

CHAPTER IV
AN OVERVIEW OF
PANCHAYAT RAJ INSTITUTIONS

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4.1 Background

The 73rd Constitutional amendment gave Constitutional status to Panchayat Raj Institutions (PRIs) and established a system of uniform structure, election, regular flow of funds through the Finance Commission etc. As a follow-up, the State Governments were required to entrust the PRIs with powers, functions and responsibilities to enable them to function as institutions of local self-government.

Consequent upon the 73rd amendment of the Constitution, the State Legislature enacted the Tamil Nadu Panchayats Act, 1994. Under this Act, a three-tier system of PRIs *viz.*, Village Panchayats (VPs) at the village level, Panchayat Unions (PUs) or Block Panchayats at the intermediary level and District Panchayats (DPs) at the district level was established.

4.2 State profile

The demographic and developmental status of the State is given in **Table 4.1**.

Table 4.1: Important statistics of the State

Population	7.21 crore
Population density	555 persons per Sq.Km
Gender ratio	995 females per 1,000 males
Literacy	80.33 <i>per cent</i>
Rural population	51.55 <i>per cent</i>
Number of PRIs	12,940
- District Panchayats	31
- Panchayat Unions	385
- Village Panchayats	12,524

(Source: 2011 Census figures and Policy Note of the Rural Development and Panchayat Raj Department for 2013-14)

4.2.1 Classification of Panchayat Raj Institutions

The income-wise classification of Village Panchayats is given in **Table 4.2**.

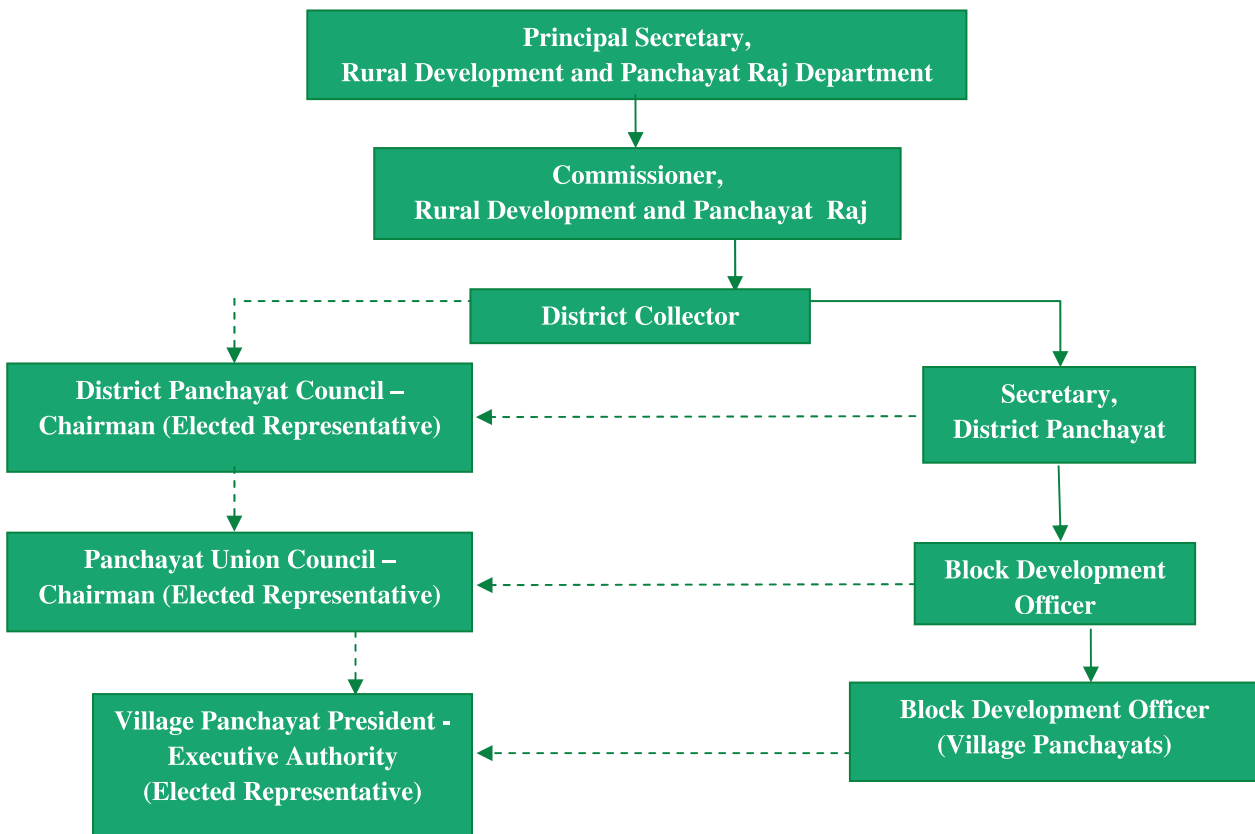
Table 4.2: Income-wise classification of Village Panchayats

Income range	Number of Village Panchayats
₹ 3 lakh to ₹ 5 lakh	1,268
₹ 5 lakh to ₹ 7 lakh	1,455
₹ 7 lakh to ₹ 10 lakh	2,351
₹ 10 lakh to ₹ 20 lakh	4,563
₹ 20 lakh to ₹ 50 lakh	2,524
₹ 50 lakh to ₹ 1 crore	293
Above ₹ one crore	70
	12,524

(Source: Policy Note of Rural Development and Panchayat Raj Department for 2013-14)

4.3 Organisational structure of Panchayat Raj Institutions

An organogram of PRIs is as given below:



4.4 Devolution of functions

Eleventh Schedule of the Constitution of India empowered the State Legislatures to devolve 29 functions to PRIs. As per details furnished (September 2013) by Commissioner of Rural Development and Panchayat Raj (CRDPR) to Audit, only three functions are carried out by Rural Development and Panchayat Raj Department. Even after enacting the Tamil Nadu Panchayats Act in 1994, remaining 26 functions are not devolved to PRIs but are carried out by other departments.

4.5 Decentralised planning

As per Section 241(1) of the Tamil Nadu Panchayats Act, 1994, the State Government constituted a District Planning Committee (DPC) in each of the 31 districts except Chennai in Tamil Nadu. The role and responsibility of DPCs are mentioned in Paragraph 1.5 of this Report.

4.6 Financial profile

Funds flow to PRIs

The source of receipts for VPs and Panchayat Unions are non-tax revenue, assigned revenue from State Government and grants given by State Government and Government of India (GoI) for various purposes and State and Central Finance Commissions grants. In addition, VPs have the power to levy taxes.

Table 4.3 below shows the details of receipts and expenditure of PRIs for the period 2008-09 to 2012-13.

Table 4.3: Details of receipts and expenditure of PRIs

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Own revenue	277.77	309.83	382.07	426.83	464.57
Assigned revenue	459.85	220.73	154.72	374.42	537.03
Grants	1,718.50	1,926.57	2,961.23	3,353.96	4,484.23
Total receipts	2,456.12	2,457.13	3,498.02	4,155.21	5,485.83
Revenue expenditure	2,579.24	3,044.41	3,829.72	4,193.92	1,702.58
Capital expenditure	505.21	471.61	527.73	602.40	889.83
Total expenditure	3,084.45	3,516.02	4,357.45	4,796.32	2,592.41
Percentage of capital expenditure to the total expenditure	16	13	12	13	34

(Source: Details furnished by CRDPR)

The expenditure for the years 2008-09 to 2011-12 was more than the receipts as the details of scheme grants routed through District Rural Development Agencies (DRDAs) and funds for the schemes released by GoI directly to DRDAs were not included.

4.7 Accounting framework

Accounts format

Thirteenth Central Finance Commission stated (December 2009) that for the period 2011-15, a State Government would be eligible to draw its general performance grant, only if it followed the conditions stipulated by the Commission. One of the conditions was that the PRIs should follow the Model Panchayat Accounting System prescribed by the CAG and the Ministry of Panchayat Raj. The State Government has to certify that the accounting system as recommended by the Ministry of Panchayat Raj has been introduced in all PRIs.

GoTN ordered (April 2012) implementation of the Panchayat Raj Institutions Accounting (PRIA) software in all the VPs, PUs and DPs from 2012-13. CRDPR reported (February 2014) that computers, printers and uninterrupted power supply units were installed in all 12,524 VPs and broadband connectivity has been provided in 9,373 VPs. CRDPR further stated that online entry of accounts for 2012-13 was completed in all 31 DPs, 220 PUs and 11,159 VPs.

4.8 Audit arrangements

In accordance with Section 193 of the Tamil Nadu Panchayats Act, 1994, GoTN appointed Auditors for PRIs as given in **Table 4.4**.

Table 4.4: Audit arrangements for PRIs

Tier of PRI	Auditors	Periodicity
District Panchayats	Director of Local Fund Audit (DLFA)	Annual
Panchayat Unions	DLFA	Quarterly
Village Panchayats	(i) Deputy Block Development Officer (DBDO) except audit of scheme accounts	Quarterly
	(ii) Assistant Director of Rural Development (Audit) to follow up the audit of DBDO	Quarterly
	(iii) DLFA for audit of scheme accounts	Annual (test check)

DLFA is the statutory Auditor for PUs and DPs. Based on the recommendation of the Second State Finance Commission (SSFC), DLFA is conducting only test audit of VPs' accounts including scheme accounts. The Deputy Block Development Officer audits all the General Fund accounts of VPs and certifies them.

Accounts of DPs and Panchayat Unions are audited by the Principal Accountant General (General and Social Sector Audit) also under Section 14(1) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971. Further, technical guidance and support is provided by the Principal Accountant General to DLFA regarding audit of DPs and PUs in terms of order of GoTN issued in March 2003.

4.8.1 Arrears in Audit by DLFA

(a) Position of arrears in audit of DPs and PUs by DLFA as of January 2014 is given in **Table 4.5**.

Table 4.5: Position of audit of District Panchayats and Panchayat Unions by DLFA

Category of PRI	Year	Total number	Accounts submitted	Audit completed	Audit pending
District Panchayats	2011-12	31	20	20	Nil
	2012-13	31	5	5	Nil
Panchayat Unions	2011-12	385	385	88	297
	2012-13	385	6	6	Nil

(Source: Details furnished by DLFA)

(b) Though 2,505 VPs (20 *per cent* of 12,524 VPs) were to be audited by DLFA, audit of 397 VPs only was completed for 2011-12. DLFA reported (February 2014) that the annual accounts of VPs were not submitted to DLFA and hence audit of VPs for 2012-13 was pending.

(c) As of December 2013, 28,472 paragraphs in respect of PUs and 212 paragraphs in respect of DPs of DLFA's Inspection Reports relating to period upto 2010-11 were pending settlement as given in **Table 4.6**.

Table 4.6: Year-wise pendency of paragraphs of DLFA

Year of IR	Number of paragraphs pending in respect of	
	Panchayat Unions	District Panchayats
Upto 2006-07	9,215	7
2007-08	1,575	4
2008-09	2,444	7
2009-10	4,722	15
2010-11	10,516	179
Total	28,472	212

(Source: Details furnished by DLFA)

Audit analysis of the data revealed that in respect of PUs, out of 28,472 paragraphs pending, 9,215 paragraphs (32 *per cent*) related to period prior to 2007-08. This indicates that sufficient attention was not given to settle the long pending paragraphs.

The State Government appointed State High Level Committee (SHLC) in November 1997 with CRDPR as Chairman, DLFA as Deputy Chairman and assisted by three¹ members and District High Level Committee (DHLC) headed by District Collector as Chairman, Project Officer, DRDA as Deputy

¹ Financial Advisor and Chief Accounts Officer of CRDPR; Chief Engineer/ Superintending Engineer of Tamil Nadu Water Supply and Drainage Board and Chief Engineer (Highways and Rural Works)

Chairman assisted by three² members and one Secretary for settlement of outstanding paragraphs.

The DLFA reported to Audit (January 2014) that for settling pending paragraphs relating to PUs, 105 high level committee meetings were held during 2012-13 and 1,880 paragraphs were settled.

4.8.2 Audit of PRIs by the Principal Accountant General (G&SSA)

Audit of PRIs is conducted under Section 14(1) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971 in respect of financial assistance given to PRIs. Important irregularities detected by Audit during audit of PRIs by test check of records are followed-up through Inspection Reports issued to the PRIs concerned and CRDPR.

Government had issued general orders in April 1967 fixing a time limit of four weeks for response by the audited entities for all paragraphs included in the Inspection Reports. However, as of December 2013, 1,188 paragraphs contained in 443 Inspection Reports issued during the period 2002-03 to 2012-13 were pending settlement for want of satisfactory replies.

CAG's Audit Reports on PRIs for the years 2000-01, 2005-06 and 2006-07 were discussed by the Public Accounts Committee (PAC) and recommendations of PAC are awaited. As of February 2014, Action Taken Reports on 184 recommendations³ of PAC in respect of Rural Development and Panchayat Raj Department were pending settlement, which *inter alia* consisted of paragraphs relating to PRIs included in the Audit Reports (Civil).

4.9 Conclusion

Even though implementation of Panchayat Raj Institutions Accounting (PRIA) software was to be completed by March 2013, the same was not made fully operational. As of December 2013, 28,472 paragraphs in respect of Panchayat Unions and 212 paragraphs in respect of District Panchayats of Director of Local Fund Audit's Inspection Reports, relating to period upto 2010-11, were pending settlement. Out of 28,472 paragraphs pertaining to Panchayat Unions, 9,215 paragraphs (32 *per cent*) related to period prior to 2007-08. As of December 2013, 443 Inspection Reports issued by the Principal Accountant General containing 1,188 paragraphs for the period 2002-03 to 2012-13 were pending settlement.

² Deputy Director, DLFA; Executive Engineer, DRDA; Deputy Director, Rural Development and Panchayat Raj Department as members and PA (Audit) to District Collector as Secretary

³ 1988-89 (51), 1992-93 (two), 1993-94 (108), 1995-96 (one) and 1998-99 (22)