained that while it would be very desirable to limit the number of villages to the charge of a Panchayat Secretary it was not possible to do so within their meagre resources. A Panchayat Secretary looking after 10 Panchayats draws Rs. 10 from each and the Panchayats are just not willing to go in for a larger financial commitment which would become inevitable if he were to look after fewer than 10 Panchayats.

3.4. It is not possible to work out actual shortages because a norm has not been laid down. We think it would be well if Panchayats having an income of Rs. 10,000 or more engage a full-time Panchayat Secretary while the remaining ones are suitably grouped for being attended to by part-time secretaries, provided that a group does not include more than 5 Panchayats. If a Panchayat is not able to bear even 1/5th of the salary of a Panchayat Secretary a suitable subsidy will have to be provided by the Government. This can be progressively withdrawn as the remunerative assets of the Panchayat increase.

3.5. It is difficult to give one categorical judgement on the quality of maintenance of accounts at panchayat level. The diversity is huge and variations were present not only from State to State but even within a State from one area to the other. At good many places the arrangements could not be described as satisfactory. Quite inadequate attention was found to have been paid to registers and forms. In some cases the prescribed registers were not maintained or columns were not correctly drawn or the entries were not posted up-to-date or having been posted, these were over-written or mutilated a number of times raising suspicion as to the *bona fides* of the transactions or at least testifying that the accountant did not know his own mind.

3.6. The States have laid down the arrangements for the training of Panchayat Secretaries and these are generally satisfactory. We would, however, suggest that more stress should be laid on training in accounts, and the capacity of the training institution enlarged so as to cover the remaining untrained personnel within a period of two years.

3.7. The accounting arrangements at the two higher tiers were found to be comparatively in better shape, ascribable to the fact that better qualified and trained accountants were found to be manning the posts in these two bodies. The minimum complement of the accounts staff of Panchayat Samiti or Zila Parishad (where the Parishad is an executive body) is an accountant. He is generally supported by one or two accounts clerks and a cashier. In Zila Parishads in Maharashtra the arrangement is most elaborate inasmuch as the accounting personnel consist of 1 Chief Accounts and Finance Officer, 1 Accounts Officer, 1 Head Accountant, 4—6 Senior Clerks and an equal number of Junior Clerks. In Gujarat and Uttar Pradesh the accounts staff in Zila Parishad is headed by an Accounts Officer. The States were receptive to the suggestion to organize refresher courses to keep up the knowledge and performance of the accounting staff.

3.8. We recommend that the accounting personnel of Panchayati Raj bodies should be formed into a cadre and placed under the Development or Panchayat Raj Department to ensure a unified control, uniformity in pay scales, and a planned basis for their placement and mobility. In Maharashtra such a cadre has already come in existence while in Andhra Pradesh and Orissa steps are being taken to give the idea a practical shape. Since the cadre will be an expanding one it is not unlikely that actual shortages will be felt from time to time. These could be made good by taking suitable personnel on deputation from the staff of the Accountants General. We noticed that in Rajasthan some Accountants had been drawn from the staff of the Examiner, Local Funds Accounts to man the accounts wing in some of the Panchayat Samitis.

3.9. The budgeting and accounting procedure has a vital bearing on audit and here we would like to refer to some of the recommendations made in the Report of the Study Group on Budgeting and Accounting Procedure of Panchayati Raj institutions, with which we are in agreement. The Study Group recommended a model system of budgeting and accounting with a view to simplify and rationalise the existing arrangements, to ensure prompt and regular flow of funds for the speedy execution of development schemes entrusted to Panchayati Raj bodies. This, it was suggested, had to be achieved through a schematic budget, in addition to the usual annual budget for each of these institutions, fitting in the State budgets; uniformity in the accounts heads closely following those enumerated in the "list of major and minor heads"; channelising under one major head the grants to these bodies; allowing time up to 30th September every year for utilisation of grants before they are treated as lapsed and adjusted against the next year's allocation; indication by the State Government, in advance, of the amount of grant and loan likely to be available during the budget year; and timely release of funds by the different departments to the Panchayati Raj bodies. The Study Group also suggested a time schedule for the preparation and passing of budget of these bodies. During our tours we found that these recommendations were under various stages of implementation. Giving them full practical shape and evolution of a simple and more rational budgeting and accounting procedure will forestall many of the problems for audit to which the present complexities inevitably give rise.

3.10. One particular direction in which a major advance has yet to be secured is what has commonly come to be known as the "pooling of resources". The present arrangement is that for the same or similar schemes, funds flow from more than one source from centre to the State and in like manner from the State to Panchayati Raj bodies. Expenditure is required to be debited under different budget heads. Government of India's assistance differs from scheme to scheme and the rate of people's contribution is also not uniform.

3.11. There is no rationale characterising the flow of these funds and thus the job of preparing the accounts by Panchayati Raj bodies has been rendered needlessly complex and difficult. This complaint was voiced by practically every State visited by us and accordingly we commend this matter for urgent and thorough consideration of the Central Government. The Government of Maharashtra pointed out that drinking water supply schemes in rural areas are taken up under 9 Plan schemes and spread over 3 different sectors, viz., Health, Community Development and Backward Classes. A comprehensive note prepared by them highlighting this problem is given in Annexure VI. The problem is, however, not confined only to the drinking

water supply schemes. The same holds good with varying degrees for link roads, school buildings, agricultural schemes, animal husbandry, fisheries, and rural arts and crafts. It is a sad thought that this matter has so far not received the attention it deserved. On the one hand we expect the Panchayati Raj institutions to maintain efficiency in accounting despite the general shortage of qualified and experienced personnel available to them, and, on the other hand, operate a system of assistance and budgetary allocation which renders that task extremely difficult, if not impossible.

3.12. It is obviously not possible to lay down a complete and exhaustive list of forms and registers to be maintained at each tier (some basic ones were indicated in the Report of the Study Group on Budgeting and Accounting Procedure of Panchayati Raj institutions). In Punjab 6 registers are prescribed at the level of the Village Panchayat. In Madras there are 60 and other States comes in between. In Punjab 34 forms and registers are prescribed for Panchayat Samiti, the corresponding number in Madras is 141. The Zila Parishad in Gujarat is required to maintain 66 and in Maharashtra 97 registers. It would be well for the State Governments to undertake a periodical review of the forms and registers to see if these could be simplified further and also reduced in number. As a result of one such review taken in Andhra Pradesh the number of registers at Village Panchayat level was brought down from 14 to 6 and at Panchayat Samiti from 81 to 53.

CHAPTER IV.

AUDIT

4.1. The Examiner Local Fund Accounts is the auditor for Village Panchayats in Andhra, Assam, Maharashtra, Madras (Town Panchayats), Punjab and Rajasthan. In Gujarat he will take up this work from 1st July 1965. In Uttar Pradesh the work is entrusted to the Chief Audit Officer, Cooperative Societies and Panchayats, in West Bengal to the Extension Officer (Panchayat), while in Orissa to the Director, Gram Panchayats. Regarding the frequency and quantum of audit the norms vary from State to State. In West Bengal the prescribed standard is quarterly audit, in Punjab it is tri-annual for village Panchayats having less than Rs. 500/- as yearly income, and annual for others, in Madras and Andhra Pradesh it is concurrent audit for Town Panchayats and annual audit for others, in Uttar Pradesh it is once in two to four years, while in other States it is annual. The position of arrears of audit for the period from 1961-62 to 1963-64 is given below. The audit of the last mentioned year was still in progress in the States during our visits. At the end of 1964-65 there will be further reduction in arrears.

STATEMENT I

State	No. of Village Panchayats.	Average No. of Village Panchayats in a Samiti	Frequency	Arrear in audit		
				1961-62	1962-63	1963-64
1	2	3	4	5	6	7
Andhra Pradesh	15,268	40.4	Annual	N.A.	8,964	3,339
Assam ..	2,570	21.4	Annual	2,610**	3,360**	3,522**
Gujarat ..	11,536	57.8	Annual	N.A.	N. A.	N. A.
Madras ..	12,563	33.6	Town Panchayats concurrent.	17	104	In progress
			Village Panchayat Annual	921	5,127	N. A.
Maharashtra	19,741	67.4	Annual	20,000 units in arrear		
Mysore ..	7,450	43.3	Annual	7,444	5,938	3,784
Orissa ..	2,340	7.5	Annual	190	134	92
Punjab ..	13,452	59.5	Tri-Annual for income less than Rs. 500 and Annual for others.	6,000	7,251	9,411
Rajasthan ..	7,391	31.9	Annual	3,504	1,561	2,607
Uttar Pradesh	72,333	84.7	2 to 4 years	37,371	33,162	33,638
West Bengal ..	19,644*	60.4*	Quarterly	Not available		

*As on 1st December 1964

**Figures given are cumulative.

While the quantum of arrears is large in Assam, Maharashtra and Uttar Pradesh, at other places the position is somewhat better.

4.2. The audit of the higher tiers of the Panchayati Raj institutions in most of the States is conducted by the Examiner, Local Fund Accounts under the administrative control of the Finance Department of the State Government. In Orissa this work is entrusted to the Additional Development Commissioner. In Uttar Pradesh, the Examiner, Local Fund Accounts audits the accounts of Zila Parishad alone; that of Kshetra Samitis, which came into existence recently, vests in the Accountant General. With the coming into force of the proposed Zila Parishads and Kshetra Samitis (Budget and Accounts) Rules, 1964, this work will also be assumed by the Examiner, Local Fund Accounts.

The position in regard to higher tiers is given at page 15.

Only in Assam it can be said to be grossly unsatisfactory since as many as 124 out of 128 Anchalik Panchayats were not audited in 1961-62 the cumulative figures of arrears in 1962-63 rose to 174 and the following year to 190.

4.3. The arrangement for auditing Gram Panchayats by Extension Officer (Panchayats) is open to two objections. Firstly the Extension Officer (Panchayats) is not suitably equipped for audit work and he is burdened with other duties. Secondly he cannot be said to be an independent body in any sense of the term and thus unable to give fair and objective findings in all cases. We recommend that in States where at present Panchayat accounts are not being taken up by the Examiner, these should be brought under his audit control.

4.4. At the level of the Village Panchayat especially, there is need to impart guidance and education to the accounts personnel and non-officials and not conduct audit in a purely formal fashion by sending a party once a year or so. What is really needed is an internal auditor-cum-financial guide not far away from the location of Panchayats and constantly in contact with them to solve their difficulties as and when they arise. That is not to say that the annual audit will be dispensed with but it will have a different character altogether. It would be in the nature of an objection memo comprising only those items which were of a more serious nature not capable of being settled on the spot. This primary auditor has to be based at the Panchayat Samiti level. We feel that a jurisdiction of 40-50 Panchayats will be such as to enable him to do justice to the work. The average number of Village Panchayats in a Samiti varies a great deal from State to State. While in Orissa the average is 7.5, in Uttar Pradesh it is 84.7. The other States come in between as is evidenced by the data already given (Statement I). Obviously it will be wasteful to have one auditor at each Panchayat Samiti in Orissa, while one may not be able to manage 84 Village Panchayats in Uttar Pradesh. In Andhra Pradesh and Mysore the average is around 40 and a primary auditor can be based at each of the Samiti level. Suitable re-grouping will have to be attempted where the number of Village Panchayat in a Samiti is small while more than one primary auditor would become necessary where the jurisdiction is unduly large. Diversity in the number of institutions and their coverage being what it is from State to State, we do not wish to be categorical on this point.

4.5. We do not think that the altered arrangements will impose a heavy burden on the State exchequer. For example in Orissa there are 2,340 Panchayats and the number is likely to be about 4,000 on re-organisation.

STATEMENT II

State	No. of Panchayat Samitis	No. of Zila Parishad	Frequency Quantum of audit	Arrears in audit			Arrears in audit		
				Panchayat Samiti			Zila	Parishad	
				1961-62	1962-63	1963-64	1961-62	1962-63	1963-64
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Andhra Pradesh	378	20	Annual and 50% (provision is half-yearly audit and 100%).	0	0	414	12	12	20
Assam	120	16	Annual	124*	174*	190*	N.A.		
Gujarat	182	16	Annual	Audit due for completion by 31st March 1965.					
Madras	374	21	Quarterly 100%	0	34	in progress.			
Maharashtra	293	25	Annual	0	0	0	0	0	0
Mysore	172	20	Annual (not available)	131	88	51	160	93	49
Orissa	313	13	Bi-annual 100%	—	91**	48**	—	25**	5
Punjab	226	17	Bi-annual 4 Months	228	65	9	8	12	4
Rajasthan	232	26	Annual	26	10	22	2	—	2
Uttar Pradesh	854	51	Different (percentage for different classes of vouchers). Annual		Not taken up		0	0	0
West Bengal	325	15	2 monthly accounts. Annual		Not taken up		—	—	—

*Figures are cumulative.

**Based on 2 half-yearly audit

At the rate of 40 Panchayats 100 primary auditors will be needed against 126 Extension Officers who are now doing it as part of their duties.

4.6. It is difficult to assess the actual shortage of personnel for audit for the two higher tiers for the reason that apart from the audit of these bodies they are also taking up audit of other local institutions in most of the States. In Andhra Pradesh the prescribed strength of the audit organisation is 19 District Inspectors, 77 Upper Division Auditors and 39 Lower Division Auditors. The shortage in the respective categories is 4, 58 and 29 which understandably is affecting the quantum of disposal as well as the quality of output. In Orissa originally the strength of the audit organisation was 27 Senior Auditors and an equal number of Junior Auditors. It was raised to 33 in each of the categories. The estimate of the State Government is that to cope up with the work, there should be 41 Senior Auditors and 41 Junior Auditors. The leeway is yet to be made up. In Punjab out of the prescribed strength of 74 Senior Auditors, 72 are in position and out of 186 Junior Auditors 127 are on the job. The shortage has been attributed to non-availability of trained personnel. Though the actual shortages have not been precisely worked out in other States, we were told that the same reason *viz.* non-availability of trained hands obtained there as well. Sometimes it was coupled with the difficulty of persuading the Finance Department to sanction the posts.

4.7. We recommend annual audit covering accounts of 3-4 months, including March, as the norm. Where this audit discloses major irregularities it would be necessary to go further and audit the rest of the transactions or part thereof according to the discretion of the auditor. While we are convinced that audit mechanism should be sound, the danger of making an over elaborate arrangement has to be avoided. Audit has an important place in the totality of things but it should not be emphasised out of all proportions to its significance. In Madras it is quarterly audit covering cent per cent transactions giving no respite to these bodies. We put it across to the State officials and they agreed that this frequency and quantum were unnecessary and needed a suitable reduction.

4.8. On the basis of the norm suggested by us and the following other factors, the State Governments should assess the total requirements and actual shortage of audit personnel and take steps to bring the organisation to full strength :

- (a) the number of institutions.
- (b) average time taken for audit at each tier.
- (c) quantum of backlog.
- (d) need for prompt scrutiny of replies to audit objections.

While the intake of additional personnel will obviously be regulated by the availability of qualified hands, this exercise of assessment of requirements which is an essential preliminary, has to be gone into without delay. We found that in Uttar Pradesh where the audit of Kshetra Samities has to come shortly to the charge of the Examiner, Local Fund Accounts, no thought had been bestowed on what it would mean in terms of organisation to cope with the work—much less to evolve the organisation. In Gujarat we were assured that the matter was receiving the active attention of the Government; the actual exercise had, however, not been attempted.

4.9. We think that the expenditure on audit should not exceed 2 per cent of the income of these institutions. It is important to see that the audit arrangements are not overly expensive otherwise it would be like the protective hedge eating the crop.

4.10. The reduction in the frequency and quantum of audit has to be accompanied by an improvement in quality and thoroughness, and speed in settling objections. Audit has not only to see that there is proper vouching for expenditure, but also that it is covered by the law and the rules, and not outside the authority of the institution. Finally, there has to be an assessment as to how far the work had been accomplished for which the amount was allotted. Some of the States contended that the last mentioned function belonged to the executive and not audit. The view held by others was that although it was desirable for audit to look into this, due to various reasons notably dearth of trained and qualified personnel, it was not possible at present to assume this function. In our view this responsibility is jointly shared by the executive and the audit.

4.11. By and large what the Examiner's organisation does in a number of States is voucher audit, unaccompanied by a critical enquiry as to the authority for sanction, let alone the more sophisticated aspect of relating the expenditure to performance, commonly known as "money for value audit". The following examples which are illustrative will bring it home :—

(A) In a certain Anchalik Panchayat in Assam a sum of Rs. 97 was advanced as taxi fare to a person and audit had passed the transaction merely on the strength of the payee's receipt. The record did not show why the money was advanced. The audit officers had not gone into the question whether Anchalik Panchayat had any authority to sanction this expenditure. Our enquiries on the spot drew forth the reply that use of taxi had become necessary due to Chinese aggression. Still it was not clear whether that worthy had used it for organising people's resistance or for conveying himself speedily to the front line. Anyway this line of questioning became unnecessary, our further scrutiny disclosing that while the Chinese aggression had taken place in October-November, 1962, the taxi was used some six months thereafter.

(B) An amount of Rs. 800 was spent for organising training of home guards, the amount having been withdrawn from under the head of "Emergency Relief". The authority to sanction the expenditure was found not to have been mentioned in the cash book or the ledger. The proceedings of the meeting of the Anchalik Panchayat showed an interpolation, (obviously an after thought) authorising the President to extend assistance. Whether this assistance should be in financial terms or otherwise, and if the former, what should be the amount, was not indicated. The audit had not taken cognizance of these aspects; no enquiry was made whether "Emergency Relief" included organisation of home guards. That there was on record a stamped receipt for expenditure satisfied them entirely. We were led to believe that at this rate the Anchalik Panchayat could have given away all its money and property to a charitable institution and audit would still be satisfied by the appearance of a acknowledgement on record; not for them to enquire whether the Anchalik Panchayat and its office-bearers had the requisite authority to perform the charitable deed. The examples can be taken and multiplied practically from any State. We have cited Assam because the absence of financial control in that State was most marked and, therefore, dismaying.

4.12. Instead of locating the whole audit organisation at the headquarters a better arrangement would be to place a complement of officials at each of the district headquarters to ensure better mobility and nearness to the jurisdiction to be covered. The strength of the party may preferably be 1 Senior Auditor and 2 Junior Auditors. Adequate gazetted supervision will have to be provided for a group of districts. One party can be located at the headquarters to undertake any special audit which may become necessary.

4.13. It is fit and proper that there should be a separate cadre for the audit personnel of Panchayati Raj bodies functioning under the Examiner and unencumbered with work of other local institutions. In the initial stages and till the cadre gains full strength, officers can be obtained on deputation from the organisation of the Accountant General. We may mention that the decentralised pattern of placement of audit personnel which we are recommending already obtains in Andhra Pradesh, Gujarat, Madras, Mysore and Maharashtra. In Madras it is located at the headquarters of the development district (the whole State has been divided into 21 development districts) while in Mysore it is at the Taluka headquarters.

4.14. The common types of irregularities noticed by audit in the various States are indicated below :—

- (i) Failure to get budget sanctioned.
- (ii) Mispostings in cash book and non-accountal of receipts.
- (iii) Purchases made without calling for tenders.
- (iv) Payment of unauthorised advances.
- (v) Misappropriation of funds.
- (vi) Non-maintenance of stock register.
- (vii) Unauthorised expenditure.
- (viii) Short recoveries due.
- (ix) Panchayat money kept by the Chairman instead of in savings bank account.
- (x) Account books maintained in a slipshod manner.
- (xi) Work not conducted in accordance with the provisions of the relevant Act and Rules.

4.15. We desired to frame a precise estimate of the amount involved in the irregularities and embezzlements committed in the Panchayati Raj Institutions but adequate information was not available with the State Governments. The data in respect of Uttar Pradesh and Orissa is given below :—

UTTAR PRADESH

The following major financial irregularities were noticed by the Chief Audit Officer during the course of audit conducted by him in 1963-64. The audit was still in progress and so the number of cases and amount involved

will inevitably be more at the close of the financial year when the work is completed :—

No. of Cases	Nature of irregularity			Amount in lakhs
(I)	85	Suspected embezzlement	.. .. .	·33
(II)	81	Amount not accounted for in the Cash Book		·34
(III)	20	Losses/Shortages of Stores	.. .. .	·08
(IV)	32	Losses/Shortages of Cash	.. .. .	·18
(V)	3	Irregularities in disbursement of loans	..	·11
(VI)	79	Other financial irregularities	.. .. .	1·77
	300			2·81

ORISSA

Year	No. of Cases	Amount involved
1961-62	144	2,19,031·00
1962-63	234	51,679·00 (In respect of 131 cases only, money value in remaining cases not readily available).
1963-64	209	5·36 lakhs.

Audit reports received till the end of 1963 disclosed proposals for recovery of Rs. 13.59 lakhs from 867 Sarpanches in the State, over 1/3 of the total strength. Of the 867 Sarpanches thus involved in audit proceedings, cases of 260 had been finalised by 4th April, 1964, by issue of regular surcharge orders covering an amount of Rs. 4.69 lakhs. Misappropriation is not the only ground on which recovery has been proposed in the aforesaid cases; various other categories of irregularities taken note of by audit are indicated below :—

- I. Expenditure without budget provision.
- II. Expenditure without obtaining approval of the Gram Panchayat.
- III. Expenditure for public purposes not authorised under the rules or under specific orders of Government e.g. contribution by Gram Panchayat out of its own resources for management of a High School or Middle Elementary School without obtaining specific orders of Government is irregular.
- IV. Failure on the part of the Sarpanches to take effective measures for recovery of outstanding advances and lease amount of Gram Panchayats.
- V. Utilisation of Government grants and loans for public purposes other than those for which the amounts were specifically sanctioned.
- VI. Adjustment of advances given for works without reference to actual measurement of the work done.

It may not be assumed that the state of affairs in Orissa is worse than in other States just because a number of cases of irregular expenditure have come to light. In fact their detection is a tribute to the zeal and vigour with which audit has been functioning in that State. We suspect that in a State

like Assam many of the irregularities lie concealed because there are huge arrears, the audit has been far from thorough, and even where the notes have been drawn up and sent the follow up is extremely poor.

4.16. While it is in order that the audit memos should issue in English or regional language for the higher tiers, according to the discretion of the audit authorities, in respect of Village Panchayats these should invariably be in the regional language. In Punjab audit notes for Village Panchayats are issued in English which many of the Sarpanches can get read only when they go to town. In Orissa a statement of the major irregularities (classed as Part B) issues in Oriya while the rest of the audit note is in English. We were informed that the major hurdle was the want of typewriters in the regional language. The difficulty is not insurmountable as the carbon copies or cyclostyled copies of the manuscript can be prepared and gradual switch over attempted. The objective of audit is not merely that the memos should be drawn but that they should be complied with. How can one expect compliance, not to say a prompt and efficacious one, when the Sarpanches are not able to know what is written in the notes? A good many irregularities, which could be rectified if the audit notes were in regional language and properly understood, continue to remain outstanding.

4.17. The desirability of a manual of audit for Panchayati Raj institutions cannot be over-emphasised. We found that in Punjab for minor works constructed by or through the agency of Village Panchayats, Public Works Department Manual with all its ramifications was being put into effect. Obviously it is an unsuitable arrangement as a body like Village Panchayat cannot be expected to conform to the specifications embodied in the Public Works Department manual. A manual for Panchayati Raj bodies will be useful not only in imparting guidance for accounting and audit procedures but also in laying down what norms to expect and apply in each tier.

4.18. It will be idle to expect the audit to have a corrective much less a deterrent force, without ensuring proper status, calibre and independence of the Examiner. We suggest that this post should be manned by an Officer of the I.A. & A.S. at least in the initial stages till audit cadre comes to fruition and departmental officers of requisite calibre and seniority are available to man the posts. The status, powers and functions of the Examiner should be inscribed in the statute rather than be left to be covered by executive orders or rules.

4.19. In respect of petty objections, the Examiner should have power of waiver up to Rs. 100 to be exercised at his discretion where he is convinced that no useful purpose will be served by pursuing an audit objection. Further delegation for appropriate reduced amounts may also be considered for the gazetted staff under him.

4.20. The Examiner usually recovers audit fee from the Panchayati Raj bodies. Adverse psychological effect which this recovery has on institutions where detailed audit is conducted has to be reckoned with, since more detailed it is the more is the amount to be paid as fee. So the Panchayati Raj bodies directly gain by settling for a quick perfunctory operation. Again, the bulk of the income of these bodies comes from the grants and loans advanced by the State Governments; so we could find no justification for realisation of the audit fee which amounts to giving by one hand and taking away by the other. The Study Group on Budgeting and Accounting Procedure of Panchayati Raj bodies had, in fact, recommended the discontinuance of this practice. We reiterate that recommendation.

CHAPTER V

FOLLOW UP OF AUDIT

5.1. It is desirable not only that audit is taken up soon after the close of the financial year but also that the audit note is finalised and issued speedily. It would be futile to expect expeditious compliance where gross delay takes place in the issue of the audit report itself. We noticed that in Madras there was virtually no delay in the issue of audit reports. In Orissa it takes one to two months after the conclusion of audit. In Punjab and Maharashtra the period is two to three months while in Assam the average is one year. In Andhra Pradesh also the position is none too happy. In some cases audit reports were seen not to have been issued even after a year on the ground that the consolidated accounts were not made available by Panchayati Raj bodies. The most disconcerting position is in Uttar Pradesh where much more than a year intervenes between the conclusion of audit and the issue of report as is evidenced by the following examples which are illustrative and not exhaustive.

(A) *Antarim Zila Parishad Bijnor* : For the year 1958-59 the audit concluded on 31st January 1960 and for 1959-60 on 8th January 1961. Till the date of conclusion of the subsequent audit, the previous audit note had not been received in the Parishad's office. The printed report for 1959-60 is dated 31st January 1962.

(B) *Antarim Zila Parishad Muzaffarnagar* : For the year 1958-59 the audit concluded on 22nd August 1959 and for 1959-60 on 5th June 1961. Till the date of conclusion of subsequent audit the last audit note was not received in the Parishad's office. The printed report for 1959-60 is dated 15th January 1962.

(C) *Antarim Zila Parishad Agra* : For the year 1960-61 the audit concluded on 31st March 1962 and for 1961-62 on 31st March 1963. Till the date of conclusion of subsequent audit the last audit note was not received in the Parishad's office. The printed report for 1961-62 is dated 29th April 1964.

(D) *Antarim Zila Parishad Varanasi* : For the year 1960-61 the audit concluded on 7th September 1961 and for 1961-62 on 28th November 1962. Till the date of conclusion of subsequent audit the last audit note was not received in the Parishad's office. The printed report for 1961-62 is dated 25th March 1964.

5.2. This state of affairs has been attributed mainly to the following causes :—

- (i) delay in the receipt of the preliminary replies from Panchayati Raj Institutions;
- (ii) time taken in processing at various levels in the Examiner's Organisation;
- (iii) abnormal delay in getting the reports printed before issue; and
- (iv) delay in consolidation of accounts by the accounts staff.

(This was noticed only in Andhra Pradesh).

5.3. In our opinion a period of not more than two months should elapse between the conclusion of audit and issue of the report. The preliminary replies to the objections raised should be obtained on the spot so that there is no delay in finalising the report. We also recommend that reports need not be printed before they are issued since this is one big cause for the delay, unless the Government could so arrange the printing as not to transgress the limit of two months. Want of consolidation of accounts is no bar to the finalisation of the audit report; in fact this omission could be listed as one of the objections in the audit report.

5.4. Much that we would have desired to obtain and present a comprehensive picture of the backlog in the compliance of audit reports, it was not available. There was, however, general admission that the Panchayati Raj Institutions were indifferent to the audit reports received and they had a feeling that these reports could be ignored with impunity. This is unfortunate since want of compliance renders nugatory the purpose for which this process of financial control is applied. The expedition in taking up the audit and the urgency in conveying the reports to the Panchayati Raj bodies would be of no use if ultimately these are viewed with complacency and kept aside. In one State the field officials were not aware that the objections raised in the audit reports were required to be replied. One Block Development Officer complained with a sense of righteousness that these had never been put up to him by his subordinates. Some of the audit officers were themselves not clear as to the authority to whom the Panchayat bodies had to report compliance of the audit objections. Consequently no reminders had been sent to the appropriate levels to secure replies to the audit reports.

5.5. In Andhra Pradesh 24 Samitis for 1959-60 and 47 Samitis for 1960-61 have sent no reply at all to the audit reports. None of the 20 Zila Parishads which were audited for the year 1959-60 have reported compliance with the objections raised. In Rajasthan even the first reply to reports issued is awaited in a number of cases as detailed below:—

	1959-60	1960-61	1961-62	1962-63	Special audits	Total audits
Zila Parishad ..	Nil	Nil	6	15	Nil	21
Panchayat Samitis	20	60	113	87	3	283

In Uttar Pradesh for the period 1958-59 to 1962-63, 66,910 audit notes are pending compliance.

For Punjab and Assam the position is as tabulated below :—

	PUNJAB					
	1961-62		1962-63		1963-64	
	Notes Issued	Complied with	Notes Issued	Complied with	Notes Issued	Complied with
1	2	3	4	5	6	7
Zila Parishad ..	Nil	Nil	3	•	12	4
Panchayat Samiti	Nil	Nil	141	•	208	101
Village Panchayats ..	2,855	1,554	4,239	2,951	3,311	1,527

*The compliance is included in the subsequent year.

ASSAM

1	1961-62		1962-63		1963-64	
	Notes Issued	Complied with	Notes Issued	Complied with	Notes Issued	Complied with
	2	3	4	5	6	7
Sub-Divisional Rural Development Fund	Nil	Nil	41	Nil	8	Nil
Anchalik Panchayat	4	2	83	10	73	Nil
Gram Panchayat ..	192	30	2,033	70	1,683	Nil

5.6. In other words in Punjab during the three years under reference out of 10,769 audit notes issued in respect of all the three tiers, compliance was found pending in 4,633 cases, while in Assam for the same period as many as 4,605 notes out of 4,717 were outstanding.

5.7. The objections outstanding against the erstwhile District Boards and other local bodies are now shown against the Panchayati Raj institutions. Some of these objections have been pending for a quarter of a century, and the very pendency is a testimony to the want of zeal and vigour in securing their settlement. Taking Uttar Pradesh as an example, the position of this pendency in some of the districts is as under :—

Antarim Zila Parishad									Objections pending since
Moradabad	..	..	..	..	..	..	..	..	1940-41
Deora	..	..	..	..	..	..	..	..	1944-45
Muzaffarnagar	..	..	..	..	..	..	..	..	1944-45
Bareilly	..	..	..	..	..	..	..	..	1945-46
Gonda	..	..	..	..	..	..	..	..	1945-46
Lucknow	..	..	..	..	..	..	..	..	1946-47
Bijnor	..	..	..	..	..	..	..	..	1946-47
Varanasi	..	..	..	..	..	..	..	..	1950-51
Almora	..	..	..	..	..	..	..	..	1952-53

We are satisfied that no useful purpose is served by keeping the objections alive merely to embellish the record. Procedural and technical objections can be dropped. The remaining ones should be divided into two categories :—

- (a) where no recoveries are possible and so the amounts are to be written off;
- (b) where such possibility exists, necessitating a vigorous drive for recovery.

5.8. The budget of a Panchayati Raj body is generally approved by the next higher tier. We would like this financial control to be extended further to embrace in some degree the supervision of the expenditure out of the budget accompanied by a measure of authority to enforce the directions. We also suggest that a general body meeting at each tier should be held once in three months to take stock of outstanding objections and to review the progress from the previous quarter. We hope, this will have a salutary effect.

5.9. Where financial defaults are contumacious and other remedies for improvement have failed to yield result, it would be well to clamp pre-audit for a prescribed period. This would no doubt slow the tempo of the work, but prove efficacious by its deterrent nature. Although Government can go so far as to supersede a Panchayati Raj body, we are aware that for several reasons that action may not be invoked. Short of that we can think of no better remedy to restore order in cases of persistent financial delinquency than the clamping of pre-audit.

5.10. The huge accumulation of audit objections from year to year underscores the necessity of evolving a special machinery for periodical reviews. The Punjab had conceived the idea of constituting Divisional Public Accounts Committees and District Public Accounts Committees for the consideration and compliance of the audit reports. The idea was that the Divisional Committee will examine and consider the audit reports and annual accounts of the Zila Parishads in the divisions while the District Public Accounts Committee will do likewise for the Panchayat Samitis in the districts. The idea was never given a practical shape and so no experience of the working of these Committees has become available.

5.11. At the instance of the State Public Accounts Committee, Government of Orissa have recently decided to set up a Triangular Committee at the State level to discuss the problem regarding settlement of outstanding audit objections and draft paras of audit reports. The composition of the Committee is as under :—

1. Commissioner, Panchayati Raj	Chairman
2. Secretary, Finance Department or his representative ..	Member
3. Accountant General, Orissa or his representative ..	Member
4. Director Community Projects	Member
5. Director Gram Panchayat	Member
6. Director of Treasuries and Inspection or his representatives	Member
7. Deputy Examiner Local Accounts	Member-cum-Secretary.
8. Financial Adviser Community Development and Panchayati Raj (C. D.) Department	Member

5.12. The Inspection reports issued by the Accountant General, Orissa in respect of Government expenditure and grants-in-aid and the Local Audit Reports of the Examiner will be the subject matter for discussions in the meeting. At the district level the member participants are as under :—

Collector	Chairman
Executive Officer, Zila Parishad	Vice-Chairman
Zonal Local Fund Audit Officer	Member
An Assistant Accounts Officer of the Accountant General's Office	Members.
District Divisional Officer	Member-cum-Secretary.
All Block Development Officers of the district	Members.

5.13. The arrangement is that according to an agreed programme all the Block Development Officers of the district having pending audit reports will attend the meeting at the district level and give replies or compliance reports to the Committee in respect of audit objections outstanding against their

Blocks. Where replies are satisfactory, objections will be dropped while in other cases directions will issue to the Block Development Officer to report compliance in the next meeting. On behalf of the Committee, the Audit Officer will furnish a report to the Deputy Examiner, Local Accounts, who, in turn will place a quarterly review together with the recommendations of the district level Triangular Committee for consideration at the State Level Committee.

5.14. The feeling in Assam was that it would be better to entrust the work of periodical review to the Finance and Estimates Committee of the Zila Parishad instead of evolving a new machinery. Since the experience of the functioning of the special machinery or the use of a standing committee of the Zila Parishad has not become available, it is difficult to pronounce on the comparative merits. *Prima facie* the set up conceived by Orissa is better inasmuch as apart from discussions at the district, provision is also made for taking stock at the State level. The exact composition and set up of the special machinery has to be left to each State Government. To make the arrangement really effective, we feel that stringent action should ensue against officials responsible for serious delays in compliance.

5.15. Apart from the organisation of the Examiner, Local Fund Accounts an internal audit machinery exists in Maharashtra, Punjab, Madras, Assam, Uttar Pradesh and West Bengal. It is either a complement of officials located at State headquarters as in Punjab and Madras or is decentralised as in Maharashtra where a Divisional Accountant is located at each Zila Parishad. This internal audit machinery can play a useful role in imparting financial guidance to the Panchayati Raj institutions and providing assistance in the disposal of audit objections raised by the Examiner, Local Fund Accounts and the Accountant General. In two States it was hardly distinguishable from the organisation of the Examiner, and was doing the work of fault-finding only, adding its own inspection reports to the existing accumulation of audit objections without doing anything perceptible for compliance. We attach great importance to education in accounts matters, particularly at the lower tiers and this role can be suitably performed by the internal auditors. Since good many objections arise not so much due to wanton disregard of the rules but sheer ignorance, this guidance will go a long way in improving the existing position. Other States can also have a small complement under the Rural Development or Panchayati Raj Department to educate the nascent bodies in 'good housekeeping' and also enable them to meet the objections already raised.

CHAPTER VI

SURCHARGE

6.1. Surcharge is a legitimate weapon in the armoury of the auditor to secure that lapses of financial nature are not committed with impunity. Section 107 (1) of the Punjab Panchayat Samitis and Zila Parishads Act, 1961 provides that every person shall be liable for the loss, waste or misapplication of any money or other property belonging to Panchayat Samitis or Zila Parishads if such loss, waste or misapplication is a direct consequence of his negligence or misconduct. A similar provision exists in the enactments of other State Governments as well. The procedure for enforcing the liability is that the competent authority after taking the explanation of the persons concerned and on making such further enquiry as is deemed necessary, levies surcharge on the person making or authorising the making of irregular payment.

6.2. In Rajasthan, Maharashtra, Gujarat, and Uttar Pradesh the Examiner, on the basis of his audit objections and the replies received, recommends the levy of surcharge and it is for the Development Commissioner or other senior officer designated by the State Government to levy the same. In Madras, Assam, West Bengal, Andhra Pradesh and Orissa the power of levy of surcharge is vested in the Examiner, Local Fund Accounts, in respect of those tiers for which he is the auditor.

6.3. Two or three considerations may be set against the arrangement of giving to the Local Fund Examiner only the power to recommend the levy of surcharge. It deprives him of his effectiveness in providing a suitable deterrent, and lengthens the procedure for no good reason. It was also contended in some quarters that while considering his recommendations, considerations other than judiciousness or merit may weigh with the higher executive authorities in coming to a decision and render them nugatory. The argument is not without force. In one State none of the recommendations made by the Examiner, Local Fund Accounts, even in serious cases, were accepted by the higher officers.

6.4. In the Report of the Study Group on Budgetting and Accounting Procedure of Panchayati Raj bodies it was observed that the Examiner, Local Fund Accounts would not be effective unless he was given the power of surcharge. The report recommended that States where such power did not vest in the Examiner, Local Fund Accounts, a suitable provision should be made in the relevant Act. We endorse this view.

6.5. In the said Report it was further observed that an appeal against surcharge made by the Examiner should lie with the State Government, whose orders in this respect should be final. Referring to the provision in certain State Acts viz. Rajasthan and Andhra Pradesh giving option to the persons concerned to appeal to the Civil Court, the Report expressed the apprehension that this provision was apt to render the power of surcharge ineffective in practice and might also involve the Examiner in unnecessary and protracted litigation.

6.6. Against this another view has been forcefully put forward that the power to decide the appeal against surcharge should lie wholly in the Civil Court because the State Government is apt not to take judicial view of the matter but may be guided by other considerations.

6.7. The levy of surcharge is by a judicial procedure and on principle we are unable to accept the view that appeal against this levy should vest exclusively in the State Government. That would be one sure way to make the deterrent nugatory and futile. The proper forum for appeal is the Civil Court providing to the aggrieved party the fullest scope for redress of legitimate grievances. However, we gathered during our discussions that majority of the State Governments would not be persuaded to give it exclusively to the Civil Court. So, for the present, the option to appeal to the State Government or the Civil Court may continue, and the move in future should be in the direction of giving it progressively to the Civil Court. The argument about the proceedings being protracted is over-drawn. Anyway it is open to the State Governments to constitute Panchayati Raj Tribunals to take cognizance of such and other matters concerning these bodies. The important point is that State Governments should divest themselves of the power to entertain appeals as early as practicable.

6.8. While the power to levy a surcharge is a necessary ingredient of audit control, to be really effective it should be used expeditiously after a loss, waste or misapplication of funds has come to notice. The delay in proceedings renders the collection of evidence difficult. It is also apt to be unduly vexatious to the person against whom surcharge is sought to be levied. In Punjab there is a limitation period for institution of such proceedings. Section 107(4) of Punjab Samiti and Zila Parishad Act, 1961 lays down that no person shall be called upon to show cause why he should not be required to make good any loss after the expiry of four years from the occurrence of loss, waste or misapplication, or after the expiry of one year from his ceasing to be a member of that Panchayat Samiti or Zila Parishad whichever is earlier. In Uttar Pradesh the limitation period is six years after the expiry of such loss or three years from the date the person ceases to hold office, whichever is later. Considering that sometimes delays occur in taking up the audit, the provision made in the Punjab Act is inadequate in that a person would cease to be liable by the simple expedient of ceasing to be a member of a Panchayati Raj body for a year. The Uttar Pradesh provision goes to the other extreme as proceedings could be instituted after any length of time. It does not appear to us necessary to link the institution of proceedings with the aspect of ceasing to hold the office. A straight forward limitation period of four years from the occurrence of loss, waste or misapplication would be appropriate.

6.9. We also recommend that where provision does not exist for levy of surcharge in respect of loss of money or property of the Panchayats it should be introduced.

6.10. A question was raised whether proceedings should be only against non-officials or these might be instituted against officials as well as in Andhra Pradesh and Orissa. The officials fell under two categories : (a) direct employees of the Panchayati Raj bodies; and (b) State Governments servants on deputation who in any case are liable under the provisions of the Civil Service Conduct Rules. In the former case the rules of service

do not generally provide for recovery. Therefore, we find no objection to the institution of surcharge proceedings against the direct employees of the Panchayati Raj bodies when their liability is attracted. In regard to the Government Servants on deputation it is only proper that the matter is reported forthwith to the parent department for necessary action.

6.11. Another issue is whether surcharge should be restricted only to the loss or irregular expenditure or include an element of fine. The basic idea in surcharge is to make good the loss. Therefore, in our opinion, it is not necessary that power to impose surcharge should also carry with it the power to impose fine. The existing provision to surcharge only to make good the loss or irregular expenditure seems to us adequate to meet the needs. This should, however, be supplemented by a provision for recovery of interest.

CHAPTER VII

THE ROLE OF THE ACCOUNTANT GENERAL

7.1. All the States, with the exception of Madras and Andhra Pradesh, have accepted the position that the *grants-in-aid* made by the State Governments to the Panchayati Raj bodies should be subject to the audit of the Accountant General. The limits above which this audit is to operate have yet to be prescribed in Uttar Pradesh. In Gujarat, Punjab and Rajasthan the accounts of *grants-in-aid* can be audited by the Accountant General irrespective of the amount while in Maharashtra he can audit the accounts of bodies/institutions receiving annual *grant-in-aid* of Rs. 10,000, in West Bengal Rs. 20,000 recurring and Rs. 50,000 non-recurring, in Orissa Rs. 50,000 and Rs. 1,00,000 and in Mysore Rs. 1,00,000 and Rs. 5,00,000 respectively.

7.2. Rule 14(2) of the Assam Panchayats (Finance) Rules, 1960 provides that test audit may be done by the Accountant General, Assam, as and when considered necessary by him. A similar provision exists in regard to the audit of Gaon Panchayats under Rule 59(5) of the Rules as aforesaid. The expenses of the Mohkuma Parishad are charged on the Assam Rural Development Fund which in turn is fed by Government revenues and kept in Personal Ledger Account. Its audit vests in the Accountant General.

7.3. Section 38 of the Rajasthan Panchayat Samitis and Zila Parishads Act, 1959 provides for test audit by the Comptroller and Auditor General of the accounts of Panchayat Samitis. By virtue of section 65, provisions of section 38 apply *mutatis mutandis* to the accounts of Zila Parishads and the audit thereof.

7.4. To sum up, in the States of Madras and Andhra Pradesh the Accountant General are not auditing the accounts of the Panchayati Raj bodies including the amounts received by them by way of *grants-in-aid*. In Rajasthan and Assam they are free to audit any portion of the accounts of these bodies, while in the rest of the States the audit of accounts relating to the *grants-in-aid* portion only vests in them.

7.5. In States where audit by the Accountant General in respect of *grants-in-aid* has been accepted, a suggestion was put across for making, in addition, a provision of test audit by him in respect of Zila Parishads and Panchayat Samitis. The States generally welcomed the suggestion and indicated that necessary amendments of the statutes would be made in due course. When this is carried out all the States with the exception of Madras and Andhra Pradesh will have a pattern of audit in which Examiner, Local Fund Accounts will be the auditor, with the Accountant General taking up the *grants-in-aid* portion and test check at his discretion. From our discussions with the Accountants General we gather that they are equipped to undertake a test audit of these bodies.

7.6. It is obvious that Accountant General's audit is not a substitute for the audit of the Examiner, Local Fund Accounts. His is a supplementary

role, but an important one calculated to tone up the work of the latter. In Rajasthan where the test audit by the Accountant General has actually been conducted, it has had quite a salutary effect. In para 2.7 of the Report we have mentioned the amounts being passed on to the Panchayati Raj bodies by way of grants and loans and the large proportion they bear to the plan outlays of the States. Considering their magnitude the desirability of a check, albeit a supplementary check, by an independent body like the Accountant General to safeguard their financial integrity cannot be over emphasised. It is not our intention to minimise the role of the Examiner, Local Fund Accounts, but only to supplement it by that of the Accountant General.

7.7. The States of Andhra Pradesh and Madras have opposed the suggestion to introduce Accountant General's audit mainly on the ground that it will have a stifling effect on nascent Panchayati Raj institutions. We are unable to appreciate this argument. If the institutions are nascent, as indeed they are, firmer checks and safeguards are required to ensure the soundness of their financial transactions. With greater maturity and experience in course of time this necessity may diminish. Thus the fact that these institutions have come up recently is itself an argument for having more effective control than otherwise.

7.8. Perhaps, implicit in the argument that the Accountant General's role will be stifling is the apprehension that audit might be too formal and technical and apt not to serve as an educative instrument. The apprehension is not well-founded. Particularly after independence there has been ample appreciation of a more comprehensive role of audit and earnest endeavour to orient the machinery to that end. The aim is not only to point out deficiencies and mistakes when they have occurred but also to educate and instruct, to improve the efficiency of the institutions so that infirmities do not recur. To aver that the process is only that of formal and technical fault finding is to mistake the true purpose and role of audit. We could do no better than to quote the observations of the former Comptroller and Auditor General, Shri Ashok Chanda on this point.

"Audit is not an inquisition and its mission is not one of fault-finding. Its purpose is to bring to the notice of the Administration the lacunae in the rules and regulations, irregularities and lapses, and to suggest wherever possible, ways and means for the execution of plans and projects with greater expedition, efficiency and economy".*

7.9. However there cannot be two opinions that once the financial irregularities have been detected it would not be correct to turn a blind eye on them or treat them with undue leniency. That would be putting a premium on want of integrity and this would not help these bodies. In fact that would be a sure way of hindering their proper growth. As Henry Maddick has rightly pointed out :—

"This plea for a change of attitude should not under any circumstances be taken as one for the condonation of dishonesty. Far from it, for the accusations of corruption are too wide spread with Indian Society already. It would be disastrous if Panchyati Raj were tarred with the same brush. But one of the most effective means of preventing this is the audit mechanism backed by an inevitable surcharge or other punishment of the persons concerned."**

*Aspects of Audit Control. p.26

**The Indian Journal of Public Administration October-December, 1964, p. 503.

7.10. While we regret that we were unable to persuade the States of Andhra Pradesh and Madras about the salutariness of the Accountant General's audit in a supplementary role, we still hope that on reconsideration the State Governments would like to review the existing arrangements and bring them in line with those obtaining or contemplated in other States.

7.11. Article 149 of the Constitution provides that the Comptroller and Auditor General shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any Law made by Parliament. It further lays down that, until provision in that behalf is so made, he shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States as were conferred on or exercisable by the Auditor General of India immediately before the commencement of the Constitution. The functions of the Auditor General were laid down in the Government of India (Audit & Accounts) Order, 1936 made under section 166(3) of the Government of India Act, 1935, as adapted by the India Provisional Constitutional Order, 1947. Unlike Article 149, Section, 166(3) confines the duties and powers of the Auditor General to the accounts of the Dominion and of the Provinces, there being no reference to any other authority or body.

7.12. It was held that section 166(3) was exhaustive whereby duties could be imposed statutorily upon the Auditor General of India, with the result that neither by legislation nor otherwise would it be possible to enlarge his functions. However, a further view was taken that the Auditor General was not precluded from undertaking such additional duties by consent. Presumably these duties were in relation to the accounts of local bodies within the Federation and the Provinces.

7.13. Thus as a convention the Comptroller and Auditor General has been auditing the accounts of the local bodies by concurrence. Whatever be the basis of the view then held it appears to us that consent audit has no legal validity. The duties of the Auditor General of India at the commencement of the Constitution were confined to the audit and accounts of Central and Provincial Governments. He had no power or obligation to audit the accounts of any other body or authority. Therefore, exercising the same powers as were conferred on the then Auditor General, the Comptroller and Auditor General cannot possibly have a wider sphere of authority and functions. Since it is very desirable that he should continue the audit of the local bodies including Panchayati Raj institutions and also have the right to conduct a test audit of the accounts of these bodies besides audit of the *grants-in-aid*, the need for an enactment defining his powers and functions, as contemplated by Article 149 of the Constitution, is clearly indicated. As Shri A. K. Roy, Comptroller and Auditor General has observed :

“Such consent audit no doubt serves useful purpose, but it is only right that the Comptroller and Auditor General should have his powers defined clearly in law and not derive his functions and powers on the basis of consent”.*

7.14. We would like to clarify that consent audit is not confined only to *grants-in-aid*. Its ambit is wider and, truly-speaking, the provisions in the Rajasthan and Assam Acts conferring on the Comptroller and Auditor

*Speech delivered on 31st March, 1964 by Shri A. K. Roy at the Defence Service Staff College, Willington Island.

General the function of test audit in respect of Panchayati Raj bodies, can also be held to be based on consent. Under Article 149 of the Constitution, the functions of the Comptroller and Auditor General can be enlarged only by an Act of Parliament and no such competence vests in the State legislatures.

7.15. This point is of topical importance since it is understood that an Audit Bill is likely to be brought forward by the Government in the near future. The objective would be achieved by inclusion in the proposed enactment of a provision to the effect that, after consultation with him, the audit of Panchayati Raj bodies may be entrusted to the Comptroller and Auditor General by the State Governments by legislation or otherwise.

CHAPTER VIII

SUBMISSION OF REPORTS TO LEGISLATURE

8.1. In a democratic form of Government, one of the fundamental principles is the ultimate authority of the legislature to exercise an overall control over the financial transactions of the Government. Indeed the extent of this authority over financial administration is a measure of its supremacy. The legislature determines how the money shall be appropriated; it is for the executive to satisfy the legislature that amounts have been expended judiciously and for the purpose for which they were allocated.

8.2. Large amounts of grants and loans (Annexure V) are being released annually to the Panchayati Raj institutions. It would be hardly consistent with the spirit of the Constitution that such a sizeable part of the public money should be taken out of the purview of the legislature. It appears to us that the necessity of adequate degree of financial control by the legislature over these institutions needs no detailed justification.

8.3. A consolidated report about the working of the Panchayati Raj bodies has not so far been submitted to the legislature by any State, though provision to this effect has been made by Maharashtra in its Zila Parishads and Panchayat Samitis Act. The issue is under consideration in Madras, Uttar Pradesh, Gujarat and Andhra Pradesh. In Punjab a copy of the Annual Report of the Examiner, Local Audit Department is sent to each member of the legislature. In some States copies of the Examiner's report are forwarded to the Accountant General who extracts its more important portions and includes them in his conventional audit report, or he devotes a para on the working of the Examiner, Local Fund Accounts abstracting the major objections detected by him during the course of his audit of the Panchayati Raj bodies.

8.4. The presentation of the financial picture of the Panchayati Raj bodies to the legislature can be in any one of the following forms :—

- (1) Individual reports by the Examiner, Local Fund Accounts of each body submitted to the legislature.
- (2) Annual administrative report by the Examiner embodying salient points arising out of audit and submitted to the Legislature through the Government.
- (3) A complete financial account of the Panchayati Raj bodies along with an audit review prepared by the Examiner.
- (4) Inclusion of a para or a chapter by the Accountant General in his conventional audit report based on the material drawn from the Examiner, Local Fund Accounts and supplemented, as in Rajasthan, by his own findings through test audit.

8.5. As the number of the Panchayati Raj institutions in a State is very large it is too much to expect that the legislature will have the time and patience to scrutinise individual reports of each body and discuss them or

even to sift the more important objections to focus attention. Preparation of an annual administrative report no doubt enables the legislature or its special committee to know some of the glaring misuses of funds by the Panchayati Raj bodies but it does not provide a full picture. A consolidated finance account with an audit review prepared by the Examiner would be the best suited for the legislature to have at a glance a comprehensive picture of the financial position of the Panchayati Raj bodies with more serious omissions and irregularities spot-lighted. In our opinion the consolidated report should, *inter alia*, mention the following :—

- (i) the number of institutions of each type;
- (ii) funds placed at the disposal of these institutions;
- (iii) the number of units which have not finalised their accounts;
- (iv) the number of units for which audit could not be taken up;
- (v) the number and broad category of objections pending settlement; and
- (vi) the efforts directed towards their clearance to enable the Legislature to pronounce on the efficacy of the arrangement and to suggest, if necessary, measures to tone it up.

8.6. In the case of Government Departments and statutory corporations, secretaries or heads of departments appear before the Public Accounts Committee as witnesses in respect of outstanding objections and serious financial lapses. But the non-official heads of the Panchayati Raj bodies cannot be summoned in like manner. In view of this the secretary concerned with the Panchayati Raj Department may continue to appear and answer the queries of the Committee. Though this would serve a limited purpose there is no good reason why it should be forgone. The major portion of the funds of these bodies is provided by way of *grants-in-aid* and Government should be in a position to explain the lapses on the part of these bodies and to indicate action taken to prevent their recurrence. The State Governments have the power to take effective measures to discipline the Panchayati Raj Institutions and to supersede them if need be. No difficulty is, therefore, likely to be experienced in carrying out the recommendations of the Public Accounts Committee through the agency of the Government.

8.7. We are not impressed by the argument that Panchayati Raj institutions being units of local self Government at the respective levels it would be anomalous to have the work of elected representatives judged by another body of elected representatives, namely the State legislature. Section 38 and Section 65 of the Rajasthan Panchayat Samitis and Zila Parishads Act lay down that Government may issue directions to Panchayat Samitis and Zila Parishads on the audit reports and these bodies would be bound to comply with them. Assuming that the Government does not issue these directions or having issued them fails to have them complied with, to whom should it be accountable except the State legislature? Even where specific provision like the above is not made, the accountability of the Government is not any the less. In other words it is as much the conduct of these institutions being subject to scrutiny and assessment as that of the Government *vis-a-vis* these bodies. Absence of a provision for submission of a consolidated finance and audit report deprives the State legislature of a rightful

opportunity to call Government to account on its action or inaction respecting the Panchayati Raj institutions.

8.8. Normally the conventional audit report on the accounts of the State Government submitted to the legislature in terms of Art. 151(2) of the Constitution contains comments about the utilisation of *grants-in-aid* sanctioned by Government to the various institutions and bodies. While it is for the Comptroller and Auditor General and his officers to decide what precisely should find place in the statutory report, we suggest that in respect of grants released to Panchayati Raj bodies, information on the following points could possibly be considered for inclusion.

- (i) A resume of the grants given by various departments of the State Government to the local bodies under the scheme of Panchayati Raj.
- (ii) Comments on the adequacy of the examination by the Government before the release of grants.
- (iii) Salient points from the Report of the Examiner, Local Fund Accounts.
- (iv) Results of the statutory test audit.

8.9. Before concluding this discussion we would like to refer to the views held in certain quarters that the presentation of a consolidated finance and audit report to the legislature is bound to provoke adverse criticism, causing more harm than good to the nascent Panchayati Raj bodies; and that the purpose would be served if the reports are discussed at the next higher tiers. The proposition is exceptionable in that this arrangement would not cover the Zila Parishads; being the highest tier there is no other body to whom the reports drawn on their working could be thus forwarded. Again it does not provide full answer to the question of accountability to the legislature. Finally, if, as suggested by us, the report of the Accountant General is to include, *inter alia*, the results of the statutory test audit, it would be anomalous to withhold from the legislature the full picture embodied in the consolidated report. A balanced perspective would be available only if the Accountant General's findings as well as the consolidated report are presented.

CHAPTER IX

EPILOGUE

The limitations of this Report are not of our choosing. Adequate information was not available on several aspects, mainly because of Panchayati Raj institutions being of recent growth. The conclusions presented and recommendations made are, however, sustained by whatever data could be collected. In the very nature of things audit steps in, when the event has taken place. Detecting irregularities and instituting correctives is an un-savoury task, irksome to those whose defaults are brought to light.

Procedures can be improved—we have ourselves indicated the direction in which some of the changes can be brought about—but procedures by themselves cannot secure financial integrity. There has to be a tradition to respect the findings of audit, and an unremitting effort to apply them with sincerity. This need is all the more in the formative stage of the institutions to ensure a solid foundation to the superstructure. Establishment of a system of financial control which is effective and at the same time does not impede their growth is an immense task, requiring the most delicate balance. But considering what is at stake, dare we do less ?

Sd. K. K. Uppal

Member-Secretary

Sd. J. C. Luther

Member

Sd. R. K. Khanna

Chairman

Dated the 26th March, 1965.

SUMMARY OF THE RECOMMENDATIONS

<i>Serial No.</i>	<i>Chapter</i>	<i>Paragraph No.</i>	<i>Summary of the Recommendations</i>
1	III	3-4	Panchayats with income over Rs. 10,000 should have a full time Secretary and others grouped so that one Secretary looks after not more than five Panchayats. If Panchayats are not able to meet the cost, suitable subsidy to be given by Government which may be progressively withdrawn.
2		3-6	The capacity of training institutions for Panchayat Secretaries should be enlarged to cover the remaining untrained personnel within a period of two years.
3		3-8	Panchayati Raj accounting personnel should be constituted into a cadre under the Development or Panchayati Raj department. Shortage may be met by deputation from the staff of the Accountants General.
4		3-11	Central Government may consider rationalisation and simplification in the accounting procedure in the flow of funds from the Centre and States to Panchayati Raj Institutions.
5		3-12	State Government should undertake periodical review of forms and registers for further simplification and reduction in numbers.
6	IV	4-3	Audit of Panchayats should be taken up by Examiner Local Funds Accounts where it is not so far done.
7		4-4	A primary auditor should be placed at the Panchayati Samiti for audit of 40—50 Village Panchayats. Suitable regrouping may be done for placement of the primary auditor when there is more or less number of Village Panchayats in a Samiti.
8		4-7	Audit should be conducted annually of 3-4 months' accounts including the month of March.
9		4-8	Each State should work out the actual shortage of audit personnel on the basis of the norm suggested, and the following other factors:— (a) number of institutions. (b) average time taken for audit. (c) quantum of backlog. (d) need for prompt scrutiny of replies to the audit objections.
10		4-9	Expenditure on audit should not exceed 2 per cent of the income of the institutions.
11		4-10	Audit should not be confined to a voucher check but also see that the sanction to expenditure is in order and is related to performance.
12		4-12	The audit party may preferably consist of 1 Senior Auditor and 2 Junior Auditors and located at each of the district headquarters. Adequate gazetted supervision to be provided for groups of districts. One special party can be located at the headquarters of the State for any special audit.

SUMMARY OF THE RECOMMENDATIONS—*contd.*

<i>Serial No.</i>	<i>Chapter</i>	<i>Paragraph No.</i>	<i>Summary of the Recommendations</i>
13		4·13	A cadre under the Examiner should be formed to cover the audit personnel of Panchayati Raj. In the initial stages Officers may be obtained on deputation from the audit department to meet shortages.
14		4·16	Audit memos for village Panchayats should issue in the regional language.
15		4·17	A manual for Panchayati Raj bodies for imparting guidance in accounting and audit procedure should be prepared.
16		4·18	Status, power and functions of the Examiner should be inscribed in the statute. He should be drawn from the I. A. & A. S. at least in the initial stages and till the cadre comes to fruition.
17		4·19	Examiner should have powers of waiver up to Rs. 100. Further delegation may be made for appropriate reduced amounts for gazetted staff under him.
18		4·20	Audit fee should not be recovered from Panchayati Raj institutions.
19	V	5·3	The period between the conclusion of audit and issue of the report should not exceed two months—preliminary replies should be obtained on the spot. Reports need not be printed.
20		5·7	Old objections pertaining to erstwhile District Boards and other local bodies may be reviewed, procedural and technical objections dropped, irrecoverable amounts written off and a vigorous drive for recovery launched in other cases.
21		5·8	Higher tiers should supervise the lower ones. General body meetings at each tier may be held once in three months to review the outstanding objections.
22		5·9	Government should have power to clamp pre-audit for prescribed period in case of persistent financial default.
23		5·14	Provision of a special machinery like Triangular Committee consisting of the representatives of the Accountant General, Development Commissioner and the Examiner, as in Orissa, recommended at the State and district level to review the outstanding objections. Stringent action to ensue against officials responsible for serious delays in compliance.
24		5·15	The internal audit machinery of the Development Department should assist the accounts staff of the Panchayati Raj bodies especially at the lower tiers in the disposal of audit objection and educate them in accounts matters.
25	VI	6·4	The Examiner should be given the power of surcharge.
26		6·7	For the present, option to the aggrieved party to appeal against surcharge either to the State Government or to the Civil Court may remain. As early as practicable the State Governments should divest themselves of this power and the appeal should lie only to the Civil Court. Alternatively Panchayati Raj Tribunals may be set up for hearing of appeals in surcharge cases and other matters.

SUMMARY OF THE RECOMMENDATIONS— *concl.*

<i>Serial No.</i>	<i>Chapter</i>	<i>Paragraph No.</i>	<i>Summary of the Recommendations</i>
27		6·8	The limitation period for instituting surcharge proceedings should be four years.
28		6·9	Surcharge should also be made applicable to the lowest tier in States where it is not already so provided.
29		6·10	Surcharge proceeding should be instituted only against non-officials and direct employees of the Panchayati Raj bodies. In the case of Government Servants on deputation the matter should be reported to the parent department for instituting necessary action.
30		6·11	Surcharge should not include an element of fine though there may be a provision for recovery of interest.
31	VII	7·6	Apart from the audit by the Examiner, a supplementary independent test check by the Accountant General is recommended.
32		7·15	A provision may be included in the proposed bill under Article 149 of the Constitution, defining the powers and duties of the Comptroller and Auditor General, to the effect that audit of Panchayat bodies may be entrusted to him by the State Government after consultation with him.
33	VIII	8·5	A consolidated finance account with an audit review on the working of Panchayati Raj bodies may be submitted to the Legislature. It would <i>inter alia</i> mention:— <ul style="list-style-type: none"> (i) the number of institutions of each type, (ii) funds placed at the disposal of these institutions, (iii) the number of units which have not finalised their accounts, (iv) the number of units for which audit could not be taken up, (v) number and broad category of objections pending settlement, and (vi) the efforts made for their clearance.
34		8·6	The Secretary, Panchayati Raj department may continue to appear and answer the queries of the Public Accounts Committee in respect of these bodies and carry out its recommendations.
35		8·8	The conventional audit report under Article 151(2) of the Constitution may include:— <ul style="list-style-type: none"> (i) a resume of the grants given by various departments to the Panchayati Raj bodies. (ii) comments on the adequacy of examination by Government before the release of grants. (iii) salient points from the Report of the Examiner, (iv) results of statutory test audit by the Accountant General.

ANNEXURE I

(Referred to in paragraph 1·2)

States and Places visited by the Study Team

Sl. No.	State	Period of visit	Institutions visited		
			Zila Parishad	Panchayat Samiti	Village Panchayat
1	2	3	4	5	6
1.	Rajasthan ..	19-8-64 to 22-8-64	Jaipur	Govindgarh	Durgapura
2.	Punjab	7-9-64 to 9-9-64	Ambala	Kharer	Ballomajara* Khakripur* Desumajra* Pinjore.
3.	Maharashtra	16-9-64 to 18-9-64	Pocna	Haveli	Vagoli
4.	Madras ..	7-10-64 to 9-10-64	—	Tiruvannamalai	Madurampatti* Palayanur.*
5.	Jammu & Kashmir	20-10-64 to 22-10-64	—	—	Walthora Chadoora Tral.
6.	Assam ..	27-10-64 to 31-10-64	Mohkuma Parishad Gauhati	Hajo Rani	Niz. Hajo No. 2 Pachamiapara
7.	Bengal ..	12-11-64	—	Barvipar	—
8.	Gujarat ..	18-11-64 to 20-11-64	Baroda	Baroda	Chhani
9.	Uttar Pradesh ..	19-12-64 to 21-12-64 & 25-12-64	Meerut	Rajapur	Mohakampur
10.	Andhra Pradesh	4-1-65 to 5-1-65	Hyderabad	Rajendra Nagar	Budvel
11.	Orissa ..	3-2-65 to 5-2-65	—	Gop Pipli	Gop Jasuapur*

*The records were brought to the headquarters of concerned Panchayat Samitis.

ANNEXURE II

(Referred to in paragraph 1-4)

List of Officials who were coopted as members

State	Development Commissioner's representative	Examiners of Local fund Accounts representative	Accountant General's representative
1	2	3	4
Rajasthan	Shri Ram Singh, Jt. Development Commissioner.	Shri M. L. Jair, Examiner.	Shri K. J. Kuriyan, Senior Deputy Accountant General.
Punjab	Shri P.C. Sharma, Dy. Secretary, Development Deptt.	Shri V. P. Shastry, Examiner.	Shri S. S. Viswana- than, Dy. Accountant General (OAD).
Maharashtra	Shri P. K. Namjoshi, Officer on Special Duty.	Shri B. Rajagopal, Examiner.	Shri Rajeswar Prasad, Deputy Account- tant General (R. A).
Madras	Shri P. N. Subra- manian, Deputy Director Panchayat Finance	Shri N. Sharmugha- sundaram, Examiner.	Shri K. Vaidyanathan, Assistant Accounts Officer.
Jammu & Kashmir	Mr. M. N. Dhar, Dy. Development Commissioner.	—	Shri R. C. Bhandari, Deputy Account- tant General.
Assam	Shri B. C. Datta, Financial Adviser (Development Deptt.).	Shri J. C. Sharma Examiner.	Shri H. S. Duggal Deputy Accountant General (Admn.)
West Bengal	Shri K. G. Basu, Director Panchayat.	—	—
Gujarat	Shri S. Sundaresan, Chief Accounts Officer, Rural Development Deptt.	Shri U. D. Acharya, Director of Treas- uries and Accounts.	Shri P. C. S., Warrior, Assis- tant Accounts Officer.
Uttar Pradesh	Shri P. D. Garg, Mukya Vitta Adhkari (Zila Parishad).	Shri L. P. Verma Examiner.	Shri P. K. Ganapathi, Senior Deputy Account- tant General.
Andhra Pradesh	Shri B. Raj Goal, Assistant Secy., Panchayat Raj.	Mr. K. Rattayya, Examiner.	Miss. K. V. Baladevi, Deputy Account- tant General (TAD).
Orissa	Mr. G. C. Patra, Financial Adviser and Deputy Secre- tary, Community and Panchayati Raj (CD) Depart- ment.	Mr. S. S. Mohonty, Deputy Examiner (Panchayat Samiti and Zila Parishad) Mr. P.C. Rayaguru, Deputy Examiner, (Panchayat).	Mr. B. A. Jena, Deputy Account- tant General (Admn.).

ANNEXURE III

(Referred to in paragraph 1·4)

List of non-officials whom the Study Team met

Rajasthan	.. ..	Shri Muktilal Modi	M.L.A.
		Shri Man Singh Mahar	M.L.A.
		Shri Rao Dhir Singh	Pradhan Panchayat Samiti, Shahpura.
		Shri Mohan Raj	Pradhan Panchayat Samiti, Bali.
		Shri Sagar Mal	M.L.A.
		Shri Hari Narain	Pradhan Panchayat Samiti, Jhotwara.
Punjab	..	Shri Jathar Singh	Sarpanch, Ballomajra
		Shri Mahendra Singh	Sarpanch, Kakripur
		Shri Jagir Singh	Sarpanch, Desumajra
		Shri Bhagat Singh	Sarpanch, Pinjore
Maharashtra	..	Shri S. M. Joshi	
		Shri S. D. Ursal	President, Zila Parishad, Poona
		Shri S. M. Kale	Vice-President, Zila Parishad, Poona.
		Shri V. V. Satav	Chairman, Finance and Educative Committee and Sarpanch, Vagol.
		Shri S. S. Satkar	Chairman, Works and Cooperation Committee, Zila Parishad, Poona.
		Shri Y. S. Sohoni	Representative of Dr. D. R. Gadgil
		Shri R. B. Wakhare	Chairman, Panchayat Samiti, Haveli.
		Shri D. R. Khandave	Deputy Chairman, Panchayat Samiti, Haveli.
		Shri D. S. Pimpale Shri S. N. Konde Shri K. J. Mate Shri G. M. Bhadale	Members Panchayat Samiti, Haveli.
		Shri Baburao Patil	Upsarpanch, Vagoli M.L.C. Chairman, Tamil Nad.
Madras	.. ..	Shri K. Rajaram Naidu Shri Kunjita Charanam	Panchayat Union Secretary, Tamil Nad, Union Council.
		Shri R. Balakrishnan	Chairman, Panchayat Union, Council.
		Shri N. Sandagopa Ramanujam	President, Madurampatti, Panchayat.
		Shri M. Govinda Swami Pillai	President, Palayanur Panchayat.

ANNEXURE III—*contd.*

Jammu & Kashmir ..	Shri Mangatram	M.L.C.
	Shri Abdul Khaliq Mir	Sarpanch, Chadoora
	Shri Ghulam Quadir Shaikh	Naib Sarpanch
	Shri A. Majid Shah	Sarpanch, Tral
	Shri A. Gani Bhat	Chairman, Panchayat, Tral
Assam	Shri F. A. Ahmed, Bar-at-law	Minister for Finance Community Development and Panchayats.
	Shri D. N. Hazarika	Deputy Minister, Community Development and Panchayat.
	Dr. N. Kakate	President Anchalik Panchayat, Hajo.
	Shri L. Barah	M.L.A., President, Mohkuma Parishad, Nawgong.
	Shri A. N. Mohd Ohid	M.L.A., Vice-President, Mohkuma Parishad, Nowgong.
	Shri B. R. Phakan	President Anchalik Panchayat Rani.
	Shri B. K. Vaishya	Vice-President, Anchalik Panchayat, Rani.
	Shri Haricharan Kairarta	Vice-President, Pachaniapara Goan Panchayat.
West Bengal ..	Shri Indusekhar Bannerji	Pradhan, Ramnagar Anchal
Gujarat	Shri Muljibhai Bhatt	President, Zila Parishad, Baroda
	Shri Ambalal N. Patel	Vice-President, Zila Parishad and Chairman Estimates Committee.
	Shri Mangaldas Hargovind Das Shah	Sarpanch, Chhani Village
	Shri Nanubhai Nathubai Amin	Member Chhani Village Panchayat
Andhra Pradesh ..	Shri Bhoj Reddy	Chairman, Zila Parishad, Hyderabad.
	Shri Bansilal Varma	Sarpanch Budvel Villag Panchayat.
Orissa	Shri Pratap Chandra Mohonty	M.L.A., Member, Consultative Council Committee, Panchayati Raj.
	Shri Brindavan Patra	Chairman, Panchayat Samiti, Gop.
	Shri Balaram Prustey	Sarpanch, Gop Panchayat
	Shri Genesh Mishra	Sarpanch, Jasuapur.

ANNEXURE IV

(referred to in paragraph 1.6)

Letters addressed to Accountants General, State Governments and Examiners

1. Demi-Official letter No. 967/Tech. Admn.I/290-64 dated 16th April 1964 from the Comptroller and Auditor General to all the Accountants General.

"Many of the States have passed laws for the purpose of democratic decentralisation and have already constituted Panchayat Organisations for that purpose. Some of the functions which the State Governments were discharging have been or are being transferred to these organisations. Apart from other sources of receipt considerable grants are being made by the States to these institutions for carrying out these functions. It is, therefore, necessary that the accounting and audit arrangements of these transactions are placed on a sound and satisfactory basis. I would in this connection invite your attention to this office letter No. 955-Admn.I/159-62 dated the 28th June 1962.

2. You are no doubt aware that sometime ago a committee considered the budgeting and accounting arrangements of these bodies. A report of that committee was also sent to you. The Government of India are anxious that an examination be made of the arrangements regarding audit of their accounts and reporting the results thereof to ensure that these are adequate. For this purpose, a committee will examine the existing arrangements in this matter so that a basic pattern is evolved subject to such variations as may be necessary because of the different conditions under which these bodies function in the different States. The Committee will be headed by a senior officer of our department and will start work by the beginning of July, 1964.

3. To enable this Committee to function properly the Comptroller and Auditor General desires that you should prepare basic material for their use and these should be available to the Committee when the members visit the different States. For this purpose you should consult the appropriate department of the State Government who are being requested by the Government of India to render you all assistance in the matter.

4. The material which you will prepare in the form of a brief for the Committee should, among other contain information on the following points:—

- (i) Date from which democratic decentralisation has been initiated.
- (ii) Organisational pattern of the Panchayat institutions and the functions with which they have been entrusted; the sources of their receipts and the type of expenditure involved.
- (iii) Existing budget and accounting arrangements; nature and qualifications of the persons who are entrusted with the keeping of accounts.
- (iv) Existing arrangement for auditing the accounts of the various Panchayat institutions and periodicity of audit of each type of institutions with details under the following headings:
 - (a) Number of each type of Panchayat institutions in existence in 1961-62, 1962-63, 1963-64;
 - (b) Number of each type of Panchayat institutions audited during the above 3 years;
 - (c) Composition of the audit party—their technical qualifications, and the average duration of inspection for each type of institution.
 - (d) Is gazetted supervision provided, if so, to what extent?
 - (e) Has any standard questionnaire been prepared by the Examiner, Local Fund indicating the various checks that are to be applied by the Local Audit Staff? If so, do you consider the questionnaire adequate? If not in what way do you advise to amend and supplement them?

- (f) Interval between the dates of completion of inspections and issue of Inspection Reports.
- (g) What are the various authorities to whom the Inspection Reports are issued and the nature of action taken on them by the authorities concerned? Is prompt remedial action taken on these reports or is there considerable time lag between the issue of Inspection Reports and the appropriate action taken thereon?
- (h) What are the various shortcomings and irregularities mentioned in the Inspection Reports? On the basis of your information, are you satisfied that all material shortcomings and irregularities have been brought to light by the scrutiny of the Examiner, Local Fund?
- (v) Existing arrangement for reporting the results of audit are the consolidated accounts of the Panchayat institutions with audit comments thereon submitted to the legislature?
- (vi) Your suggestion for improvements in the accounting and audit arrangements.

5. A copy of the brief prepared by you should be sent to this office by the 15th June, 1964.

2. Circular letter No. 9/1/64-Bud. dated 2nd December, 1964 from P. K. Ramachandran, Assistant Secretary, Study Team, Ministry of Community Development and Cooperation to the Development Commissioners in the States where all the tiers of the Panchayati Raj are in existence.

"Please refer to this Ministry's circular letter of even number dated 24-4-1964 regarding the setting up of the Study Team on the audit of Accounts of Panchayati Raj institutions. The following information which are urgently required by the Study Team may kindly be collected and sent to me immediately :—

- (1) The expenditure incurred by the Panchayati Raj institutions separately from its own source and from Government contribution.
- (2) In the latter case, what is the percentage of Government contribution with reference to the total outlay.
- (3) What is the portion of the contribution for transferred subjects".
- (4) What amount is expended on the accounting personnel in the Panchayati Raj bodies.
(Information on this may be given for the period 1961-62, 1962-63 and 1963-64).
- (5) The facilities that exist for the training of staff of these Panchayati Raj bodies in accounts work.
- (6) Whether there is a shortage in the accounting staff and how it is proposed to be met.
- (7) Whether the Panchayati Raj bodies are permitted to deposit their funds in private scheduled banks.
- (8) If so, what is the total amount lying in such banks, indicating the name of the bank etc.

As the information is urgently required by the Study Team, it is requested that the same may be collected and sent to me immediately.

3. Copy of the endorsement to the above circular to all Examiners Local Fund Accounts with a request that replies to the following additional information may be given by them :—

- "(1) The facility for training of the audit staff which exists at present;
- (2) Whether the audit of the Panchayati Raj bodies are in arrear and if so, to what extent;
- (3) If it is due to shortage of staff, what is the extent of the shortage and how it is proposed to fill up this shortage.
- (4) The approximate time required for overtaking the arrears.

The information may please be sent to the undersigned immediately."

4. Copy of the circular letter No. 9/1/64-Bd., dated 2nd December, 1964 from P. K. Ramachandran, Assistant Secretary, Ministry of Community Development and Cooperation to all Accountants General.

"Please refer to Shri Mukherjee's circular D.O. No. 967-Admn.I/290-64, dated 16th April 1964 calling for certain information for the Study Team on audit of accounts of Panchayati Raj institutions and your comprehensive brief on the same. The following additional information required by the Study Team may kindly be furnished :—

- (1) The amount of *Grants-in-aid* provided by the State to Panchayati Raj institutions for (a) transferred subjects and (b) the rest and the proportion (a) and (b) bears to the plan outlay of the State. Information required for 1961-62, 1962-63 and 1963-64.
- (2) Whether any training facility was given to the staff of the Examiner, Local Fund Accounts or any other audit organisation of the Panchayati Raj institutions.
- (3) Whether similar facilities were given to the accounts staff of the Panchayati Raj bodies.
- (4) Whether the Panchayati Raj institutions were permitted to deposit their funds in private scheduled bank other than State Bank of India or their subsidiaries or a cooperative bank. If so, the total amount (for all the bodies in the State) so deposited.
- (5) The limit specified by the State Government for audit of *grants-in-aid* to these local institutions.
- (6) Whether any audit fee is recovered by the Government from the Panchayati Raj institutions.

As the information is urgently required by the Study Team, it is requested that the same may be collected and sent early to this office.

5. Copy of Demi Official letter No. 9/1/64-Bud., dated 22nd February 1965 from Shri K. K. Uppal, Deputy Secretary, Ministry of Community Development and Cooperation to the Development Commissioners in the States where all the tiers of the Panchayati Raj are in existence.

"For the Study Team on the Audit of Accounts of Panchayati Raj bodies, the information already furnished by you has been very useful in preparing Statewise analysis. We shall be grateful if the following additional information is also given to us :—

Grants and loans given by the State to Panchayati Raj institutions

1964-65

Grants	Loans	Total	State Plan Outlay
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We are confident the information will be readily available with you. This may kindly be sent to me *by name* by return of post.

ANNEXURE V

(referred to in paragraph 2.7)

Grants and Loans given by the States to Panchayati Raj Institutions

(In lakhs)

Name of State	1961-62				1962-63			
	Grants	Loans	Total	Plan outlay	Grants	Loans	Total	Plan outlay
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Andhra Pradesh	1,963	88	2,051	4,969	2,491	308	2,799	5,433
Assam	100	3	103	1,778	106	—	106	2,458
Gujarat	196	—	196	3,571	200	—	200	4,602
Madras	1,890	42	1,932	5,001	2,819	50	2,869	5,871
Maharashtra	176	145	321	5,508	3,734	191	3,925	5,915
Mysore	514	67	581	4,281	559	68	627	4,737
Orissa	417	16	433	2,379	865	36	901	3,335
Punjab	126	9	135	2,574	167	6	173	4,095
Rajasthan	744	232	976	3,418	746	249	995	3,620
Uttar Pradesh	1,636	3	1,639	6,833	1,773	3	1,776	8,014
West Bengal	22	—	22	4,078	30	—	30	5,193
TOTAL	7,784	605	8,389	44,388	13,490	911	14,401	53,273

NOTES : 1. The figures of grants and loans for 1961-62, 1962-63 are taken from the Report of the Study Team on Panchayati Raj Finance.

2. The figures of plan outlays for the corresponding period have been obtained from the Planning Commission.

ANNEXURE V—contd.

(referred to in paragraph 2·7)

Grants and Loans given by the States to Panchayati Raj Institutions

(In lakhs)

Name of State	1963-64				1964-65			
	Grants	Loans	Total	Plan outlay	Grants	Loans	Total	Plan outlay
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Andhra Pradesh	2,673	295	2,968	6,351	3,391	395	3,786	7,948
Assam	124	5	129	2,914	166	1	167	3,040
Gujarat	2,314	128	2,442	4,752	2,572	129	2,701	5,339
Madras	2,942	45	2,987	7,131	2,105	161	2,266	7,795
Maharashtra	4,115	186	4,301	7,903	5,524	105	5,629	10,584
Mysore	540	79	619	5,159	510	70	580	5,020
Orissa	802	64	866	4,785	986	18	1,004	6,350
Punjab	185	184	369	4,423	221	97	318	6,129
Rajasthan	834	203	1,037	3,774	884	326	1,210	4,625
Uttar Pradesh	1,569	5	1,574	9,477	1,381	310	1,691	12,256
West Bengal	20	—	20	6,578	53	—	53	7,450
TOTAL	16,118	1,194	17,312	63,247	17,793	1,612	19,405	76,536

NOTES : 1. The figures of grants and loans for 1963-64 are taken from the Report of the Study Team on Panchayati Raj Finances.

2. The figures of plan outlays for the corresponding period have been obtained from the Planning Commission.

3. The figures of grants, loans and plan outlays for 1964-65 are based on the information furnished by the State Governments.

ANNEXURE VI

(referred to in paragraph 3.11)

Note regarding drinking water supply schemes in the rural areas of Maharashtra

Both the Government of India and the State Government are keen on solving as expeditiously as possible the problem of inadequacy of drinking water supply in rural areas. This problem can be solved only by taking up any of the two undermentioned measures, viz :

- (i) Ordinary or simple measures e.g. construction of or repairs to wells, tanks, bores, tubewells etc; and
- (ii) Special measures e.g. piped water supply schemes for individual villages or a group of villages.

2. People are interested in getting the relief and not in knowing the details of the Plan schemes under which the work is taken up or the budget head to which the expenditure by Government is debited. Moreover, they also expect that for a similar type of work taken up under any programme, under similar circumstances the rate of popular contribution, if any, should remain the same. Otherwise it leads to avoidable correspondence, delay in execution of schemes and consequent discontentment among beneficiaries, and also creates confusion in accounting at all levels.

3. In this State during water supply schemes in rural areas are taken up under 9 Plan Schemes under three different Sectors viz., "Health", "Community Development" and "Backward Classes". Expenditure under these Sectors is debited under different budget heads and the schemes are administered by different Departments of the State Government and Ministries of the Government of India. Further the rate of popular contribution is also not uniform. Though the nature of work is practically the same, rate of Government of India's assistance also differs from scheme to scheme. Moreover some schemes are Centrally aided whereas some are fully Centrally sponsored outside the State Plan. Details are furnished in enclosure.

4. Except the regional piped water supply schemes for groups of villages and those costing more than Rs. five lakhs each, all rural drinking water supply schemes are planned and executed by Zila Parishads.

5. Though the pattern of Central assistance is prescribed separately for each State Plan Scheme it is actually not taken into account while finally releasing the Central assistance. Central assistance is granted not on the basis of performance of each individual scheme but it is based on the overall performance of the State Plan in relation to certain norms. Therefore, prescription of Central assistance for each State Plan Scheme separately appears superfluous. For Centrally sponsored schemes, however, central assistance is available on the basis of performance of that particular scheme.

6. To minimise the complications in accounting and to reduce the infructuous paper work of Panchayati Raj bodies in this connection the following suggestions are offered :—

- (i) For a particular programme intended to solve a particular problem there should be either one State Plan scheme or a Centrally sponsored scheme. For the same programme there should not be a scheme in both the Sectors. For solving the problem of inadequacy of drinking water supply in rural areas there should be a Centrally sponsored scheme and the assistance therefor would be available to the State outside the State Plan on an agreed basis. There should be no scheme in the State Plan for this purpose. There may be a scheme in the State Plan only to make good the shortfall in popular contribution, if any. If this suggestion is accepted there will be only two schemes viz. CD/2—Local Development Works Programme—Centrally sponsored and CD/3—to meet shortfall in popular contribution. Other schemes will disappear.

- (ii) The programme should be administered by one Ministry at the Government of India level and one Department at the State Level. Thus this Programme could be administered by the Health Ministry at the Central level and Rural Development Department or Public Health Department at the State level. At present the programme regarding 'simple measures' is administered by the Community Development and Cooperation Ministry and programme regarding Special Measures is administered by the Health Ministry. Formerly the Planning Commission was also administering a part of the Programme. At the State level two or three Departments are concerned. For safeguarding interests of Scheduled Tribes, Scheduled Castes, other Backward Classes, Scheduled areas etc. funds can be earmarked and concessions granted but for that purpose alone it is not necessary to entrust the programme to another agency at the Central or State level when the execution agency is the same *viz.*, Zila Parishad.
- (iii) Expenditure under these schemes should be debited to only one budget head. There is need to book all expenditure on account of grants to Zila Parishads under one Major Head with suitable minor and detailed heads.
- (iv) Since there will be no multiplicity of schemes the rate of popular contribution for a particular type of work will be the same. There may however, be variation in the rate of popular contribution in respect of different types of works depending on the nature of the problem and economic conditions of the beneficiaries. For instance the rates of popular contribution prescribed by this State Government for different types of work (details given below) appears to be reasonable:

(A) *For simple measures like wells etc.*

Rate of P. C.

(a) in scarcity affected areas	NIL
(b) in flood affected areas	NIL
(c) in areas inhabited predominantly by Tribals	NIL
(d) in Backward areas	12½%
(e) in other areas	25%

(B) *For special measures like piped water supply scheme etc. in "difficult areas"* 10%

- (v) The Government of India (Planning Commission) should at the time of finalising the State's Annual Development Programme in November or December, for the next financial year, communicate the Central assistance that will be available for the Centrally sponsored schemes for the next year. This will be considered as a basis for drafting the budget proposal for the next year and the Zila Parishads will be asked in January/February to draft their schemes for the next year accordingly. This will enable them to maintain the tempo of work after the close of the financial year also and thus fully utilise the working season in April, May and June which is now invariably lost.
- (vi) Formal intimation regarding the amount that will be available for the financial year may be sent by the Ministry concerned in April, after the budget is voted by Parliament. This procedure will be followed by the State Government also.
- (vii) The Government of India should provisionally sanction grant for the whole year in January on the basis of actual expenditure during the first eight months of the financial year and the anticipated expenditure during the remaining four months of the year. As far as this programme is concerned the Government of India may release the grant to the extent of 60 per cent of the total anticipated expenditure. A higher percentage (at present it is 50 per cent) is suggested as there are many works for which Government of India gives 100 per cent grant. Actual adjustment be made later till the end of June on getting fuller details from the State Government.

- (viii) The procedure mentioned in clause (vii) above should also be followed by the State Government while sanctioning grants to Zila Parishads.
- (ix) The Zila Parishads should maintain accounts of expenditure work-wise and scheme-wise showing the beneficiaries contribution, Government's share and total expenditure. They should send the scheme-wise details to Government every month so that at the State level the shares of the Government of India and the State Government can be worked out and communicated to the Government of India and Accountant General for adjustment of accounts.

Statement showing details of rural drinking water supply schemes in Maharashtra

Sector	Sr. No.	Scheme Number	Name of the Scheme	Department administering the scheme	Budget Head	Whether State Plan scheme or	Rate of central assistance	Ministry administering the scheme	Rate of popular contribution
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
HEALTH ..	1	WS—4	Spill-over Regional Rural Water Supply schemes in Kolaba District.	Rural Development.	30 Public Health-F-Works — F-4 schemes in Third Five Year Plan Cooperation and Rural Development Department, (WS-4).	State Plan	50% (within the State Plan).	Health	Nil
	2	WS—5	Spill-over Wells Scheme.	Do.	30 Public Health-A-14-Schemes in Third Five Year Plan A (14) (8) (iii) Village Water Supply Scheme.	Do.	Do.	Do.	Nil
	3	WS—6	Village Piped Water Supply Scheme.	Do.	30 Public Health-F-Works — F-4 Schemes in the Third Five Year Plan, Cooperation and Rural Development Department (WS-6).	Do.	Do.	Do.	Nil

DEVELOPMENT	CD—1	Community Development project.	Rural Development.	"37 CDP/NES LDW/Schemes in the Third Five Year Plan A-CD-Project."	State	75% of the Government expenditure (with in the State Plan).	Community Development and Cooperation.	25% in general and 12½% in Backward areas.
	5	CD—2 Local Developments Works Programme.	Do.	"37 CDP/NES/LDW/Schemes in Third Five Year Plan C-L-D-Works."	Fully Centrally Sponsored outside the State Plan.	(i) For Ordinary Measures 100% to 50% of the gross cost of the work not exceeding Rs. 10,000 per village of 1000 population (outside the State Plan). (ii) For Special measures. 50% (outside the State Plan).	Do.	(a) Nil for areas predominantly inhabited by Tribals. (b) Nil for chronic scarcity areas and flood affected areas. (c) 12½% for other backward areas. (d) 50% for other areas.
	6	CD—3 Financial Assistance to Rural local bodies for Local Development Works.	Rural Development.	"37 CDP/NES/LDW/Schemes in the Third Five Year Plan C-L-D-Works."	State Plan	Nil	Does not arise.	This scheme is meant to meet the shortfall in popular contribution.
BACKWARD CLASS ..	7	BCW-5 Drinking Water Wells in Tribal areas	Education and Social Welfare Department	39 Miscellaneous, Social and Developmental Organisation H. Misc. H-31-Schemes in Third Five Year Plan H-31—(1) (14)—Drinking Water Wells.	State Plan	50%	Home Ministry.	Nil

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
8	BCW—6	Construction of wells in or near scheduled caste localities.	Education and Social Welfare Department.	39	Miscellaneous, Social and Developmental Organisation H-Misc.-H. 31-Schemes in Third Five Year Plan-H-31 (1)(19) Drinking Water Wells."	State Plan	50%	Home Ministry	Nil
9	BCW—8	Construction of drinking water wells in localities predominantly inhabited by other backward classes.	Do.	39	Miscellaneous, Social and Developmental Organisation-H-Misc. Third Five Year Plan H-31 (1) (31) Drinking Water Wells.	Do.	Do.	Do.	Do.