

CHAPTER-1

AN OVER VIEW OF THE PANCHAYATI RAJ INSTITUTION

1.1 Introduction

The audit institutions entrusted with responsibility of audit of Local Bodies, derive their duties and powers from articles 243 J and 243 Z of the Constitution of India, which expect the States to make Legislation for maintenance of accounts by the Urban Local Bodies and the Panchayati Raj Institutions (PRIs) and their audit. Accordingly, various States have passed necessary legislation for maintenance of accounts and audit of Local Bodies.

In Assam the Director, Local Fund Audit is vested with the authority for audit of accounts of the Urban Local Bodies and PRIs. As per recommendations of the Eleventh Finance Commission and the guidelines for utilization of grants to Local Bodies issued by Finance Ministry, Government of India, the Comptroller and Auditor General of India has been entrusted with the responsibility for exercising control and supervision over the proper maintenance of accounts and their audit for all three levels of PRIs/ULBs under Section 20(1) of C & AG's (Duties and Powers and Condition of service) Act, 1971 vide FM 23/2000/68 dated 18.5.2002.

Thus the Director, Local Fund Audit is the primary auditor for Local Bodies, while the C&AG of India conducts a test check by way of technical control and supervision.

Consequent upon passage of 73rd and 74th Constitutional Amendment Act 1992, Assam Panchayat Act 1986 has been replaced by a new Act , Panchayat Act 1994, passed by Legislature in May 1994, to decentralize powers and have a three tier structure of local self governing bodies at the district, block and village level. With these landmark constitutional amendments, the local self-government at various levels got a new lease of life and many state laws were enacted to ensure proper functioning of democracy at the grassroots.

1.2 Organizational Set Up

There are three tiers of Panchayati Raj in Assam, the Zilla Parishad, Anchalik Panchayat and Gaon Panchayat at the district, block and village level respectively.

The PRIs institutions of Gaon Panchayats, Anchalik Panchayats and Mahkuma Parishad were in existence under the Assam Panchayat Act, 1986. Zilla Parishads were formed during January to April 2002 with the merger of the erstwhile Mahkuma Parishads situated in District/Sub Divisional Hqrs. There are 21 Zilla Parishads, 219 Anchalik Panchayats and 2487 Gaon Panchayats functioning in Assam. Further, details of PRIs in the sixth schedule areas are as follows:

Hills area

SI No.	Name of District	Numbers of Block	Numbers of GPs
1	Karbi Anglong	11	Nil
2	N.C.Hills	5	Nil
	Total	16	<i>Nil</i>

Bodoland Territorial Autonomous District area

SI No.	Name of District	Numbers of Block	Remarks
1	Kokrajhar	14	Dev.Blocks fully (vide Notification No.PDA.226/2004/6 dtd.5.4.2004)
2	Cirrang		
3	Bagsha	26	Dev. Blocks partially (vide Notification No.PDB.226/2004/7 dtd. 5.4.2004)
4	<i>Udalguri</i>		

The Commissioner and Secretary to the Government of Assam, Panchayat and Rural Development Department is the Administrative Head at State level. Funds and Food-grains released by Central Government are routed through the DRDAs to all the PRIs

(i) Panchayati Raj Institutions

The PRIs at all the three levels consist of elected representatives and supporting staff who are Government servants. The members of each tier in the Panchayats elect the President, Vice President and Chairpersons of the Standing Committees. The President/Chairperson/Mayor is an ex-officio member of every standing Committee and the Vice President/Vice Chairperson/Deputy Mayor is an ex-officio member and Chairperson of the Standing Committee for Finance.

Each PRI has a Secretary and supporting staff who are Government servants. The staff of the three levels of PRIs are as given below:

Staff of Zilla Parishad

Designation	Number of staff
Chief Executive Officer	1
Chief Accounts Officer	1
Chief Planning Officer	1
Office Staff	8
Jr. Engineer	1
Tax collector	1
Driver	1
Grade IV	6
Total	20

Staff of Anchalik Panchayat

Designation	Number of staff
Executive Officer or Secretary	1
Office Staff	3
Tax collector	2
Group D	3
Total	9

Staff of Gaon Panchayat

Designation	Number of staff
Secretary	1
Tax collector	1
Total	2

Status of Activity Mapping

The Government of Assam, Department of Panchayat and Rural Development issued a Notification (No. PDA.336/2001/Pt/80 dated 26.7.2002) published in the Assam Gazette on 13.8.2002 for mapping of 29 subjects transferred to the PRI institutions. The activities of 29 subjects as per mapping of activities among Zilla Parishad, Anchalik Panchayat and Gaon Panchayat were transferred to Panchayati Raj Institutions with immediate effect. The activities, sources of funds and the functionaries required to assist the Panchayati Raj Institutions at the three tier, Zilla Parishad, Anchalik Panchayat and Gaon Panchayat were also specified in the notification. The Activity Mapping specified, separately for the three tiers of Panchayats, the Activity devolved, source of fund and the functionaries which were to assist the PRIs have not been accompanied by devolution of funds and functionaries who work exclusively for Panchayati Raj Institutions. The Activity Mapping done has also largely remained on paper since most of the Departments did not issue orders operationalising it. Only 6 Departments, namely, Education (Elementary and Secondary), Soil Conservation, Handloom & Textiles, Power, Agriculture and Veterinary have so far issued orders putting the Activity Mapping into effect.

1.3 Powers and Functions

A Gaon Panchayat [Section 19 of Assam Panchayat Act, 1994]

- 1 Preparation of Annual Plans
- 1 Preparation of Annual Budget of GP
- 2 Mobilization of relief in Natural Calamities
- 3 Removal of Encroachments on public properties
- 4 Organizing voluntarily labours and contribution for community works
- 5 Maintenance of essential statistics of village

B Anchalik Panchayat [Section 49 of Assam Panchayat Act, 1994]

- 1 Preparation of Annual Plans and submission thereof to the Zilla Parishad
- 2 Consideration and consolidation of Annual Plans of all GPs under the AP
- 3 Preparation of Annual Budget
- 4 Performing such functions and executive such works as may be entrusted to it by the Government or by the ZP
- 5 To assist the Government in relief operation during Natural Calamities

C Zilla Parishad [Section 80(1) & (2) of Assam Panchayat Act, 1994]

The Government may assign to a ZP in relation to any matters to which the Executive Authority extends or in respect of functions, which have been assigned to the State Government by the Central Government.

1.4 Financial Profile

Panchayati Raj Institutions Fund comprises receipts from their own resources under their jurisdiction only and State/Central government grants and assistance awarded from time to time and loans obtained from any public financial institutions/ nationalized banks or such

other institutions as the State Government may approve, sums received as donations/contributions and all income from any trust or endowment.

Gaon Panchayats are required to prepare annual budget of estimated receipts/payments and forward the same to Anchalik Panchayat for approval. If Anchalik Panchayat fails to give approval within thirty days from date of submission, the budget shall be deemed to be approved (as required under Sec 27 of Assam Panchayat Act, 1994).

Similarly Anchalik Panchayat is required to submit their annual budget to the Zilla Parishad. Zilla Parishads submit their annual budget to the Govt through the Director, Panchayat and Rural Development, Assam. Government may either approve the budget or return it to the Zilla Parishad for modification to which the ZP shall oblige. If Government approval is not received within thirty days from the date of submission, the budget shall be deemed to be approved by the government (Sec 96 of Assam Panchayat Act, 1994).

The Receipts and Expenditure as per Finance Accounts for Assam for Major Head “0515” Other Rural Development Programme and “2515-Other Rural Development Programme, 101-Panchayati Raj is given below:-

Receipt (MH-0515)		Expenditure (MH-2515)-101-Panchayati Raj		
Year	Amount (in Rs)	Non-Plan (in Rs)	Plan (in Rs)	Total (in Rs)
2003-04	34,548	11,22,43,818	6,34,51,046	17,56,94,864
2004-05	Nil	21,69,03,000	6,76,40,000	28,45,43,000
2005-06	Nil	27,23,21,000	6,61,000	27,29,82,000

A few financial statistics for PRIs is as follows:

- ❖ Collection of taxes by Zilla Parishads, Anchalik Panchayats and Gaon Panchayats during the period 2005-06 was Rs 497.08 lakh, Rs.21.22 lakh and Rs.338.41 lakh respectively.
- ❖ Rs.23344.75 lakh was allocated as Eleventh Finance Commission Grants for the period from 2000- 2001 to 2004-05 out of which an amount of Rs.16671.89 lakh was released to the PRIs.
- ❖ Rs 26300.00 lakh was secured as first six monthly installment of 2005-06 relating to Twelfth Finance Commission Grants but no record of release of grants to the PRIs are available
- ❖ The SFC grant is not being regularly released to the Panchayats. This has seriously affected the functioning of the Panchayats. Currently the implementation of the recommendations made by Second SFC is left to the discretion of the State government.

Test check of PRI records revealed that no copies of Budget was available for scrutiny.

1.5 Audit Arrangement

In pursuance of the recommendations of the Eleventh Finance Commission, C&AG of India has been entrusted with Technical Guidance & Supervision / Support (TGS) under Section 20 (1) of C & AG's (DPC) Act.1971 vide their letter No. F.M. 23/2000/68 dated 18.5.2002.

1.6 Audit Coverage

Audit of accounts of 19 (nineteen) PRIs covering the accounts upto 31.03.2006 was conducted during May 2006 to December 2006.

1.6.1 Adoption of Accounting formats

Adoption of PRI account Format prescribed by C&AG of India was accepted by the Government of Assam vide Notification No.PDA.222/2003/41 dt 26.8.04 but the New Budget Manual and Accounts Manual is yet to be formulated and released.

1.7 Response to Audit Observations

The CAG conducted the audit of PRIs under 20(1) of CAG's (DPC) Act, 1971. Objections raised in audit were communicated to the respective PRIs in the form of Local Audit Reports (LARs) with copy to the Government. No replies to the objections, which were to be furnished within four weeks of receipt of LARs were received. Thus, 19 LARs and 274 paras for Rs 55.56 crore were pending to be settled as on 31 December 2006 for want of satisfactory reply from PRIs concerned.

There was no proposal even for constituting Audit Committees at appropriate level to discuss and settle the objection on the spot.

Important findings of audit are described in succeeding chapters.