Accounting, Auditing & Compliance of Panchayati Raj Institutions (PRIs)

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Foreword

The 73rd Constitutional Amendment of 1992 was a landmark step in India's move toward decentralized governance, establishing a three-tier system for local self-governance through Panchayati Raj Institutions (PRIs) in rural areas. Recognized as institutions of self-government under the 11th Schedule of the Constitution, PRIs play a pivotal role in rural governance by bringing administration closer to the people and ensuring the inclusive and efficient delivery of public services.

With over 2.6 lakh PRIs, including Gram Panchayats, Block Panchayats, and Zila Panchayats, the scope of operations and financial management has grown substantially. PRIs manage substantial funds sourced from Central Finance Commission grants, State Budgets, State Finance Commissions, and their own revenue generation. This underscores the critical need for robust accounting and auditing mechanisms to ensure transparency, accountability, and effective utilization of resources.

To meet these requirements, PRIs are mandated to follow the accounting formats established in the Model Accounting System, as prescribed by the Ministry of Panchayati Raj. Digital platforms like e-GramSwaraj have played a crucial role in simplifying accounting and financial reporting, while AuditOnline has enhanced auditing processes by enabling real-time monitoring and improving the efficiency of financial oversight. These technological advancements are essential in strengthening the accounting, auditing, and compliance frameworks necessary for effective governance at the grassroots level.

I am happy that Committee on Public & Government Financial Management (CPGFM) of ICAI has developed publication, "Accounting, Auditing & Compliance of Panchayati Raj Institutions" to provide a comprehensive overview of the accounting, auditing, and compliance requirements of PRIs. It also offers valuable insights into best practices, explores the integration of digital platforms, and emphasises the critical importance of timely financial reporting and auditing in enhancing transparency, accountability, and the overall effectiveness of local governance.

I congratulate CA. Kemisha Soni, Chairperson, Committee on Public & Government Financial Management (CPGFM), CA. Prasanna Kumar D, Vice-Chairperson, CPGFM, other members of the Committee and all those who have contributed for bringing out this publication.

I firmly believe that this Publication would be immensely useful to all concerned.

20th January 2025 | **CA. Ranjeet Kumar Agarwal**
New Delhi | **President, ICAI**

Preface

The Panchayati Raj Institutions (PRIs) are the cornerstone of local governance in India, entrusted with the responsibility of ensuring participatory democracy at the grassroots level. As the third tier of Government, these institutions play a pivotal role in planning, implementation, and monitoring of development initiatives that directly impact the lives of millions across rural India. However, the effectiveness of PRIs depends significantly on the robustness of their financial management systems, adherence to compliance requirements, and the integrity of their accounting and auditing practices.

To offer comprehensive guidance to readers on the PRI's accounting and auditing framework and compliance requirements, the Committee on Public & Government Financial Management (CPGFM) of the ICAI has brought this publication namely *"Accounting, Auditing & Compliance of Panchayati Raj Institutions."* This publication delves deeply into the key aspects essential for the effective functioning of PRIs. By incorporating technological advancements, regulatory frameworks, and best practices, it aims to serve as a practical and insightful resource for practitioners, policymakers, and stakeholders engaged in strengthening local governance.

This publication is organized into several chapters, each addressing critical aspects of PRI operations. It begins with an overview of the genesis, evolution, and organizational structure of PRIs, providing a foundational understanding of their role in India's governance. Subsequent chapters explore the digital transformation of PRIs through platforms like e-Gramswaraj and its PMFS interface, which enhance planning, accounting, and monitoring processes. The publication offers detailed insights into accounting frameworks, auditing practices, and the functionalities of the eGramSwaraj platform for improved financial management. It also provides guidelines for financial audits, including best practices and the use of tools like AuditOnline to track observations and ensure corrective actions. Additionally, it examines the taxation framework, revenue generation mechanisms, and compliance requirements for PRIs, while highlighting the roles of key institutions such as the Comptroller and Auditor General (CAG), Ministry of Panchayati Raj (MoPR), and Union and State Finance Commissions in strengthening financial oversight and governance. The publication also sheds light on the significant role of ICAI in empowering PRIs and explores emerging professional opportunities for Chartered Accountants (CAs) in this domain.

We wish to express our deep gratitude to CA. Ranjeet Kumar Agarwal, President, ICAI and CA. Charanjot Singh Nanda, Vice-President, ICAI, for their guidance and encouragement for the Committee's initiatives. Further, we are also thankful to all the members of the Committee for their continuous support in the Committee's endeavours.

We wish to place on record appreciation for Dr. P. Siva Rama Prasad, Resource Person, CPGFM, for carrying out the extensive research and writing down the research findings in user-friendly manner in the form of a publication for all concerned.

We would like to express our gratitude to the Ministry of Panchayati Raj (MoPR) for submitting their inputs on the publication. We also appreciate the CPGFM Secretariat for the efforts put in by them for bringing this publication.

We hope that this publication would be immensely helpful to all the concerned stakeholders.

CA. Kemisha Soni — Chairperson

CA. Prasanna Kumar D — Vice-Chairperson

Committee on Public & Government Financial Management

New Delhi
7th January 2025

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Executive Summary

More than sixty-three percent of India's Population resides in Regions governed by Gram Panchayats. Consequently, the Panchayati Raj Institutions serve as a crucial link in the Governance Chain for dispensing benefits at the Grassroots Level. This trend is evident in the increasing devolution of funds to these institutions. It is essential for ensuring 'Good Governance' and 'Transparency' that the Financial Accounts of the Panchayati Raj Institutions are Prepared, Audited, and Disclosed to the Public.

The Audit Procedures for these Institutions involve an Initial Audit by Local Fund Auditors or equivalent bodies. Furthermore, the Comptroller and Auditor General (CAG) of India offers Technical Guidance and support by establishing Auditing Standards, Specifying Audit Methods, providing Training, and Carrying out Transaction Audits and Supplementary Audits.
Stakeholders receive assurance on the accuracy and credibility of the Accounts through the Financial Audit conducted by the Primary Auditors of the Panchayati Raj Institutions. This process involves scrutinizing their ‘Annual Accounts’ and accompanying documents to determine whether the Accounts are Free from Significant Errors and provide a Faithful representation of the Entity's Operations.

To strengthen e-Governance in Panchayati Raj Institutions (PRIs), eGramSwaraj, a Simplified
Work-Based Accounting Application for Panchayati Raj, has been developed by amalgamating the functionalities of currently available applications in the e-Panchayat Mission Mode Project (MMP) and was launched by the Prime Minister on National Panchayati Raj Day on 24 April 2020. The application subsumes the e-FMS applications comprising of PlanPlus, ActionSoft, PRIA Soft and National Asset Directory (NAD), along with the Area Profiler Application with Local Government Directory (LGD) forming the base for the system along with the Public Financial Management System (PFMS).

1. eGramSwaraj:

≈ **eGramSwaraj (eGS, Work Based Accounting Software)**: eGS is a Work-Based Accounting Software for PRIs, providing a single platform for all planning and accounting needs including various other aspects of Panchayat functioning (monitoring, asset management).

≈ **eGramSwaraj-PFMS Interface (eGSPI), launched in 2018**: For enhancing transparency and accountability, integration of accounting module of eGS and Public Financial Management System was carried out to provide an interface for the panchayats to make online payments viz. expenditure incurred under Central Finance Commission. eGSPI is a one-of-its-kind interface for GPs to make real-time payments to vendors/service providers. It follows Model Accounting System (MAS) as prescribed by the O/o Comptroller and Auditor General of Accounts (CAG). It provides better credibility and strengthening of PRIs.

≈ **eGramSwaraj PFMS Integration** was achieved by enabling data sharing between eGramSwaraj, PFMS, and Core Banking System (CBS). Detailed data flow can be referred to from the given figure. In the last Financial Year, more than 1.8 lakh panchayats are using online payments across 21 States.

Achievements and Interventions:

≈ More than 2.28 lakh panchayats are onboard to make payments online via eGSPI,
≈ Receipt voucher to automatically be populated in eGramSwaraj,
≈ Reverse pushing/porting of grants from PFMS to eGS based on Treasury Integration for visibility of grants from State treasury to GPs,
≈ Inclusion of GST, TDS in eGSPI for online payments,
≈ Mandatory Geotagging of Assets before making payments,
≈ Stringent SoPs in place for timely processing of payment files by PFMS/ Banks,
≈ Creation of payment tracker mechanism for panchayats, banks, and MoPR users to track the status of payment files.

2. **AuditOnline**:

AuditOnline is one of the applications developed as a part of Panchayat Enterprise Suite (PES) under e-panchayat Mission Mode Project (MMP) initiated by the Ministry of Panchayati Raj (MoPR). AuditOnline aims to record detailed information about audit conducted for Panchayati Raj Institutions (PRI), Urban Local Bodies (ULB) and Line department by Auditors (State AG/LFA). AuditOnline facilitates recording details for both Internal and External Audit as per the defined process. It is generic and open-source software developed as part of Panchayat Enterprise Suite.

AuditOnline is primarily used by PRI/ULB/Line Department for maintaining the audit information of external/internal audits conducted for their offices. Apart from these users, the information is available in public domain and for usage by other e-PRI applications The users are expected to have a basic understanding of using a computer and familiarity with the usage of keyboard in local language and mouse. AuditOnline user interface is intuitively designed so that it is fairly simple, easy to use and self-explanatory. The software allows you to switch-over to local language so that all the textual elements are displayed in local language for better understanding and effective use.

AuditOnline Background:

≈ The Central Finance Commission devolved huge amounts of grants to rural local bodies administered by the panchayats. It was therefore imperative that the fund flows up to GPs be tracked and the expenditure incurred is monitored periodically.

≈ The 15th Finance Commission in its recommendation has expressed concerns over the unavailability of audited accounts at the local body level and in its interim report emphasized making audited accounts available in a timely manner.

≈ A holistic mechanism was needed to capture the entire gamut of an affair at the planning stage to monitor the various stages of work documenting the audit process on a real-time basis.

≈ Streamlining Information/ Data Flow: As the audit process flow varies for each State, the information flow also varied hence there was a need arising for a configurable application to track and manage every minute instance.

≈ Most States were already on-board PRIASoft – PFMS Interface (PPI); hence pilot test to be carried out for 14th Finance Commission accounts for FY 2019-20.

≈ AuditOnline also to be extended to other schemes of Panchayats in a gradual manner.

≈ AuditOnline envisaged scaling up the transparency process.

AuditOnline Features:

≈ A single platform for the entire government to use, with a robust, scalable enterprise version that meets the needs of all State/PRI departments.

≈ Renounced the traditional audit process by implementing an online system for auditing that is lucid, accountable, and streamlined and is integrated with eGramSwaraj for fetching varied account reports.

≈ Flexible and adaptable, the programmable interface can meet the requirements of both internal and external audit assessments of PRIs/Government agencies.

≈ Seamless mapping of audit processes between assessors and auditees followed by ATR provides for rapid response, self-directed feedback, and follow-up analysis thus enriching reasonable supervision.

≈ Propensity to create dynamic forms to record case details (Case Records) and facts (Fact Sheets), capturing investigator comments based on defined parameters, and narrowing it down to the quality of their investigations.

≈ Provide categories and subcategories of risk-based audit observations for auditors/auditees to identify potential areas for improvement and determine their importance.

≈ CAG Audit Certificate Incorporated and the software's adaptability to the variations across state templates enables you to generate different types of reports per customizable report templates.

3. Fifteenth Finance Commission:

Finance Commissions, one after another have laid emphasis on creating an ecosystem for proper maintenance of accounts and their **Audit by Local Bodies**. Consequent to the recommendations of **Fifteenth Finance Commission,** availability of annual accounts for the previous year and audited accounts for the year preceding previous year in the public domain online is an entry level condition for qualifying for any grant for Local Bodies. **Chartered Accountants** can support them in key aspects of their functioning and enabling them to become eligible for the grants in the times to come.

Role of Professionals/Chartered Accountants:

✓ **Chartered Accountants (CAs)** may support Local Bodies in building capacity of accounts / finance staff of local bodies and strengthen them internally to comply with the conditions prescribed by FC related to timely availability of accounts in public domain online by providing them required guidance/ trainings on various aspects such as preparation of accounts as per applicable accounting framework in accordance with changing operative environment, online accounting platform, generation of financial reports, etc.

- ✓ **Chartered Accountants (CAs)** may support local bodies in auditing the accounts of local bodies/ its programmes/ funds so as to strengthen control mechanism, ensuring that the resources or public funds are being utilised efficiently and effectively and the financial statements depict true and fair view of state of affairs (financial position and financial performance) of local bodies. States (such as Chhattisgarh, Madhya Pradesh, Rajasthan, Sikkim, etc. are engaging CAs for preparation of accounts, audit and certification of accounts. CAs may also support in budgeting and efficient & smooth functioning of day-to-day operations of local bodies.

- ✓ **Chartered Accountants (CAs)** may guide local bodies in implementing ongoing accounting reforms (such as migration of accounts of ULBs from cash to accrual accounting system), sustain new system (where accrual accounting has already been implemented in local bodies), improve financial reporting and public financial management of local bodies that will help them in better service delivery and decision making thereby reaping benefits of accounting reforms.

- ✓ **Chartered Accountants (CAs)** may also support State Authorities (Urban Development Department or Department of Municipal Administration) in suitably amending their respective States Municipal/ Municipality Acts (required if any) so as to incorporate relevant legal mandate to enable them for smooth implementation of accounting reforms, etc. Here, it may be mentioned that in case of RLBs, 40% untied grant (of XV FC) which can be used by them for felt needs under the 29 subjects enshrined in the Eleventh Schedule, except for salaries and other establishment costs; the expenditure required for auditing of accounts by external agencies approved by the State Government, may be borne from this grant. Involvement of Chartered Accountants at the lowest tier of the Government will enable Local Bodies in fulfilling the entry level conditions of the XV FC for the grants timely qualifying them to obtain the grants for their developmental initiatives.

This Publication proves to be highly beneficial for the diverse stakeholders involved in the Panchayati Raj Institution (PRI) System in India, such as Secretaries and Staff Members of Gram Panchayats, Local Fund Auditors, Chartered Accountants, and others. Consequently, the enhancement of the Quality in managing the Accounting and Audit Processes within the PRIs is expected to be realized.

Abbreviations

AB-DEAS= Accrual Based Double Entry Accounting System
ADB= Asian Development Bank
AE=Audit Enquiry
AMRUT= Atal Mission for Rejuvenation and Urban Transformation
AO=Audit Officer
AP = Anchalik Panchayat
ATR=Action Taken Report
BDO=Block Development Officer
BP=Block Level Panchayat
CAs=Chartered Accountants
CAG= Comptroller and Auditor General
CB&T=Capacity Building and Training
CEO-ZP= Chief Executive Officers of Zilla Panchayats
CFC = Central Finance Commission
CGA=Controller General of Accounts
CICG=Centre International de Conference Genève
CV=Cash Voucher
DCB = Demand Collection and Balance
DDW&S=Drinking Water & Sanitation
DLFA= Directorate of Local Fund Audit
DN=Draft Notes
DoE=Department of Expenditure
DP=Draft Paras
DPC=District Planning Committee
DPRO= District Panchayati Raj Officer
DRDA = District Rural Development Agency
DRDS = District Rural Development Society
DSC= Digital Signature Certificates
EFT=Electronic Fund Transfer
eGSPI= eGramSwaraj-PFMS Interface
EMD=Earnest Money Deposit
ERs=Elected Representatives
FC=Finance Commission
FCI=Finance Commission of India

FTAs= Free Trade Agreements
FTO = Fund Transfer Order
GeM = Government e Marketplace
GM = Gram Manchitra
GP = Gram Panchayats
GST= Goods and Services Tax
GTC=Grant Transfer Certificate
HoD=Head of the Department
HQ Section= Head Quarter Section
HR=Human Resources
ICAI ARF = Institute of Chartered Accountants of India (ICAI), established
ICAI Accounting Research Foundation
ICT= Information and Communications Technology
IFSC= Indian Financial System Code
IoP=Incentivization of Panchayats
IRM=Internal Revenue Mobilization
IT=Income Tax
ITU=International Telecommunication Union
JV= Journal Voucher
KPIs = Key Performance Indicators
LAR=Local Audit Report
LBs=Local Bodies
LFA=Local Fund Audit Department
LGD = Local Government Directory
MAS = Model Accounting System
MGNREGA= Mahatma Gandhi National Rural Employment Guarantee Act
MFP=Minor Forest Produce
MMP= e-Panchayat Mission Mode Project
MoPR=Ministry of Panchayati Raj
NHM= The National Health Mission
NIC=National Informatics Centre
NIRD & PR=National Institute of Rural Development and Panchayat Raj
NLM= National Livestock Mission
NMR= Nominal Muster Roll
NPMU=National Project Management Unit

NPTA=National Plan for Technical Assistance
OBCs=Other Backward Classes
ODF= Open Defecation Free
OTP= One Time Password
PAC=Public Accounts Committee
PDF= Portable Document Format
PDP= Panchayat Development Plan
PES=Panchayat Enterprise Suite
PESA Act= The Provisions of the Panchayats (Extension to Scheduled Areas) Act, 1996
PFMS=Public Financial Management System
PMAY= Pradhan Mantri Awas Yojana
PMGSY= Pradhan Mantri Gram Sadak Yojana
PMU= Project Management Unit
PRIASoft = Panchayat Raj Institution Accounting Software
PRIs=Panchayati Raj Institutions
PV=Payment Voucher
PWD= Public Works Department
RGSA=Rashtriya Gram Swaraj Abhiyan
RLBs= Rural Local Bodies
RV=Receipt Voucher
State AG=State Auditor General
SATCOM=Satellite Communications
SCs=Scheduled Castes
SDGs=Sustainable Development Goals
SDLs=State Development Loans
SEC=State Election Commission
SHGs=Self Help Groups
SMS= Short Message Service
STs=Scheduled Tribes
SVAMITVA = Survey of Villages and Mapping with Improvised Technology in Village Areas
TLBs=Traditional Local Bodies
ULBs= Urban Local Bodies
UT=Union Territory

VP=Village Panchayat
WB=World Bank
WSIS=World Summit on the Information Society
WTO= World Trade Organization
XML = Extensible Markup Language
ZP = Zilla Parishads

Chapter 1:

Introduction and Structure of Panchayati Raj

Our country's Top Leaders and Independence fighters, such as Father of Nation Mahatma Gandhi, had a deep belief in the system.

The framers of the Constitution were similarly convinced of the need for this system and included particular provisions in the Directive Principles of State Policy for the Panchayati Raj. According to the Constitution, the state will create Village Panchayats. It will assist in their improvement by providing them with the necessary rights and authority to operate as a part of local self-government.

The Community Development Programme, which occurred during the First Five-Year Plan, was the first time Panchayati raj and its core tasks were put into operation.

Rural development is one of the main objectives of Panchayati Raj and this has been established in all States of India except Nagaland, Meghalaya and Mizoram, in all Union Territories except Delhi. and certain other areas. These areas include:

- ✓ The Scheduled Areas and the Tribal areas in the States,
- ✓ The hill area of Manipur for which a District Council Exists, and
- ✓ Darjeeling district of West Bengal for which Darjeeling Gorkha Hill Council exists.

Evolution of Panchayati Raj:

The Panchayati Raj system in India is not purely a post-independence phenomenon. In fact, the dominant political institution in rural India has been the village panchayat for centuries. In ancient India, panchayats were usually elected councils with executive and judicial powers. Foreign domination, especially Mughal and British, and the natural and forced socio-economic changes had undermined the importance of the village panchayats. In the pre-independence period, however, the panchayats were instruments for the dominance of the upper castes over the rest of the village, which furthered the divide based on either the socio-economic status or the caste hierarchy.

Panchayats have been one of the basic features of Indian society. As we know even Mahatma Gandhi advocated for panchayats and village republics. Since independence, we had multiple provisions of Panchayats in India from time to time finally reaching the epitome with the 73rd Constitutional Amendment Act of 1992.

The Act aims to provide a three-tier system of Panchayati Raj, which consists of:

a) Village-level Panchayats.
b) Block-level Panchayats.
c) District-level Panchayats.

Features:

- ✓ Gram Sabha may exercise such powers and perform such functions at the village level as the Legislature of a State may, by law, provide.

- ✓ There shall be constituted in every State, Panchayats at the village, intermediate, and district levels in accordance with the provisions of this Part.

- ✓ Panchayats at the intermediate level may not be constituted in a State having a population not exceeding twenty lakhs.

- ✓ All the seats in a Panchayat shall be filled by persons chosen by direct election from territorial constituencies in the Panchayat area and, for this purpose, each Panchayat area shall be divided into territorial constituencies in such manner that the ratio between the population of each constituency and the number of seats allotted to it shall, so far as practicable, be the same throughout the Panchayat area.

- ✓ The Legislature of a State may, by law, provide for the representation of the Chairpersons of the Panchayats at the village level, intermediate level or, in the case of a State not having Panchayats at the intermediate level, in the Panchayats at the district level.

Reservation of Seats (Article 243 D) for:

- **Scheduled Castes and Scheduled Tribes**: Article 243 D provides that seats shall be reserved for the Scheduled Castes and the Scheduled Tribes. In every Panchayat, the reservation of seats shall be in proportion to their population. Out of the seats so reserved not less than one-third of the total number of seats reserved shall be reserved for women belonging to the Scheduled Castes or the Scheduled Tribes respectively.

- **Women**: Not less than one-third of the total number of seats reserved for women belonging to the Scheduled Castes and the Scheduled Tribes to be filled by direct election in every Panchayat shall be reserved for women.

- **Offices of Chairpersons**: The offices of the Chairpersons in the Panchayats at the village or any other level shall be reserved for the Scheduled Castes, the Scheduled Tribes, and women in such a manner as the Legislature of a State may, by law.

Disqualifications of Members (Article 243 F):

A person shall be disqualified for being a member of a Panchayat, if he is so disqualified by or under any law for the time being in force for the purposes of elections to the Legislature of the State concerned; and if he is so disqualified by or under any law made by the Legislature of the State.

Powers, Authority, and Responsibilities of Panchayat (Article 243 G):

State Legislatures have the legislative powers to confer on Panchayats such powers and authority as may be necessary to enable them to function as institutions of self-government. They may be entrusted with the responsibility of preparing plans and implementation of schemes for economic development and social justice.

Powers to Impose Taxes and Financial Resources (Article 243 H):

A state may by law authorise a Panchayat to levy, collect, and appropriate taxes, duties, tolls, fees, etc. It can also assign to a Panchayat various duty, taxes, etc. collected by the State Government. The grants-in-aid may be given to the Panchayats from the Consolidated Fund of the State.

Panchayat Finance Commissions (Article I):

Within one year from the commencement of the Constitution (73rd Constitutional Amendment Act, 1992), constitute a Finance Commission, to review the financial position of the Panchayats and to make recommendations to the Governor.

Various Committees on Panchayati Raj System:

Panchayati Raj System, however, got a fillip after the attainment of independence after the drafting of the Constitution. The Constitution of India in Article 40 enjoined: "The State shall take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government".

A special committee was constituted under the chairmanship of Balwant Rai Mehta to improve the effectiveness of the Panchayati Raj. In its final report, the famous Balwant Rai Mehta Committee recommended that the government establishes a three-tier Panchayati Raj system where:

- The Gram Panchayats will work at the most basic village level.
- Panchayat Samitis will work at the intermediate block level, and
- Zila Parishad will work at the ground district level.

The National Development Council proposed a similar local government structure in 1958, with the village at the bottom of the system and the district at the top. However, it was not until the 73rd Constitutional Amendment of 1992 that the Panchayati Raj System received its current framework. Panchayati Raj systems have been established at three levels in most States and places: Village, Intermediate, and District. However, in smaller States with less than 20 lakh people, there are just two tiers: Village and District.

There were a number of committees appointed by the Government of India to study the implementation of self-government at the rural level and also recommend steps in achieving this goal.

The Committees appointed are as follows:

- ✓ Balwant Rai Mehta Committee.
- ✓ Ashok Mehta Committee.
- ✓ G V K Rao Committee.
- ✓ L M Singhvi Committee.

I. Balwant Rai Mehta Committee & Panchayati Raj:

The committee was appointed in 1957, to examine and suggest measures for better working of the Community Development Programme and the National Extension Service. The committee suggested the establishment of a democratic decentralised local government which came to be known as the Panchayati Raj.

Recommendations by the Committee:

- ✓ Three-tier Panchayati Raj system: Gram Panchayat, Panchayat Samiti and Zila Parishad.
- ✓ Directly elected representatives to constitute the Gram Panchayat and indirectly elected representatives to constitute the Panchayat Samiti and Zila Parishad.
- ✓ Planning and development are the primary objectives of the Panchayati Raj system.
- ✓ Panchayat Samiti should be the executive body and Zila Parishad will act as the advisory and supervisory body.
- ✓ District Collector to be made the chairman of the Zila Parishad.
- ✓ It also requested for provisioning resources so as to help them discharge their duties and responsibilities.

The Balwant Rai Mehta Committee further revitalised the development of panchayats in the country, the report recommended that the Panchayati Raj institutions can play a substantial role in community development programmes throughout the country. The objective of the Panchayats thus was the democratic decentralisation through the effective participation of locals with the help of well-planned programmes. Even the then Prime Minister of India, Pandit Jawaharlal Nehru, defended the panchayat system by saying, ". . . authority and power must be given to the people in the villages …. Let us give power to the panchayats."

II. **Ashok Mehta Committee & Panchayati Raj**:

The committee was appointed in 1977 to suggest measures to revive and strengthen the declining Panchayati Raj system in India.

The Key recommendations are:

- ✓ The three-tier system should be replaced with a two-tier system: Zila Parishad (district level) and the Mandal Panchayat (a group of villages).
- ✓ District level as the first level of supervision after the state level.
- ✓ Zila Parishad should be the executive body and responsible for planning at the district level.
- ✓ The institutions (Zila Parishad and the Mandal Panchayat) to have compulsory taxation powers to mobilise their own financial resources.

III. **G V K Rao Committee & Panchayati Raj**:

The Committee was appointed by the planning commission in 1985. It recognised that development was not seen at the grassroot level due to bureaucratisation resulting in Panchayat Raj institutions being addressed as "grass without roots". Hence, it made some key recommendations which are as follows:

- ✓ Zila Parishad to be the most important body in the scheme of democratic decentralisation. Zila Parishad to be the principal body to manage the developmental programmes at the district level.
- ✓ The district and the lower levels of the Panchayati Raj system to be assigned with specific planning, implementation and monitoring of the rural developmental programmes.
- ✓ Post of District Development Commissioner to be created. He will be the chief executive officer of the Zila Parishad.
- ✓ Elections to the levels of Panchayati Raj systems should be held regularly.

IV. **L M Singhvi Committee & Panchayati Raj**:

The committee was appointed by the Government of India in 1986 with the main objective to recommend steps to revitalise the Panchayati Raj systems for democracy and development. The following recommendations were made by the committee:

- ✓ The committee recommended that the Panchayati Raj systems should be constitutionally recognised. It also recommended constitutional provisions to recognise free and fair elections for the Panchayati Raj systems.

- ✓ The committee recommended reorganisation of villages to make the gram panchayat more viable.

- ✓ It recommended that village panchayats should have more finances for their activities.

- ✓ Judicial tribunals to be set up in each state to adjudicate matters relating to the elections to the Panchayati Raj institutions and other matters relating to their functioning.

All these things further the argument that Panchayats can be very effective in identifying and solving local problems, involve the people in the villages in the developmental activities, improve the communication between different levels at which politics operates, develop leadership skills and in short help the basic development in the states without making too many structural changes. Rajasthan and Andhra Pradesh were the first to adopt Panchayati Raj in 1959, other States followed them later.

Though there are variations among states, there are some features that are common. In most of the states, for example, a three-tier structure including panchayats at the village level, panchayat samitis at the block level and the zila parishads at the district level-has been institutionalized. Due to the sustained effort of the civil society organisations, intellectuals and progressive political leaders, the Parliament passed two amendments to the Constitution – the 73rd Constitutional Amendment for rural local bodies (panchayats) and the 74th Constitutional Amendment for urban local bodies (municipalities) making them ‘institutions of self-government’. Within a year all the states passed their own acts in conformity to the amended constitutional provisions.

73rd Constitutional Amendment 1992:

The Constitution (73rd Amendment) Act of 1992 begins a new era in the country's federal democratic setup, giving the Panchayati Raj Institutions (PRIs) constitutional legitimacy.

Significance of the Act:

- The Act added Part IX to the Constitution, "The Panchayats" and also added the Eleventh Schedule which consists of the 29 functional items of the panchayats.
- Part IX of the Constitution contains Article 243 to Article 243 O.
- The Amendment Act provides shape to Article 40 of the Constitution (directive principles of state policy), which directs the state to organise the village panchayats and provide them powers and authority so that they can function as self-government.
- With the Act, Panchayati Raj systems come under the purview of the justiciable part of the Constitution and mandates states to adopt the system. Further, the election process in the Panchayati Raj institutions will be held independent of the state government's will.
- The Act has two parts: compulsory and voluntary. Compulsory provisions must be added to state laws, which includes the creation of the new Panchayati Raj systems. Voluntary provisions, on the other hand, is the discretion of the state government.
- The Act is a very significant step in creating democratic institutions at the grassroots level in the country. The Act has transformed the representative democracy into participatory democracy.

Main Features of the Act are:

- Establishment and creation of a three-tier structure: Gram Panchayat (Village Panchayat), Panchayat Samiti (Intermediate Panchayat), and Zila Parishad (District Panchayat).

- Keep track of regular elections, which happen roughly every five years.

- Special reservations for Scheduled Castes and Scheduled Tribes should be provided and secured in proportion to their numbers.

- The one-third reservation of total seats for women at three different levels of Rural Development and Panchayat Raj. It is also called the three-tier system of Panchayati Raj.

- It will aid in the formation of State Finance Commissions that will suggest methods to enhance panchayat finances and payments and the formation of special State Election Commissions to oversee the organisation's elections.

- District Planning Committees are being formed to draft development strategies for various districts.

- They will also assist in creating programmes for economic growth and, on the other side, social justice and the 29 issues included in the Constitution's 11th Schedule.

- Grama Sabha's major formation and empowerment as a powerful entity at the local level; and it also participates in the rotation in compliance with the allotment of seats in the PRIs for classes such as women and Scheduled Castes.

- The Constitution (73rd Amendment) Act grants the Panchayati Raj the rights and authority to administer justice at the local level, allowing them to function.

- It contains several special action powers that give them the authority to disperse powers and other responsibilities related to (a) developing various plans for economic development and ensuring swift and equitable social justice, and (b) implementing all such plans for economic development and social justice.

- There shall be constituted in every State, (a) a Nagar Panchayat (b) a Municipal Council for a smaller urban area; (c) a Municipal Corporation for a larger urban area.

- All the seats in a Municipality shall be filled by persons chosen by direct election from the territorial constituencies in the Municipal area known as wards.

- The Legislature of a State may, by law, provide the representation in a Municipality of persons having special knowledge or experience in Municipal administration.

- Members of the House of the People and the members of the Legislative Assembly of the State; members of the Council of States and the members of the Legislative Council; the Chairpersons of the Committees.

- Constitution of Ward Committee.

- Seats shall be reserved for the Scheduled Castes and the Scheduled Tribes in every Municipality.

- Not less than one-third of the total number of seats reserved shall be reserved for women belonging to the Scheduled Castes and Scheduled Tribes.

- A State may, by law, endow the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government.

- The Legislature of a State may, by law authorise a Municipality to levy, collect and appropriate such taxes, duties, tolls, and fees.

- There shall be constituted in every State at the district level a District Planning Committee to consolidate the plans prepared by the Panchayats and the Municipalities in the district and to prepare a draft development plan for the district as a whole.

- The Legislature of a State may, by law, make provisions with respect to the composition of the Metropolitan Planning Committees.

So, the introduction of the Panchayati Raj system was a good step in conveying the message of democracy to every village in the country.

Details of various Provisions of the Act:

1. **Gram Sabha**: Gram Sabha is the primary body of the Panchayati Raj system. It is a village assembly consisting of all the registered voters within the area of the panchayat. It will exercise powers and perform such functions as determined by the state legislature. Candidates can refer to the functions of gram panchayat and gram panchayat work, on the government official website – https://grammanchitra.gov.in/.

2. **Three-tier System**: The Act provides for the establishment of the three-tier system of Panchayati Raj in the states (village, intermediate and district level). States with a population of less than 20 lakhs may not constitute the intermediate level.

3. **Election of Members and Chairperson**: The members to all the levels of the Panchayati Raj are elected directly and the chairpersons to the intermediate and the district level are elected indirectly from the elected members and at the village level the Chairperson is elected as determined by the state government.

4. **Chairperson** of a Panchayat and other members of a Panchayat, whether or not elected directly from territorial constituencies in the Panchayat area, have the right to vote in Panchayat meetings.

5. **Reservation of seats**:

   - ✓ **For SC and ST**: Reservation to be provided at all the three tiers in accordance with their population percentage.

   - ✓ **For Women**: Not less than one-third of the total number of seats to be reserved for women, further not less than one-third of the total number of offices for chairperson at all levels of the panchayat to be reserved for women.

   - ✓ The state legislatures are also given the provision to decide on the reservation of seats in any level of panchayat or office of chairperson in favour of backward classes.

6. **Duration of Panchayat**: The Act provides for a five-year term of office to all the levels of the panchayat. However, the panchayat can be

dissolved before the completion of its term. But fresh elections to constitute the new panchayat shall be completed –

- ✓ Before the expiry of its five-year duration.
- ✓ In case of dissolution, before the expiry of a period of six months from the date of its dissolution.

7. **Disqualification**: A person shall be disqualified for being chosen as or for being a member of panchayat if he is so disqualified:

   - ✓ Under any law for the time being in force for the purpose of elections to the legislature of the state concerned.
   - ✓ Under any law made by the state legislature. However, no person shall be disqualified on the ground that he is less than 25 years of age if he has attained the age of 21 years.
   - ✓ Further, all questions relating to disqualification shall be referred to an authority determined by the state legislatures.

8. **State Election Commission**:

   - ✓ The commission is responsible for superintendence, direction and control of the preparation of electoral rolls and conducting elections for the panchayat.
   - ✓ The state legislature may make provisions with respect to all matters relating to elections to the panchayats.

9. **Powers and Functions**: The state legislature may endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government. Such a scheme may contain provisions related to Gram Panchayat work with respect to:

   - ✓ The preparation of plans for economic development and social justice.

- ✓ The implementation of schemes for economic development and social justice as may be entrusted to them, including those in relation to the 29 matters listed in the Eleventh Schedule.

10. **Finances**: The state legislature may:

    - ✓ Authorize a panchayat to levy, collect and appropriate taxes, duties, tolls and fees.
    - ✓ Assign to a panchayat taxes, duties, tolls and fees levied and collected by the state government.
    - ✓ Provide for making grants-in-aid to the panchayats from the consolidated fund of the state.
    - ✓ Provide for the constitution of funds for crediting all money of the panchayats.

11. **Finance Commission**: The state finance commission reviews the financial position of the panchayats and provides recommendations for the necessary steps to be taken to supplement resources to the panchayat.

12. **Audit of Accounts**: State legislature may make provisions for the maintenance and audit of panchayat accounts.

13. **Application to Union Territories**: The President may direct the provisions of the Act to be applied on any union territory subject to exceptions and modifications he specifies.

14. **Exempted states and areas**: The Act does not apply to the states of Nagaland, Meghalaya and Mizoram and certain other areas. These areas include:

    - ✓ The scheduled areas and the tribal areas in the states
    - ✓ The hill area of Manipur for which a district council exists
    - ✓ Darjeeling district of West Bengal for which Darjeeling Gorkha Hill Council exists. However, Parliament can extend this part to these

areas subject to the exception and modification it specifies. Thus, the PESA Act was enacted.

15. **Continuance of Existing Law**: All the state laws relating to panchayats shall continue to be in force until the expiry of one year from the commencement of this Act. In other words, the states have to adopt the new Panchayati raj system based on this Act within the maximum period of one year from 24 April 1993, which was the date of the commencement of this Act. However, all the Panchayats existing immediately before the commencement of the Act shall continue till the expiry of their term, unless dissolved by the state legislature sooner.

16. **Bar to Interference by Courts**: The Act bars the courts from interfering in the electoral matters of panchayats. It declares that the validity of any law relating to the delimitation of constituencies or the allotment of seats to such constituencies cannot be questioned in any court. It further lays down that no election to any panchayat is to be questioned except by an election petition presented to such authority and in such manner as provided by the state legislature.

Structure of Gram Panchayat System:

The Gram Panchayat, also known as the Village Panchayat, is the central entity of the Panchayati Raj System. A Gram Sabha and a Gram Panchayat with a distinct Chairperson called Gram Pradhan or Sarpanch (Mukhia), a Vice-Chairperson, and certain Panches can be found here.

In truth, Village Panchayats are in operation, and they operate only in compliance with state legislation. However, Panchayati Raj Institutions are often stringent and well-organised. They operate as follows: A Gram Sabha, also known as a Village Assembly, is made up of all adults, or voters (those over the age of 18), who live in a Gram Panchayat, which is a village or a group of minor villages.

The Gram Sabha has gained a reputation as a legal authority. The judicial system functions as a legislative body. At least two Gram Sabha meetings are conducted each year. The Gram Sabha discusses the amount or budget of the Gram Panchayat during its first meeting.

It reviews Gram Panchayat’s most critical and relevant reports during its second meeting. Gram Sabha’s key responsibilities are to evaluate the panchayat's yearly finances, consider various audits and administrative reports, and file the panchayat's tax proposals. It also takes community service, additional voluntary labour, and newer Panchayat projects.

Members of the Gram Sabha elect the members of the Gram Panchayat and the head chairperson. The States will ensure that all Gram Sabhas in their respective districts are fully operational.

The Village Panchayat, also known as the Gram Panchayat, is Gram Sabha's main executive council. It is the most important source of local self-government in rural areas. All members of Gram Sabha are voters with the authority to elect members of the panchayat by a secret ballot. In most parts of India, a Village Panchayat comprises between 5 and 9 members known as Panches. In every panchayat, there is a rule that one-third of the seats be designated for women. However, in other parts of India, the proportion of seats allotted for women is higher. People from the Scheduled Castes and Tribes are given reservation seats.

All of the electors in the village elect the Sarpanch (Mukhia) of the Panchayat. 1/3rd of Sarpanch posts is reserved for women, while others are reserved for people from Scheduled Castes and Scheduled Tribes.

The Sarpanch is the most important person in the panchayat since he can summon and preside over Panchayat meetings. Every month, he or she must preside over at least one Panchayat meeting. The Panches can also request special meetings on crucial matters.

He or she has the authority to summon such a special meeting within three days of receiving the request. Every meeting of the panchayat's agenda is kept on file by the Sarpanch. The members of the panchayat choose the Vice Chairperson in most cases. The Village Panchayat has a 5-year term limit.

All of the Gram Panchayat's essential functions are linked to the overall well-being and growth of the village. Every Gram Panchayat has to perform some very important functions to meet the needs and basic requirements of the villagers, such as providing safe drinking water, paving streets, and even developing and maintaining a good drainage system, ensuring village cleanliness, upkeep of street lights, dispensary, and so on. These are described as "main" or "obligatory" functions.

Other panchayat functions are optional and can be carried out if the panchayat has the funding. These include tree and herb planting, the establishment and maintenance of a cattle insemination centre, the development and maintenance of sports centres, and the establishment and operation of a library. It is the state government or the federal government that performs duties and delegates them to Panchayats from time to time. One should maintain his or her home's surroundings clean, not squander drinking water, and continue to grow trees.

Sources of Income of Gram Panchayats:

Financial resources and any other contributions are required for Panchayats to present their functions, whether they be developmental or otherwise. Gram Panchayats can function effectively and efficiently if they have a sufficient budget. State governments have increased the Panchayats' ability to charge taxes and collect revenues in addition to the Grants-in-Aid.

Some of the Sources are as follows:

Revenue Taxes on particular property, unique and special land, products, and other livestock; the rent earned for various facilities is distinct from the panchayat's other properties. Fines of various forms are collected from all other offenders. It can also assist in obtaining grants-in-aid from other governments.

Panchayats receive a portion of the basic land revenue and other associated earnings for the state and the federal government and additional special money and donations from the villages for some urgent reason.

In India, the Panchayati Raj System is not a post-independence development. For decades, the village panchayat has been the most powerful political entity in rural India. Panchayats were elected councils in ancient India that had administrative and judicial authority. Panchayati Raj is a three-tiered administrative framework in India that focuses on rural development. The Panchayati Raj is a system of local self-government that is used to build districts, zones, and villages.

PESA Act of 1996:

The provisions of Part IX are not applicable to the Fifth Schedule areas. The Parliament can extend this Part to such areas with modifications and exceptions as it may specify. Under these provisions, Parliament enacted Provisions of the Panchayats (Extension to the Scheduled Areas) Act, popularly known as PESA Act or the extension act.

Objectives of the PESA Act (The Provisions of the Panchayats (Extension to Scheduled Areas) Act, 1996):

1. To extend the provisions of Part IX to the scheduled areas.
2. To provide self-rule for the tribal population.
3. To have village governance with participatory democracy.
4. To evolve participatory governance consistent with the traditional practices.
5. To preserve and safeguard traditions and customs of tribal population.
6. To empower panchayats with powers conducive to tribal requirements.
7. To prevent panchayats at a higher level from assuming powers and authority of panchayats at a lower level.

As a result of these constitutional steps taken by the union and state governments, India has moved towards what has been described as 'multi-level federalism', and more significantly, it has widened the democratic base of the Indian polity. Before the amendments, the Indian democratic structure through elected representatives was restricted to the two houses of Parliament, state assemblies and certain union territories. The system has brought governance and issue redressal to the grassroot levels in the country but there are other issues too. These issues, if addressed, will go a long way in creating an environment where some of the basic human rights are respected.

After the new generation of panchayats had started functioning, several issues have come to the fore, which have a bearing on human rights. The important factor which has contributed to the human rights situation vis-a-vis the panchayat system is the nature of Indian society, which of course determines the nature of the state. Indian society is known for its inequality, social hierarchy and the rich and poor divide. The social hierarchy is the result of the caste system, which is unique to India. Therefore, caste and class are the two factors, which deserve attention in this context.

Thus, the local governance system has challenged the age-old practices of hierarchy in the rural areas of the country particularly those related to caste, religion and discrimination against women.

Duties and Responsibilities of Panchayati Raj Institutions:

Article 243G of the Constitution of India introduced by the 73rd Constitutional Amendment effective from 24th April 1993 is reproduced below:

"Powers, authority and responsibilities of Panchayats: Subject to the provisions of the Constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level, subject to such conditions as may be specified therein, with
respect to:

a) The preparation of plans for economic development and social justice;
b) The implementations of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule."

The Eleventh Schedule to the Constitution of India which identifies 29 items of community welfare and development which may be entrusted to Panchayati Raj Institutions (PRIs).

State Enactments:

The 73rd Constitutional Amendment leaves implementation of many of the provisions to the discretion of the States. The States have introduced new Acts replacing old ones or have amended their respective Panchayati Acts to give effect to the amendment.

The amended State Panchayat Acts provide for uniformity in terms of three-tier local Governments at the Village, Intermediate and District levels. These Panchayats are known by different names in different States:

- Gram Panchayats, Grama Panchayats, Gaon Panchayats and Village Panchayats at village level.

- Mandal Parishads, Anchal Samitis, Anchalik Samitis, Block Panchayats, Janpad Panchayats, Panchayat Union Councils, Panchayat Samitis, Kshetra Panchayats and Taluk Panchayats at intermediate (Block) level.

- Zilla Parishads, Zilla Panchayats and District Panchayats at District level.

Note:

1. There is no intermediate level Panchayat in Sikkim, Jammu & Kashmir, and Manipur.
2. In Mizoram, Meghalaya and Nagaland, there are traditional councils, as the 73rd Constitutional Amendment has not been made applicable to them.
3. In the District of Darjeeling (West Bengal), the existing Darjeeling Gorkha Council is authorised to function at the district level.

The State Acts also provide for setting up of Gram Sabhas. These Sabhas act as legislatures to Village level Panchayats. They approve and oversee the programmes, functions and accounts of Village level Panchayats. They also make recommendations regarding formulation of developmental schemes and identify beneficiaries.

As laid down in the 73rd Constitutional Amendment, the State Acts provide for setting up of Finance Commission and Election Commission for regulating the finances of and elections to Panchayats at the three levels, respectively.

Powers, Duties and Responsibilities:

The State Acts enable Panchayats to exercise exclusive power to administer, by and large the matters set out in the Eleventh Schedule of the Constitution.

However, the States have not transferred a few of the 29 subjects ibid to Panchayats. The activities of each PRI will be confined to the areas falling under its jurisdiction.

The extent of devolution of powers and functions on each of the Three-Tier PRIs differ from one State to another. In relation to activities of PRIs connected with community welfare and development including planning, co-ordination, supervision, funding and monitoring a dominant role may be played by the Sor the district level Panchayats. In some States, less importance is given to District level Panchayats while in some other States, Intermediate level Panchayats and / or the Village level Panchayats are assigned number of functions. The practice of regular departments of Government discharging some of the functions of PRIs is also prevalent. The Intermediate (Block) level Panchayats on Samitis and Village Panchayats may discharge their duties either independently or under the supervision of other PRIs at higher levels. For assisting PRIs in planning, decision-making etc., regarding their activities. District Planning Committees or District Planning and Development Councils, Standing Committees and as stated earlier, Gram Sabhas have been constituted.

Funding Arrangements:

The arrangements for funding PRIs for carrying out the functions assigned to them also vary in some respects from one State to another. DRDA /DRDS or the District Panchayat is made the nodal agency for receiving Plan Funds and Grants from State and Central Governments and other sources and for distributing them among other PRIs.

In the case of centrally sponsored schemes, funds are usually transmitted by Government of India direct to each PRI implementing the scheme. Likewise, state share of the funds for such schemes is transferred to each PRI direct in accordance with the prescribed procedures or through the PRI at the higher level.

PRIs are empowered to raise funds through taxes, cesses, fees, fines etc., but generally, the magnitude of revenues generated on this account is small. Hence, PRIs in all the States are heavily dependent on grants and loans from the Government for performing their functions.

Untied or general-purpose grants (for example, for maintenance, staff salaries and non-plan expenditure) as well as funds and grants for specified schemes and purposes are released to PRIs by the Government. In the later case, utilisation certificates are required to be furnished by PRIs. Similarly, loan schemes are also transferred to PRIs for disbursing loans to beneficiaries, for forwarding utilisation certificates and for recovering and accounting for loans as prescribed. It has to be noted, however, that funds flow differs slightly from State to State.

In many States, funds received by PRIs are kept in a Personal Deposit Account at the treasury and transactions take place through that Account. In a few States, transactions of PRIs are operated through the Treasury under separate Fund heads of account created for each PRI. Many scheme funds are kept by PRIs in separate Bank accounts for each scheme as laid down in scheme guidelines.

Accounting System:

The State Panchayati Raj Acts and the Finance and Accounts Rules or orders issued under the State Acts lay down accounting procedures to be followed by the PRIs in regard to their financial transactions and the forms of original and subsidiary books of accounts required to be maintained by them and the forms of accounts statements and returns to be rendered by them periodically.

A representative list of books of accounts and statements of accounts required to be maintained by PRIs, and the returns to be submitted to other authorities.

Budget: The manner in which and by whom Annual Financial Statements (Budgets) of PRIs are to be prepared, the authorities competent to accord approval to them, how budgetary control is to be exercised at different levels and allied matters are laid down in the State Panchayat Acts and Rules / Orders issued thereunder.

The State Panchayati Acts and the Finance and Accounts Rules or orders issued under the State Acts lay down accounting procedures to be followed by the PRIs in regard to their financial transactions and the forms of original and subsidiary books of accounts required to be maintained by them and the forms of accounts statements and returns to be rendered by them periodically.

Eleventh Schedule (Article 243G):

The Eleventh Schedule to the Constitution of India which identifies 29 items of community welfare and development which may be entrusted to Panchayati Raj Institutions (PRIs):

1. Agriculture, including agricultural extension.
2. Land improvement, implementation of land reforms, land consolidation and soil conversion.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small scale industries, including food processing industries.
9. Khadi, village, and cottage industries.
10. Rural housing.
11. Drinking water.
12. Fuel and fodder.
13. Roads, culverts, bridges, ferries, waterways, and other means of communication.
14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.
20. Libraries.
21. Cultural activities.
22. Markets and fairs.
23. Health and sanitation, including hospitals, primary health centres and dispensaries.
24. Family welfare.
25. Women and child development.
26. Social welfare, including welfare of the handicapped and mentally retarded.
27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.
28. Public distribution system.
29. Maintenance of community assets.

List of Account Records Maintained:

1. Cash Book, Stock Books of receipts, Cheques, License forms, Receipt books, Cheque books, Remittance Register / Challans.

2. Bill Register, Acquittance Register, Deductions Register, Undisbursed pay and allowances, Sanction of increments, Last pay certificates, Scale Register, Travelling allowances, Advances, Register of Contingent charges, Abstract contingent bill register, Register of subsidies, progress of expenditure, Service Register of employees, Registers of Pension & Leave salary contributions.

3. Daybook of receipts, D.C.B. statements, Assessments, Remissions and write-off, Refunds, Fines & Penalties.

4. Stock Registers of Consumable articles, Immovable articles, Agreements, Forms, Stamps, Logbook of vehicles, Dead Stock, Library, Roads, Lands, Wells, Streetlights.

5. Grants, Loans, Imprest, Advances, Deposits, Budget, Securities, Appropriations, Investments, Schemes, Internal audit, Authorisations, Utilisation Certificates, Assets and completion report.

6. Receipt schedules, Payment schedules, Compilation sheet, Deduction statements, Proof sheet of compilation of Treasury transactions, Transfer entries, Classified abstracts, register of cheques issued, Consolidated abstract, Monthly statement of accounts, Plus and minus memoranda, Annual statement of accounts, Reconciliation statements, Expenditures, Execution of works, Estimates, Authorisations, Tenders.

7. Data of beneficiaries, Cattle impounded, Work allotment, Progress of work, etc.

8. Register of Audit objections.

9. Any other Registers or Accounts prescribed under relevant Rules or orders issued by competent authority.

Government of India Initiatives:

To strengthen Panchayati Raj System and thereby improve the rural areas of the country, the Ministry of Panchayati Raj (MoPR) is implementing the:

1. Centrally Sponsored Scheme of **Rashtriya Gram Swaraj Abhiyan (RGSA)** with the primary objective of strengthening Panchayati Raj Institutions (PRIs) by way of capacity building and training of the elected representatives and the functionaries of the PRIs, providing infrastructural support like Gram Panchayat Bhawan and Computerisation.

2. **Mission Mode Project on e-Panchayats**, a Central component of RGSA scheme under which various e-governance projects are funded towards digitalization of Panchayats to bring in efficiency, accountability, and transparency in the functioning of the PRIs for overall transformation of PRIs (No funds are released to States under the scheme).

3. **Incentivization of Panchayats (IoP),** a Central Component of RGSA scheme to encourage competitive spirit among PRIs under which, Awards including financial incentives are given to best performing Panchayats in recognition of their good work for improving delivery of services and goods to public.

Article 243D of the Constitution of India provides for not less than one-third reservation for women in PRIs out of total number of seats to be filled by direct election and number of offices of chairpersons of Panchayats. As per the information available with the Ministry, **21 States** namely, Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Sikkim, Tamil Nadu, Telangana, Tripura, Uttarakhand and West Bengal, and 2 UTs namely 'UT of Dadra & Nagar Haveli and Daman & Diu' and 'UT of Lakshadweep' have made provision for **50% reservation for women in PRIs** in their respective State Panchayati Raj Acts. In respect of remaining Part-IX States/UTs, Constitutional provision, as prescribed in Article 243D, applies.

Further, Government has been encouraging increased involvement of women in the functioning of Panchayats through active participation in the Gram Sabha meetings for preparation of Gram Panchayat Development Plans and various schemes being implemented by the Panchayats. This

Ministry has also issued advisories to the States to facilitate holding of separate Ward Sabha and Mahila Sabha meetings prior to Gram Sabha meetings, enhancing the presence and participation of women in Gram Sabha and Panchayat meetings, allocation of Panchayat funds for women centric activities, combating the evil of women trafficking, female foeticide, child marriage, etc.

Best Practices / Principles to Strengthen Panchayati Raj Institutions-PRI in India are:

- People are no more subject of sovereign powers, but the right bearing citizens.
- Government / Authority have to be remained accountable to the citizens.
- Administration will have to take into account this fundamental change.
- Panchayats are government at their own level and must be allowed to function as government.
- Article 243G expresses the intension that while framing law for panchayat, the state legislatures should endow this institution with such power and authority as may be necessary to enable function as local self-governance.
- Panchayat should have an autonomous jurisdiction of their own.
- As there are governments at multiple levels, government at each level will enjoy only partial autonomy.
- How much autonomous jurisdiction can be curbed out to the panchayats is a matter of judgment, autonomy cannot be too small to make panchayats (Local self-governing institute) meaningless.
- There are spheres of action where state government and the panchayats can act as equal partner.
- There are some agency works.
- Agency works should not overshadow or diminish the distinctive character of panchayats as government at their level.
- Granting autonomous jurisdiction to panchayat implies devolution type of decentralization as opposed to mere administrative de-concentration.
- The state governments will share the power and authority with institutions of local government.
- Each state would become a federation of federations.
- Role of local government remains confined to delivery of civic services.
- Article 243G mandates that panchayat at all levels developed plans for economic development and social justice.

≈ Macro level plans remain incomplete or non-responsive to the urgent need of the people unless they are bit upon the plans prepared at micro level through participatory approaches.

≈ Panchayats have become partners of higher-level governance for achieving national goals and socio-economic sector.

≈ XIth schedule of Constitution covers a broad spectrum of developmental activities–both social and economic sector.

≈ Panchayats are primarily governments at their own level and secondarily agencies of state government.

≈ Panchayati Raj Institutions being governments at their own level, are an integral part of country's governance system.

≈ Objectives of these panchayats are to democratize the local administration to make it:

- Participatory.
- Responsive.
- Accountable.
- Need based.
- Efficient.
- Prompt service delivery.

≈ Installation of empowered, participatory, responsible and accountable local government to meet the demand and democratic aspiration of the people.

≈ Exclusive functional area is yet to be curbed out for panchayats.

≈ A separate functional domain for panchayats should be created with adequate fund and personnel to discharge them.

≈ In order to make devolution, functions are broken into activities for meaningful devolution to different levels of governance.

≈ There should be an exclusively functional jurisdiction of action for each level of panchayats.

≈ Any activity within this functional jurisdiction is presently performed by any line department should cease to perform the activity after devolution or part of it.

≈ There may be functional jurisdiction where state government and panchayats would work as equal partners.

≈ There may be functional jurisdiction where panchayat institutions would act as agencies for the government.

≈ Among these three jurisdictions, first two should predominant and agency function should not be allowed to overshadow the other two jurisdictions.

≈ Decentralization means sharing of activities between government at different levels.

≈ Devolution within the framework of cooperative federalism means transfer of individual activities of a subject between state and local government and within the local government between GP, AP and ZP (Gaon Panchayats, Anchalik Panchayat, Zilla Parishads).

≈ The purpose of activity mapping is creation of the sphere of independent action for the panchayat.

≈ Criteria to determine the activities to be devolved to each tier of panchayat are as follows:
- Economies of state.
- Managerial and technical capacity.
- Size of the individual unit of an activity
- Informing needs of designing, implementation and monitoring.
- Role of community participation.

≈ Pattern of devolution vary from state to state but should be some core activity for the panchayat system in all states. They are as follows:
- Elementary education, adult and non-formal education.
- Primary health care, drinking water and sanitation.
- Women and child development.
- Roads, culverts, bridges.
- Rural infrastructure that may rural electrification for improving economic activities in productive sectors.
- Natural resource management.
- Livelihood for the poor.
  (a) implementation of the poverty alleviation schemes and
  (b) targeted public distribution system.
- Civic amenities.

≈ Activities so devolved will be exclusive responsibility of panchayats.

≈ Line departments of the state government will provide guidance and support.

≈ In this sphere of core activities, panchayats will perform independently or as a partner of government but with sufficient autonomy in taking decisions.

≈ Delivery of services in many sectors are presently being managed by line department.

≈ Management of these service delivery centres should be handed over to panchayats.

≈ Planning is a mandatory task of all the panchayats.
≈ Panchayat plan is in nature a holistic plan covering and integrating multiple sectors.
≈ Any sectoral plan should be a sub-plan of the panchayat plan.
≈ A methodology of participatory planning should be evolved and institutionalized.
≈ A vision document for the district by the District Planning Committee in consultation. The vision documents will analyse the progress of the district in different sectors identified backwardness and indicate interventions for addressing them.
≈ If panchayats are considered as integral part of government system, it is quite legitimate to devolve some regulatory functions also.
≈ Committees formed by line departments for different sectoral programmes should be replaced by Standing Committees of Panchayats.
≈ Grants to panchayats should be untied so that panchayats can decide their own priorities.
≈ Planning Commission while giving approval to the state plan must verify whether panchayat plans have been incorporated.
≈ Funds allocated to panchayats should go directly to them.
≈ State government and sectoral departments may periodically evaluate and monitor the implementation to ensure the objectives are fully achieved.
≈ Service provider responsible for physical delivery of benefits are not fully accountable to PRIs.
≈ Parallel structure functioning independently for various line departments should be brought under respective tier of PRIs.
≈ In order to make GP economically viable and administrative effective as a unit of government a minimum size should be fixed.
≈ The factors that will have to be taken into consideration for determining the minimum size of the GP may be as follows:
    - Potentiality of local resource generation.
    - Sustainability of maintaining essential staff.
    - Suitability as unit of planning.
    - Geographical cohesiveness.
    - Terrain conditions and communication facilities.
    - Minimum period of rotation for the reserved seats should not be less than 10 years.

≈ Following traditional matters of supervision and control of PRIs should be reviewed and recasted as they do not conform to the concept of democratic decentralization.
  - Powers of sanction of budget.
  - Powers of suspension and cancellation of resolution or orders.
  - Powers of suspension of removal of Chairperson, Vice Chairperson and Members.
  - Powers of suspension and suppression of PRIs.
  - Services of special tribunals and ombudsmen should be availed.

≈ In designing the components of accountability of the PRIs, it is necessary to focus on the following.
  - Integrity in the use of resources and preventing rent-seeking tendencies of public officials / representatives.
  - Adherence to the rule of law in conducting public affairs.
  - Exercise of administrative powers of officials and political executives in fair manner.
  - Responsiveness of the PRIs to the urgent needs of people.
  - Performance of the PRIs in terms of efficiency and effectiveness.

≈ System of upward accountability in panchayats is institutionalized, that of downward is yet to take roots.

≈ Tools to accountability of PRIs.

≈ Statutory audit of accounts.

≈ Use of sanction from deviation of norms.

≈ A set of transparency guarantee in Panchayat Act.

≈ Introduction of citizen charter.

≈ Empowerment of Gram Sabhas and introduction of social audit.

≈ Performance review by independent and trained authorities.

≈ Publishing performance indicators of efficiency and effectiveness.

National Panchayati Raj Day (NPRD):

The adoption of the Constitution (73^{rd} Amendment) Act, 1992 (or simply the Panchayati Raj Act) marks a new era in the federal democratic setup of the country. It was based on the recommendation of the Balwant Rai Mehta committee. It came into force with effect on 24^{th} April 1993. It has a 3-tier system of Panchayati Raj for all States having a population of over 20 lakhs. It is observed on 24^{th} April every year. During the occasion, the best performing Panchayats/ State/ UTs are awarded under 5 categories of awards. These awards are Deen Dayal Upadhyay Panchayat Sashktikaran Puraskar, Nanaji Deshmukh Rashtriya Gaurav Gram Sabha Puraskar, Gram Panchayat Development Plan Award, Child-friendly Gram Panchayat Award, and e-Panchayat Puraskar for States/UTs only.

During the NPRD in April 2023, the Hon'ble Prime Minister of India launched an integrated eGramSwaraj and GeM platform for panchayat-level public procurement. The goal of the eGramSwaraj-GeM Integration is to make it possible for Panchayats to use GeM to purchase goods and services while utilising the eGramSwaraj platform. Include the SVAMITVA Property Card to chosen recipients, the Griha Pravesh ceremony for the 4 lakh beneficiaries of the Pradhan Mantri Awaas Yojana-Gramin, and an exhibition with various thematic stalls showcasing initiatives and successes of the state and central governments.

National Panchayat Awards 2024 (Appraisal Year 2022-2023)

Ministry of Panchayati Raj has been incentivizing best performing Panchayats through National Panchayat Awards. These awards have been revamped and launched during the year 2022 aligning them with 9 Localization of Sustainable Development Goals (LSDGs) themes aggregating 17 SDGs.

Primary objective through this competition is to assess the performance of Panchayats in attainment of SDGs, promote competitive spirit among them and catalyze the process of LSDGs through Panchayati Raj Institutions for attaining LSDGs by 2030.

Key Features:

Awards competition structure is now multi-level pyramidical at Block, District, State/UT and National Level. All the Panchayats will be ranked based on their performance under each of the following 9 LSDGs themes:

1. Poverty free and enhanced livelihoods Panchayat
2. Healthy Panchayat
3. Child Friendly Panchayat
4. Water Sufficient Panchayat
5. Clean and Green Panchayat
6. Self-sufficient infrastructure in Panchayat

7. Socially Just and Socially secured Panchayat
8. Panchayat with Good Governance
9. Women-Friendly Panchayat

All the Gram Panchayats have to mandatorily fill the Questionnaires under all 9 award themes.

Categories of Awards: Awards at National Level will be given to Gram, Block and District Panchayats under following categories namely:

1. **Deen Dayal Upadhyay Panchayat Satat Vikas Puraskar:** Top 3 GPs under each of 9 award themes.

2. **Nanaji Deshmukh Sarvottam Panchayat Satat Vikas Puraskar:** For top 3 best GPs, BPs and DPs with highest average score under all themes combined.

3. **Gram Urja Swaraj Vishesh Panchayat Puraskar:** For 3 GPs for their performance regarding adoption and usage of renewable sources of energy.

4. **Carbon Neutral Vishesh Panchayat Puraskar:** For 3 GPs towards achieving Net-Zero carbon emissions.

5. **Panchayat Kshamta Nirmaan Sarvottam Sansthan Puraskar:** For 3 Institutions who has provided institutional support to GPs in achieving LSDGs.

6. **Nanaji Deshmukh Sarvottam Panchayat Satat Vikas Puraskar:** One GP which qualifies and gets shortlisted for National Panchayat Awards during the subsequent years.

7. **Best Participant (State/District):** State/UT with highest percentage of participation from GPs (>90%).

Chapter 2:

eGramSwaraj and eGramSwaraj - PFMS Interface

(Empowering Rural India through Digitisation in Panchayats)

e-Panchayat is one of the Mission Mode Projects (MMP) under the Digital India programme of Government of India that seeks to transform the functioning of Panchayati Raj Institutions (PRIs), making them more transparent, accountable, and effective as last mile cutting edge organs of decentralized local self-governments. The Panchayats being the basic unit for planning and implementation of many schemes and services, e-Panchayat programme would also go a long way in improving governance including public service delivery with better outcomes.

The main objectives of e-Panchayat MMP are as follows:

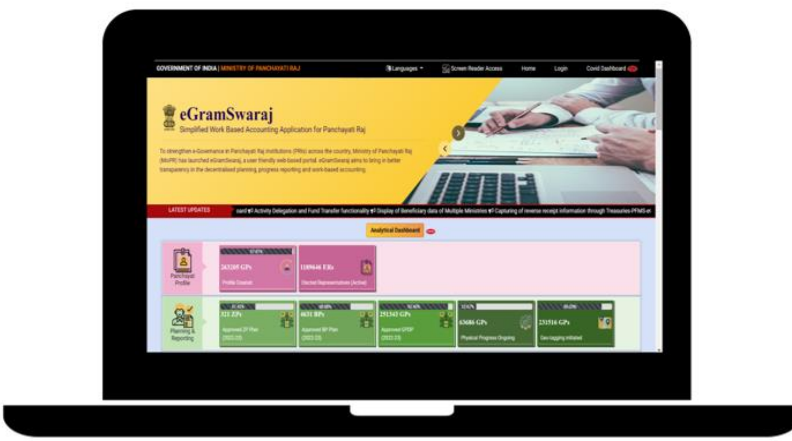
- Automation of internal workflow processes of Panchayats.
- Improving delivery of services to citizens.
- Capacity building of Panchayat Representatives and Officials.
- Transparency, Accountability, Efficiency and RTI compliance of Panchayats.
- Improving Governance of local self-government.

The project aims at automating internal workflow processes of all the nearly 2.55 Lakh Panchayats across the country benefitting approximately 30 lakh elected members and about 10 lakhs PRI functionaries and improve local governance and make democracy work effectively at grassroots level. Under the MMP, a suite of Core Common software Applications were developed to address various aspects of Panchayats' functioning such as planning, budgeting, implementation, accounting, monitoring, social audit, and delivery of citizen services like issue of certificates, licenses, etc.

With a vision to usher in digital Panchayats to empower & transform rural India, eGramSwaraj, a unified tool for effective monitoring and evaluation of works taken up in the Panchayats was launched by Hon'ble Prime Minister on National Panchayati Raj Day, 24th April 2020. eGramSwaraj has been developed amalgamating the functionalities of currently available applications under e-Panchayat Mission Mode Project (MMP). The applications subsumed under eGramSwaraj applications comprises of

PlanPlus (planning), ActionSoft (physical reporting), PRIASoft (accounting) and National Asset Directory (NAD, asset management) along with the Area Profiler Application (Panchayat profile) with LGD acting as the underlying Panchayat directory. The application focuses on Work Based Accounting, i.e., tracking every expenditure incurred for each of the activities proposed under the respective Panchayat Development Plan (PDP).

eGramSwaraj aims to bring in better transparency and strengthen the e-Governance in Panchayati Raj Institutions (PRIs) across the country through decentralized Profiling, Planning, Physical Progress, Reporting and Work-Based Accounting. There is a seamless integration between eGramSwaraj Portal and Local Government Directory (LGD) through which Unique Codes are allocated to each PRI which allows interoperability with other Applications.



The eGramSwaraj portal[1] is a web-based portal for maintaining online records of PRIs, focusing on ensuring transparency in the decentralised planning, progress reporting and work-based accounting for the Panchayati Raj Institutions. It is referred to as a Simplified Work Based Accounting Application for Panchayati Raj.

The eGramSwaraj portal will serve as a single platform providing comprehensive records of panchayats in all villages and their works, from planning to implementation under their respective Panchayat Development Plan (PDP). The eGramSwaraj portal is also available in Hindi language,

[1] eGramSwaraj website link: https://egramswaraj.gov.in/

which you can select from the portal's home page. Moreover, eGramSwaraj has also been integrated with BHASHINI to form a multi-lingual eGramSwaraj platform with the main objective to transcend language barriers, ensuring that every citizen can easily access digital services in their own languages. As a result, eGramSwaraj can be accessed in all 22 scheduled languages, thereby greatly enhancing its reach and usability across diverse linguistic communities.

Core Modules:

- Panchayat Profile.
- Planning Module.
- Progress Reporting Module.
- Accounting Module.
    - Online Payment Interface (eGramSwaraj – PFMS Interface)
- Asset Directory.
- mActionSoft Mobile App for Geo-tagging of assets created.
- Real-time file Tracking Mechanism.
- Treasury-PFMS-eGS Integration.

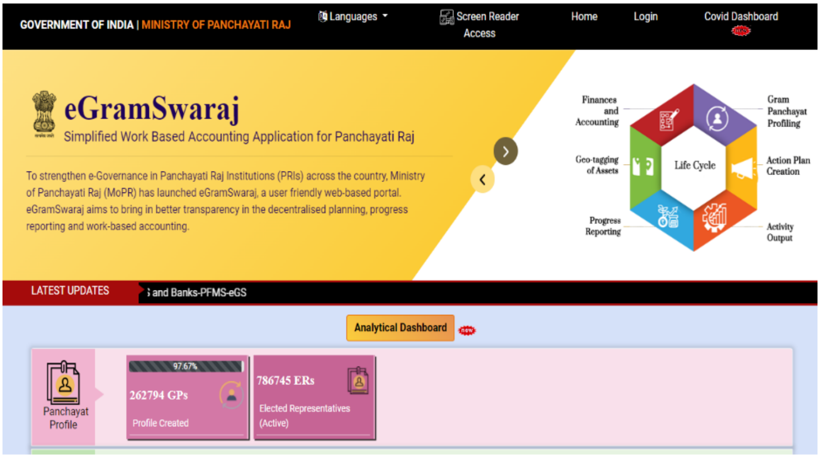
eGramSwaraj Portal: Registration Process:

- The eGramSwaraj system enables citizens to view financial progress reports and approved panchayat plans without signing into the portal. The data is entered into the system by the Panchayat Raj Institution (PRIs). The State agency will approve or disapprove request by PRIs for login ID creation. Here is a step-by-step guide for the registration process:
- The State agency will sign into the eGramSwaraj portal.
- Onboard panchayat will be opened for the online scheme module.
- Choose the respective PRI for onboarding. Click on the 'Save' link.
- User ID and password will be provided to the user by the state agency.
- The PRI can create its DSC (for maker or checker) and start making transactions on the website.
- All the Panchayat Raj Institutions (PRIs) will be required to register the Digital Signature Certificates (DSCs) on the eGramSwaraj website for their respective maker and checker. The DSC must be approved by the immediate higher authority, such as the state, district, or block agency.

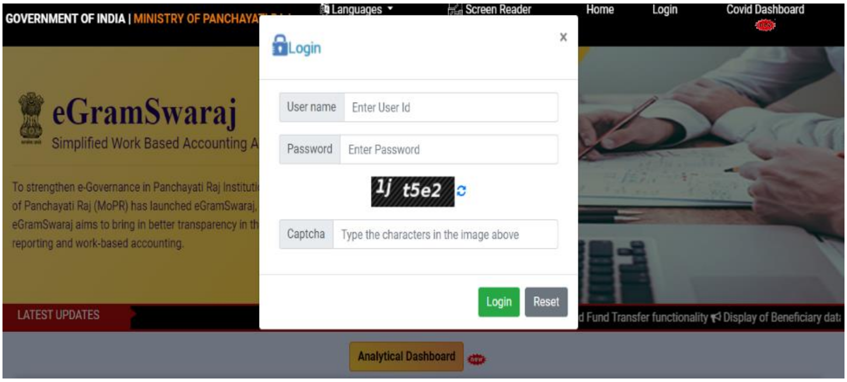
- A maker maps the bank branch created by the district admin for creating the panchayat's bank account, adding, or modifying the opening balance for mapped schemes, and adding beneficiaries for making payments to them through the system. A checker user is entrusted with the task of DSC management on the system.

eGramSwaraj login: How to log into the portal?

Step 1: Visit the https://eGramSwaraj.gov.in/ website.



- **Step 2:** Click on 'login' option given on the top right side of the home page of the eGramSwaraj portal.



- **Step 3:** Enter your username and password and submit the captcha code. Click on 'Login' button on the eGramSwaraj.gov.in page.
- The various modes for eGramSwaraj login include Admin Login, Maker Login and Checker Login.

e GramSwaraj Mobile Application:

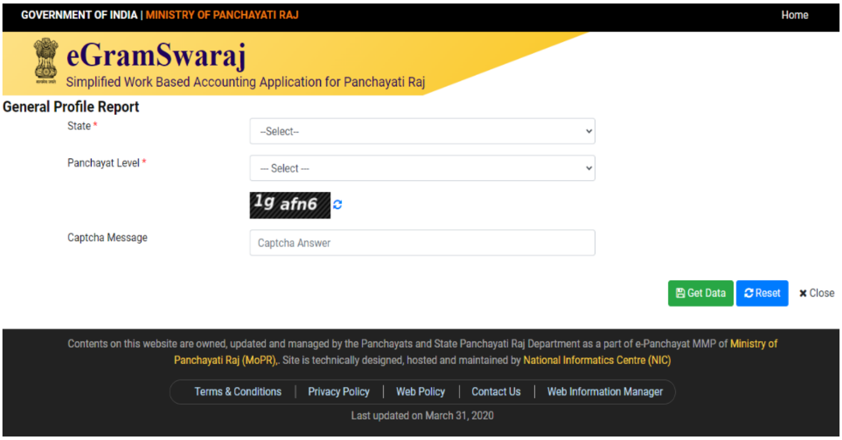
- Citizens can download the eGramSwaraj mobile application through Google Play Store or App store. The application allows users to check the progress of activities led by the PRIs.
- Open the application. Choose 'State', 'Zilla Parishad', 'Taluk Panchayat', and 'Gram Panchayat'.
- Click on 'Submit'.
- Choose the 'Financial year'. Now, click on 'ER Details', 'Approved Activities' or 'Financial Progress' to view the respective details of the gram panchayat.

eGramSwaraj details: How to view the local government profile?

- Go to the https://eGramSwaraj.gov.in/ portal and click on the Panchayat Profile link.

Users can click on the 'Committee & Committee Member Details' link to get the relevant details.

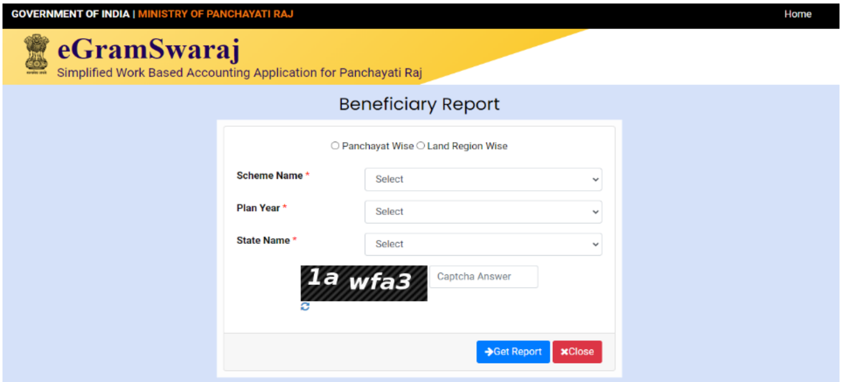
- To view the local government profile, click on 'Local Government Profile'.



- On the next page, select the state and panchayat level. Submit the captcha code. Then click on 'Get Data'.

eGramSwaraj: How to Access the Beneficiary Report?

- To view the beneficiary report for different schemes, click on 'beneficiary report' on the home page of the eGramSwaraj.gov.in portal.
- Select the right option from – Panchayat-wise and Land region-wise.
- From the drop-down, select the scheme name, plan year, state name, district panchayat and equivalent, block panchayat and equivalent, and gram panchayat and equivalent.
- Submit the captcha code and click on 'Get Report'. The next page on eGramSwaraj portal will display the relevant details.



eGramSwaraj Benefits: The eGramSwaraj portal provides benefits, as mentioned below:

- ✓ The eGramSwaraj portal will facilitate decentralised planning of development projects and provide regular updates, thus, ensuring transparency.

- ✓ Information pertaining to the ongoing development activities by the gram panchayats, including allocation of funds for different projects with the status of work, can be checked on the eGramSwaraj portal or mobile application. Panchayat's information, Panchayat Sachiv and Panch, Panchayat Development Plan, Mission Antyodaya etc. will also be available.

- ✓ Users can view all details related to panchayat activities, access panchayat's information, panchayat development plan, etc. and all the works of the Ministry of Panchayati Raj through this e Gram Swaraj digital platform.

- ✓ Details about the Panchayat Sachiv and Panch can also be accessed online on the e GramSwaraj application.

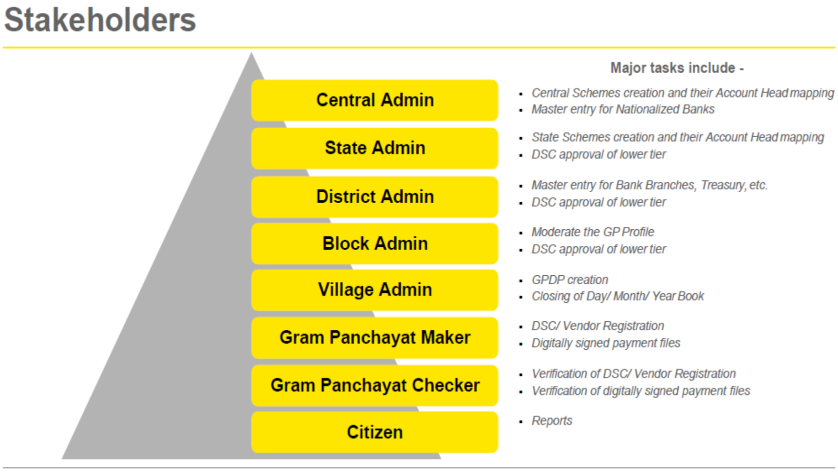
- ✓ The eGramSwaraj portal will simplify the task of maintenance of records. The monitoring and recording of all works through the eGramSwaraj portal will also help in speedy implementation of projects across villages.

Users are provided with the following Options:

- ≈ **Panchayat Profile:** To maintain panchayat profile with details related to election, elected members, committee, etc.
- ≈ **Planning** for activities and action plan creation.
- ≈ **Accounting** to enable work-based accounting and funds monitoring.
- ≈ **PFMS dashboard**, which refers to the Public Financial Management System.

The portal has been developed under the eGramSwaraj by integrating the functionalities of existing applications under e-Panchayat Mission Mode Project.

The Portal is also integrated with AuditOnline for auditing as per CAG guidelines, the expenditures incurred by the PRIs to ensure & bring transparency and accountability.



Main Features:

- **Panchayat Profile:** Maintains Panchayat profile with Election Details, Elected Members, Committee etc.

- **Planning:** Facilitates the planning of activities/work and plan creation. Also captures the Resource Envelope of the corresponding Panchayats, i.e., budgetary allocation of funds from various Central & State Government schemes and other resources.

- **Progress Reporting:** Records the physical and financial progress of approved activities. It also captures the various approvals required viz. technical approval and administrative approval. Physical progress reporting is also supplemented by Geo-tagging of assets through a mobile based application.

- **Accounting:** Facilitates the work-based accounting and monitoring of funds and expenditure with eGramSwaraj – PFMS Interface on a real time basis.

- **Asset Directory:** Stores all the immovable and movable assets. Every asset has a unique asset ID generated. The assets generated are then super-imposed on the GIS based application called Gram Manchitra.

- Technical architecture supports inter-operability with other PES applications.
- Simple and User-Friendly.
- Workflow enabled.
- Asset's location visualization on Gram Manchitra.
- Supports multi-tenancy, multiple tenants.
- Strong Authentication Mechanism.
- Based on Open-Source technologies.
- Web-based and available 24×7.

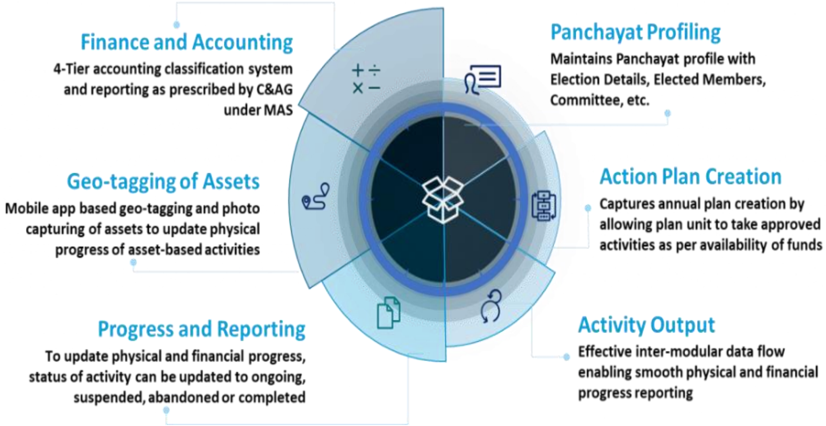
eGramSwaraj Mobile App:

The mobile phone application shows the progress of various activities carried out by Panchayati Raj Institutions (PRIs). It has been developed with an emphasis on greater transparency and increased access to information for the citizens of India. The eGramSwaraj mobile application serves as a natural extension to the e-Gram Swaraj web portal.

Target Users:

- Rural Local Bodies (Village Panchayats, Block Panchayats, District Panchayats and equivalent level).
- State PR department.
- Citizens.

eGramSwaraj application has been monumental in bringing together a tech-based, integrated system of information gathering, micro level planning, work-based accounting for last tier of local self-government called Panchayats. The application has a user base of more than 2.7 Lakh PRIs; spread across 28 States and 6 UTs. The application has been ever evolving because of the continuous feedback from various critical stakeholders such as State officials, end users at Gram Panchayat level, Ministry of Panchayati Raj and National Informatics Centre.



Objective:

Based on the inputs received from various stakeholders, Ministry of Panchayati Raj (MoPR) is of the opinion that a technical and functional refresh of the eGramSwaraj application is imperative. The intended objective is to enhance the application with latest technical advancements and Emerging Tech integrations as per suitability. On the functional front, design of new Key Performance Indicators (KPIs) and Process Reengineering shall be focused upon. To gain a better understanding of Industry and Sector level best practices, a symposium of experts from across the nation shall be organized.

- ✓ Facilitates decentralized planning, progress reporting, and accounting of activities.
- ✓ Facilitates convergence of funds from central, state sponsored schemes and other resources

- ✓ Promotes better transparency and disclosure of information to citizens vis-à-vis integrated reports and mobile app.
- ✓ Enhanced visibility of CFC funds' flow to Panchayats
- ✓ Cater to the needs of Panchayats through a single window interface.

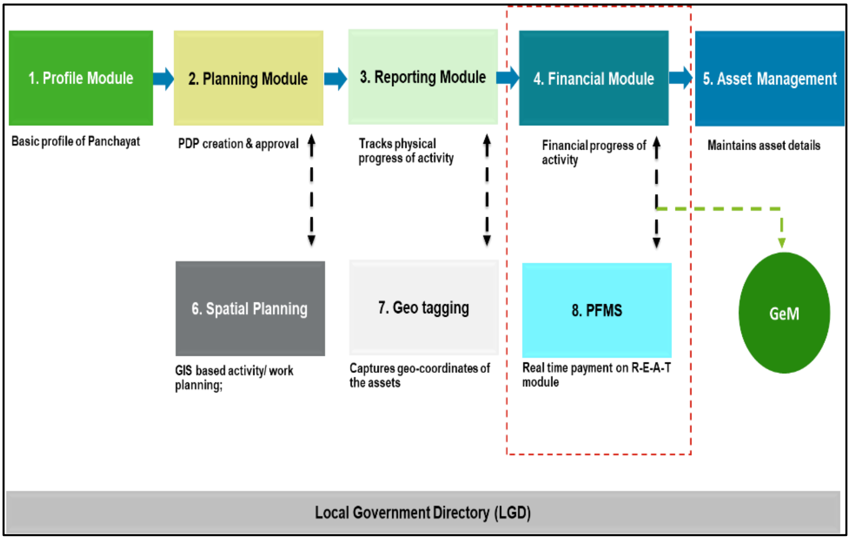
Coverage of eGramSwaraj

- ≈ All States & UTs.
- ≈ All Districts Panchayats.
- ≈ All Block Panchayats.
- ≈ All Gram Panchayats.

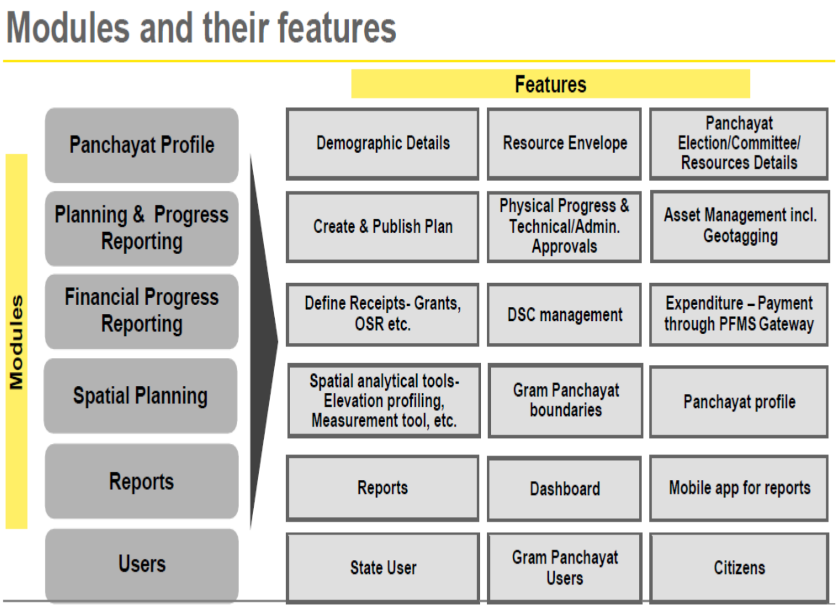
eGramSwaraj Architecture:

eGramSwaraj is designed with the following **3 key target user groups** in consideration:

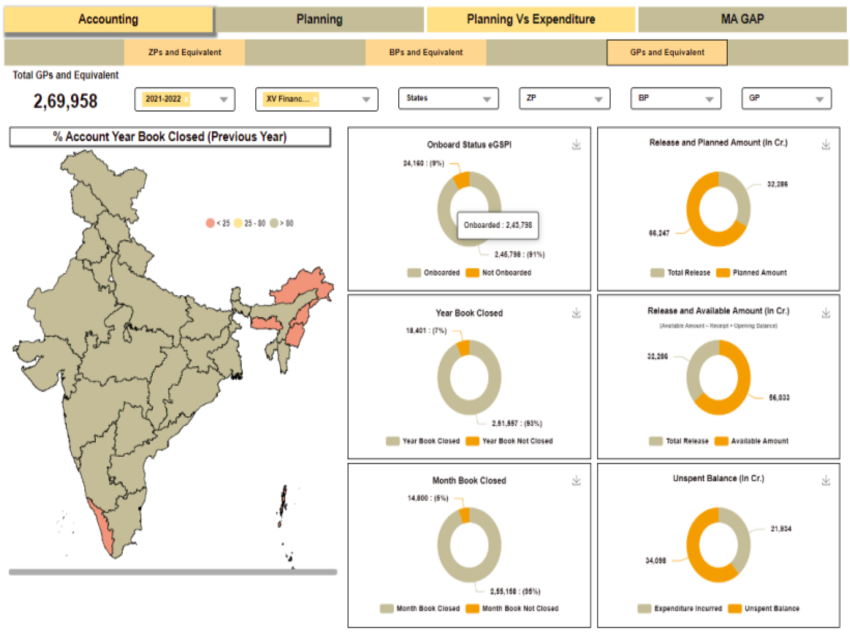
1. **Local Bodies**: Rural local bodies, i.e., all the three tiers of Panchayats including Traditional Local Bodies, form up the primary end users of this application. These users, working at the field level, are primary custodians of numerous critical processes such as formulation of Panchayat Development Plan (PDP), Works progress monitoring, Vendor and employee management, and Financial Management.



2. **Line Departments**: PDP cuts across 29 subjects and 18 Ministries of Government of India. These Line Departments are responsible for driving various social welfare programs and schemes. Data driven Planning and Monitoring, naturally, forms the foundation of successful, last-mile, service delivery, especially for robust financial management.



3. **Citizens**: While the Gram Panchayat is operated by the elected and selected representatives of the citizens and administration respectively, it is the right and more importantly, the responsibility, of each and every citizen to be vigilant and aware of the status of progress and development taking place in their region. Equipped with ratified and readily available data, the general population plays a significant role in inclusive decision-making process.



Considering the above high-level user personas, the following **6 Modules** form the backbone of eGramSwaraj application:

a) **Panchayat Profile**: This module consists of General profile of the Gram Panchayat, elected member details (Sarpanch – President to Ward members), Committee member details and employee details. This information helps the citizens and visitors of the website to reach the Gram Panchayat's Elected Representatives and employees easily.

b) **Planning Module**: In the Gram Sabha meeting, a plan of works to be undertaken within a specific period of time is proposed. The Approved works in the Gram Sabha are entered as an activity on the eGramSwaraj website by the PRIs. Administrative sanction is provided by District Administration for only those works entered in eGramSwaraj with respect to Budget allocation.
The Ministry has also developed a Spatial Planning Application, *Gram Manchitra*. The application facilitates the creation of various planning scenarios for facility planning and management, integrated with the priority and needs of the people, ensuring basic facilities, avenues for livelihood, and productive use of resources. It has added objectivity to the planning process by acquiring relevant data and performing planning

at the panchayat level with the use of geographic data for sustainable development. It enables the user to take a decision based on geographical data. Drone images, large scale & high-resolution Villages maps can serve for feature extraction of all visible features such as buildings, roads, land parcels, water tanks, open plots, etc. and for preparation of base map layers in Gram Manchitra Application.

c) **Progress Reporting Module**: This module facilitates reporting of physical and financial progress of the activities included in the Action Plan(s), utilizing various Central/ State specific schemes and/ or other sources of funds. The progress is reflected in the Technical and Administrative approval sections. Technical Approvals keep track of approved cost of the work. Administrative approvals keep track of Implementing and executing agency names along with the amount sanctioned for a work.

d) **Accounting Module**: For exercising proper control and securing better accountability, the formats for the preparation of budget & accounts and database on finances of PRIs; MoPR along with C&AG has introduced Model Accounting System (MAS) for Panchayats. Users can select and map the available Central and State schemes, add vendor and employee details, and perform voucher-based, Digital Signature verified transactions. Based on the transaction records and book closings, cash book and bank account reconciliation are performed.

e) **Asset Directory**: This module allows updating of the status of an asset as and when it changes. The system captures the status details of the asset including Status Updated To (abandoned/ active/ demolished/ damaged natural causes/ not due to in use (seasonal)/ stolen), Reason for Status Updating, Date on which the Asset Status is Updated, etc.

f) **User Management**: This module enables the system administrators at various levels in management of user accounts and their extent of access to various modules and functionalities of the system, along with user credential management for privileged access.

Founded on these modules and their respective functionalities, eGramSwaraj enables seamless, end-to-end digitization of the works planning and monitoring lifecycle for the Gram Panchayats. From development plan creation to geo-tagged physical progress monitoring and finally to financial progress tracking and PFMS linked online disbursement of funds, eGramSwaraj serves as a one-stop solution to all the critical stakeholders of the Panchayat development ecosystem.

Instructions for using Accounting Module:

1. Central Administrator is required to define all the Centrally Sponsored Schemes under which the funds are flowing to the Panchayats. State Administrator are required to define their respective State Sponsored Schemes under which the funds are flowing to the Panchayats.

2. State Administrators are required to map the Central/State Schemes for Zilla Panchayat / Block Panchayat / Village Panchayat. That is specify what all schemes would be operational at each tier. This is a broad mapping and individual ZP / BP / VP can map the schemes applicable for them from this list.

3. Central Administrator maps the Central Sponsored Schemes at the sub-head level. This requires mapping of scheme with Major/Minor Heads at the Receipt/Expenditure Side as per accounting structure proposed by C&AG.

4. State Administrator maps the State Government Schemes at the sub-head level. This requires mapping of scheme with Major/Minor Heads at the Receipt/Expenditure Side as per accounting structure proposed by C&AG.

5. Central Administrator defines the Object Head for receipt and expenditure under the scheme, basically the Object Head under which the money would be received under the scheme and the Object Heads under which the expenditure would be recorded under the scheme.

6. State Administrator defines the Object Head for receipt and expenditure under the State Government scheme. Also, it is possible for the State Administrator to map the State Schemes with the standard object Heads created by the Central Administrator.

7. State Administrator defines the list of Line Department applicable at State / Zilla Panchayat / Block Panchayat / Village Panchayat Level.

8. State Administration defines the master list of Stock Items. This list can be further appended by respective accounting units.

9. Central Administrator defines the master list of Nationalized Banks and other Banks that comply with the PFMS norms for ensuring online payments through the eGramSwaraj – PFMS Interface.

10. State Administrator defines the master list of State-specific Banks if any.

11. Each accounting unit is required to set its Financial Year in the application. The Financial Year specifies the year from which the accounts would be maintained in the accounting module.

12. Each accounting unit can optionally Map the schemes for their respective tier. That is specifying the list of schemes under which they would be receiving funds or doing expenditure.

13. Each Accounting unit is required to enter the Master Data which will form the backbone of the main transaction Data. Though the Master Data can be entered as and when they are required, it will be better if the available Master Data is entered in the beginning in order to reduce swapping between Transaction and Master Data Forms. Master Data to be entered by each Accounting Entity (ZP/BP/GP) includes:

a. Treasury Details (to be entered at the District Level).
b. Treasury Accounts by the respective accounting units if the funds are kept in Treasury.
c. Bank Branch Details (to be entered at the District Level).
d. Mapping of Bank Branches by the respective accounting units.
e. Bank Accounts by the respective accounting units if the funds are kept in Bank.
f. Post Office Details by the respective accounting unit.
g. Post Office Accounts by the respective accounting units if the funds are kept in Post Office.
h. Cheque Book Details pertaining to Treasury / Bank / Post Office Account.
i. Employee/Resident/Agencies Details by the respective accounting units.
j. Stock Item Details by the respective accounting units.
k. Opening Balance by the respective accounting Unit w.r.t Treasury / Bank / Post Office Accounts for respective schemes till the scheme receipt head level.
l. Opening Balance of the Stock w.r.t each item for respective schemes till the scheme receipt head level.

m. Work/Case record details by the respective accounting unit.

14. Each Accounting unit can begin to record the voucher entries as and when it happens. There are four types of vouchers:

I. **Receipt Voucher**: Receipt Voucher record details pertaining to the funds / money received by the PRIs. The receipt voucher is further classified as:

a) Direct Receipt: To record the funds received by PRIs under schemes or own resources.
b) Transfer Receipt: To record the receipt of funds transferred to PRIs by other PRIs.
c) Advance Receipt: To record the receipt of Advance given to PRIs by other PRIs.
d) Refund of Advance: To record the receipt of Refund of Advances.
e) Cancellation of Cheques: To record the reverse entry of the payment made through Cheque in case a cheque is lost or its validity expires.

II. **Payment Voucher**: Payment Voucher record details pertaining to the expenditure incurred by PRIs. The payment voucher is further classified as:

a) Expenditure: To record the expenditure incurred by PRIs.
b) Transfer: To record the funds transferred to PRIs.
c) Advances: To record the advances given to employees, agency, other PRIs etc.
d) Receipt Cancellation: To record the reverse entry for cancelling any receipt, accepted by this PRIs.

III. **Contra Voucher**: Contra Voucher record the transfer of funds within the scheme. That is any fund flow that happens within a scheme (Cash to Treasury /Bank /Post Office and vice-versa).

IV. **Journal Voucher** – Journal Voucher is meant for recording the rectification entry. This is basically to rectify the head of accounts, that is to book the expenditure under the correct head of account. The Journal voucher is further classified as:

a) Receipt Rectification: To rectify any incorrect receipt.
b) Payment Rectification: To rectify any incorrect payment.
c) Advance Rectification: To rectify any incorrect Advance.
d) Adjustment: To record the adjustment of any advance given.
e) Deduction: To record the details under for which the deductions are kept.

15. Each Accounting unit can generate the following reports as prescribed by C&AG from the data available in the accounting module of eGramSwaraj:

a. Day Book.
b. Monthly Cash Book.
c. Scheme-Wise Cash Book.
d. Ledger Book.
e. Scheme-Wise Journal Book.
f. Scheme-wise Cheque Receipt Register.
g. Scheme-wise Cheque Issue Register.
h. Register of Advances.
i. Register of Receivables and Payables.
j. Annual Receipts and Payments Accounts.
k. Consolidated abstract register.
l. Monthly Reconciliation Statement.
m. Stock register.
n. Opening Balance Report.

Step-by-Step Approach of "Integration of PFMS to eGramSwaraj":

1. **Stakeholders**:

   Following stakeholder/roles will login in system **eGramSwaraj**:

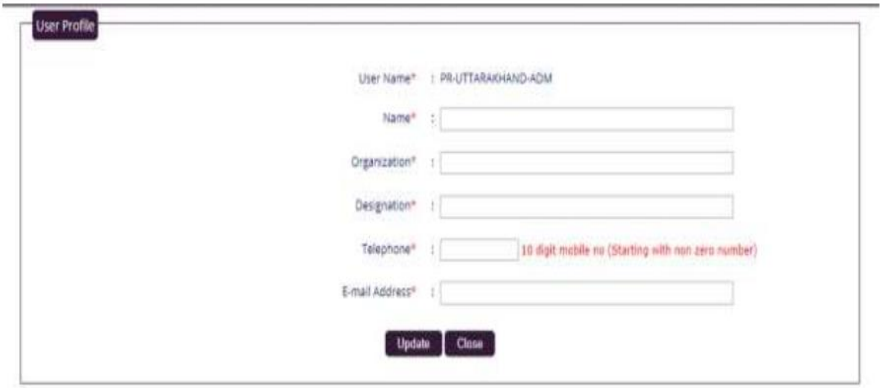
   a) State Admin.
   b) District Admin.
   c) Admin / Maker (Panchayat Secretary).
   d) BDO (Will act as checker in mapped Panchayats).
   e) Checker (Panchayat Sarpanch).

2. **Important Instructions for Integration**:

   - ✓ User is logged in the system with correct user credentials.
   - ✓ DSC token set up should be installed in the system (Go to My system - Double click on DSC Token sign - Install the DSC token setup).
   - ✓ All GPs have to install DSCSigner Software on their desktop/Laptop (DSCSigner.zip).
   - ✓ WinZip software should be installed on their desktop/laptop.
   - ✓ Java 1.8 should be updated/ installed in Desktop/Laptop (Refer to Java 1.8_Installation.pdf for downloading and installing from Official Website).
   - ✓ SSL certificate is required to be installed (rootCA).
   - ✓ "Allow-Control-Allow-Origin" plugin need to be added in Google Chrome.
   - ✓ Open Google Chrome. Enter the below into the address bar in google chrome. Set the option to enabled on "allow-insecure-localhost". This will let you use chrome on localhost sites without having to deal with https warnings.
   - ✓ Click on Enable and restart Chrome. From now on invalid certificates on localhost (and just on localhost) are ignored and you can develop with your self-signed certificate.
   - ✓ Bank Account registered on PFMS portal should be among 30 banks integrated with DSC enabled for FFC (Bank_list_that_does_DSC_payment.pdf).
   - ✓ All GPs/BDO/District admin/State Admin should have valid and individual DSC of Class 2.
   - ✓ All GPs/BDO/District admin/State Admin should have valid Mobile No, E-mail ID as OTP will come for validating Profile/DSCs.

- ✓ All GPs should close their day books so that they can start working in current date.
- ✓ All GPs should have completed the FFC vouchers from 1st April 2018 to till date because GPs should be in current date on which Payment FTO is generated, as EGramSwaraj and PFMS server date validated the same.

a) User Profile Creation: Once the user logs in for the first time then he/she has to fill the profile details mentioned below mandatorily:



- ⇒ User Name will come pre-filled.
- ⇒ Name need to be entered by the user.
- ⇒ Organization needs to be entered by the user.
- ⇒ Designation needs to be entered by the user.
- ⇒ Telephone number need to be entered by the user.
- ⇒ Email Address need to be entered by the user.
- ⇒ By clicking on the Update button, the profile will be filled, and **OTP** will be sent on Mobile number and email id of the user as filled in form.

⇒ User will fill both the **OTPs** separately.

⇒ At the click of “**Save**” button the profile will be saved successfully.

At any point of time user can update the profile by going at **Personalize -- Change User Profile**.

In both the cases of filling the profile or updating the profile, the user profile will be approved by the respective admin as per hierarchy.

b) **User Profile Approval**: Whenever a new profile is filled or existing profile is updated, the respective admin as per the hierarchy of the user will have to approve the user profile.

The Admin. will go to **Master Entry – User Management – Approve User Profile**.

Admin. will select from the drop-down list to Approve or Reject the user and click on “**Submit**” button to confirm.

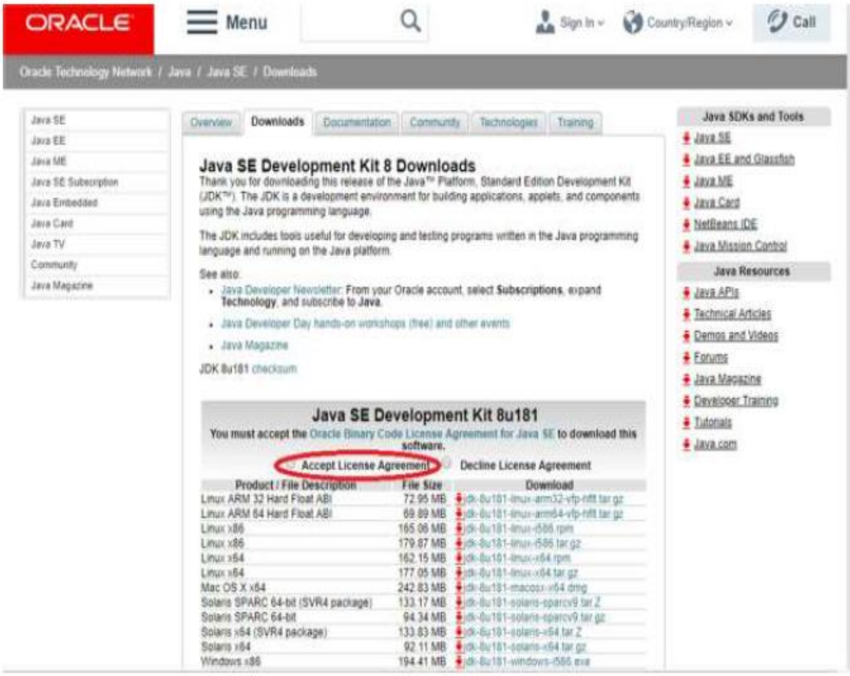
The user will be able to perform further actions only after approval from the client.

Validations:

⇒ Users should fill valid **email id** and mobile numbers as separate **OTPs** will be received for confirmation on them.

3. **Installing Java 1.8 on Desktop/Laptop of User**:
   a. The user needs to follow below mentioned steps to **Install Java 1.8**:
   a. Click on:
      http://www.oracle.com/technetwork/java/javase/downloads/jdk8-downloads2133151.html

   b. **Accept License Agreement** by clicking on the radio button.



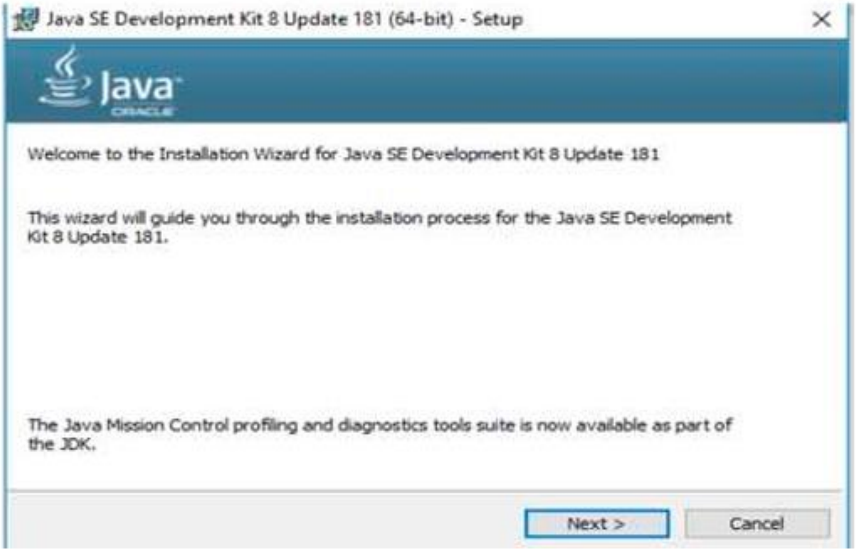
   c. Check your system configuration and operating system (such as window 64 bit) and click on the appropriate link to **download the Java 1.8.**

   d. The ".exe" file such as "jdk-8u181-windows-x64.exe" will be downloaded on the system/laptop of the user.

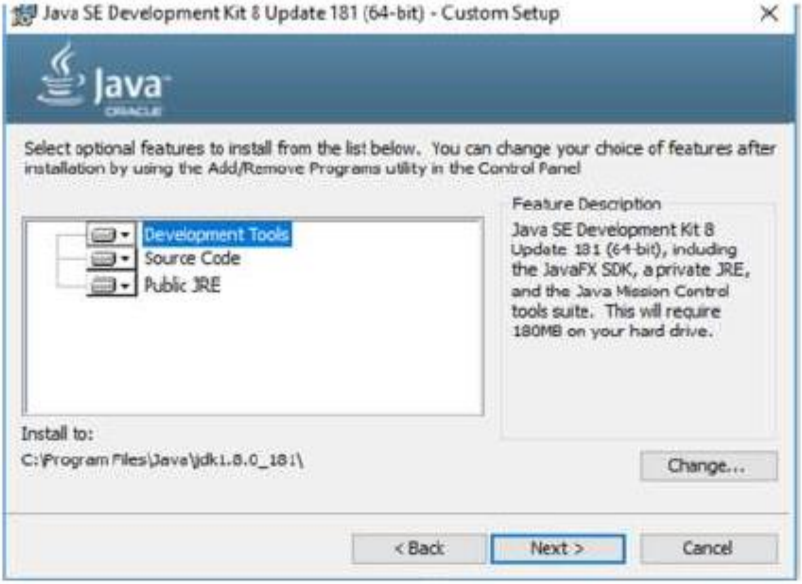
   e. The user has to double click on "jdk-8u181-windows-x64.exe" then following screen will appear.

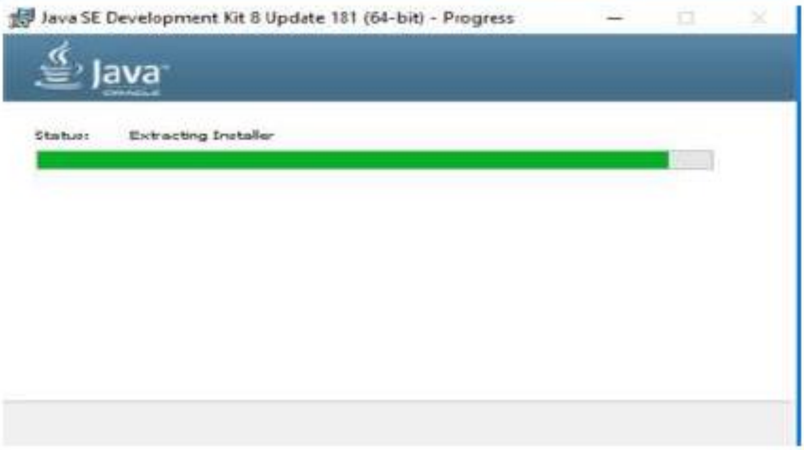
Click on **YES** to proceed.

Installation will begin and then click on **Next** Button.



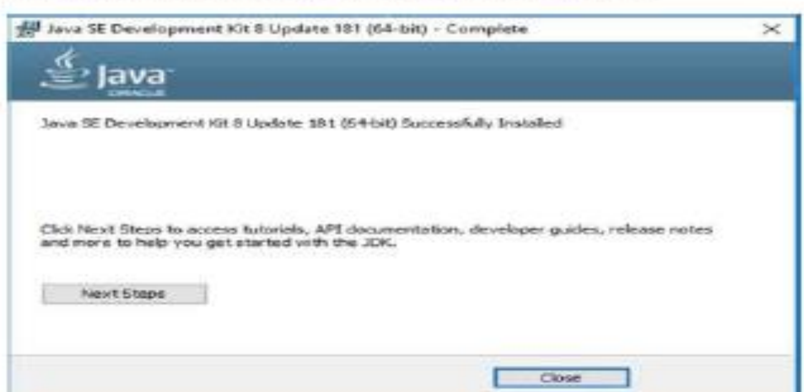
Select the **Development Tools** and click on **Next**.





Installation folder will be displayed, use the default folder as mentioned below screen and click on **Next**.

After final installation click on Close button in following screen



4. DSC Management:

a) **DSC Registration Process:** There will be various levels for **registration and approval of DSC**:

⇒ Self-registration of State with a valid DSC. No approval would be required.

⇒ Self-registration of District Admin with a valid DSC. State admin will act as approver.

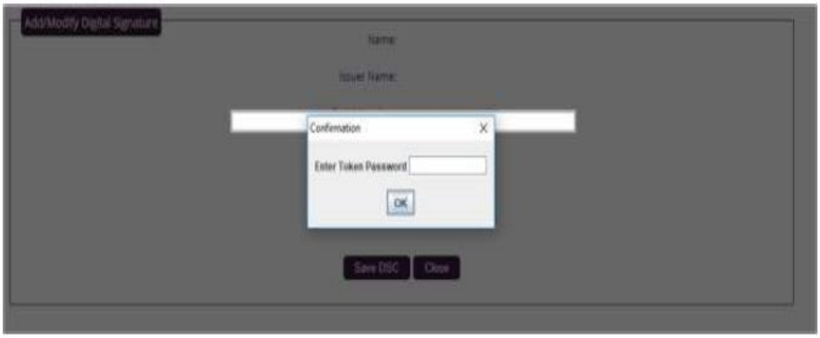
⇒ Self-registration of Block Admin with a valid DSC. District admin will act as approver.

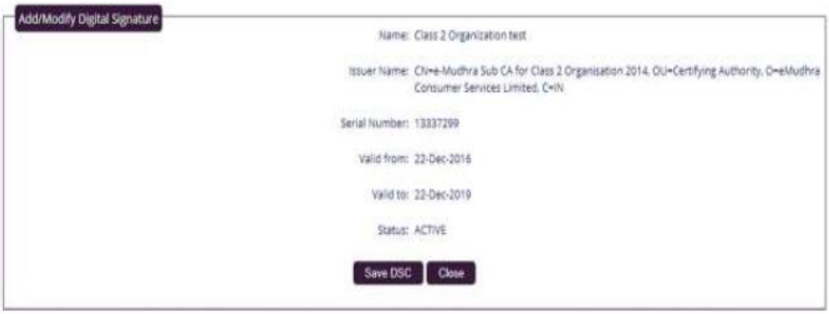
⇒ Self-registration of Panchayats with a valid DSC. Block admin will act as approver.

User will go to **Master Entry - DSC Management - Register your DSC**.

User will insert the DSC Token and click on **Register your DSC**, the DSC will be registered and sent to respective approver for approving the file.

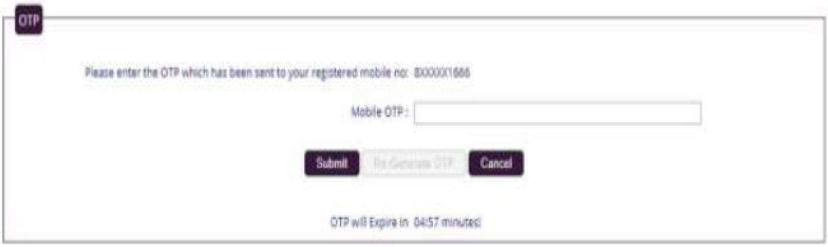
Now, user has to enter the token password and click on "**OK**" button to proceed.





At the click of "**Save DSC**" the OTP will be generated and sent to the registered mobile number of the user as per profile.

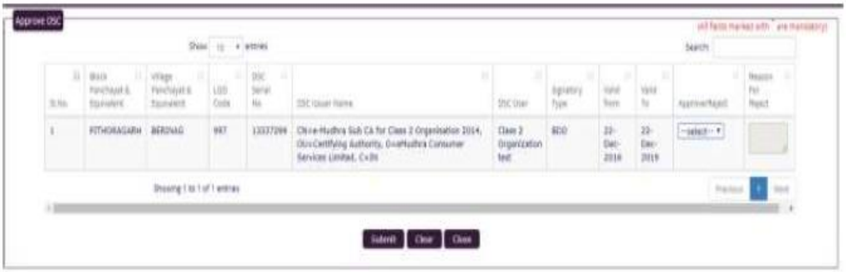
User will enter the OTP and click on "**Submit**" button to proceed.



At the click of "**Submit**" the DSC will be saved and sent to respective approver/admin for approval.

b) **Approval and Rejection of the DSC by Admin:** The registered DSC of Districts need to be approved by the State Admin. All the registered District Panchayats etc. will be displayed in grid as per below screen:

The user with approver role will select the respective entity and by selecting from the drop-down menu either **Approve or Reject** the DSC.



After clicking on the "**Submit**" button the admin will be redirected to digitally sign and confirm his/her action of Approval or rejection of the DSC.

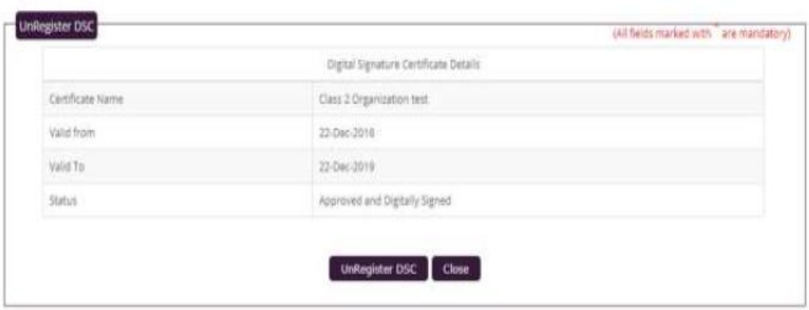
Now, user will select from the radio button and click on the "**Apply Digital Signature**" button to sign it.

Now admin will enter the Token password and click on the "**OK**" button.

After clicking on the "**Confirm Signing**" button the DSC file will be Accepted or Rejected with digital sign of Admin user.

The registered DSCs of Gram Panchayats need to be approved by the Block Admin.

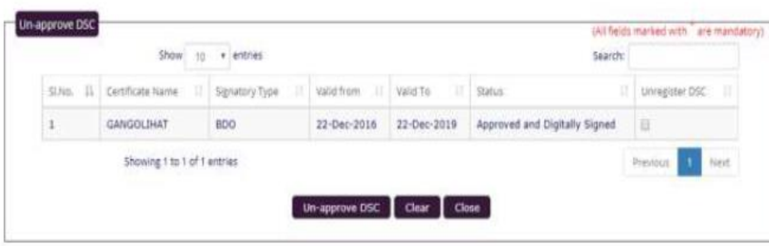
c) **Unregister the DSC by User:** To unregister his/her DSC the user can go to **Master Entry- DSC Management – Unregister DSC**.



At the click of "**Unregister DSC**" button the DSC will be unregistered for the user. Now, he/she can register again with same or different DSC following the entire process of "**DSC Registration**".

The DSC cannot be un-registered if there is any transaction or process under-process and not completed that was digitally sign by the user using the existing DSC.

d) **Un-approve the DSC by Admin:** To un-approve the DSC of any user the admin can anytime go to **Master Entry – DSC – Management - Un-Approve DSC**.



Admin will click on checkbox against DSC certificate of user that need to be un-approved and click on "**Un-approve DSC**" button to confirm action.

e) **Village Allocation:** In some cases, the **BDO** may act as a "**Checker**" for one or more Panchayats.

The District Admin will allocate the Gram Panchayats to a particular BDO and at the same time the "**Checker**" user for those Gram Panchayats will become inactive.

To allocate the Gram Panchayats to a **BDO the District Admin** will go to **Master Entry - DSC Management - Village Allocation.**

Master Entry→ DSC Management→ Village Allocation

After the selection of "**Block**" from the drop down list the village list will be rendered. The user can map the desired GPs from left window and drag them to the right window for allocating to the BDO. Now, the BDO will act as "**Checker**" for these GPs and the existing "**Checker**" users for these GPs will become in-active.

Validations:

- ✓ Each user shall register with unique Digital Certificate.
- ✓ If a DSC is registered by a user the after approval, no other user can register the same DSC again.
- ✓ User can un-register the DSC (if required) and re-register with same or different DSC however, if there is any kind of transaction pending then, the DSC cannot be unregistered.
- ✓ User can un-register the DSC (if required) and re-register with same or different DSC however, if there is any kind of transaction pending then, the DSC cannot be unregistered.
- ✓ If a Gram Panchayat is allocated to BDO by State Admin then, the existing checker of the village shall be blocked immediately.

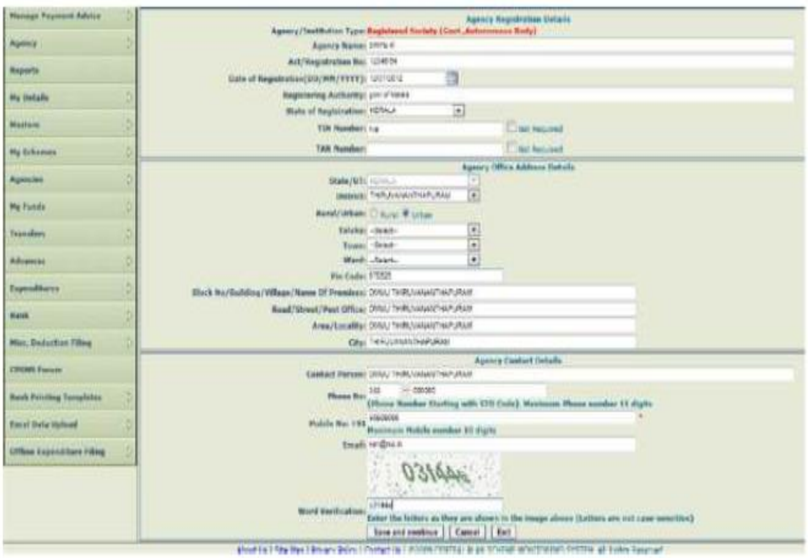
5. **Panchayat Registration as agency in PFMS**: Panchayats will register themselves as Agency following the procedure as followed in PFMS portal by entering requisite details such as per the field mention in below screen:

   a) Login in the PFMS portal:

b) **Entry screen:** The user will enter relevant details in the fields of below form to register Agency.

c) **Registration of Child Level Agency:** PRI or Parent Level Agency will login in PFMS portal with its credentials and create Child Level Agencies as per the requirement of specific Scheme.

- ✓ Parent Agency will fill all the relevant details mentioned in below form for Child Agency.
- ✓ Other details like email id, phone number, bank details are captured, and unique ID is generated for each Child Level Agency.
- ✓ Similarly, Child Level Agency can create sub agencies under it using their credentials in PFMS portal, as per the hierarchy decided by State Nodal Officer/concerned State Admin.



d) **Unique PFMS registration ID Allocation**: After the successful registration, Unique PFMS ID (Agency Code) will be allotted to each Panchayat, and it will be displayed in a message for user to retain it for using in future.

e) **Porting of Registered Panchayats in EGramSwaraj**: As soon as the Panchayats are registered in PFMS, the information will be ported in EGramSwaraj through a web-service. The Agency Code will be ported in PFMS database.

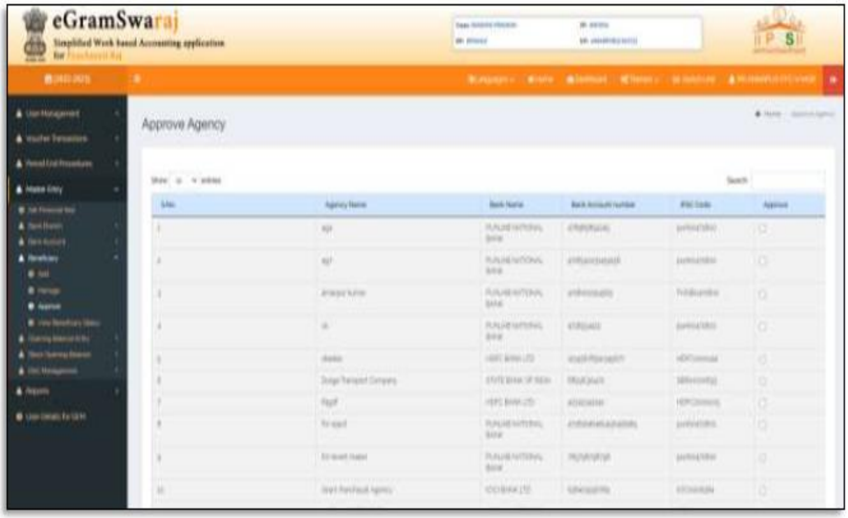
6. Beneficiaries/Vendors Registration in EGramSwaraj:

a) **Add Beneficiary/Vendor in EGramSwaraj:** GP will login in eGramSwaraj and add all the beneficiaries such as Vendors/Employees/Residents etc. by filling all the mandatory details mentioned in below form and save.

The fields marked with "*" are mandatory. The users should fill them carefully as the details will be verified by PFMS and if wrong information is given then, the Agency will be rejected.

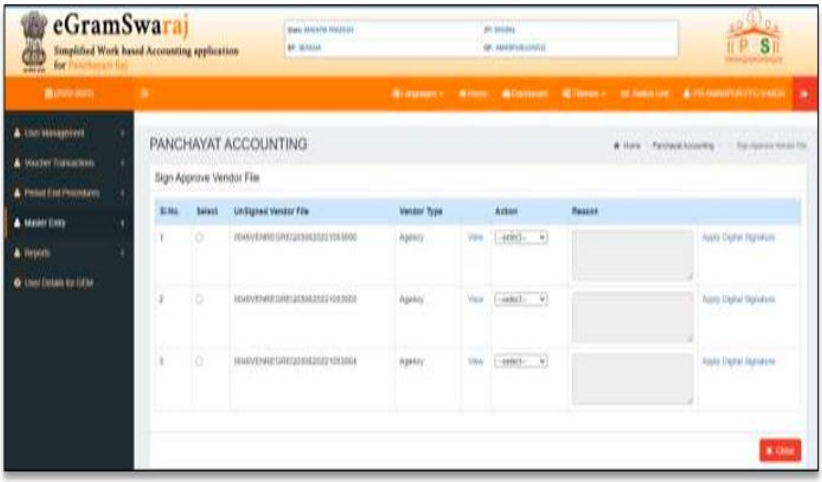
b) **Approve Beneficiary/Vendor in EGramSwaraj:** After entering of the beneficiaries, these need to be approved by two level, Maker itself and then Checker as per following steps:

- ✓ Maker will go to **Master Entry – Agency - Approve Agency for PFMS**.
- ✓ Maker can approve beneficiaries by clicking checkbox under approve option.
- ✓ Multiple Agencies can be approved by selecting multiple in one go.
- ✓ After clicking on "Approve Agency" button, the file needs to be Digitally Signed by the user.

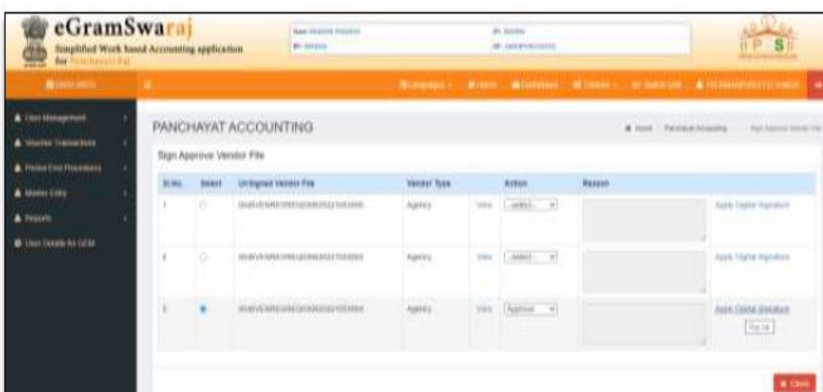


The Maker will go to **Master Entry - DSC Management -Sign approved vendor file**.

Then screen will appear for digitally signing and approving the vendor files at Maker's login.



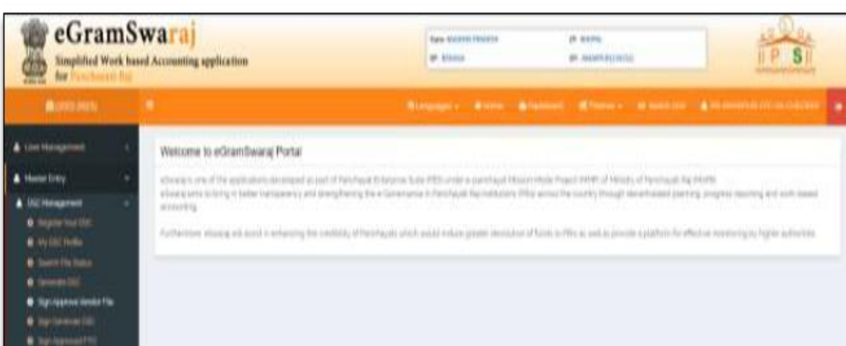
PRI(Maker) will insert DSC dongle and select the file for signing. After clicking on the "Apply Digital Signature" button the below screen will appear for entering the DSC token PIN.



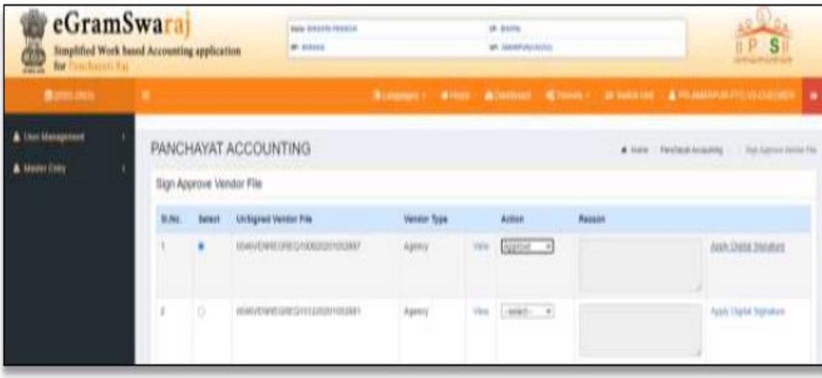
After entering the DSC token PIN, the below screen will appear and Maker will "**Confirm Signing**" by clicking on the button. Then, the vendor file will be signed successfully and will be sent to "Checker" for his/her approval.

Then the Checker (Panchayat Sarpanch/BDO) will see all such details and approve the beneficiaries. After approval, Checker has to digitally sign.

The Checker will go to **Master Entry - DSC management - Sign Approved Vendor File**.



Checker will insert DSC dongle and select a file to digitally sign by clicking on "**Apply Digital Signature**" button. The below screen will appear for entering the DSC token.



The checker will enter the token and proceed by clicking “**OK**”.

The Checker will now confirm by clicking on “**Confirm Signing**” button and the vendor file will be approved by the Checker user.

This file will now be pushed to PFMS for validation process in which all the details filled by the user will be matched like Name, Bank Account, IFSC code etc.

If all the details are found correct then, the vendor will be approved by PFMS for transactions.

c) **Pushing of Beneficiary file (XML) to PFMS (web-service):**

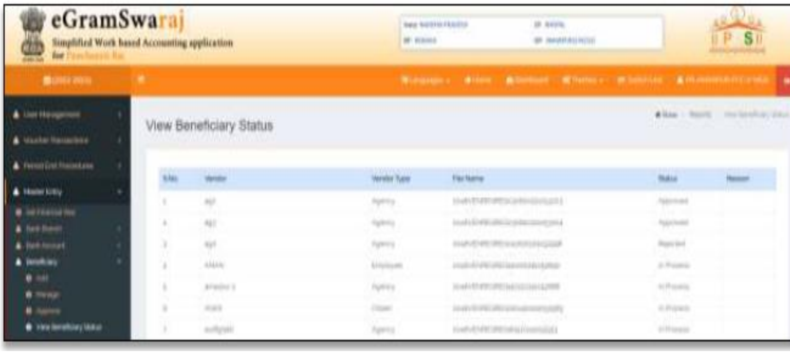
✓ The details of digitally signed beneficiaries (XML) generated, will now be pushed to SFTP server from EGramSwaraj server (electronically) as soon as it is generated.

- ✓ PFMS will read the XML file from SFTP server folder, as per the scheduler.
- ✓ PFMS will send the acknowledgement on receiving the XML file of beneficiaries' details.
- ✓ PFMS will validate the beneficiaries' details sent by eGramSwaraj on the parameters such as bank account details (validate with banks linked with PFMS) and share the final status of validated (success) as well as rejected (failure) beneficiaries with EGramSwaraj through XMLfile.
- ✓ EGramSwaraj will read the XML file sent by PFMS and update the validated beneficiaries' ids/PFMS Code in database. In case a beneficiary is rejected then, the reason will be updated for the rejection.

d) **View Beneficiary Status as received from PFMS:** Once Beneficiaries are registered then GP can view the Status of added Beneficiaries i.e., Initiated, Approved or Rejected etc. with reason for rejection.

The user can view the status of registered Vendors by goi ng to **Master Entry -Agency - View PFMS Status**.

The list of Agencies with Vendor code if approved will be rendered, else rejection reason will be shown.



e) **Re-Processing of rejected beneficiaries in eGramSwaraj:** For all those beneficiaries rejected by PFMS, eGramSwaraj will re-process after removing the reason and resend to PFMS, the beneficiary detail file XML (for those which were rejected by PFMS and returned). Since some banks may take time in providing the bank account validation status to PFMS, so PFMS will send the account validation status to eGramSwaraj Portal in multiple responses. So, for one beneficiary registration message sent by EGramSwaraj, PFMS may send the multiple responses for the same with incremental beneficiary status.

Maker will have to see the rejection reason and re-enter the correct details to re-initiate the entire process of vendor registration.

i) Validations:

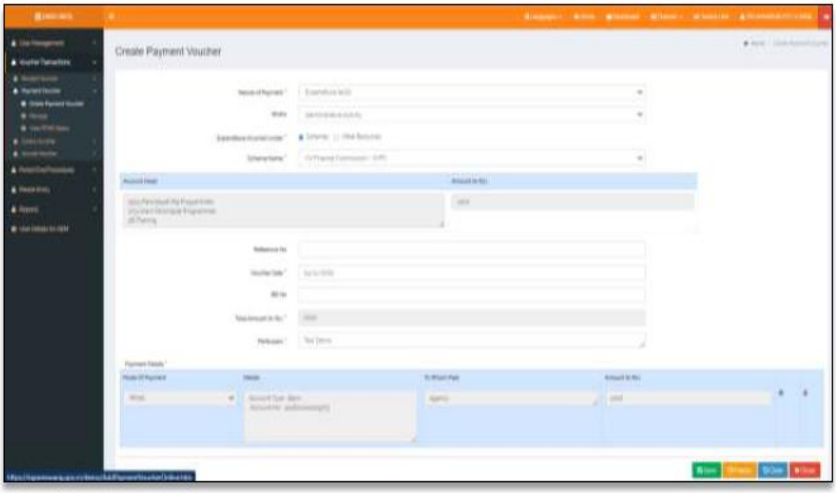
- ✓ Each vendor should be registered with correct details such as Bank name, Account Number and IFSC code as they will be validated by PFMS and can be rejected if any detail is found incorrect.

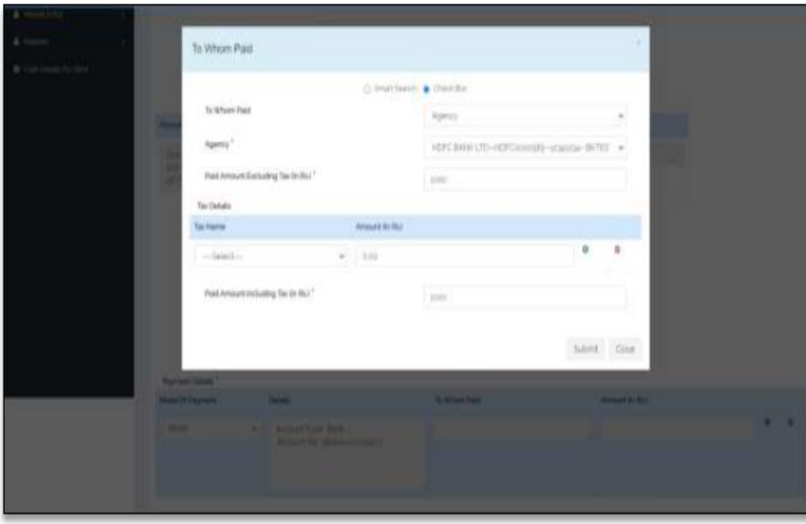
- ✓ There will be a vendor code generated against each Vendor in PFMS and the same will be ported in eGramSwaraj, so duplicity of vendor's account is not possible. If a vendor's bank account is registered and approved with one GP then, he/she cannot be registered with any other GP.

7. **Payment Processing:** The payment processing will follow the process as mentioned below:

- ✓ PRI will login in EGramSwaraj and book Payment Voucher for Online Schemes (FFC).
- ✓ Maker will go to **Transactions - Online Payment Voucher – Add**.

Panchayats will have only "**PFMS**" as mode of payment and only approved vendors will be available for making the payments.





Maker will be able to digitally sign the Payment voucher XML containing all the frozen voucher of that day only after closing the daybook.

a) Validations

✓ Only current date voucher shall be allowed through PFMS mode of payment.

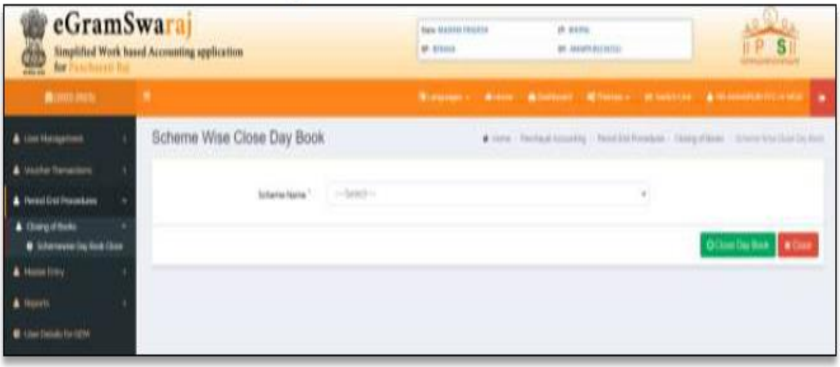
8. Period End Procedures: As per accounting procedures the closing of books is an essential process and the steps are explained.

a) Scheme Wise Day Book Closing:

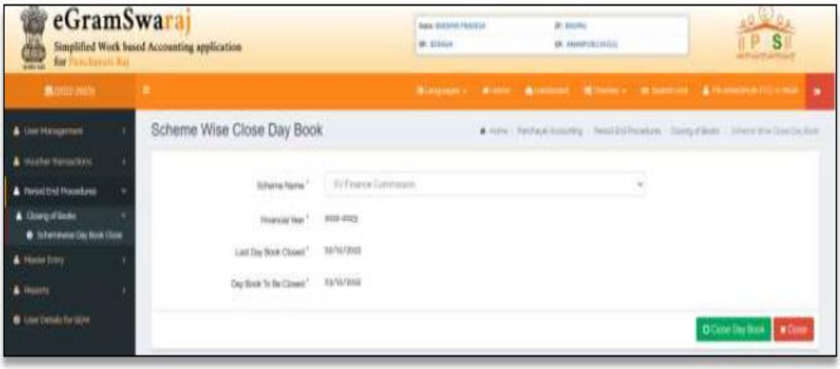
⇒ After booking all Payment Voucher for a day, daybook has to be closed.

⇒ Provision made for scheme wise closure of daybook i.e. the schemes that are online will have separate interface for closing the daybook.

⇒ User need to access this option through **Period End Procedure - Scheme wise closure - Scheme wise close daybook**.



⇒ Select the respective scheme (**FFC**).



⇒ After, closing the daybook, the XML file of the frozen vouchers for all beneficiaries, will be generated based on transaction id i.e. Specific date and time.

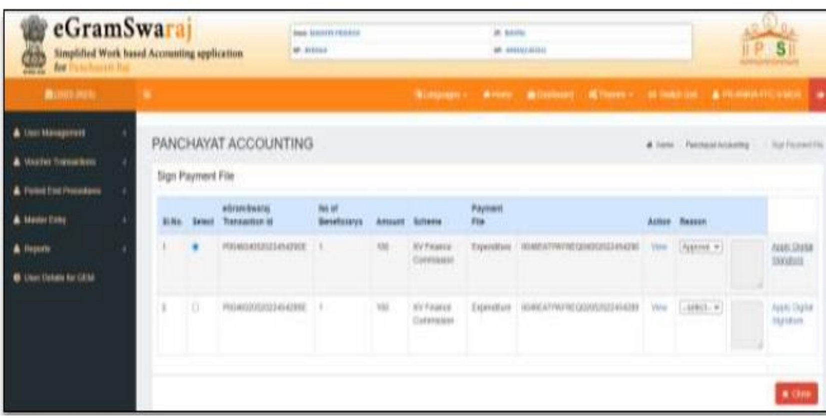
i) Validations:

⇒ The FTO can be generated only after closing of day book by the Maker user.

9. Generation of Payment FTO:

a) **Signing Payment FTO by Maker:** The Maker will go to **Transactions - Payment voucher - Sign FTO.**

- The Maker will select the record and click on Apply Digital Signature.



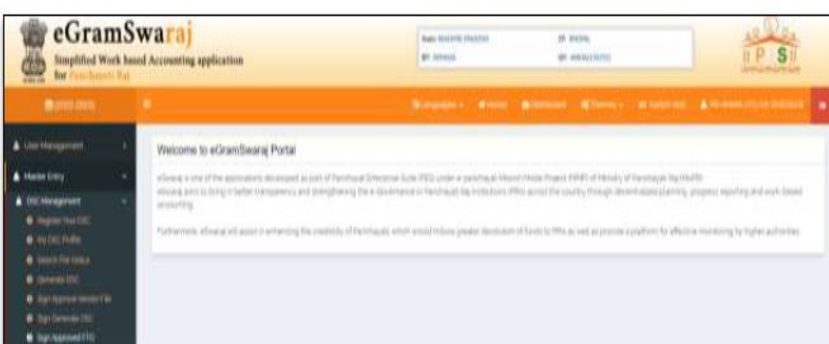
PRI(**Maker**) will insert DSC dongle and following screen will be appeared and will click on Sign Document.

The Maker will have to enter the DSC token ID and click on "**OK**" button to proceed.

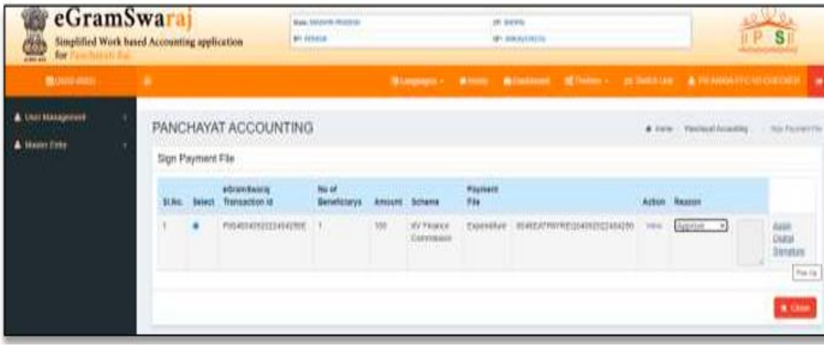
At the click of "**Confirm Signing**" the payment XML will be pushed to Checker for verification and digitally signing before it goes to PFMS for further validations.

b) Verification and Signing Payment FTO by Checker

• The digitally signed file signed by PRI(**Maker**) will be visible in Checker login.
• The Checker will go to **Master Entry - DSC Management - Sign FTO.**



• Checker will view all details and take appropriate decision to reject or approve the digitally signed payment file of maker.



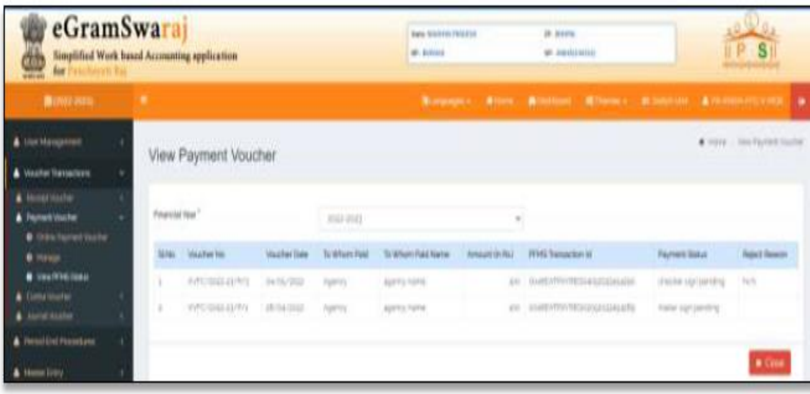
Checker will insert DSC dongle and will then click on Sign Document and enter the Pin of DSC token. Checker will enter the PIN and proceed at the click of "**OK**"

At the click of "**Confirm Signing**" the file will be digitally signed.

- A digitally signed XML file containing the information of all Payment vouchers will be automatically created and copied to SFTP folder from eGramSwaraj Server.
- PFMS will read the XML file for Payment from specific SFTP folder (name and location of folder) and provide the acknowledgement for the same.
- PFMS will send the acknowledgement to EGramSwaraj for the receipt of XML file containing payment information(s).
- GP (Panchayat Secretary) will digitally sign after logging in PFMS portal for each payment file that may contain multiple vouchers.
- PFMS will send /push the digitally signed payment file to respective bank.
- The payment information is validated and if validated the successful transaction is done for successfully transferring of the amount from registered Panchayat's account to registered beneficiaries' account as per the payment voucher/ information shared by EGramSwaraj in XML file.
- On successful payment, the Bank account of Panchayat will be debited and beneficiary bank account will be credited.
- PFMS will share with EGramSwaraj the final status file containing successful payment cases and failure cases in respect to fund transferred to beneficiaries. The reason of failure will also be sent for respective beneficiary.
- eGramSwaraj will read the file containing final status and for rejected cases it will automatically book a payment cancellation voucher.

c) **View Status of Payment Voucher:** GP (Maker) can view the status of booked Payment Voucher through "**View PFMS Status**".

The status and the reason can be viewed from the respective columns.



i) Validations

a) The daybook shall be closed for generating the FTO by Maker
b) The Maker will sign the FTO with registered DSC.
c) The Checker will be able to see the FTOs only if they are already signed by Maker.
d) The final FTO will be sent to PFMS after Digital Signature of Checker only.

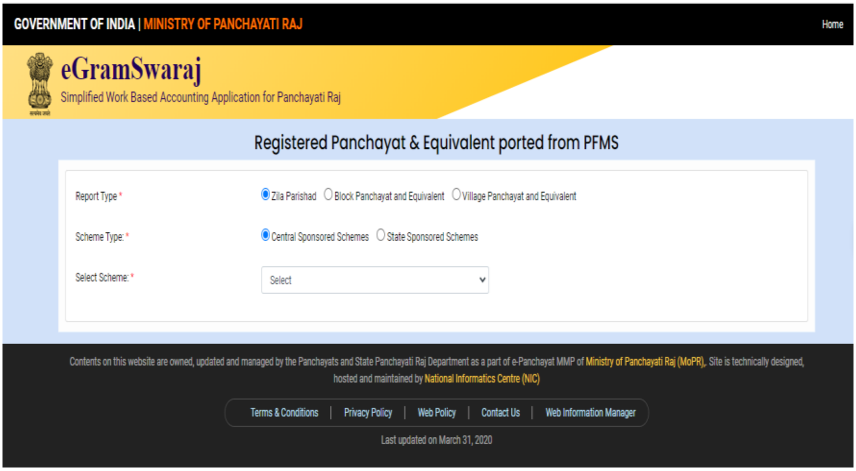
10. **Reconciliation and Month Book Closing:** The reconciliation of accounts and Month Book Closing will be done by Admin at Panchayat level as per existing workflow of eGramSwaraj. There are no changes in it as of now.

eGramSwaraj:

a) Registered Panchayat Ported from PFMS:

Link: https://eGramSwaraj.gov.in/registrationVpReport.do

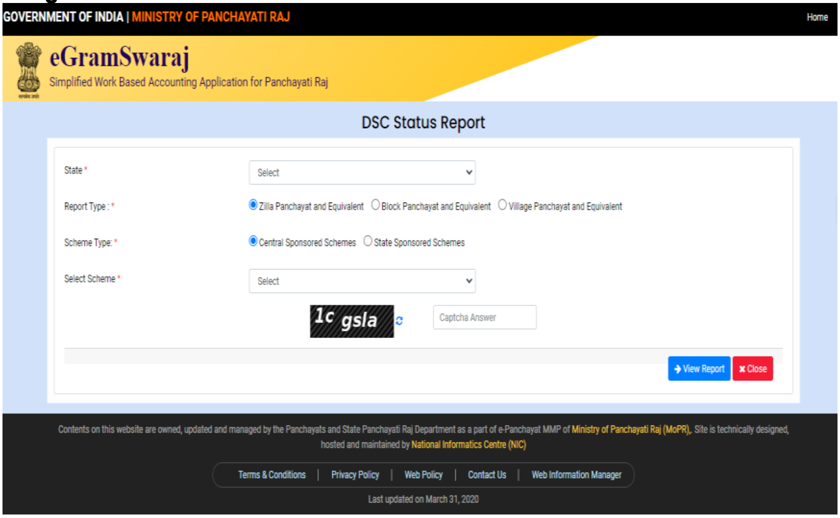
Image of the Screen:



b) DSC Status Report:

Link: https://eGramSwaraj.gov.in/dscStatusReport.do

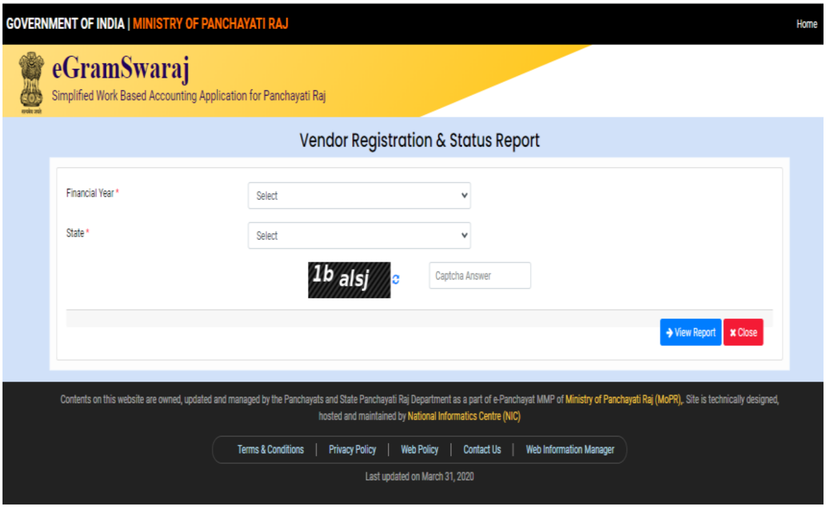
Image of the Screen:



c) Vendor Registration & Status Report:

Link: https://eGramSwaraj.gov.in/vendorReport.do

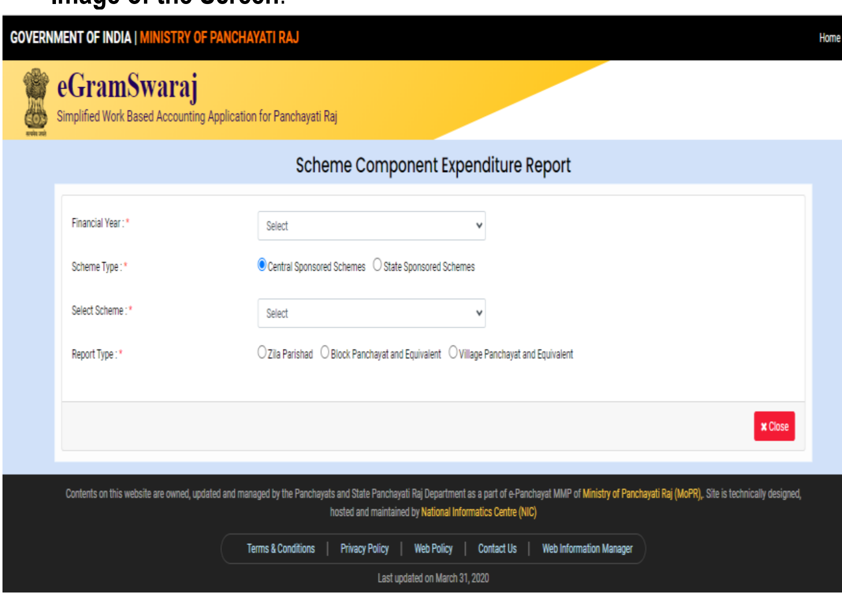
Image of the Screen:



d) Scheme Component Expenditure Report:

Link: https://eGramSwaraj.gov.in/ffcSectorWiseExpenditure.do

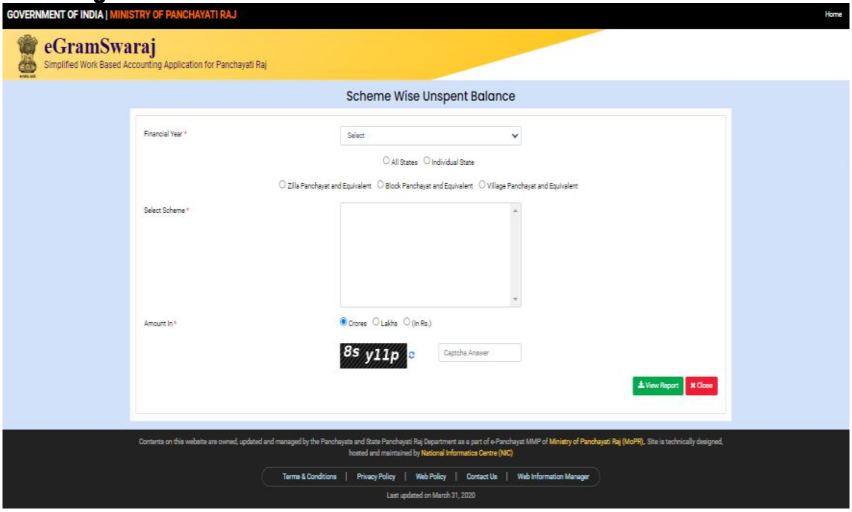
Image of the Screen:



e) Scheme Wise Unspent Balance:

Link: https://eGramSwaraj.gov.in/schemeWiseUnspendBalance.do

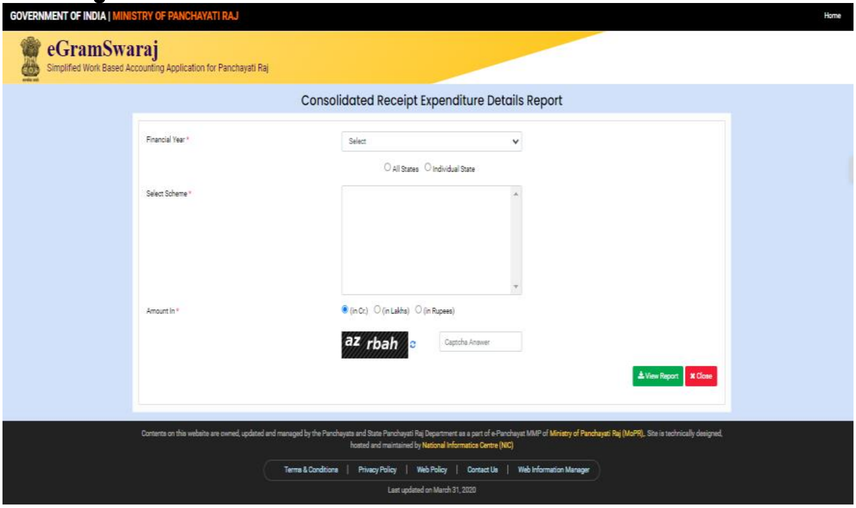
Image of the Screen:



f) Consolidated Scheme Wise Unspent Balance:

Link: https://eGramSwaraj.gov.in/consolidatedReceiptExpReport.do

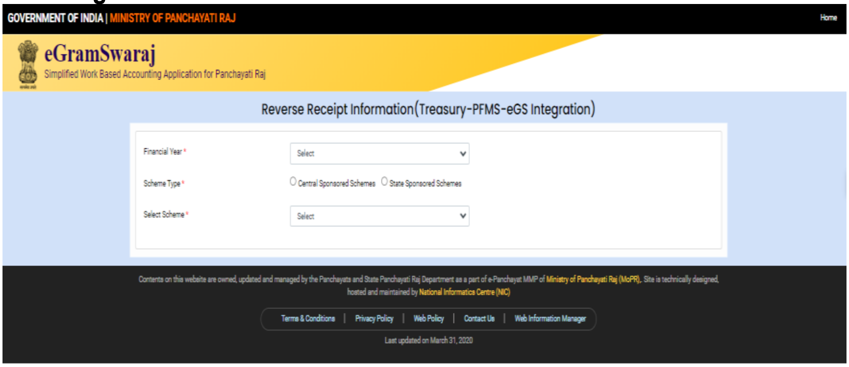
Image of the Screen:



g) Reverse Receipt Information (Treasury-PFMS-eGS Integration):

Link: https://eGramSwaraj.gov.in/publicReport.do

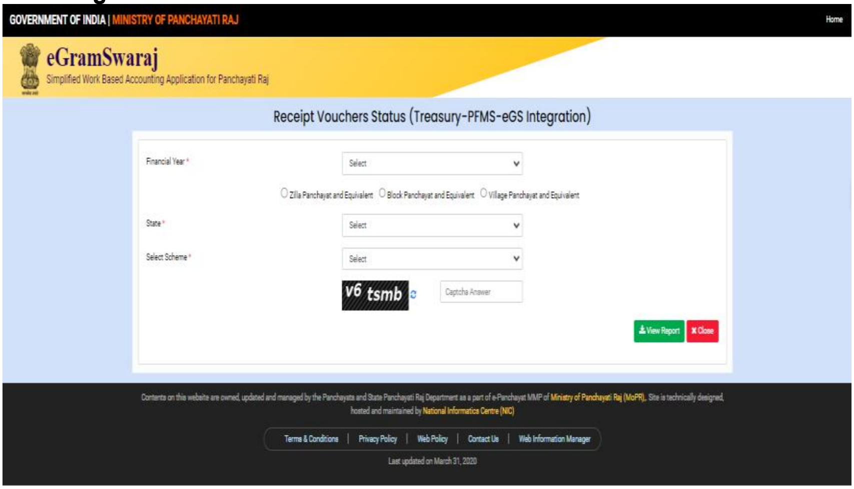
Image of the Screen:



h) Reverse MIS Status Report (Treasury-PFMS-eGS Integration):

Link: https://eGramSwaraj.gov.in/reverseMisReport.do

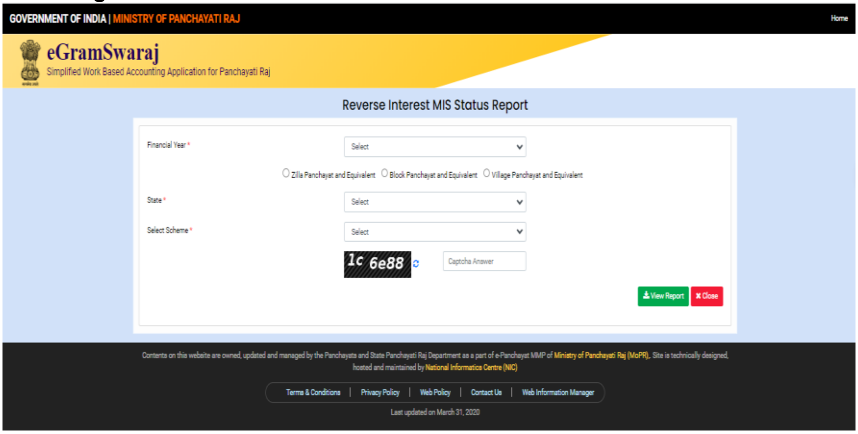
Image of the Screen:



i) Reverse Interest MIS Status Report (Bank-PFMS-eGS Integration):

Link: https://eGramSwaraj.gov.in/reverseInterestMisReport.do

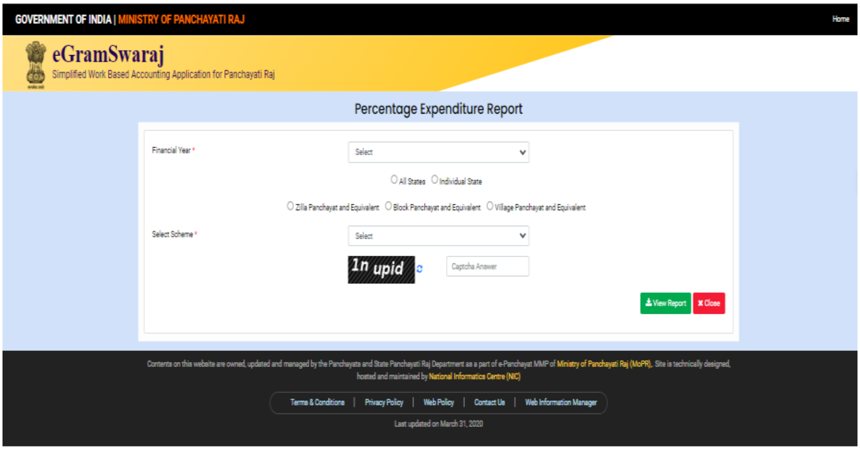
Image of the Screen:



j) Percentage Wise Expenditure Analysis:

Link: https://eGramSwaraj.gov.in/percentageExpenditureReport.do

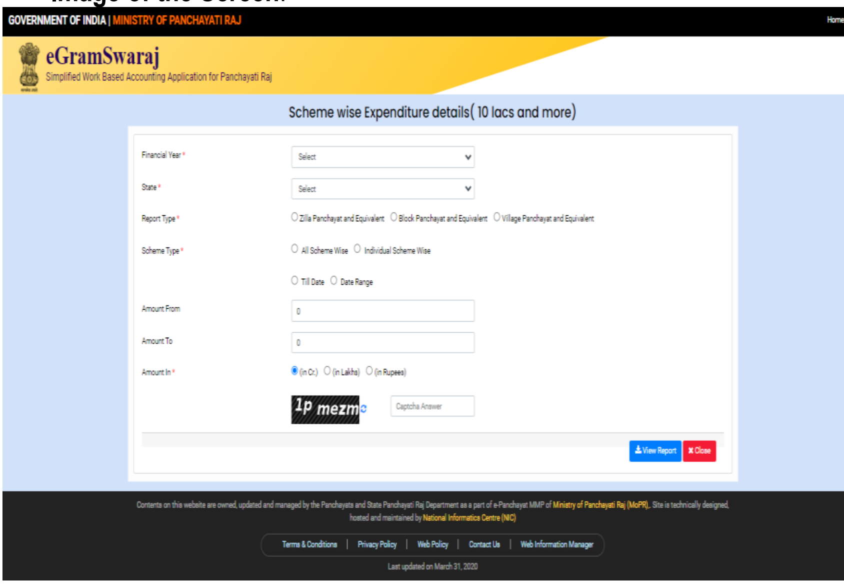
Image of the Screen:



k) Scheme Wise Expenditure Details (₹ 10 Lacs and More):

Link: https://eGramSwaraj.gov.in/onlinePaymentStatusReport.do

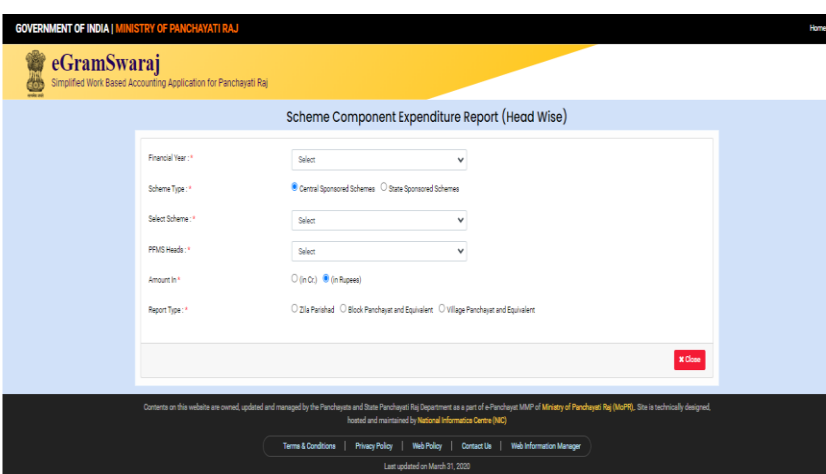
Image of the Screen:



I) Scheme Component Expenditure Report (Head-Wise):

Link: https://eGramSwaraj.gov.in/ffcSchemeComponentOtherExp.do

Image of the Screen:



Monitoring & Evaluation:

With the eGramSwaraj catering to various aspects of Panchayat functioning such as planning, reporting, accounting including online payments done by the Panchayats; one needs to also review the status periodically, of that of progress of States, Panchayats across several Key Performance Indicators laid down by the Ministry of Panchayati Raj. In this regard, several reports have been made available in the public domain on the website of eGramSwaraj based on the various modules. Some of the reports that are frequently accessed are listed in the table below:

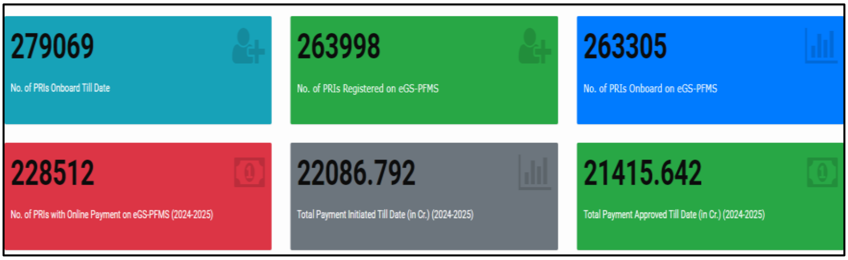
Sr. No.	Module Name	Report Name	Description
1	**Planning**	**Approved Action Plan Report**	Year wise, State wise Panchayat Development Plans, i.e., GPDP, BPDP, DPDP
		Resource Envelope List	Provides Panchayat wise sources of Resource Envelope for the purpose of planning developmental activities.
		Sector wise activity status	Provides Sector wise activity count and the corresponding estimated costs.
2	**Reporting**	**Scheme wise activity status**	Provides Scheme wise activity count and the corresponding funds allotted.
		Geo-tagged asset count report	State wise geo-tagged asset count under Central Finance Commission (i.e. 14th Finance Commission & XV Finance Commission).
		mActionSoft Photo uploaded Report	Photographs of the assets developed captured via mobile App – mActionSoft.

Sr. No.	Module Name	Report Name	Description
3	**Accounting**	**State wise Summary Report**	Gives year wise and State wise information on the number of daybooks, month-books and yearbooks closed across Zila Panchayats, Block Panchayats and Gram Panchayats. Can be further drilled down up to voucher level details.
		Annual Receipts & Payments	Gives year wise, State wise information on the accounts of the Panchayats, i.e., Annual Receipt & Expenditure Statement for a particular Panchayat. This format has been prescribed by the O/o CAG which are also used for the purpose of auditing of Panchayat accounts.
		Consolidated Abstract Register	Provides summarized information on the receipts, payments carried out by a particular Panchayat each year.
		Monthly Reconciliation Statement	Provides month wise reconciliation statement of Panchayats' Bank Account and Cash book (generated from eGramSwaraj).
4	**eGSPI** *(for online schemes)*	**Registered Panchayats ported from PFMS**	Provides State wise count of number of Panchayats that have been registered as agencies in PFMS and ported to eGramSwaraj for the purpose of carrying out online payments.

Sr. No.	Module Name	Report Name	Description
		Scheme component expenditure report	Component wise expenditure (co-related to 29 subjects of the 11th Schedule of the Indian Constitution) incurred in various sectors under the Central Finance Commission grants (both 14th Finance Commission & XV Finance Commission).
		Scheme wise Unspent Balance	State-wise, Panchayat wise unspent balance under Central Finance Commission grants (i.e., both 14th Finance Commission & XV Finance Commission).
		Reverse Receipt Information	State wise, Panchayat wise details of auto-receipt amount through reverse treasury integration.
		Reverse MIS Status report	Panchayat wise auto-receipt voucher status received under Treasury – PFMS – eGS Integration.
5	**Panchayat Profile**	**Local Government Profile**	Panchayat wise information viz. Panchayat Profile, Connectivity details, Committee details, Elected Member details etc.

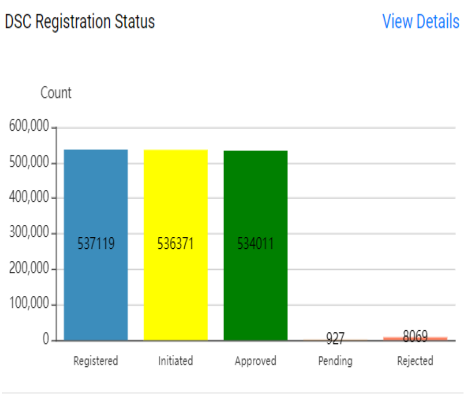
Dashboards for monitoring progress under eGSPI:

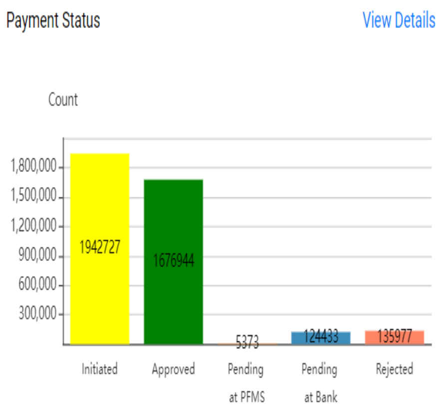
Several dashboards for the purpose of monitoring have also been developed to analyze the performance of the Panchayats. A dashboard has been developed for the expenditures incurred under the Central Finance Commission grants (i.e., 14th FC & XV FC) through eGramSwaraj – PFMS Interface (eGSPI) showcasing the number of PRIs onboard eGSPI, number of PRIs with online payments, total payments initiated and approved, DSC registration status, Online payment status, etc.



ILLUSTRATIVE

Analytical Dashboard:

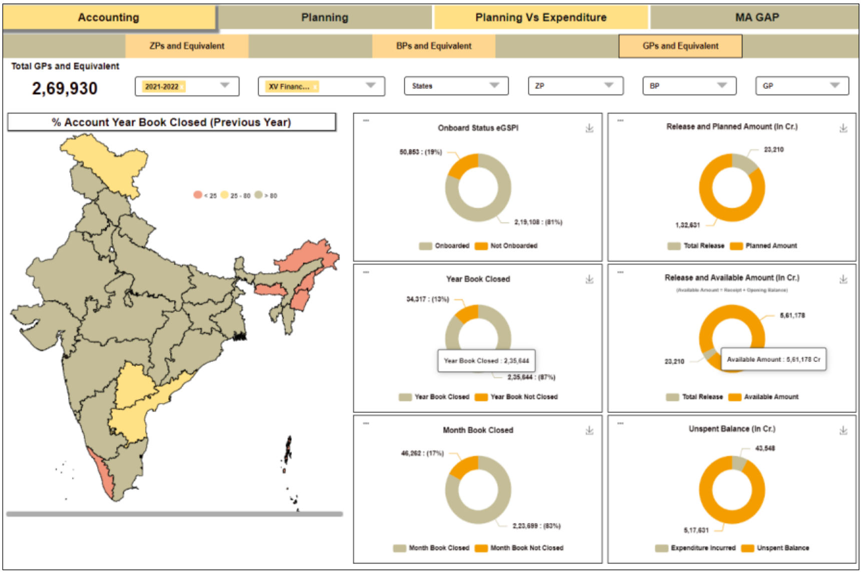




Additionally, an analytical dashboard has also been developed which provides a complete overview of the XV FC grants being planned and utilized across various focus areas. The dashboard provides the relevant information across all the tiers of Panchayats as well as the TLBs. Simultaneously, the dashboard also provides information aggregated at ZP, BP and the State level. The analytical dashboard provides relevant information required whilst making informed policy-level decisions for evaluating performances of the Panchayats and Traditional Local Bodies in respect of XV FC grants. The various information provided by the analytical dashboard are as below:

(i) Accounting: Transactions related to XV FC grants and States' progress on onboarding eGSPI

- *Details of the funds released and amount available at all tiers of PRIs (including TLBs).*
- *State wise percentage of Yearbook closed for previous year.*
- *Month book closed for current year.*
- *Details of unspent balance against amount available amount.*



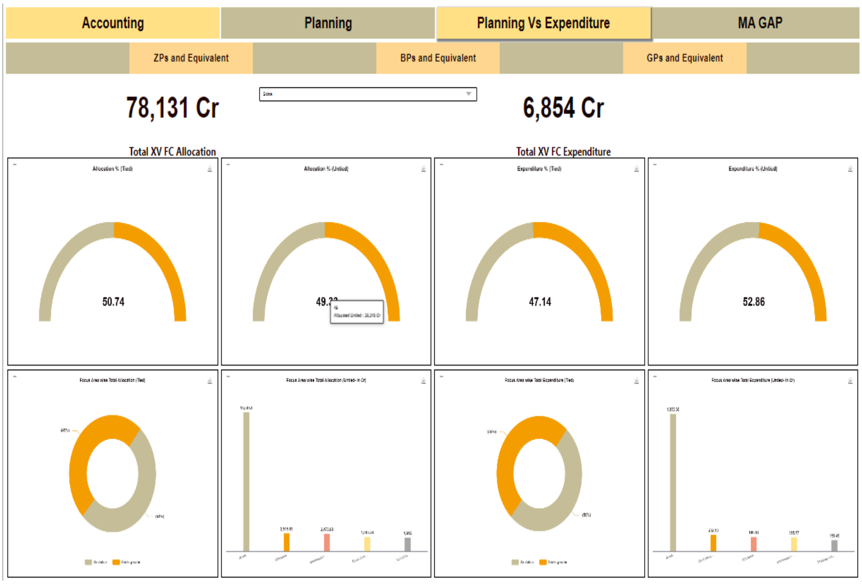
(ii) Planning: Details related to Panchayat Development Plans

- *Total no. of PRIs vs total no. of development plans*
- *Total work approved vs initiated*
- *Cost of total work approved vis-à-vis initiated*
- *Top 5 – Sector wise approved works*
- *Top 10 – Sector wise cost of Planned Vs Expenditure amount*

(iii) Planning Vs Expenditure: Details related to fund allocated and expenditure incurred (Tied and Untied)

- *Percentage allocation under tied and untied grants.*
- *Percentage expenditure under tied and untied grants.*
- *Focus area wise funds allocation and expenditure (tied and untied).*
- *PRI wise fund allocation and expenditure (tied ad untied).*

MA GAPs: Provides data gaps basis Mission Antyodaya Survey conducted for the year 2021-22 aggregated at ZP and BP level.



The system provides modules for end-to-end digital payments, collection of receipts, accounting, reconciliation, and financial reporting. Besides, PFMS has been providing a robust IT platform for more effective cash management in the GoI through "Just in time" transfer of funds and complete tracking of realization of funds from its release to its credit into the bank account of intended beneficiaries.

The following Link is to access PFMS in eGramSwaraj System:

Link: https://eGramSwaraj.gov.in/financialProgressReport.do

The eGramSwaraj portal aims to bring better transparency in work-based accounting, decentralised planning, and progress reporting. This portal will help strengthen e-governance in all PRIs across India and mark complete digitisation.

The eGramSwaraj portal is a single interface that provides work records right from planning to implementation and keeps an account of panchayats. It includes work records of each village panchayat listed under the Gram Panchayat Development Plan (GPDP). Through this portal, anyone can get information about the funds, development works and functioning of the panchayat.

PFMS is facilitating Payments and Exchequer Control, Direct Benefit Transfer (DBT), Monitoring fund flow mechanism, Accounting of Receipts (Tax and Non-Tax), Compilation of Accounts and Preparation of Fiscal Report, and Dissemination of Information. It has established interface with financial management system of States, Banks and other external systems. The Public Financial Management System (PFMS) has evolved as a robust web-based online system designed, developed, owned, and implemented by the O/o CGA.

National Award for e-Governance 2022

e-Panchayat Mission Mode Project (eGramSwaraj and AuditOnline) has won the GOLD AWARD under the category **"Excellence in Government Process Re-engineering for Digital Transformation"** of the National Awards for e-Governance in the year 2022. Various stakeholders, especially Panchayati Raj Institutions which adopted e-Panchayat applications very fast, have helped in making the e-Panchayat Mission Mode Project successful by strengthening the Panchayati Raj System and making it effective, transparent, and efficient.

Chapter 3:

Accounting and Auditing of Panchayati Raj Institutions

A new simplified accounting framework, namely the "Model Accounting System (MAS) for Panchayats" was developed in 2009 by O/o C&AG on the recommendation of Eleventh Finance Commission to bring about transparency and accountability in the maintenance of accounts of Panchayat Raj Institutions (PRIs).

Under the Model Accounting System, 8 (Eight) formats / registers have been developed. Maintenance of these Registers would eventually help in shifting over to Accrual System of Accounting. The accounts and the budget formats are synchronized and linked to the functions / data entries done by the PRIs in eGramSwaraj. Maintenance of these register would help in subsequent switch over to the modified accrual system of accounting. The accounting practices prescribed for PRIs are mostly similar to the accounting practices followed by the State Governments which are as follows:

- ✓ Each institution i.e., Zilla Parishad/Mandal Parishad /Gram Panchayat is an accounting entity.
- ✓ The accounts are prepared on cash basis, i.e., a transaction is only recorded when cash is received or paid.
- ✓ Period of accounts is a financial year as a period of 12 months ending 31st March in any year.
- ✓ Daily transactions shall be recorded in Cash Book.
    - The receipts are recorded on receipts side and payments on payments side.
    - Every day the cash book shall be closed and Closing Balance worked out would then form the Opening Balance for next day.
    - Classification / head of account for each transaction shall be clearly mentioned.
- ✓ Every day the details of transactions as recorded in the cash book.
    - Transferred to Register of Receipts if the transaction is receipts.
    - Transferred to Register of Payments if it is payment.

✓ Bank Reconciliation:

- At the end of the month the bank and treasury reconciliation should be completed.
- Differences between cash book, bank and treasury balances are to be rectified.
- Corrections should be made then & there in the Register of Receipts and Register of Payments.
- Totals in Register of Receipts and Payments can be struck which would give the total expenditure under each head of account for the month.
- Where PRIs and Bank / Treasury are computerized, online reconciliation with Bank/Treasury may be followed.

✓ There is a strong relationship between accounting and budgeting and the accounting system provides the basis for appropriate budgetary control.

✓ The financial transactions are classified on three tier structure i.e., Functions (major head), programs/ schemes (minor head) and objects (object head).

PRIs Receives Funds in following ways:

a) **Central Government**: The fund flow often begins with the Central Government, which allocates funds for rural development, local governance, and specific schemes related to Panchayati Raj. These funds can be a part of the central government's overall budget for decentralized governance.

b) **Finance Commission**: The Finance Commission determines the share of Central Taxes that should be devolved to the states. A portion of these funds is earmarked for local self- government institutions, including PRIs. The Finance Commission's recommendations play a crucial role in ensuring a fair and equitable distribution of resources.

c) **State Government**: States receive their share of funds from the Central Government based on the Finance Commission's recommendations. State Governments, in turn, allocate funds to PRIs within their jurisdiction. These funds are often transferred to the District Panchayats, which act as intermediaries.

d) **District Panchayat**: District Panchayats, at the district level, receive funds from the state government. These funds are meant for planning and implementing development activities across the district. District Panchayats play a coordinating role in channelling funds to Block Panchayats and Gram Panchayats.

e) **Block Panchayat**: Block Panchayats, operating at the sub-district level, receive funds from the District Panchayat. These funds are used for planning and executing development projects within the block or taluka. Block Panchayats play a key role in decentralizing governance and resource distribution.

f) **Gram Panchayat**: The final beneficiaries of the fund flow are the Gram Panchayats at the village level. They receive funds for local development projects, infrastructure, social welfare programs, and other community initiatives. Gram Panchayats are responsible for implementing projects that address the specific needs of their respective communities.

g) **Own Revenue Generation**: PRIs have the authority to generate revenue through local sources. This includes revenue from taxes, fees, and other charges imposed on activities within their jurisdiction. Common revenue sources for PRIs may include property taxes, local service charges, and fees for licenses and permits.

h) **Grants and Aids**: In addition to funds from higher levels of government, PRIs may receive grants and aids from various sources, such as non-governmental organizations (NGOs), international agencies, and other institutions. These funds could be earmarked for specific projects or areas of development.

Receipt and Payment Account	Form-I
Annual Receipt and Payment Account duly supported by Consolidated Abstract	Form-II
Reconciliation Statement	Form-III
Statement of Receivable and Payable	Form-IV
Register of Immovable Property	Form-V

Register of Movable Property	Form-VI
Inventory Register	Form- VII
Register of Demand, Collection and Balance	Form-VIII

The Eight Model Accounting Format as suggested by O/o C&AG with reference to the Panchayat Rule includes following Registers:

Format-I: Monthly / Annual Receipts and Payment Accounts:

This register discloses the monthly receipt and expenditure of PRIs. Receipts and Payment account is prepared on the basis of figures in the Consolidated Abstract. Since, the financial statements are now prepared on cash basis, the receipt and expenditure statement shall include all the receipt earned during the year and expenditure actually incurred. Opening Balance should be recorded as per cash in hand, bank, and treasury investments. Daily transactions recorded in the cash book shall be transferred to register of receipt and register of payment. From the register of receipt and register of payment, the total receipts and payments are to be posted to monthly receipt and payment account.

Budget estimates for receipt head is the receipt to be collected / received by PRIs. Amount actual is the actual receipt collected / expenditure incurred. Budget estimates for the expenditure column is the amount estimated by the PRIs to incur expenditure under appropriate head during the financial year.

Format-II: Consolidated Abstract Register:

The consolidated abstract registers for receipt or payment are the registers derived from monthly receipt and payment accounts. At the end of each month, the total receipt and payment is to be posted to monthly receipt and payment account. The monthly figure is to be added to progressive total and figures up to the end of the current month can be worked out in the consolidated abstract register. Budget provision is the figure chalked out by PRIs during preparation of their own budget. This format highlights on target income from own source i.e. tax revenue and non-tax revenue and collection against the target.

Format-III: Reconciliation Statement with Bank / Treasury:

At the end of each month, Panchayat Institutions may reconcile their figures with bank or treasury, if any discrepancy is found in between the cash in cash book and cash with bank / treasury.

Format-IV: Receivable and Payable Register:

- This register is to be filled as per statements prescribed in format four.
- Information to be recorded are:
  - ✓ Amount receivable is any amount to be received in future towards collection of revenue.
  - ✓ Amount payable is the amount due to be paid in future towards any expenditure.
  - ✓ Filling up this format is a step towards maintaining accounts on accrual basis.

Format-V: Register of Immovable Property:

This register gives a clear picture on maintenance of records regarding immovable properties like:

a) Roads.
b) Lands.
c) Others.

Format-VI: **Register of Movable Property:**

- ✓ Register of movable property is maintained as per format six.

- ✓ This register highlights the Date of acquisition, purchase, receipt and transfer of movable property, No.(quantity) and date of orders under which the property was acquired, purchased, constructed / transferred, Description and situation of property, etc.

Format-VII: Inventory Register:

- ✓ This register is maintained to record the issue of stock and store items

- ✓ The format is used to keep record on:

a) Opening balance of stock (Quantity and Value).
b) Voucher No. and date.
c) From whom received.
d) Receipts (Quantity and Value).
e) Total (Quantity and Value).
f) To whom issued and for which purpose.
g) Issued or sold (Date, Quantity and Value).
h) Closing Balance (Quantity and Value).

Format-VII: Demand Collection & Balance Register:

- ✓ This register is maintained to assess the tax to be collected, and tax collected against the due.
- ✓ Following information are to be recorded in demand collection and balance register:

a) Name of the person from whom tax is to be collected.
b) Reference serial no. in register of assesses.
c) Demand for the current finance year.
d) Arrear demand of previous years.
e) Permission / Details of amount write off if any.
f) Total tax amount due.
g) Total amount collected.

PRIs may keep funds in treasury or in bank account as per directions of the State Government for funds received from State Government and in bank accounts for funds received under Central Schemes, Central Finance Commission grants as well as for own sources of revenue. Based on the recommendations of the Eleventh Finance Commission, for exercising proper control and securing better accountability, the formats for the preparation of budget & accounts and database on finances of PRIs were prescribed by C&AG in 2002. These formats were further simplified in 2007 for easy adoption at grass root level. The Technical Committee on Budget and Accounting Standards for PRIs in the meeting held on 4th August 2008 co-chaired by Secretary, Ministry of Panchayati Raj, Govt. of India and Deputy Comptroller and Auditor General (LB), considered the need for developing simple but robust format of accounts and constituted a Sub-Committee co-chaired by Director General (LB) and Principal Secretary, Panchayati Raj Department, Govt. of Gujarat, for the purpose. The sub-committee included the members from Ministry of Panchayati Raj, Govt. of India, Planning Commission, Ministry of Finance, Representative from Govt. of West Bengal, Uttar Pradesh, Andhra Pradesh and representatives from Controller General of Accounts (CGA) and National Informatics Centre (NIC). Director (LB) was the member secretary of the Sub-Committee. The mandate of the technical committee to the sub-committee inter alia include to prescribe simple but robust accounting system for PRIs, comprehensible to the elected representatives and functionaries of PRIs and facilitates generation of financial reports through Information and Communication Technology.

The Sub-Committee in the meeting held on 5th December 2008, entrusted the preparation of Simplified Accounting System to the Member Secretary of the Sub Committee and desired that the draft format of accounts be circulated among members of the sub-committee, for suggestion. The simplified accounting formats for PRIs have been prepared and circulated among the members of the Sub-Committee by 5th January 2009 and the committee in the meeting held on 15th January 2009 approved the Draft Simplified Format of Accounts for PRIs. The Technical Committee on Budget and Accounting Standards for PRIs in the meeting held on 29th January 2009 approved the Simplified format of accounts for PRIs.

1. Salient features of the Simplified Format of Accounts:

The first four-digit classification in the simplified system is the major head represent function enumerated in the 11th Schedule of the Constitution. The second three-digit classification is the minor head represent the programme/unit of expenditure. However, under few major Heads (2851, 2406, 2403, 2211, 2205 and 2202), the minor head represents the function due to clubbing of function enumerated in the Eleventh Schedule of the Constitution. The third tier two-digit (00 to 99) is the object head which represent the object item of expenditure.

Two-digit standardized object head has been recommended for most commonly used items of expenditure. PRIs may open separate object head as per requirements under each minor head. Similarly, object head under receipts head may be opened as per requirement. Wherever required the minor head '800-Other Receipts' may be opened under the receipts head and '800-Other Expenditure' under expenditure head. For better planning, monitoring and decision making, the central schemes have been given distinct two-digit sub-heads. Considering the number of state schemes and diversity among the states, two-digit Alpha- numeric sub-heads may be operated for state schemes. The two-digit standardised object heads may be operated for accounting the scheme requirements as per guidelines.

For assigned revenue from State/Central Govt. minor head '901-Share of net proceeds assigned to Panchayats' has been opened under relevant receipts Major Heads.

The Accounts have to be kept in two parts, Part I to record transactions of all receipts and expenditure relating to Panchayat Fund and Part II to record transactions relating to provident funds, loans, deposits, and advances etc, with close to balances.

2. Functions as per Eleventh Schedule and corresponding Major Head:

All the 29 functions listed in the Eleventh Schedule of the Constitution are classified under 23 major heads. Besides, Major Head '2049- Interest Payments', '2071- Pension and Other Retirement Benefits' and '2515- Panchayati Raj Programmes' along with relevant receipts and capital Major Heads were opened to facilitate the PRIs to account their activities. Details of Functions and corresponding Major Heads are as follows:

Sl. No.	Functions Listed in the XIth Schedule of the Constitution	Nomenclature of the Revised Major Head	Corresponding Major Heads		
			Receipts	Revenue Expenditure	Capital Expenditure
1	Agriculture, including Agricultural Extension	Agriculture, including Agricultural Extension	0435	2435	4435
2	Land Improvement, Implementation of Land Reforms, Land Consolidation and Soil Conservation	Soil and Water Conservation	-	2402	4402

Sl. No.	Functions Listed in the XI[th] Schedule of the Constitution	Nomenclature of the Revised Major Head	Corresponding Major Heads		
			Receipts	Revenue Expenditure	Capital Expenditure
3	Minor Irrigation, Water Management and Watershed Development	Minor Irrigation	0702	2702	4702
4	Animal Husbandry, Dairying and Poultry	Animal Husbandry, Dairying, Poultry and Fuel and Fodder	0403	2403	-
5	Fisheries	Fisheries	0405	2405	4405
6	Social Forestry and Farm Forestry	Forestry	0406	2406	4406
7	Minor Forest Produce	Minor Forest Produce	0406	2406	4406
8	Small Scale Industries, including Food Processing Industries	Village and Small Scale Industries	0851	2851	4851
9	Khadi, Village and Cottage Industries	Village and Small Scale Industries	0851	2851	4851
10	Rural Housing	Rural Housing	0216	2216	4216
11	Drinking Water	Water Supply and Sanitation	0215	2215	4215
12	Fuel and Fodder	Animal Husbandry, Dairying, Poultry and Fuel and Fodder	0403	2403	-
13	Roads, Culverts Bridges,	Transportation	-	3054	5054

Sl. No.	Functions Listed in the XIth Schedule of the Constitution	Nomenclature of the Revised Major Head	Corresponding Major Heads		
			Receipts	Revenue Expenditure	Capital Expenditure
	Ferries, Waterways and Other Means of Communication				
14	Rural Electrification, including Distribution of Electricity	Rural Electrification	0801	2801	4801
15	Non-conventional Energy Sources	Non-conventional Sources of Energy	0810	2810	4810
16	Poverty Alleviation Programme	Poverty Alleviation Programme	-	2501	-
17	Education, including Primary and Secondary Schools	Education	0202	2202	4202
18	Technical Training and Vocational Education	Technical Training and Vocational Education	-	2203	-
19	Adult and Non-formal Education	Education	0202	2202	4202
20	Libraries	Art, Culture and Libraries	-	2205	4205
21	Cultural Activities	Art, Culture and Libraries	-	2205	4205
22	Markets and Fairs*	Market and Fairs	0206	2206	4206

Sl. No.	Functions Listed in the XIth Schedule of the Constitution	Nomenclature of the Revised Major Head	Corresponding Major Heads		
			Receipts	Revenue Expenditure	Capital Expenditure
23	Health and Sanitation, including Hospitals, Primary Health Centres and Dispensaries	Health and Family Welfare Water Supply and Sanitation	0210 0215	2210 2215	4210 4215
24	Family Welfare	Health and Family Welfare	-	2210	-
25	Women and Child Development	Women and Child Welfare	-	2211	-
26	Social Welfare, including Welfare of the Handicapped and Mentally Retarded	Social Security and Welfare	-	2235	4235
27	Welfare of the Weaker Sections, and in particular, of the Scheduled Castes and the Scheduled Tribes	Welfare of Scheduled Castes, Scheduled Tribes and Other Weaker Sections	-	2225	-
28	Public Distribution System	Public Distribution System		2408	4408
29	Maintenance of Community Assets	Maintenance of Community Assets	0059	2059	
	Additional Heads	Interest Receipts/Payment	0049	2049	

Sl. No.	Functions Listed in the XI[th] Schedule of the Constitution	Nomenclature of the Revised Major Head	Corresponding Major Heads		
			Receipts	Revenue Expenditure	Capital Expenditure
		Pension and Other retirement benefits	0071	2071	
		Panchayati Raj Programmes	0515	2515	4515

* New Major Head '2206 – Market and Fairs' along with the relevant Receipts and Capital Major Heads has been prescribed since large number of transactions under market and fairs takes place at PRI level.

1. Accounting of other Transactions:

In addition, Panchayats may also operate the following separate major heads to record all transactions (Receipts and Payments/Disbursement) under Loans, Pension & Provident Fund, Insurance and Pension Fund, Deposit and Advances and Civil Advance, depending upon the requirement:

7610- Loans to Panchayat Employees.
8009- Provident Fund.
8011- Insurance and Pension Fund.
8443- Civil Deposit.
8550- Civil Advances.

To record all unclassified transactions not immediately booked under the respective functional major heads due to lack of detail/proper classification in the challan/cheque/voucher, Panchayats may operate '8658-Suspense Accounts'.

Panchayat may operate other major heads of accounts to record transactions of each additional function devolved subsequently to the Panchayats by the State Government. The State Government may inform operation of the new major heads to the Pr. Accountant General /Accountant General (Audit) and Accountant General (A&E) of the respective States.

2. Accounting Procedure:

a) The accounts are prepared on cash basis i.e., a transaction is only recorded when cash is received or paid.

b) Period of accounts is a financial year. A financial year is defined as a period of 12 months ending 31st March in any year.

c) Daily transactions shall be recorded in Cash Book. The receipts shall be recorded on receipts side and payments on payments side. Every day the cash book shall be closed, and Closing Balance worked out would then form the Opening Balance for next day. Classification/head of account for each transaction shall be clearly mentioned.

d) Every day the details of transactions as recorded in the cash book should be transferred to either Register of Receipts if the transaction is receipts or to Register of Payments if it is payment under the respective heads of account.

e) At the end of the month the bank reconciliation and treasury reconciliation should be completed, and it should be ensured that all differences between cash book and bank and treasury balances are rectified. If any differences are noticed the corrections should be made, then and there in the Register of Receipts and Register of Payments. At the end of the month, totals in Register of Receipts and Register of Payments can be struck. This would give the total expenditure under each head of account for the month. Where PRIs and Bank/Treasury are computerized, online reconciliation with Bank/Treasury may be followed.

f) At the end of each month, the totals of Receipts and Payments (up to object head level) are to be posted to the Monthly Receipts and Payment Account.

g) The monthly figure is added to previous month's progressive total and the figures up to the end of the current month can be worked out in the Consolidated Abstract.

h) At the end of the year, the progressive figure to the end of March can be worked out in the Annual Receipts and Payment Account.

i) After closing of March Accounts, Reconciliation of Receipts and Expenditure figures with the Departments (online, where facility is available) should be carried out to detect any misclassification and to clear the unclassified transaction booked in the Suspense accounts and all transactions appearing as Transfer entries. The final progressive figure under each head be worked up to the end of March which completes the accounting process for that year.

j) Receipts and Payment account is prepared on the basis of figures in the Consolidated Abstract.

k) The Budget of PRIs for the year may be prepared by adopting the classification prescribed in the Receipts and Payment Account/ List of Codes for functions, programmes and activities prescribed.

l) On the basis of these formats, the State Government may formulate Budgeting/Accounting rules and manuals for keeping of budget/accounts for Panchayati Raj Institutions in consultation with the State Accountants General.

m) Refund of revenues/re-imbursement of expenditure of the current year is to be accounted as reduction of receipts/expenditure.

n) Bank/Treasury Reconciliation Statements, Register of Receivable and Payable, Register of Movable and Immovable property, Register of Inventory, Register of Demand, Collection and Balance form integral part of the annual accounts. Maintenance of these register would help in subsequent switch over to the modified accrual system of accounting.

3. Simplified Procedures for Transfer Entries:

Transfer entries are passed to rectify misclassification of transaction in accounts and to facilitate eventual accounting under final heads of account. The procedure of transfer entries can pose difficulties in grassroots level organizations where the accounting systems are in a relatively nascent stage and may not have such intricacies and complexities requiring sophisticated degree of knowledge and skills as is expected in higher tiers of government.

To simplify the accounting process further, it is proposed that Transfer Entries may not be required for those tiers of PRIs where the number of transactions are less and corrections if any can be carried out manually by striking down the wrong entry with red ink and inserting the correct entry in the cash book as well as Register of Receipts and Payments and if required in the Monthly and Annual Accounts.

If the mistakes are noticed after closure of the monthly accounts and before closure of annual accounts, it can be rectified as detailed here under.

Example 1: A sum of ₹1000/- being Property Tax collected in the month of June 2022 has been misclassified as Entertainment Tax. The mistake is noticed after the closure of Monthly Accounts in the month of December 2022.

Solution: Minus Credit under MH 0045-101 (to be deducted) is posted in Register of Receipts and a small note recorded indicating the reason for the minus credit. Credit is given under MH 0035-101 in Register of Receipts and a small note indicating the reason for the plus credit is recorded. This has to be done in the month in which the error/misclassification is noticed and rectified (December 2022).

Example 2: A sum of ₹ 9,000/- for the month of November 2008 towards payment of overtime allowance to Primary School Teachers of Education Department was misclassified as office Expenditure of Primary Health Centre of Health Department. This mistake is noticed after the closure of Monthly Accounts of November 2022.

Solution: Minus Debit (to be deducted from the expenditure of the head) is to be posted in the Register of Payments against the 2210-101-08 and a small note recorded indicating the reason for the minus debit. Similarly, a contra debit is given in the Register of Payments against the 2202-101-03 and a small note recorded indicating the reason for the contra debit. This has to be done in the current month in which the error/misclassification is noticed and rectified.

4. If mistakes are noticed after Closure of Annual Accounts:

No need to change annual accounts but to have a true picture of revenue receipts and revenue expenditure, 'a note of error' will be made in the Annual Accounts (in case of expenditures booked through Admin User) against the Head where the error was committed. If any receipts on account of error/misclassification occurs the same will be taken into cash book with a small note and becomes part of the current balance.

If misclassification occurs in scheme expenditure and noticed after the closure of annual accounts:

If the mistake is noticed after the Annual Accounts are closed and the items of expenditure are related to different schemes under Revenue/Capital Heads, the progressive figures have to be changed by '+' and '-'entries against the heads concerned in order to arrive the correct figures if the schemes are continued further next financial year following the procedure explained in above categories.

5. A-List of Standard Object Heads:

01-Salaries (1) 02-Wages 03-Overtime Allowance 04-Pensionary charges 05-Honoraria 06-Medical treatment 07-Travel Expenses 08-Office Expenses (2) 09-Rent, Rates and Taxes	10-Audit Fee 11-Printing 12-Other Administrative Expenses 13-Supplies and Materials 14-Petrol/Diesel 15-Advertising and Publicity 16-Other Contractual Services 17-Grants-in-Aid 18-Contributions	19-Subsidies 20-Share of Taxes / Duties 21-Motor Vehicles/hiring charges 22-Machinery and Equipment 23-Major Works 24-Write off / losses 25-Deduct recoveries 26-Maintenance 80-Other Expenditure

Note: *(1) Items to be included in this object head are (i) Pay of officers, (ii) Dearness pay of officers, (iii) Dearness Allowance of Officers, (iv) Pay of establishment, (v) Dearness pay of establishment, (vi) Dearness Allowance of establishment, (vii) Bonus, (viii) Interim relief, (ix) Other allowances (CCA, HRA & other fixed allowances), (x) Children education allowances,(xi) LTC, (xii) Transport allowance.*

Note: *(2) Items to be included in this object head are (i) Local purchase of stationery, (ii) Liveries,(iii) Telephone & trunk calls, (iv) Furniture,(v) Service postage stamps,(vi) Purchase of books & publications, (vii) Office expenses* *and miscellaneous ,(viii) Staff car,(ix) Water cooler,(x) Typewriter, (xi) Purchase of accounting machine, (xii) Charges paid to the State Government for Police Guards,(xiii) Hot and cold weather charges,(xiv) Electricity & water charges,(xv) Purchase of photo copier,(xvi) Purchase of computer & laser printer*.

B-List of Standard Sub-Heads for Central Schemes:

Proposed scheme code for simplified accounts for PRIs	Scheme Description
11	National Rural Employment Guarantee Scheme (NREGS)
12	Sampoorna Gramin Rozgar Yojana (SGRY)
13	Swaranjayanti Gram Swarozgar Yojana (SGSY)
14	Indira Awas Yojana (IAY)
15	National Rural Health Mission (NRHM)
16	Accelerated Rural Water Supply Programme (ARWSP)
17	Total Sanitation Campaign
18	Mid-Day Meal Scheme
19	Sarva Shiksha Abhiyan
20	Pradhan Mantri Gram Sadak Yojana (PMGSY)
21	Integrated Watershed Management Programme
22	Integrated Child Development Services (ICDS)

Example to Book Expenditure of Central Scheme NRHM:

2210 Health and Sanitation (Major Head)
    101 Primary Health Centre (Minor Head)
        15 NRHM (Sub-Head)
            02 Wages (Object Head)

Example to Book Receipts of Grants:

Similarly, an example to book receipts of grants under various sub plans is indicated below:

    1601 Grants and aid (Major Head)
        101 Grants from GOI (Minor Head)
            15 NRHM (Sub Head)

* Funds received under Central Scheme are allocated under three parts viz. 796 – Tribal Sub-Plan (TSP); 789 – Scheduled Caste Sub Plan (SCSP), 700 – Normal Plan. These may be booked in the accounts formats as per the example above.

Auditing Areas of PRIs:

A. Accounts, Registers & Periodicals Etc., Comments, if any, on the following points:

1. Whether the accounts of the Panchayat are prepared in the prescribed forms correctly and submitted by the due dates to designated authorities regularly as per rules, after approval by the competent authority.

2. Whether cash book, vouchers and other prescribed registers and records are maintained / closed properly.

3. Verify carefully the cheques, if any, drawn in the name of the President. Furnish a statement of irregular drawals, if any.

4. What is the cash balance available with the President on the date of audit? Whether the cash was physically verified. Whether it agrees with the balance in Panchayat accounts.

5. Whether proper accounts are maintained for the deposits remitted by contractors and employees.

6. Whether Register of Assets owned by the Panchayat is maintained as per Rules. Are steps taken to ensure proper maintenance and upkeep of assets?

7. Whether Stock Registers of Furniture Tools and plants, lights, books etc., are maintained as per rules.

8. Whether physical verification of cash, stores and assets is conducted regularly and proper action taken as per rules regarding shortages / discrepancies, if any, noticed.

9. Whether Bank / treasury reconciliation is being done regularly.

B. Receipts:

Comments, if any, on the following points:

1. Whether:

a) taxes such as house / land tax, profession tax, etc.;
b) license fees;
c) fees for grazing on lands, sanitation, private toilets, drainage, street lighting, wells and pump sets etc.,
d) rents, rates and duties on markets, melas, bus / car stands, slaughter houses, cattle / sheep pounds, avenue trees, fish ponds, Endowments / Trusts etc., and
e) miscellaneous demands on drinking and irrigation water supply, trades / business, cremation charges, tolls on roads, bridges and ferries, auction sales of moveable or immovable properties, unserviceable articles etc., are levied / raised in accordance with the State Panchayat Act and the rules / notifications issued thereunder and with appropriate approval of competent authority.

2.

a) Whether assessment has been made properly in each case, as prescribed.
b) Whether there is undue delay in finalising the demand of any tax, fees, rents, etc., and furnishing the demand list.
c) Whether any modification has been carried out in the levy of taxes etc., during the audit year. If so, are they in order and done under proper authority and whether they have been duly written up in the demand list.
d) Whether any alteration has been made in the demand list in the middle of the audit year. If so, whether sanction of appropriate authority has been obtained.
e) Whether total demand has been written correctly in the Demand Register in respect of each item for each half year.
f) Whether periodical revision as prescribed has fallen due. Whether such revision has been made and enforced promptly.

3. Whether periodical lists of persons liable for paying taxes etc., has been written up as prescribed.

4. Whether any demand has become time-barred because of undue delay in raising it or in collecting it. If so, give details of such items with names and designations of persons responsible.

5. Whether auctions have been conducted as per rules and proper records maintained. Whether lease agreements are correctly executed and kept in safe custody. Whether adequate security deposits have been recovered from parties as prescribed.

6. Collections

a) Whether all dues are collected regularly. Indicate lapses, if any.
b) Whether proper receipts with printed serial number have been issued for all collected amounts duly signed by the official authorised to collect money.
c) Whether receipt books (used and unused) are properly maintained and accounted for as per rules.
d) Whether all collections have been duly credited in the Panchayat accounts and written up promptly Indicate cases of omission or commission.
e) Whether collections are correctly and promptly recorded in Demand Collection & Balance Register. Whether this register is maintained and closed periodically as prescribed.
f) Whether effective steps are taken to collect arrear demands.
g) Whether the system of demand and collection of revenues in force is foolproof and does not give room for any short demand, misappropriation, or leakage of revenue.
h) Whether revenues from the assets of the Panchayat are being realised properly.

7. Whether Government grants, local cess surcharge, judicial fines, entertainment tax, subsidies given by other local bodies and donations given by private persons for engineering works, House Tax, Matching grant, arrears of lease amounts, Stamp Duty, etc., have been collected and credited in the Panchayat accounts promptly. Whether there are any omissions in this respect. Indicate omissions with the names of the persons responsible.

8. Remissions and write-off:

a) Whether approval of the Panchayat has been obtained for remissions and to write off time-barred items?

b) Whether the approval of concerned officer has been obtained for each write-off item exceeding the prescribed limit?

c) Whether the conditions laid down for remissions and write-off have been followed scrupulously? Whether any undue concession has been allowed in respect of remission or write-off?

d) Enclose a statement of such items of unscrupulous remission and / or write-off, if any, with names and designations of persons responsible.

Auditor Comments on Transactions:

1. Expenditure: Comments, if any, on the following points:

a) Whether all items of expenditure have been approved by the Panchayat and sanctioned by appropriate authority.

b) Whether proper vouchers with the signature of authorised person for all items of expenditure are available.

c) Whether the expenditure was incurred

(i) as per relevant rules in public interest.
(ii) as per the provisions of budget estimate and
(iii) the amount was paid to the person entitled to receive it with his acknowledgement.

d)

i. Whether services rendered or supplies made by the payees have been properly placed on record and their quality and quantity have been ensured and there has been no overpayment.
ii. Whether any wasteful / unprofitable or any avoidable expenditure was incurred.

iii. Whether there is any item of expenditure incurred excessively. Was payment made to an improper person or illegally. Furnish details of all items of irregular expenditure.

2. **Establishment**:

a) Whether number of persons employed are in accordance with the rules and sanction given by the appropriate authority.
b) Whether their pay and allowances are paid from time to time as prescribed.
c) Whether travel expenses of employees, members and the President have been duly approved by concerned authority and paid at the prescribed rates.
d) Whether there is Provident Fund scheme or bonus schemes for the employees? If so, whether accounts have been maintained properly. Indicate defects, if any.
e) Whether Service records of employees are maintained correctly as prescribed.

3. **Miscellaneous / extra-ordinary expenditure etc.**

a) Whether expenditure on contingencies is incurred as per rules and with proper authority.
b) Whether sanction of higher authorities have been obtained, wherever necessary, with respect of each item.
c) Whether court cases either filed by the Panchayat (or) filed by others against the Panchayat were avoidable.
d) Whether sanction of competent authority has been obtained for each item of expenses on law suits.

4. **Works**:

a) Whether proper estimate for each work has been prepared? Has it been approved by competent authority.
b) Whether prescribed tender procedure has been followed, where necessary.
c) If the work was entrusted on contract, whether proper agreement as per rules was obtained from the contractor. Has the payment been made to the contractor and penalty levied where necessary, as per the agreement?

d) Whether proper officer took measurements before payment was made.
e) Whether actual labour charges did not exceed the value of the work done.
f)

i. Whether the Panchayat itself had taken up any Panchayat work. If so, whether their accounts have been maintained properly.
ii. Whether the Panchayat had taken up works with government grants. If so, whether proper accounts have been rendered for them.

g) Whether there has been any time or cost over-runs and if so, reasons therefor and whether they were avoidable.

N.B.: Furnish a statement of works executed in the audit year with details of estimated value, actual expenditure incurred and irregularity, if any, noticed.

5. Advances:

a) Whether all advances have been sanctioned as per rules by competent authority.
b) Are they being recovered as prescribed? Indicate the items of advances still pending adjustment and comment on them, if necessary, after examining the reasons for non-adjustment.

6. Loans:

a) Whether the Panchayat has obtained any loan. If so, whether the sanction of the Government has been obtained as per the relevant Act & Rules.
b) Whether annual instalments are paid regularly for the loans obtained.
c) Whether any loan has been disbursed to any private party from Panchayat funds with proper authority. If so, furnish details.
d) If loans were disbursed either to the President or Panchayat members, specify them and examine whether competent authority approved them.
e) Whether proper loan documents have been executed as per rules in each case.
f) Whether loans disbursed by the Panchayat are being recovered regularly.Indicate details of over-due loans.

7. **Schemes**:

- **a)** Whether schemes are being implemented effectively and proper records maintained and reports / returns submitted in accordance with the scheme guidelines and prescribed procedures. Whether completion certificates and utilization certificates have been sent for each project or scheme.
- **b)** Whether beneficiaries under each scheme have been identified and their names kept on record.
- **c)** Whether record of assets is maintained and their utility to the beneficiaries as per norms is ensured by the Gram Panchayat.
- **d)** Enclose list of Schemes in Operation in the Panchayat showing Physical and Financial targets and achievements. Comment on shortfalls, if any, after analysing the reasons therefor.

8. **Other Areas**:

- **a)** Whether Panchayat meetings are convened at least once in month. Whether annual budget, details of expenditure already incurred and to be incurred and monthly / annual accounts are placed in the Panchayat meetings and their approvals are duly obtained. Is an effective system of Budgetary Control being followed.
- **b)** Whether irregularities and defects pointed out in previous audit reports and reviews have since been rectified.
- **c)** Whether all amounts objected in audit have been recovered and remitted to the Panchayat Accounts or satisfactory explanations given to drop the objection.
- **d)** Whether surcharged amounts have been collected and credited to Panchayat Accounts. If not, give a short note on the action taken to collect these amounts.
- **e)** Whether internal audit of Panchayat, if prescribed, is being conducted regularly.

9. **Cash books / Cash receipts book /Counterfoils of cheques issued / Cheques issue register (Embezzlement of Money):**

- ✓ Money received through cash receipts or self-cheques from treasury/banks not entered/short-entered in cash books.
- ✓ Money due to PRIs collected without valid receipts/ on forged receipts but not deposited in PRI account.

- ✓ Totalling mistakes in cash book – Showing lower receipts and higher payments.
- ✓ Showing expenditure without vouchers or on the basis of forged vouchers.
- ✓ Cash found short during physical verification of cash balance.
- ✓ Showing transfer of money from one cash book to another but not entered in the other.
- ✓ Money drawn in excess of the sanction order by tampering entries in the sanctioned amount of order/cheque.
- ✓ Cash payment made to other PRIs but not entered/short entered in their cash books.
- ✓ Amount shown as remitted into treasuries/banks through forged cash challan or challan not available or not found deposited during verification of the fact from records of the treasuries/banks.
- ✓ Amount of withdrawals as per records of treasuries/banks not entered in the receipts side of the cash book.
- ✓ Delayed entries of receipts and withdrawals in cash book.
- ✓ Closing balance of cash not carried forward/short carried forward to next cash book/page of the same cash book.
- ✓ Non-depositing of amount lying un-disbursed for more than 3 months into treasury/banks.
- ✓ Delay in remitting receipts into the treasury/bank.
- ✓ Erroneous refund of revenue/receipts.
- ✓ Imprest cash book-imprest allowed in excess of prescribed limits.
- ✓ Arithmetical mistakes in imprest vouchers and adjustments thereof.
- ✓ Irregular investments of scheme funds in FDRs, Kisan Vikas Patras, etc.
- ✓ Investment of surplus funds without sanction of the State Government.
- ✓ Funds drawn in excess of immediate requirement.
- ✓ Irregular payment exceeding prescribed limits in cash instead of by cheque with its impact.
- ✓ Non-maintenance of separate cash books for each Centrally Sponsored Scheme (CSS) and diversion of funds meant for specific scheme/work/purpose to the others.
- ✓ Irregular transfer of amount of CSS from SB accounts to PD accounts to improve ways and means position of the State Government.
- ✓ Loss of interest (additional funds) to CSS due to parking of funds in non-interest-bearing PD account or current account of bank instead of SB account.
- ✓ Entries in cash books not verified, cuttings/interpolations in entries not attested and cases of over-writing/erasing of facts and figures requiring further investigation.

- ✓ Cash books not closed regularly.
- ✓ Surprise checks of cash balance not conducted as per prescribed frequency in the Rules. Non-receipt/non-renewal of appropriate fidelity bond from cashier and irregular payment of special pay to him
- ✓ Irregular refund of unauthorized deposits/borrowings to Sarpanch or other persons.
- ✓ Irregularities committed by the Sarpanch from the date of declaration of results of election to the taking of the charge by winning candidate.
- ✓ Irregular drawal of deductions (GPF, State Insurance, etc.) in cash and delayed deposit thereof as per Rules.

10. Stock Account (Register) of Cash Receipt Books:

- ✓ Not maintained at all/ or not maintained properly i.e., receipts, issues and balances of books not worked out correctly.
- ✓ Proper acknowledgement not obtained from recipient of receipt books.
- ✓ Office copies of issued receipt books and collected amount not received back from the recipients for long.

Annexure

I. Accounts:

- ✓ Advances given to suppliers not adjusted in the accounts.
- ✓ Unutilised funds not considered while releasing subsequent instalments.
- ✓ Funds released for work deposited in small savings schemes or fixed deposits without being utilised on the scheme.
- ✓ Scheme funds not utilised for a long time due to non-transfer of funds.
- ✓ Excess expenditure on administration met out of scheme funds.
- ✓ Non-detection of frauds due to failure of internal controls.
- ✓ Indiscriminate opening of a number of Bank Accounts for Centrally sponsored schemes resulting in misappropriations.
- ✓ Misappropriation of funds due to non-maintenance of accounts records in Village level Panchayats.

II. Stores:

- ✓ Excess purchase of material- Avoidable Expenditure.
- ✓ Non-performance of equipment's purchased at high cost.
- ✓ Cheques issued for huge amounts without any proof of supplies made or services rendered by the payees.
- ✓ Extra expenditure due to defective agreement.
- ✓ Loss due to excess printing of test books ignoring the available stock.
- ✓ Failure to assess the demand(requirements) correctly resulting in structures and equipment becoming excessive and unproductive.
- ✓ Arbitrary award of contract violating Financial Rules and prescribed procedures.
- ✓ Undue favour to private companies.

III. Works:

- ✓ Unfruitful expenditure on construction of houses due to inordinate delay in completion
- ✓ Works executed without executing formal agreement with contractors.
- ✓ Execution of ineligible works.

- ✓ Non-maintenance of assets, resulting in heavy loss.
- ✓ Assets created under scheme not put to use.
- ✓ Loss incurred due to unauthorised works.
- ✓ Loss due to defective construction of houses under housing scheme which collapsed before allotment to beneficiaries.
- ✓ Delay in execution of work resulting in cost escalation under road works.
- ✓ Failure to implement the work as per time schedule rendering expenditure on scheme unfruitful and denying benefits to intended beneficiaries.

IV. Implementation and Monitoring:

- ✓ Defective reporting of progress of scheme work.
- ✓ Imbalance in physical and financial progress.
- ✓ Improper selection of beneficiaries.
- ✓ Release of subsidy to ineligible beneficiaries.
- ✓ Excess claim of Central assistance due to false reporting
- ✓ Failure to implement the scheme in accordance with guidelines resulting in misutilization of funds.
- ✓ Diversion of scheme funds for other works.
- ✓ Non-achievement of scheme objectives.
- ✓ Violation of guidelines resulting in excess payment of subsidy.
- ✓ Non-implementation of scheme due to inadequate provision of funds under the scheme.
- ✓ Wasteful expenditure due to improper planning.
- ✓ Delayed release of funds, effecting the progress of implementation of the scheme.

eGramSwaraj:

eGramSwaraj is a Portal i.e., a Simplified Work Based Accounting Application that has been developed with a vision to strengthen digitalization in Panchayats. It is a Simplified Work Based Accounting Application for Panchayati Raj and It is one of the applications developed as part of Panchayat Enterprise Suite (PES) under e-Panchayat Mission Mode Project (MMP). eGramSwaraj has improved the functioning of Panchayati Raj Institutions by:

- ✓ Providing citizens with a platform to connect with local representatives and participate in local governance.

- ✓ Enabling greater transparency and accountability in the functioning of the Panchayats, which is essential for ensuring effective implementation of various schemes and welfare programs.

eGramSwaraj functions as the digital collaborative platform for PRIs and all other stakeholders. It has been monumental in bringing together a tech-based, integrated system of information collection, micro-level planning, and work-based accounting for Panchayats, the grassroots level of self-governance. In less than two years, the platform has amassed about 2.75 lakh entities (PRIs or equivalent) with user base of about 7 lakh, distributed across 28 States and 8 Union Territories. The platform is ever evolving as a result of continuous feedback from numerous key stakeholders including State Officials, PRI officials, Ministry of Panchayati Raj and other central line ministries.

e-Panchayat generally refers to the use of electronic or digital technologies in the functioning and management of Panchayats, which are local self-government institutions in rural areas of India. It is associated with initiatives aimed at digitizing Panchayat operations to enhance efficiency, transparency, and accessibility of services. Under Digital India Programme, Ministry of Panchayati Raj is implementing e-Panchayat Mission Mode Project (MMP) with the aim to transform the functioning of Panchayati Raj Institutions.

The Key Component of e-Panchayat initiatives Includes:

a) **Online Governance**: Implementing digital platforms to facilitate online administration, record-keeping, and decision-making processes within Panchayats.

b) **Citizen Services**: Providing digital services to citizens, such as online application submissions, tracking of applications, and access to relevant information through e-governance portals.

c) **Financial Management**: Introducing electronic systems for budgeting, accounting, and financial transactions to streamline the financial management of Panchayats.

d) **Information Dissemination**: Using technology for the dissemination of information related to Panchayat activities, schemes, and public notices through e-gramsawraj or similar platforms.

e) **Data Management**: Implementing databases and information systems to manage data related to Panchayat functioning, demographics, and development projects.

f) **Capacity Building**: Providing training and capacity-building programs for Panchayat officials and staff to effectively use digital tools and technology.

The context of eGramSwaraj consists of various modules which are illustrated as follows:

≈ **Panchayat Profile Management**: maintains a detailed socio- economic profile of the Panchayat, as well as information about its elected representatives and working committee.

≈ **Gram Panchayat Development Plan Management**: facilitates planning of activities and development works, as well as the creation of development plan.

≈ **Financial Resource Envelope / Fund Management**: facilitates panchayats to maintain availability of funds from different sources.

≈ **Work Progress Reporting**: records physical and financial progress of development works.

≈ **E-Payment System**: facilitates all payments electronically, being made by Panchayats using digitally signed payment orders.

≈ **PFMS Integration**: facilitates integration with PFMS for routing payments.

≈ **Financial Accounting**: facilitates work-based financial accounting and monitoring of funds expenditure via Treasury- PFMS integration.

≈ **Panchayats Asset Directory**: facilitates management of database of all movable and immovable assets.

e-GramSwaraj enables seamless, end-to-end digitization of the works planning and monitoring lifecycle for the Gram Panchayats which can be understood by the below entailed Importance of eGramSwaraj:

- Supports inter-operability with other Panchayat Enterprise Suite (PES) applications.
- Simple and user-friendly interfaces.
- Workflow enabled to manage repetitive processes and tasks.
- Supports asset visualization on Gram Manchitra.
- Strong authentication mechanism.
- Built upon open-source technologies.
- Web-based and available 24/7.

To Conclude:

Under Digital India Programme, Ministry is implementing e-Panchayat Mission Mode Project (MMP) with the aim to transform the functioning of Panchayati Raj Institutions (PRIs) by making them more transparent, accountable, and effective. Building on the achievements in the past, Ministry has also integrated eGramSwaraj with Public Financial Management System for Gram Panchayats to make real time payments to vendors/service providers. Further, Panchayats have adopted the mechanism to make payments to vendors through Public Financial Management System.

Further, for ensuring timely audit of Panchayat accounts, MoPR has devised an online application– Audit Online (https://auditonline.gov.in). This application not only facilitates auditing of Panchayat accounts but also provides for maintaining audit records. This application streamlines the process for creating audit inquiries, draft local audit reports, draft audit-paras etc. Thus, proper maintenance of accounts by Panchayats is ensured, improving transparency and accountability.

Chapter 4:

Accounting Module of eGramSwaraj

The Accounting Module of eGramSwaraj monitors all the in-stream (Receipts) and out-stream (Expenditure) of the Panchayati Raj Institutions. The Application helps in better fiscal monitoring of Panchayati Raj Institutions (PRIs) by achieving transparency and accountability in the support of records, consequently leading to better credibility, and eventually strengthening PRIs. It is a unified Accounting Software planned for use by every one of the three degrees of Panchayati Raj specifically - Zilla Parishad, Block Level and Village Panchayat.

It a safe and job-based verification Accounting Software with a Centralized data set of all the in-stream (Receipts) and out-stream (Expenditure) of the PRIs accounts. The Software has been created to build up a Centralized Accounting Software expected for use by every one of the three levels of Panchayati Raj, District Panchayat, Panchayat Union and Village Panchayat

Objective:

It works with better monetary administration of Panchayati Raj Institutions (PRIs):

- ✓ By getting straightforwardness and responsibility for the upkeep of records.
- ✓ So, prompting better believability and ultimately fortifying of PRIs.

Salient features:

a) **Straightforwardness**:

- ✓ So straightforward and Easy to Use.

- ✓ Twofold Entry (Credit and Debit) Accounting ideas are stowed away from end-clients for example Application handles them naturally dependent on business rationale.

- ✓ Panchayats just need to comprehend entering four sorts of vouchers (Receipt Voucher, Payment Voucher, Contra Voucher, and Journal Voucher).

b) **Normalization**:

- ✓ Based on the Simplified Model Accounting Format/Heads suggested by C&AG for example Significant Head, Minor Head, Sub-Head, and Object Head.

- ✓ Follows Double-Entry, Cash Basis of Accounting i.e., Cash premise implies on the off chance that money got, Income has recorded, and expenses are recorded against this receipt when they're really paid.

c) **Zero in on Schemes Utilized**:

- ✓ Central Government Schemes accessible consistently the nation over to all PRI for recording vouchers.

- ✓ State Government Schemes accessible consistently inside the State to all PRI for recording vouchers.

- ✓ So, schemes isolated into segments and sub-parts.

- ✓ Mapping of plans/segments with account heads.

- ✓ So, all receipts and instalments caught at conspire/segment level.

d) **Flexibility**:

- ✓ Easily configurable to meet State-Specific necessities.

- ✓ Provision to design in State's particular neighbourhood language.

e) **Security**:

- ✓ Completely Security-Audited.

- ✓ Data has disregarded a safe organization layer (https://).

- ✓ Audit logs of all exchanges kept up in the information base.

f) **Accessibility**:

✓ Web-based programming and accessible 24X7.

g) **Straightforwardness**:

✓ Various MIS Reports accessible in the public space.

Recording Opening Balance:

✓ Each Panchayat should initially enter and freeze the Statement of Affairs as Opening Balance.

✓ Opening Balance can adjust till the main Day Book.

✓ Opening equilibrium has recorded for:

- Panchayat's own assets and Schemes.
- Balances accessible in Cash in Hand.
- Various records of (Banks, Treasury and Post Office) under the plans.
- Any advances have given to representatives and organizations under plans.

✓ Opening Balances for resulting years have consequently determined by the framework, once past FY books are shut.

Recording Note of Error in Opening Balance:

✓ Note of Error choice can be utilized by (ZP/BP/GP) to alter the Opening Balance.

✓ Any crisscross in last monetary year's end balance (Accounts, Advances, Liabilities, and so forth) can be altered through Note of Error.

✓ The confound might be because of non-booking or wrong reserving of specific vouchers in the past FY.

✓ Modification in Opening Balance utilizing Note of Error is obligatorily supported by Administrator client of PRI.

Bank/Post Office/Treasury Reconciliation:

- ✓ The module permits the Panchayat to contrast its own Cash Book and Bank/Post Office/Treasury 'Accounts Pass Book and create a compromise report.

- ✓ Difference of sum if any should enter.

- ✓ Reconciliation should be possible once a month.

Dashboard:

- ✓ The dashboard is accessible from the Homepage - Reports - Dashboard.
- ✓ Display measurements of Voucher and Books status (PRI Levels).
- ✓ So, display data on different channels (Financial Year, State, and Schemes savvy).
- ✓ Display No. of PRI's ordered on till date, yesterday, and constant.
- ✓ Five Top performing states have shown (% in Speedometers).
- ✓ Other States' presentation is accessible by tapping the "View More" button.

Pre-Requisites for eGramSwaraj-PFMS Interface (FFC Scheme):

- ✓ Gram Panchayat(s) enrolled as Unique Agency in PFMS gateway.
- ✓ Gram Panchayat(s) account should be in DSC empowered Banks as it were.
- ✓ Closing of the daybook ought to be forward-thinking for constant handling.
- ✓ DSC (Encryption &Signing) ought to secure.
- ✓ Creation of all clients by State Admin (District Admin, Block Admin, Maker (Panchayat Secretary) and Checker (Gram Sarpanch/Pradhan).
- ✓ Each client needs to refresh the profile on the first login endeavour by entering a substantial email id and portable number (Confirmed through OTPs).
- ✓ Hierarchy level endorsement of client profile (Higher level supports lower level).

Scheme and Work Statistics:

- ✓ "Scheme-wise Statistics"-The amount received under Central schemes, State schemes, and other resources have shown (Pie Chart).

- ✓ "Receipts and Expenditure" Bar Graph shows amount received in a scheme as Opening Balance and expenditure.

- ✓ "Work-wise statistics" represents using a Pie Chart, the % of expenditure booked under various sectors of work.

- ✓ "Fund Utilization" has displayed in the form of % of funds utilized in the form of the speedometer.

Features of Accounting Module:

a) **C&AG Compliance**: Complies with the 4-tier accounting classification system plus reporting formats as prescribed by C&AG at Sub-Head Level to facilitate accounting under each scheme.

b) **Opening Balances**: The software facilitates each PRI to specify scheme-based opening balance for the first financial year maintained under various Bank/ Treasury/ Post Office accounts by the means of one-time entry. For the upcoming years, it would automatically be generated by the software.

c) **Work Case Record**: The software captures the details of the expenditure incurred on the work and advances given under a task.

d) **Double-Entry, Cash-Basis System of Accounting**: It follows the double-entry system of book-keeping wherein both the credits and debits are recorded for a transaction. This is done intuitively, a user-friendly way, without unduly burdening the end-users with the knowledge of accounting. Cash-basis of accounting is followed wherein only actual-cash based transactions are recorded in the system.

e) **Bank/Treasury/Post Office Reconciliation**: Facilitates PRIs to reconcile the Cash Book generated with the actual passbook maintained in Bank/Treasury/ Post Office.

f) **Period End Procedures**: The software Facilitates PRIs to close the daily, monthly and yearly book of accounts and ensures that the necessary steps are taken to carry forward the accounts to the next period.

g) **Receivables / Payables**: It allows PRIs to record details of funds to be received or paid in the future.

h) **Inter PRI Account Synchronization**: Facilitates smooth synchronization of accounts among the Panchayats of all three tiers of a State, particularly when there are transactions related to inter-PRI advances and fund transfers thus leading to a correct, integrated view of accounts of the Panchayats at State level.

i) **Reports**: Besides various books of accounts, it also generates several MIS reports to enable higher management at State and National levels to view the accounts from different perspectives.

j) **Adaptability to Variations Across States**: As the levels of capabilities and experiences of different states vary alongside their PRIs in the accounting process. The software also allows States to configure the software to suit their local requirements.

k) **Citizen Interface**: Keeping in line with the requirements of transparency in the entire accounting process, it provides several reports for the citizens to view all inflows and outflows of PRIs, work and scheme-wise budget plus expenditures alongside revenue earning by Panchayats, etc. up to voucher level.

l) **Technical Architecture**: The software's technical architecture supports inter- operation (data exchange) with other PES family products.

m) **Standardization**: This four-tier accounting structure consists of Major and Minor Heads, Sub-Heads plus Object Heads which are captured by the software. The central and state scheme is mapped at the Sub-Head Level to make accounting possible under the software.

n) **Integration**: To make sure that the book kind of receipts and expenditure is proper while generating the reports in the prescribed formats, the software allows the user to choose the appropriate account heads from the 4-tier accounting software.

o) **Transparency**: To enhance the accountability and transparency of the information being stored about PRIs, the software has been built on web-based basis and therefore, the accounting data of all PRIs is available online on this centralized system.

p) **Authentication**: Due to the high-security needs of the accounting system, the software provides a strong authentication mechanism and also maintains detailed audit logs of every transaction carried out through the software.

Various Sections under accounting module:

1. **Annual Entry**: Capturing various processes of budget formulation.

2. **Transaction**: Capturing the most distinctive features of the accounting system i.e. the classification and differentiation of financial transactions under both receipts and payments. The software also captures the details of Contras entries i.e. deposits and withdrawals. Adding the Bank / Treasury Reconciliation Statement for a given month, stock, receipt, and issue or sale details are also captured under this section.

3. **Reports**: This section provides the various reports generated by eGramSwaraj.

4. **Master Entry**: This module captures the general information specific to the PRI which will be used by other modules. Some of the information that is captured in Master Entry includes:

   a) **Financial Year**: Allows the PRI to set the financial year from which accounting information will be captured.

   b) **Accounts**: Allows the PRI to specify the various accounts (Bank / Treasury / Post Office) held by the PRI.

   c) **Opening Balance**: Allows the PRI to specify the opening balance for the financial year under various accounts-maintained Bank / Treasury / Post Office. The opening balance is a specified account/scheme head wise.

d) **Cheque Book Details**: Allows the PRI to specify the cheque book numbers and date of issue of the cheque book corresponding to each of the accounts.

e) **Employee / Resident / Agency Details**: are specific to the PRI.

f) **Stock Details**: Allows the PRI to specify the opening balance in stock/kind and corresponding monetary value pertaining to each item under the scheme.

5. **Period and Procedures**: This module allows PRIs to close the book of accounts. This includes:

   a) **Close Day Book**: Allows the user to close the day book.
   b) **Close Month Book**: Allows the user to close the month book.

6. **Other Transactions**: This module includes:

   a) **Bank / Treasury / Post Office Reconciliation**: Allows PRIs to reconcile the Cash Book generated by eGramSwaraj with the actual pass book maintained in Bank / Treasury / Post Office.

   b) **Receivables / Payables**: Allows PRIs to record details of funds to be made/received in the future.

7. **Reports**: This module allows the user to view the reports generated by eGramSwaraj. Some of the reports that are generated by the system are mentioned below:

   a) Day Book.
   b) Month Book.
   c) Ledger Book.
   d) Scheme wise Journal Book.
   e) Scheme wise Cheque Receipt Register.
   f) Scheme wise Cheque Issue Register.
   g) Register of Advances.
   h) Register of Receivables and Payables.

Need of Accounting in Panchayats: Here are some of the key reasons why accounting is essential in the Panchayats.

1. **Improved Financial Management**:

   - ✓ **Simplified Accounting**: eGramSwaraj provides a user-friendly interface and standardized accounting processes, making it easier for PRI officials to manage finances even with limited accounting knowledge.

   - ✓ **Centralized System**: The software offers a centralized platform for managing finances across all three levels of PRIs (Gram Panchayat, Block Panchayat, and Zilla Panchayat), ensuring consistency and better financial oversight.

   - ✓ **Real-time Tracking**: It allows for real-time tracking of receipts and expenditures, enabling PRIs to make informed financial decisions and monitor their budget effectively.

2. **Enhanced Transparency and Accountability**:

   - ✓ **Accurate Reporting**: The software generates accurate and timely financial reports, providing stakeholders with a clear picture of the financial health of PRIs.

   - ✓ **Auditing Support**: Facilitation of internal and external audits, ensuring compliance with financial regulations and accountability in the use of public funds.

   - ✓ **Public Access**: Housed in the public domain, allows citizens to access financial information and hold PRIs accountable for their actions.

3. **Increased Efficiency and Productivity**:

   - ✓ **Automated Tasks**: The software automates many repetitive tasks, such as data entry and report generation, freeing up valuable time for PRI officials to focus on core development activities.

- ✓ **Improved Decision-making**: Provides comprehensive data and reports, enabling PRIs to make informed decisions based on accurate financial information.

- ✓ **Reduced Costs**: The software eliminates the need for manual accounting systems and reduces the risk of errors and fraud, leading to cost savings in the long run.

4. **Strengthening Panchayati Raj Institutions**:

- ✓ **Empowered PRIs**: Empowers PRIs to manage their finances effectively, leading to greater self-reliance and improved service delivery to citizens.

- ✓ **Enhanced Credibility**: The transparency and accountability brought enhances the credibility of PRIs in the eyes of citizens and government authorities.

- ✓ **Greater Participation**: By making financial information readily available, it encourages citizen participation in the decision-making processes of PRIs.

Overall, accounting plays a vital role in strengthening the financial management of Panchayati Raj Institutions, paving the way for more efficient, transparent, and accountable governance at

Under the Central Finance Commission, huge amounts of grants are devolved to the Rural Local Bodies including Traditional Local Bodies for the purpose of carrying out developmental work in their respective areas pertaining to the various sectors as enlisted in the 29 subjects of the Eleventh Schedule of the Constitution of India. It is only prudent that there be in place a robust monitoring and tracking mechanism to be able to track the fund flow and monitor the public expenditure incurred by the Panchayats.

In this regard, the MoPR had developed an interface, called the **eGramSwaraj – PFMS Interface** by integrating the accounting module of eGramSwaraj with the Public Financial Management System (PFMS) and was rolled out in the year 2018. This interface developed is one of its kind of interface whereby Panchayats are able to make real time payments to the service providers / vendors for the developmental works carried out in respective Panchayats. This integration ensures a sound financial management system in the Panchayats thereby fostering increased accountability and transparency. All the transactions carried out through this interface are secured and entails two-factor authentications through the Digital Signature Certificates (DSCs).

eGramSwaraj works on the principle of work-based accounting, i.e., tracking every expenditure incurred for each of the activities proposed under the respective Panchayat Development Plan (PDP). In other words, it is a single window for all the planning and accounting needs of Panchayats and helps in the following:

1. **Financial Accounting**:

   - ✓ **Recording Receipts and Expenditures**: It allows PRIs to record all their financial transactions, including income from taxes, grants, and other sources, as well as expenses incurred for various developmental activities.

   - ✓ **Maintaining Ledgers**: The software helps PRIs maintain ledgers for different heads of accounts, providing a detailed breakdown of financial transactions.

   - ✓ **Generating Financial Reports**: It generates various financial reports, such as income and expenditure statements, balance sheets, and cash flow statements, which help PRIs analyse their financial performance and make informed decisions.

2. **Budgeting and Planning**:

   - ✓ **Creating Budgets**: It helps PRIs create budgets for various developmental activities, ensuring that their expenditures are aligned with their priorities and available resources.

   - ✓ **Tracking Budget Allocations**: The software allows PRIs to track their budget allocations against actual expenditures, identifying areas where they may be overspending or underspending.

   - ✓ **Preparing Budget Reports**: It generates budget reports that provide an overview of the PRIs' financial plans and progress against those plans.

3. **Inventory Management**:

    - ✓ **Tracking Assets**: It helps PRIs track their fixed assets, such as buildings, vehicles, and equipment, ensuring proper maintenance and utilization of these assets. These assets are geo-tagged through a mobile-based application called mActionSoft.

    - ✓ **Managing Inventories**: The software allows PRIs to manage their inventories of materials and supplies, ensuring that they have sufficient stock for their developmental activities.

    - ✓ **Generating Inventory Reports**: It generates inventory reports that provide an overview of the PRIs' asset inventory and stock levels.

4. **Tax Management**:

    - ✓ **Calculating Taxes**: It helps PRIs calculate various taxes applicable to them, such as property tax and professional tax.

    - ✓ **Generating Tax Bills**: The software allows PRIs to generate and issue tax bills to taxpayers.

    - ✓ **Collecting Taxes**: It facilitates the collection of taxes through various online and offline channels.

5. **Grant Management**:

    - ✓ **Managing Grants**: It helps PRIs manage grants received from government agencies and other donors for various developmental projects.

    - ✓ **Tracking Grant Expenditures**: The software allows PRIs to track their expenditures against grant budgets, ensuring compliance with donor requirements.

    - ✓ **Generating Grant Reports**: It generates grant reports that provide an overview of the PRIs' use of grant funds and progress towards achieving project objectives.

6. **Transparency and Accountability**:

   - ✓ **Public Access to Financial Information**: eGramSwaraj houses several reports with respect to Panchayat functioning such as planning, reporting, accounting, asset details etc allowing the citizens to access financial information about their PRIs, promoting transparency and accountability.

   - ✓ **Audit Trails**: The software maintains comprehensive audit trails of all financial transactions, enabling internal and external audits to ensure the accuracy and integrity of financial records.

   - ✓ **Improved Decision-making**: The data and reports generated by eGramSwaraj help PRIs make informed decisions about resource allocation, program implementation, and development priorities.

Types of Vouchers available for Panchayat to carry out transactions.

There are four types of vouches the Panchayats can use to record various transactions:

1. **Receipt Voucher**: Receipt Voucher record details pertaining to the funds / money received by the PRIs. The receipt voucher is further classified as:

   - ✓ **Direct Receipt**: To record the funds received by PRIs under schemes or own resources.
   - ✓ **Transfer Receipt**: To record the receipt of funds transferred to PRIs by other PRIs.
   - ✓ **Advance Receipt**: To record the receipt of Advance given to PRIs by other PRIs.
   - ✓ **Refund of Advance**: To record the receipt of Refund of Advances.
   - ✓ **Cancellation of Cheques**: To record the reverse entry of the payment made through Cheque in case a cheque is lost, or its validity expires.

2. **Payment Voucher**: Payment Voucher record details pertaining to the expenditure incurred by PRIs. The payment voucher is further classified as:

- ✓ **Expenditure**: To record the expenditure incurred by PRIs.
- ✓ **Transfer**: To record the funds transferred to PRIs.
- ✓ **Advances**: To record the advances given to employees, agency, other PRIs etc.
- ✓ **Receipt Cancellation**: To record the reverse entry for cancelling any receipt, accepted by these PRIs.

3. **Contra Voucher**: Contra Voucher records the transfer of funds within the scheme i.e. any fund flow that happens within a scheme. (Cash to Treasury /Bank /Post Office and vice-versa).

4. **Journal Voucher**: Journal Voucher is meant for recording the rectification entry. This is basically to rectify the head of accounts, which is to book the expenditure under the correct head of account. The Journal voucher is further classified as:

   - ✓ **Receipt Rectification**: To rectify any incorrect receipt.
   - ✓ **Payment Rectification**: To rectify any incorrect payment.
   - ✓ **Advance Rectification**: To rectify any incorrect Advance.
   - ✓ **Adjustment**: To record the adjustment of any advance given.
   - ✓ **Deduction**: To record the details under for which the deductions are kept.

To Conclude:

The accounting module of eGramSwaraj maintains online accounting records related to the Panchayati Raj Institutions in the country. It aims to keep track of all the in-flow (Receipts) and out- flow (Payments) of the PRIs and is a highly user friendly and simple to use which facilitates maintenance of accounts under MAS, and also ensures monitoring of allocated funds, expenditure incurred, inter-PRIs transfers/advances and automatic generation of desired reports, registers, and other financial information just by making basic transaction entries from the vouchers.

The accounting system captures the 4-tier classification and generates all the reports in the formats as prescribed by the sub-Committee on Budget and Accounting Standards for PRIs. The accounting module aims to not only serve the purpose of maintenance of accounts but also to build good financial management tools which will lead to several below listed advantages:

1. Advancing transparency and accountability of the Panchayats by managing large volumes of funds.

2. Enhance the credibility of Panchayats including greater devolution of funds of Panchayati Raj Institutions (PRIs).

3. Enhance the ability of higher authorities to effectively monitor the flow and usage of funds for better planning the requirement of PRIs.

FAQs on eGS-PFMS Integration for Central Finance Commission grants

a) How can I check the PFMS bank account details for FFC in eGramSwaraj?

Go to Master Entry - Bank Account - View PFMS details.

b) How can I check Village Panchayat PFMS registration code in eGramSwaraj?

Go to Master Entry - Bank Account - View PFMS details.

c) Details are not appearing when I click on "View PFMS Details"?

There can be 3 reasons for this:

a) The details of Panchayats are not yet ported/ received from PFMS end.
b) The branch of Bank is not created with same IFSC code from District Admin as was registered in PFMS by the Panchayat.
c) The branch of Bank is not mapped with same IFSC code from Maker user as was registered in PFMS by the Panchayat.

d) How can I register my DSC?

Go to Master Entry - DSC Management - Register your DSC.

Insert the DSC Token and click on "Register your DSC", enter the token password and click on save button. Then, enter the OTP received and the DSC will be registered and sent to respective approver for approving the file.

e) How can I check the status of my DSC?

Go to Master Entry - DSC Management - My DSC Profile.

f) How to generate DSC?

Or

How to share the details of my DSC with PFMS?

Go to Master Entry - DSC Management - Generate DSC.

Insert the DSC Token and click on "Generate DSC", the DSC file is generated and need to
be signed for sharing with PFMS.

g) I have generated my DSC, but the status says that "DSC is generated but not digitally signed" in My DSC Profile.

Go to Master Entry - DSC Management - Sign Generated DSC.

Insert the DSC Token and click on "Sign Generated DSC", the signed DSC file will be generated and shared with PFMS.

h) I am generating DSC, but error message "Either PRI is not registered in PFMS or IFSC code of registered account is not available in eGramSwaraj or there is a mismatch in eGramSwaraj and PFMS for registered bank account" keeps coming. What should I do?

Kindly follow below mentioned steps:

a) Please create the Bank Branch (same which was registered in PFMS for your Panchayat) from District Admin.

b) Please check whether the IFSC code is same in PFMS as well as the branch created in eGramSwaraj. If not, then update the IFSC code from eGramSwaraj.

c) Please check whether, bank branch is mapped from Panchayat or not. If not then, map the bank branch from Panchayat login.

d) Then try to generate the DSC again.

Chapter 5:

Guidelines for Financial Audit of PRIs

Auditing of the Government and its entities can be described as a systematic process of objectively obtaining and evaluating evidence to determine whether information or actual conditions conform to established criteria.

This audit is of three types: (i) Financial Audit, (ii) Compliance Audit and (iii) Performance Audit.

Financial Audit: Focuses on determining whether an entity's financial information is presented in accordance with the applicable financial reporting and regulatory framework. This is accomplished by obtaining sufficient and appropriate audit evidence to enable the auditor to express an opinion as to whether the financial information is free from material misstatement due to fraud or error. The purpose of an audit of financial statements is to enhance the degree of confidence of intended users in the financial statements. This is also known as Financial Attest Audit or Certification Audit.

Compliance Audit: Focuses on whether a particular subject matter is in compliance with the criteria. Compliance auditing is performed by assessing whether activities, financial transactions and information are, in all material aspects, in compliance with the applicable authorities which include the Constitution, Acts, Laws, rules and regulations, budgetary resolutions, policy, contracts, agreements, established codes, sanctions, supply orders, agreed terms or the general principles governing sound public sector financial management and the conduct of public officials.

Performance Audit: Focuses on whether interventions, programmes and institutions are performing in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.

Performance is examined against suitable criteria and the causes of deviations from those criteria or other problems are analysed. The aim is to answer key audit questions and to provide recommendations for improvement.

Table below gives comparative picture of the financial, compliance and performance audits.

Types of Audits

	Financial	Compliance	Performance
Audit Objectives	Obtain reasonable assurance that the financial statements are free of material misstatement.	Gauge how well an organization adheres to rules and regulations, standards, internal bylaws and codes of conduct	Assess whether interventions, programmes and institutions are performing in accordance with the principles of economy, efficiency and effectiveness.
Reporting of audit findings	Audit opinion/ Audit certificate	Opinion on compliance to laws, regulations and rules (Compliance Audit Report)	Report containing assessment of economy, efficiency and effectiveness. (Performance Audit Report)
Criteria derived from	Applicable financial reporting framework	Relevant laws, regulations, standards, by laws and agreements which are applicable to the auditable entity.	Audit specific, reasonable standards of performance against which the economy, efficiency and effectiveness of operations can be evaluated and assessed.

Features of Financial Audit:

It needs to be recognized that a financial audit is conducted with reference to the assertions of the management that underline the preparation and presentation of financial statements, which constitute enabling audit objectives.

According to Model Accounting System (MAS) for PRIs issued jointly by the C&AG and the Ministry of Panchayati Raj (MoPR) in 2009, the accounts of any PRI would consist of Annual Receipt and Payment Account duly supported by a set of prescribed forms. The assertions relating to Receipt and Payment Accounts are as under:

Assertions for Receipt and Payment Accounts

Completeness	All transactions relevant to the year of account have been recorded.
Occurrence	All recorded transactions pertain to the entity and properly occurred (i.e. the underlying event took place) and were relevant to the year of account.
Measurement	The recorded transactions have been correctly valued, properly allocated to the period and measured with reliability in accordance with established accounting policies, on acceptable and consistence basis.
Regularity	The recorded transactions are in accordance with primary and secondary legislation and other specific authorities required by them.
Disclosure	The recorded transactions have been properly classified, accounted for/disclosed where appropriate.

Financial reporting frameworks may be for general or specific use. A framework designed to meet the information needs of a wide range of users is referred to as a general-purpose framework, while special-purpose frameworks are designed to meet the specific needs of a specific user or group of users.

In case of Panchayati Raj Institutions, the financial reporting framework would be Financial Statements as per State Panchayat Accounts Rules and/or as per CAG's Model Accounting System (MAS). The CAG's MAS requires preparation of annual Receipt and Payment account having both budget provisions and actuals.

The auditor shall identify and assess the risks of material misstatement in the financial statements due to fraud, shall obtain sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud and shall respond appropriately to fraud or suspected fraud identified during the audit.

The auditor is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor is whether the action resulting in a misstatement was intentional or unintentional. Fraud is a broad legal concept and the auditor does not make legal determination of fraud. The auditor is concerned only with fraud that causes a material misstatement in the financial statements. Two types of intentional misstatements are relevant to the auditor - misstatements resulting from fraudulent financial reporting and those resulting from the misappropriation of assets.

Areas in which auditors shall be alert to fraud risks leading to material misstatement may include procurement, grants, payment to labour, intentional misrepresentation of results or information and misuse of authority or power.

Considerations relating to Laws and Regulations in Audit of Financial Statements:

⇒ The Auditor shall identify the risks of material misstatement due to direct and material non-compliance with laws and regulations.

⇒ The Auditor shall obtain sufficient and appropriate audit evidence regarding compliance with the laws and regulations such as the Appropriation Acts (which prescribe budgetary allocations against which expenditures are incurred) or approved Budget that are generally recognised to have a direct and material effect on the determination of material amounts and disclosures in financial statements. However, the auditor is not responsible for preventing non-compliance and cannot be expected to detect all breaches of laws and regulations.

⇒ The effect of laws and regulations on the financial statements varies considerably. The provisions of some laws or regulations have a direct effect on the financial statements in that they determine the nature of reported amounts and disclosures while other laws or regulations, which are to be complied with by management, may not have a direct effect on the entity's financial statements. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the audited entity that may have a material effect on the financial statements. Matters involving noncompliance with laws and regulations that come to the auditor's attention during the course of the audit shall be communicated to management/those charged with governance, save where the matters are clearly inconsequential.

Phases of the Financial Audit Process:

The phases of the audit process in a financial audit and the main activities against each of the phases are as under:

Planning:

- ✓ Understanding the Entity.
- ✓ Risk Analysis.
- ✓ Determining materiality
- ✓ Developing Audit Plan

Execution:

- ✓ Gathering evidence.
- ✓ Evaluating Evidence.
- ✓ Documentation.

Reporting:

- ✓ Consolidating Audit Findings.
- ✓ Evaluating impact of material misstatements.
- ✓ Deciding on Audit Opinion.

Planning for Financial Audit:

The primary objective of the planning process is to ensure that audit is carried out in an effective, efficient and timely manner and to reduce the audit risk to an acceptably low level. The audit procedures that are required to be carried out against each of the main planning activities comprise the following:

1. **Understanding the Entity**: This includes understanding the relevant objectives, operations, regulatory environment, internal controls, finance and other systems and researching on potential sources of audit evidence. This would involve obtaining an understanding of:

    - **Nature and Objectives of activities of the Entity**: This comprises understanding its operations, its ownership and governance structures, the way the entity is structured and financed.

    - **Legal and Regulatory Framework**: Governing the entity and how the entity is complying with them.

    - **Financial reporting framework**: This includes review of accounting manuals, review of accounting principles and conventions adopted to understand their consistency with the reporting framework.

    - **Internal Control Mechanism relevant to Audit**: This includes understanding the internal control culture set by the governing body, controls surrounding preparation and presentation of financial statements.

    - **Extent to which Information Technology Systems have been Used to** initiate, process, record and report financial information and how they integrate with manual processes; and

    - **Extent to which Financial Information processing has been outsourced.**

2. **Risk Assessment**: From the understanding gained of the entity, this activity involves assessment of the risk of material misstatement at the financial statement level and at the assertion level for classes of transactions, account balances and disclosures so as to provide a basis of designing and performing further audit procedures. This would include assessment of:

    - **Compliance with Laws and Regulations**: Not all laws and regulations applicable to the entity would impact the financial statements. Some laws may have a direct effect on the financial statements as they determine the nature and extent of reported amounts, while some laws may have an indirect effect and non-compliance could have financial implications such as fines, penalties etc. which have to be recognised in the financial statements.

- **Changes in Legal or Regulatory requirements, Policies of Government and Accounting Policies adopted by the Entity**: Review of applicable laws, rules and regulations and orders issued by the Administrative Department responsible for implementing State Panchayati Raj Act and Rules would help identify risk exposures.

- **Risk of Fraud**: Some of the areas prone to risk of fraud are procurements, grants, misrepresentation of financial information and misappropriations of assets.

- **Management Override of Financial Reporting Controls**: Cases of rectification journal vouchers being periodically initiated by other than the authorised personnel could potentially involve financial misstatements.

- **Events Occurring after the Date of Financial Statements**: Financial statements may be affected by certain events occurring after the period of financial statements that impact the presentation of financial statements.

Internal Audit Function.

Issues and Irregularities that featured in the Previous Year's Audit Report.

3. **Materiality**: Materiality is judged from the users' perspective. Based on the risk assessment a materiality threshold would have to be determined for the financial statements as a whole. Where one or more classes of transactions, account balances or disclosures could reasonably be expected to influence the decisions of users on the basis of the financial statements, the auditor shall also determine materiality level or levels for the classes of transactions, account balances or disclosures concerned.

The materiality level denotes the upper limit up to which a misstatement, individually or when aggregated with other misstatements could be tolerated and misstatements beyond this threshold(s) would be considered material.

4. **Developing an Audit Plan**: Based on risk assessment and materiality, the audit plan should be developed. The audit plan should determine the audit approach, sampling methods and a detailed audit program describing the audit procedures required to be carried out as a response to the assessed risks and the roles and responsibilities of team members so as to ensure that resources are deployed efficiently and effectively.

Execution of Financial Audit:

The primary objective of the execution process is to apply the planned audit procedures to gather sufficient and appropriate evidence and evaluate the same to arrive at the appropriate audit opinion on the financial statements. The audit procedures include test of controls, analysis of classes of transactions, account balances and disclosures and substantive testing of sample of transactions. During the entire execution phase, auditors need to be alert to the risk of material misstatements. Therefore, when the audit procedures are carried out on a selected sample of accounts and transactions indicate any potential deviation, abnormality or doubt, conducting further audit procedures should be considered either to confirm or dispel the doubt of deviation or abnormality. While the techniques for evidence gathering in financial audit are essentially record based analysis/review, they would also include Computer Assisted Audit Techniques where the financial systems are maintained in IT platforms.

Reporting of Financial Audit:

The objective of financial audit is to express an opinion on the financial statements. In order to form an opinion, the auditor must first conclude whether reasonable assurance has been obtained as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Therefore, the auditor needs to determine whether the uncorrected misstatements are material, individually or in aggregate.

The uncorrected misstatements should therefore be judged for their reporting materiality and may be related/mapped against the assertions of the management to determine whether the material misstatements are applicable to a particular assertion or are pervasive across various assertions. This forms the basis for expression of the audit opinion. Audit opinion can be of the following types:

- **Unqualified**: Where the Auditor has obtained reasonable assurance on the financial statements.

- **Qualified**: Where the Auditor disagrees with or is unable to obtain sufficient and appropriate audit evidence about certain items in the subject matter which are, or could be material but not pervasive.

- **Adverse**: Where the Auditor, having obtained sufficient and appropriate audit evidence, concludes that deviations or misstatements, whether individually or in aggregate, are both material and pervasive; and

- **Disclaimed / Disclaimer of Opinion**: Where the Auditor is unable to obtain sufficient and appropriate audit evidence due to an uncertainty or scope limitation, which is both material and pervasive.

Types of Audit Opinion and Associated Circumstances:

Nature of materiality and pervasiveness	**Material, but not pervasive**	**Material and pervasive**
	Nature of audit opinion	
Financial statements are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient and appropriate audit evidence (not due to the auditor)	Qualified opinion	Disclaimer of opinion

Emphasis of matter Paragraphs or Other Matters:

An Auditor may express an unqualified opinion and also include explanatory paragraphs, known as 'Emphasis of Matter' in the report. Emphasis of matter may be required in circumstances where the Auditor is of the view that Financial Statements do present a true and fair view, but there are certain issues or concerns which must be brought to the notice of stakeholders as part of the audit opinion. The emphasis of matter may relate to appropriateness of accounting policies, adequacy of disclosures, internal control management issues or significant transactions to name a few.

The Financial Statements are Prepared Annually by Panchayats. There are Three Main Financial Statements Namely:

- **a.** Balance Sheet.
- **b.** Income and Expenditure Statement.
- **c.** Receipts and Payments Account.

The Audit Steps to be conducted during audit have been detailed in this part of the manual. The checklists have been segregated into Checklist for Regularity / Compliance Audit and Checklist for Financial Attest Audit. Further tests for areas like Payroll, Procurement, etc. have been consolidated at one place under the header '**Audit Checks for Common Heads of Expenditure'** or the Generic Checklists. Checks that are specific or unique to auditee entities have been mentioned under the relevant auditee entity. The checks mentioned for each expenditure category can be used while conducting audits of any institutions not specifically mentioned in this Book. Similarly checks relevant to revenue may also be adopted and used for institutions not specifically mentioned in this Book.

Establishment Expenditure:

During the audit of Pay bills, the following need to be checked:

1. Whether there is sanction by a competent authority for all the posts as per Scale register and Government servant actually discharged duties of the post against which salary is drawn.

2. Whether the pay and allowances claimed is in accordance with the pay and allowances authorized (For this purpose, audit has to check the pay-slips issued and ascertain that allowances authorized are in accordance with the existing rules / orders applicable from time to time and whether rate at which pay drawn in the salary bill agrees with entry in the service register for the corresponding period).

3. In case of the first appointment, verify:

a. Whether there is a sanctioned post.
b. Whether the appointment has been made by the competent authority and is in accordance with relevant rules.
c. Whether medical certificates have been duly furnished on the first appointment.

4. Whether there is sanction of competent authority for newly created / upgraded posts during the year.

5. Whether the persons in the respective posts possess the qualifications prescribed for the posts held by them.

6. Whether Scale register is maintained with reference to number of sanctioned posts supported by sanction orders and actual number working.

7. Whether leave is sanctioned by the competent authority and leave granted is in accordance with rules in force and leave account register and entries in the service books are correctly maintained.

8. Whether allowances are drawn in accordance with orders of Government, whether HRA was drawn for leave exceeding Leave Specified by the Government, which is not admissible.

9. In case of increments, verify:

   a. Whether the amounts claimed are according to rules and have actually accrued.
   b. Whether the due date of the increment and pay after the annual increment is correctly indicated in register and service books.
   c. Whether the date of increment was postponed by periods not qualifying for increment services such as extraordinary leave taken otherwise than on medical grounds, period of suspension unless otherwise ordered.
   d. Whether pay fixed on promotion to higher grades was correct as per the relevant rules.

10. In the case of claims relating to surrender of leave for encashment / sanction of commuted leave / Half Pay leave / leave not due, verify whether:

- **a.** There is leave title.
- **b.** More than one claim has not been preferred within a calendar year.
- **c.** All the other conditions governing the sanction of encashment of leave are fulfilled.
- **d.** Leave sanctioning authority has ensured before sanction of leave not due, that official would return to duty and earn half pay leave equivalent to leave not due, granted.
- **e.** A Government servant who has been granted commuted leave, resigns from service or has been permitted to retire voluntarily without returning to duty, the sanctioned commuted leave was converted into half pay leave and difference in leave salary recovered.
- **f.** A Government servant who has been granted leave not due, fails to return to duty, due to resignation or voluntary retirement etc., the Leave not due sanctioned was cancelled and leave salary recovered.

11. That in the case of terminal encashment of leave:

- **a.** There is a leave title.
- **b.** Sanction has been accorded by the competent authority.
- **c.** The claim preferred is in accordance with the rules.
- **d.** Leave salary on terminal leave does not include HRA, Fixed travel allowance, City Compensatory Allowance.

11 A. For other kinds of leave, verify the following:

- **a.** Extraordinary leave was granted to permanent and Quasi Permanent employees only, for period not exceeding the number of months specified by the Government without medical certificate and number of months specified by the Government with medical certificates and no leave salary was paid.

- **b.** Maternity leave was not granted to female government servant having two or more living children.

- **c.** Maternity leave granted in other cases did not exceed the Specified Months permitted by the Government and leave salary was equal to pay drawn before such leave.

d. Child care leave was granted to benign woman government employee to look after such special children with autism, blindness, mental illness, cerebral palsy, mental retardation and multiple disabilities for period specified by the Government.

e. Fixed travelling allowances were not drawn during leave.

12. Sanction for payment of time barred arrear claim has been obtained.

13. The advances taken by the employees have been duly deducted from the salary either on a monthly basis or any agreed manner.

14. The statutory deductions like Income tax, Profession Tax, Pension Contribution, etc., have been deducted from the pay of the employees and the dues have been remitted to the respective funds in a timely manner.

15. The Group Insurance Scheme and GPF subscriptions from the eligible employees have been recovered and the amount credited to concerned Government account by prescribed due date.

16. The net pay to the employees each month is made in the form of credit to the Bank Accounts or in the form of cash payment. If the payment is made in the form of cash, verify whether the cash so drawn is recorded in the Register of Cash Drawn and Disbursed and paid to the employees through this register.

17. The amounts drawn have been duly disbursed to proper persons and that payees' acknowledgements have been obtained wherever necessary.

18. The entries relating to particulars of Basic Pay, increments, etc. drawn are recorded in the Service Register of the employee.

19. Check on a sample basis through a review of previous month's pay bills with current month's pay bills for completeness. Also check the supplemental bills (bills for arrears) in a similar way to check if the double claims are avoided.

20. Pay, leave salary, allowances and pension of a deceased employee are drawn only up to and inclusive of the date of death.

a) Annual verification of services has been conducted in respect of each member of the staff with reference to pay bills and acquittances and a certificate to that effect recorded in the service register at the end of the year.

b) Details of events like suspension, revoking of the same, other disciplinary proceedings, transfers/postings as and when they occur, are recorded in the service register, to verify continuity of service.

21. In cases of transfers, joining time availed and salary admissible were according to relevant rules/orders. In case of mutual transfers/transfers on request, no joining time is availed of as per Rules of the Government.

22. Conveyance allowance, project allowances permanent travelling allowance are not drawn during joining time (Refer State Government Rules).

23. Joining time was not availed by a Govt. Servant who was deputed for training by competent authority, within the state or outside the state in India as time spent on joining is treated as part of training period (Refer State Government Rules).

24. Amounts advised for recovery/ adjustment in the Last Pay Certificate are effected by concerned drawing officer.

25. In respect of deputed officers' pension and leave salary, contributions have been paid as per rules and in accordance with the terms and conditions of deputation.

26. The claims in respect of temporary posts have not been preferred beyond the specified period of sanction and such claims are covered by further sanction for continued drawal of salary etc.

27. Subsistence allowance paid during the first 6 months of suspension did not exceed leave salary admissible for half pay leave and thereafter decreased or increased up to a maximum of 50% of subsistence allowance allowed for the first 6 months, if suspension was prolonged for reasons attributable to suspended employee or disciplinary authority respectively (**Refer State Government Rules**). Cases of prolonged periods of suspension may be examined and commented.

Travelling allowance, Leave Travel Concession, etc.

The checks to be performed during the audit of travelling allowances bills are as follows:

1. The journey was actually performed and Government servant had not signed attendance or other record for period for which TA was claimed except outstation office and claims are supported by attendance certificate in cases of journey performed for attending official meetings and courts etc.,

2. The purpose of the journey is noted.

3. The journey was necessary and authorized by general or special orders.

4. The journey was performed as expeditiously as possible;

5. No bill has been submitted for it before the travel was performed.

6. The amount drawn is correct with reference to rates and general conditions.

7. The bills have been countersigned by the competent authority.

8. Necessary certificates prescribed have been recorded on the body of the bill.

9. Advances drawn have been duly adjusted.

10. The claims preferred have been reflected in the cash book.

11. Attendance certificates are attached to the bills wherever necessary.

12. Proportionate conveyance allowance has been deducted for the days on which the claimant has made use of vehicle, where he is in receipt of conveyance allowance.

13. Acknowledgement of stamped acquittances, as the case may be, has been obtained in proof of payment.

14. The claims have been preferred within the prescribed time limit. Time limit for preferring claims is one year, counted from the date succeeding the date of completion of Journey to the date of presentation of claims. This time limit applies For Transfer Travelling Allowances, Home Travel and Leave Travel Concessions. In the case of Tour, where advance was drawn, the same has to be adjusted by the end of month succeeding the month in which journey was performed. Cases where T.A advance was drawn and adjustment bill thereof is not presented within one year from the date of Travelling allowance becoming due, Tour / Transfer T.A claims stand forfeited and advance may be recovered from pay or other dues (Refer State Government Rules).

15. The claims relating to HTC have been claimed in relation to home town as recorded in the service register and more than one claim has not been preferred in a block period of two years (Refer State Government Rules).

16. Claims relating to LTC/HTC/Transfer T.A have been confined to only those members of the family who are actually entitled for the same.

17. Travelling allowance in respect of transfers from one station to another station is admissible in case of transfers ordered in Public interest only. It may be ensured in audit that in cases of transfers on request or mutual transfers, no travelling allowance is allowed (Refer State Government Rules).

Pension Contribution:

In respect of permanent employees, the following may be verified in audit:

1. Check if the monthly contribution is a percentage of Basic and Dearness Allowance (DA) and also check if the same amount is contributed from the government.

2. Check if the total amounts of deduction and the contribution from the auditee institution has been made monthly to the designated trustee banks.

3. If any new employee has joined, check if that person has obtained registration for the New Pension Scheme before the deductions is made from his salary.

4. The following records are to be verified for the verification of pension records:

a. Pension Contribution file.

b. Trustee Bank Records.

5. Check if the accounts are submitted as per the provisions of the State Government and any other government orders issued from time to time.

Check if the Drawing and Disbursing officers (DDOs) have completed the necessary registrations for the pension contributions.

Rent:

While conducting the audit of the rental expenditure, the following aspects need to be verified:

i. If the rent fixed is commensurate with the size and location of the property and sanctioned by competent authority.

ii. Whether Tax Deducted at Source (TDS) as per Section 194I of the Income Tax Act has been deducted for rent accruals exceeding the prescribed statutory limits before the final payout.

iii. If the PAN of the lessor is missing, verify whether TDS has been deducted u/s 206AA of the Income Tax act at a higher TDS rate.

iv. If the owner of the rental property is a non-resident, whether provisions of Section 195 of the Income Tax Act 1961, have been adhered to.

v. If there is a separate rental agreement entered into for the rent of furniture and fixtures or whether it is included in the rentals fixed.

vi. In case there has been a default in rental payouts, review the rental agreement for the conditions for default. Check if there are any penalties payable by the lessee.

vii. In case the rental expenditure accrued is greater than the budgeted expenditure, obtain reasons for such excess expenditure.

viii. Demand Cum Balance (DCB) of Rent Register should be verified with respect to Cash Book and Bank Statement.

Medical Reimbursement Bills:

The following should be verified:

a. Medical reimbursement is allowed for treatment taken in recognized hospitals only. Where treatment is not taken from Government hospital; necessary permission of competent authority is obtained. In case, treatment was taken in emergent cases from private hospitals reimbursement was as per rules/instructions

b. Medical reimbursement bills conform to Government Servants (Medical Attendance Rules) of the concerned State Government rules prescribed in the auditee entity.

c. The charges of only admissible medicines/tests are reimbursed to the claimant and no reimbursement has been made on inadmissible items.

d. The cash memos of medicines/tests and essentiality certificate are verified/countersigned by the medical officer.

e. The medical bills in case of inpatients are countersigned by the Medical Superintendent.

f. Medical reimbursements are allowed to either husband or wife. In case both spouses are employed, then requisite certificate to this effect has been obtained from the DDO of respective organization where other spouse is serving.

g. Medical reimbursement check register has been maintained.

h. Medical bills are signed by DDO and countersigned by the controlling officer of the claimant.

i. The claim has been preferred within the time limit and in the case of delay, due condonation has been obtained from the competent authority.

Contingent Expenditure/Periodical Charges:

The term contingent expenditure means and includes all incidental and other expenses which are incurred for the management of an office. For managing the office, an officer is allowed to draw money from the funds within the amount of allotment placed at his disposal. The institutions incur expenditure towards periodical recurring charges like rent, water charges, electricity charges, etc.

It should be seen that:

a. A separate register on the lines of establishment audit register is maintained.

b. The bill is in the proper form and the classification is correctly recorded thereon.

c. The payments are entered in the relevant months with voucher and date to watch regular payment and avoid double payment.

d. The expenditure under these items is entered in the contingent register to watch against budget provision.

e. The requisite sub-vouchers are enclosed to the bills and that such vouchers have been duly stamped and cancelled.

f. Any certificate required under the rules has been furnished.

g. The payments are made on proper demand and proper receipts are obtained in support of payments, which are produced and verified in the audit

h. The expenditure is a proper charge on the funds.

i. The expenditure has received such sanction as is necessary.

j. The expenditure has been incurred by the officer competent to incur it.

k. The rates are prima facie not extravagant.

l. There is no breach of any canons of financial propriety.

m. Penalties, if any, paid towards reconnection charges for delay in payment of electricity charges are avoidable expenditure and loss to the institution and that such payments are pointed out in the audit report.

n. Expenditure on contingency conformed to provisions of the State and other relevant rules of respective auditee institution.

Stationery Articles:

In case of audit of stationery articles, verify whether:

a. The requirement for the year has been worked out at the beginning of the year.

b. The purchases are made by calling tenders, the tender procedure has been followed, comparative statement is prepared and one of the tenders approved by the institution and agreement entered into with such vendor.

c. The supplies received have been entered in the Register of stationery articles with date of supply, bill No & date and voucher number, date and utilization particulars entered with details of date of issue, the employee to whom issued, the quantity issued and signature of the recipient.

d. The annual verification of stock is done by the competent authority and stock balance certified by him.

Postage Stamps

In case of audit of postage stamps, verify whether:

a. A stamp account in the prescribed form has been maintained correctly.

b. The balance of the stamps on hand has been counted on any day during the course of the audit and recorded in the stamp account book.

c. The balance on the stamp on hand and the balance in the stamp account is recorded in the audit report.

d. All the payments made for the stamp accounts are entered in the General Cash Book.

e. The issues of stamps for postage are fully supported by corresponding entries in the dispatch register.

f. The balance is struck in the register at the end of every month and verified by the Executive Authority or the person authorized and the balance certified.

Office Maintenance Expenses:

It should be seen:

a. That where the purchases of the material under each item are of large quantity, separate stock registers have been maintained for each item.

b. That the supplies received are entered in the concerned stock registers with details of date of receipt, Bill no & date, quantity received, Voucher No. & date and utilization particulars like date of issue, quantity issued, purpose, to whom issued with signature of the recipient etc.

c. That the stocks are periodically verified to ensure that there are no shortages in the stocks.

d. That annual verification of the stock is done by the concerned officer and the balance of stock is certified by him.

Advertisement Expenses:

The points of audit are:

a. It should be seen that for the tenders called with regard to purchase of stores, works, leases and auctions, notices are published n Newspapers.

b. Rates paid for advertisements conformed to that approved by Auditee institutions. In absence of the same, rates as fixed by Director, Department of Publicity and Information Department was followed.

Repairs and Maintenance:

The following audit checks need to be performed with respect to verification of repairs and maintenance expenditure:

a. Obtain plans and schedules for maintenance programmes to meet the needs of routine service calls, preventive maintenance, emergency calls.

b. Evaluate plans and schedules to determine reasonableness and compliance.

c. Verify procedure for controlling equipment, tools, spare parts, and other supplies. Perform tests here appropriate.

d. Verify whether individual's responsibilities are assigned for every area of repairs and maintenance.

e. Review that tools and equipment are in proper working condition (No frayed cords, damaged shields etc).

f. Verify the Department's records of regular preventive maintenance and repairs.

g. Verify whether staff available for repairs and maintenance is technically qualified.

h. Verify the selection process of outside vendor (if required) used for repairs and maintenance.

i. Verify approval and authenticity of payments made to outside vendors.

j. Identify delays in actual and planned maintenance activities.

k. Obtain reasons for deviations and report it as an observation.

Professional Fees, Consultancy Fees, Legal Fees, etc.

In case of the audit of professional fees, consultancy fees, etc., the following points need to be verified:

i. Whether Professional Fees have been accrued in accordance with the contract.

ii. If the professional fees exceed the statutory limits for deduction of TDS u/s 194J of the Income tax act and TDS at the prescribed rates has been deducted and remitted before the final payout.

iii. If the PAN number of the payee is missing, verify whether TDS has been deducted u/s 206AA of the Income tax act at a higher TDS rate.

iv. If the Professional Fees are rendered by a non-resident, check if the provisions of Sec 195 have been adhered to.

v. If professional fee is incurred with respect to the purchase of an asset, whether such professional fee has been capitalized to its respective asset cost.

vi. In case there has been any breach in the terms of contract, check if there is any liability arising on the auditee as per the terms of contract. If there is a liability check if a provision/contingent liability has been provided for/disclosed in the books.

vii. In case of payment of legal charges, check if a track is available on the number of cases pending, if the payments are in accordance with the number of days of appearance in the court and other charges relating to consultancy, filing of petition etc. are charged as per the applicable rates.

Procurement of Goods and Services:

These Standard Tender Documents prescribe comprehensive conditions of contract. The Act/rules, notifications, circulars, Government orders have been hosted on website of Finance Department (FD). Auditor may refer to these orders as and when required.

Instructions on maintenance of the stock account, works contracts, inspections, payments etc., have been laid down in specific Departmental Manuals and Financial Code. Effective Internal controls and audit of procurement and contract is necessary to ensure that the rules and regulations provide reasonable security against malpractices, any loss or wastage of public money.

Exemptions are subject to fulfilment of certain conditions and monetary limits.

In this regard, orders issued by the Government from time to time may be referred.

Auditors may verify whether conditions and monetary limits prescribed were fulfilled in all cases of exemptions and deviations if any may be analysed and suitably commented.

Auditors may also verify whether values of estimates of works and purchase orders were split with the intention of getting exemption from application of State Government Act / Rules and comment. e.g.:

a) Splitting road work of reasonably short length into more than one contract.

b) Separation of civil work from supply of equipment for the same work / non-inclusion of one or more items of work in Tender Documents, from those in approved estimates.

c) Issue of purchase orders for the same material frequently limiting value of each order to (Specified Amount by Government).

Goods and services which are available from single source or particular supplier or contractor has exclusive rights in respect of goods and services or construction work and no reasonable alternatives or substitute exists are also exempted from State Government Act/ Rules.

In this regard, Auditor may verify and ensure that a committee consisting of three members, one technical representative of procuring entity and another technical representative from Government organization dealing with similar procurement and third member from reputed academic or research institute or non-commercial organization having expertise in such line, examine and declare that such goods and services are available from single source only.

General Activity:

The following check lists have been prepared for verifying effectiveness of the internal controls in the process of procurement in Auditee Institutions. Internal control checks have to be in place at all stages of procurement. The audit checks help to review the existing control points and sets tone for improvisation.

The entire questionnaire has been divided into following sections:

- **a)** Preliminary stage.
- **b)** Tendering stage.
- **c)** Evaluation stage.
- **d)** Agreement.
- **e)** Work execution.
- **f)** Audit of work bills.

Preliminary Stage:

Preliminary stage consists of survey, ensuring preparation of land/site, preparation of annual programme of works, annual forecast of requirement of stores, provision for funds, planning for expenditure and preparation of estimates. Audit check in this regard are as follows**:**

1. Annual programme/Action Plan of works to be executed was prepared and approved by competent authority.

2. Adequate funds were provided for each item of work.

3. The annual requirement of stores was assessed correctly before commencement of procurement.

Planning for Expenditure:

Audit Steps:

a. Except in the case of a pressing emergency, no sum shall be expended unless such sum is included in the budget estimates.

Check whether the action plan or the programme of works includes works only to the extent provided in the budget estimates.

b. As per the best practices, the Programme of Works (PoW) has to be prepared based on the need in different zones/wards and approved by the department.

Check whether lump sum provisions are made in the action plan without indication of specific works.

c. Check whether there is an abnormal difference between the POW and the actual works executed.

Preparation of Estimates:

After detailed survey, investigations, inspection of site/field etc, estimates are prepared on the basis of Schedule of rates. Estimates are accompanied by report which furnish details of survey investigation and necessity for the work for which estimate is prepared. The detailed estimate supported by complete details such as schedule of all items, quantities, rate, cost, drawings, specifications, rate analysis, measurement details need to be prepared for each work and technical sanction of competent authority should be obtained. Technical sanction ensures that the proposal is structurally sound and estimate is an economical one.

Check the following:

a. The divisions have prepared the preliminary report and rough estimate before getting the administrative approval as per provisions of the State.

b. As per State Government Act / Rules, it is mandatory that all estimates contain a report indicating the justification for the particular work and every work is justified before it is sent for administrative and technical approval.

c. As per the best practices, it is mandatory that the estimates, especially the estimates relating to the road works, contain the details such as place of work, name of the street or number. Check the estimates as to the place and cross roads where the work is proposed to be laid.

d. For every estimate, the necessary drawings/designs along with location map were enclosed before it is sent for approval.

e. As per State Government Act / Rules no work should be split in such a way that it comes within the powers of sanction of the authority sanctioning it or to avoid e-procurement.

Check whether the Tender Inviting Authority split several works in such a way it comes within the powers of sanction of the Tender Inviting Authority. According to State Government Act / Rules splitting up of work should be resorted only in exceptional cases in the interest of speedy implementation of works or when the nature of work is such that if tendered, it would be difficult for single agency to execute all items, subject to approval of competent authority. In case of splitting of work, check whether sufficient justification was brought on record and approval of competent authority obtained and other conditions fulfilled as per State Government Rules. Even if a case of splitting is covered by sanction of competent authority, justification/reasons for such action may be analysed and comments, if any, offered. The practice of splitting the contract (particularly goods contract) among all or some tenderers by offering price of lowest tenderer and dividing quantity undermine the rationale of competitive bidding and is against State Government Act/Rules. The contract should be awarded to lowest bidder found responsive.

f. No work is entrusted to any contractor without preparation of estimates.

Tendering and Evaluation:

As per State Government Act/ Rules, all procurements have to be done through tendering process. Tender documents comprising notice inviting tender, standard tender form with conditions, schedule of quantities, set of drawings, specification of the work etc. should be prepared and approved by the competent authority.

Following Issues may be verified in Audit:

1. As per State Government Act/Rules, no tender should be called before obtaining the administrative and technical sanction. Further, technical sanction should not be given before administrative sanction.

Check that no tenders are called for before obtaining sanction.

2. Notice inviting Tender (NIT) is invariably issued in respect of works for which tenders are to be called for. The salient feature such as name of the work, amount put to tender, period of completion, time and date of receipt and opening of tenders and other relevant conditions should be included in the NIT. Check if Tender inviting/ accepting authorities are competent to invite or accept tenders. Verify whether:

I. Tender notice was invariably published in national and local dailies with large circulation in order to generate wide publicity for better competition and to avoid cartel formation and favouritism to select firms.

II. NIT was published in Indian Trade Journal for procurements whose value exceeds Amount Specified by the State Government Act / Rules.

III. NIT was also published in State Tender Bulletin if (1) value of procurement exceeds Certain Specified Amount (2) if Tender Inviting Authority is Secretary to Government, Chief Executive Officer of Public Sector Undertaking, University, Statutory Boards, Apex Co-Operative Institution formed by the Government as specified by the State Government.

3. E- procurement system was adopted for all works costing above the Specified Amount.

4. The tenders were issued only to those contractors who satisfied the eligibility criteria for issue of tenders as inserted in the Press notice.

5. The postponements were published in the newspapers.

6. As per State Government Act / Rules / provisions, the tenders were to be called for, after technical, administrative and estimate approvals so that Bill of quantities are issued to the contractors who quote their rates and submit the tenders by due date. Check the bids as to whether the estimates are ready before closing of tenders.

7. Tenders were received in sealed covers within the due date.

8. Tenders received have been entered in the Tender Register.

9. Signatures of the contractors or their representatives have been obtained on the tender register for having witnessed the opening of the tender.

10. Officer opening the tender has signed and noted the number of corrections in the tender.

11. Comparative statement has been drawn and whether the rates mentioned in this statement is as per the tenders received (The auditor should check the arithmetical accuracy of the statements)

12. Statement was attested by the Officer opening the tender.

13. Opening of tenders has to be done as per schedule indicated in the NIT document and if there is change it has to be commented.

- **a)** Tenders were opened in the presence of tenderers/authorized agency of tenderers and signatures of the tenderers present should be obtained in the records.
- **b)** A note on the number of tenders received/counted is recorded
- **c)** All corrections in estimate/bill of quantities are attested
- **d)** Opening of tenders are invariably dated and initialled.
- **e)** The name of tenderer and quoted price should be read.
- **f)** Minutes of the tender opening must be recorded and sent to tenderers or their representative.

14. Sale register of tender forms is maintained and produced to audit for verification and to ensure the collection and remittance of tender fees.

The tender opening registers which are meant for acknowledgement of tenders, the rates quoted by individual tenders, EMD amount and its date, eligibility of contractor etc. are maintained.

15. Normally, as per the State Government Act / Rules / Code, whenever there are less than 3 tenders participating in response to a tender, such cases are to be considered as tenders lacking competition and the works are to be re-tendered. Check if the circular instructions are followed in all such cases.

16. Negotiations solely for purpose of obtaining lower prices would be appropriate only in exceptional circumstances such as lack of competition i.e., receipt of less than three bids/single bid. In such circumstances, if the lowest tender is found to be substantially above updated estimated cost, first choice is rejection of all tenders and re-inviting of tenders.

It may be checked whether estimate was updated (i.e. revised /recast) before determining whether Tender was substantially high.

17. Contractors have the qualifications necessary for participation in the tender as prescribed in tender documents.

18. Check that all the major items in the estimates are tendered and included in the Schedule of the tender. Reasons for non-inclusion of any of the items of estimates may be ascertained and comment on merit of the reasons. Check if tenders are invited for such items later and resulted in extra expenditure comment on the same.

19. Check whether for each work, only qualified contractors of specified category are given the tender forms and participate in the tenders.

Similarly, the contractors should have sufficient experience in carrying out similar kind of works.

20. In regard to invitation for bids/ notice inviting tenders, follow the State Government Rules. Where two cover tender system was adopted, verify that while opening tenders, second covers containing price quotations are kept in a large cover securely sealed in presence of tenderer or their representatives and signatures obtained on such large cover.

21. Auditor may verify any reduction in stipulated period for submission of tenders has to be specifically authorized by an authority superior to Tender Inviting Authority. No modifications to tender are admissible after expiry of stipulated period. The stipulated period of days as specified by the Government is allowed between the date of publication of notice inviting tenders/invitation for bids in the relevant bulletin, and the last date for submission of tenders. Auditor may verify whether period allowed for submission of tenders conformed to State Government Rules and standard Tender Documents, deviation, if any, was authorized by competent authority. Even in cases of authorizing deviation in the stipulated period by competent authority, justification/reasons for such deviations may be critically examined and comments, if any, made.

22. Check the Proforma of the application and verify the bidder's information as prescribed for the pre-qualification. Pre-qualification of bidder is adopted for contracts of value specified by the Government.

Some of the key information fields are:

- ✓ Description of the bidder.
- ✓ Description of the track record.
- ✓ Financial record and position of the group.
- ✓ Description of the management of the bidder.
- ✓ Any contingent liabilities.
- ✓ Any litigations involving the bidder.
- ✓ Approach and design of completion of the contract.
- ✓ Quality management system of the vendor.

23. Whether sufficient time been given to the bidder to submit the form depending upon the value and nature of the work/stores.

24. Whether the e-procurement details have been explained to the tenderer.

To Audit Evaluation of Tender, the following may be verified:

a) The lowest tender was accepted.

b) In case of works, if the work was given to one contractor or more than one contractor.

c) Tenders were evaluated and contract awarded in accordance with criteria stipulated in tender documents and within tender validity/extended validity period as prescribed in rules of the State Government.

d) Validity of tenders is not less than a minimum period of 90 days and tenders whose validity period was less than 90 days were refused as non-responsive. Validity period of tenders may be extended on request by Employer as provided in State Government Rules / Act / Code.

e) The auditor may also check if:

i. Tenders were re-invited if they were not evaluated within the tender validity period.

ii. In cases of failure to complete evaluation of tenders and award of contract within validity period of tenders, check whether adequate justifications/ reasons were on record.

iii. Retendered rates were higher than those quoted earlier in case of re-invitation of tenders due to failure to open large covers (second cover containing price quotations in case of two cover tender system) within the 60 days of opening of first cover/ or complete evaluation within validity period, extra cost due to failure to evaluate tenders within validity period may be quantified and commented (Refer the State Government rules in this regard).

f) Tenders from joint ventures are not acceptable, check for compliance with this condition (Refer State Government Rules).

Joint ventures are considered in case of contracts of more than Rs.10 crores. (Refer concerned State Government Rules in this regard).

g) Security Deposit/Performance Security and Earnest Money Deposits:

The successful tenderer has to pay in cash/banker's cheque/Demand Draft/small saving certificate as security deposit at 5%of contract price plus additional security (performance
guarantee) depending on quoted rates and quantity of work for unbalanced tenders within 20 days of receipt of letter of acceptance. Failure to pay security deposit plus additional security within specified period of 20 days, constitutes sufficient ground for cancellation of award and forfeiture of EMD. Auditors may verify compliance with above rules/conditions and comment on deviation if any (Refer the Concerned State Government Rules).

h) Earnest Money Deposit (EMD) means the amount required to be deposited by the tenderer along with the tender, indicating his willingness to execute the work. As per State Government Code, no tender for the execution of work of any description should be received unless accompanied by EMD to the extent which has been notified as necessary by the Tender Inviting Authority and also as provided in Rules of the State Government in this regard. Earnest Money Deposits payable by tenderers as per Guidelines issued by the State Governments from time to time.

Please also refer State Government Code, check that EMD has validity period of 45 days beyond the validity of tender, otherwise tenders must be rejected as non-responsive. Check that:

- ✓ The EMD is credited to the bank account in all the cases.
- ✓ Single DD is not given for several works together as it defeats the system of tendering the EMD register is maintained properly
- ✓ The EMD is remitted immediately and there is no delay.
- ✓ The EMD amounts have been collected from the persons bidding for the contract only in cash or DD and not by cheque.
- ✓ All the EMDs collected and retained are with respect to the successful bidders and any amount of EMDs with respect to the unsuccessful bidders must have been refunded.

EMD is forfeited in the following cases:

a. Tenderer withdrawing the tender after tender opening during tender validity period.
b. Tenderer not accepting correction of the tender price pursuant to clauses of the State Government in this regard (correction of errors/defects).
c. If, within the specified time limit (within 20 days of receipt of letter of acceptance), successful tenderer fails: (Refer concerned State Government Rules in this regard)

  a) To sign agreement.
  b) To furnish required security deposit.

Auditors may review register of tenders, comparative statement, minutes of pre-bid meetings to identify cases of forfeiture of EMD.

EMD is refundable within 30 days of the end of tender validity period which is 90 days, to unsuccessful tenderers (Refer the concerned State Government Rules).

EMD of successful tenderer is refundable after signing of agreement and furnishing the required performance security. EMD refunded otherwise may be verified and commented.

i) Verify that bank guarantees National Savings Certificate (NSC)s or any other approved securities in respect of the deposits pledged in favour of the Commissioner or Chief Officer and unclaimed/lapsed deposits have been credited as revenue after due diligence.

j) The provisions are followed as per the Code of the State Government regarding acceptance of Bank guarantees (BG) as one of the valid securities from contractors towards performance of contracts.

k) Payment of contractor's bills is made considering the chronological priority in completion of works.

l) Bank guarantee was obtained as prescribed in as specified by the State Government for mobilization advance payable at 5% of contract value.

m) The moneys received towards security deposit / additional performance security is to be repaid on completion of defect liability period and on a request made by the contractor. No amount can be drawn from this account for purposes other than for repayment of deposit.

Check that no amount is drawn for other than repayment of deposits.

n) All records relating to collection and remittance of sale proceeds of tender forms are maintained.

o) General receipts for the cash receipts are issued and accounted as per the Code of the State Government, which state that all moneys received should be paid in full without undue delay in any case within two days, into Government treasury/bank account, to be credited to the appropriate account and the officer receiving money on behalf of Auditee Institution/ government must give the payer a receipt.

Agreements:

It should be verified that:

a. Written agreements were entered with successful contractors within 20 days of receipt of letter of acceptance vide clauses of State Government. If the contractor failed to sign agreement within the specified period, verify if EMD is forfeited.

b. Quantity of work executed is in excess of that provided in BOQ/schedule of agreement, and payment for quantity of an item of work executed in excess of those provided in the bill of quantities/schedule of agreement was in accordance with the rate permissible as per contract agreement. If the contractor's quotation is found to be unreasonable, variation can be made for that.

Auditor may refer to clause of State Government Rules regarding payments for variations. Auditor may check whether rate at which extra/additional/ substituted items were paid are in accordance with the procedures. It may be verified whether payments for excess quantities, extra items of works were sanctioned by competent authority. Compare items and quantities as provided in bill of quantities/ schedule of the contract/agreement with actual quantities as recorded in vouchers and measurement books and identify variations. Auditor may analyse circumstances/reasons for execution, of quantities in excess of that provided in the bill of quantities/schedule of agreement, Auditor may verify whether they were attributable to inadequate/improper survey, underestimation of quantities, etc.

In such cases, extra expenditure due to payment for such excess quantities and extra items at the rates higher than original tendered rate may be quantified and commented.

c. The agreement obtained was as prescribed depending on value of contract.

d. Conditions of tender notification and conditions put forth by the Contractor in the tender were incorporated in the agreement.

e. Details relating to issue of materials with rates, agreed rates and details in respect of tools, plant and machinery to be let out on hire, were appended to the agreement.

f. The agreement has been executed on stamp paper of requisite value and (Rupees as specified by the Government Rules) the agreement and the schedules were duly signed by the Contractor and accepted by the Officer duly authorized in this behalf.

g. Any addition and alteration or introduction of a new clause in the agreement was specifically approved by the competent authority.

h. The rates mentioned in the agreement conformed to the tender rates.

i. The agreement does not contain any clause which is prima-facie ambiguous, impracticable, loss oriented or legally infirm.

j. There was provision for liquidated damages in case of avoidable delay in execution of works by the contractor resulting in cost escalation and/or reorder.

k. The royalty schedule was appended to the agreement. If not current royalty rate to be applied.

k. Check if the clauses of taxation and penalty for default were included in the agreement and such clauses were complied, in case of any defaults.

l. All schedules and proceedings of pre-bid meetings formed integral part of the agreement.

Execution of Works:

Execution of works by the engineers is of paramount importance in converting the efforts of supreme decision-making body to creating infrastructure at the minimum cost and deriving maximum returns. It should be ensured that works are executed as per the estimates approved and proper records are kept to ascertain the efficiency and effectiveness and implementation. Unless the efforts are put in the right direction, no infrastructure can be created to the satisfaction of citizens.

It should be seen in Audit that:

a. The works are strictly executed in places indicated in the approved estimates as the estimates give an impetus for providing infrastructure. Check the measurement books to ensure that works were executed only in places where it is proposed in the estimates.

b. Works have been executed as per the approved estimates. Verify if any deviations were also approved from the competent authority justifying such changes.

c. No work has commenced before the finalization of tenders and issue of work orders. Check whether the works have been taken up before the NIT/work order.

d. The work was executed as per the guidelines and the programme.

e. Only one estimate was prepared for one work and. Several estimates with similar scope of work and the place of work are not prepared for the same work.

f. The work was executed by the person who has qualified after tendering /approval and who has been issued the work order for entrustment of work and the execution of work was not done by a contractor other than the person entrusted with execution.

g. The components included in the estimates have relevance to the name of the work.

h. The work orders for the commencement of the works have been issued after an agreement is entered into by the contractor with the competent authority. Verify the date of stamp papers as to whether this was done before the issue of work orders.

i. The photographs are available for all the works before the commencement, during execution and after completion.

j. The works which are entrusted to the contractor is completed within the prescribed time. If not, check if the payments are made after the deduction of penalty as per the tender conditions.

k. The royalty charges, wherever applicable, are recovered at the prescribed rates.

l. There is no entrustment of work directly without calling for tenders.

m. All works are inspected by a third party before payment is made to the contractors and the expenditure on this account is charged to the cost of works.

n. Compensation paid to contractor is in accordance with conditions of contract/Standard Tender Documents.

These include the delay in:

- **i.** Giving access to site/possession of the site.
- **ii.** Finalizing / approving designs / drawing /specifications.
- **iii.** Issue of completion certificate by employer.

Auditor may analyse in detail, reasons/justification for such delays and comment on lapses/avoidable delays and avoidable payments in respect of these events.

The contractor is not eligible for any compensation to the extent employer's interest was adversely affected.

Audit of Work Bills:

In the audit of work bills (Running Account Bills) the following are the items for verification in audit.

1. The work bill is in the standard form as prescribed.

2. The work bill contains reference to work order and the agreement.

3. The dates of measurement and check-measurement as reflected in the bill tally with the entries in the Measurement Book.

Regarding maintenance of measurement books (initial and check measurement of works) instructions/guidelines provided in State Government Rules may also be referred.

In respect of all works contract of more than the Specified Amount mentioned by the concerned Government, contractor is responsible for submitting bills with hard copy of detailed measurement of works using electronic spread sheet and diskette, C.D. ROM, Pen Drive etc. These have to be verified by AE who is responsible for their correctness.

4. The quantities mentioned in the bill in respect of various items of work agree with the quantities mentioned in the Measurement Book.

5. The collection, issue and balances of road metals have been reflected in the Measurement Book duly furnishing the cross references to the paid vouchers.

6. The rates claimed tally with the rates specified in agreement.

7. Issue rates for materials supplied departmentally have been correctly worked out and recorded.

8. If there is departmental issue of materials the cost recovered from the Contractor is as per agreement.

9. Voids and shrinkages have been correctly worked out and deducted while arriving at final measurements.

10. Released materials have been duly accounted for and disposed-off under competent sanction.

11. Recoveries towards royalty, income tax, security deposits, etc., have been correctly worked out and whether such amounts have been remitted to the proper heads.

12. Recoveries towards secured advance/mobilization advance have been correctly made.

13. In respect of secured advances, whether it is secured against bank guarantee.

14. Cumulative quantities and value of works are indicated in any running account bill and value of works recorded in previous bill was deducted for payment of current running account bill.

15. The following additional checks will have to be exercised in respect of final bills:

i. Whether the released balance rates have been correctly worked out.

ii. Whether steel and cement calculation sheet have been enclosed to the final bill and if there is any excess consumption, cost at twice the issue rate has been recovered from the contractor.

iii. Whether the contractor has given his acceptance for full and final settlement of the claim.

iv. Whether the Officer-in-charge has furnished a certificate in the final bill to that effect.

v. Whether the work has been completed satisfactorily as per specification, design and agreement.

vi. That there are no dues outstanding against the contractor.

vii. That Contractor has made his own arrangements for supply of water and electricity. However, when the department/ organization for which works were implemented, furnish bills for providing such facilities, the same may be recovered from contractor's bill and remitted to concerned organization.

16. Liquidated damages as prescribed were recovered for delays in completion of work.

Audit of procurements of Goods / Equipment and Stores Accounts:

The points for verification are that:

a) Purchases are covered by sanction accorded by competent authority.

b) There is budget provision.

c) Purchases are made as per the provisions of the State Government Act/ Rules.

d) Purchases are made on the basis of the lowest quotations and contract was not split among all or some tenderers by offering the price of lowest tender.

e) Cost of transportation of goods and equipment was borne by supplier and agreement provided for the same.

f) The rates paid agree with those shown in the contract or agreement made for the supply and payments are made on the basis of proper vouchers.

g) Inspection on quality and quantity are conducted and certificate recorded on the bill before payment.

h) The articles supplied are properly accounted for in the stock register and certificate recorded on the supply bill.

i) The following were observed with respect to storage facilities:

1. A particular official was not entrusted with custody of stores for long time.

2. Physical verification is conducted regularly every year by authorities other than who is in charge of stores.

3. Results of verification are reported and effective action is taken on such reports.

4. Effective precautionary measures are made to prevent misuse of stores.

5. Adequate storage facilities are available.

6. Stores rendered obsolete/unserviceable are identified and action taken for disposal with proper sanction.

7. Adequate security deposit has been obtained from such person in charge of stores.

j. Purchase orders have not been split up so as to avoid the necessity of obtaining the sanction of higher authority.

k. No prima-facie loss is attributable to acceptance of any defective or inferior supplies which have been certified to be satisfactory in quality.

l. No purchase has been made when there is sufficient balance in stock and to avoid lapse of budget provision. It must be verified that purchases were made on the basis of indents received from user agencies without resulting in unnecessary accumulation of stock and requirement of goods were forecast properly.

m. Proper acknowledgement is obtained for all moneys paid to the suppliers.

n. In the case of purchase of equipment's involving payments in foreign currency, the foreign exchange rate has been correctly worked out.

o. The benefit available during the guarantee period has been duly availed. The purchase contract includes specific conditions for warranty / annual maintenance.

p. The discount available for prompt payment, if any, has been duly availed.

q. Expensive machinery and equipment's purchased have been insured.

r. List of blacklisted suppliers is maintained and updated whenever there is regular default or supply of sub-standard products or services.

s. Advances paid, if any, were admissible as per relevant rules/agreement and it was secured by bank guarantee etc

t. Agreement provided for installation / commissioning of machineries /equipment at the cost of supplier and levy of penalties for delayed supply and non-fulfilment of other conditions.

Advances were adjusted before final bill payment.

u. Price adjustment clause was not included in goods and equipment's tender documents except for electrical cables transformers generators and motors vide State Government Rules.

v. Claims for carriage are duly supported by proper receipts and necessary documents.

w. Bills for the payments of contracts must be presented with copies of contract and certificate signed by competent authority to the effect that claim is correct.

x. The purchasing officer should sign in all copies of acceptance of tenders and supply orders etc.., including all attachments containing the details of rates / prices and other important conditions.

y. When a contract is completed, the following points may be verified:

I. The quality of the goods conforms to the specification mentioned in supply order / schedule of the tender.

II. In cases of goods needing laboratory testing, sample testing is carried out.

III. The sales tax and other taxes claimed in the supply bill are verified with reference to conditions in supply order and tender document.

z. For purchase of medicines by auditee institutions the audit may verify the following:

I. The medicines are procured at contracted rate.

II. The rate at which medicines were purchased should be compared with those in rate contract schedule of Department of Health & Family Welfare/Medical Education/rate contract finalized by Employees State Insurance Corporation for their hospitals and variations, if any, may be analysed and commented.

III. Contracts should include special conditions according to which supplier has to withdraw unused medicines three months before its expiry date and replace them by new supplies.

IV. Cases of failure to return and obtain replacement of such drugs may be analysed and commented.

Finance and Accounts General: Works expenditure is checked with reference to the estimates and contract agreements in order to ensure that the charges have been incurred only in pursuance of the objects intended in the estimates. The administrative, accounting and technical authorities are responsible for checking the expenditure on each sub-head with the estimated quantity or work to be done, the sanctioned rate and the total sanctioned cost and to avoid all deviations from the sanctioned estimate.

The following source documents and issues may be verified in the audit.

Source documents:

- ✓ Monthly accounts including schedules and schedule dockets.
- ✓ Cash book (main and subsidiary).
- ✓ Vouchers.
- ✓ Cash and stock accounts.
- ✓ Sanctions.
- ✓ Estimates of works.
- ✓ Tender Documents.
- ✓ Works Register.
- ✓ Contractor's ledger.
- ✓ Measurement books.
- ✓ Register of Deposits.
- ✓ Inspection report and notes of higher authorities.
- ✓ Register of Tenders, contract agreements.
- ✓ Third Party inspection report.
- ✓ Any other relevant records maintained.

The following may be seen by Audit:

a) Check that there is no excess expenditure over the budget provisions. The source of funds, utilization of fund, reasons for non-utilization or excess expenditure may be analysed to bring the inconsistencies.

b) Check whether works budgeting has been done realistically taking into account the available revenues and is approved by the competent authority. Check the importance given for the budget formulation and also if cumulative expenditure on works in progress and completed was recorded correctly in the annual accounts and initial registers or ledgers.

c) Check the abnormal increase in pending bills. If this is increasing progressively, check the reasons as to whether works more than budgeted are included in the programme of works/ action plan or if works were taken up by the executive for which funds were not available. The source from which it is proposed to be paid may also be analysed.

d) Expenditure was classified and debited correctly to concerned head of account/accounts code and simultaneously posted in the Register of works or other relevant records. Recoveries made from work bills should be accounted under relevant receipt heads.

e) Sufficient funds were allotted for works in progress continued from previous years.

Audit Checklist for Gram Panchayats "Budget"

Auditor should be seen that:

a) the budget is prepared by the Secretary of Gram Panchayat and placed in the meeting of the Gram Panchayat elected body.

b) The expenditure made in excess of the limits specified in the budgets is checked. If such expenditure is not covered by re-appropriation sanctioned, the amount may be held as an objection in the audit report.

c) The changes made in the sanction of grants.

d) The manner of preparation and formats of budget estimates are done as per the Rules Panchayat Raj Department Guidelines of the State.

e) Provision has been made for the discharge of liabilities in respect of loans taken by Gram Panchayats and all other commitments.

f) All variations between the figures of Budget year and those of the previous year have been adequately explained,

g) All the items of expenditure are included in the Budget and that any amount of expenditure made without Budget allotment shall be treated as expenditure contrary to Law.

h) Sanction of Government or any their authority required under the rules for incurring expenditure, though the provision is made for such expenditure in the budget, has been obtained.

i) No part of allotment remaining unexpended at the end of the year shall be reserved or appropriated by transfer to deposits or any other head of department in advance in order to avoid lapse of funds and disbursement after the end of the year,

j) Other rules/instructions issued on budgeting are followed wherever required.

k) GP fund was utilized for purposes specified by the concerned Governments are verify whether funds earmarked for welfare activities, pertained to welfare of scheduled caste/scheduled tribe.

l) GP Fund was deposited in a schedule Bank and that Bank account is jointly operated by the officer/authority, authorized by Government.

m) Sufficient budget allocations were made for incomplete works of previous years and allocation of funds were made for works approved by Gram Panchayat. The auditor must collect details of works remaining incomplete for over two to three years from the register of works and analyse reasons for the same. Check whether sufficient funds were allocated to such works while approving budget.

Audit checklist for "Revenue Items" of Gram Panchayats

The following areas need to be given special attention by the auditor as these are considered to be areas of high potential risk. Attention and Vigilance is required for the audit for the following areas mentioned below:

- ✓ Collection of Tax on building.
- ✓ Cess Collection.
- ✓ Public Works.
- ✓ Utilization of Centrally Sponsored Schemes/Grants.
- ✓ Audit of Procurement & Stores.

General Checks for all Categories of Revenue:

The Auditor should ensure that the checks mentioned below have been followed by the G.P scrupulously and any deviation should be brought to the notice of the competent authority and made a note in the Audit report. The following are the general checks that need to be adopted for the audit of revenue items.

a) All moneys received should be paid in to the Gram Panchayat Office daily.

b) The moneys received should be first brought into account and remitted into Gram Panchayat Fund and utilized for its expenditure.

c) The capital receipts, such as sale proceeds of land, buildings or machinery should not be applied to ordinary expenditure without the previous sanction of the competent authority.

d) Every servant of GP or the Executive Officer entrusted with the collection of GP revenues on bills previously issued in the GP Office should be supplied with a collection book.

e) Collection of taxes and revenues made by bill collectors or other outdoor subordinates or village headman should be remitted into GP Office through a collection register maintained in the GP Office.

f) Receipts in the prescribed form signed by the executive authority should be given for all the moneys received from the public in the GP Office.

The Auditor Should:

a. Collect details of receipt books (book number, date of issue, number of books etc) issued to Gram Panchayat either from Zilla Panchayat or Government press. Compare book number with those actually used by Gram Panchayat.

b. Verify that only printed receipt books obtained from Zilla Panchayat or Government printing press is used.

c. Check that receipt books printed in private press are not used.

d. Check that receipt books are issued in serial order and only one book is in use at a time.

Check Whether:

a. Any survey has been conducted to identify the total number of taxable buildings and lands within limits of Gram Panchayat. Compare the number of buildings or lands from which tax was assessed/recovered as against total number of taxable buildings/lands. Any variation between the two may be analysed and suitably commented. If there is no data of taxable buildings/ lands, comment on non-maintenance of such vital data.

b. A demand register has been maintained in accordance with the instructions contained Rules of State Government (Panchayat Raj Department).

c. The demand posted from the assessment list, collections posted from the day book and the balances are recorded correctly.

d. The rate of taxes levied is as per the schedule of rates fixed and notified. Auditor has to verify if the demand corresponds to the type of land and building the assesses holds.

e. An annual abstract is recorded in the demand register and the amount of total demand in the assessment list agrees with the total demand in the demand register after making allowance for special revisions of assessment.

f. The total amounts of collections in the Demand Register agrees with the total amount of collections in the Day book.

Assessment and Collection of Taxes:

a. It should be seen whether the GP Authority has levied all the taxes ordered to be levied under the State Act.

b. The Executive Authority has determined the Tax to which each person or property is liable.

c. In the case of taxes payable by executive authority, the assessment is made by the Gram Panchayat.

d. After the tax payable by a person is determined for the first time under the State Act, a notice in the prescribed manner has been served to the person.

e. In case there is a dispute in the tax settlements, check if any steps have been taken to recover or settle the collections due.

f. Verify the age-wise analysis of the amount of taxes due.

g. In case of inadequate assessment, or omission from the assessment book relating to any tax or in case of clerical or arithmetical error in the books, the said books are amended by the executive authority on the directions of the Gram Panchayat, after giving a special notice to person where it involves an increase in the assessment.

Advertisement Tax:

This tax is collected from the person on every Advertisement, which is within the limits of the local authority.

The following Points should be Verified:

a. Verify if it has been resolved in the Gram Panchayat to levy the tax and the rate at which it has been levied and has been approved by Gram Sabha.

b. Verify if the rates are in accordance with those specified by the Panchayat Department of the State.

c. Verify if any exemptions provided permission have been obtained from the relevant authority.

Entertainment Tax:

The Entertainment Tax is collected in respect of entertainments held within the limits of any local authority. With respect to the collection of entertainment tax the following points should be verified:

a. Verify if the necessary approvals have been taken by the person conducting the entertainment show.

b. Ensure that the tax has been collected in advance, if entertainment is for a limited period, and there should be no scope of any arrears of Entertainment Tax. If the entertainment show is on permanent basis, tax is to be collected in advance at the beginning of the month.

c. Verify the period for which the permission has been sought for conducting the entertainment.

d. Verify that the collection of entertainment tax was accurate by multiplying the number of shows per day at the actual rate prescribed.

e. Verify that recovery of entertainment tax is watched through the register and got credited to the funds of GP.

Rent from Buildings & Lease of Land:

Acquisition, disposal of Movable/Immovable properties by sale/lease etc.,

The following points should be considered in verifying the Authenticity of the Lease / Sale Agreements entered into:

a. Provision for complied with while acquiring, selling and lease of such properties.

b. Sanction of the competent authority was obtained as prescribed for acquisition and disposal by sale or lease etc.,

c. Wide publicity was given regarding sale / lease of any property specifying period allowed for filing bids.

d. Application without payment of Earnest Money Deposit (EMD) was rejected.

e. Sale/lease was confirmed in favour of highest bidder and that highest value was not less than market value of the property and expenses of registration of sale / lease deed was borne by the purchaser / lessee.

f. In the case of sale/lease, if the highest bidder fails to execute sale / lease deed within the period specified in the notice inviting bids, EMD was forfeited and condition to this effect was included in the notice.

g. An agreement has been entered into by the competent authority and that a necessary lease deed, setting forth the conditions subject to which the lease is granted, is executed, in format as prescribed in GP.

h. The deed specifies:

- ✓ Duration of the lease.
- ✓ The amount of each instalment of the rent.
- ✓ The compensation or penal interest payable in the case of delay in the payment of any instalment.
- ✓ The liability of the lessee to make good any loss caused to the leased property of Gram Panchayat.
- ✓ The amount of initial deposit/adequate security was obtained to guard against loss of lease rent.
- ✓ Purpose for which leased property may be used.

i. The lease deed is duly stamped according to the Indian Stamp Act and signed by the Competent authority and lessee in the presence of witnesses and registered in cases where the period of lease exceeds one year (Section 17 of Registration Act).

j. Every lease deed contains an express condition that the lessee shall be liable to pay such ground rent as the competent authority may fix from to time.

k. that no person is allowed to enjoy the lease until he has executed the lease deed.

l. Any instalment due under the lease is not paid within agreed time on which it becomes payable.

If so, verify whether the executive authority has forthwith reported the matter to the Gram Panchayat which should terminate the lease and managed by itself at the risk of the lessee till it is resold, if a resale is ordered.

m. Penal interest is calculated and recovered or written off with the sanction of the competent authority;

n. When a resale is conducted or when a lease is terminated on account of the default of the lessee, necessary legal steps are taken for the recovery of the loss from the original lessee;

o. All the arrears of rent have been tracked and the reasons for the non-collection have been addressed.

p. No member or employee of GP with duty to perform in connection with sale of movable or immovable property has participated in the auction sale.

Land and Fixed Assets:

The following are some of the points that should be kept in view and examined in the audit of Fixed Assets.

Verification of Purchase Procedure of Fixed Assets:

a. Verify if GP which purchases a Fixed Asset enters the purchase in the register of Fixed assets.

b. Check for the procurement order, budget availability etc.

c. Verify all the documents and if entries are made in the relevant Fixed Assets Register.

d. Check if the assets are physically verified periodically.

e. Check if the assets have been adequately insured covering the value of the asset and timely renewals are made at regular intervals.

Income from Markets, Slaughter Houses, etc.

Check:

1. Revenue yielding properties and realization.

2. Total number of revenues yielding properties as entered in the register.

3. Procedure for giving wide publicity was followed in respect of revenue yielding assets like market yards, garden lands or any vacant lands, for any revenue collection.

4. Whether auction was confirmed in favour of highest bidder and security deposit of 3 months revenue was obtained (Based on the State Government Guidelines in this regard).

Market Fees / Fee for Slaughter Houses:

a. That the owners / occupiers of private market have been issued tickets for collection made daily for use of such market and receipts for collection made periodically,

b. That the rates to be charged have been displayed boldly at conspicuous place of the market

c. That the ticket books are printed separately for each rate of fees charged

d. That a Register of collections is maintained in the given format of Panchayat Department.

e. That the Registers, Tickets and receipt books are checked by the Executive Authority once in every month and the Executive Authority has recorded his remarks therein about the correctness of the accounts maintained.

f. That a Statement of the receipts and charges relating to the markets for the previous year has been furnished with the application for renewal of licence to keep open the market.

g. That every Gram Panchayat may provide places for use as public slaughter houses and charge rents and fees at such rates as may be fixed by the Gram Panchayat.

For Licence fee for Private Bus / Cart Stands:

a. Verify if all the new bus / private cart stands have obtained the licence from Gram Panchayat.

b. Check whether they have renewed the licence every year.

Cattles Fees / Fees from Grazing Land:

a) It should be verified that in case of community cattle sheds provided by Gram Panchayat, the fees are collected from the owners of the Cattle subject to the rates prescribed by Gram Panchayat.

b) Verify if the prescribed fees are collected in case the cattle have been allowed for grazing in gomala lands.

Cattle Pounds:

The Audit should Check:

a. Whether the cattle pound is managed in accordance with bye laws framed.

b. Whether impound receipts in Gram Panchayat are issued to persons impounding cattle and release passes are issued to persons releasing the cattle.

c. Whether fines and feeding charges at the rates prescribed in the bye laws have been recovered.

d. The daily totals in the palm register should be checked and traced into the remittance register and general cash book.

e. It should be seen whether the amounts realized by the sale of stray cattle are credited to the deposit account and adjusted to the miscellaneous revenue account.

Water Charges/Water Connection Charges:

a. The Gram Panchayat collects fees every month for water connection secured by the house owners under the protected water supply scheme.

b. Verify if the water rates are collected as per the rates prescribed by the Gram Panchayat.

c. In case the amounts are collected as per the fixed tap rates, verify if the amounts are collected as per the tap rates prescribed.

Fees for Issue of Certificates:

The inhabitants of Gram Panchayats are provided with many services and they are charged fees for the issue of:

a. Certificates of Value of Property.

b. Birth and Death Certificates.

The Auditor should Verify:

a) If the fees collected are as per the rates prescribed.

b) If the certificates issued are maintained in a separate register along with the relevant details of the persons to whom the certificate is mentioned.

c) If the certificates issued are serially numbered and with the help of such serial numbers, verify if the number of certificates issued correspond with the amounts collected.

Jatra Fees:

The Auditor should Verify the following:

a) If in respect of any fair or festival, tax or toll is levied, it should be seen in audit that the proceeds of tax or toll are spent in the manner indicated.

b) Verify whether adequate sanitation facilities are provided for in such fairs from the funds collected and promoting the comforts and convenience of the persons resorting to the fair or festival.

c) Verify if there is balance in the advance/fees collected, if any, after providing for the purpose mentioned above, on improvements to and repairs of the roads leading to the fair or festival Centre.

d) The residue if any for the benefit of the local area in such manner as may be determined by the local authority.

Fines, Penalties and Recoveries:

Provides for levy of penalty for delayed payments of taxes fees, fines etc.,

Auditor Should Verify whether:

1. The penalty is collected in case of tax, rate and fees not paid within stipulated time / days from the date of the issue of notice. Also check if the notices are issued and the recovery made for the same has been checked and entered in the relevant registers.

2. The value of damage to the Panchayat properties has been recovered from the persons liable in accordance with the provisions of the State Act.

3. The fees paid for the following items by the Gram Panchayat have been recovered

- ✓ Distraint Sale.
- ✓ Issue of the Notice of Demand.
- ✓ Cost of maintaining any Livestock Seized.

4. All the fines imposed by the magistrate under the State Act or the rules and bye-laws made under the State Act have been credited to the Panchayat fund in accordance to the State Act.

5. If any member of the Panchayat has incurred penalties under the State Act, the fact may be recorded in the Audit report.

If the Gram Panchayat is prevented from exercising its powers and functions, it is empowered under the relevant rules to impose fines and penalties as per the relevant sections of the State Act. It shall be seen in audit that the fines and penalties imposed are collected and credited to the funds of the Gram Panchayat.

Warrant / Distraint Fees:

If the amount of any tax demanded is not paid within prescribed time from the date from which it becomes due, the executive authority shall recover by distraint under his warrant and sale of the movable property of the defaulter, the amount due on account of such tax together with the warrant fee and the distraint fee and with such further sum as will satisfy the probable charges that will be incurred in connection with the detention and sale of the property so distrained.

Register / Documents:

1. Register of warrants.
2. Register of distrained property.
3. Warrants.
4. Inventory of distrained properties.
5. Sale list of distrained properties

Warrants:

Auditor Should Verify:

a. That warrants are consecutively numbered and issued to parties.

b. That the warrant fee has been collected for each warrant issued.

c. That there is no undue delay in the execution of warrants.

d. That the collection of warrant fees is duly brought to account.

e. That warrant numbers are noted against the corresponding assessment numbers in the demand register.

f. That the blank forms of warrants are not signed by the executive authority and left with the bill collector to be filled up and executed on his own initiative.

g. That fee on warrants once issued have been collected or written off with the sanction of the Gram Panchayat.

Note: It is permissible to write-off the warrant fee when tax for which the warrant was issued has been collected.

h. That the postings of collection of warrant fees in the current and Arrear Demand Register are made as in the case of Property Tax.

Inventory and Register of Distrained Property:

Auditor Should Verify:

1. That in every case of distraint for non-payment of tax, a warrant has been issued.

2. That the several columns in the register of distrained property are properly filled up.

3. That a list of property distrained is made out in each case and the foil of inventory furnished to the party.

4. That the distraint fees, etc., due are collected in accordance with the rules fixed by the Gram Panchayat.

Note: The warrant fee should include the amount of tax for the purpose of calculating the distraint fees.

5. That the signature of the party is taken in the register when the property is returned to the owner.

6. That the surplus sale proceeds have either been refunded to the party or credited to deposits and that in the former case the refund has been duly acknowledged by the party.

7. That the amounts credited to deposits are adjusted to Gram Panchayat funds as lapsed when no claim is made within the prescribed period.

8. That sale lists are forthcoming in all cases of sales.

9. That there are no undue delays in the disposal of distrained property;

10. That there is evidence of examination of the distrained property by the executive authority from time to time.

11. That the demand, collection and balance struck in the warrant and distraint Registers agrees with the corresponding figures in the Demand Collection balance statement furnished with the Annual Account.

12. That the total collections of the warrant and distraint fees as per the Registers agrees with the corresponding figures in the General Ledger and Trial Balance.

Cess Collections:

1) Land Cess:

The Auditor should check the following:

a. Verify if the land cesses have been collected as per the Gram Panchayat Act of the State.

b. Such cesses collected are in addition to the land revenue payable in respect of the land concerned

c. Verify if the entire amount collected in the form of cesses has been collected and passed in to the Gram Panchayat of that area.

The Auditor should:

a) Verify if library cesses have been collected as per State Act.

b) Verify if the entire amount collected in the form of cesses has been passed on to the local Library Authority of that area as per the provisions of the State.

c) Verify if the amount of cesses payable to the district libraries are after deducting the cess collection charges.

d) Other cess Verify whether Beggary Cess, Health Cess have been collected as per G. Os / rules and credited to respective Heads of Accounts of the concerned departments of the respective State Government.

Trade licence fee is levied by the Gram Panchayat for issue of licence for using any place for carrying on any one or more trades specified, within the Gram Panchayat limits.

The following Checks need to be performed in case of Audit of Trade Licence Fees:

a. The Licence fees are collected before a licence is granted or renewed.

b. In case a licence applied for by a person or its renewal is refused, verify if the fee paid by him along with his application is refunded.

c. The miscellaneous licence book issued for stock have been accounted for by way of used or unused books.

d. That the balances outstanding in the annual lists are transferred to the arrear demand register and that a demand collection and balance statement is worked out.

e. The collections in the yearly list have been totalled and tallied with General ledger.

f. The total collections as shown in the abstract should be tallied with the gross collections as per Chitta after allowing for advance collections of subsequent year, arrear collections.

g. The total balance in the current Demand list and the Arrear Demand Register is traced in the Arrear Demand Register of the next year.

h. The brought forward items are totalled and the figure agrees with the total balance of arrears as per Demand, Collection and Balance (Arrears and Current).

i. Proportionate fees are recovered, there is provision for the same in the notification.

j. The period is specifically mentioned in the application for licences.

k. Check that licences are not issued for any period beyond the end of the year.

l. A permission of the GP is obtained for constructing or establishing any factory, workshop or work place in which it is proposed to employ steam power, water power or other mechanical power or electrical power or to install in any premises any machinery or manufacturing plant driven by steam, water or other power m. The fees fixed by the GP for the purpose are collected.

m. The monthly reports of persons who have not taken out the requisite licences are regularly received.

n. The applications for licences are duly affixed with the court fee stamps to the required value and are filed in consecutive order.

o. The rate at which fees are collected is in accordance with the rate in the notification published by Gram Panchayat and the description of the trade or industry corresponds with the notified classification.

p. The fee collected on each licence has been recorded in register of miscellaneous licences in chronological order.

q. The number of the licence is noted in the annual list and the licence is issued in all cases. Separate registers are maintained for each kind of licence issued and renewal watched through the register.

Building Licence Fees:

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Every person who constructs, reconstructs or alters or adds to a building other than hut shall submit an application to the Gram Panchayat for the approval of the site and for permission
to execute a construction. Application should be accompanied by site and building plan. The Gram Panchayat will issue building licence as per the rules and regulations and recover the prescribed fees.

It should be seen in Audit that:

a) The conditions prescribed in the rules have been satisfied by the Executive authority.

b) The applications received from the parties have been entered in the register of application in chronological order.

c) The licence fee fixed by the GP has been levied.

d) Fresh plans have been received in cases of deviations from the original approved plan.

e) The plan has been prepared by approved licence holder.

f) The licence has been issued at the first instance for the period of three years and then subsequently renewed properly.

g) The approved buildings have been brought to Property Tax assessment immediately on completion of the building.

h) The fees due to be received through Demand Drafts have been remitted to the concerned authorities without any delay.

Note: The Check Register should be scrutinized by the Executive Authority once in a month and report of unauthorized construction should be sent to the revenue section and the reports recorded in a special register maintained in the revenue section and scrutinized by Executive Authority. The observance of the above instructions should be seen and lapses commented upon. Specific mention should be made in the Audit Report, wherever the assessment particulars are not entered in the check register.

i) Extracts from the register are furnished to the outdoor officers for reporting the date of completion or occupation;

j) The extracts bear evidence of periodical inspection of the buildings;

k) The dates of completion or occupation are noted in them and that they are reported to the Gram Panchayat office in the monthly list for necessary action.

l) There is evidence of the register having been checked by the Executive Authority.

m) If the buildings have not been constructed or reconstructed within the time fixed in the licences, then verify if those licences have been renewed.

Licence Fees for Use of Places for Specified Purposes:

It should be seen that:

a. When the Gram Panchayat notifies for the first time that the places within the limits of the village should not be used for certain specified purposes without a licence issued by the Executive Authority, due publicity is given to it by displaying it in the Notice Board of the Gram Panchayat and also in three important places in the village and the notification is given effect only after expiry of sixty days from the date of notification,

b. That the fee is charged and collected for prescribed period in advance.

Sales by Auction All Sales of the following must be effected by Public Auction:

a. The produce of usufruct trees.

b. Wind fallen and withered trees.

c. Sweepings.

d. Tools and plants.

e. Old Stores and materials.

Lease of buildings and lands belonging to Gram Panchayat should be effected by public auction.

It Should be seen:

a. That the public auction is conducted by the executive authority or by a person duly authorized by him.

b. That full publicity is given about the proposed auction.

c. That the bids are placed by the executive authority before Gram Panchayat.

d. That the G.P. has accepted the highest bid and where the bid accepted is not highest, the reasons for rejecting a bid or bids namaste higher than the one accepted are recorded in writing.

Gram Panchayat may with the previous sanction, dispense with public auction in the case of lease of lands and buildings when it is advantageous to renew the lease in favour of the person to whom it was originally granted.

e. That adequate security has been taken, which should not be repaid unless and until the lessee has satisfactorily complied with the terms of lease, but the amount may be adjusted towards the last instalment due under the lease.

f. The articles sold are not allowed to be taken possession of by the successful bidder until he has paid the full amount payable by him.

g. That all sales are shown in the register of miscellaneous sales and that all realizations of amounts are entered therein.

Revenue Leased Out:

a. It should be seen whether a preliminary notice setting forth the conditions of the lease has been published and whether the lessee has given adequate security for the fulfilment of the conditions of the lease.

b. It should be checked whether the lease deed is duly stamped and whether it contains details of conditions and duration of the lease, the amount of each instalment to be paid and the rate of penal interest to be paid in case of default.

c. The files relating to auctions should be examined and the receipts traced to the day book for the entire period.

d. It should be seen whether amounts received on the account of revenue leased out are acknowledged by the issue of receipts

e. The amounts of demand, collection and balance are entered in miscellaneous demand register.

f. The checks exercised in the case of receipts and the demand register of tax on land and buildings may be applied in the case of this revenue also.

g. It should be seen whether all items of miscellaneous demand are entered in the register and adequate action taken to recover the amounts within the prescribed period.

h. The annual abstract figures of demand, collection and balance in the register should be verified in audit.

Income from Endowments and Trusts:

All properties, endowments and funds belonging to the institutions shall be held by the Gram Panchayat in trust for the purpose for which such property, endowments and funds were lawfully applicable at the time of such transfer.

It Should be seen:

a. That the Gram Panchayat has maintained separate set of income and expenditure account in respect of such institutions or execution or maintenance of any work for a period of two years and the accounts shall be placed in every meeting of the Gram Panchayat,

b. That up-to-date record of every endowment or trust managed by the GP is maintained,

c. That a register of endowments and trusts is maintained showing in separate pages the yearly transactions relating to each such endowment or trust.

It Should be Seen in Audit that:

a. These funds are utilized as per the guidelines thereof

b. Separate account has been opened in case of grants received under schemes.

c. The funds are utilized for the purpose for which they are sanctioned

d. The amounts are spent within the time limits

e. Unspent balances, if any, are refunded

f. Utilization Certificate in Form 46 is furnished to the Grant sanctioning Authorities.

g. If any deductions have been made for any dues by GP to the government.

h. Audit observations of AG/CA are attended.

i. The Central Finance Commission constituted by Central Government allocates funds every year on the basis of population of Gram Panchayat. It should be seen in audit that these funds are utilized as per the guidelines thereof.

Lapsed Deposits and Other Forfeiture:

The deposits, which are not claimed for more than three years lapse to the General Funds with the approval of Gram Panchayat. Such amounts have to be transferred from Deposit Account to General Fund Account by passing a

Transfer Entry Voucher. The audit should verify that no item of receipt/revenue was accounted as deposits.

Audit Checklist for "Expenditure Items" of Gram Panchayat

Audit checks for some of expenditure which are available in all types of auditee institutions can be referred to in the previous Section which contains generic check list. General Audit checks for expenditure specifically applicable to Gram Panchayat are mentioned in the section below with appropriate reference to the Common Audit Checks of Expenditure.

a. The payments made by the GP are supported by a bill or a voucher as per the requirement of Panchayat Rules of the State Government.

b. The items of expenditure are covered by the Budget provision or by re-appropriation from another head as the case may be, and a certificate to that effect is furnished on the voucher.

c. The bill has full particulars such as nature of claim, amount, period to which the claim relates, etc.

d. In case of purchase of supplies / materials, check if a certificate is given that the material is received in good condition (Quality Certificate).

e. The bills are prepared in the prescribed manner and verified and passed by the Secretary, and sent to President for the approval before making the payment.

f. The accrual entry has been passed on the admittance for payment, by treating them as liabilities.

g. The payments to the bill are made in accordance with Rules of the State Government and all such payments are made only through cheques.

h. The cheques are signed by the Secretary and President and made through account payee cheques.

i. An acknowledgement has been taken for the Payment Voucher.

j. The mode of payment "paid by cheque" or "paid by adjustment" has been noted on the voucher.

k. There are no erasures and that any alterations in the total are attested by the officer concerned as many times as they are made.

1. Check of monthly accounts and other initial records.

2. All receipts issued in proof of receiving of money may be traced to day book of collections and cash book

3. All remittances shown as remitted into bank or treasury may be checked in cash book/remittance register and trace receipt entry in Bank pass book/personal deposit schedule/pass book of Treasury.

4. All payments are routed through cash books are supported by valid voucher/proof of disbursements.

5. Check whether at the end of each day, cash book was closed and closing balance certified by the Panchayat Development Officer/Secretary of Gram Panchayat.

6. Check whether the closing balance at the end of each month was reconciled with bank pass book / treasury schedule.

7. Whether General ledger has been maintained in relevant Form and only printed books are used. Check whether separate folios/ pages are allotted to account for every receipt and payment. Check entries in General ledger with cash book/and other accounts records.

8. Verify whether General ledger is closed every month and total of receipts (credits) and payments (debits) are correct.

9. Verify if monthly total of receipts and payments as posted against relevant items/head of accounts in the monthly accounts are correct, compare the postings in monthly accounts with General ledger and other accounting records and verify for correctness of data.

10. Check if monthly accounts were approved by Gram Panchayath and furnished to Chief Accounts Officer, ZP and Sr. Deputy Director/Joint

Director, LAC as per the State Government Rules. Verify if any remarks were communicated from the Chief Accounts Officer, ZP on such accounts. Posting was made cumulatively every month and trace entries to annual accounts.

11. Non-production of vouchers:

In cases where vouchers/proof of disbursement are not produced as required, action may be initiated under Panchayat Rules of the State Government. Besides mentioning the fact of non-production of vouchers, the following verifications may be done:

(a) Identify the work/programme/ scheme to which it (vouchers not produced to audit) pertained and whether such works were included in the list of approved works.

(b) Verify whether there are any entries/record of the transaction pertaining to vouchers not produced, in any of the accounting records/registers like Register of works, Register of Contingent charges, Stock Registers, Cash Book, General ledger, etc.,

(c) Check whether such amount (pertaining to vouchers not produced) was drawn on self-cheque or cheque drawn in favour of contractor/supplier as may be available in Bank pass book/treasury/Personal Deposit Schedule

(d) If there are no entries at all or records of transactions pertaining to vouchers not produced to audit, the fact may be reported to higher authorities besides mentioning it in the audit report.

Major items of expenditure have been mentioned below along with audit checks specific to each such item.

Establishment Expenses Salary consists of the following:

- **i.** Basic Pay.
- **ii.** Dearness Allowance.
- **iii.** House Rental Allowance.
- **iv.** Leave Encashment Allowance.
- **v.** Other allowances and benefits.

Apart from the above audit checks prescribed, the following additional checks applicable specifically to Gram Panchayat need to be performed by the auditor.

a) The pay bills are prepared in Gram Panchayat Specified Form in accordance with instructions contained in Rules and disbursements of pay made.

b) Proper acknowledgements are obtained in the acquittance rolls for all payments, affixing receipt stamps.

c) The thumb impressions are obtained on the acquittance rolls in acknowledgement of amounts paid to illiterate employees and the thumb impressions attested by the disbursing officer.

d) Pensionary and leave salary contributions are paid on account of Government servants deputed to the Panchayat and other employees who may be entitled to pension benefits.

Travelling Expenses to President, VP and Members of GP The President, Vice-President and
Members of Gram Panchayat are eligible for TA and DA. The general checks for the audit of travelling allowance are to be complete by the Auditors. Other checks for Travelling Expenses specific to Gram Panchayat Rules of the Concerned State.

It Should be seen that:

a. If the tours undertaken are within the Gram Panchayats, no TA and DA are allowed,

b. The President has drawn sitting fees for attending Gram Panchayat meetings at the rates admissible under the relevant rules from Gram Panchayat Funds only,

c. The President does not utilize the Government vehicle for journeys outside Gram Panchayat jurisdiction.

d. The places are connected by train, the journey was performed by train and where the President, Vice-President or Member performs journey by motor cycle or car between such places meeting the propulsion charges for himself, the claim is limited to the train fare entitled or the propulsion charges whichever is less,

e. The following permissions are obtained:

- ✓ Prior permission of competent authority was obtained for journeys outside Gram Panchayat jurisdiction but within District,
- ✓ Prior approval of competent authority was obtained for journeys outside the District.
- ✓ Prior approval of Director (PR) was obtained for journeys outside the State.

f. The claim was preferred within twelve months from the last date of the journey, regarding time limit for preferring TA claims refer to audit check in generic checks.

g. The TA Bills were admitted for payment only after they were scrutinized and countersigned by EO (Taluk Panchayats).

Travelling and Conveyance for Panchayat Employees:

Verify Whether:

1. The travelling allowances are drawn for the Panchayat employees at the rates prescribed and in accordance with the Provisions of Gram Panchayat Rules.

2. The travelling allowances drawn by the Chairman and Members of the Panchayat are appropriate as per the rules.

3. The travelling allowances have been claimed on bills in Gram Panchayat Specified Form and whether the distances noted and the fares claimed are correct.

4. Proper acknowledgements have been obtained for the amounts paid. The amounts may be traced to the general cash book.

Programme Expenses:

It Should be seen in Audit:

a. That proper vouchers are obtained for the amounts spent.

b. That the items purchased are entered in a separate register to be maintained for the Scheme.

c. That proper receipts are obtained from the participants in the programmes to whom payments were made.

d. That the details of programmes conducted are produced for audit and expenditure incurred conformed to norms/guide lines of programme/scheme besides statutory provisions.

Audit of Works Expenditure:

Check that:

(a) All developmental works executed out of GP Fund were within functional jurisdiction of GP and works executed were within scope of Panchayat Rules of the concerned State Government. Expenditure on works not within scope of these provisions may be suitably commented.

(b) All works were technically and administratively sanctioned by competent authorities.

Financial Power to Approve Estimates are as per the State Government Panchayat Rules.

(c) Estimate was not split into smaller values to avoid sanction and scrutiny from higher authorities.

(d) Estimates were prepared in accordance with the procedure of Public Works Department by adopting schedule of rates and detailed report was enclosed to the estimate, containing justification for the work.

(e) Gram Panchayat has complied with rules/regulations of the State Government were complied with in tendered works unless exempted.

Auditors may also Verify whether:

(f) Payment for tendered works is made at accepted rate and in respect of departmental works at Scheduled rates.

(g) Statutory deductions like Royalty, Income Tax etc. were made and remitted to concerned authorities.

(h) EMD was obtained with Tender documents. Also, Security Deposit at percentage defined by the State Government of estimated cost is recoverable.

(i) Final Bill was passed for payment after furnishing completion report by Gram Panchayat / Engineer. EMD and security deposit are refundable after three months of furnishing completion report

(j) Check measurement of work-Compare the quantity of work as entered in the measurement book with the work bill and rates, with contract agreements. Verify if works were check measured to the extent prescribed in Panchayat Rules of the State Government.

(k) As substantial funds are disbursed through nominal muster rolls due to execution of works departmentally and labour-oriented schemes/programmes, Auditor may verify these payments in greater detail.

1. Check whether only printed muster rolls are used as use of white paper with columns drawn manually are prohibited. Verify that NMRs were machine numbered and such numbers are entered in Stock Register.

2. Entries are made legibly and no overwriting / erasures are made.

3. Acknowledgment of labourers are obtained in proof of disbursement.

4. Rate of wages are admissible according to orders issued from time to time check total amount of wages in respect each labourer and total amount of NMR is correctly worked out and compare it with

amount drawn on cheque for each NMR (Section 6 of MGNREG Act)

5. That wages were disbursed directly to the concerned persons in the presence of independent person of the community on pre announced dates (Section 23(4) of MGNREG Act).

6. Engineer in charge of the work has certified the fact of disbursement in the muster roll.

7. If payment of wages has been linked with completion of work and engineer in charge of the work has furnished completion report as per the Panchayat Rules of the State Government.

8. That works on which labourers were engaged were approved by Gram Panchayat/other competent authority.

9. That works was inspected as per prescribed pattern, any deficiency in inspection may be highlighted.

10. Wages are disbursed normally once in a week, while attendance of labourer is taken daily. Compare daily attendance report with muster roll and verify that number of days for which wages were shown as disbursed agree with attendance report. Check the actual date of disbursement of wages and last date of engaging labourer as recorded in attendance report/NMR and date of issue of material (Section 3 of MGNREG Act)

11. Check that total wages paid was commensurate with quantity of work. Work executed has to be measured and entered in muster roll. Auditor may work out total cost of the work as per scheduled rate of PWD and compare it with total wages paid and cost of material used. Huge variation may be indicative of engaging either excessive labourers or suspicious disbursement of wages. Such cases may be analysed in detail and recommended for suitable enquiry/investigation (Para 16 and 17 of Schedule 1 of MGNREG Act 2005).

12. Check that only such muster roll forms as supplied by the programme officer (Panchayat Development Officer / Executive Officer) are used for payment of wages under the programme.

13. Check whether each such muster roll form supplied by the programme officer, has a unique identity number and signed by the programme officer and each work has unique identity number. Any other muster roll formats not supplied and not signed by programme officer, not having unique identity number must be treated as unauthorized.

14. Check that labourers engaged have job card. Compare details in job card with details available in muster roll (Age of Labourer, Name, Address etc.) (Schedule 2 of MGNREG Act).

15. Besides providing employment, durable assets are also to be created. Check whether any durable asset was in fact created. Check whether labour material component was in the ratio of 60 and 40 respectively at Gram Panchayat Level (Para 20 of schedule 1 of MGNREG Act).

16. Check whether inspections of works were conducted according to prescribed scale. Details of inspection to be conducted are as per State Government Norms mentioned below is an Example:

✓ Taluk Level Officers - 100%.

✓ District Level Officers - 10%.

✓ State Level Officers - 2%.

17. Check that wages were disbursed through individual or joint savings account opened in either post office or bank unless so exempted (Para 30 of Schedule II of MGNREG Act 2005).

18. Check that money spent on road works does not exceed Specified Percentage mentioned by the State Government of total value of all works and a minimum of percentage specified by the State Government of total expenditure pertained to plantation programme.

19. Ascertain total length of roads within the jurisdiction of the Gram Panchayat. Verify, total length of roads on which maintenance/repair works were shown as executed, over a period of two or three years and compare it with total length of roads. Analyse reasons/ justification for effecting such works repeatedly on the same stretch/chainages and comment on quality of work. Check whether such works in particular were inspected.

Audit checklist for "Assets"

Major items of assets have been mentioned below along with audit checks specific to each such item.

The following are some of the points that should be kept in view and examined in the audit of fixed assets.

(i) Verification of Purchase Procedure of Fixed Assets:

a. Verify if GP which purchases a Fixed Asset enters the purchase in the register of Fixed assets.

b. Check for the procurement order, budget availability etc.

c. Verify all the documents and if entries are made in the relevant Fixed Assets Register.

d. Check if the assets are physically verified periodically.

e. Check if the assets have been adequately insured covering the value of the asset and timely renewals are made at regular intervals.

(ii) Disposal / Sale of Fixed Assets:

Where fixed assets are disposed-off by sale either through auction or otherwise, check whether the stated procedure as under has been followed:

a. The GP will normally collect EMD from the bidders, and after the auction is over, the EMD will be refunded to the unsuccessful bidders. The EMD of the successful bidder will be adjusted towards the sale value of the asset and the balance amount will be collected from him. The accounting of collection of EMD and sale value of the asset shall be done in the same way.

b. Verify if the details of bids received, EMDs collected, outcome of the bid, refund of EMDs etc. are recorded in Register of Miscellaneous Sales / Auction.

c. Check whether the details of the disposal of the asset shall be noted in the relevant Fixed Asset Register, under attestation by the concerned officer.

d. Check if the appropriate authority has granted permission for disposal of Fixed Assets.

Investments:

Register of Investments Verify that:

a. The registers show all investments belonging to the GP with details of dates of maturity, interest due, etc.

b. The interest due has been realized on the due dates and that the investments matured have been realized or reinvested under proper authority,

c. The total amount of the investments has been verified annually by the Executive Authority and a certificate of verification appended in the register,

d. The totals of investments made as shown in the register agree with the figures in the posting register and the annual account.

e. The interest on investments is recognized as and when due. At period-ends, the interest has been accrued proportionately irrespective of whether it has been received or not at the end of the year.

f. Income on investments made from Special Fund and Grants under Specific Scheme are recognized and credited to Special Fund and Grants under Specific Scheme respectively, whenever accrued.

g. The amount of investment as reported in accounts agreed with actual documents such as fixed deposit receipts share certificates etc. These documents should be verified physically.

h. That only surplus cash is invested in a bank to which Government Treasury Business entrusted including a scheduled bank or co-operative bank. (As per the Rules the State Government).

Loans & Advances:

The following aspects relating to Loans and advances should be examined in the audit (As per Panchayat Rules of the concerned Governments):

a. Loans to others are entered in the 'Loans to Others Register' and on a monthly basis; the amounts as per the register are reconciled with the amounts as per the Ledger Accounts.

b. The interest accrued at the period ends is entered in the registers referred above and the interest on loans as per the registers is reconciled with the amount as per interest ledger.

c. At the end of the year, an abstract of 'Loans to others' is made showing the loans outstanding at the beginning of the year, loans lent during the year, total interests accrued during the year and total amount of recoveries / adjustments during the year.

d. Register of Loans contains record of all loans borrowed and confirmation statement as per prescribed format is sent to the lender every year.

e. Check if the loans and advances granted are made by the appropriate authority.

f. Check if any sinking fund is created for the repayment of loans and advances.

g. Check that all advances disbursed by GP to others were recovered / adjusted within the stipulated time as specified by the State Governments in this regard. Such advances not recovered / adjusted within the stipulated period, Chief Accounts Officer of concerned ZP should address the concerned bank not to honour cheques presented by such GP. Auditor may review disbursement and recovery of advances.

Cash and Bank Balances:

Review of the following aspects of Internal Control relating Cash and Bank Balances must be done by Audit:

1. Segregation of duties relating to authorization of transactions, handling of cash / issuance of cheques and writing of books of account, and rotation of the duties periodically.

2. Proper authorization of cash and banking transactions.

3. Daily recording of cash transactions.

4. Safeguards such as restrictive crossing of cheques, use of preprinted, pre-numbered forms.

5. Periodic reconciliation of bank balances.

6. Reconciliation of cash-on-hand with book balance on a daily basis or at other appropriate intervals, including surprise checks by higher authorities.

7. Safe custody of cash, cheque books, receipt books, etc.

8. Cash / fidelity insurance.

(i) Verification of Cash Balances:

a. Physical verification may be carried out, on a surprise basis, at any time during audit.

b. If IOUs ('I owe you') or other similar documents are found during physical verification, the auditor should obtain explanations from a senior official of the entity as to the reasons for such IOUs/ other similar documents remaining pending. It should also be ensured that such IOUs/other similar documents are not shown as cash-on-hand and settled on a timely basis.

c. Where postdated cheques are on hand on the balance sheet date, the auditor should verify that they have not been accounted for as collections during the period under audit.

(ii) Verification of Bank Balances:

a. Verify if the bank balances as per the ledgers reconcile with the balances in the bank statements.

b. Examine the bank reconciliation statement prepared and reviewed as on the last day of the year. Also examine the reconciliation statements as at other dates during the year.

Further, it should be Examined Whether:

a. Cheques issued by the entity but not presented for payment have been noted.

b. Cheques deposited for collection by the entity but not credited in the bank account, have been duly debited/credited in the subsequent period.

c. Special emphasis on those items in the reconciliation statements which are outstanding for an unduly long period. Ascertain the reasons for such outstanding items. Also examine whether any such items require an adjustment / write off.

d. There are any inoperative accounts and have remained stagnant, but transactions may have taken place in that account during the year.

e. In relation to balances/deposits with specific charge on them, or those held under the requirements of any law, verify that suitable disclosures are made in the financial statements.

f. In respect of fixed deposits or any other type of deposits with banks, the relevant receipts / certificates, duly supported by bank advices, should be examined.

g. The auditor should examine that suitable adjustments are made in respect of cheques which have become stale as at the close of the year.

Audit Checklist for Liabilities:

Major items of Liabilities have been mentioned below along with audit checks specific to each such item.

Borrowings:

Important Points to be Looked into in the Course of Audit:

a. Whether GP has obtained prior approval of Government.

b. Ensure that the borrowings are regulated as to not to exceed the limits, if any, fixed from time to time and the conditions laid down in this regard are duly observed.

c. In the case of loans raised, ensure compliance with the conditions imposed (if any) by the competent authority while giving consent to their raising the loans or guaranteeing their repayment, or while granting a loan to them.

d. Ensure that the proceeds from borrowings have been properly brought to account and have been expended only on the objectives for which the loans were raised or to which borrowed moneys may properly be applied in accordance with the sound principles of public finance.

e. Examine whether adequate arrangements have been made for amortization of the debt and bring to light instances in which this requirement has been ignored or the arrangements made appear prima facie to be inadequate.

f. Verify that the conditions governing the Borrowings are scrupulously observed. It should be seen, in particular, that the annual debits against revenue under the specific borrowings are calculated strictly in accordance with the approved programmes, that the appropriations for reduction or avoidance of debt are applied to the objects for which the money has been set aside, and that the liquidation of debt proceeds at the rate and on the lines prescribed.

g. Outstanding loan at the end of financial year as reported in accounts (Balance sheet) reconciled / agreed with records of lending agencies / loan ledger of GP.

Sinking Funds:

In auditing accounts of Sinking Fund created by a GP under the relevant provisions of Act and Rules for the redemption of loans raised, within the periods prescribed:

The following points should be verified:

a. A separate account is maintained.

b. The Fund is sufficient to repay the principal and interest by the prescribed due date/dates.

c. Credits to the Fund are made in instalments regularly from the GP funds debiting Revenue in accordance with the prescribed procedures.

d. Payments from the Fund are made only for the purpose for which it is created.

e. Accumulations in the Fund are invested in such securities as may be prescribed and such investments are sound.

f. A Register for Sinking Fund is maintained, posted up to date and the balances as per the Register agree with account Balances

Write-off of Irrecoverable Amount:

Auditor may verify whether exhaustive/comprehensive efforts were made by GP before writing off any tax, fees, rates and other sum due to it before treating such amount as irrecoverable and
written off. Amounts written off by GP did not exceed amount limit fixed by the State Government. Whenever amounts written-off exceed the limit fixed by the State Government, audit should verify whether approval was obtained.

Closing Remarks:

Financial Audit and the modifications in the accounting systems/fund flows. These Guidelines bring clarity to Financial/ Certification Audit process and reporting requirements as being different from 'Compliance' and 'Performance' Audit. Also, these Guidelines encapsulate the framework of Financial Audit and the structure of accounts in Central Government, State Governments and Panchayati Raj Institutions. The sequential stages in the entire audit exercise and the **detailed checks and processes** to be carried out at each step are also presented in a user-friendly manner.

NOTE: The aforementioned checklist is beneficial for Auditors in gaining an understanding of various elements / areas to be examined / scrutinized by the Auditors in the Audit Process of Panchayats. Several of these Processes / Checklist may vary across the States depending on the Legislations / Statutes / Regulations / Procedures / Government Orders from time to time that were promulgated / approved by the respective State Government to Regulate the Panchayat System of their State in collaboration with the Panchayat Raj Department / Local Audit Department, including Financial Authorities / Allocation of Authorities / Tendering System / Limits / Durations, among others. It is incumbent upon the Auditors to Validate these aspects with the State Government / Panchayat Raj Department / Local Fund Audit Department Directives prior to commencing the Audit Assignment and these must be corroborated / confirmed with Manuals / Governmental Directives disseminated by the State Government periodically to the Panchayat Raj Institutions of the State.

Chapter 6:

Action Taken Report (ATR) Module of AuditOnline

AuditOnline is one of the applications developed as a part of Panchayat Enterprise Suite (PES) under e-Panchayat Mission Mode Project (MMP) of by the Ministry of Panchayati Raj (MoPR). AuditOnline aims to record detailed information about audit conducted for Panchayati Raj Institutions (PRI). AuditOnline facilitates recording details for both Internal and External Audit as per the defined process. It is generic and open-source software developed as part of Panchayat Enterprise Suite.

Central Finance Commission time and again have expressed concerns over the unavailability of audited accounts of the Panchayats; and the XV Finance Commission in its report laid down a two-point critical reform agenda wherein they emphasized on making available the accounts online, both before and after audit. To address this critical Institutional reform, MoPR launched the AuditOnline application on 15th April 2020, for carrying out online Audits of Panchayat accounts – further strengthening the financial management and transparency of the Panchayats. One of the unique aspects of this application is that it is configurable as per every States' Audit Act / Rules. Also, the application is not merely a data-entry application but an audit-processing application whereby the auditors can carry out the audits of Panchayat accounts. Moreover, AuditOnline is also linked to the accounting module of eGramSwaraj whereby auditors can access various information pertaining to Panchayat accounts viz. annual receipt & payment statements, consolidated abstract register, monthly reconciliation statement, voucher details, cash book report etc.

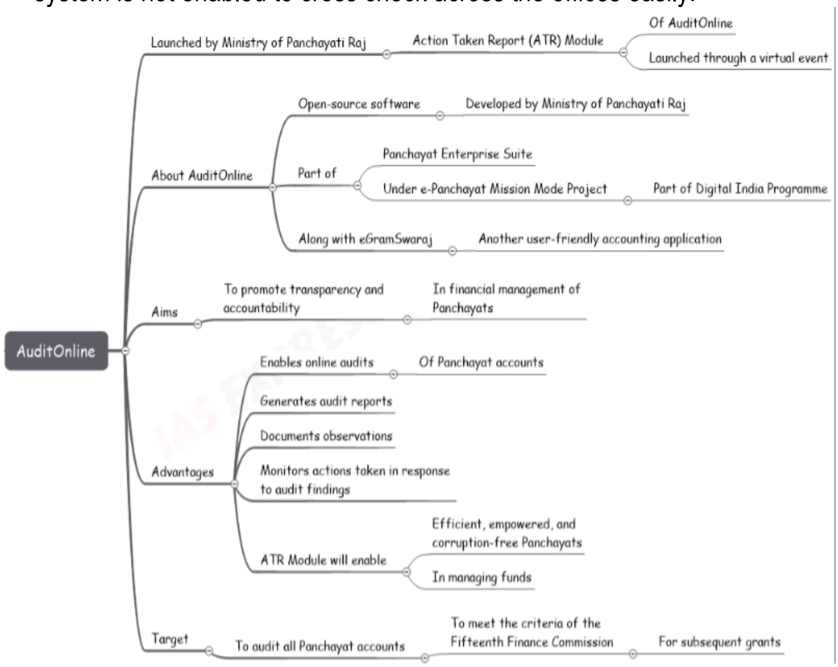
AuditOnline is one of the generic and open-source applications developed as a part of Panchayat Enterprise Suite (PES) under e-panchayat Mission Mode Project (MMP) initiated by the Ministry of Panchayati Raj (MoPR). It facilitates internal & external audit of Government department / PRIs. It also facilitates the financial audit of accounts at all the three levels of Panchayats viz District, Block and Village Panchayats. AuditOnline facilitates recording details for both Internal and External Audit as per the defined process. It also serves the purpose of maintaining the past audit records of the auditee with associated list of the auditors and audit team involved in the audit and acts as a good financial audit tool and improves transparency & accountability.

The conventional audit process consists of entry meeting with the stakeholders, conducting Audit Enquiry (AE), generating Local Audit Report (LAR), exit meeting, generation of Draft Notes (DN), generation of Draft Paras (DP) and preparation of final audit Paras, followed by generation of the Audit Report and placing the same before the Legislative Assembly. After the Audit Report is placed before the Legislative Assembly the same will be reviewed by the Public Accounts Committee (PAC) with the concerned Department and the Government at frequent intervals so as to ensure compliance of the audit findings, rectification of the omissions/commissions if any and taking follow up action to remedy and prevent repetition of the mistakes/shortcomings. The Performance Audit also provides, from time to time, special Audit Reports on important areas for the benefit of the department concerned to improve the governance. Thus, the audit forms part of the Good Governance in each of the departments and plays an important role in enabling Good Governance according to the stipulated rules and regulations.

Though the audit process is expected to assist the departments, the departments are unable to utilize the full benefit of the valuable process and the suggestions/recommendations of the AG from time to time due to the following reasons:

⇒ The system is paper based and not amenable for easy monitoring and evades institutionalizing good governance practices,

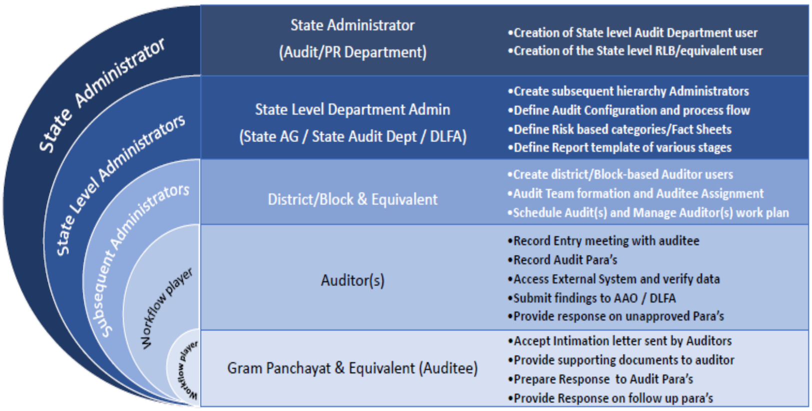
⇒ The movement of paper/file across the levels in a Department/Government is time consuming and causes undue delay in initiating action for the corrective measures,
⇒ Fixing accountability is very weak and follow up action is slow,
⇒ Not possible to identify the common mistakes and take remedial action promptly across the field units of the Department,
⇒ Same mistakes get committed year after year across the offices and the system is not enabled to cross check across the offices easily.



Thus, the existing manual system is very slow, cumbersome, and long drawn process and by the time the audit observations come for the review before the Public Accounts Committee, enough time would have been lapsed making the corrective action unproductive. Many a times, there is huge time lag between the Audit Enquiry and final review by the Public Accounts Committee, making the process frustrating and in-fructuous. Hence no effective systematic improvement takes place.

Thus, a need for improving the system of audit is felt by the stakeholders and decided to migrate the audit process from the existing "manual paper-based system" to an "Online ICT based System" to address the problems plaguing the existing system. The existing Panchayat Enterprise Suit under e-

AuditOnline: Key Stakeholders



Panchayat Mission Mode Panchayat was leveraged to develop the AuditOnline.

Features: Key features of the software include:

AuditOnline Features

≈ A single platform for the entire government to use, with a robust, scalable enterprise version that meets the needs of all State/PRI departments.

≈ It is a completely configurable application as per States' Audit process flow so that the State Auditors using the application can easily carry out the audit exercise using AuditOnline.

≈ Renounced the traditional audit process by implementing an online system for auditing that is lucid, accountable, and streamlined and is integrated with eGramSwaraj for fetching varied account reports.

≈ Flexible and adaptable, the programmable interface can meet the requirements of both internal and external audit assessments of PRIs/Government agencies.

≈ Seamless mapping of audit processes between assessors and auditees followed by ATR provides for rapid response, self-directed feedback, and follow-up analysis thus enriching reasonable supervision.

≈ Propensity to create dynamic forms to record case details (Case Records) and facts (Fact Sheets), capturing investigator comments based on defined parameters, and narrowing it down to the quality of their investigations.

≈ Provide categories and subcategories of risk-based audit observations for auditors/auditees to identify potential areas for improvement and determine their importance.

≈ CAG Audit Certificate Incorporated and the software's adaptability to the variations across state templates enables you to generate different types of reports per customizable report templates.

⇒ A robust, scalable, enterprise version on a single platform to meet the needs of all the departments of the State.

⇒ Ensures transparency, enables accountability, and brings efficiency in the complete audit.

⇒ Configurable for both Internal/External Audit of Government Departments, PRIs, ULBs etc.

⇒ Captures complete process of the audit by seamlessly mapping the processes of Auditor/Auditee and between Auditor and Auditee and ensure reply and follow up instantaneously and amenable for analysis and monitoring.

⇒ Enables access and usage by various units of the respective Departments with control and privacy and ensuring confidentiality as required.

⇒ Seamless flow of handling the audit at all stages in an intelligible way with linkage to transactional data at any stage and linkages with back-end data through uniform web service interface.

⇒ Facilitates taking corrective measures and triggers training need assessment and capacity building.

⇒ Facilitates constitution and managing audit teams and defining the audit schedule by assigning Auditee to the audit team and maintain its last Audited details.

⇒ Enables qualitative tags for audit observations into categories/sub categories.

⇒ Dynamically create Forms to record details about a file/case (Case Record) and facts (Fact Sheet) for capturing Auditor's input as per the defined parameters.

⇒ Facilitates Auditors to view the Auditee accounts online/offline, record observations, and generate various reports applicable in the audit cycle (Audit Enquiry / Local Audit Report /Draft Note / Draft Para / Draft Audit Para etc.)

⇒ Facilitates Auditee to respond to the queries raised by Auditor.

⇒ Provides dashboards on Audit Team Schedule, Office wise Pending observation, category and sub-category wise list of pending observations etc.

⇒ MIS Reports available in PDF/Excel sent to users through email.

⇒ Ensures complete confidentiality with high levels of security.

⇒ Technical architecture supports interoperation (data exchange) with other PES family products.

⇒ Simple and User Friendly.

⇒ Facilitates Transparency.

⇒ SMS/Email Based Alerts/Notification on regular update(s).

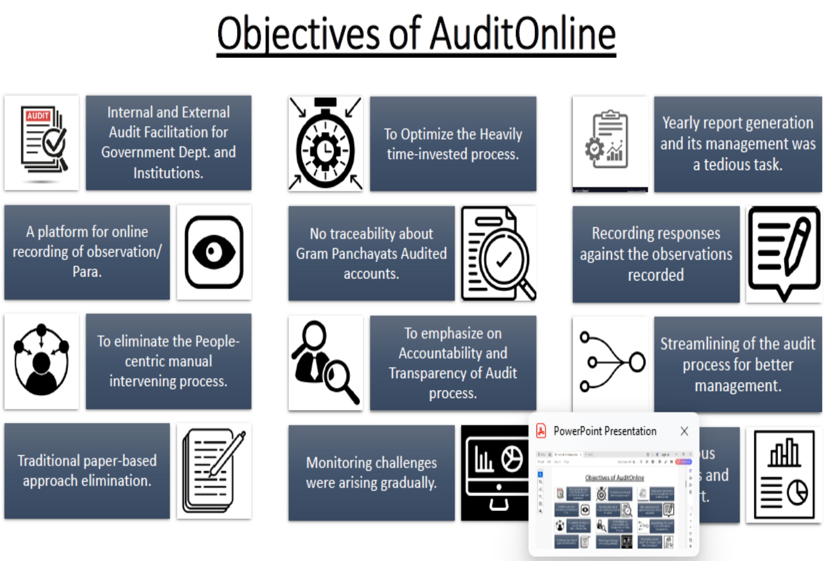
⇒ Supports multi-tenancy-multiple tenants in the same instance.

⇒ Strong Authentication Mechanism.

⇒ Work-Flow Enabled.

⇒ Based on Open-Source Technologies.

⇒ Web-based and available 24x7.



In order to realize the principle of accountability through Audit, the Ministry has launched the Action Taken Report (ATR) Module to bring in a more structured culmination to the online audit process by incorporating the Action Taken Report (ATR) Module as under:

1. **Timely Responses to the Auditors**:

   To ensure completion of the audit process on time and an appropriate Action Taken Report, it is essential for the auditees to act swiftly to the objections / observations of the Auditors raised including responding to the Intimation letter. The auditees shall respond to the Auditor within a stipulated time-period as laid down by the Auditor but not exceeding 15 days and failure to it should attract reprimand against the auditee.

2. **Responsibility Matrix**:

The following responsibility matrix would be followed for timely responses to the Auditors across the three tiers of Panchayats:

Panchayat Level	Responsibility
Gram Panchayats& equivalent	Panchayat Secretary
Block Panchayats & equivalent	Block Development Officer
Zila Panchayat & equivalent	CEO, ZP

3. **Speedy Action on Closure of Provisional Accounts**:

The Panchayats (Auditees) would expedite the closure of their provisional accounts on 31st March of any given financial year so that the audit activities can commence on time.

4. Prompt Audit of Provisional Accounts:

State Audit Departments / DLFAs need to speed up the audit process for the Panchayat provisional accounts for the previous year gone-by and immediately commence the audit process in the financial year which follows.

For Example, as per the XV FC guidelines, for the funds provided in the financial year 2021-22; the audit is currently in process for the next release of grants in 2023-24. However, since the provisional accounts for the year 2022-23 would have been completed on 31st March 2023; the audits of these provisional accounts shall also be required to commence. In such case, the Audit reports for the year 2022-23 would have to be generated by 30th September2023.

The same template would be followed for the subsequent years. If the Audit Report is not finalized by 30thSeptember, a system generated alert would be sent to the concerned to complete it by 31st December 2023.

5. Standardized Auditor Certificate:

The audited reports that would be generated from the audit period 2022-23 onwards would be as per the Standardized Auditor Certificate as prescribed by the O/o C&AG in their "Guidelines for Financial Audit of Panchayati Raj Institutions 2021" along with the appended report and the receipt and payment statement of the corresponding PRIs. The format is enclosed in Annexure. Further, any State chaptalization's that are required by the auditors specific to that State shall be appended to the Standardized Audit Certificate along with the appended report and the receipt and payment statement of the corresponding PRIs.

6. Magnitude of Information to be made Available to the Auditors:

The magnitude of information to be made available to the auditor is also a significant factor. The auditors have to be provided by the auditees all the possible information not limited to Panchayat account statements, voucher details, assets list of Panchayats but should also provide information on the following:

i. The user charges collected,
ii. The demand generated vis-à-vis the collection / recovery,
iii. Rebates provided to the user on account of paying advances against taxes or before the last date or in case of the Panchayat household falling under a particular beneficiary category, and
iv. Penalty on late payment of user charges etc. Such observations would have to be recorded diligently by the Auditors, with all the possible relevant information.

This would pave way for uniformity in terms of Audit observations / objections across the Panchayats.

7. Leveraging Technology for Speedier Audit:

i. With several ICT interventions developed by MoPR, all the possible relevant information would also be made accessible to the auditors, so that the audit exercise shall be carried out holistically. This will include information pertaining to the respective Panchayat Development Plans including details on the administrative approvals and technical sanctions so as to ascertain whether expenditure has been incurred as per the approved costs. Also, the details and information of the corresponding Gram Sabha in which the activities / plans have been accorded approval.

ii. In addition to the ICT application such as eGramSwaraj and its various functional modules (i.e., planning, accounting, reporting, asset management etc.), the auditors may also make use of applications like Vibrant Gram Sabha portal so as to be able to get information on the Sankalp / Resolution taken by the Panchayats for preparing Panchayat Development Plans including video recordings done through Gram Sabha Nirnay App (GS Nirnay) for verification purposes.

iii. Moreover, in the present scenario, although the audit of PRI accounts primarily pertains to those of Central Finance Commission grants (i.e. 14th FC & XV FC), it is not restricted to only these CFC grants but all the Central and State schemes that are being implemented by the Panchayats which means eventually the auditors would have to begin carrying out audits for all of the Panchayat accounts (i.e., all the Panchayat implemented schemes) to give a holistic view of the Panchayat Finances in the country. It may be noted that the Panchayat account would essentially be the sum total of all the transactions of the Panchayat (viz., salaries, office expenses, Honoraria, administrative expenses, grants-in-aid, wages etc.) regardless of the source of funds. Therefore, the Auditors would be required to carry out audits of the Panchayat accounts in entirety.

8. Action Taken Report on Audit Observations:

(i) Once the audit process is completed and the audit report generated, it would be mandatory to initiate the Action Taken procedure on the audit observations recorded by the Auditors and finalize the Action Taken Report (ATR) by 31stDecember.

(ii) Once auditee provides the response against each observation, the same shall be sent to the Audit Officer (AO) for verifying the Audit Report response by Auditee.

(iii) The AO shall verify the audit report response provided by the Auditee. AO can forward the response received from auditee to DLFA.

(iv) DLFA shall receive the responses from the AO and can take the following actions after categorized the observations:

- **Follow up**: Observations taken for further review between Auditee and Auditor, if auditor is not fully satisfied with the response. This communication will continue till the satisfaction of auditor. DLFA can ask for further reply from the auditee or can do the follow ups.

- **Drop Observation**: If fully agreed/satisfied with the response of Auditee.

(v) Auditee shall receive the task to provide additional response on the observations, the same will be provided by the auditee and send it back to the Auditor (AO, DLFA) until the observation gets settled. Auditee can view the trails/history while preparing the Response.

9. Timelines to be followed for submission of Final Audit Report

1. DLFA shall prepare the draft Audit Report and forward it to DPRO/CEO-ZP by end of September.

    a. DLFA will upload the draft Audit Report.
    b. The draft Audit Report will be forwarded to the auditee for response.
    c. After Auditee`s verification, the draft will be forwarded to higher authority.

2. The Audit Report, with the ATR, shall be finalized by DLFA by 30th November.

3. This final Audit Report shall be provided to the corresponding Panchayats by 31st December to be placed before the subsequent Gram Sabha/Block Sabha/District Sabha scheduled.

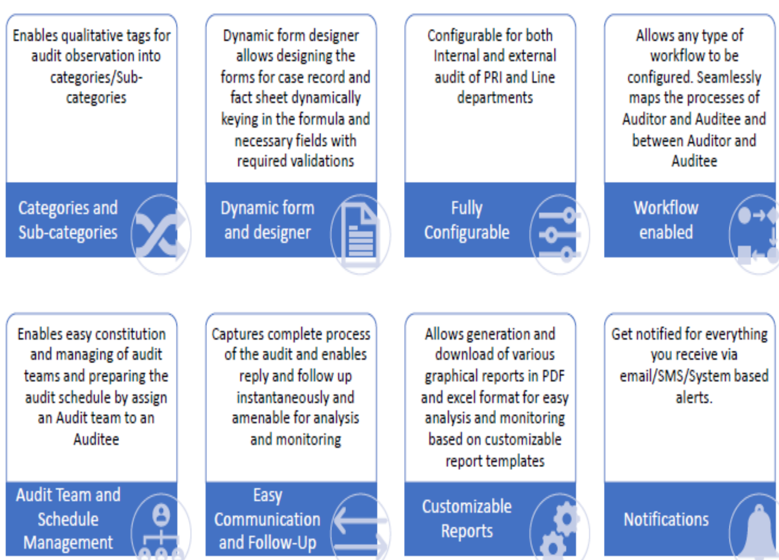
4. During the Gram Sabha, the members would be briefed on the Audit Report along with the ATR.

5. The BDO of the respective Block Panchayats and Gram Panchayats would have to be present during these Sabhas.

10. Placing of Audited Accounts of the PRIs in the Public Domain:

Prior to the placing of the audited accounts of the PRIs in public domain, the Action Taken Report (ATR) on the audit observations would be placed before the competent authority prescribed by the State Law such as Gram Sabha or Block/Zila Parishad or State Legislature etc. by 31st March of the ensuing year. If the issues / observations raised in the Audit Report are not addressed by the given timeline (i.e., 31stMarch of the year in which ATR is to be carried out), the ATR shall be deemed completed and the Audit Report along with the ATR would be published thereby making it accessible to the public.

Distinctive Attributes of AuditOnline



Various Modules: Audit Online is a role base application and broad modules of the software are:

1. **Configuration Module**: This module facilitates configuring the application to meet the state specific requirements. Configuration includes:

⇒ Defining the process flow which would be followed during the audit process, defining tasks and it's mapping i.e., flow of movement of task from one designation to another and finally freezing the process flow

⇒ Defining various categories and subcategories in which auditor would categorize the recorded observations.

⇒ Defining dynamic forms i.e., Case sheet and fact sheet to capture Auditor's input as per the defined parameters. Fact sheet basically defines the parameters/fields on which Auditor records the observations against each category and subcategory. For each category and sub category there can be only one form with many fields which auditor department can create which would be used for recording certain figures/data. For instance, the category is Taxes on Sales/VAT and Sub category is short levy of tax due to turnover escaped assessment, the face sheet form could include fields like total turnover and Amount of Short levy, total amount etc. Case sheet basically include certain basic details on which Auditor records the defaulter's information before recording the observations. For instance, in property registration audit, auditor is viewing the file of Hero Motors. So, while viewing the file, there would be certain details related to that particular file like Registrant Name, property id etc. which the auditor would record before recording the observations against that file.

⇒ Defining templates for generating various kinds of reports i.e., Audit Enquiry Report, Inspection Report, Draft Note and Draft Para etc.

Audit Online Process Flow

2. **Record Observation:** This module facilitates Auditors to view the Auditee accounts online/offline, record observations, generate Audit Enquiry and submission of it to Auditee for further action, maintain Audit records and generate Audit Report. The Auditor can generate various kinds reports required during the audit process, drop certain raised observations on which Auditee has provided satisfactory response, do a follow up on the observation which could be perused internally and escalate critical observation to the next level. An audit process studied for the application i.e. External Audit of Commercial Tax Department by State AG includes the following tasks:

   ⇒ ***Audit Enquiry Module**: The Field level audit starts from the preparation of Entry Meeting which is agreed upon by both the auditor and Auditee. The Record Observation process includes online recording of observations which the Auditor finds suitable which is verified by the Assistant Audit Officer (AAO) and finally approved and sent to the Auditee by the Audit Officer (AO). The Auditee provides his reply online, which the Auditor may accept and drop further action or reserve it for follow up action or include in the Draft LAR. At the end of field level audit Exit Meeting is conducted and Draft LAR is generated with all accompaniments* *which are scanned and attached with each observation which are forwarded to the HQ Section of the Office of the AG.*

⇒ ***LAR Module**: At the HQ Section the Draft LAR is scrutinised, relevant modifications are incorporated by the Auditor, AAO and AO. The DAG approves the final LAR which is then sent to the Auditee. The response for the LAR is approved and sent by the Controlling Officer of the Auditee to AG. The responses to LAR Paras are scrutinised at the HQ Section, and are either dropped/closed or converted to Draft Notes which are finally approved and sent to the Government and to the Head of the Department.*

⇒ ***Draft Note Module**: The responses to the Draft Notes are provided by the Government to the AG after correspondences with the concerned department. The responses Draft Notes are scrutinised by the HQ and Report Section of AG and the paras satisfactorily replied will be dropped/closed or converted to Draft Paras.*

⇒ ***Draft Para Module**: Draft Para once approved by the AG is sent to Government and Head of Department for their responses. The responses to Draft Paras are provided by Government to AG based on the comments of the concerned HoD. The responses for Draft Paras that are not accepted by the AG are converted to Audit Paras by the Report Section which is approved by the AG and sent to the CAG for final approval.*

3. **Audit Scheduler**: Facilitates formation of Audit Team, define audit schedule by assigning Auditee to the audit team and maintain its last Audited details.

4. **Notification Designer**: Facilitates configuring the notification for SMS/Email based alerts by defining the various trigger points on which department wish to be notified. The notification could be configured depending on the requirement for individual modules like Process flow, Audit schedule etc.

5. **Reports Module**: Reports can be generated on Audit Team Schedule, Office wise Pending observation, category and subcategory wise list of

pending observations etc. These reports can be generated in Excel and PDF formats.

6. **User Management**: Facilitate creation of users for Panchayats, Urban Local Bodies and Line Departments. Different type of user includes:

   ⇒ ***State Administrator:*** *Privilege to create the Admin. users for Department and PRI will be provided to these users.*

   ⇒ ***Office Administrator****: They will have the privilege to create users for the designations that exists in their office. Besides they will also be responsible for assigning the users who will be part of the workflow.*

   ⇒ ***Department Administrator****: These are the features that will be provided to the Department administrator of each Department. Department will be further segregated into 2 types:*

   - Auditor Department Admin: They will be adding or managing details of auditor, adding last audited details of Auditee, allocate Auditee office/entity to audit teams for auditing, define the configuration and process flow that is to be followed for each Auditee unit during the Audit process.

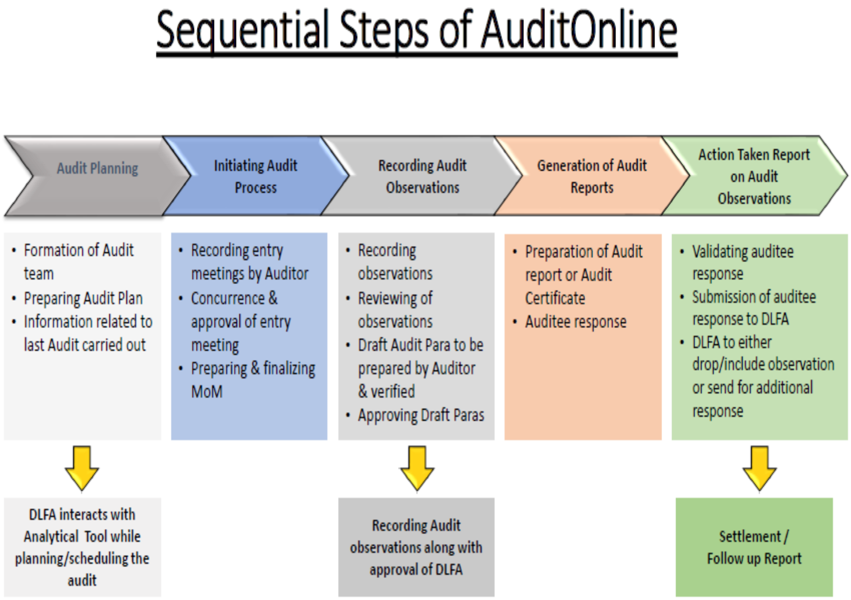
   - Auditee Department Admin: The Department will be responsible for adding the Category and Sub Categories under which the observation would be recorded by the Auditor, define various dynamic forms like Case Sheet and Fact sheet.

⇒ **Auditor**: These features will be provided to an auditor who is entrusted by the competent authority to check the veracity of the financial transactions. An Auditor may be a:

- State AG
- Local Fund Auditor
- Internal Auditor of Department
- CAs from any agency

The Auditor will be responsible for recording the observations on the discrepancies found in the documents viewed, generate Reports.

⇒ **Workflow Player**: These are the users who will be part of the Audit process. They can be players from either Auditor or Auditee side. They will be responsible for generating various reports; Prepare Response against the audit observations raised by the Auditor and finally view the response given by the Auditee against the observations raised



Target Users:

AuditOnline software application target following users:

- ✓ The Accountant General (State AG)
- ✓ Local Fund Audit Department (LFA)
- ✓ Comptroller & Auditor General (CAG)
- ✓ Rural Local Bodies (District Panchayats, Block Panchayats, Village Panchayats and TLBs)
- ✓ Registered/Internal Auditors
- ✓ Citizens

Definitions: Glossary of terms used in the AuditOnline:

Term	Description
Actor	Actors are divided into Primary and Secondary. A Primary Actor is one having a goal requiring the assistance of the system. A Secondary Actor is one from which the system needs assistance to satisfy the goal.
Attachment	Attachment refers to the Document attached by either of the Auditor or Auditee to substantiate the remarks on the observation made.
Period Being Audited	This refers to the Audit Period for which the Audit will be done. The Audit can be scheduled for Monthly, Quarterly, Half Yearly or Yearly basis. For E.g.: 1st April 2014- 31st March 2015.
Reporting Period	This refers to the period/dates on which the Audit will be performed. For E.g.: 1-5th Jan 2015.
Auditor	An auditor is person who is entrusted by the competent authority to check the veracity of the financial transactions of an organization to determine accuracy so as to bring about transparency in the activities of the organization.
Block	Block refers to a type of administrative division managed by the Local Government for which the actor has assigned the role of Block Panchayat Administrator.
Block Panchayat	Block/ Mandal or Taluka Panchayats are Panchayats at Intermediate Level in Panchayat Raj Institutions (or PRIs) Block Panchayats are local governments Administrative Body at the block level in India.
C&AG	Comptroller & Auditor General of India is Supreme Audit Institution of India.
Case Record	Case Record refers to the basic details about a file or case on which Auditor records the defaulter's information before recording the observations.
Department	Department refers to the Office responsible for performing a task.
District	District refers to a type of administrative division managed by the Local Government for which the actor has assigned the role of Zilla Panchayat Administrator.
District Panchayat	District Panchayats are Panchayats at Apex or District Level in Panchayat Raj Institutions (or PRIs). District Panchayats are local governments Administrative Body at the district level in India.

Gram Panchayat	Gram Panchayats are local governments Administrative Body at the village or small-town level in India.
LGD	Local Government Directory, is used by Central and State departments who are responsible for forming new States/UTs, new Districts, new Sub-Districts, new villages and new local government bodies as well as changing their status, name and formation.
Office Administrator	This refers to the admin created for a particular office location. For E.g.: Office Admin for ZP Akola, Office of Sub Registrar Hyderabad etc.
Panchayat	An institution (by whatever name called) of self-government constituted under Article 243B, for rural areas.
Panchayati Raj Institution or Panchayat (PRI)	It refers to an institution of self-Government established under Part IX of Constitution of India for Rural areas, whether at the level of a village or of a block or district.
PRI User	The PRI (Panchayati Raj Institution) User includes, Zilla Panchayat User, Block Panchayat User and Gram Panchayat User. A PRI user would typically have fewer rights than a PRI Administrator.
Privileges	Refer to the rights assigned to a particular Role in AuditOnline System. For example, an actor with a State Administrator Role will be assigned privilege to create and approve user(s) for Department. As a result, no one except an actor with such privilege would be able to perform the similar role.
Process Flow	A pre-defined sequence of steps to be followed in the Audit Process. This can include tasks like Record Observation by Auditor, Auditee Prepare Response etc.
Role	A role defines what activities a User can perform in AuditOnline. It corresponds to a group of individuals who have been assigned a common set of privileges in a software system.
Rural Local Body	Rural Local Body or Rural Local Government Includes District Panchayat (DP) or Zila Parishad (ZP), Block Panchayat (BP) or Intermediate Panchayat (IP) and Village Panchayat (VP) or Gram Panchayat (GP). In states where Part IX of the Constitution does not apply, RLBs would include traditional councils.

State	State refers to the different States of India for which the actor has assigned the role of State Administrator.
System	It refers to AuditOnline Software Application.
Task	Task refers to a step in the Process Flow in which some action will be taken by the work flow player.
Use Case	Refers to an interaction between an Actor and a System or between two Systems.
User	User is a person who is authorized to use Audit Online package. Each user is assigned a role. The same role may be assigned to more than one user.
User Account	User Account refers to the identity of the User in AuditOnline on the basis of User's particular details. The User Account helps to View the profile details, update the profile, Change Password etc.
Village	A village is a clustered human settlement or community, larger than a hamlet but smaller than a town refers to the place which comes under Rural Local Body for which the actor has assigned the role of Village Panchayat Administrator.
Fact Sheet	Fact Sheet refers to the parameters defined for capturing Auditor's input based on various Category and Sub Category.
Workflow Player	This refers to the designated officer part of the Audit Process. For E.g.: Auditor, Assistant Audit Officer, CEO, Tax Officer etc.

AuditOnline Application Makes India Proud on Global Platform

AuditOnline: Facilitating Online Audits Across Panchayati Raj Institutions Awarded the World Summit on the Information Society (WSIS) Prizes 2023 at the International Telecommunication Union (ITU), Geneva.

The Ministry of Panchayati Raj (MoPR) along with National Informatics Centre (NIC), functioning as technology partner of the Government, was recognized for its AuditOnline software programme at the WSIS Forum 2023 at the ITU Headquarters in Geneva under Category 7-Action Line (AL) C7-ICT Applications: e-Government for conducting online audit of all Panchayati Raj Institutions (PRIs).

The application for the project AuditOnline: Facilitating Audit in Government under category C7 – ICT Applications: e-Government was submitted in the 12th edition of the contest of the World Summit on the Information Society (WSIS) Prizes 2023 at the International Telecommunication Union (ITU), Geneva. The WSIS Prizes 2023 is an exceptional international recognition of WSIS Stakeholders as Winners and Champions for their excellence in supporting the implementation of WSIS outcomes, WSIS Action Lines and the achievement of Sustainable Development Goals (SDGs). The contest included a five-phase process viz. (i) Submission phase, (ii) Nomination phase wherein submitted projects would be reviewed (20 projects each in 18 Action Line Category), (iii) Public online voting for all the WSIS stakeholders to vote, (iv) Selection of winning projects by the ITU Expert Group based on in-depth analyses for top five voted projects and (v) Announcement of winners to the public during WSIS Prize 2023 Ceremony at WSIS Forum 2023.

After the due process per phase followed, AuditOnline has been awarded the WSIS Prizes Award 2023 under the Action Line category ICT Applications: e-Government based on the most voted project in the category. The prize distribution ceremony was held at the Centre International de Conférence Genève (CICG), also known as International Conference Centre Geneva in Switzerland on 14th March, 2023. Shri Sunil Jain, DDG (Panchayat Informatics Division), NIC received the coveted ITU WSIS 2023 Winner Award for AuditOnline application developed as part of Panchayat Enterprise Suite under ePanchayat Mission Mode Project initiated by MoPR in virtual mode.

World Summit on the Information Society (WSIS) is an annual award event coordinated by the International Telecommunication Union (ITU), affiliated with the United Nations (UN), in collaboration with UNESCO, UNDP and UNCTAD to promote ICTs for achieving UN Sustainable Development Goals. This event is intended for ICT development initiatives that support Sustainable Development Goals (SDGs). The World Summit on the Information Society (WSIS) Forum 2023 is being organized on the theme, 'WSIS Action Lines for Building Back Better and Accelerating the Achievement of the Sustainable Development Goals (SDGs)'.

To Conclude:

Panchayati Raj Institutions (PRIs) play a vital role in the delivery of various services and basic amenities to the citizens residing in vast rural landscape of the country. It is of utmost importance that the Panchayats are well equipped with the necessary infrastructure and have adequately trained manpower. In order to deliver various services rendered by PRIs, Central Finance Commissions grants have been provided to the PRIs including Traditional Local Bodies (TLBs) across the country. Hence, it becomes necessary that the PRIs/TLBs performances are continuously monitored to ensure transparency in utilization of public money for developmental activities in rural areas and to ensure accountability in their overall functioning.

The Ministry of Panchayati Raj has been continuously leveraging Digital Technology to deliver good governance in rural areas and bring about transparency and accountability in the Panchayat functioning; and to enhance end-to-end experience of delivering public services.

Chapter 7:

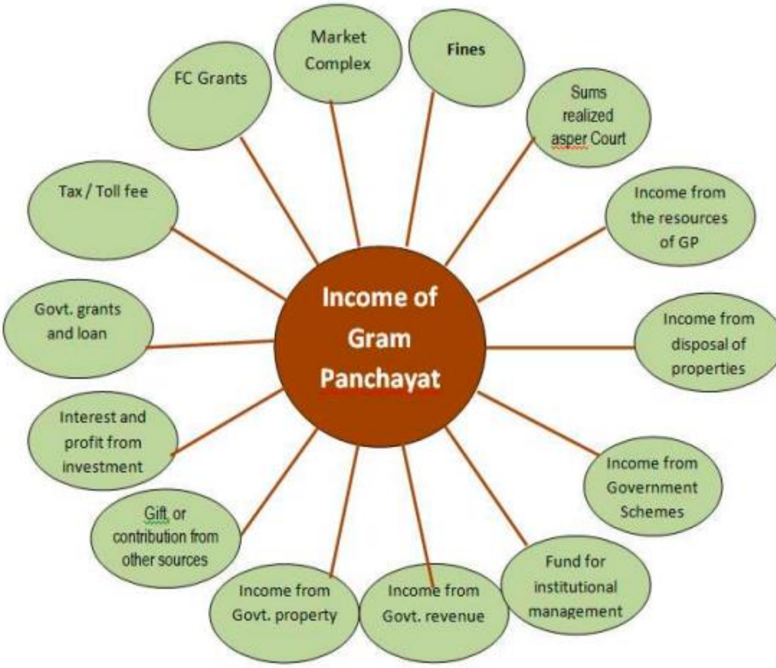
Taxation of PRIs

In India, the term Panchayat refers to a system of rural self-government. It was established in all states of India by acts of state legislatures to build democracy at the grassroots level. It was constitutionalized by the 73rd Constitution Amendment Act of 1992. According to Article 243(H), the Panchayats have the power to levy, collect and appropriate taxes, duties, tolls, and fees by such procedure of the State Legislature and enable them to make such grants in aid to the Panchayats from the consolidated fund of the state. The second Administrative System Reforms Commission of India (2005-2009) has summarized the sources of revenue for the panchayat in that internal resource generation – taxation being one of them. A Gram Panchayat may appoint a tax collector to collect tax quarterly, half-yearly, or in advance as decided by the particular Gram Panchayat. The Tax Collector shall issue receipts in the prescribed forms of all types of collections, and he shall also enter all collections in the daily collection register of the Gram Panchayat.

There are different types of taxes imposed by Panchayats, which include property tax, professional tax, water tax, and sewerage tax. Property tax is imposed on the value of land and buildings owned by individuals and businesses. Professional tax is levied on those engaged in certain professions such as engineering, architecture, medicine, etc. Water tax is levied on the consumption of water used for domestic or commercial purposes. Sewerage tax is imposed on the use of sewerage facilities provided by the Panchayat.

1. Classification of GP Revenues.
2. Internal and External Sources of revenues of GP.
3. Various Tax & Non-Tax Revenue sources of GP.
4. Public Property Management of GP.
5. Legal framework assigned with the GP.

Revenue of Gram Panchayat at a Glance:



Different Sources of Finances of Panchayats:

Grants From Government to Panchayats		Own Source Revenue of Panchayat		
Central Government	**State Government**	**Tax Revenue**	**Non-Tax Revenue**	**Miscellaneous sources of Fund**
Government of India Grants/Central Finance Commission Grants	General Purpose Fund	Property Tax	Market Fee	Donation including fund from Corporate Social Responsibility (CSR)
Receipts from Loan and other sources	Maintenance Fund (Road Assets and Non-Road Assets)	Professional Tax	License Fee	Contributions
Capital Receipts (by way of sale of Assets)	Development Fund (General, Special Component Plan (SCP), Tribal Sub-Plan (TSP), World Bank (WB), Special Grant etc.)	Entertainment Tax	Registration Fee	

Grants From Government to Panchayats		Own Source Revenue of Panchayat		
Central Government	**State Government**	**Tax Revenue**	**Non-Tax Revenue**	**Miscellaneous sources of Fund**
	State Sponsored Scheme Funds	Advertisement Tax	Permit Fee	
		Other Tax (Service tax, Show tax, Octroi & Toll etc.)	Rent on Land & Building	
			Interest receipts	
			Penalties & Fines	
			Receipt from Transferred Institutions	
			Other Non-Tax Receipts (Certification Fee, Services/Administrative Charge)	

Source: NCAER, 2021

Tax Revenue:

⇒ Registration.
⇒ Licence Fees.
⇒ Latrine Tax.
⇒ Drainage Tax.
⇒ Lighting Tax.
⇒ User Fees.
⇒ Rents.

Non-Tax Revenue:

⇒ Management of Public Properties (Both Auction Sale and Own Management).
⇒ Central Schemes/Grants.
⇒ State Govt. Schemes/Grants.
⇒ Finance Commission Grants.
⇒ Grants-in-Aid.
⇒ Honorarium and Sitting Fees.

1. Vehicle Tax Vehicle tax (Cycle, Rickshaw, Tanga) payable by owners of vehicles suitable for use on roads or kept or used within the Gram Panchayat.

2. Latrine Tax A latrine or conservancy tax payable by the occupiers or owners of buildings in respect of private latrines or premises of compounds clean by the Panchayat.

3. Water Rate Where drinking water is supplied by the Panchayat shall be determined as per the cost of supply and maintenance of water supply schemes.

4. Lighting Rate The lighting tax shall be collected for public streets, places or buildings where such lightings is undertaken by the Panchayats.

5. Drainage Tax It is payable by owner of land and buildings if and where a drainage system has been operated in a Panchayat.

6. Fee on Market A fee on private market, cart stands and slaughter houses shall be charged by the Gram Panchayat.

7. Fee on Animal A fee on animals brought for sale into or sold in a public market situated within the limits of Gram Panchayat shall be charged by the Gram Panchayat.

8. Fee for regulating the movement of cattle This is for the protection of crops raised within the limits of Gram Panchayat shall be charged by the Gram Panchayat.
Fees for use of Building the GP may Charge fees for use of any building, structure, shop, stall or stand in the public markets.

9. Rent from Dealers the Gram Panchayat may charge rent from the dealers who may temporarily occupy open grounds, structures for buildings belonging to or maintained by the Gram Panchayat.

10. License Fees on brokers The GP may charge license fees on brokers, commission agents and weigh man practicing their business within the Gram Panchayat

Any other tax, toll, fee or rate, as decided by the Gram Panchayat may be collected after getting approval of the State Government in proper manner.

Industries and Factories including Dangerous and Offensive Trades.

⇒ A Gram Panchayat subject to previous sanction of Collector and with the approval of Gram Sabha may notify that no place within the local area of the GP shall be used in the course of any trade, business without a license granted by the Panchayat

⇒ Recently some State Governments has introduced certain new items like installation and functioning of Tele-communication towers, hoarding etc. for which the GP may charge fees.

Control over places of Public Resort and Entertainment:

With previous intimation to the Collector, a Gram Panchayats with the approval of Gram Sabha may notify that no enclosed place, building or tent situated within the Grama and covering an area of five hundred feet or more shall be used by any party for the purpose of public resort or entertainment.

Vesting of Public Properties in Gram Sasan:

- All properties within the GP other than the property maintained by any other local authority or the Central or State Government, shall for the purpose of this Act, vest in the Gram Sasan.

- Further, the State Governments in the following matters have been incorporated.

  ⇒ The Collector of the district shall review or cause to be reviewed the properties of every Grama Sasan in the month of December every year. And on such review, if he finds that any property has not been vested in the Grama Sasan, he may recommend the State Government for vesting of the said property with the Grama Sasan.

Management of Minor Forest Produces (MFPs) by GP:

⇒ Regulating procurement and trading of MFPs.
⇒ Registration of Trades.
⇒ Fixation of minimum Price.
⇒ Cancellation.

Public Property Management of GP:

⇒ Auction Sale Process (Before, On the day of Auction Sale and after Auction Sale).

⇒ Own Management.

The Procedure for Collection of Tax:

⇒ The GP may appoint one or more person as Tax Collector.
⇒ The tax can be collected quarterly, half-yearly or as advance as decided by the Gram Panchayat.
⇒ The taxpayer shall deposit the tax within 15 days of the demand notice received.
⇒ The Tax Collector shall issue receipt in the prescribed forms for all types of collections.
⇒ All collections shall be entered in the Daily Collection Register of the Gram Panchayat.

Different Kinds of Taxes in Detail:

Each Panchayat may also levy taxes fixed by the Gram Panchayat with the prior approval of the Government within its jurisdiction. Any resolution of the Gram Panchayat cancelling an existing tax or reducing the rate of taxation shall not be enforced without the previous approval of the Commissioner.

House Tax: A house tax is levied on all houses in the village on either the annual rental value or the capital value. It shall be levied at such rates as may be fixed by Gram Panchayat not being less than the minimum rates and not exceeding maximum rates prescribed regarding the basis of levy adopted by the gram panchayat. the house tax will be levied every year and shall be paid by the owner within thirty days of the commencement of the year.

The following classes of the house shall be exempt from the House Tax:

⇒ Building set apart for public worship.
⇒ Choultries for the occupation of which no rent is charged
⇒ Buildings are used for educational and hostel purposes.
⇒ Public libraries and public buildings.
⇒ Ancient monuments protected under the Ancient Monuments Preservation Act,1904
⇒ Charitable hospitals and dispensaries and other buildings

Advertisement Tax:

Everyone who erects, displays, fixes, or maintains any land building, wall hoarding, or structure advertising is liable to tax. Who displays any advertisement to public view in any manner whatever in any place whether public or private shall pay on every advertisement. Such rate of tax shall be subject to the maximum and minimum prescribed by the Government on this behalf. Any exemption from advertisement tax may be decided by the Gram Panchayat with the approval of the Zilla Parishad by resolution.

No tax shall be levied under this section on any advertisement or notice:

⇒ Of a public meeting
⇒ Of election to any Legislative Assembly or Gram Panchayat or Mandal Parishad or Zilla Parishad.

⇒ Any advertisement that is not in the sky sign is exhibited within the window of any building.
⇒ Any sale or entertainment or meeting held on the same land or building relating to trade or business carried on within the land or building.
⇒ Relates to the Business of any railway administration.

Vehicle Tax:

It will be levied every year on all vehicles kept or used within the village at such rates as may be fixed by the gram panchayat not being less than the minimum rates and not exceeding the maximum rates prescribed. Vehicle means a conveyance suitable for use on roads or railways which includes carriage, cart, wagon, wheelbarrow, truck, or Rickshaw but does not include a motor vehicle.

Latrine Tax:

Toilet or maintenance tax payable by the occupier or Owner of buildings about private toilets or premises Compounds cleaned by Panchayat.

Water Tax:

The tax depends upon Where the supply of drinking water by Panchayat is determined according to the cost of supply and maintenance of Water supply schemes. And the tax may vary depending on the diameter of the pipe that supplies water to households. There is a separate water tax levied by the Gram Panchayat for the supply of water for the construction of new houses and buildings. Gram Panchayat may collect certain taxes for the supply of water from tanks and wells for the following purposes:

⇒ Making of bricks and tiles.
⇒ Washing of clothes by washer man.
⇒ For industrial or commercial use.
⇒ For purpose of irrigation.

Lighting Tax:

A lighting tax is levied for public streets, spaces, public latrines, or the like Buildings that undertake such lighting arrangements have been made by the Gram Panchayats.

Drainage Tax:

It is paid by the owner of the land and buildings where is the drainage system Organized in Panchayat. Drainage tax includes cleaning of drains and maintenance of drains. Gram Panchayat may collect tax on the collection of garbage by vehicles around streets and houses in a particular Panchayat.

Tax on Fairs and Festivals:

Gram Panchayat tax can be levied on annual fairs and festivals held within the boundaries of the Gram Panchayat. The total charge of tax is decided by passing a resolution in the gram Sabha. Gram panchayat may also collect tax from shops and business persons participating in annual fairs and festivals. A gram panchayat may also levy a tax for granting permission to celebrate in a public street or place during a festival or celebration.

Market Tax:

Tax on the private markets and cart stands should be charged by Gram Panchayat. And also, Gram Panchayat tax can be collected in the following cases where private market business transactions are taking place, they are slaughterhouses, hospitals, nursing homes, clinics, factories, warehouses, godowns, goods transport depots, eating houses, lodging houses, hotels, theatres, cinema houses and places of public entertainment and for other non-residential purposes.

Tax collection at Cart Stands and Tonga Stands:

Gram panchayat can collect tax every 24 hours at cart stands and tonga stands for keeping these transport vehicles like carts, Tonga, rickshaws, and taxis at cart stands or tonga stands.

Tax on Sale of Animals:

A tax is levied by the Gram Panchayat on animals like Goats, Sheep, Horse, Donkey, Mule, Camel or Pony, Other Cattle brought to be sold or sold in the public market within the limits of the Gram Panchayat.

Tax on Dealers:

Gram Panchayat may collect tax from dealers temporarily occupying open grounds and structures for buildings owned or maintained by Gram Panchayat.

Tax on Broker License:

The GP may charge tax on the license which owns by brokers, commission agents, and weight man practicing their business within the Gram Panchayat

Miscellaneous Taxes:

⇒ Tax on new items like installation and operation of telecommunication towers.
⇒ Tax on building or tent situated within the panchayat which covers an area of five hundred feet or more shall be used by any party for public resort or entertainment.
⇒ Tax on procurement and regulation of trade of MFPs (Minor Forest Produce).
⇒ Tax on river quarry sites for sand and mountain quarry sites for stones which both are used for construction purposes.
⇒ Taxes on entry or exit of passengers, pilgrims, goods and services.

Taxation Power of Zilla Parishads:

Subject to such maximum rate, as the Government may prescribe empowers the ZPs to levy:

(a) Tolls in respect of any ferry established by it under its management;
(b) The following fees and rates;

I. Fees on the registration of boat and vehicle;
II. A fee for providing sanitary arrangement at such places of worship or pilgrimage, fairs and melas within its jurisdiction as may be specified by the Government by notification;
III. A fee for license for fair or mela;
IV. A lighting rate, where arrangement for lighting public streets and places is made by the ZP within its jurisdiction and

V. Water rate, where arrangement for the supply of water for drinking, irrigation or any other purpose is made by the ZP within its jurisdiction.

It is evident from the above allocation that all tiers of PRIs are simultaneously vested with taxation powers. This is likely to give rise to overlapping of taxation powers as well as encroachment of mutual jurisdiction. In contrast, the Panchayat Acts of Karnataka and Orissa have vested all powers of taxation solely to the GPs and none to the intermediate and apex level PRIs. In Madhya Pradesh also, all powers of taxation are vested to the GPs except a single item of tax for the intermediate level. However, Rajasthan like Assam have empowered all tiers of PRIs to levy taxes simultaneously. Anyway, when all tiers of PRIs are simultaneously vested with taxation powers; utmost circumspection is needed in the matter of mutual jurisdiction of each tier.

The Panchayat Act provides the broad framework of revenue raising powers of PRIs. The rules framed there under enumerate the guidelines. In this regard, the State Governments lays down the rates of various taxes, duties, tolls and fees that can be levied by each tier of PRI.

To Summarise:

The main Sources of Revenue of PRIs broadly comprise:

a) The Internal Revenue Mobilization (IRM) from tax and non-tax sources allocated to them.
b) Resource transfer from the state in the form of assigned taxes and duties and
c) Grants-in-aid from the State and the Central governments. Apart from this, PRIs also perform Agency functions to implement various rural development programmes under centrally sponsored schemes funded mainly through DRDAs.

The Taxation Powers of each tier of PRIs are laid down in the relevant State Acts.

A Gram Panchayat may impose:

(a) Tax on house and structure within the local limits; on trades and callings carried on or held within the local limits of its jurisdiction, a tax on the basis of the total annual income accrued from such trade and calling;

(b) A duty in the shape of additional stamp duty on all payments for admission to any entertainment;

- ✓ A fee for providing sanitary arrangement at such places of worship or pilgrimage, fairs and melas within its jurisdiction as may be specified by the government;
- ✓ A water rate, where arrangement for supply of water for drinking, irrigation or any other purpose is made by the GP within its jurisdiction;
- ✓ A lighting rate, where arrangement for lighting of public street and places is made by the GP within its jurisdiction;
- ✓ A conservancy rate, where arrangement for cleaning private latrines, urinals is made by the GP within its jurisdiction;
- ≈ Tax on sale of firewood and thatch, conservancy and slaughter house;
- ≈ Private 'hats' (markets) and private fisheries;
- ≈ Shops, pharmacies, tailoring, laundry, hair cutting saloon, carpentry works, automobile workshop, TV, VCR, radio and tape recorder repairing shop;
- ≈ Cultivable land lying fallow for two consecutive years, at a rate not exceeding 25 paise per bigha for every year, being payable jointly or severally by the owner of such land;
- ≈ A cess or fee on:
  - a) Registration of cattle sold within the local area;
  - b) License for starting tea stall, hotel, sweet meat stall, restaurants;
  - c) Carts, carriages, bicycles, boats and rickshaws of any kind.

Subject to such maximum rate as the State Governments may prescribe,

Hence, the GPs to levy:

a) Tolls on persons, vehicles or animals or any class of them at any toll bar established by it on any road other than a kutcha road or any bridge vested in it or under its management;
b) Tolls in respect of any ferry established by it, or under its management;
c) A cess or water rate for recovery of cost of minor irrigation works taken up within the jurisdiction of a G.P and such cess as may be necessary for the purpose of maintenance and repair of such works;

d) A tax on supply of water and lighting;
e) A tax on profession, trade, calling, manufacture and production;
f) A fee for cinema halls, bricks or tile kilns, saw mills, timber depots, rice mills and hullers, fairs, confectionery and bakery, private fisheries or vegetable gardens used for commercial purposes.

Chapter 8:

Role of CAG, MoPR, Union & State Finance Commissions

The Comptroller and Auditor General (CAG) is an independent authority established by the Constitution of India to audit the receipts and expenditures of the Central Government, State Governments, and other bodies that receive funding from the Government.

Since it is established directly under the provisions of the Constitution, it is a Constitutional Body. The CAG is an All-India body in the sense that it controls the entire financial system of the country at both the Central and the State levels. The CAG heads the Indian Audit & Accounts Department and acts as the Guardian of the Public Purse.

A) Roles and Duties of CAG:

✓ To uphold the Constitution of India and the laws of Parliament in the field of financial administration.

- This is the reason, that B.R. Ambedkar has called the CAG as one of the most important officers under the Constitution of India.

✓ The CAG has been envisaged as one of the four bulwarks of the democratic system of Government.

✓ To secure the accountability of the Executive to the Parliament in the sphere of financial administration through its audit reports.

✓ It acts as an agent of Parliament and conducts audits of expenditures on behalf of the Parliament.

- Therefore, he/she is responsible only to the Parliament.

Functions of Comptroller and Auditor General of India (CAG):

Constitutional Provisions: The Constitution of India has prescribed the following functions for the CAG:

- ✓ Article 150: He advises the President with regard to the prescription of the form in which the accounts of the Centre and the states shall be kept.
- ✓ Article 151: He submits audit reports relating to the accounts of the Centre to the President, who shall, in turn, place them before both Houses of Parliament.
- ✓ Article 151: He submits the audit reports relating to the accounts of a State to the Governor, who shall, in turn, place them before the State Legislature.
- ✓ Article 279: He ascertains and certifies the net proceeds of any tax or duty. CAG's certificate in this regard is final.

Article 149 of the Constitution of India authorizes the Parliament to prescribe the duties and powers of the Comptroller and Auditor General of India (CAG). Accordingly, the Parliament enacted the Comptroller and Auditor General of India (Duties, Powers, and Conditions of Service) Act of 1971.

The functions of the Comptroller and Auditor General of India (CAG) as laid down under the act are as follows:

- ✓ He/she audits the accounts related to all expenditures from the Consolidated Fund of India, the Consolidated Fund of each State, and the Consolidated Fund of each UT having a Legislative Assembly.
- ✓ He/she audits all transactions relating to the Contingency Fund of India, Public Account of India as well as the Contingency Fund of each State and the Public Account of each State.
- ✓ He/she audits all trading, manufacturing, profit and loss accounts, balance sheets, and other subsidiary accounts kept by any department of Central Government and State Governments.
- ✓ He/she audits the receipts and expenditures of all bodies and authorities substantially financed from the Central or State revenues.

- ✓ He/she audits the accounts of all bodies and authorities receiving grants and loans from the Central and State Governments for specific purposes.

- ✓ He/she audits all receipts of the Centre and States and ensures that the rules and procedures in this regard are designed to secure an effective check on the assessment, collection, and proper allocation of revenue.

- ✓ He/she audits the accounts of all stores and stock kept in all the offices and departments of the Central and State Governments.

- ✓ He/she audits the accounts of all Government Companies in accordance with the provisions of the Companies Act.

- ✓ He/she audits the accounts of all Corporations whose statutes provide for audit by him.

- ✓ He/she audits the accounts of any other body or authority when requested by the President or Governor.

    - For example, he/she may be asked to conduct an audit of local bodies.

- ✓ He/she acts as a guide, friend, and philosopher of the Public Accounts Committee of the Parliament.

- ✓ He/she compiles and maintains the accounts of State Governments.

    - Prior to 1976, the CAG used to compile and maintain the accounts of the Central Government as well. However, in 1976, he/she was relieved of this responsibility due to the separation of accounts from audit.

Role of the Comptroller and Auditor General in audit of Panchayati Raj Institutions and Urban Local Bodies:

a) Arrangements for Maintenance of Accounts and Audit:

Under Articles 243 J and 243 Z of the Constitution, the legislature of a State may, by law, make provisions with respect to the maintenance of accounts and the auditing of such accounts of Panchayati Raj institutions and urban local bodies. The local fund auditor, who is generally an officer of the State Government, is responsible for audit of Panchayati Raj institutions and urban local bodies. In certain states, the Examiner of Local Fund Accounts, who is an officer of the Comptroller and Auditor General, is responsible for the audit of accounts of Panchayati Raj institutions and urban local bodies.

b) Audit under Section 14, 19, 20 of the Act where Applicable:

The Comptroller and Auditor General may undertake the audit of Panchayati Raj institutions and urban local bodies under Section 14 of the Act where such bodies are financed by grants or loans from the Consolidated Fund of India or of any State or Union Territory having a legislative assembly and are auditable under the provisions of this Section of the Act. In such cases, the relevant Regulations for such audits shall apply. These Regulations, to the extent relevant, shall also apply in cases where audit of Panchayati Raj institutions and urban local bodies is entrusted to the Comptroller and Auditor General under Section 19 or Section 20 of the Act.

c) Model forms of Accounts and Budget:

The model forms in which the accounts of Panchayati Raj institutions and urban local bodies may be kept and the forms in which their budgets may be prepared and presented, have been prescribed by the Comptroller and Auditor General.

d) Arrangements regarding Technical Guidance and Support (TGS):

The functions of technical guidance and support to audit of Panchayati Raj institutions and urban local bodies have been entrusted to the Comptroller and Auditor General under Section 20(1) of the Act in many States.

The salient features of the collaborative arrangement between the Comptroller and Auditor General and the local fund auditor under technical guidance and support as incorporated in various Government orders of State Governments are as follows:

1) The local fund auditor will prepare by the end of March every year, an annual audit plan for audit of Panchayati Raj institutions and urban local bodies in the next financial year and forward it to the Accountant General (Audit) of the State;

2) The audit methodology and procedures for audit of Panchayati Raj institutions and urban local bodies by the local fund auditor will be as per various Acts and statutes enacted by the State Government and guidelines prescribed by the Comptroller and Auditor General;

3) Copies of inspection reports in respect of selected local bodies shall be forwarded by the local fund auditor to the Accountant General (Audit) for advice on system improvements and the Accountant General (Audit) shall review the same with a view to make suggestions for improvement of existing systems being followed by the local fund audit department. The Accountant General (Audit) will also monitor the quality of the inspection reports issued by the local fund auditor by scrutinising such inspection reports;

4) The local fund auditor will furnish returns in such format as may be prescribed by the Comptroller and Auditor General for advice and monitoring;

5) The Accountant General (Audit) would conduct test check of some of Panchayati Raj institutions and urban local bodies in order to provide technical guidance. The report of the test check would be sent to the local fund auditor for pursuance of action to be taken by Panchayati Raj institutions and urban local bodies. The local fund auditor will pursue the compliance of such paragraphs in the inspection reports of the Accountant General (Audit) in the same manner as if these are his own reports;

6) Irrespective of the money value of the objections, any serious irregularities such as system deficiencies, serious violation of rules and fraud noticed by local fund auditor will be intimated to the Accountant General (Audit);

7) The local fund auditor shall develop, in consultation with Accountant General (Audit), a system of internal control in his organization; and The Accountant General (Audit) shall also undertake training and capacity building of the local fund audit staff.

8) Irrespective of the money value of the objections, any serious irregularities such as system deficiencies, serious violation of rules and fraud noticed by local fund auditor will be intimated to the Accountant General (Audit);

9) The local fund auditor shall develop, in consultation with Accountant General (Audit), a system of internal control in his organization; and

10) The Accountant General (Audit) shall also undertake training and capacity building of the local fund audit staff.

e) Audit not to include Certification of Accounts:

Unless specifically provided, audit by the Accountant General (Audit) in terms of the above paragraphs of the preceding Regulation does not include the certification of accounts of Panchayati Raj institutions or urban local bodies.

f) Role of Accountant General (Audit) in pursuance of Inspection Reports:

Notwithstanding anything contained in the Regulations of this chapter regarding pursuance of paragraphs in the inspection reports of the Accountant General (Audit) by the local fund auditor, the Accountant General (Audit) will also ensure their regular pursuance.

g) Forwarding of Results of Audit to the Government:

The Accountant General (Audit) will send to the concerned Secretary or Secretaries to the Government by the end of June every year an annual technical inspection report, including the results of audit of Panchayati Raj institutions and urban local bodies conducted by his office during the preceding year under the ambit of regulation 120 (5) and other activities. The Secretary or Secretaries may ensure that appropriate remedial action is taken expeditiously and the Accountant General (Audit) is informed of the action taken. In the States where the Examiner of Local Fund Accounts audits the Local Bodies, the technical inspection report shall be prepared by the Examiner of Local Fund Accounts and countersigned by Accountant General (Audit).

h) Inclusion of Results of Audit in Audit Report:

Where the results of audit of Panchayati Raj institutions and urban local bodies are included in the audit report of the Comptroller and Auditor General and placed before the legislature, the relevant Regulations pertaining to reporting the results of audit and audit reports shall apply.

The Comptroller and Auditor General (CAG) of India stands as a crucial pillar of financial transparency and accountability. As India continues on its path of economic development and social progress, the role of the CAG of India will continue to remain indispensable. Taking the necessary steps to address the limitations and challenges faced by it will go a long way in fostering good governance in India.

B) Role of Ministry of Panchayati Raj (MoPR):

The Ministry of Panchayati Raj is a branch of the Government of India looking after the ongoing process of decentralisation and local governance in the States.

In a federation the powers and functions of the government are divided among two governments. In India it is the Union Government and the various State Governments. However, with the passage of 73rd and 74th amendment act of the Constitution of India, in 1993 the division of powers and functions have been further trickled down to Local Self-Governments (Panchayat at Village levels and Municipalities and Municipal Corporations in towns and large cities). As such India now has not two but three tier of Governments in its federal setup.

Ministry of Panchayati Raj looks into all matters relating to the Panchayati Raj and Panchayati Raj Institutions. It was created in May 2004.

Ministry of Panchayati Raj (MOPR), Govt. of India shall act as a nodal ministry for determining the eligibility of the rural local bodies for the untied grant. It will assess compliance to the conditions and on the basis of assessment, shall recommend release of grant to the Department of Expenditure, Ministry of Finance. Since, Eligibility Conditions for release of Grants are common for Tied and Untied grants, therefore, MOPR shall also inform DDW&S about the rural local bodies/states which have complied to the conditions. It will also monitor the implementation of the remaining recommendations of the FC-XV with regard to RLBs. The MOPR may also handhold and provide technical guidance to the RLBs in bringing them on board so as to enable them to comply with the conditions of accounting and auditing.

Department of Drinking Water & Sanitation (DDWS):

Department of Drinking Water & Sanitation, Ministry of Jal Shakti, Govt. of India (DDW&S) shall act as a nodal ministry for determining the eligibility of the rural local bodies for the Tied grant. The DDW&S shall recommend release of tied grant to the Department of Expenditure, Ministry of Finance for the bodies /States which have complied to the conditions based on the information received from MOPR and after assessment of the conditions. The DDW&S shall also handhold and provide technical guidance to the RLBs in implementing the tied grant component or the schemes/technology to be adopted for efficient use of the funds.

Department of Expenditure, Ministry of Finance (DoE)

Upon receipt of recommendations from the nodal Ministries i.e. the MOPR and DDW&S, M/o Jal Shakti, the Department of Expenditure (FCD), Ministry of Finance shall release due instalment of grants to the States concerned subject to fulfilment of all the conditions. The grants shall be released separately for Schedule XI Areas including to all Excluded Areas (where Pan IX of the Constitution does not apply) based on the grant allocated by the State Government for these areas.

Ministry of Rural Development:

Ministry of Rural Development has two departments namely:

⇒ Department of Rural Development and

⇒ Department of Land Resources.

Being the nodal Ministry for most of the development and welfare activities in the rural areas, the Ministry of Rural Development plays a pivotal role in the overall development strategy of the country. The vision and mission of the Ministry is sustainable and inclusive growth of rural India through a multipronged strategy for eradication of poverty by increasing livelihoods opportunities, providing social safety net and developing infrastructure for growth. This is expected to improve quality of life in rural India and to correct the developmental imbalances, aiming in the process, to reach out to most disadvantaged sections of the society.

The Ministry of Rural Development consists of two Departments, viz.,

⇒ Department of Rural Development.

⇒ Department of Land Resources.

Broadly, the aims of the Ministry of Rural Development are:

✓ Providing livelihood opportunities to those in need including women and other vulnerable sections with focus on Below Poverty Line (BPL) households.

✓ Providing for the enhancement of livelihood security of households in rural areas by providing at least 100 days of guaranteed wage employment in every financial year to every household demanding it.

✓ Provision of all-weather rural connectivity to unconnected rural habitations and upgradation of existing roads to provide market access.

✓ Providing basic housing and homestead to BPL household in rural areas.

✓ Providing social assistance to the elderly, widow and disabled persons.

✓ Providing urban amenities in rural areas for improvement of quality of rural life.

✓ Capacity development and training of rural development functionaries.

✓ Promoting involvement of voluntary agencies and individuals for rural development.

✓ Restoring lost or depleted productivity of the land. This is done through watershed development programmes and initiating effective land reform measures for providing land to the landless rural poor.

Path Behind:

Rural development implies both the economic betterment of people as well as greater social transformation. Increased participation of people in the rural development programmes, decentralization of planning, better enforcement of land reforms and greater access to credit are envisaged for providing the rural people with better prospects.

Initially, main thrust for development was laid on agriculture, industry, communication, education, health and allied sectors. Later on, realizing that accelerated development can be provided only if governmental efforts are adequately supplemented by direct and indirect involvement of people at the grass root level, the thrust shifted.

Accordingly, on 31st March 1952, an organization known as Community Projects Administration was set up under the Planning Commission to administer the programmes relating to community development. The community development programme, inaugurated on October 2, 1952, was an important landmark in the history of the rural development. This programme underwent many changes and was handled by different Ministries.

In October 1974, the Department of Rural Development came into existence as a part of Ministry of Food and Agriculture. On 18th August 1979, the Department of Rural Development was elevated to the status of a new Ministry of Rural Reconstruction. It was renamed as Ministry of Rural Development on 23rd January 1982. In January 1985, the Ministry of Rural Development was again converted into a Department under the Ministry of Agriculture and Rural Development which was later rechristened as Ministry of Agriculture in September 1985. On July 5, 1991 the Department was upgraded as Ministry of Rural Development. Another Department viz. Department of Wasteland Development was created under this Ministry on 2nd July 1992. In March 1995, the Ministry was renamed as the Ministry of Rural Areas and Employment with three departments namely Department of Rural Employment and Poverty Alleviation, Rural Development and Wasteland Development.

Again, in 1999 Ministry of Rural Areas and Employment was renamed as Ministry of Rural Development. This Ministry has been acting as a catalyst effecting the change in rural areas through the implementation of wide spectrum of programmes which are aimed at poverty alleviation, employment generation, infrastructure development and social security. Over the years, with the experience gained, in the implementation of the programmes and in response to the felt needs of the poor, several programmes have been modified and new programmes have been introduced. The Ministry's main objective is to alleviate rural poverty and ensure improved quality of life for the rural population especially those below the poverty line. These objectives are achieved through formulation, development and implementation of programmes relating to various spheres of rural life and activities, from income generation to environmental replenishment.

In order to ensure that the fruits of economic reform are shared by all sections of societies five elements of social and economic infrastructure, critical to the quality of life in rural areas, were identified. These are health, education, drinking water, housing and roads. To impart greater momentum to the efforts in these sectors the Government launched the Pradhan Mantri Gramdoya Yojana (PMGY) and the Ministry of Rural Development was entrusted with the responsibility of implementing drinking water, housing and rural roads component of PMGY.

During the Ninth Plan period, several anti-poverty Programmes have been restructured to enhance the efficiency of the Programmes for providing increased benefits to the rural poor. Self-Employment Programmes were revamped by merging the Integrated Rural Development Programme (IRDP), the Development of Women and Children in Rural Areas (DWCRA), the Supply of Improved Tool-Kits to Rural Artisans (SITRA), the Training of Rural Youth for Self-Employment (TRYSEM), the Ganga Kalyan Yojana (GKY) and the Million Wells Scheme (MWS) into a holistic self-employment scheme called Swarnjayanti Gram Swarozgar Yojana (SGSY).

Keeping in view the needs and aspirations of the local people, Panchayati Raj Institutions (PRIs) have been involved in the programme implementation and these institutions constitute the core of decentralized development of planning and its implementation. The Ministry vigorously pursue with the State Governments for expeditious devolution of requisite administrative and financial powers to PRIs as envisaged under 73rd Amendment Act of the Constitution of India. On 25th December 2002, under Drinking Water Sector, a new initiative 'Swajal Dhara' empowering the Panchayats to formulate, implement, operate and maintain drinking water Projects was launched. In order to further involve PRIs in the development process, a new initiative 'Hariyali' was launched by Hon'ble Prime Minister on 27th January, 2003. Hariyali was launched to strengthen and involve Panchayati Raj Institutions in the implementation of watershed development programmes namely IWDP, DPAP and DDP.

Realising that empowerment of rural women is crucial for the development of rural India, a women's component is introduced in the programmes for poverty alleviation to ensure flow of adequate funds to this section. The Constitutional Amendment (73rd), Act 1992 provides for reservation of selective posts for women. The Constitution has placed enormous responsibility on the Panchayats to formulate and execute various programmes of economic development and social justice, and a number of Centrally Sponsored Schemes are being implemented through Panchayats. Thus, women Members and Chairpersons of Panchayats, who are basically new entrants in Panchayats, have to acquire the required skill and be given appropriate orientation to assume their rightful roles as leaders and decision makers. Imparting training to elected representatives of PRIs is primarily the responsibility of the State Governments/Union territory Administrations. Ministry of Rural Development also extends some financial assistance to the States/UTs with a view to improve the quality of training programmes and to catalyse capacity building initiatives for the elected members and functionaries of PRIs.

The Eleventh Plan saw injection of huge resources from the Union Budget to the rural and farm sector. This thrust formed the substance of the Bharat Nirman Programme. The Mahatma Gandhi National Rural Employment Guarantee Act has provided a major foundational support.

Department of Drinking Water and Sanitation has been separated from the Ministry of Rural Development from 13th July, 2011 and renamed as Ministry of Drinking Water and Sanitation.

Schemes:

The following major programmes are being operated by the Ministry of Rural Development in rural areas,

1. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) for providing wage employment,
2. National Rural Livelihoods Mission (NRLM) for self-employment and skill development,
3. Housing for All: Pradhan Mantri Awaas Yojana - Grameen (PMAY-G) for providing housing to BPL households,

4. Pradhan Mantri Gram Sadak Yojana (PMGSY) for construction of quality roads,
5. National Social Assistance Programme (NSAP) for social pension,
6. Shyama Prasad Mukherjee RURBAN Mission,
7. Saansad Adarsh Gram Yojana (SAGY),
8. Integrated Watershed Management Programme (IWMP) for improving the productivity of the land.

In addition, the Ministry also has schemes for capacity development of rural functionaries; Information, Education and Communication; and Monitoring and Evaluation.

Budget:

Budget outlay of Rs. 86000 crores have been provided under the Plan head to the Department of Rural Development for the Financial Year 2016-17. An additional amount of Rs. 9000 crores have been allocated at the RE stage to the department thereby augmenting the provision to Rs. 95000 crores.

- ✓ Budget outlay of ₹ 105447.88 crores have been allocated to the department of Rural Development for the Financial Year 2017-18 and
- ✓ Budget outlay of ₹ 112403.92 crores have been allocated to the department of Rural Development for the Financial Year 2018-19 and
- ✓ Budget outlay of ₹ 117647.19 crores have been allocated to the department of Rural Development for the Financial Year 2019-20 and
- ✓ Budget outlay of ₹ 120147.19 crores have been allocated to the department of Rural Development for the Financial Year 2020-21 and
- ✓ Budget outlay of ₹ 131519.08 crores have been allocated to the department of Rural Development for the Financial Year 2021-22 and
- ✓ Budget outlay of ₹ 135944.29 crores have been allocated to the department of Rural Development for the Financial Year 2022-23 and
- ✓ Budget outlay of ₹ 157545.00 crores have been allocated to the department of Rural Development for the Financial Year 2023-24 and

- ✓ Budget outlay of ₹ 184566.19 crores (₹ 177566.19 crore plus ₹ 7000 crore) has been allocated to the department of Rural Development for the Financial Year 2024-25.

- ✓ The additional ₹ 7000 crore in BE 2024-25 is to be met from the balances from Agriculture Infrastructure and Development Fund for financing the Pradhan Mantri Gram Sadak Yojana.

C) Role of Central Finance Commission and Constitutions Provisions:

The Finance Commission of India plays a crucial role in the country's fiscal architecture. Prominent roles played by the Finance Commission (FC) can be seen as follows:

- ⇒ **Equitable Distribution of Resources**: While recommending the manner of distribution of revenues between the Center and states and among the states themselves, the Finance Commission takes into account factors such as population, area, economic backwardness, etc. This ensures that the resources of the country are allocated in an equitable manner.

- ⇒ **Promotes Social Welfare**: The Commission recommends the principles governing the grants-in-aid to states that may not generate adequate revenue themselves for essential services like health, education, and infrastructure. This reduces fiscal imbalances and promotes social welfare.

- ⇒ **Empowered State Governments**: Increased financial resources provide states with financial autonomy. This, in turn, means that state governments are empowered.

- ⇒ **Strengthens Local Self: Government**: It also suggests measures to augment the Consolidated Funds of the states to supplement the resources of the Panchayats and Municipalities. This ensures that local bodies have adequate resources to perform their constitutionally mandated functions.

⇒ **Strengthened Federalism**: The commission fosters cooperation and dialogue between the central and state governments on financial matters, promoting a healthy federal structure.

⇒ **Fiscal Consolidation and Discipline**: By recommending measures for maintaining a stable and sustainable fiscal environment, it promotes fiscal stability and sound financial management both at the central and state levels. This, in turn, aids the sound economic growth of the country.

⇒ **Incentivizing Reforms**: By linking financial allocations to reform milestones, the Commission encourages states to adopt best practices that lead to more efficient governance and improved service delivery.

⇒ **Addressing Contemporary Challenges**: The Commission also aids in addressing contemporary fiscal challenges and the changing dynamics of the Indian economy. For example, considering the impact of new financial arrangements and policies, such as the introduction of the Goods and Services Tax (GST).

15th Finance Commission of India:

⇒ The 15th Finance Commission was constituted by the President of India in November 2017, under the chairmanship of NK Singh.

⇒ Its recommendations will cover a period of five years from the year 2021-22 to 2025-26.

The Fifteenth Finance Commission (FC-XV) in its Final Report contained a Chapter named “Empowering Local Governments” that has recommended a total grant of ₹ 4,36,361 crores for Local Governments for the award year 2021 -22 to 2025-26. Out of which ₹ 2,36,805 crores have been recommended for Rural Local Bodies (RLBs) and ₹ 43,928 crores for strengthening the primary heath infrastructure and facilities in rural areas under the supervision of Panchayat Raj Institutions (PRIs).

Out of total grants earmarked for Panchayat Raj institutions, 60% is earmarked for national priorities like drinking water supply, rainwater harvesting, and sanitation referred as Tied Grant while 40% is Untied Grant that will be utilized at the discretion of Panchayat Raj Institutions for improving basic services.

However, if any RLB has fully saturated the needs of one category and there is no requirement of funds for that purpose, it can utilize the funds for the other category.

Road Map for release of Grants:

1. **Untied Grant**: Untied grant will be released in two instalments by the Union Government after receipt of Grant Transfer Certificate and recommendation from the Ministry' of Panchayati Raj (MOPR), Govt. of India and fulfilment of the stipulated conditions.

2. **Tied Grants**: Tied grants will also be released in two instalments by the Union Government after receipt of recommendation from the Department of Drinking Water & Sanitation, Ministry of Jal Shakti, Govt. of India and fulfilment of the stipulated conditions.

Eligibility Conditions for release of Grants:

Grants shall be released by the Union Government as per the procedure prescribed subject to fulfilment of below conditions:

Conditions for release of Untied Grant:

i. In order to be eligible for grants, RLBs have to mandatorily prepare and make available online, both provisional accounts of the previous year and the audited accounts of the year before previous, as entry level conditions to avail the grants.

   However, for the years 2021-22 and 2022-23, the States need to ensure that at least 25 per cent of the RLBs have both their provisional accounts for the previous year and audited accounts for the year before the previously available online in the public domain in addition to MoPR eGramSwaraj and Audit Online in order for them to avail of the full grants in that year.

   For the years 2023-24 onwards, all RLBs need to have both provisional accounts of the previous year and the audited accounts of the year before previously available online in public domain in addition to MoPR eGramSwaraj and Audit Online failing which grants will be released on pro-rata basis depending upon the number of bodies complying to these conditions.

ii. RLBs shall be deemed to be eligible for the release of grants, if the rural bodies are duly constituted i.e. if duly elected bodies are in place except for the States/Areas where Part IX of the Constitution does not all. In case, all the bodies are not duly constituted, grants shall be released to the State on pro-rata basis for duly constituted only.

iii. FC-XV has recommended that all States which have not done so, must constitute State Finance Commission (SFC), act upon their recommendations and lay the explanatory memorandum as to the action taken thereon before the State legislature on or before March 2024. After March 2024, no grants shall be released to a State that has not complied with the Constitutional provisions in respect of the SFC and these conditions.

Conditions for release of Tied Grant:

Rural Local bodies shall be deemed to be eligible for the release of tied grant if the Department of Drinking Water & Sanitation, Ministry of Jal Shakti, Govt. of India (DDWS) is satisfied about fulfilment of the following broad conditions:

i. Uploading of GPDP/BDP/DDP in eGramSwaraj (or through DDWS-IMIS) containing details of Annual Action Plan of Village/block/District for Sanitation and Drinking Water Supply by the RLBs in the format as may be prescribed by the DDWS.

   Annual Action Plan for Drinking Water Supply shall include: Details about Supply of drinking water, rain water harvesting and water recycling.

   Annual Action Plan for Sanitation shall include: Status & maintenance of ODF and planning and implementation of SLWM interventions in the local body.

ii. Uploading of details about utilization of 15th Finance Commission funds [both components] on the website.

iii. Any other conditions which DDWS may deem fit in connection with the stated objective of the tied grant. In addition to above conditions, RLBs are also required to comply with the state guidelines regarding Fund utilization.

The mandate of the Fifteenth Finance Commission (FC-XV) included recommending measures to enhance the consolidated fund of states in order to support the resources of Panchayats and Municipalities. Consequently, upon receiving recommended grants from the Union Government, state governments are obligated to transfer these funds to the relevant rural local bodies/Excluded Areas within a period of ten working days.

Any delay beyond this stipulated timeframe will necessitate state governments to release the grants with interest, calculated based on the average effective rate of interest on market borrowings/state Development Loans (SDLs) for the previous year.

To facilitate compatibility and operational ease, local bodies are encouraged to establish a separate bank account for the FC-XV grants, utilizing it for various transactions, including integration with the eGramSwaraj-PFMS interface.

In order to become eligible for the subsequent instalment of the grant, the State Government need to submit Grant Transfer Certificate (GTC) to the Ministry of Panchayati Raj (MOPR) for untied grant and Department of Drinking Water & Sanitation, Ministry of Jal Shakti, Govt. of India for the tied grant with copies of both the GTCs forwarded to the Finance Commission Division, Department of Expenditure, Ministry of Finance.

i. **Untied Grants**:

The Untied grants provided are unrestricted, allowing Rural local bodies to allocate them across the twenty-nine subjects outlined in the Eleventh Schedule to the Constitution, excluding salaries and other establishment costs. Nevertheless, the expenses associated with auditing the accounts, conducted by external agencies approved by the State Government, can be covered using this grant.

ii. **Tied Grants**:

a) 50% of the tied grants can be utilized for the basic services of Sanitation and maintenance of ODF status and this should include management and treatment of household waste, and human excreta and fecal sludge management in particular and

b) The remaining 50% on Supply of drinking water, rain water harvesting and water recycling. The local bodies shall, as far as possible earmark one half of these tied grants each to these two critical services.

However, if any RLB has fully saturated the needs of one category and there is no requirement of funds for that purpose, it can utilize the funds for the other category. Such saturation shall be certified by the respective village Assembly /Gram Sabha and duly confirmed by the supervising authority of the Panchayats or the State Government.

16th Finance Commission of India:

Constitution: The Sixteenth Finance Commission was constituted on 31.12.2023 with Shri Arvind Panagariya as its Chairman.

The Commission has been requested to make its recommendations available by 31.10.2025, covering an award period of 5 years commencing from 1st April 2026.

Terms of Reference: The Finance Commission shall make recommendations as to the following matters, namely:

a) The distribution between the Union and the States of the net proceeds of taxes which are to be, or maybe, divided between them and the allocation between the States of the respective shares of such proceeds;

b) The principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States by way of grants-in-aid of their revenues under Article 275 of the Constitution for purposes other than those specified in the provisos to clause (1) of that article; and

c) The measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State.

d) The Commission may review the current financing structures related to Disaster Management initiatives. This involves examining the funds created under the Disaster Management Act of 2005 and presenting suitable recommendations for improvements or alterations.

Central Finance Commission and Constitutions Provisions:

Article 268. Duties levied by the Union but collected and appropriated by the States Such stamp duties and such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied by the Government of India but shall be collected:

a) In the case where such duties are leviable within any Union territory, by the Government of India, and

b) In other cases, by the States within which such duties are respectively leviable.

The proceeds in any financial year of any such duty leviable within any State shall not form part of the Consolidated Fund of India, but shall be assigned to that State.

Taxes levied and collected by the Union but assigned to the States:

Article 226A [(1) Taxes on the sale or purchase of goods and taxes on the consignment of goods shall be levied and collected by the Government of India but shall be assigned and shall be deemed to have been assigned to the States on or after the 1st day of April, 1996 in the manner provided in clause (2).

Explanation: For the purposes of this clause:

a) The expression taxes on the sale or purchase of goods shall mean taxes on sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce;

b) The expression taxes on the consignment of goods shall mean taxes on the consignment of goods (whether the consignment is to the person making it or to any other person), where such consignment takes place in the course of inter-State trade or commerce;

(2) The net proceeds in any financial year of any such tax, except in so far as those proceeds represent proceeds attributable to Union territories, shall not form part of the Consolidated Fund of India, but shall be assigned to the State within which that tax is leviable in that year, and shall be distributed among those States in accordance with such principles of distribution as may be formulated by Parliament by law.]

Article 227 [(3) Parliament may by law formulate principles for determining when a _230[sale or purchase of, or consignment of, goods] takes place in the course of inter-State trade or commerce.]

270. Taxes levied and distributed between the Union and the States:

227A [(1) All taxes and duties referred to in the Union List, except the duties and taxes referred to in articles 268 and 269, respectively, surcharge on taxes and duties referred to in article 271 and any cess levied for specific purposes under any law made by Parliament shall be levied and collected by the Government of India and shall be distributed between the Union and the States in the manner provided in clause (2).

(2) Such percentage, as may be prescribed, of the net proceeds of any such tax or duty in any financial year shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that tax or duty is leviable in that year, and shall be distributed among those States in such manner and from such time as may be prescribed in the manner provided in clause (3).

(3) In this article, Prescribed means:

i. until a Finance Commission has been constituted, prescribed by the President by order, and

ii. after a Finance Commission has been constituted, prescribed by the President by order after considering the recommendations of the Finance Commission.]

271. Surcharge on certain duties and taxes for purposes of the Union:

Notwithstanding anything in articles 269 and 270, Parliament may at any time increase any of the duties or taxes referred to in those articles by a surcharge for purposes of the Union and the whole proceeds of any such surcharge shall form part of the Consolidated Fund of India.

274. Prior recommendation of President required to Bills affecting taxation in which States are interested:

No Bill or amendment which imposes or varies any tax or duty in which States are interested, or which varies the meaning of the expression "agricultural income" as defined for the purposes of the enactments relating to Indian income-tax, or which affects the principles on which under any of the foregoing provisions of this Chapter moneys are or may be distributable to States, or which imposes any such surcharge for the purposes of the Union as is mentioned in the foregoing provisions of this Chapter, shall be introduced or moved in either House of Parliament except on the recommendation of the President.

In this article, the expression "tax or duty in which States are interested" means:

a) a tax or duty the whole or part of the net proceeds whereof are assigned to any State; or
b) a tax or duty by reference to the net proceeds whereof sums are for the time being payable out of the Consolidated Fund of India to any State.

275. Grants from the Union to certain States:

Such sums as Parliament may by law provide shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance, and different sums may be fixed for different States:

Provided that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of a State such capital and recurring sums as may be necessary to enable that State to meet the costs of such schemes of development as may be undertaken by the State with the approval of the Government of India for the purpose of promoting the welfare of the Scheduled Tribes in that State or raising the level of administration of the Scheduled Areas therein to that of the administration of the rest of the areas of that State:

Provided further that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of the State of Assam sums, capital and recurring, equivalent to:

a) the average excess of expenditure over the revenues during the two years immediately preceding the commencement of this Constitution in respect of the administration of the tribal areas specified in _232[Part I] of the Table appended to paragraph 20 of the Sixth Schedule; and

b) the costs of such schemes of development as may be undertaken by that State with the approval of the Government of India for the purpose of raising the level of administration of the said areas to that of the administration of the rest of the areas of that State.

(1A) On and from the formation of the autonomous State under article 244A,

i. any sums payable under clause (a) of the second proviso to clause (1) shall, if the autonomous State comprises all the tribal areas referred to therein, be paid to the autonomous State, and, if the autonomous State comprises only some of those tribal areas, be apportioned between the State of Assam and the autonomous State as the President may, by order, specify;

ii. there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of the autonomous State sums, capital and recurring, equivalent to the costs of such schemes of development as may be undertaken by the autonomous State with the approval of the Government of India for the purpose of raising the level of administration of that State to that of the administration of the rest of the State of Assam.

Until provision is made by Parliament under clause (1), the powers conferred on Parliament under that clause shall be exercisable by the President by order and any order made by the President under this clause shall have effect subject to any provision so made by Parliament:

Provided that after a Finance Commission has been constituted no order shall be made under this clause by the President except after considering the recommendations of the Finance Commission.

280. Finance Commission:

The President shall, within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

Parliament may by law determine the qualifications which shall be requisite for appointment as members of the Commission and the manner in which they shall be selected.

It shall be the duty of the Commission to make recommendations to the President as to:

i. the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;

ii. the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India;

   i. the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State;

   ii. the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State;

iii. any other matter referred to the Commission by the President in the interests of sound finance.

The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.

281. Recommendations of the Finance Commission:

The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be laid before each House of Parliament.

282. Expenditure defrayable by the Union or a State out of its revenues:

The Union or a State may make any grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament or the Legislature of the State, as the case may be, may make laws.

D) Role of State Finance Commissions:

Article 243 gave the State Finance Commission authority over city councils or municipalities. A State Finance Commission performs all the tasks as the central finance commission. It disburses state funds to the Panchayati Raj institutions. Taxes, fees, and fines are collected at all three levels by state and municipal governments.

Article 280 of the Indian Constitution allocates government funds between the central government and states. In addition, a State Finance Commission reviews the financial position of a state's panchayats and makes recommendations to the governor whether Bihar is a self-government-based state or has the envision of panchayat sarkars.

States are not allowed to form State Finance Commissions every five years, as required by the 73rd Constitutional Amendment Act. As a result, suggestions for the formation of SFCs in the Indian states were made. The sole purposes of the SFCs would be rationalising and systematising the state-sub-state fiscal relations.

The governor of a state is responsible for ensuring that the recommendations of a State Finance Commission are laid before the state assembly under Article 243-I of the Indian Constitution. A memorandum outlining the action taken by the government in response to the commission's report is also included.

Though a network of Local Bodies, both Rural and Urban, had been functioning in India even in the pre-independence period, but they could not develop as units of Self-Government. After independence, a number of steps were taken in the light of Directive Principles of the Constitution and also on the recommendations of a number of committees and working groups, appointed from time to time, to foster and develop Local Bodies. Despite that they could not attain the status of decentralized and autonomous units of Self-Governance, as envisaged in the Constitution, because of inadequate delegation of powers, functions, functionaries and financial resources. Elections could not be held at regular intervals. A large number of Local Bodies remained under long super-session.

Whereas, our Constitution has made provision for the creation of Finance Commission under Article 280; to recommend devolution of resources from the Center to the States through Tax-Sharing and Grants-in-Aid, no such Constitutional arrangement was made for a long time since independence for recommending transfer of resources from the State Government to Local Bodies. Thus, Local Bodies were handicapped in their functioning and their development because of a number of inadequacies and limitations–Constitutional, institutional, functional and financial.

To overcome these limitations and inadequacies, and to give a Constitutional status to Local Bodies, so as to enable them to function as units of Self - Government, the Government of India introduced two amendments in the Constitution in 1992, the 73rd amendment relating to Panchayati Raj Institutions, and the 74th to Municipalities. The enactment of these two amendments may be regarded as watershed in the history and development of Local Self-Government in India.

These two amendments made it incumbent on the State Governments to either amend their existing legislation relating to PRIs and ULBs or enact new legislation, giving them necessary powers, authority and finances for discharging their Constitutional obligations, contained in XI and XII schedules, respectively. The two amendments added a new dimension to the Decentralization Process and Fiscal Federalism, by making provision for the creation of an appropriate institutional framework by the State Governments. This framework includes the creation of 3 institutions at the level of each State:

(1) The State Election Commission (SEC), to ensure and hold free and fair elections to Local Bodies, at regular interval of 5 years.

(2) the State Finance Commission (SFC), to be appointed after every 5 years, to recommend devolution of funds from the State Government to Local Bodies, and also suggest measures for augmenting their Own Resources.

(3) the District Planning Committee (DPC) at the level of every district, charged with the responsibility of coordinating and integrating plans for Economic and Social Development, designed by Local Bodies for their respective jurisdictions.

In almost all the States of India, these three institutions have been created and are performing their Constitutional role, though in varying degree of efficiency and effectiveness.

The creation of the SFC is not a mere Constitutional formality but an institution created with a definite role to play. The role of the SFC is mainly determined by its Terms of Reference and the Constitutional requirements. In terms of articles 243(I) and 243(Y) of the Constitution, the SFC is required to recommend the distribution between the State and Local Bodies of the net proceeds of Taxes leviable by the State and inter-se allocation between different Panchayats and Urban Bodies, assignment of certain Taxes and Grants-in-Aid. The Commission is also required to suggest measures needed to improve the Finances of Local Bodies in the State.

The SFC has to play a crucial role in strengthening and augmenting the financial resources of Local Bodies, by addressing the problems of vertical and horizontal imbalances faced by them. It has to make a correct assessment of the needs of Local Bodies by estimating the Revenue Gap for the next five years, on some normative basis. It has also to suggest measures to fill up this gap through mobilization of Own Resources by Local Bodies and the Fiscal Package recommended by the SFC. The gap that may still remain may constitute the basis for the fiscal package to be recommended by the CFC to the States, for supplementing the resources of Local Bodies. The gap would thus facilitate the task of the CFC. At present, in the absence of such estimates to be made available by the SFC, the CFC have been recommending their devolution packages on adhoc basis. The estimation of Revenue Gap of Local Bodies is a crucial task of the SFC.

The XIth and the XII th FCs have bemoaned this fact that most of the SFCs are not playing their role adequately. Most of the States have yet to appreciate the importance of this institution in terms of its potential to carry forward the process of democratic decentralization further. It is a matter of great concern for the CFC that it could not adopt their reports as the basis of its recommendations.

The SFC has to play another important role and that is to make assessment of State Finances and suggest measures for their restructuring and also make Projections of Revenue and Expenditure of the State for the next five years. The fiscal health of the funding agency is crucial to the size of the devolution of resources to Local Bodies.

The SFC has to play another role and that is making recommendations in the area of Capacity Building, Administrative Reforms, the relationship between the Elected Representatives and the Executive Wing of Local Government, Public-Private Participation in certain Local Civic Services, Privatization of certain functions of Local Bodies, Fiscal Reforms which may also include Accounting Techniques, Budgetary Procedures, etc. Building Up Data Base-all these are clubbed together under the head “Beyond the Fiscal Package.”

The enlarged role of the SFC can alter significantly the nature and character of Fiscal Federalism. But the problems facing Local Bodies are not only Financial but also Institutional, Structural, Administrative and Political, most of which have to be tackled by the State Government.

The Finance Commission of India (FCI) stands as a crucial pillar of fiscal federalism, ensuring the equitable distribution of financial resources between the Union and State Governments. As India continues on its path of economic development and social progress, the role of the Finance Commission will continue to remain indispensable. Taking the necessary steps to address the challenges faced by it will go a long way in fostering balanced regional development and ensuring the financial stability of the nation.

Chapter 9:

Professional Opportunities for CAs

Finance Commissions, one after another have laid emphasis on creating an ecosystem for proper maintenance of accounts and their audit by local bodies. Consequent to the recommendations of Fifteenth Finance Commission availability of annual accounts for the previous year and audited accounts for the year preceding previous year in the public domain online is an entry level condition for qualifying for any grant for Local Bodies. Chartered Accountants can support them in key aspects of their functioning and enabling them to become eligible for the grants in the times to come.

Finance Commission, a constitutional body, prescribes recommendations for allocation of funds amongst Central and State Government (s) including Local-Self Government. Local-Self Government (also known as local bodies) plays a major role in providing infrastructural facilities and basic services to the citizens, e.g., supply of water & electricity, education, health, transport, etc., and also take care of planning, development and administration of villages, towns or cities.

Role of Professionals / Chartered Accountants:

≈ **Chartered Accountants (CAs)** may support Local Bodies in building capacity of accounts/ finance staff of local bodies and strengthen them internally to comply with the conditions prescribed by FC related to timely availability of accounts in public domain online by providing them required guidance/ trainings on various aspects such as preparation of accounts as per applicable accounting framework in accordance with changing operative environment, online accounting platform, generation of financial reports, etc.

≈ **Chartered Accountants** may support local bodies in auditing the accounts of local bodies/its programmes/ funds so as to strengthen control mechanism, ensuring that the resources or public funds are being utilised efficiently and effectively and the financial statements depict true and fair view of state of affairs (financial position and financial performance) of local bodies. States such as Chhattisgarh, Madhya Pradesh, Rajasthan, Sikkim, etc. are engaging Chartered Accountants for preparation of accounts, audit and certification of accounts. Chartered Accountants may also support in budgeting and efficient & smooth functioning of day-to-day operations of local bodies.

≈ Chartered Accountants may guide local bodies in implementing ongoing accounting reforms (such as migration of accounts of ULBs from cash to accrual accounting system), sustain new system (where accrual accounting has already been implemented in local bodies), improve financial reporting and public financial management of local bodies that will help them in better service delivery and decision making thereby reaping benefits of accounting reforms.

≈ Chartered Accountants may also support State Authorities (Urban Development Department or Department of Municipal Administration) in suitably amending their respective States Municipal/ Municipality Acts (required if any) so as to incorporate relevant legal mandate to enable them for smooth implementation of accounting reforms, etc. Here, it may be mentioned that in case of RLBs, 40% untied grant (of XV FC) which can be used by them for felt needs under the 29 subjects enshrined in the Eleventh Schedule, except for salaries and other establishment costs; the expenditure required for auditing of accounts by external agencies approved by the State Government, may be borne from this grant.

≈ Involvement of Chartered Accountants at the lowest tier of the Government will enable Local Bodies in fulfilling the entry level conditions of the XV FC for the grants timely qualifying them to obtain the grants for their developmental initiatives.

Basic and Performance Grants: Conditions attached There are **two major problems** with the accounts of local governments in India:

(a) The lack of timely accounts, including audited accounts, on a timely basis and

(b) The classification of their accounts to make them amenable to consolidation with Union and State Governments' accounts. FCs understand that for any part of the government using tax-payers' money, availability of accounts (including audited accounts) in the public domain on a timely basis is a primary requirement for good governance.

They have tried to tackle (a) by following initiatives/recommendations:

Finance Commission	Recommendations
FC-X	State Governments should prepare suitable schemes and issue detailed guidelines for the utilisation of grants. The local governments were required to raise matching contributions for this purpose.
FC-XI	First charge on the grants should be maintenance of accounts and audit, followed by the development of a financial database.
FC-XII	RLBs and ULBs were expected to give high priority to expenditure for the creation of databases on their finances and maintenance of accounts through the use of technology and management systems.
FC-XIII	Six conditions for rural local bodies and nine conditions for urban local bodies to access the performance grant. All these conditions had to be met in each of the award years.
FC-XIV	For gram panchayats, the ratio between the unconditional basic and conditional performance grant was 90:10 and for municipalities the ratio was 80:20. To be eligible for performance grants, the local governments would have to show an increase in own source of revenue and also submit audited annual accounts.
FC-XV	FC has mandated availability of annual accounts for the previous year and audited accounts for the year preceding previous year in the public domain online as an entry level condition for qualifying for any grant for LBs. Accounts comprise the balance sheet, income and expenditure statement, cash flow statement and notes to accounts. Annual accounts of a particular year need to be made available in public domain online by 15th May of every subsequent year.

For (b) i.e. consolidation of accounts, the efforts made are mentioned below:

Finance Commission	Recommendations
FC-XI	The Comptroller and Auditor General (CAG) should be entrusted with the responsibility of exercising control and supervision over the maintenance of accounts and audit of all tiers of rural and urban local bodies, and that its audit report should be placed before a Committee of the State legislature.
FC-XII	The compilation of disaggregated data in the formats suggested by the CAG is necessary for State FCs to be able to assess the income and expenditure requirements of the local governments. Priority should be given to the creation of a database and maintenance of accounts through the use of modern technology and management systems.
FC-XIII	While the CAG should provide technical guidance and supervision, a major portion of the actual auditing would have to be undertaken by the local fund audit departments. Hence, all State Governments should strengthen their local fund audit departments appropriately through both capacity building of existing manpower as well as augmentation of personnel.
FC-XIV	Accounts prepared by the local governments should distinctly capture income from own taxes, assigned taxes, grants from the State, FC grants and grants for any agency functions assigned by the Union and State Governments. In addition, it also recommended that technical guidance and support arrangements by the CAG should be continued and States should facilitate local bodies to compile accounts and have them audited in time.
FC-XV	Availability of annual accounts for the previous year and audited accounts for the year preceding previous year in the public domain online as an entry level condition for qualifying for any grant for LBs.

The services of the **Chartered Accountants** can be gainfully utilised is the audit of urban local bodies, viz. municipal corporations, municipalities and town panchayats.

Accounting, Auditing & Compliance of Panchayati Raj Institutions (PRIs)

During the last one decade or so, the Union Government as well as the State Governments have been placing an increasing emphasis on utilising the Gram Panchayats and panchayat Samithi as the basic agencies for local development. Most of the State Government has already made it mandatory for the gram panchayats in the State to have their accounts audited every year by a **Chartered Accountant**.

This recommendation of Fifteenth Finance Commission has created a Big opportunity for Chartered Accountants (**CAs**), they can to support Local Bodies in enabling them to timely fulfil the entry level conditions of the grants for proper maintenance of accounts to obtain the grants. In this direction the Committee on Public and Government Financial Management (CP&GFM) of ICAI has launched and is conducting Certificate Course on Public Finance & Government Accounting that aims at making members understand the nuances and finesse of Government Accounts. The Committee is in constant discussion with the concerned Ministry and office of C & AG to empanel Chartered Accountants/firms and utilize the services of the CAs for the purpose to ensure professional execution and attainment of desired objectives of timeliness, accuracy, accountability and transparency. CA members have to grab these opportunities by doing Certificate Course and empanelment with CA& G to fructify these opportunities.

In addition to above CAs can render following Professional Services:

1. Building capacity of accounts/ finance staff of local bodies by providing them required guidance/ trainings on various aspects such as preparation of accounts as per applicable accounting framework, online accounting platform, generation of financial reports, etc.

2. Auditing the accounts / its program/ funds of local bodies for ensuring that the resources or public funds are utilized efficiently and effectively and the financial statements depict true and fair view of state of affairs (financial position and financial performance) of local bodies.

3. Providing guidance and assisting in budgeting and efficient & smooth functioning of day-to-day operations of local bodies.

4. Guiding in implementation of ongoing accounting reforms such as:

    a. Migration of accounts of ULBs from cash to accrual accounting system.

   b. Sustain New accrual accounting system already been implemented.

   c. Improve financial reporting and public financial management of local bodies resulting in better service delivery and decision making.

5. Guiding suitably in amending the respective States Municipal/ Municipality Acts (required if any) to incorporate relevant legal mandate to enable them for smooth implementation of accounting reforms, etc.

6. Assisting in framing/ drafting & effective implementation of many Government Schemes/ program, efficient and smooth functioning of day-to-day operations of the Government.

Many more States are in the process of making it mandatory for the Gram Panchayats to have their **Accounts Audited**.

<u>Some of the areas wherein Chartered Accountants can Assist the Governments are</u>:

Opportunities for Chartered Accountants in the Government Accounting:

✓ With involvement of ICAI ARF in the Ministry of Railways pilot project implementation in the Accounting Reforms project, there would be requirement of firms of Chartered Accountants in implementation of reforms in other zones and other units of Indian Railways for accounting.

✓ If Government of India continues with these accounting reforms in other departments and units of the Government, the need of accounting professionals would increase.

✓ When various State governments start the implementation of accounting reforms, this would open the sector and the need of accounting professionals would increase.

✓ The requirement for accounting professionals would continue for implementation of accounting reforms in urban and rural local bodies.

- ✓ All needs a push from the Government for implementing financial and accounting reforms in Government.

Urban Local Bodies:

- ✓ Conversion of traditional accounts to AB-DEAS.
- ✓ Preparation of opening balance sheet and first accounts.
- ✓ Continue maintenance of accounts under AB-DEAS.
- ✓ Valuation of municipal assets.
- ✓ Issue of Municipal Bonds – following SEBI Regulations of 2015.
- ✓ Review and Update of existing State Accounts Manual.
- ✓ Business process re-engineering with reference to Accrual System of Accounting.
- ✓ Categorisation, grouping and sub-grouping of assets and liabilities.
- ✓ Design and updating of Chart of Accounts with Accounting Codes.
- ✓ Preparing annual financial statements of ULBs (regular and continuous work considering the institutional strength of ULBs).
- ✓ Advocacy on use of appropriate accounting policies and drafting of disclosures of accounting policies.
- ✓ Training of finance and accounts personnel and training of trainers.
- ✓ Rural Local Bodies-Accounting in PRI's is to open up.
- ✓ Advocacy and training of finance and accounts personnel would continue.

Other Opportunities for Chartered Accountants within Government Sector:

- ✓ Statutory Audit of Government's project accounts under various programs (would continue as before) like NHM, NLM (Urban & Rural), PMAY, PMGSY, AMRUT, etc.
- ✓ Statutory Audits of Special Purpose Vehicles (under Companies Act, 2013) formed for Smart City Mission.
- ✓ Internal Audit of various mission mode programs, government-funded projects and Internal Audit of units of Government undertakings would continue.
- ✓ Fiscal reforms initiated under present programs like tax and non-tax reforms initiated under programs like AMRUT and Smart City Mission require Chartered Accountants (individual capacities) for implementing fiscal reforms.
- ✓ Requirement of Chartered Accountants would increase when Government implements financial management reforms including budgeting reforms.
- ✓ Assistance for Computerization of Records and introduction of computerization of Accounting and Fiscal Systems.
- ✓ Advising the Local Bodies in Statutory compliances–IT and GST (TDS and filing of Returns).
- ✓ Design and implementation of Budgetary Control System in the line with the Accrual Accounting.
- ✓ Implementation of Accounting Standards in Local Bodies, once State Governments mandates its implementation.
    - ✓ Involvement of Chartered Accountants (individual capacity) in various tasks with Asian Development Bank and World Bank when it extends grants and loans to Central Government, State Government and Local Government;

- ✓ During processing of loans and grants, multi-lateral agencies require the services of Chartered Accountants to:

- ✓ Undertake detailed financial viability assessments of projects identified by state entities to ensure that these are eligible for funding under World Bank / ADBs investment guidelines and GoI and State Governments;

- ✓ Update and gather information in order to conduct sample financial models for the proposed projects;

- ✓ During processing of loans and grants, multi-lateral agencies require the services of Chartered Accountants to:

  - Provide financial analysis assessments for input into the project feasibility and project processing reports;

  - Prepare an assessment of the revenue streams of the government bodies including tariffs for services and prepare recommendations to enable sustainable service delivery with adequate operations and maintenance cost recovery;

  - Conduct financial management assessment of the respective ULBs to include accounting and reporting systems, auditing arrangements, internal control, and governance and anticorruption;

- ✓ During implementation of loans and grants, multi-lateral agencies require the services of Chartered Accountants to:
  - Assist State Government or Project Management Unit (PMU) in maintaining the project accounts with all ledgers and control systems;

  - Support the PMU staff on WB/ADB disbursement and reporting procedures;

  - Help PMU in preparation of annual budgets, accounting and audit reports;

  - Generate different accounts reports and financial statements;

- ✓ During implementation of loans and grants, multi-lateral agencies require the services of Chartered Accountants to:

  - o Assist PMU in ensuring smooth funds flow from WB/ADB and the State government;

  - o Support the PMU in obtaining reimbursements from WB/ADB;

  - o Support the PMU Finance Officer during project start-up to set up the accounts and manage the finances of the project meeting ADB's requirements;

  - o Training the PMU staff on WB/ADB procedures and reporting requirements;

Legal Assistance:

1. Helping the Central and State Governments in their Budget Preparation Jobs.

2. Consultancy in Public Finance [Concerned with paying for collective or governmental activities], and with the administration and design of those activities. State governments have also started swapping their high-cost loans into lower cost loans. Therefore, members can adopt this area and do certain work for this area, which has remained unexploited for years.

3. Chartered accountants can play a crucial role in shoring up Government finances with their expertise and also act as a bridge between the people and the Government to convey details of the schemes drawn up for their benefit.

4. Drafting & Vetting of Free Trade Agreements.

5. Conducting Impact Study of FTAs on behalf of industries, political parties and Governments.

6. Representation before statutory authorities for seeking relief under the Rules of Origin [ROO] / Settlement of Disputes / Safeguard Measure clauses of the relevant FTAs on behalf of either Domestic Industries or Exporters of the foreign countries.

7. Representation works for National Governments at WTO Dispute Settlement Forum.

8. Investigations for various parameters specified under the Rules of Origin Agreement on behalf of Domestic or Foreign Governments.

Social Audit in India:

Social Audit is an emerging field in India. In India, Tata Iron and Steel Company Ltd (TISCO), Jamshedpur, was the first to take the initiative to perform social audits in 1979. It gained relevance after the constitution's 73rd amendment, which dealt with Panchayat Raj Institutions. Article 243J of the Constitution provides for the audit of Panchayat's accounts. In India, Social Audit was first made statutory in 2005 through the Rural Employment Act. Section 17 of this Act makes social audit mandatory for works done under the MGNREGA scheme by the concerned Gram Sabha. The government also issued the Social Audit Rules in 2011 under the MGNREGA Act. The 9th Five Year Plan approach document placed a strong focus on social audit for the efficient operation of Panchayat Raj Institutions.

The most appropriate institutional level for social audit is the Gram Sabha, which has been given "watchdog" powers and responsibilities by the Panchayati Raj Acts in most states to supervise and monitor the functioning of elected representatives and government functionaries. They also examine the annual statement of accounts and audit reports. These implied powers indirectly empower Gram Sabhas to carry out social audits in addition to other functions. Members of the Gram Sabha and the village, intermediate, and district Panchayats can raise issues of social concern and public interest and demand an explanation. The uneven progress on NREGA social audits across India prompted the National Comptroller and Auditor General of India (CAG) to take stock of the situation. In 2015, the CAG's compliance audits in fifty local village governments across India revealed that state governments were violating provisions of NREGA and diluting the spirit of social audits. The CAG's interest in social audits compelled the National Ministry of Rural Development to form a task force to develop National Standards and a consistent audit methodology. Based on the task force recommendations, the ministry adopted a social audit action plan and instructed state governments to begin monthly social audits on NREGA. This CAG-led process, supported by the Indian Supreme Court, is now being rolled out across India. The scope of social audits has also expanded beyond NREGA and covers sectors such as food security, persons with disabilities, the Building and Construction

Workers Act, the Juvenile Justice Act, the National Rural Health Missions, Sarva Shiksha Abhiyan, Pradhan Mantri Gram Sadak Yojna, etc. among others. However, state initiatives to scale up what began as civil society initiatives can have strengths and weaknesses.

With the introduction of the Companies (Corporate Social Responsibility Policy) Amendment Rules 2020, Social Impact Assessment came under compliance. Through this amendment, it has been made obligatory for a company incurring CSR spending of ₹ 5 crore or more in the immediately preceding financial year, in pursuance of Section 135, to undertake an impact assessment for their CSR projects. With the launch of the social stock exchange, social audit has matured with well-defined deliverables.

The Institute of Chartered Accountants of India (ICAI) has defined the required Social Audit procedures for 16 Thematic Areas of Social Development. The concept of Social Stock Exchange (SSE) came into existence in 2003 when the first Social Stock Exchange was introduced in Brazil. Thereafter, many other countries like South Africa (in 2006), Portugal (in 2009), Canada (in 2013), Singapore (in 2013), the United Kingdom (in 2013), and Jamaica (in 2019) followed suit. However, only three out of the seven Social Stock Exchanges are still surviving and functioning. They are based in Canada, Singapore, and Jamaica. The National Guidelines on Responsible Business Conduct, 2018 (NGRBC), encourage businesses to contribute towards broader development goals while seeking to be economically viable. The development of sustainability reporting standards like the Global Reporting Initiative, ISO 26000: Guidance on Social Responsibility, Principle of Responsible Initiative (PRI), and Sustainability Accounting Standards Board (SASB) has contributed to our understanding of social responsibility. India is a signatory to global initiatives like the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. These global initiatives address universal social development issues and call for action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. Based on the guidance in NGRBC, Business Responsibility & Sustainability Reporting is a compliance requirement for the top 1000 companies in India. According to a 2012 government estimate, India has 31 lakh NPOs. As of 2018, only 1.8 lakh institutions had registered and claimed tax exemption status. Among them, only 18% had obtained FCRA funding, and 11% had obtained CSR funding. The term “Social Stock Exchange” was formally introduced in India in 1981 with the establishment of Ashoka (A global association of the world’s leading social entrepreneurs). The emergence of the Social Stock Exchange concept in India: Hon'ble Finance Minister Smt. Nirmala Sitharaman, as part of the Budget Speech for FY 2019-20, proposed the idea of an electronic fund-raising platform "Social Stock Exchange" under the regulatory ambit of SEBI to list social enterprises and voluntary organizations working for the realization of a social welfare objective so that they can raise capital as equity, debt, or as units like a mutual fund. Through a notification dated July 25, 2022, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations"), and the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations") were amended to provide a broad framework for the Social Stock Exchange. As per Regulation 91E of the LODR Regulations, all Social Enterprises that have registered or raised funds using SSE are required to disclose an Annual Impact Report within 90 days from the end of the Financial Year. In India, the concept of Social Audit and Social Stock Exchange is in the initial stage, and in the next few years, it will create huge opportunities for professionals in the field of social audit, SSE registration, listing of securities, consultancy, etc. It will also ensure transparency, accountability, and prove to be a good tool for faster social welfare for needy and poor people and environmental development.

Government of India has taken various initiative to catalyse accounting reform in Local Bodies to empower them. Latest initiative is the issuance of National Municipal Accounts Manual (NMAM), As per manual, the Fifteenth Finance Commission has implemented entry level condition for Local Bodies (both Urban and Rural) of making timely availability of annual accounts for the previous year and audited accounts for the year preceding previous year in the public domain online for qualifying for any grant. This also follow for various incentive given under the schemes such as JNNURM, AMRUT etc. Local Bodies in India are lagging behind and still struggling to complete backlog of their accounts and its audit, even on cash basis, and in majority of cases accrual basis accounting is far away.

Role of Chartered Accountants in Social Audit

A Social Auditor should possess certain specific characteristics. Some of them are as follows:

a) **Unbiasedness and Independence**: The social auditor should have no stake in the outcome of the audit and should be totally independent of the management.

b) **Expertise and Knowledge**: The social auditor should be someone who specializes in conducting social audits with appropriate training and experience.

c) **Inquisitiveness and Professional Skepticism**: Social Auditing requires someone unwilling to accept things at face value and capable of drilling down deeper to uncover issues that are deeper than what appears prima facie.

d) **Ability to understand impact of Programs / Corporate actions in their wider Social Context**: Social performance must be understood within the context of a diverse stakeholders and a diverse set of perceptions, values, objectives, etc. An effective social auditor must be both willing and able to consider a variety of sources and perspectives for developing an understanding of social performance.

e) **Adherence to Standards**: Social auditor should be able to follow certain standards in their audit process and standards on reporting so that the users of social audit reports are able to rely on the information contained in those reports.

Given the above characteristics, **Chartered Accountants** are one of the groups of professionals that are able to fulfil the requirements of **Social Auditors**. By professional training in auditing and being sworn to ethical standards, a chartered accountant possesses the required acumen and independent mindset to deliver Social Audits in India. As of date, there is no regulatory mandate for chartered accountants to act as social auditors or for any other professional body for that matter. However, creation of appropriate institutional mechanism for training and capacity building will be one of the keys deciding factors for pre-eminence in this very critical and emerging area of professional service.

The essential requisites for **Chartered Accountants** to be able to be the first choice as independent social auditors are to be able to train themselves in two specific aspects namely:

⇒ Social Auditing and Reporting standards.

⇒ Mapping stakeholders and Social Indicators While training on Social Auditing and Reporting Standards is a generic requirement, mapping of stakeholders and identification of Social Indicators that can be used for the purpose of social audit will vary from engagement to engagement. **Chartered Accountants** could rely on established Social Indicators that have been formulated by agencies like, United Nations, World Bank, Investment Commission of India, OECD and several others. These indicators that are relevant for a particular engagement may need to be identified specifically by the auditor after discussion with the various stakeholder's group who need to be interviewed at the planning phase.

There is definitely a case for **Chartered Accountants** to collaborate with practitioners of social science for complex social audit projects to add greater value to the users of social audit reports. On the supply side, Chartered Accountants firms have the option of consortiums to build capacity and methodologies, specifically, targeted for social audits. Specific training modules
and certification / accreditation system could be introduced to induce confidence in the minds of the users of social audit services about the quality standards being followed for audit engagements.

On the demand side there is a need to push for regulatory mandate for social audit for public utility projects undertaken by Government Social Sector expenditure projects in the lines of MGNREGA.

Certain such Projects / Programmes / Scheme of Government where Social Audit could be looked at are as follows:

- ✓ Grameen Vidyutikaran Yojana.
- ✓ Sarva Siksha Abhiyan.
- ✓ Pradhan Mantri Gram Sadak Yojana.
- ✓ Pradhan Mantri Gramodaya Yojana.
- ✓ Swarnjayanti Gram Swarozgar Yojana.
- ✓ Swarna Jayanti Shahari Rozgar Yojana.
- ✓ Bharat Nirman (Specific Programmes) etc. etc.

Specimen of Expression of Interest (EoI) by State Governments:

Commissionerate of Panchayat and Rural Development, Guwahati-37 - (Notice No: CPRD/Audit/57/2023/19 dated:10th July, 2023)- (Expression of

Interest is invited from Chartered Accountant Firms empanelled with C & AG for Statutory Audit as prescribed by GOI of HQ/Z. P/DRDA/Block/A. P/G.P etc.

Prescribed Format for Empanelment of Chartered Accountant Firms for Statutory Audit of Accounts of Z.P.s, DRDAs, Blocks, APs & GPs:

Ref: Advertisement No.

1. Name of the Firm-(Partnership / Sole Proprietorship):
2. Name of the Proprietor / Partner:
3. Status of the Firm (Partnership / Sole Proprietorship):
4. Full Address of the Firm (HQ):
5. Telephone No. ‘s including Mobile Phone:
6. PAN No./GST No. of the Firm:
7. FRN of the Firm:
8. ICAI Membership No. of existing partner/ Propter of the Firm:
9. C&AG Empanelment Number with copy:
10. Number of existing C.A. associated with the Firm & their Names (Details Bio-data)
11. Date of Registration and Commencement of the Firm:
12. No. of existing FCA & ACA and since when they are engaged with the Firm:
13. Number of existing Articles and Staff (Minimum 10 Nos.) (Details Bio-data):
14. Whether the Firm has experience of audit work in P&RD Dept. If so, details of the same:
15. Whether there is any court / Arbitration / any other legal case against the Firm:
16. Details of experience in conducting statutory-Audit at Govt. Organisation, Furnish the details:
17. Annual Turnover for last 3(three) financial years - (Documentary proof to be attached):

Annexure-I

(For DRDA)
(Programme-Wise)

Name of the Programme:

Comments on the following:

1) Cash payment by way of self-cheque:
   a) At Block Level:
   b) G.P. Level:

2) Account No(s) of the programme:
   a) At Block Level:
   b) G.P. Level:

3) Reconciliation of PD/BDO/GP:
   a) At Block Level:
   b) G.P. Level:

4) Observance of existing financial norms as regards:
   a) Sanction of Amount:
   b) Technical sanction:
   c) Payment on M.B. record:
   d) NIT / fixation of rate of supplied materials:

5) Physical verification of schemes:
   a) At Block Level:
   b) G.P. Level:

6) Suspected misappropriation / embezzlement/ Diversion of funds:
   a) At Block Level:
   b) G.P. Level:

7) Outstanding advance
   a) At Block Level:
   b) G.P. Level:

8) Employment Register
   a) At Block Level:
   b) G.P. Level:

9) Job card Register
   a) At Block Level:
   b) G.P. Level:

10) Photographs of Schemes (in 5)
   a) At Block Level:
   b) G.P. Level:

11) Asset Register (very good/good/poor)
   a) At Block Level:
   b) G.P. Level:

12) Work Register
   a) At Block Level:
   b) G.P. Level:

13) Stock & issue Register (very good / good/poor)
   a) At Block Level:
   b) G.P. Level:

14) Ratio of wage & materials:
   a) At Block Level:
   b) G.P. Level:

Signature of Chartered Accountant

Annexure-I

(For Zilla Parishad)
(Programme-wise)

Name of the Programme:

Comments on the following:

a) Cash payment by way of self-cheque:
   - a) At Z.P. Level:
   - b) At A.P. Level:
   - c) At G.P. Level:

b) Account No(s) of the programme:
   - a) At Z.P. Level:
   - b) At A.P. Level:
   - c) At G.P. Level:

c) Reconciliation of Accounts of ZP/AP/GP:
   - a) At Z.P. Level:
   - b) At A.P. Level:
   - c) At G.P. Level:

d) Observance of existing financial norms as regards:
   - (i) Sanction of Amount:
   - (ii) Technical sanction:
   - (iii) Payment on M.B. record:
   - (iv) NIT / fixation of rate of supplied materials:

e) Physical verification of schemes:
   - a) At Z.P. Level:
   - b) At A.P. Level:
   - c) At G.P. Level:

f) Suspected misappropriation / embezzlement /Diversion of funds:
   - a) At Z.P. Level:
   - b) At A.P. Level:
   - c) At G.P. Level:

g) Outstanding advance:
   a) At Z.P. Level:
   b) At A.P. Level:
   c) At G.P. Level:

h) Employment Register:
   a) At Z.P. Level:
   b) At A.P. Level:
   c) At G.P. Level:

i) Job card Register:
   a) At Z.P. Level:
   b) At A.P. Level:
   c) At G.P. Level:

j) Photographs of schemes (in %):
   a) At Z.P. Level:
   b) At A.P. Level:
   c) At G.P. Level:

k) Asset Register (very good / good / poor):
   a) At Z.P. Level:
   b) At A.P. Level:
   c) At G.P. Level:

l) Work Register:
   a) At Z.P. Level:
   b) At A.P. Level:
   c) At G.P. Level:

m) Stock & issue Register (very good / good / poor):
   a) At Z.P. Level:
   b) At A.P. Level:
   c) At G.P. Level:

n) Ratio of wage & materials:
   a) At Z.P. Level:
   b) At A.P. Level:
   c) At G.P. Level:

Signature of Chartered Accountant

Annexure-II

Comments on the following:

1) Bank reconciliation:
2) Verification of Cash Book with MIS:
3) District-wise & Scheme-wise consolidation:
    - Block-wise & Scheme-wise consolidation:
    - G.P. wise & Scheme-wise consolidation:
4) ATR on Audit observation (previous):
5) Discussion with concerned Head of the Office on the report:
6) Re-clarification of account, (if Misc-clarification exists & lapsing of entries):
7) TDS deduction & deposit:
8) Social Audit:
9) Meeting of Vigilance Monitoring Committee:

Signature of Chartered Accountant

Schedule-I to the work order to C.A. Firm

TOR FOR C.A. AUDIT
(OFFICES AT DISTRICT LEVEL & BELOW)

1) Preparation of audited statements (consolidated) / audit reports (consolidated) at GP level/Block Level/District Level for both RD Schemes and PRI Schemes together.

2) Preparation of audited statements (consolidated) / audit reports (consolidated) at GP level / AP level /ZP level for PRI schemes and at GP level/Block level/DRDA level for RD schemes separately.

3) Preparation of programme-wise audited statements (consolidated) audit reports (consolidated) at GP level / AP level / ZP level for PRI scheme and at GP level / Block level / DRDA level for RD schemes [Programme guidelines for each programme to be collected from CPRD office or to be downloaded from MoRD/MoPR/Govt. of Assam websites]

4) Verification of maintenance of documents/ photographs/ asset registers / work registers/ job cards/ other statutory registers as per individual programme guidelines and reporting of the same in the audit reports (Please see Ann-I & II list is only illustrative and not exhaustive).

5) Verification of compliance of programme guidelines while planning/ execution/supervision of the programmes and reporting of the same in the audit reports (Please see Ann-I & II to Sch-I: list is only illustrative and not exhaustive)

6) Verification of compliance of head-wise/ sub head-wise expenditure [wages/ materials/contingency etc.) as per programme ceiling given in the guidelines and reporting of the same in the audit reports (Please see Ann-I & II list is only illustrative and not exhaustive).

7) Reconciliation of all bank accounts with book of accounts maintained at GP level/ AP level/ Block level for PRI Schemes and at GP level/Block level/DRDA level for RD Schemes.

8) Reconciliation of the MIS balances with book of accounts maintained at GP level / AP level/ ZP level for PRI Schemes and at GP level/Block level/DRDA level for RD schemes.

9) Reconciliation of the programme wise receipts / expenditure amongst GP/AP/ZP/CPR for PRI Schemes and amongst GP/Block/DRDA/CPRD for RD schemes.

10) Verification of revenue sharing amongst GP/AP/ZP as per provisions of Assam Panchayati Raj Act, 1994 as amended from time to time.

11) Identification of wrong classification of accounting entries (errors of commission/omission) and get the correct entries passed before closure of audit.

12) Verification of release of Central Share and matching State Share as per programme guidelines.

13) Identification of outstanding advances and mention of the same in audit reports (along with the names against whom advances are outstanding and since when).

14) Analysis of the cash balances / Bank balances / Advances at the beginning and at the closure of financial year.

15) As Cash drawals from accounts are not permissible, identification of all Cash drawals and listing of the same in the audit separately.

16) A separate statement for receipt and expenditure against Grants received has to be prepared grant-wise clearly indicating sanction No. & Date.

17) Preparation of the annual statements as per CAG formats for each programme & each office under audit.

18) Audit has to be carried out in the respective office and no other place than the respective office. Audits are to be carried out parallelly in all the offices in district by deploying adequate number of auditing staff and a supervisor has to be deployed in each district to coordinate with CPRD office during entire audit period i.e. from beginning of audit to final discussions of audit report with CPRD.

19) Discussion of audit report at the end of the Audit with the CEO, ZP/ EO, AP/ GP President & GP Secretary, in case of PRI Schemes and with the PD, DRDA/BDO, Block/ GP President & GP Secretary in case of RD Schemes and to enclose a certificate to this effect in the audit report duly signed by Auditor and the person concerned with whom discussions are to be held as mentioned above.

20) All Audit reports under R.D. programme & PRI programme to be submitted in triplicate to respective offices by 30th September/2023.

21) One copy of All Audit Report under R.D. Programme and PRI programme to be submitted to the Commissionerate of P&RD Office, Assam.

22) Any other accounting / audit work entrusted by CPRD as per exigencies during the audit on mutually agreed terms and conditions.

23) The Audit fee will not be considered for payment if the Audit Report etc. is not submitted by the concerned Chartered Accountant Firms within the stipulated time.

[**Note**: Audited statements will include receipts and expenditure statement/balance sheet/ Fund-Flow statement and any other statement prescribed by GOI/Govt. of Assam/CAG/CPRD as per Programme requirements]

(**Commissioner, P&RD, Assam**)

I accept above **ToR**.

(**Authorized signatory of CA Firm**)

Schedule-II to the work order to Chartered Accountant Firm

FEE SCHEDULE FOR C.A. AUDIT
(OFFICES AT DISTRICT LEVEL & BELOW)

Level	Total Amount	Details
District	₹ 45,000/-	Auditing of all Schemes under ZP / DRDA whichever is Applicable.
Block	₹ 7,500/-	Auditing of all Schemes including Anchalik Panchayat under respective Blocks.
GP	₹ 500/-	Covering all Schemes.

(**Commissioner, Panchayat & Rural Development, Assam**)

I accept above Fee Schedule
(**Authorized signatory of Chartered Accountant Firm**)

Schedule I to the work order to Chartered Accountant Firm

TOR FOR C.A. AUDIT
(FOR OFFICE OF CPRD ASSAM)

1. Preparation of audited statement (consolidated)/ audit report (consolidated) at CPRD level for both RD schemes and PR schemes together.

2. Preparation of audited statement (consolidated)/ audit report (consolidated) at CPRD level for PR schemes and for RD schemes separately.

3. Preparation of programme –wise audited statement (consolidated)/ audit reports (consolidated) at CPRD level for PR schemes and RD schemes [Programme guidelines for each programme to be collected from CPRD office or to be downloaded from MoRD/MoPR/Govt. of Assam websites].

4. Verification of maintenance of documents/ photographs/ asset registers/ work registers/ job cards/ other statutory register of the same in the audit reports [Please see Ann I & II to Sch I: list is only illustrative and not exhaustive].

5. Verification of compliance of programme guidelines while planning/ execution/ supervision of the programmes in subordinate offices and reporting of the same in the audit reports [Please see Ann I & II to Sch I : list illustrative and not exhaustive].

6. Verification of compliance of head-wise/ sub head-wise expenditure [Wages/materials/ contingency etc.] as per programme celling's given in the guidelines in subordinate offices and in CPRD office and reporting of the same in the audit reports [Please see Ann I & II to Sch-I: list is only illustrative and not exhaustive].

7. Reconciliation of all bank accounts with book of accounts maintained at the GP.

8. Reconciliation of the MIS balances with book of accounts maintained at CPRD level for PR schemes and for RD schemes.

9. Reconciliation of the programme wise receipts/ expenditures amongst GP/AP/ZP/CPRD for PR schemes and amongst GP/ Block/ DRDA/ CPRD for RD schemes.

10. Verification of revenue sharing amongst GP/AP/ZP in subordinate offices as per provisions of Assam Panchayat Raj Act, 1994 as amended from time to time.

11. Identification of wrong classification of accounting entries (errors of commission/omission) and get the correct entries passed before closure of audit.

12. Verification of release of Central Share & matching State Share as per programme guidelines.

13. Identification of outstanding advances and mention of the same in audit reports (along with the names against whom advances are outstanding and since when).

14. Analysis of the cash balances/ Bank balances/ Advances at the beginning and at the closure of financial year.

15. As cash drawals from accounts are not permissible, identification of all cash drawals and listing of the same in the audit separately.

16. A separate statement for receipt and expenditure against Grants received has to be prepared grant- wise clearly indicating sanction no. & date.

17. Preparation of the annual statements as per CAG formats for each programme & each office under audit.

18. Audit has to be carried out in the CPRD office and no other place than the CPRD office. No hospitality is to be taken by the Auditor from the CPRD office. Audit is to be carried out by deploying adequate number of auditing staff and a supervisor has to be deployed in CPRD office to coordinate with CPRD office during entire audit period i.e., from beginning of audit to final discussions of audit report with CPRD period i.e., from beginning of audit to final discussions of audit report with CPRD Audit has to be completed by --/--/----.

19. Discussion of audit report at the end of the audit with the CPRD and enclose a certificate to this effect in the audit report duly signed by Auditor and the person concerned with whom discussions are to held as mentioned above.

20. Audit report is to be submitted in triplicate to CPRD office & discussed with CPRD as mentioned in the Government Circular. After discussion the audit reports are to be submitted in triplicate to CPRD office along with certificate mentioned in the Government Circular for onward transmission to P&RD Department/ Secretary of P&RD Department Govt. of Assam.

21. Any other accounting/ audit work entrusted by CPRD as per exigencies during the audit on mutually agreed terms & condition.

[Note: Audited statements will include receipts and expenditure statement/ balance sheet/ Fund-Flow statement and any other statement prescribed by GOI/Govt. of Assam/ CAG/ CPRD as per Programme requirements].

(Commissioner, Panchayat & Rural Development, Assam)

I accept above Fee Schedule
(**Authorized signatory of Chartered Accountant Firm**)

Schedule II to the work order to Chartered Accountant Firm

FEESCHEDULE FOR CA AUDIT
[FOR OFFICE OF CPRD ASSAM]

LEVEL	Amount	
Commissionerate	45,000/-	Auditing of all schemes

(**Commissioner, P&RD, Assam**)

I accept above Fee Schedule.

(**Authorized signatory of C.A. Firm**)

Chapter 10:

Summary

Panchayati Raj Institutions (PRIs) are a cornerstone of India's democratic structure, representing the country's commitment to decentralization and local self-governance in rural areas. Evolved over a long period of time, PRIs in India aim to empower rural communities, promote participatory democracy, and ensure socio-economic development at the grassroots level.

- ✓ Panchayati Raj Institutions (PRIs) refer to the system of 'Rural Local Self-Governance' in India i.e., a system of governance of Rural Areas through the representatives elected by the people.

- ✓ They have been established in all States as the third tier of government, aiming to build democracy at the grassroots level.

- ✓ This system ensures that local populations participate directly in the decision-making process, enhancing the effectiveness and accountability of rural development initiatives.

The term "Panchayat" refers to a form of local self-government in rural India. The term is derived from the Sanskrit words "Pancha" (five) and "Ayat" (assembly). Traditionally, it signifies a council of five elders chosen by the community to settle disputes and oversee local affairs. In contemporary India, the Panchayat system has evolved into a structured and institutionalized framework aimed at promoting decentralization and participatory democracy at the grassroots level.

Objectives:

Panchayati Raj Institutions (PRIs) aim to enhance local governance and empower rural communities in India. Their objectives include:

- ✓ **To Decentralize Power**: Transfer decision-making authority to the grassroots level to promote local self-governance.

- ✓ **To Encourage Inclusive Participation**: Foster engagement of local populations in governance, ensuring their active involvement in decision-making processes.

- ✓ **To Empower Marginalized Groups**: Ensure political representation of Scheduled Castes, Scheduled Tribes, and women by reserving seats for them in local governance.

- ✓ **To Improve Service Delivery**: Enhance the efficiency and effectiveness of public service delivery and development programs by making governance more accessible.

- ✓ **To Promote Economic Development**: Facilitate local economic growth through community-driven planning and implementation of development initiatives.

- ✓ **To Address Social Justice**: Tailor welfare schemes and development projects to meet the specific needs of local communities, promoting equity.

- ✓ **To Enhance Transparency and Accountability**: Increase transparency and accountability in governance by involving local communities in oversight of public works and services.

- ✓ **To Nurture Local Leadership**: Develop local leaders by empowering them with administrative and managerial roles in governance.

- ✓ **To Mobilize Community Resources**: Encourage the collective use of community resources for development, fostering self-reliance.

- ✓ **To Strengthen Grassroots Democracy**: Transform representative democracy into a more participatory form, aligning governance with the aspirations of the local populace.

Constitutional Provisions Regarding PRIs:

The original constitution contained a Directive Principle of State Policy (DPSP) in the form of Article 40, which directs the State to ‘organize village panchayats and endow them necessary powers and authorities. Later, the 73rd Constitutional Amendment Act, 1992, which gave the constitutional status to the PRIs, added detailed constitutional provisions regarding the PRIs. The same is discussed in detail in the sections that follow:

Part IX of Constitution:

- ✓ The 73rd Constitutional Amendment Act of 1992 added a new Part IX to the Constitution of India, entitled 'The Panchayats'
- ✓ Part IX of the Constitution consists of Articles 243 to 243-0, which provides for various provisions regarding the Panchayati Raj Institutions (PRIs).

Eleventh Schedule (11th Schedule) to Constitution:

- ✓ The 73rd Constitutional Amendment Act of 1992 has also added a new Eleventh Schedule (11th Schedule) to the Indian Constitution.
- ✓ This Eleventh Schedule (11th Schedule) outlines the powers, authority, and responsibilities of Panchayats.
- ✓ It contains a comprehensive list of 29 functions that have been devolved to Panchayats to enable them to govern and manage a variety of local issues effectively.

Evolution of Panchayati Raj Institutions (PRIs):

- ✓ The history of the genesis and evolution of the Panchayati Raj Institutions (PRIs) in India goes back to the year 1957.
- ✓ From time to time, various Committees were appointed on the subject, which gave their own recommendations.
- ✓ The first such committee was the Balwant Rai Mehta Committee, appointed by the Government of India in 1957.
- ✓ Based on the recommendations of the Balwant Rai Mehta Committee, most of the states in India established PRIs by the mid-1960s.
    - ≈ Rajasthan was the first state in India to establish PRIs in the year 1959.
    - ≈ Andhra Pradesh was the second state in India to establish PRIs in the same year 1959.

- ✓ However, the PRIs so established by different states did not have a uniform structure.

- ✓ Finally, the 73rd Constitutional Amendment Act, 1992 was passed by the Parliament, which gave the PRIs the constitutional status as well as a uniformity of structure throughout the country.

    - ≈ This brought the states under constitutional obligation to adopt the new Panchayati raj systems in accordance with and as per the structure provided by the provisions of the Act.

Constitutionalizing of PRIs:

- ✓ Based on the recommendations of various committees, the Parliament enacted the 73rd Constitutional Amendment Act, 1992, which gave the Panchayati Raj Institutions (PRIs) in India constitutional status.

- ✓ The 73rd Constitutional Amendment Act of 1992 added various provisions regarding the Panchayati Raj Institutions (PRIs) in the Constitution.

    - o Important provisions regarding the PRIs are discussed in detail in the sections that follow.

Gram Sabha:

- ✓ The 73rd Constitutional Amendment Act of 1992 provides for a Gram Sabha as the foundation of the Panchayati Raj system.

- ✓ The Gram Sabha is a body consisting of persons registered in the electoral rolls of a village within the area of Panchayat at the village level.

    - o Thus, it is a Village Assembly consisting of all the registered voters in the area of a Panchayat.

- ✓ It may exercise such powers and perform such functions at the village level as the Legislature of a State determines.

Structure of Panchayati Raj Institutions (PRIs):

- ✓ The 73rd Constitutional Amendment Act of 1992 provides for a three-tier system of Panchayati Raj in every State, consisting of the following:

    - o Panchayats at the village level.
    - o Panchayats at the intermediate level, and
    - o Panchayats at the district levels.

- ✓ However, as per the provisions of the act, a State having a population not exceeding 20 lakhs may not constitute Panchayats at the intermediate level.

Composition of Panchayati Raj Institutions (PRIs):

- ✓ Panchayats at every level consist of a chairperson and other members.
- ✓ The Chairperson as well as other members of a Panchayat shall have the right to vote in the meetings of the Panchayats.

Election of Chairperson and Members of Panchayats:

- ✓ All the members of Panchayats at the village, intermediate and district levels shall be elected directly by the people.

- ✓ The Chairperson of a Panchayat at the village level shall be elected in such manner as determined by the State Legislature.

- ✓ The Chairperson of Panchayats at the intermediate and district levels shall be elected indirectly by and from amongst the elected members thereof.

Note:

- ✓ As per Article 243F, the minimum age for contesting Panchayat elections in India is 21 years.

- ✓ The State Legislature may make provisions with respect to all matters relating to elections to the Panchayats.

Duration of Panchayats:

- ✓ The 73rd Constitutional Amendment Act of 1992 provides for a five-year term of office to the Panchayat at every level from the date of its first meeting. However, it can be dissolved before the completion of its term.

- ✓ Fresh elections to constitute a Panchayat shall be completed:

    - Before the expiry of its duration of five years
    - In case of dissolution, before the expiry of a period of six months from the date of its dissolution.

- ✓ It is to be noted that, where the remainder of the period (for which the dissolved Panchayat would have continued) is less than six months, it shall not be necessary to hold any election for constituting the new Panchayat for such a period.

- ✓ Moreover, a Panchayat constituted upon the dissolution of a Panchayat before the expiration of its duration shall continue only for the remainder of the period for which the dissolved Panchayat would have continued had it not been so dissolved.

    - In other words, a Panchayat reconstituted after premature dissolution does not enjoy the full period of five years but remains in office only for the remainder of the period.

Features of the 73rd Constitutional Amendment Act 1992:

The salient features of the 73rd Constitutional Amendment Act of 1992 are as follows:

- ✓ **Gram Sabha**: The Act provides for a Gram Sabha as the foundation of the Panchayati Raj system.

- ✓ **Three-tier System**: The Act provides for a three-tier system of Panchayati Raj in every State.

- ✓ **Election of Chairperson and Members**: The Act provides detailed provisions regarding the election of Chairperson and Members of Panchayats at every level.

- ✓ **Reservation of Seats**: The Act makes provisions for the reservation of seats for Scheduled Castes, Scheduled Tribes, Women, and OBCs in every Panchayat.

- ✓ **Duration of Panchayats**: The Act provides for a five-year term of office to the Panchayat at every level from the date of its first meeting.

- ✓ **Disqualifications of Members of Panchayats**: It details conditions regarding disqualifications of members of panchayats.

- ✓ **Powers and Functions**: The State Legislature may endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government.

- ✓ **Finances of Panchayats**: The State Legislature may authorize a Panchayat to levy, collect, and appropriate taxes, duties, tolls, and fees.

- ✓ **Audit of Accounts**: The State Legislature may make provisions with respect to the maintenance of accounts by the Panchayats and the auditing of such accounts.

- ✓ **Application to Union Territories**: The provisions of the Panchayats are applicable to the Union Territories. But the President may direct that they would apply to a Union Territory subject to such exceptions and modifications as he/she may specify.

- ✓ **Exempted States and Areas**: The Act does not apply to the States of Nagaland, Meghalaya, Mizoram, and certain other areas. However, the Parliament may extend the provisions of this Part IX to the Scheduled Areas and Tribal Areas subject to such exceptions and modifications as it may specify.

- ✓ **Bar to Interference by Courts in Electoral Matters**: The Act bars the interference by courts in the electoral matters of Panchayats.

    - o It declares that the validity of any law relating to the delimitation of constituencies or the allotment of seats to such constituencies cannot be questioned in any court.

    - o It further lays down that no election to any Panchayat is to be questioned except by an election petition presented to such authority and in such manner as provided by the State Legislature.

- ✓ **Compulsory and Voluntary Provisions**: The provisions of the Act can be grouped into 2 categories:

    - o Compulsory Provisions – Compulsory provisions, also called obligatory or mandatory provisions, are those that must be included in State laws necessarily.

        - Key compulsory provisions include the constitution of panchayats at all three levels, direct elections to all seats in panchayats, 21 years to be the minimum age for contesting elections, the organization of Gram Sabha, the reservation of seats for SCs, STs, and women, etc.

    - ✓ **Voluntary Provisions**: Voluntary provisions, also called discretionary or optional provisions, are those that may be adopted by States at their discretion based on their specific needs, local conditions, and administrative feasibility.

        - Key voluntary provisions include the devolution of additional powers and responsibilities upon Panchayats, greater financial autonomy to Panchayats, giving representation to MPs, and MLAs in different levels of Panchayats in their constituencies, etc.

State Election Commission:

- ✓ State Election Commission is a constitutional body, functioning at the state level.

- ✓ It is vested with the functions and responsibilities of superintendence, direction, and control of the preparation of electoral rolls and the conduct of all elections to the Panchayats.

The State Election Commission (SEC) consists of a State Election Commissioner to be appointed by the Governor of the State.

a. His/her conditions of service and tenure of office shall also be determined by the Governor.

b. He/she shall not be removed from the office except in the manner and on the grounds prescribed for the removal of a judge of the State High Court.

c. His/her conditions of service shall not be varied to his/her disadvantage after his/her appointment.

State Finance Commission:

- ✓ The Governor of a State shall constitute a State Finance Commission, after every five years, to review the financial position of the Panchayats.

- ✓ The State Legislature may provide for the composition of the State Finance Commission, the required qualifications of its members and the manner of their selection.

- ✓ The State Finance Commission shall make the following recommendations to the Governor of the State:

1. The principles that should govern:

   a) The distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls, and fees levied by the State and the allocation of shares amongst the Panchayats at all levels.

   b) The determination of taxes, duties, tolls, and fees that may be assigned to the Panchayats.

   c) The grants-in-aid to the Panchayats from the Consolidated Fund of the State.

2. The measures needed to improve the financial position of the Panchayats.

3. Any other matter referred to by the Governor in the interests of sound finance of the Panchayats.

- ✓ The Governor shall place the recommendations of the commission along with the action taken report before the State Legislature.

- ✓ The Central Finance Commission shall also suggest the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the States (on the basis of the recommendations made by the State Finance Commission).

Reservation of Seats in Panchayats: Reservation of Seats for SCs and STs.

- ✓ The 73rd Constitutional Amendment Act of 1992 provides for the reservation of seats for Scheduled Castes and Scheduled Tribes in every Panchayat (i.e., at all village, intermediate, and district levels) in the proportion of their population to the total population in the Panchayat area.

- ✓ The State Legislature shall provide for the reservation of offices of the Chairperson in the Panchayat at the village or any other level for the Scheduled Castes (SCs) and Scheduled Tribes (STs).

- ✓ The reservation of seats as well as the reservation of offices of Chairpersons in the Panchayats for the Scheduled Castes and Scheduled Tribes, will cease to have effect after the expiration of the period specified in Article 334.
    - Presently, this reservation is to last till 2030.

Note: The provision relating to the reservation of seats in Panchayats (both Chairpersons and Members) for the Scheduled Castes is not applicable to the State of Arunachal Pradesh. This provision was added later by the 83rd Constitutional Amendment Act of 2000 on the rationale that the State is inhabited fully by indigenous tribal people and there are no Scheduled Castes (SCs).

Reservation of Seats for Women:

- ✓ The Act provides for the reservation of not less than one-third of the total number of seats for women (including the number of seats reserved for women belonging to the Scheduled Castes and Scheduled Tribes).

- ✓ Further, not less than one-third of the total number of offices of chairpersons in the Panchayats at each level shall be reserved for women.

Reservation of Seats for Other Backward Classes (OBCs):

- ✓ The Act authorizes the State Legislature to make any provision for the reservation of seats in any Panchayat or offices of Chairperson in the Panchayat at any level in favor of Backward Classes.

Disqualifications of Members of Panchayats:

- ✓ A person shall be disqualified for being chosen as or for being a member of Panchayat if he/she is so disqualified:
    - o under any law for the time being in force (or the purpose of elections to the Legislature of the State concerned), or
    - o under any law made by the State Legislature.
- ✓ All questions of disqualification shall be referred to such authority as determined by the State Legislature.

Powers and Functions of Panchayats:

- ✓ The State Legislature may endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government.
- ✓ State's provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level may contain:
    - o the preparation of plans for economic development and social justice,
    - o the implementation of schemes for economic development and social justice as may be entrusted to them, including those in relation to the 29 matters listed in the Eleventh Schedule of the Indian Constitution.

Finances of Panchayats:

As per the provisions regarding the finances of Panchayats, the State Legislature may:

- ✓ Authorize a Panchayat to levy, collect and appropriate taxes, duties, tolls and fees,
- ✓ Assign to a panchayat taxes, duties, tolls and fees levied and collected by the State Government,
- ✓ Provide for making grants-in-aid to the Panchayats from the Consolidated Fund of the State, and
- ✓ Provide for the constitution of funds for crediting all money of the Panchayats.

Importance of Panchayati Raj Institutions:

As the third tier of the government in India, the Panchayati Raj Institutions (PRIs) carry multifarious significance as can be seen as follows:

- ✓ PRIs have given a practical shape to the Directive Principle of State Policy (DPSP) contained in Article 40 of the Indian Constitution, which directs the States to organize and empower Village Panchayats.

- ✓ PRIs have led to effective decentralization of power and authority by devolving some powers and responsibilities to the local level.

- ✓ PRIs are a significant landmark in the evolution of grassroots democracy in India, as they transform representative democracy into a more participatory democracy.

- ✓ PRIs have empowered local communities by directly involving them in the decision-making process for development and governance.

- ✓ The provision of reservations for marginalized sections like Scheduled Castes, Scheduled Tribes, and women in PRIs has led to their greater political empowerment and representation.

- ✓ PRIs have brought the process of governance closer to the people, making it more responsive to local needs and aspirations.

- ✓ PRIs have improved the efficiency of public service delivery and the implementation of development programs at the grassroots level.

- ✓ PRIs have strengthened local self-governance and promoted a sense of ownership among the people towards developmental activities in their areas.

- ✓ The three-tier structure of PRIs (Gram Panchayat, Panchayat Samiti, Zilla Parishad) has enabled better coordination between different levels of local governance.

- ✓ PRIs have provided a platform for nurturing emerging rural leadership and enhancing their administrative and managerial capabilities.

eGramSwaraj: Simplified Work Based Accounting Software

The Ministry of Panchayati Raj launched the eGramSwaraj portal to strengthen e-governance in Panchayati Raj Institutions (PRIs). The eGramSwaraj portal and eGramSwaraj App were launched on 24th April 2020, National Panchayati Raj Day.

The eGramSwaraj portal aims to bring better transparency in work-based accounting, decentralised planning, and progress reporting. This portal will help strengthen e-governance in all PRIs across India and mark complete digitisation.

The eGramSwaraj portal is a single interface that provides work records right from planning to implementation and keeps an account of panchayats. It includes work records of each village panchayat listed under the Panchayat Development Plan (PDP). Through this portal, anyone can get information about the funds, development works and functioning of the panchayat.

Features of eGramSwaraj Portal:

- ✓ eGramSwaraj portal marks the complete digitisation of rural areas and villages.
- ✓ It can be accessed at its official website and is available as a mobile app.
- ✓ Any person can get information about the developmental works of any village in India.
- ✓ Individuals can know about all the works undertaken by the Ministry of Panchayati Raj.
- ✓ eGramSwaraj app is a single digital platform maintaining records of all panchayats across the country.

Benefits of eGramSwaraj Portal

The benefits of the eGramSwaraj portal are as follows:

- ✓ It ensures transparency through decentralised planning of development projects and helps to provide updates on progress reports.
- ✓ It helps to accelerate the implementation of projects in villages.
- ✓ It helps to know the details of allocated funds and the status of ongoing works.
- ✓ Individuals can monitor the work done by the Ministry of Panchayati Raj.
- ✓ It provides the complete information of any gram panchayat like Panch, Sarpanch, panchayat's information, property details, mission antyodaya, panchayat development plan, etc., in one place.
- ✓ It has simple navigation for the users and rationalises the number of data entries.
- ✓ The daily reports and progress reports can be viewed, based on which further funds will be allocated to the gram panchayats for development.
- ✓ The money for development will also be paid through the eGrama Swaraj portal, making it completely transparent.

eGramSwaraj Portal Registration Process:

An individual can view the financial progress reports and approved panchayat plans without logging into the portal. The Panchayat Raj Institution (PRIs) will log in to the portal to enter the data. The state agency will approve/disapprove the PRIs request to create a login ID. The registration process for PRIs is as follows:

- ✓ The state agency will log in to the eGramSwaraj portal.
- ✓ It will open the onboard panchayat for the online scheme module.
- ✓ Select the respective PRI for onboarding and click on save.
- ✓ The state agency will provide the User ID and password to log into the portal.
- ✓ The PRI can generate its DSC (for maker or checker) and initiate transactions on the portal.

All the PRIs must register the Digital Signature Certificates (DSCs) in the eGramSwaraj portal for their respective maker and checker. The DSCs should be approved by the immediate higher authority, i.e. state, district or block agency. A maker is responsible for mapping the bank branch created by the district admin to create the panchayat's bank account, add or modify the opening balance for mapped schemes, and add beneficiaries for making payments to them through the portal. A checker user is responsible for DSC management on the portal.

AuditOnline:

Panchayati Raj Institutions (PRIs) play a vital role in delivering various services and basic amenities to citizens residing in vast rural landscapes of the country. It is of utmost importance that the Panchayats are well-equipped with the necessary infrastructure and have adequately trained manpower. Central Finance Commissions mandated Grants are continuously provided by the Central Government to the PRIs, including Traditional Local Bodies (TLBs), across the country. Hence, it becomes necessary that the PRIs/TLBs performances are continuously monitored to ensure transparency in utilization of public money for developmental activities in rural areas and to ensure accountability in their overall functioning.

The Ministry of Panchayati Raj has been continuously leveraging Digital Technology to deliver good governance in rural areas and bring about transparency and accountability in the Panchayat functioning, and to enhance end-to-end experience of delivering public services.

AuditOnline Application:

To address the critical institution reform of making available the accounts online, both before and after audit, MoPR launched the AuditOnline application on 15th April 2020. The application carries out online audits of accounts, further strengthening the financial management and transparency of the Panchayats. One of the unique aspects of the application is that it is configurable as per every States' Audit Act / Rules.

The application has been instrumental in facilitating the internal and external audit of government departments or Panchayati Raj Institutions. The availability of audited accounts of the Panchayats is a matter of concern, and AuditOnline has played a significant role in making the accounts accessible online. The AuditOnline application is a crucial component of the e-panchayat MMP and the PES, providing transparency, accountability, and better governance.

The AuditOnline application, developed under the e-panchayat Mission Mode Project (MMP) as part of the Panchayat Enterprise Suite (PES), has been recognized at the WSIS Forum 2023. The Ministry of Panchayati Raj (MoPR) and National Informatics Centre (NIC) received recognition for the software program under Category 7-Action Line (AL) C7-ICT Applications: e-Government. The application facilitates the internal and external audit of government departments or Panchayati Raj Institutions.

National Award for e-Governance 2022

e-Panchayat Mission Mode Project (eGramSwaraj and AuditOnline) has won the GOLD AWARD under the category **"Excellence in Government Process Re-engineering for Digital Transformation"** of the National Awards for e-Governance in the year 2022. Various stakeholders, especially Panchayati Raj Institutions which adopted e-Panchayat applications very fast, have helped in making the e-Panchayat Mission Mode Project successful by strengthening the Panchayati Raj System and making it effective, transparent and efficient.

WSIS Prizes 2023:

The application was submitted in the 12th edition of the World Summit on the Information Society (WSIS) Prizes 2023 contest at the International Telecommunication Union (ITU), Geneva. The contest included a five-phase process, and AuditOnline won the WSIS Prizes Award 2023 under the Action Line category ICT Applications: e-Government. The prize distribution ceremony was held at the Centre International de Conférence Genève (CICG), also known as International Conference Centre Geneva in Switzerland, on March 14, 2023.

The WSIS is an annual award event coordinated by the ITU, affiliated with the United Nations (UN), in collaboration with UNESCO, UNDP, and UNCTAD to promote ICTs for achieving UN Sustainable Development Goals. This event is intended for ICT development initiatives that support Sustainable Development Goals (SDGs).

Rashtriya Gram Swaraj Abhiyan:

The government restructured the Centrally Sponsored Scheme (CSS) of Rashtriya Gram Swaraj Abhiyan (RGSA) on 24 April 2018 on the occasion of the National Panchayati Raj Day. The RGSA aims to strengthen the Panchayati Raj Institutions (PRIs) to achieve Sustainable Development Goals (SDGs) in convergence with Mission Antyodaya. It emphasises strengthening PRIs in 117 aspirational districts.

Objectives of RGSA:

- ✓ To develop governance capabilities of PRIs for delivering on the SDGs.
- ✓ To enhance the capabilities of Panchayats for inclusive local governance with convergence with other schemes and focus on optimum utilisation of available resources to address national importance issues.
- ✓ To enhance the capabilities of Panchayats to increase their sources of revenue.
- ✓ To strengthen Gram Sabhas for functioning effectively as the forum of transparency, accountability and people's participation within the Panchayat system.
- ✓ To promote devolution of responsibilities and powers to Panchayats according to the PESA Act 1996 and the spirit of the Constitution.
- ✓ To develop a network of institutions to support hand-holding and capacity building for PRIs.
- ✓ Strengthening institutions to enhance the capacity of PRIs at different levels and enable them to achieve the required quality standards in human resources, infrastructure and outcome-based training.
- ✓ For promoting e-governance and other technology-driven solutions to enable governance in Panchayats for improved service delivery and administrative efficiency.
- ✓ To incentivise and recognise PRIs based on performance.

Coverage of RGSA:

The RGSA extends to every state and Union Territory (UT). Panchayats include rural local government institutions in non-part IX areas.

Focus Area of RGSA:

To ensure the following:

- ✓ Capacity building of Elected Representatives (ERs) with priority to Mission Antyodaya and aspirational districts clusters.

- ✓ Strengthening of the Panchayats and Self Help Groups (SHGs) partnerships.
- ✓ Basic orientation training for the ERs of Panchayats within six months of their election.
- ✓ Refresher training to the ERs of Panchayat within two years.

To Bridge Gaps in:

- ✓ Gram Panchayat infrastructure.
- ✓ Capacity Building and Training (CB&T).
- ✓ Institutional support for innovations.
- ✓ Use of IT for distance learning and e-enablement of Panchayats.
- ✓ Technical support, including Human Resources (HR), based on identified gaps.
- ✓ Gap-filling support of economic development and income enhancement.
- ✓ To promote the provision of adequate manpower at the Grama Panchayat level and provide support for technical manpower.
- ✓ To provide hand-holding support by academic institutions or institutions of excellence to Grama Panchayat for Gram Panchayat Development Plan (GPDP) formulation.
- ✓ To facilitate Public Finance Management System (PFMS), Electronic Fund Transfer (EFT) and geotagging of Gram Panchayats assets.
- ✓ To support the e-enablement of Panchayats for e-governance and enhance transparency and efficiency with thrust on Panchayat Enterprise Suite (PES) applications developed by the Ministry.

Components of RGSA:

The RGSA consists of central and state components. The central component includes:

- ✓ National-level activities, such as the National Plan for Technical Assistance (NPTA) and National Project Management Unit (NPMU), collaboration with educational institutions or institutes of excellence of the National Institute of Rural Development (NIRD) and PR Hyderabad for several activities of training and capacity building for PRIs.
- ✓ Mission Mode Project (MMP) on e-Panchayat.
- ✓ Promotion of Panchayats.

The state component relates to activities undertaken by the state governments for training, capacity building and other activities to enhance the Panchayats, such as:

- ✓ Training and creation.
- ✓ Human resource support for training and infrastructure.
- ✓ Strengthen Gram Sabhas in PESA areas.
- ✓ Distance education facility through Satellite Communications (SATCOM).
- ✓ Technical support to PRIs.
- ✓ Support to innovations.
- ✓ Analysis and financial data.
- ✓ Panchayat Bhavan.

Benefits of RGSA

The RGSA helps more than 2.78 lakh rural local bodies. About 60 lakh functionaries, stakeholders and elected representatives of rural local bodies, including traditional bodies, will be direct beneficiaries of RGSA. The following are the benefits of RGSA:

- ✓ Enhanced capabilities of Panchayats for the attainment of SDGs and good governance through transparency, democratic decision-making, participatory local planning and accountability.

- ✓ Increased usage of technology-driven solutions and e-governance at the Panchayat level for attaining improved service delivery, administrative efficiency and greater accountability.

- ✓ Building an institutional structure for capacity building at the state, national and district levels with adequate facilities, infrastructure and human resources.

Funding Patterns of RGSA

The sharing pattern between the central and state component is in the ratio of 60:40. The sharing pattern in the Northeastern States and Hilly states is in the ratio of 90:10. In all UTs, the central government funds 100%.

During 2018-19, the government approved the Annual Action Plans (AAPs) of 32 states/UTs under the RGSA and released ₹598.21 crore to the states/UTs and implementing agencies. During 2021-22, the government approved the AAPs of 33 states/UTs. It released an amount of ₹547.411 crore for undertaking the approved activities, including training and capacity building of ERs and other stakeholders.

To Conclude:

The Panchayati Raj Institutions have emerged as the cornerstone of India's decentralized governance framework, embodying the country's commitment to empowering local communities and strengthening grassroots democracy. PRIs have transformed the landscape of rural development and political participation, making governance more inclusive, responsive, and aligned with the needs and aspirations of the people. As the building blocks of India's democratic structure, the continued evolution and strengthening of Panchayati Raj Institutions will be crucial in realizing the vision of true swaraj, where power flows from the people to the people.

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