

CHAPTER – I

INTRODUCTION TO PRIs IN THE STATE OF BIHAR

1.1 Constitutional Background

After the 73rd Constitutional Amendment Act., Government of Bihar enacted the Bihar Panchyat Raj Act, 1993 (Replaced by BPR Act,2006) and a three tier system of Panchayat Raj (Zila Parishad, Panchayat Samiti and Gram Panchayats) started functioning after general election in April/ May 2001.

There are 38 Zila Parishads (ZPs), 531 Panchayat Samitis (PSs) and 8471 Gram Panchayats (GPs) in the State of Bihar covering a rural population of about 7,43,21,103. At the state level the Panchayat Raj Department coordinates the functioning of the PRIs.

1.2 Powers, Functions & Functionaries of PRIs

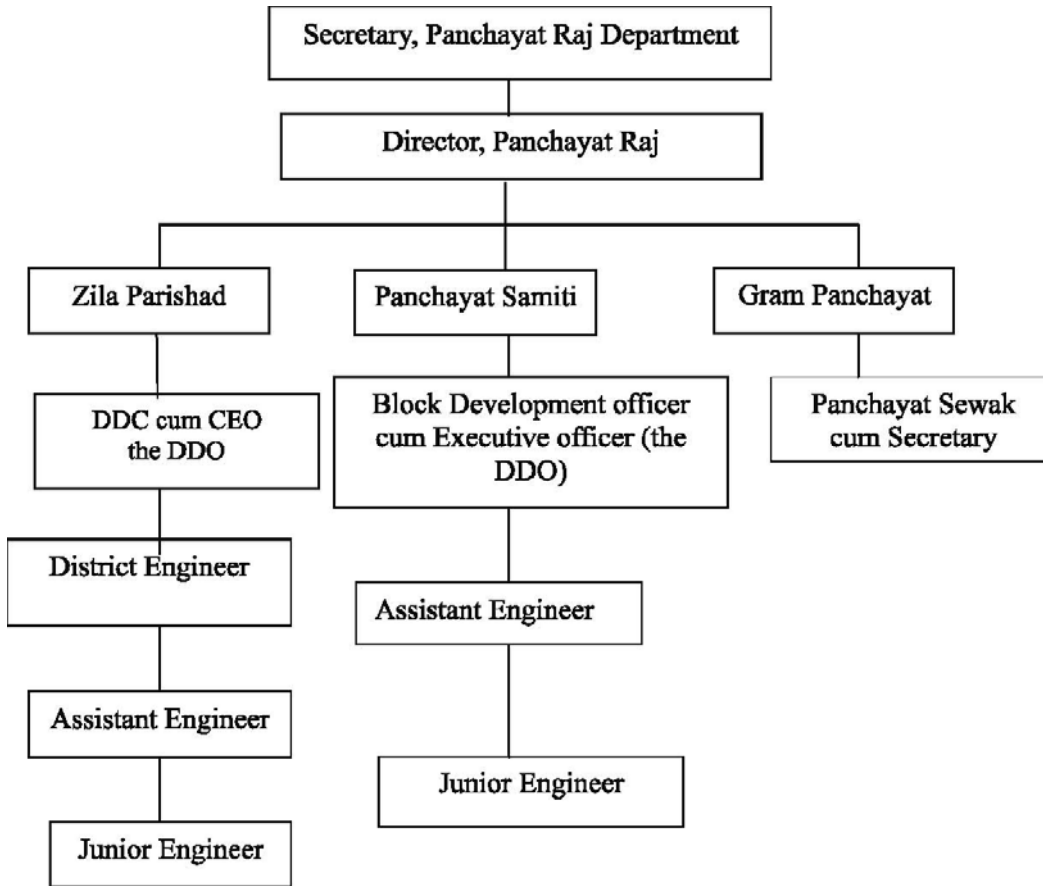
As directed under Article 243G of the constitution, the State Govt. intimated (Feb. 2005) that based on resolutions of the departments in September 2001, the devolution of functions of 20 departments have been made to PRIs. Although activity mapping was done regarding departmental functions to be performed by PRIs, the transfer of functions, functionaries and funds to PRIs by these departments was yet to materialize.

A separate study was conducted to review the extent of devolution/transfer of funds, functions and functionaries in the PRIs, the results of which are discussed in chapter V.

1.3 Organisational Structure of PRIs

The organogram given below depicts the structure of the PRIs at the District, Block and Village levels and Panchayat Raj Department at the State level.

Organogram of executives of Panchayat Raj Institutions



There are various Standing Committees and other Committees in each tier of PRIs headed by Adhyaksha/ Upadhyaksha, Pramukh/ Up Pramukh and Mukhia in ZP, PS & GP respectively to regulate the affairs of the PRIs.

- ⌚ The DDC cum CEO¹ of Zila Parishads carry out the policies and directives of the ZP, discharge duties defined under the Act, control the officers and secretary of ZP, have custody of all papers and documents of ZP and draw and disburse money.
- ⌚ The functions of the BDO cum EO in Panchayat Samiti are namely, to exercise all the powers conferred under the Act, lay down the duties of officials, supervise and control the officers and officials under him, supervise the execution of all works, have custody of all papers and documents of Panchayat Samiti and draw and disburse money out of PS fund.
- ⌚ The Mukhiya is responsible for convening the meeting of Gram Sabha, maintenance of the records of GP, financial and executive administration, supervision over the work of GP employees and transaction of business connected with the Act.

1 Deputy Development Commissioner-Cum-Chief Executive Officer

1.4 Sources of Finance /Revenue

The PRIs were mainly financed by grants from Union Govt. besides recurring and non-recurring grants released by the State Govt. and its own sources of revenue. The Panchayat Samitis and Gram panchayats have not yet augmented their own sources of revenue as the State Government had not notified minimum and maximum rates of taxes, tolls, fees etc. to be imposed by them despite recommendation of the second State Finance Commission (SFC).

The Zila Parishads had meagre revenue from its own resources viz-rent of shops, rent of Dak Bungalow/ Inspection Bungalow, settlement of pounds/ ghats/ ferries/ road side land and trees, bullock cart registration fee and other miscellaneous fees. The Zila Parishads were not able to meet their establishment and other recurring charges from their own sources and remained wholly dependent on the State Govt. as it released 30 percent as grant and 40 percent as loan to meet expenditure over salary payment of ZP staff.

The PRIs were yet to maintain any account of the funds received and the State Govt. also did not compile the position of release of total Central and State Govt. grants to PRIs. The Eleventh Finance Commission (EFC) recommended for creation and development of database on finances of local bodies. This has not been implemented so far by the State Govt. despite drawal of grants of Rs. 5.72 crore in the name of NIC out of Eleventh Finance Commission grant for the same. The position of total funds made available to PRIs and their actual utilization, thus, could not be known denoting weak financial reporting practice by the State Govt.

1.5 Application of funds

The funds released by the Central/ State Governments were to be utilised by the ZPs, PSs and GPs over the functions specified under section 73, 47 and 22 respectively of the Panchayat Raj Act, 2006 for execution of various development works relating to provision of civic amenities to rural people. As the PRIs neither maintained Govt. Grant Registers nor prepared Annual Accounts, it could not be fully ascertained that the grant released to PRIs were properly utilized and had not been diverted towards other purposes. Similarly, the PRIs were yet to maintain Asset Registers. Hence, the assets created by execution of various development works, could not also be accounted.

1.6 Role of District Planning Committee

Section 134 of the Bihar Panchayat Raj Act, 1993 provides that the State Govt. shall constitute in every district a District Planning Committee to consolidate the plans prepared by the Zila Parishad, Panchayat Samiti, Gram Panchayats, Nagar Panchayats, Municipal Councils and Municipal Corporations in the district and to prepare a draft

development plan for the district as a whole.

The State Govt. intimated (July 2004) that the District Magistrates of all the districts were directed (Sept 2002) to constitute ad-hoc District Planning Committees and prepare rules for proper management and functioning of the above committee. The rules regarding constitution of the committee, its powers, functions and jurisdictions had been prepared and notified only in January 2007.

Due to delayed preparation of rules and not constituting of the committee, the District Planning Committees remained non- functional up to December 2007, as the consolidated plan for the district was not prepared. All the PRIs were executing schemes after approval of their respective Boards and it could not be ensured whether these schemes took into account overall development requirements of the district.

1.7 Accounting Arrangement

Accounting arrangements were found deficient in PRIs as the rules to be framed under Bihar Panchayat Raj Act, 2006 had not been framed so far. Budget and account formats prescribed by the CAG of India though accepted by the State Govt. were not operationalised at the PRIs level for want of issue of Govt. orders in this regard. The Panchayat Raj Act provides that the State Govt. shall appoint Chief Accounts Officer in Zila Parishad but the appointment had not been made so far. Similarly in other tiers also, qualified staff for handling accounts was not posted so far.

1.8 Audit Arrangement

As per provisions of Bihar Panchayat Raj Act, 2006 u/s 31, 59 and 86, the audit of PRIs will be carried out by the authority as may be prescribed by the Government. The Examiner of Local Accounts (ELA), Bihar was declared as prescribed audit authority of PRIs and the audit is to be conducted as per provisions of the Bihar Local Fund Audit (LFA) Act, 1925. Accordingly the Examiner of Local Accounts, Bihar functions as the sole auditor of PRIs under the supervision of the Principal Accountant General (Audit), Bihar. The ELA is assisted by the Local Audit Department (LAD) in discharge of his duties and responsibilities. The Audit Reports of the PRIs audited are sent to the concerned Chief Executive Officers, Executive Officers and Mukhias of the PRIs with copies to Panchayat Raj Directorate. The follow up on the Audit Report is to be done by the executives of the auditee units.

1.9 Audit Coverage

During the financial year 2006-07, audit of the accounts of 12 Zila Parishads, 65

Panchayat Samitis and 513 Gram Panchayats was conducted covering the period upto 2005-06. This report discusses the important audit findings of all 12 ZPs, 65 PSs and 195 GPs (Appendix-I to III).