

CHAPTER I

SECTION 'A' AN OVERVIEW OF PANCHAYATI RAJ INSTITUTIONS (PRIs)

1.1 Background

Post 73rd Constitutional amendment, the Government of Tripura enacted the Tripura Panchayats Act, 1993 with a view to establish three tier Panchayati Raj system in the State. In Tripura, three tier Panchayats i.e. Gram Panchayat at Village level, Panchayat Samiti at Block level and Zilla Parishad at district level was established to enable PRIs to function as local self government institutions.

The Constitutional amendment provides for devolution of powers and responsibility with respect to preparation of plans and programmes for economic development and social justice. It also provides for transferring of 29 subjects listed in the Eleventh Schedule of the Constitution of India.

The legislative framework for conduct of business of the PRIs includes:

- 1) Tripura Panchayat Act, 1993; and
- 2) Tripura Panchayats (Administration) Rules, 1994.

There were four Zilla Parishads (ZPs), 23 Panchayat Samitis (PSs) and 511 Gram Panchayats (GPs) in Tripura as of March 2012.

1.2 State profile

Tripura, a State in North East India, became a full-fledged State of the Indian Union on 21 January 1972. It covers an area of 10,491.69 sq. km. Out of this total area, 7132.56 sq. km (68 *per cent* of the State) comes under the Tripura Tribal Areas Autonomous District Council (TTAADC) set up under Sixth Schedule to the Constitution of India. Tripura is a land-locked State, surrounded by Bangladesh on its North, South and West. The length of its international border is 856 km (84 *per cent* of its total border), while it shares a 53 km-long border with Assam and a 109 km-long border with Mizoram. In the North East, Tripura comes second to Assam in respect of population and population density. At present, there are eight districts, 23 sub-divisions and 58 blocks in Tripura. Important statistics of the State as per 2011 Census of India are shown in the following **Table 1.1**:

Table 1.1: Statistics of the State

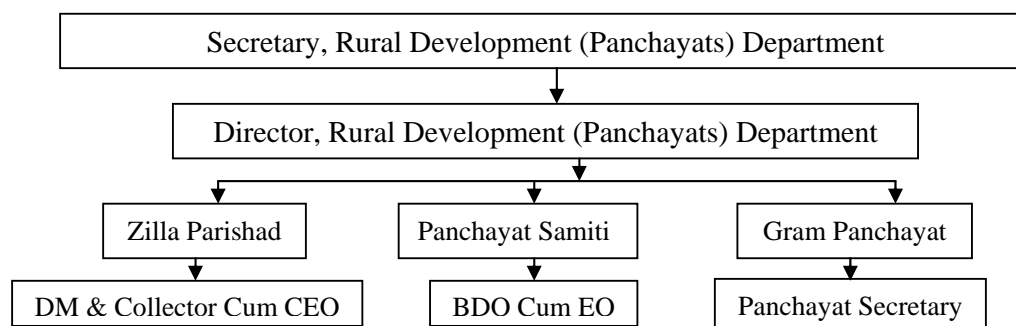
Indicator	Nos./per centage
Total population	36,71,032
Per centage of decadal variation (2001-2011)	14.75
Male	18,71,867
Female	17,99,165
Sex ratio (female per 1000 male)	961
Density(per sq km)	350

Overall literacy rate (%)	87.80
Male literacy (%)	92.20
Female literacy (%)	83.20

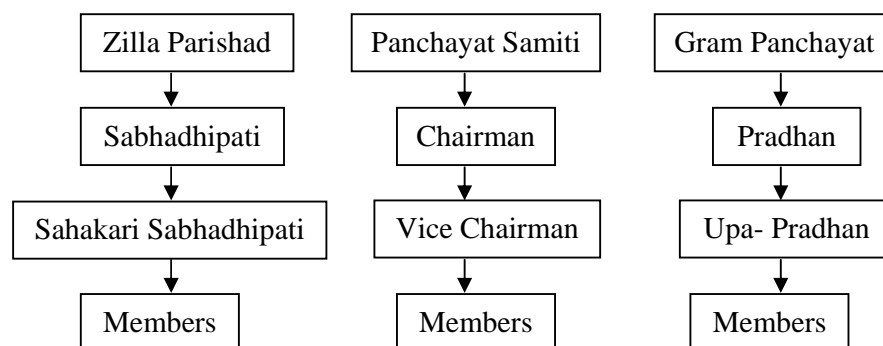
1.3 Organisational structure of PRIs

The Secretary, Rural Development Department is the overall in-charge of PRIs in the State. The Organisational structure with respect to functioning of PRIs in the State is as under:

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 draws and disbursement of money out of the Panchayat Samiti fund.

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

1.3.1 Standing Committees

Section 107 and 152 of the Tripura Panchayats Act, 1993 provide that Panchayat Samiti (PS) and Zilla Parishad (ZP) shall constitute standing committees to perform the assigned functions. The leadership of the committees is given in the following **Table 1.2:**

Table 1.2: Leadership of the Standing Committees

PRI	Standing Committees	Leadership
ZP/PS	(a) Finance, Audit & Planning Committee (b) Education, Environment, Cultural, Health and Sports Affairs Committee (c) Communication, Rural Electrification and Non Conventional Energy Committee (d) Industries including Cottage Industries and Sericulture Committee (e) Social Justice Committee (f) Agriculture, Food, Irrigation, Cooperation, Fishery and Animal Husbandry Committee (g) Poverty Alleviation etc. Committee	Sabhadhipati in case of ZP and Chairman in case of PS is the ex-officio President of the Finance, Audit & Planning Committee. Presidents of other committees are elected from the elected members.

Source: The Tripura Panchayats Act, 1993

As per Rule 30 of the Tripura Panchayats (Administration) Rules, 1994 every Panchayat Samiti and Zilla Parishad shall hold a meeting once in a month on such date and time as may be fixed by the President to discuss and to decide for implementation of various developmental works. Test check of records of five Panchayat Samitis and one Zilla Parishad revealed that Standing Committee Meetings were not held regularly as per the Act as shown in **Appendix 1.1.**

Thus, non-holding of regular meetings of the Standing Committees indicated that the activities of the Zilla Parishad and Panchayat Samitis were not adequately monitored and reviewed. The roles and responsibilities of the Standing Committees are given in **Appendix 1.2.**

1.4 Financial profile

1.4.1 Fund flow to PRIs

The resource base of PRIs mainly consists of State Finance Commission (SFC) grants/ Panchayat Development Fund (PDF) and Central Finance Commission (CFC) grants for development and maintenance purposes. Besides, the PRIs receive funds under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) outside the State budget. The own sources of funds in PRIs is meager as there is no tax revenue in the PRIs. The fund-wise source and its custody for each tier and the fund flow arrangements in flagship schemes are given in following **Table 1.3** and **1.4** respectively. The authorities for reporting use of funds in respect of ZPs, PSs and GPs are Chief Executive Officer, Executive Officer and Panchayat Secretary respectively.

Table 1.3: Fund flow mechanism in PRIs.

Name of Fund	Zilla Parishads		Panchayat Samitis		Gram Panchayats	
	Source of fund	Custody of fund	Source of fund	Custody of fund	Source of fund	Custody of fund
Own receipts ¹	Assessees and users	Bank	Assessees and users	Bank	Assessees and users	Bank
PDF	State Govt.	-do-	State Govt.	-do-	State Govt.	-do-
CFC	GOI	-do-	GOI	-do-	GOI	-do-
MGNREGS	GOI	-do-	GOI	-do-	GOI	-do-

Table 1.4: Fund flow arrangements in flagship schemes

Sl. No.	Scheme	Fund flow
1	2	3
1	Central Finance Commission grants	Government of India transfers the fund to the State exchequer, which is released to the Rural Development (RD) (Panchayats) Department. The RD (Panchayats) Department transfers the fund to the respective bank accounts of ZPs, PSs and GPs.
2	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	GOI and State Government transfer their respective shares of MGNREGS funds to the District Programme Coordinators (DPC) <i>i.e.</i> District Magistrate & Collector. DPC transfers the funds to ZPs, PSs and GPs through District Rural Development Agency (DRDA).

It is enjoined upon sanctioning authorities in Government of India (GOI) to ensure proper utilisation of grant money. This is achieved through receipt of progress reports, Utilisation Certificates by the implementing agencies. Each sanction of grant contains certain conditions of grants-in-aid mentioned in General Financial Rules.

1.4.2 Resources: Trends and Composition

The following **Table 1.5** shows the trends of resources of PRIs for the period 2007-08 to 2011-12.

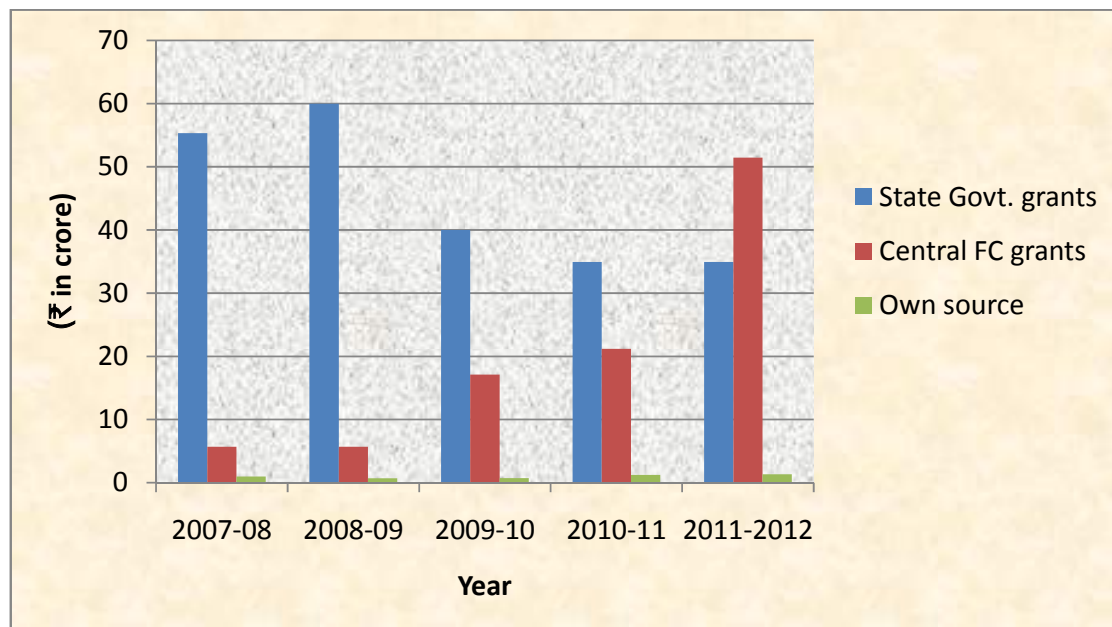
Table 1.5: Time series data on resources of PRIs

Head	(₹ in crore)				
	2007-08	2008-09	2009-10	2010-11	2011-12
State Govt. grants(PDF)	55.33	60.00	40.00	34.93	34.92
Central Finance Commission grants	5.70	5.70	17.10	21.18	51.43
Own source	0.97	0.70	0.72	1.25	1.34
Total	62.00	66.40	57.82	57.36	87.69

Source: Rural Development (Panchayats) Department

¹ Register of Ordinary Residents fees, Stall rent, Hall rent, Lease money from ponds etc.

Chart No. 1.1



The above chart shows that State Government grants and own source of revenue during 2007-08 to 2011-12 had remained almost constant whereas Central Finance Commission grants (13th FC grants) increased substantially during 2011-12.

1.5 State Finance Commission

After enactment of the 73rd amendment to the Constitution, the State Government so far constituted three State Finance Commissions (SFCs) to determine the principles on the basis of which adequate financial resources would be ensured for PRIs.

The First SFC was constituted in the year 1994. The recommendations of the First SFC were operative for five years starting from the year 1996-97. The Government constituted the Second SFC in the year 1999 and its reports were submitted in April, 2003. However, the State Government did not accept the recommendations of the Second SFC because the reports of the Second SFC were submitted late. Therefore, it was decided to continue the recommendations of the First SFC till the Third SFC became operative. The Third SFC was constituted in March 2008 covering the period from 2010-11 to 2014-15. The Commission submitted its report in October 2009. The Commission recommended the fund to be devolved to the PRIs and Rural Local Bodies (RLBs) under Sixth Schedule areas for the period from 2010-11 to 2014-15 as shown in the following table:

Table 1.6

Item	(₹ in crore)				
	2010-11	2011-12	2012-13	2013-14	2014-15
For PRIs only	26.80	29.25	31.95	35.00	38.30
For Rural Local Bodies of Sixth Schedule areas	19.60	21.52	23.86	26.03	28.52
Total	46.40	50.77	55.81	61.03	66.82

Source: Report of Third SFC

The State Government, however, accepted the recommendation of funds for PRIs and RLBs under Sixth Schedule in March 2010. The Commission also recommended the following proposals *inter-alia* for augmentation of own revenue of PRIs:

- (i) To motivate the Panchayats for increasing their own revenue it was proposed that Panchayats should acquire fisheries and horti-nurseries of their own and utilise these assets for supply of inputs to various developmental schemes and raise their own revenues.
- (ii) All village markets should be managed and controlled by the Panchayats so that they can levy and collect tolls and taxes from those markets.
- (iii) Panchayat Samitis may let out their Halls on rent to other departments and organisation against their requisition and generate some own revenues.
- (iv) Service charge at nominal rate ranging from ₹ five to ₹ 50 may be realised from the beneficiaries who are provided significant individual benefits of durable nature from the Panchayats.
- (v) Matching amount of additional grant equal to the amount of revenue collected by the Panchayats may be provided from the State Government as an incentive. This grant will be in addition to the amount provided under normal devolution accepted by the Government.
- (vi) Rules for collection of Taxes, Tolls, Duties and Fees by the Panchayats to be framed and notified quickly.

It was, however, observed that the State Government accepted the three recommendations as mentioned at Sl. No (i) to (iii). However, the recommendations at Sl. No.(iv) was not accepted. Regarding the implementation of the last two recommendations, the Government stated (March 2010) that these would be examined. The State Government had not framed any rules for collection of taxes, tolls, fees etc. by Panchayats till now (January 2014).

1.6 Devolution of Functions, Funds and Functionaries

1.6.1 Functions

The 73rd Constitutional amendment envisages transfer of functions, funds and functionaries relating to 29 subjects listed in the Eleventh Schedule of the Constitution of India, to PRIs. Accordingly the State Government has devolved only five subjects² to PRIs out of 29 subjects listed in the Eleventh Schedule of the Constitution (August, 2006 & August, 2007). The remaining 24 subjects were yet to be transferred.

² Water Resources, (2) Primary School, (3) Adult and No-Formal Education, (4) Social Welfare including Welfare of the Handicapped and Mentally Retarded and (5) Women and Child Development.

1.6.2 Funds

The funds required for the implementation of the functions were to be devolved with the transfer of functions. However, funds for payment of wages of pump operators and power consumption charges only had been transferred to the PRIs.

1.6.3 Functionaries

The Gram Panchayats in the State implement a large number of Central/State Sector schemes/programmes and substantial funds are released to the GPs. However, the GPs are not adequately equipped with qualified technical expertise. Besides, the transfer of functionaries to PRIs was not done and works of the PRIs were being performed by the State Government functionaries. The State Government appointed *Gram Rozgar Sahayak* on contract basis at GP level to maintain the records of MGNREGA works.

Thus, the State was lagging far behind in devolution of functions, funds and functionaries as envisaged in the 73rd Constitutional amendment.

1.7 Powers of PRIs

The powers to be enjoyed by the Gram Panchayats, Panchayat Samitis and Zilla Parishads have been enumerated in various Sections of the Tripura Panchayats Act, 1993. Some of the powers are as follows:

1.7.1 Powers of Gram Panchayats

- (i) Section 37 of the Act *ibid* provides that Gram Panchayats shall have control over all public streets and water-ways within their jurisdiction other than canals constructed, maintained or controlled by the State Government, and accordingly carry out all necessary activities for maintenance and repair thereof.
- (ii) As per the provision of Section 38 of the Act *ibid*, a Gram Panchayat may require the owner of a private water tank, course, spring, well or other water areas to undertake proper maintenance to protect them from pollution.
- (iii) Section 39 of the Act provides that a Gram Panchayat may require the owner or occupier of any water area to prevent growth of water-hyacinth or other weed which may pollute water.
- (iv) Section 40 of the Act provides emergent power to the Gram Panchayats to inspect and disinfect any well, tank or other place from which water is or likely to be taken for the purpose of drinking and prevent drawing of water therefrom during outbreak of epidemic.
- (v) As provided in Section 41 of the Act, a Gram Panchayat may recover the cost of work carried out by Gram Panchayat on failure of a person to perform such act despite notice issued to him by the Gram Panchayat to carry out such work.

(vi) Section 42 of the Act provides that a number of Gram Panchayats may form a joint committee for the purpose of transacting any business or carrying out any work in which they are jointly interested.

1.7.2 Powers of Panchayat Samitis

(i) Section 93 of the Tripura Panchayats Act, 1993 provides that a Panchayat Samiti shall have the power to undertake schemes or adopt measures for development of agriculture, live stock, cottage industries, co-operative movement, rural credit, water supply, irrigation, public health and sanitation including establishment of dispensaries and hospitals, etc; undertake execution of any scheme entrusted to it by the State Government; manage or maintain any work of public utility; make grants to any school, public institution or public welfare organisation within the block; make grants to the Gram Panchayats.

(ii) Section 95 of the Act provides that a Panchayat Samiti may transfer to the State Government or to the Zilla Parishad or to a Gram Panchayat, any road, or part of a road or any property, which is under its control or management, or which is vested in it, on agreed terms and conditions.

(iii) As per the provision of Section 96 of the Act, a Panchayat Samiti may take over the maintenance and control of any road, bridge, tank, ghat, well, channel or drain, belonging to a private owner or any other authority on agreed terms and conditions, if such take- over is required for public purpose.

(iv) Section 97 of the Act provides that a Panchayat Samiti may divert, discontinue or close temporarily any road, which is under its control and management or is vested in it, and may with the approval of the State Government, close any such road permanently.

(v) As provided in Section 98 of the Act, a Panchayat Samiti may be vested by the State Government with such powers under any local or special Act as the State Government may think fit. A Panchayat Samiti shall also exercise such other powers as the State Government may direct.

(vi) Section 99 of the Act provides that a Panchayat Samiti shall exercise general power of supervision over Gram Panchayats in the Block and it shall be the duty of these authorities to give effect to the directions of the Panchayat Samiti. A Panchayat Samiti may inspect any immovable property of Gram Panchayats or any work in progress under the direction of a Gram Panchayat within the Block. It may also inspect the utilisation of Gram Panchayat funds.

1.7.3 Powers of Zilla Parishads

(i) Section 144 of the Tripura Panchayat Act, 1993 provides that subject to the general or special orders of the State Government, Zilla Parishad may incur expenditure on education or medical relief; or in order to provide for carrying out any work or measures likely to promote health, safety, education, comfort, convenience or social

or economic comfort or cultural well- being of the inhabitants of district. Further, Zilla Parishad shall have the powers to do all acts necessary to carry out the functions entrusted or delegated to it.

(ii) Section 145 of the Act provides that the State Government may assign to Zilla Parishad functions in relation to any matters to which the executive authority of the Government extends or in respect of functions which have been assigned to the State Government by the Central Government.

(iii) As per provision of Section 146 of the Act, Zilla Parishad may, by notification, delegate to Chief Executive Officer or any other officer any of the powers conferred by or under the Panchayats Act on Zilla Parishad.

(iv) Section 147 provides that the State Government may, with the consent of the Zilla Parishad, place any road, bridge, ferry, channel, building and other properties vested in the State Government and situated within the district under the control or management of Zilla Parishad subject to such conditions as the Government may specify.

(v) It is provided in Section 148 that a Zilla Parishad may transfer to the State Government, a Municipality, a Panchayat Samiti, or a Gram Panchayat any road or part of a road or any other property which is under its control or management or which is vested in it on agreed terms and conditions.

(vi) Section 149 provides that Zilla Parishad shall exercise such other powers as the State Government may, by general or special order, direct.

(vii) Section 150 of the Act provides that a Zilla Parishad shall exercise general power of supervision over the Panchayat Samitis and Gram Panchayats in the District and it shall be the duty of these authorities to give effect to any directions of Zilla Parishad.

1.8 District Planning Committee

In pursuance of Article 243 ZD of the Constitution of India and Section 222 of the Tripura Panchayats Act, 1993, the Government of Tripura constituted District Planning Committee (DPC) in all the four³ districts in September 2008. The DPC consists of a Chairman, two Vice-Chairmen and some other elected representatives in each district. The District Magistrate & Collector is the Member Secretary of the Committee. In February 2012, State Government had decided that the existing DPCs shall have jurisdiction over the newly created/bifurcated (January 2012) four⁴ districts in the State.

The role and responsibility of the DPC is to consolidate the plans prepared by the Panchayats, Nagar Panchayats and the Sixth Schedule areas in the district as a whole. It is also empowered to take decisions on the development of the district. As per Section 222 of the Act, every DPC shall prepare draft development plan with regard

³ West Tripura, South Tripura, Dhalai and North Tripura.

⁴ 1Sepahijala, Gomati, Khowai and Unokoti,

to matters of common interest between the Zilla Parishads, the Panchayat Samitis, the Gram Panchayats, Notified Area authorities and Municipal authorities and other local authorities in the District including special planning, sharing of water and other physical and natural resources, integrated development of infrastructure and environmental conservation and the extent and type of available resources whether financial or otherwise and consult such institutions and organisations as the Government may by order specify. The Chairman of every DPC shall forward development plans as recommended by such committee to the State Government.

Scrutiny of records revealed that North Tripura District had prepared the consolidated District Plan for the year 2010-11, 2011-12 and 2012-13 and sent to the Planning Department. The West Tripura Districts also prepared consolidated District Plan for the year 2010-11, 2011-12 and 2012-13. However, the information regarding preparation of District Plan in respect of other districts was not furnished to Audit though called for.

1.9 Accountability framework

1.9.1 Authority and responsibility of State Government on PRIs

The Constitution of India empowers States to legislate on Panchayats and Municipalities. Further, in exercise of the Tripura Panchayats Act 1993 and the Tripura Panchayats (Administration) Rules 1994, the State Government exercises its powers in relation to PRIs as detailed in **Appendix- 1.3**.

1.9.2 Power of State Government to rescind or suspend resolution of Gram Panchayat, Panchayat Samiti or Zilla Parishad

1) As per Section 218 of Tripura Panchayat Act 1993, the State Government may, by order in writing, rescind any resolution passed by a Gram Panchayat, a Panchayat Samiti or a Zilla Parishad, if in its opinion such resolution- (a) has not been legally passed; or (b) is in excess, or abuse of the powers conferred by or under this Act or in rules made there under.

2) The State Government shall, before taking any such action give the Gram Panchayat, the Panchayat Samiti or the Zilla Parishad concerned an opportunity for making representation against the proposed order.

1.9.3 Appointment of Ombudsman

As per para 6.4.5 of the 13th Finance Commission the State Government must put in place a system of independent local body ombudsman who will look into complaints of corruption and mal-administration against the functionaries of local bodies, both elected members and officials, and recommend suitable action. All elected functionaries and officials in all Zilla Parishads and all municipal corporations and municipalities at least should come under the purview of ombudsman. However, the Government of Tripura had not yet appointed any ombudsman for local bodies.

1.9.4 Audit mandate

1.9.4.1 Primary Auditor

The Government of Tripura, Finance Department framed the 'Tripura Local Fund Audit Rules 2011' for audit of accounts of local bodies by the Director, Local Fund Audit and in this regard a gazette notification was issued on 12.01.2012 for implementation of the Rules. Rule 3 (1) provides that the State Government or such authority as it may direct, shall appoint a person to be Director, Local Fund Audit (LFA), and the following category of officers to assist him, namely:

- (a) Deputy Director,
- (b) Assistant Audit Officer,
- (c) Auditor/Senior Auditor, and
- (d) Chartered Accountants, as appointed under sub-rule (4) of Rule 3.

The Internal Audit Directorate of the State Government had been designated as Director of Local Fund Audit (DLFA). There were two Audit Officers, 27 Assistant Audit Officers and 60 Auditors as on March 2013 in the DLFA. The audit of the accounts of the PRIs was now being conducted by DLFA. As per the recommendation of 13th Finance Commission the DLFA was required to prepare Annual Report on local bodies for placement before the State Legislature. However, DLFA had not prepared any such report till date (January 2014).

1.9.4.2 Audit by C&AG of India

C&AG conducts audit of substantially financed PRIs under section 14(1) of C&AG (DPC) Act, 1971. Further, the Government of Tripura had entrusted audit of accounts of PRIs under Section 20(1) of the DPC Act to CAG under Technical Guidance and Support arrangement in August 2011 as per recommendation of 13th Finance Commission and accordingly audit of PRIs is being conducted by C&AG.

During 2012-13, the audit of accounts of three Zilla Parishads, 11 Panchayat Samitis and 155 Gram Panchayats was conducted.

1.9.5 Social Audit

The primary objective of social audit is to bring the activities of local bodies under close surveillance of the public and the latter to have access to records and documents of the former. Owing to this mechanism, the citizens should be able to have immediate access to information which would facilitate transparency and accountability in day to day functioning of local bodies. Social audit *inter alia* includes:

- Use of Gram Sabha and Ward Committees as important vehicles for spreading of awareness about social audit.

- Appointment of nodal officer at the level of Gram Sabha and Ward Committees who would register complaints and fix the date for social auditing.

Para 17 of the MGNREGA scheme guidelines provides a central role to “Social Audits” as a means of continuous public vigilance. Social Audits were being conducted for MGNREGA works at the Gram Panchayat level.

1.10 Conclusion

PRI had been set up in the State in conformity with the 73rd Amendment Act of the Constitution of India. The main thrust of the Act is to enable the rural local bodies to function as institution of rural Self Government. An effective mechanism to enable them to become Self Government is through the effective devolution of Functions, Funds and Functionaries. The State Government had devolved only 5 subjects out of 29 listed in the Eleventh Schedule of the Constitution to PRIs. The transfer of functionaries to PRIs was also not done. Thus, the State was lagging far behind in devolution of Functions, Funds and Functionaries. Though the DLFA was appointed by the State Government *inter-alia* to prepare annual audit report on local bodies to be placed before the State Legislature, no such report had been prepared by DLFA till date. The PRIs were yet to levy various taxes as per the provisions of Tripura Panchayats Act, 1993 to augment their own source of revenue.

SECTION 'B'

FINANCIAL REPORTING

1.11 Framework

Financial reporting in the PRIs is a key element of accountability. Matters relating to drawal of funds, form of bills, incurring of expenditure and maintenance of primary financial records are governed by the provisions of the Tripura Panchayat Act and Rules and other departmental standing orders and instructions/guidelines.

1.12 Accounting system of PRIs

Rural Development (Panchayats) Department, Government of Tripura instructed PRIs to maintain the accounts in New Accounting Structure 2009 w.e.f 01.04.2010 as devised by the Ministry of Panchayati Raj, Government of India in consultation with the Comptroller and Auditor General of India. The PRIs started maintaining their accounts as per the new Accounting Structure from the year 2011-12.

1.13 Financial Reporting issues

1.13.1 Non-finalisation of Annual Accounts

As provided under Section 175, Section 119 and Section 66 of the Tripura Panchayats Act, 1993, the Zilla Parishads, Panchayat Samitis and the Gram Panchayats shall keep such accounts in such form as may be prescribed. As per the Tripura Panchayats (Administration) Rules 1994, the Chief Executive Officer of the Zilla Parishad is responsible for maintenance of accounts of Zilla Parishad and the Executive Officer of the Panchayat Samiti is responsible for maintenance of accounts of Panchayat Samiti. The account of the Gram Panchayat is maintained by Panchayat Secretary. None of the test audited PRIs finalised annual accounts as of March 2012. In the absence of annual accounts, the actual financial position could not be ascertained. Further, the Act and the Rules also did not provide any time frame for preparation and finalisation of annual accounts.

1.13.2 Non-preparation of Budget Estimates

Budget is the most important tool for financial planning, accountability and control. 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 are required to be prepared and submitted to the Panchayat Samiti, Zilla Parishad and State Government respectively for approval. If the approval of the higher authority is not received within two months, or by the last day of the year i.e. 31st March 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.

Test check of the records of 155 Gram Panchayats, 11 Panchayat Samitis and three Zilla Parishads revealed that none of the PRIs prepared the budget of its estimated receipts and disbursement for the year 2011-12. Despite non-preparation of budget, the State Government was releasing funds to PRIs.

In the absence of Budget Estimates, the expenditure incurred by the PRIs was irregular and without budgetary controls.

1.13.3 Maintenance of database

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. Director of Panchayats, Government of Tripura intimated (November 2010) that State Government in the RD(Panchayats) Department had 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 maintenance of database. However, it was observed that the following records were not maintained regularly by 23⁵ test checked Gram Panchayats:

- Receivable and Payable Register;
- Demand and Collection Register; and
- Inventory Register.

Due to non maintenance of above records, the details of receivable and payable, the demand & collection and outstanding revenue, opening and closing balances of inventory etc. of the above GPs could not be ascertained.

1.13.4 Deficiencies in maintenance of Cash Book

While maintaining the Cash Book, the following points should be observed:

- (i) All monetary transactions should be entered in the Cash Book, as soon as they occur and attested by the Head of the Office in token of check.
- (ii) The Cash Book should be closed regularly and completely checked. The Head of the Office should verify the totaling of the Cash Book, or have this done by some responsible subordinate other than the writer of the Cash Book and initial it as correct.
- (iii) Further, at the end of each month, the Head of Office should verify the cash balance in the Cash book and record a signed and dated certificate to that effect.
- (iv) Bank reconciliation statement should be prepared at the end of each month.

⁵ Patu Nagar, Ananga Nagar, Mohanpur, Bijoynagar, Lankamura, Ishanpur, Kamalghat, and Fatik Cherra under Mohanpur RD Block, Paharmura, Purba Ganki, Paschim Sonatala, Paschim Singichera, Paschim Chebri, Paschim Ganki, Dhalabir, Gournagar, Jambura, Santinagar, Sonatala, Sonatala Padmabil, Purba Ram Chandra Ghat, Barabil and Madhya Singhicherra under Khowai RD Block.

However, audit noticed that the above checks were not exercised in maintenance of Cash Book by one Zilla parishad⁶ and three Panchayat Samitis⁷. Without proper check in maintenance of Cash Book possibilities of loss, defalcation, embezzlement etc. could not be ruled out.

1.14 Conclusion

Proper financial reporting is the key element for accountability. The PRIs entrusted with public resources had the responsibility to manage these resources with utmost prudence. For this, budgets had to be prepared, accounts had to be maintained and monitoring of expenditure had to be done as per relevant Acts/guidelines/rules. It was noticed that none of the test-audited PRIs prepared budget estimates nor prepared the accounts. In the absence of annual accounts, the actual financial position could not be ascertained and making expenditure without preparation of budget estimates was in violation of the pertinent provisions of the Tripura Panchayats Act. A few of the Gram Panchayats test checked by audit did not maintain the records prescribed by C&AG due to which, the actual position of revenue and inventory of PRIs could not be ascertained.

⁶ Dhalai Zilla Parishad.

⁷ Salema Panchayat Samiti, Dukli Panchayat Samiti and Kakraban Panchayat Samiti.
