

CHAPTER I

AN OVERVIEW OF THE PANCHAYATI RAJ INSTITUTIONS

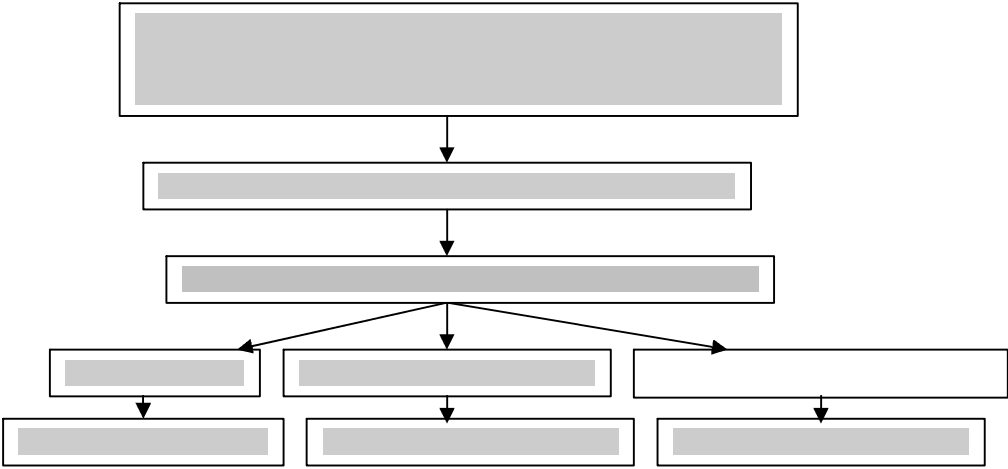
1.1 Introduction

In pursuance of 73rd Constitution Amendment Act, 1992 the Government of Tripura has enacted the Tripura Panchayat Act 1993 with a view to decentralize powers and strengthen the three tier structures of local governing bodies at the District, Block and Village levels. At present, there are 4 Zilla Parishads, 23 Panchayat Samitis and 513 Gram Panchayats functioning in Tripura. The Eleventh Finance Commission (EFC) recommended that the C&AG should be entrusted with the responsibility of exercising control and supervision over the proper maintenance of accounts and their audit for all the three tiers/levels of PRIs. Accordingly, as per request of the State Government audit of Local Bodies is being conducted by the O/o the Sr. Deputy Accountant General (LBA&A) since March 2007, under Section 20(1)/14 of the C&AG's DPC Act, 1971.

1.2 Organizational set up

The Panchayati Raj Institutions (PRIs) function under the administrative control of the Panchayati Raj (PR) Department headed by Commissioner & Secretary and assisted by Director (PR) and Addl. Director & Deputy Director at the State level.

The organizational set-up of the PRIs is as follows:



The Zilla Parishad is headed by the Sabhadhipati, while the Panchayat Samitis and Gram Panchayats are headed by the Chairman and the Pradhan who are elected representatives of the respective Panchayat Raj Institutions.

At the District level, the Zilla Parishad (ZP) is constituted by the elected representatives headed by the Sabhadhipati with the District Magistrate & Collector as the Chief Executive Officer (CEO). Under the CEO, District Panchayat Officer discharges day-to-day administrative functions of the Zilla Parishad as Ex-officio Secretary. The Panchayat Samiti (PS) functioning at the Block level is composed of elected representatives headed by the chairman of the PS with the Block Development Officer (BDO) as the executive head. Panchayat Officer or Panchayat Extension Officer acts as Ex-officio Secretary of the Panchayat Samiti. At the Gram Panchayat (GP) level, the elected members headed by a Pradhan constitute the GP. Panchayat Secretary appointed by the State Government in the Gram Panchayat performs the function of the Secretary of the Gram Panchayat under the control of the Pradhan.

1.3 Devolution of functions

The 73rd Constitutional Amendment Act 1992 envisaged devolution of funds, functions and functionaries to the Panchayati Raj Institutions (PRIs) to make them fiscally capable and autonomous. On the mandate of the above, the State Government devolved 5* subjects out of 29 listed in the 11th Schedule to the Constitution to the control of 3-tier PRIs (August, 2006 & August, 2007). The remaining 24 subjects have not so far been transferred.

1.4 Sources of funds

For execution of various developmental works, the PRIs mainly receive funds from the Government of India (GOI) and the State Government in the form of Grants. The GOI Grants include grants assigned under the recommendations of Eleventh Finance Commission (EFC) & Twelfth Finance Commission (TFC). The State Government grants are received under the recommendations of State Finance Commission (SFC). Besides, the source includes the revenue earned by the PRIs in the form of taxes, rent, fees, issue of licenses, etc. During 2007-08, Government provided financial assistance of Rs. 159.95 crore (Central share: Rs. 131.40 crore; State share: Rs. 28.55 crore) by way of grants to PRIs viz., Zilla Parishads, Panchayat Samitis and Gram Panchayats.

* (1) Water Resources, (2) Primary School, (3) Adult and Non- Formal Education, (4) Social Welfare including Welfare of the Handicapped and Mentally Retarded and (5) Women and Child Development.

1.5 Functioning of PRIs

Panchayat Samitis, Zilla Parishads have Standing Committees through which various functions as per the Act are performed.

- Finance, Audit and Planning Committee, to be known as Finance Committee;
- Education, Environment, Cultural, Health and Sports Affairs Committee, to be known as Education and Health Committee;
- Communication, Rural Electrification and Non Conventional Energy Committee, to be known as Works Committee;
- Industries including Cottage Industries and Sericulture Committee, to be known as Industries Committee;
- Social Justice Committee;
- Agriculture, Food, Irrigation, Co-operation, Fisheries and Animal Husbandry Committee, to be known as Agriculture Committee;
- Poverty Alleviation programme, Social and Farm forestry, Rural Housing and Drinking Water Committee, to be known as Poverty Alleviation Committee.

The over-all monitoring and review of the programmes are conducted at the State level by the State Level Co-ordination Committee (SLCC) and at the district level by the District Monitoring and Vigilance Committees.

1.6 Accounting arrangement

The Chief Executive Officer is responsible for maintenance of accounts in Zilla Parishad and the Block Development Officer in Panchayat Samiti maintains the accounts with the assistance of Accountants. In case of Gram Panchayat, the Executive Officer/Secretary maintains the accounts.

1.7 Audit arrangement

Directorate, Local Fund Audit has not been established in the State. Accounts of all the 4 Zilla Parishads, 23 Panchayat Samitis and 513 Gram Panchayats are in arrears since inception. Audit of PRIs are being conducted under section 20 (1) of the C&AG's (DPC) Act, 1971.

1.8 Audit coverage

The audit of the accounts of 4 Zilla Parishads, 23 Panchayat Samitis and 262 Gram Panchayats for the year 2007-08 were test checked during 2008-09. The important audit findings are summarized in the succeeding paragraphs and chapters.

1.9 COMMENTS ON ACCOUNTS

1.9.1 Unutilized Funds

Test check of closing balances of the PRIs for the year ended 31 March 2008 revealed huge amounts relating to different scheme funds kept unutilized as shown under:

(Rupees in lakh)

Name of the PRI	Number of PRIs	Amount
Zilla Parishad	02	18.91
Panchayat Samiti	21	1104.38
Gram Panchayat	112	933.61
Total	135	2056.90

Poor utilization of funds indicated defective planning and inadequate monitoring, thereby depriving the beneficiaries from receiving intended benefits from the schemes (**Appendix-I & II**).

1.9.2 Non preparation of Budget Estimates

As per provisions of section 173, 118 and 64 of the Tripura Panchayat Act, 1993 annual Budget Estimate of ZPs, PSs and GPs showing the probable receipts and disbursement for the following year are required, to be prepared and submitted to the next higher authority for approval. If the approval of the higher authority is not received, within two months, or by the last day of the year, whichever is earlier, the budget shall be deemed to be approved by the prescribed authority.

Scrutiny of the records of all the ZPs and PSs revealed that none of them prepared budget of its estimated receipts and disbursement for the following year and submitted them to the prescribed authority for approval.

1.9.3 Non-preparation of Annual Accounts

Soon after the closure of the financial year, the annual accounts of ZPs, PSs and GPs should be prepared showing total receipts and payments during the year

under different heads with opening and closing balances. In respect of PSs, the Government of Tripura issued instruction (April 2004) to prepare Annual Receipt and Payment accounts in the formats prescribed by C&AG of India.

Scrutiny of records of 4 ZPs, 23 PSs and 253 GPs revealed, annual receipt and payment accounts were not prepared by any of the unit. Due to non-maintenance of accounts, the actual position of income and expenditure could not be verified and the accounts presenting true and fair view could not be ascertained.

1.9.4 Certification of Accounts

The State Government has not made any provisions in the State Acts/Rules for certification of accounts for the PRIs by the Examiner of Local Fund Audit or any such State auditing Authority. Till now not a single unit has been able to prepare the Annual Accounts, which would provide basis for conducting certification audit.

1.9.5 Deficiencies in the maintenance of Cash Books

Test check of records of 16 PRIs (one ZP, five PSs and ten GPs)[♦] revealed that the maintenance of Cash Books were deficient in many ways. Some of the important deficiencies are as under:

- Cash Books are not maintained properly.
- Physical verification of cash is not conducted.
- Heavy cash balances in excess of the prescribed limits and without immediate liability were retained.
- Monthly analysis of closing cash balances is not prepared.
- Separate cash book and bill register were not maintained.
- Expenditure on Indira Awas Yojana (IAY), Sampurna Gramin Rojgar Yojna (SGRY) etc. is not recorded in cash book.

[♦] ZP = Uttar Tripura Zilla Parishad
PS = Salema, Melaghar, Hrishamukh, Ambassa, Bishalgarh
GP= Paschim Daalak, Purba Gandhi gram, Ekinpur, Kalikrishnanagar, Haripur, Dakshin Sonaichhari, Jirania, East Ratacheera, Tulamura, Kakraban

1.9.6 Non maintenance of Records

With a view to adopting uniform procedure for maintenance of accounts of PRIs, the Government issued instructions (September, 2005) to maintain accounts in the formats prescribed by the C&AG of India, w.e.f 01.01.2006 such as Annual receipt and payments accounts, Capital expenditure accounts, Statement of receivable and payables, Register for monthly receipts and payments, Monthly reconciliation statement, Accounts of movable and immovable property, Stock accounts, etc. In addition to the above, the C&AG also prescribed formats for creation of Database on Finances of PRIs. Test check of records of PRIs revealed that the said formats on accounts and the Database on Finances were not adopted. In the absence of the above, uniform accounts procedure is not maintained due to which financial and physical progress of the PRIs could not be ascertained.

1.9.7 Standing Committees Meeting

As per Rule 30 of the Tripura Panchayats (Administration) Rules, 1994 every Standing Committee shall hold a meeting in the Office of the Panchayat Samiti once in a month on such date and at such time as may be fixed by the President.

Test check of records of Panchayat Samitis revealed that in 10 PS out of 23 PS, Standing Committee meeting was not held regularly as per the Act (**Appendix - III**).

1.9.8 Non maintenance of Reports and Returns by Chairman

As provided in Rule 29(2) in the Tripura Panchayats (Administration) Rules, 1994, Chairman, Panchayat Samiti is required to collect monthly progress report of all works of Gram Panchayat and prepare in each quarter, a consolidated quarterly report of the works with comments of Panchayat Samiti to be submitted to the Zilla Parishad within three weeks of conclusion of each quarter's ending.

It is noticed that in all the Panchayat Samitis none of the Chairman prepared the report and submitted to Zilla Parishad as prescribed.

1.9.9 Non preparation of report on the work of Panchayat Samiti

As provided in Rule 28(1) in the Tripura Panchayats (Administration) Rules, 1994, Panchayat Samiti requires to prepare report of work done by it, in the previous year and works proposed to be done next year to be submitted to the

Chief Executive Officer, Zilla Parishad and District Panchayat Officer before 15th May of the year.

In all the Panchayat Samitis none of the Panchayat Samiti has prepared such report.

1.9.10 Release and use of TFC Grants

Twelfth Finance Commission (TFC) recommended Rs. 20,000 crores for Panchayat Raj Institutions (PRIs) of the country payable during the period 2005-2010 to be used to improve the Service delivery in respect of water supply and sanitation and are to take over water supply assets created under Swajaldhara programmes and maintain them with the help of these grants. As per inter- state allocations, the State of Tripura was allocated Rs. 57.00 crore to be paid and utilized during 2005-2010. The State have to mandatorily transfer grant released by the Centre to the PRIs within 15 days of the same being credited to State Account, failing which the State has to transfer to PRIs, interest at a rate equal to bank rate alongwith delayed transfer of grants.

Test check of records of Government in the Finance and Panchayati Raj Department revealed that Rs. 5.70 crore was released by GOI to the State as the first installment on 05.04.2006 and the same was credited to the State Account on 24.04.2006. The amount was transferred to PRIs on 05.03.2007 after a delay of 301 days beyond the stipulated period of 15 days thereby making the State liable for payment of interest to PRI for delayed transfer of grants.

(Rupees in lakh)

Year	Date of release by GOI and date of credit to State account		Grant transferred to controlling department of PRIs		Controlling department transferred to PRIs		Period of delay (days)
	GOI	Credit to State	Date of transfer	Amount transferred	Date of transfer	Amount transferred	
2005-06	05.04.2006	24.04.2006	28.04.2006	570	05.03.2007	570.00	301
2006-07	06.11.2008	06.11.2008	19.11.2008	570	24.01.2009	358.45	46
					24.01.2009	173.77	46
					19.02.2009	37.78	91

The State Government has not yet transferred the interest amount for delayed transfer of TFC grants for the year 2006-07 to PRIs.

1.9.10.1 Diversion of grant

Twelfth Finance Commission(TFC) guidelines provide for utilization of grants on water supply, sanitation, creation of database and maintenance of accounts at the grass root level.

Test check revealed that Rs. 220.00 lakh was spent on construction of Panchayat Ghar, SHG Training centre and Children Park/ECO Park, not being the legitimate purposes for expenditure. The said amount was diverted for unauthorized purposes out of the grants released during 2005-06.

Further it was also noticed from the sanction order that Rs. 396.23 lakh was diverted towards maintenance and repair of Gram Panchayat/Village Committee/BAC Hall/PS offices out of the second installment of TFC grants released for the year 2006-07.

1.9.10.2 Creation of database

Creation of database on finances of PRIs has not yet been developed in the State. During a meeting held with the O/o The Accountant General in June 2008, the State Government agreed to the need for early creation of the same. The creation of the database on finance of PRI has not yet started.

1.9.10.3 Issue of assurance on the utilization of grants

State Finance Department has to furnish to the State Accountant General (Audit), a certificate on releases of grants to the local bodies and their utilization. On receipt of the same, State Accountant General would conduct audit of release and utilization of this fund and would issue assurance certificate to the Central Government through the headquarters' office. As of now, no certificate on releases of grant and their utilization received from State Finance Department.