

CHAPTER I

AN OVERVIEW OF THE PANCHAYATI RAJ INSTITUTIONS

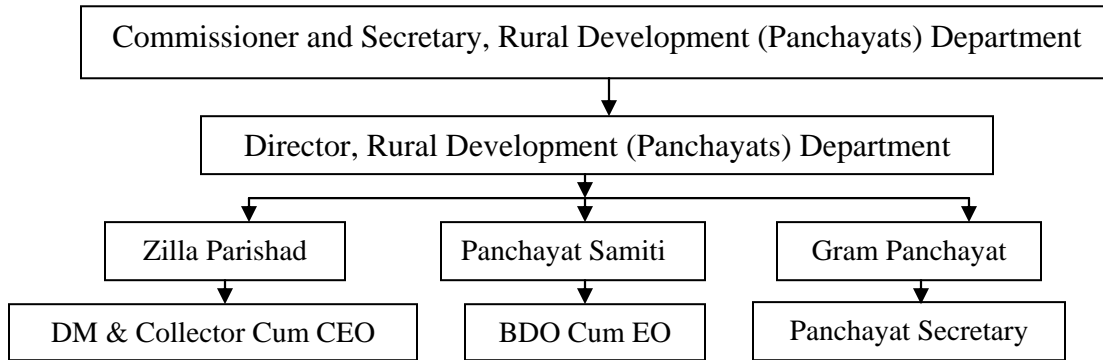
1.1 Introduction

In pursuance of 73rd Constitutional Amendment Act, 1992 the Government of Tripura has enacted the Tripura Panchayats Act, 1993 with a view to set up three tier Panchayati Raj system and to enable them to function as vibrant institutions of local self government at the District, Block and Village levels. The first general elections for the purpose were held in the year 1994. At present, there are 4 Zilla Parishads, 23 Panchayat Samitis and 511 Gram Panchayats in Tripura. At the State level, the Panchayat Department of the State Government co-ordinates and monitors the functioning of the Panchayati Raj Institutions (PRIs).

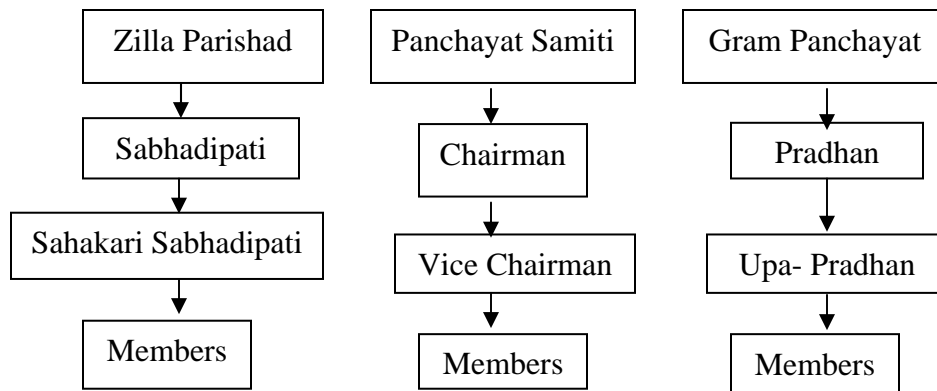
1.2 Organizational Structure of PRIs

The following organogram depicts the structure of the PRIs at different levels:

Administrative Body



Elected Body



At the district level, the District Magistrate & Collector-Cum-Chief Executive Officer of Zilla Parishad carries out the policies and directives of the Zilla Parishad, discharges duties defined under the Act, controls the officers/officials of Zilla Parishad and has custody of all papers and documents of Zilla Parishad.

The functions of the Block Development Officer-Cum-Executive Officer in Panchayat Samiti are to exercise all the powers conferred under the Act, to supervise and control the officials working under him, to supervise the execution of all works, to take custody of all papers and documents of Panchayat Samiti including drawals and disbursement of money out of the Panchayat Samiti fund.

The Panchayat Secretary is responsible for convening the meeting of Gram Sabha, maintenance of the records of Gram Panchayat, implementation of various developmental works and transaction of business as provided in the Act.

1.3 Devolution of Funds, Functions and Functionaries

The 73rd Constitutional Amendment Act, 1992 provided for devolution of funds, functions and functionaries to the PRIs to make them financially capable and autonomous. As per the report of the Tripura State Finance Commission, formal devolution of funds to PRIs was started from the year 1997-98. Funds devolved to PRIs under State Finance Commission for the last eight years are given in the table below:

Table No. 1

Head	<i>(Rupees In crore)</i>							
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Grants-in-aid (Share of Taxes)	25.99	20.73	16.57	16.58	7.00	18.23	20.00	30.00
Grants-in-aid (PDF)	35.13	32.04	32.18	32.42	45.00	37.10	40.00	10.00
Total	61.12	52.77	48.75	49.00	52.00	55.33	60.00	40.00

Source: Report of the 3rd State Finance Commission and Panchayat Department

From the above it would be seen that devolution of funds during 2009-10 have been decreased. The State Government has devolved five subjects* to PRIs out of 29 subjects listed in the 11th Schedule of the Constitution (August, 2006 & August, 2007). Out of

* (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.

these five subjects, funds for payment of wages of pump operators and power consumption charges only had been transferred to the PRIs. The remaining 24 subjects are yet to be transferred. Besides, the transfer of functionaries to PRIs was not done which is a prerequisite for successful working of local self government at the grass-root level. The works of the PRIs are being performed by the State Government functionaries only.

1.4 Duties and Functions of PRIs

The Tripura Panchayats Act, 1993 prescribed various duties and functions for PRIs. Some of the important duties and functions are given below:

- (i) Preparation of Annual Action Plan.
- (ii) Promotion and development of agriculture and horticulture.
- (iii) Promotion of village plantation, social forestry and farm forestry.
- (iv) Irrigation including minor irrigation and water management.
- (v) Promotion of dairy farming, poultry and piggery.
- (vi) Development of pisciculture in private and community land.
- (vii) Implementation of poverty alleviation programmes.
- (viii) Any other local work or service of public utility.

1.5 Sources of Funds

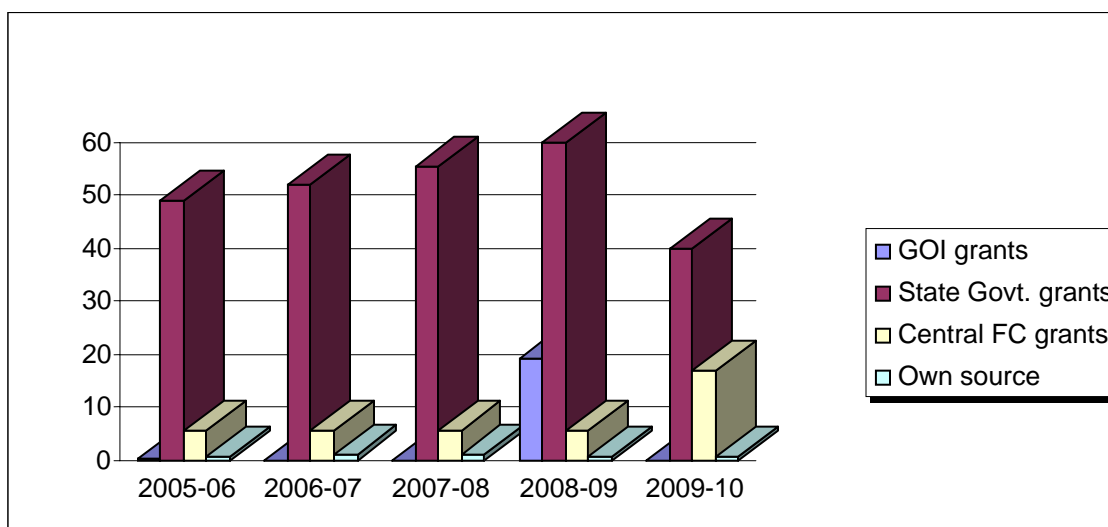
For execution of various developmental works, the PRIs mainly receive funds from the Government of India (GOI) and the State Government in the form of Grants. The GOI Grants include grants assigned under the recommendations of Eleventh Finance Commission (EFC) & Twelfth Finance Commission (TFC). The State Government grants are received under the recommendations of State Finance Commission (SFC). Besides, the own source of funds includes the revenue earned by the PRIs in the form of rent, fees etc. The position of receipts of funds by PRIs from different sources for the last five years is shown in the table below:

Table No. 2

(Rupees In crore)

Head	2005-06	2006-07	2007-08	2008-09	2009-10
GOI grants	0.43	0.02	-	19.32	NA
State Govt. grants	49.00	52.00	55.33	60.00	40.00
Central FC grants	5.69	5.70	5.70	5.70	17.10
Own source	0.63	1.02	0.97	0.70	00.72
Total	55.75	58.74	62.00	85.72	57.82

Chart No. 1



The above table/chart shows that grants from State Government have decreased in 2009 as compared to previous year. The receipts from own sources have not increased substantially over the years.

1.6 Functioning of PRIs through Standing Committees

Zilla Parishads and Panchayats Samitis have different Standing Committees through which various functions are performed as per the Act.

- Finance, Audit and Planning Committee, known as Finance Committee;
- Education, Environment, Cultural, Health and Sports Affairs Committee, known as Education and Health Committee;
- Communication, Rural Electrification and Non Conventional Energy Committee, known as Works Committee,
- Industries including Cottage Industries and Sericulture Committee, known as Industries Committee;

- Social Justice Committee;
- Agriculture, Food, Irrigation, Co-operation, Fisheries and Animal Husbandry Committee, known as Agriculture Committee;
- Poverty Alleviation Programme, Social and Farm forestry, Rural Housing and Drinking Water Committee, known as Poverty Alleviation Committee.

1.7 Accounting Arrangement

Under Section 175, Section 119 and Section 66 of the Tripura Panchayat Act, 1993 the Zilla Parishads, Panchayat Samitis and the Gram Panchayats shall keep such accounts in such form as may be prescribed. The Chief Executive Officer is responsible for maintenance of accounts at Zilla Parishad and the Executive Officer at Panchayat Samiti level with the assistance of Accountant. The accounts of Gram Panchayat are maintained by Panchayat Secretary.

1.8 Audit Arrangement

As per Section 215 of the Tripura Panchayats Act, 1993, the audit of the accounts of the funds of Gram Panchayat or Panchayat Samiti or Zilla Parishad shall be carried out by the authority as may be prescribed by the Government. A copy of such reports will be submitted in the following manner:

- (a) report on the Gram Panchayat shall be forwarded to the Panchayat Samiti by the Gram Panchayat;
- (b) report on the Panchayat Samiti shall be forwarded to the Zilla Parishad or the prescribed authority by the Panchayat Samiti; and
- (c) report on the Zilla Parishad shall be forwarded to the State Government by the Zilla Parishad.

But no such prescribed audit authority or Director Local Fund Audit (DLFA) has been appointed by the State Government. The matter for appointment of DLFA to function as primary auditor for all local bodies in the State has been taken up with the Chief Secretary, Government of Tripura (March 2011) so as to enable to provide Technical Guidance and Support to DLFA by the C&AG under Section 20(1) of C&AGs (DPC)

Act, 1971. However, the audit of PRIs is conducted as per the request of State Government to C&AG in January 2004.

1.9 State Finance Commission

As per the provision of the Tripura Panchayats Act, 1993 the first State Finance Commission (SFC) was set up in the year 1994. The SFC submitted its report in January 1996 to the State Government which was considered and accepted by the State Government and placed before the Legislative Assembly. On consideration of its report, actions were taken by the State Government for devolution of funds to PRIs for undertaking different developmental works. The second SFC was constituted in the year 1999 and its reports were submitted on 10th April, 2003. The State Government did not accept the recommendations of the second SFC considering the fact that higher devolution of fund as recommended by the Commission was not found realistic under the prevailing financial position of the State. Instead the State Government had decided to continue the implementation of the recommendations of the first SFC till report of the next Finance Commission is received.

The third Finance Commission was constituted in March 2008 applicable for the period from 2010-11 to 2014-15. The Commission submitted the report in October 2009 and the Government laid the Action Taken Report in the Tripura Legislative Assembly in March 2010.

The State Government accepted 41 out of 47 recommendations of 3rd SFC relating to PRIs mainly on the issue of augmentation of revenue, enhancement of rates of honorarium in respect of elected representatives, devolution of funds, framing of necessary rules for maintenance of accounts by all tiers of PRIs, training for public representatives etc. The Government did not accept two recommendations relating to introduction of service charge to be realized from the beneficiaries who are provided significant individual benefits of durable nature from the panchayats and discontinuation of the programme for providing dhuti, saree and lungi to the beneficiaries respectively. Further, four have been proposed for further examination.

1.10 Audit Coverage

The audit of the accounts of one Zilla Parishad, 11 Panchayat Samitis and 507 Gram Panchayats were test checked during 2010-11. The important audit findings are summarized in the succeeding paragraphs and chapters.

1.11 COMMENTS ON ACCOUNTS

1.11.1 Unutilized Funds

Test check of closing balances of 11 Panchayat Samitis and 287 Gram Panchayats for the year ended 31st March 2010 revealed that funds relating to different schemes remained unutilised as shown in the table No. 3 and table No. 4 below:

Table No. 3

Position of unutilized funds of Panchayat Samitis

(Rupees In crore)

Sl. No.	Name of the Panchayat Samiti	Fund available			Expenditure			Closing balance as on 31.03.2010		
		PDF	NREGA	TFC	PDF	NREGA	TFC	PDF	NREGA	TFC
1	Khowai	0.42	13.28	0.43	0.40	12.88	0.38	0.02	0.40	0.05
2	Gournagar	0.24	41.04	0.65	0.24	38.41	0.64	Nil	2.63	0.01
3	Kadamtala	0.36	30.98	0.55	0.27	26.59	0.53	0.09	4.39	0.02
4	Kumarghat	0.23	30.88	0.48	0.13	28.26	0.47	0.10	2.62	0.01
5	Teliamura	0.40	16.97	0.42	0.31	16.94	0.42	0.09	0.03	Nil
6	Panisagar	0.29	31.44	0.55	0.27	31.26	0.46	0.02	0.18	0.09
7	Dukli	0.30	21.24	0.62	0.17	20.24	0.57	0.13	1.00	0.05
8	Boxanagar	0.60	8.29	0.50	0.50	5.87	0.39	0.10	2.42	0.11
9	Ambassa	0.10	13.20	0.47	0.05	13.05	0.47	0.05	0.15	Nil
10	Mohanpur	0.62	29.75	0.64	0.49	29.15	0.64	0.13	0.60	Nil
Total		3.56	237.07	5.31	2.83	222.65	4.97	0.73	14.42	0.34

Table No. 4

Position of unutilized funds of Gram Panchayats

(Rupees In crore)

Sl. No.	Name of Panchayat Samiti	NO. of GPs under the Panchayat Samiti	Opening balance	Fund received	Total	Expenditure	Unspent balance as on 31.03.10
1	Matabari	32	1.37	6.29	7.66	5.52	2.14
2	Kumarghat	21	0.48	13.83	14.31	12.97	1.34
3	Dukli	17	3.68	7.64	11.32	7.26	4.06
4	Boxanagar	15	1.39	8.25	9.64	8.50	1.14
5	Gournagar	30	0.60	16.55	17.15	13.07	4.08
6	Mohanpur	30	6.48	15.65	22.13	20.15	1.98
7	Jirania	23	2.00	4.99	6.99	5.39	1.60
8	Khowai	22	1.47	7.34	8.81	7.31	1.50
9	Kathalia	15	3.00	5.40	8.40	5.29	3.12
10	Kakraban	20	0.87	4.68	5.55	3.95	1.60
11	Salema	27	3.38	5.96	9.34	5.30	4.04
12	Amarpur	10	0.03	2.29	2.32	2.01	0.31
13	Rajnagar	25	1.21	16.43	17.64	11.08	6.56
Total		287	25.96	115.30	141.26	107.8	33.47

Development funds remaining unspent indicates poor planning and inadequate monitoring, thereby depriving the beneficiaries from the intended benefits of the schemes.

1.11.2 Non preparation of Budget

As per provisions of sections 64, 118 and 173 of the Tripura Panchayats Act, 1993, Annual Budget of Gram Panchayats, Panchayat Samitis and Zilla Parishads showing the estimated receipts and disbursement for the following year is 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 have been approved by the prescribed authority. The Act further states that no expenditure shall be incurred unless the budget is approved by the prescribed authority.

Scrutiny of the records of one Zilla Parishads and 11 Panchayat Samitis revealed that neither the Zilla Parishad nor the Panchayat Samitis have prepared the budget of its estimated receipts and disbursement for the year upto 2009-10 and expenditures were incurred without preparing the budget.

Thus, incurring expenditure without preparing the budget was irregular and violation of the provisions of the Act.

1.11.3 Non preparation of Annual Accounts

Under Section 175, Section 119 and Section 66 of the Tripura Panchayat Act, 1993 the Zilla Parishads, Panchayat Samitis and the Gram Panchayats shall keep such accounts in such form as may be prescribed. The accounts of PRIs are being maintained in the formats prescribed by the C&AG of India. The records of one Zilla Parishad, 11 Panchayats Samitis and 507 Gram Panchayats were test checked during 2010-11 and it was noticed that none of these PRIs prepared Annual Accounts upto the year 2009-10. In absence of Annual Accounts, the position of opening balance, closing balance, receipts and payment under several heads, diversion of grants, etc., could not be ascertained.

1.11.4 Maintenance of Database on Finances of PRIs

On the recommendations of the EFC, database on finances were required to be maintained at all levels of PRIs for securing accountability and transparency in maintenance of accounts. Accordingly, the C&AG prescribed formats for the database in 2002. Director of Panchayats, Government of Tripura intimated (November 2010) that State Government in the RD (Panchayats) Department has adopted the eight database formats on the Finances of PRIs as prescribed by the C&AG and all the formats were circulated (September 2010) to the PRIs for adoption. But the databases are yet to be fully developed by the PRIs.

1.11.5 Status of Certification of Accounts

The State Government has not yet made any provisions in the State Acts/Rules for certification of accounts of the PRIs by the Examiner of Local Fund Audit or any State Auditing Authority. Till now not a single unit prepared the Annual Accounts, which could provide basis for conducting certification audit.