

PART – II PANCHAYATI RAJ INSTITUTIONS

CHAPTER III

OVERVIEW OF THE PANCHAYATI RAJ INSTITUTIONS

3.1 Introduction

To promote greater autonomy at the grass root level and to involve people in identification and implementation of development programmes involving Gram Sabhas, the Seventy-third Constitutional Amendment Act, 1992 was promulgated. According to the provisions of Article 243 G of the Constitution, the Legislature of a State may, by law, endow the panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provision for the devolution of powers and responsibility upon panchayat at the appropriate level, subject to such conditions as may be specified therein.

A three-tier system of Panchayati Raj Institutions (PRIs) had been established in the State by Madhya Pradesh Panchayati Raj Aivam Gram Swaraj Adhiniyam (Act), 1993 (MPPRGSA) which came into force from January 1994 and adopted by Chhattisgarh State as Chhattisgarh Panchayat Raj Adhiniyam 1993.

3.2 Classification of the Panchayati Raj Institutions (PRIs)

The PRIs are classified into three tiers, viz., Zila Panchayat at district level, Janpad Panchayats at block level and Gram Panchayats at village level. At present, there are 18 ZPs, 146 JPs and 9734 GPs in the state. The last general election for the Gram Panchayats were held during 2009-10.

Total population of the state is about 2.55 crore with 1.96 crore people residing in rural area constituting 77 percent of the total population as per 2011 census.

Table 3.1: Population-wise classification of Gram Panchayats

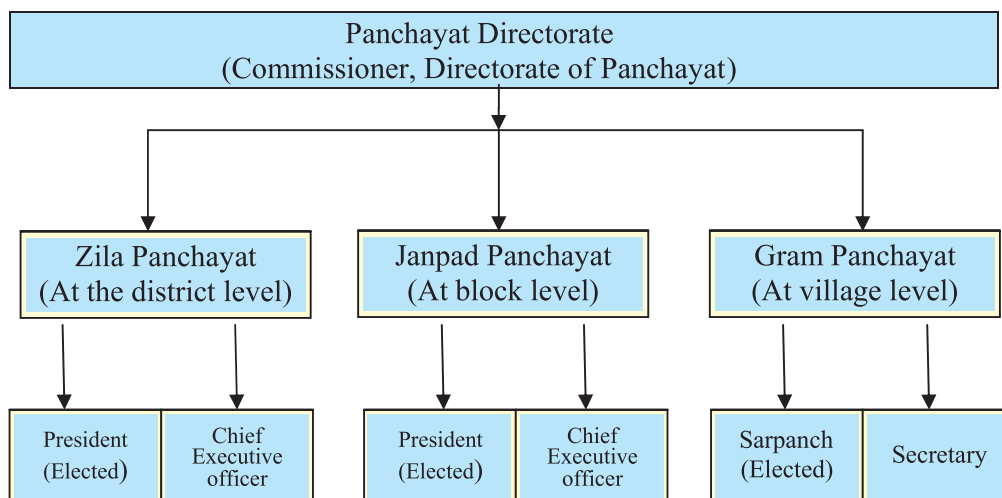
Sl. No.	Population	No. of Gram Panchayats
1	Below 1,000	474
2	1,001 to 2,000	7420
3	2,001 to 3,000	1414
4	3,001 to 4,000	287
5	Above 4,000	139
Total		9734

Source: Data provided by Panchayat Directorate as per census 2001

3.3 Administrative arrangements

All the PRIs are distinct legal authorities to discharge the functions devolved under the provisions of Acts and Rules subject to monitoring powers vested in State authorities provided therein. The organisational structure of governance at State, District, Block and Village level is given below.

Organisational Chart of PRIs



3.4 Powers and Function

3.4.1 Zila Panchayats (ZPs) are the first tier of Panchayat at the district level. Chief Executive Officer (CEO) is the administrative head and assisted by departments like Public Health, Public Works, Rural Engineering etc.

3.4.2 The ZP is required to prepare the budget for the planned development of the district and utilisation of the resources. GoI schemes, funded through the District Rural Development Agencies (DRDAs), which are nine in the state and headed by Project Director and State Government schemes were also implemented by the ZPs. The ZP is responsible for the drawing up of annual plans for the economic development and social justice of the district and ensuring their implementation; co-ordination, evaluation and monitoring of the activities of JPs and GPs; ensuring implementation of any schemes entrusted by the Central or State Governments; appropriation of the grants received from the Central or State Governments to the JPs and GPs in accordance with the specified criteria; taking steps to ensure procurement of resources and any other functions entrusted by the State Government under special or general orders.

3.4.3 Janpad Panchayats (JPs) are the intermediate tier of Panchayat at the Block level. The JPs don't have their own source of revenue and are totally dependent on the Block Grants received from ZPs. The JPs undertake development works at the block level. It is their duty to make suitable arrangements for rural development, agriculture, social forestry, animal

husbandry and pisciculture, health and hygiene, adult education, cooperative work, cottage industries, social welfare, family planning, rural employment programmes; arranging emergency assistance in cases of fire, flood, drought, earthquake and other natural calamities; and any other works entrusted to them by the State Government or the ZP.

3.4.4 Gram Panchayats (GPs) are the last tier of Panchayat at the grass root level. It is the duty of the GPs to maintain cleanliness and hygiene, maintenance and upkeep of water resources, lighting and connectivity of village roads, promotion of youth welfare, family welfare and sports activities, implementing programmes for social welfare and any other activities entrusted by the State Government, ZP or JP.

3.5 Audit arrangement

The State Government has appointed Director/Commissioner of Local Fund Audit (DLFA) as a primary auditor of accounts of Panchayati Raj Institutions. The office of the Accountant General (Audit) (AG) is conducting audit of PRIs under Technical Guidance and Supervision (TGS) module as notified (October 2011) by the State Government. The CAG of India shall have the right to conduct such test check of the accounts and to comment on and supplement the report of the Statutory Auditor, as he may deem fit under sub-section (1) of section 20(1) of the CAG's (Duties, Powers and Conditions of Service) Act 1971.

The CAG may provide suitable Technical Guidance and Supervision to primary external auditors of PRIs viz the Local Fund Audit (Statutory Auditor) for the purpose of strengthening Public Finance Management and Accountability in Panchayati Raj Institutions. The parameters of such TGS are as given in Section 152 to 154 of Audit and Account Regulation, 2007 issued by the CAG of India under Section 23 of the CAG's (DPC) Act, 1971, which are as under:

- The Local Fund Auditor shall prepare an annual audit plan for next financial year by the end of March every year.
- The audit methodology and procedure for the audit of PRIs by the DLFA shall be as per Statutes enacted by the State Government and guidelines prescribed by CAG of India.
- Copies of inspection reports (IRs) shall also be forwarded by DLFA to the AG (Audit) for advice on system improvement.
- DLFA shall furnish returns in such format as may be prescribed by the CAG for advice and monitoring.
- The AG (Audit) would conduct test check of some units in order to provide technical guidance and report of the test check would be sent to the DLFA for pursuance of action.
- Irrespective of the money value, any serious irregularities shall be intimated to the AG (Audit)

- DLFA shall develop a system of internal control in his organisation in consultation with the AG (Audit).
- The AG (Audit) shall also undertake training and capacity building of the Local Fund Audit staff.

In this regard, the office of Accountant General (Audit), Chhattisgarh imparted two successful training programmes on efficacy of TGS for conduct of audit of PRIs and ULBs and audit methodology to the staff of DLFA.

3.5.1 Outstanding Audit observations

According to TGS arrangement, the DLFA would pursue settlement/ action taken on the audit objections raised by AG in the same manner as he would pursue his own reports/audit objections.

The number of outstanding audit objections of PRIs included in the Inspection Reports of DLFA was 141173 as of March 2014 pertaining to the period from 2008-09 to 2012-13. The number of outstanding objections of AG's Inspection Reports was 698 as of March 2014. Details of outstanding objections are as under:

Table 3.2: Outstanding audit objections of DLFA

Sl. No.	Financial Year	PRI			
		Total No. of outstanding audit objections	Objection taken during the year	No. of objections settled	No. of objections Outstanding
1.	2008-09	84222	15437	107	99552
2.	2009-10	99552	12514	65	112001
3.	2010-11	115493	10359	175	125677
4.	2011-12	125677	9437	203	134947
5.	2012-13	134947	6318	92	141173

Source: Director, Local fund Audit

Table 3.3: Outstanding audit objections of AGs Inspection Reports

Sl. No.	Financial Year	PRI			
		Total No. of Units audited during the year	Objection taken during the year	No. of objections settled (Till March 2014)	No. of objections Outstanding (Till March 2014)
1.	2008-09	11	74	22	52
2.	2009-10	08	52	10	42
3.	2010-11	15	111	08	103
4.	2011-12	09	84	04	80
5.	2012-13	71	434	13	421
Total No. of outstanding objections (Till March 2014)					698

3.6 Overview of schemes

3.6.1 Employment oriented schemes

(i) **Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)** – The scheme provides for the enhancement of livelihood security of people in rural areas by providing guaranteed hundred days of wage-employment in a financial year to a rural household whose adult

members volunteer to do unskilled manual work.

In the first phase, the scheme was launched (February 2006) in 200 districts in the country, which included 13 (erstwhile 11) districts of Chhattisgarh. Presently the scheme is being implemented in the whole state.

The main objective of the scheme is to provide employment security of rural household along with construction of infrastructure in rural areas, environmental conservation, ensuring social justice, empowerment of rural women, and prevention of migration of people from rural to urban areas. Social audit arrangements have been prescribed to provide an effective check on the utility and quality of executed works.

(ii) **Swarna Jayanti Gram Swarojgar Yojana (SJGSY)** – This is a Centrally sponsored scheme and the main objective of the scheme is to provide self-employment and enhancement of income of BPL families residing in rural areas. The scheme is being reorganised as National Rural Livelihood Mission (NRLM). The objectives of NRLM include comprehensive social integration, constitution of social institutions, training and skill development, financial inclusion, providing infrastructural facilities etc. A dedicated organisational structure is being established for the implementation of the scheme.

3.6.2 Other Schemes

(i) **Indira Awas Yojana (IAY)** – The scheme aims to provide affordable housing for rural BPL homeless families and facilitate them to have a complete functional dwelling unit with basic needs. This is a Centrally sponsored scheme with 75 per cent funding by the Central Government. Under the scheme, financial assistance is provided directly to the beneficiaries, so that they can construct a house for themselves as per their own discretion. The scheme also envisages convergence with other schemes like Total Sanitation Programme (TSP), Rajiv Gandhi Gramin Vidyutikaran Yojana and MGNREGS.

(ii) **Backward Region Grant Fund (BRGF)** – The scheme was launched by GoI to redress regional imbalances, contribute towards poverty alleviation in 15 backward districts of the State. The scheme is being implemented by PRIs and ULBs through project preparation, execution of infrastructure works as per local requirement.

(iii) **Pradhan Mantri Gram Sadak Yojana (PMGSY)** – Chhattisgarh Rural Roads Development Authority, which is a registered society, has been constituted for the implementation of the scheme in the State. The scheme envisages the construction of district roads and village roads. The main objective of the scheme is to provide at least one all weather road to each settlement. Priority under this scheme is to be given to those settlements which do not have any connectivity.

3.7 Source of revenue

There are mainly two sources of funds for PRIs (i) Government grants and (ii) own revenues. Government grants comprise (a) funds released by the State Government and Government of India (GOI) based on the recommendation of State Finance Commission (SFC)/ Central Finance Commission (b) GOI and State share transfer for various Central sponsored / Central and State sector schemes. Own revenue resources of PRIs comprise tax and non-tax revenues realised by them.

3.8 Receipts and expenditure of PRIs

Funds (Share of tax revenue of the state, schemes and grants etc.) allocated to PRIs by the State Government through budget including GOI share of the schemes and grants recommended by Central Finance Commission are shown in the following table:

Table 3.4: Statement showing allocation and expenditure of funds

(₹ in crore)

Sl. No.	Budgetary Allocation			Expenditure			
	Year	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1.	2008-09	483.55	402.50	886.05	423.52	399.72	823.24
2.	2009-10	379.59	329.63	709.22	333.87	336.43	670.30
3.	2010-11	674.55	432.27	1106.82	655.49	347.96	1003.40
4.	2011-12	806.15	647.46	1453.61	780.96	617.28	1398.20
5.	2012-13	1123.04	867.97	1991.01	995.70	782.49	1778.10
TOTAL		3466.88	2679.83	6146.71	3189.54	2483.88	5673.42

Source:- Provided by the Panchayat Directorate, Raipur

As against the total allocation of ₹ 6147 crore during 2008-09 to 2012-13, the expenditure of the PRIs was ₹ 5673 crore. The details of receipts and expenditure in all PRIs were not being maintained at the Panchayati Raj Directorate (PRD) level. Thus, no system was in place to maintain an effective check on the finances of the subordinate PRIs.

3.9 Short Devolution of Grants

On the recommendations of first State Finance Commission (SFC), the State Government brought out its Action Taken Report (ATR). Further, Government of Chhattisgarh had accepted to devolve a share of 4.79 per cent of State's Own net Tax Revenue (SOTR) for Panchayati Raj Institutions against the 6.62 per cent recommended by the first SFC for the period 2007-12. The Second SFC recommended a total devolution of eight per cent of the State's own net tax revenue to local bodies of which the recommended share for the PRIs was 6.15 per cent. The position of grants released to PRIs through state budget during 2008-09 to 2012-13 was as under:

Table 3.5: Position of own tax revenue and devolution of funds to PRIs*(₹ in crore)*

Year	Amount of own net tax revenue of the state	Amount of share of own tax revenue to be allocated		Amount of share of own tax revenue (SFC grants) released to PRIs	Short fall (with percentage)
		Prescribed Percentage	Amount		
1	2	3	4	5	6
2008-09	5599.21	4.79	268.76	236.50	32.26 (12)
2009-10	6106.29	4.79	293.10	223.13	69.97(24)
2010-11	7874.62	4.79	377.98	270.00	107.98 (29)
2011-12	9269.29	4.79	444.93	330.00	114.93 (26)
2012-13	10829.46	6.15	666.01	666.25	(-)0.24
Total	28957.70	--	2050.78	1725.88	324.90

Source:- Provided by the department

It is clear from the above table that devolution of funds to PRIs from the SOTR as per the recommendations of SFC was not fully achieved. There was short devolution amounting to ₹ 324.90 crore for the period 2008-09 to 2012-13. The reasons for short devolution of funds to PRIs were not furnished by the department (May 2014).

3.10 Conclusion

Significant number of outstanding objections of DLFA were not settled. There was short devolution of funds from the State Government's Own Tax Revenue during the period from 2008-09 to 2011-12. In the year 2012-13 the devolution of funds was as recommended by second SFC.