

Chapter-I

Department of Rural Development and Panchayat Raj

An overview of Panchayat Raj Institutions

1.1 Background

Consequent to the 73rd Constitutional amendment, the State Government enacted the Karnataka Panchayat Raj (KPR) Act, 1993 to establish the three tier Panchayat Raj Institutions (PRIs) at the village, taluk and district levels in the State and framed rules to enable the PRIs to function as institutions of local self-government.

The PRIs aim to promote participation of people and effective implementation of rural development programmes for economic development and social justice including those enumerated in the Eleventh Schedule of the Constitution.

1.2 State profile

The comparative demographic and developmental picture of the State is given in **Table 1.1** below. The population growth in Karnataka in the last decade was 15.60 *per cent* which was less than the national average of 17.70 *per cent*.

The decadal growth rates of urban and rural population were 7.63 *per cent* and 31.27 *per cent* respectively. As per Census 2011, the population of the State was 6.11 crore, of which women comprised 49.20 *per cent*. The State has 114 backward taluks, out of which 39 taluks spread over 14 districts are the most backward.

Table 1.1: Important statistics of the State

Indicator	Unit	State value	National value
Population	1,000s	61,095	12,10,570
Population density	Persons per sq km	319	382
Urban population	Percentage	38.70	31.20
Number of PRIs	Numbers	6,228	2,40,540 (approx)
Number of Zilla Panchayats (ZPs)	Numbers	30	540 (approx)
Number of Taluk Panchayats (TPs)	Numbers	176	6,000 (approx)
Number of Gram Panchayats (GPs)	Numbers	6,022	2,34,000 (approx)
Gender ratio (females per 1,000 males)	Numbers	973	943
Literacy	Percentage	75.40	73

Source: Economic Survey Report 2015-16 and Census 2011

1.3 Organisational structure of Panchayat Raj Institutions

The Rural Development and Panchayat Raj Department (RDPR) is the nodal department for PRIs at the State level, headed by the Additional Chief Secretary and Development Commissioner, Government of Karnataka. The organisational structure with respect to functioning of PRIs in the State is given in **Appendix 1.1**.

1.3.1 Standing Committees

The Standing Committees are constituted to perform the assigned functions of the PRIs. The constitution of the Committees is given in **Table 1.2** below:

Table 1.2: Constitution of the Standing Committees

Level of PRIs	Chief Executive	Standing Committees	Executive of Standing Committees
Gram Panchayat	Adhyaksha	(a) Production Committee (b) Social Justice Committee (c) Amenities Committee	Chairman (Elected from amongst elected members of GPs, TPs and ZPs)
Taluk Panchayat	Adhyaksha	(a) General Standing Committee (b) Finance, Audit and Planning Committee (c) Social Justice Committee	
Zilla Panchayat	Adhyaksha	(a) General Standing Committee (b) Finance, Audit and Planning Committee (c) Social Justice Committee (d) Education and Health Committee (e) Agricultural and Industries Committee	

Source: KPR Act, 1993

1.4 Financial profile

1.4.1 Resources of the Panchayat Raj Institutions

The resource base of PRIs consists of State Finance Commission (SFC) grants, Central Finance Commission (CFC) grants, State Government grants and Government of India (GoI) grants for maintenance and development purposes. The fund details of flagship schemes are given in **Appendix 1.2**.

The trends of resources of PRIs for the period 2011-12 to 2015-16 are shown in **Table 1.3** below:

Table 1.3: Trends and composition of resources of PRIs

Particulars	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Own revenue~	312.08	269.09	176.93	228.84	NF
CFC transfers (Thirteenth/Fourteenth)~	769.58	1,036.49	1,350.87	977.82	NF
Grants from State Government and assigned revenues^	13,340.83	16,622.14	19,669.19	21,004.52	21,385.43
GoI grants for CSS and State Schemes*	2,764.62	2,837.00	4,243.92	3,426.05	1,573.58
Other receipts#	192.66	153.00	224.12	179.20	146.94
Total	17,379.77	20,917.72	25,665.03	25,816.43	23,105.95

Source: ~ as furnished by RDPR

NF: Not furnished by RDPR

^ Figures as furnished by Treasury for 2015-16 in respect of ZPs and TPs

* GoI grants released for Centrally Sponsored Schemes (CSS) and State Schemes to TPs through ZP accounts are excluded

Interest and miscellaneous receipts from scheme accounts

1.4.2 Application of Resources

The trends of sector-wise application of resources of ZPs and TPs for the period 2011-12 to 2015-16 are given in **Table 1.4**:

Table 1.4: Sector-wise application of resources

(₹ in crore)

Year	2011-12	2012-13	2013-14	2014-15	2015-16
ZILLA PANCHAYATS					
State Grants and assigned revenues					
Capital Expenditure	5.32	4.19	4.86	0	0
Social Services	2.89	2.40	3.02	0	0
Economic Services	2.43	1.79	1.84	0	0
Revenue Expenditure	4,998.21	5,456.62	6,218.79	6,839.96	5,387.50
General Services	137.17	152.50	162.02	167.98	172.50
Social Services	3,517.17	4,033.85	4,857.56	5,377.66	3,997.18
Economic Services	1,343.87	1,270.27	1,199.21	1,294.32	1,217.82
Centrally Sponsored Schemes and State Schemes					
Capital Expenditure	103.28	94.88	0	11.11	2.00
Social Services	103.28	94.88	0	0.17	0.87
Economic Services	0	0	0	10.94	1.13
Revenue Expenditure	2,743.62	2,717.25	3,626.32	3,652.51	1,945.25
General Services	0	0	0	0	0
Social Services	406.64	827.51	881.57	1,172.96	445.41
Economic Services	2,336.98	1,889.74	2,744.75	2,479.55	1,499.84
Total	7,850.43	8,272.94	9,849.97	10,503.58	7,334.75
TALUK PANCHAYATS					
Capital Expenditure	0	0	0.41	0.13	0
General Services	0	0	0	0	0
Social Services	0	0	0.41	0.01	0
Economic Services	0	0	0	0.12	0
Revenue Expenditure	7,084.87	9,344.03	10,223.40	11,164.17#	12,575.57
General Services	0	0	0.05	0	0
Social Services	6,387.46	8,498.31	9,322.97	10,212.76	11,442.88
Economic Services	697.41	845.72	900.38	951.41	1,132.69
Total	7,084.87	9,344.03	10,223.81	11,164.30	12,575.57
Grand Total	14,935.30	17,616.97	20,073.78	21,667.88	19,910.32

The revenue expenditure of ₹11,164.17 crore under TPs includes ₹76.69 crore of write back amount exhibited as expenditure in accounts.

Source: Separate Audit Reports (SARs) of ZPs and consolidated SAR for TPs up to the year 2013-14. The figures of 2014-15 adopted are from the annual accounts of ZPs. The figures for 2015-16 are as furnished by Treasury and Centrally Sponsored Schemes/State Schemes figures are as per the annual accounts of 26 ZPs.

As can be seen from **Table 1.3** and **Table 1.4**, the total receipts and expenditure of PRIs increased by 33 *per cent* during 2011-12 to 2015-16. There was 26 *per cent* and 54 *per cent* growth of revenue expenditure under General and Social Services sector respectively during the period 2011-12 to 2015-16, while the revenue expenditure under Economic Services declined by 12 *per cent* during the same period. The share of capital expenditure to total expenditure during 2015-16 was less than one *per cent*.

1.5 Release of additional stamp duty

As per Section 205 of the KPR Act, 1993, the duty on transfer of immovable property shall be levied in the form of a surcharge at the rate of three *per cent* of the duty imposed by the Karnataka Stamp Act, 1957 on instruments of sale, gift, mortgage, exchange and lease in perpetuity, of immovable property situated within the limits of the area of a TP. The entire amount collected in respect of the lands and other properties situated in the taluk shall be passed on to the TPs in the State, in proportion to the population of the taluk, by the Inspector General of Registration and Commissioner of Stamps (IGR) after deducting 10 *per cent* towards collection charges. However, the IGR had not transferred the additional stamp duty to the TPs for the year 2015-16 (December 2016). The IGR stated (October 2016) that additional stamp duty

would be transferred after receipt of complete information from all the District Registrars and necessary reconciliation.

Further, the IGR had ordered (September and November 2016) transfer of ₹39.67 crore (the additional stamp duty for 2014-15 to all the TPs of the State) and ₹0.41 crore (the revalidated additional stamp duty grants of 2012-13 to TPs, Raibag and Malavalli). However, the Treasury Network Management Centre (TNMC) was requested only on 2 December 2016 for uploading the same. We observed that the amounts were uploaded on 20 January 2017 after a delay of 49 days.

1.6 Devolution of Functions

The 73rd amendment to the Constitution envisaged transfer of the functions listed in the Eleventh Schedule to PRIs. Accordingly, the State Government transferred all the 29 functions to PRIs. As on 31st March 2016, the State Government had devised an activity map for distribution of activities for 26 functions amongst the 3 tiers of PRIs. However, no activity map had been devised for the three functions of 'Welfare of weaker sections', 'Public Distribution System' and 'Maintenance of community assets'.

The State Government replied (December 2016) that activity map for distribution of all the functions amongst PRIs has been devised and the same has been intimated to the PRIs in November 2016.

1.7 Accountability framework

1.7.1 Audit mandate

1.7.1.1 The Karnataka State Audit and Accounts Department¹ (KSAD) is the statutory external auditor for GPs. Its duty, *inter alia*, is to certify correctness of accounts, assess internal control system and report cases of loss, theft and fraud to audited entities and to the State Government.

The KSAD had conducted (December 2016) audit of accounts of 2,099 GPs (35 per cent) as against 6,022 GPs planned for the period up to 2015-16.

1.7.1.2 The Comptroller and Auditor General of India (CAG) audits and certifies the accounts of ZPs and TPs under Section 19(3) of CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971. The audit of accounts of 190 units under PRIs had been completed as of March 2016.

The State Government entrusted (May 2011) the audit of GPs under Technical Guidance and Supervision (TGS) module to the CAG by amending the KPR Act, 1993. As at the end of March 2016, 26 GPs had been audited under TGS module.

¹ erstwhile Karnataka State Accounts Department

1.8 Response to Inspection Reports

The Karnataka Zilla Panchayat (Finance & Accounting) Rules, 1996, stipulate that the heads of the Departments/Drawing and Disbursing Officers of the ZPs shall attend to the objections issued by the Accountant General promptly. It has been further stipulated that the ultimate responsibility for expeditious settlement of audit objections lies with the Chief Executive Officers (CEOs) of ZPs. As of March 2016, 3,583 Inspection Reports (IRs) consisting of 14,519 paragraphs were outstanding in various ZPs. Out of 3,583 IRs outstanding, 1,563 IRs (44 *per cent*) containing 3,613 paragraphs (25 *per cent*) were pending for more than 10 years, which was indicative of inadequate action on the part of CEOs. The details about IRs and paragraphs outstanding have been given in **Appendix 1.3**.

1.9 Conclusion

The total receipts and expenditure of PRIs increased by 33 *per cent* during 2011-12 to 2015-16. The IGR had not transferred the required additional stamp duty for the year 2015-16 to TPs. The additional stamp duty of ₹40.08 crore for the year 2014-15 (including the revalidated additional stamp duty of ₹0.41 crore for the year 2012-13 to TPs, Raibag and Malavalli) was uploaded on 20 January 2017 with a delay of 49 days. Only 35 *per cent* of the units planned were audited by KSAD as of December 2016.