

PART-A

CHAPTER 1

An Overview of Panchayati Raj Institutions

CHAPTER I

Section A
An Overview of the Functioning of the Panchayati Raj Institutions in the State

1.1 Introduction

Panchayati Raj Institutions (PRIs) came into existence in Odisha from 1948, with the enactment of the Orissa Gram Panchayat Act, 1948. Subsequently, the Orissa Panchayat Samiti and Zilla Parishad Act, 1959, was enacted in 1961 and the three tier system of PRIs was established in the State. All these Acts were amended in conformity with the 73rd Constitutional Amendment Act, 1992, for empowering the PRIs to function as institutions of self-government, to accelerate economic development and ensure social justice in rural areas.

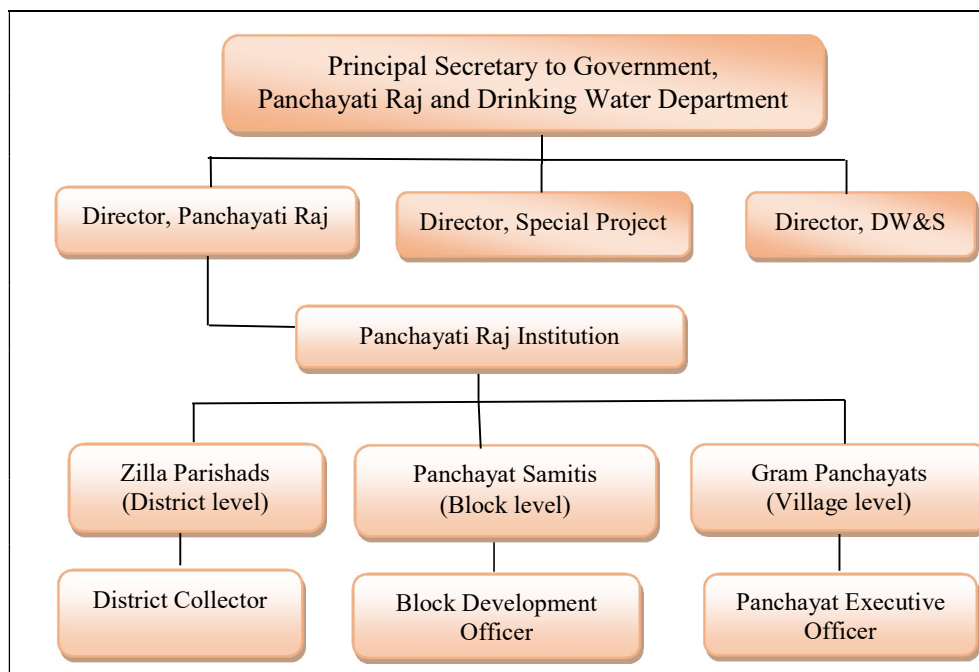
Table 1.1: State profile

Indicators	State statistics	Unit
Area	1,55,707	Square km
Tahsils	317	Number
Villages	51,349	Number
Total population (Census 2011)	419.74	Lakh
Rural population	83	Per cent
Rural sex ratio	989	Per 1,000 male
Density	270	Persons/ Square km.
Male literacy	81.59	Per cent
Female literacy	64.01	Per cent
Rural literacy rate	70.22	Per cent
Scheduled Caste population	17.13	Per cent
Scheduled Tribe population	22.85	Per cent
Zilla Parishads	30	Number
Panchayat Samitis	314	Number
Gram Panchayats	6,794	Number
Total villages	61,313	Number

(Source: Census of India 2011 and information furnished by PR& DW Department)

1.2 Organisational Setup of PRIs

PRIs are classified into three tiers, viz. Zilla Parishads (ZPs), Panchayat Samitis (PSs) and Gram Panchayats (GPs). The organisational set up of the PRIs is indicated overleaf.



All the three tiers of PRIs function under the administrative control of the Panchayati Raj and Drinking Water (PR&DW) Department, headed by the Principal Secretary. He is assisted by the Director, Panchayati Raj, the Director Special Projects and the Director, Drinking Water & Sanitation at the State level.

Each of the 30 districts of the State has a Zilla Parishad. It is managed by an elected body, headed by a President, who is elected from amongst the elected representatives of the ZP. The District Collector acts as the *ex-officio* Chief Executive Officer (CEO) of the ZP. The Project Director of District Rural Development Agency (DRDA) concerned acts as the *ex-officio* Executive Officer (EO), for discharging the day-to-day administrative functions of the ZP.

The PS, functioning at the Block level, is managed by an elected body, headed by a Chairman. The Chairman is duly elected from amongst the elected representatives of the Block. The Block Development Officer (BDO) acts as the executive head of the PS.

At the GP level, the elected members, headed by a Sarpanch, constitute the GP. The Panchayat Executive Officer (PEO) discharges his/her duties under the supervision of the BDO. He / She is responsible for general superintendence and overall control of the GP.

Elections to the PRIs, at all tiers, were last conducted in February 2022. The setup of the elected bodies of the PRIs, is as follows:

ZILLA PARISHAD	PANCHAYAT SAMITI	GRAM PANCHAYAT
PRESIDENT	CHAIRMAN	SARPANCH
ZP MEMBERS	PS MEMBERS	WARD MEMBERS

1.3 Functioning of PRIs

Article 243 of the Constitution prescribes the powers, resources and responsibilities, to be devolved to the elected local bodies, by State Governments. It enjoins upon the State Legislatures, to enact laws/amend existing laws, devolving/ transferring the 29 subjects listed in the Eleventh Schedule of the Constitution of India, to the PRIs. This is expected to lead to the PRIs emerging as platforms for planning and implementation of programmes for economic development and social justice for rural people.

Out of 29 subjects of 19 Departments, the State Government transferred 21 subjects of 11 Departments, to the PRIs (*Appendix-1.1*). The State Government provides funds, along with the grants recommended by the Central Finance Commissions and the State Finance Commissions. These funds are intended to aid the PRIs in the discharge of their functions.

1.4 Staffing pattern of PRIs

The Collector of the district is the *ex-officio* CEO of the ZP. He exercises such powers and performs such functions, as are prescribed. The Project Director, District Rural Development Agency (DRDA), is the *ex-officio* Secretary of the ZP. Every PS is required to have a BDO, who is assisted by an Additional Block Development Officer (ABDO).

Similarly, every GP is required to have a PEO, who is a State Government official. The PEO maintains the records of the proceedings of the meetings of GPs. He/she also functions as the custodian of all such records and documents, cash and valuable securities of the GP. He/she also exercises such other powers, discharges such other duties and performs such other functions, as may be prescribed.

The sanctioned strength, *vis-à-vis* the persons-in-position, in PSs and GPs of the State, are shown in *Table 1.2*.

Table 1.2: Sanctioned strength vis-à-vis men-in-position, in PSs and GPs

Post	Sanctioned strength	Men-in-position	Vacancies (<i>per cent</i>)
BDOs	314	308	6 (2)
ABDOs	314	204	110 (35)
Junior Engineers (JEs)/Gram Panchayat Technical Assistants (GPTAs)	3,606	1,893	1,713 (48)
PEOs	6,799	4,896	1,903 (28)

(Source: Information collected from the PR&DW Department)

It can be seen from the table that there was 35 *per cent* vacancy against the posts of ABDOs in PSs, 48 *per cent* vacancy against the posts of JEs/GPTAs and 28 *per cent* vacancy against the post of PEOs in GPs. These being administrative posts, the huge vacancies were likely to affect the functioning of the PRIs.

1.5 Functioning of various committees

To execute the functions of PRIs, seven Standing Committees are to be constituted, at each level of the PRI system (i.e. at each of the ZP, PS and GP levels). The Chairman and the Secretary are to be elected from among the elected representatives. The roles and responsibilities of the Standing Committees are given in *Appendix-1.2*.

Further, MoRD issued (July 2016) guidelines for the formation of District Development Coordination and Monitoring (Disha) Committee, superseding the erstwhile Vigilance Monitoring Committee. The Disha Committees, at the State and Districts, are expected to: (i) ensure quality of expenditure (ii) bring about optimization of public funds spent under different programmes (iii) monitor the implementation of various programmes, in accordance with prescribed guidelines and (iv) promote synergy and convergence of different programmes.

At the State level, the Chief Minister is the Chairman of the Disha Committee and the Secretary, PR&DW Department, is the Member Secretary. Other members of the committee, *inter alia*, include four MPs (Lok Sabha), one MP (Rajya Sabha), six MLAs and Secretaries of the Departments responsible for different programmes. The Committee is required to meet at least once in every six months.

The Chairperson of the district level Disha Committee is an MP (Lok Sabha), elected from the district. The other MPs, representing the district, are designated as Co-Chairpersons. The District Collector acts as the Member Secretary. The other members of the Committee, *inter alia*, include all Members of the State Legislative Assembly elected from the district; one representative of the State Government; five elected heads of GPs; Chairperson of the ZP; Chairperson of the PSs of the district; PD, DRDA; district level nodal functionaries of all programmes; and the Lead Bank Officer of the District. The Committees are required to meet at least once in every quarter.

During the FY 2020-21, no Disha meetings were held at the State level. At the district level, against the required four meetings, 20 districts had conducted one meeting each and three districts had conducted two meetings each. Seven districts had not conducted any meetings.

1.6 Fund flow arrangement

The main source of funds, of the PRIs in the State, was the Government of India (GoI), through various Centrally Sponsored Schemes (CSS). These schemes were i) Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) ii) Pradhan Mantri Awaas Yojana (PMAY) iii) National Rural Livelihood Mission (NRLM) iv) Swachha Bharat Mission (SBM) (v) National Rural Drinking Water Programme (NRDWP) etc. Grants received as per the recommendations of State Finance Commissions (SFCs) and the Central Finance Commissions (CFCs), were another source. Funds were also received under State sponsored schemes, such as the Biju Pucca Ghar Yojana (BPGY) and the Gopabandhu Gramin Yojana (GGY).

The position of funds available with PRIs and the expenditure incurred under various schemes of the GoI and Government of Odisha (GoO), is given in **Chart 1.1** and **Table 1.3**.

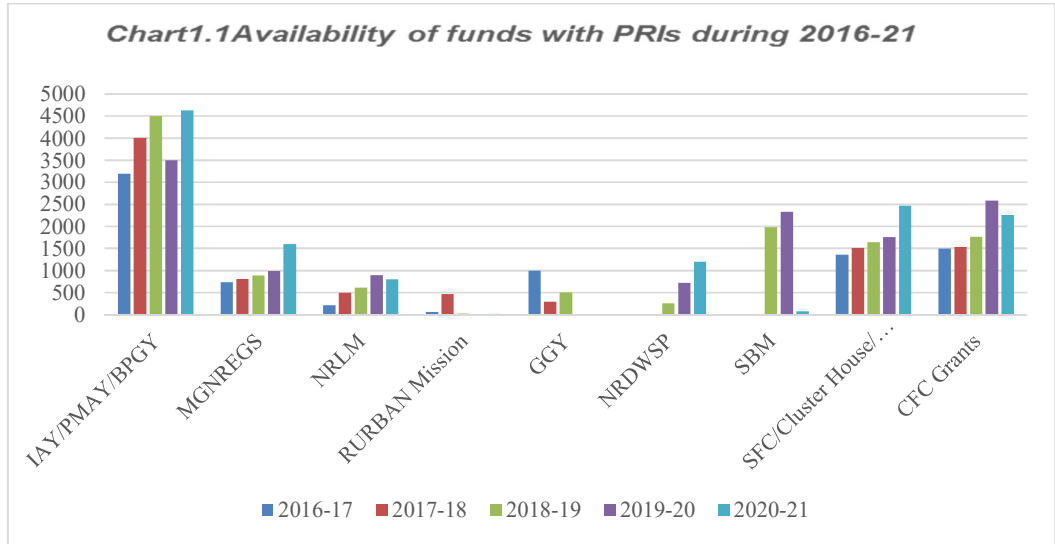


Table 1.3: Utilisation of funds by the PRIs during FYs 2016-17 to 2020-21

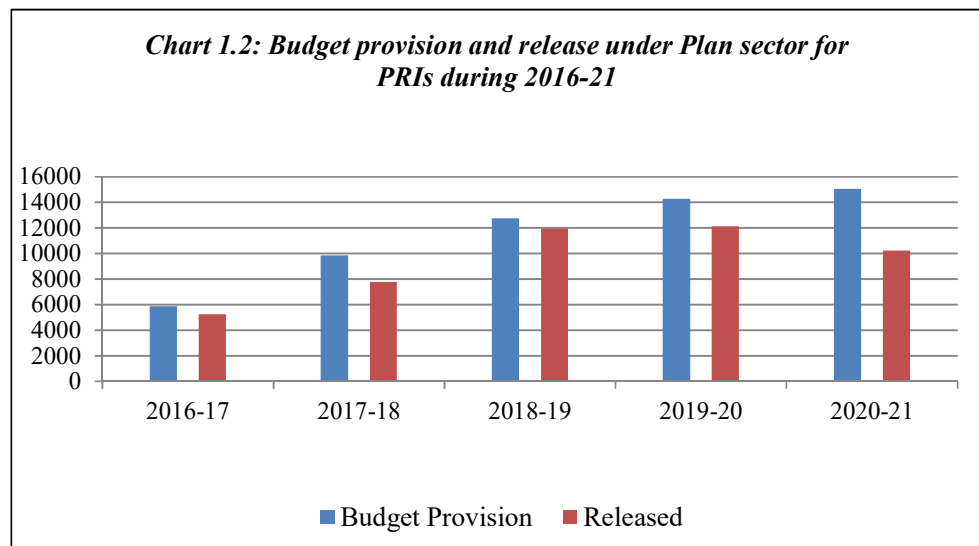
(₹ in crore)

Scheme	2016-17	2017-18	2018-19	2019-20	2020-21
IAY/PMAY/BPGY	3,190.88	4,004.64	4,502.92	3,496.38	4,628.76
MGNREGS	732.11	810.86	891.97	989.32	1,600.14
NRLM	216.75	493.49	610.29	897.19	804.63
RURBAN Mission	62.28	466.33	22.50	9.00	18.00
GGY	1,000.00	300.00	500.00	00	00
NRDWP	00	00	253.35	720.97	1,204.01
SBM	00	00	1,986.97	2,336.27	80.96
SFC/Cluster House/ CC Road	1,358.67	1,509.07	1,646.08	1,762.18	2,472.26
CFC Grants	1,496.64	1,528.71	1,768.44	2,585.94	2,258.00
Total	8,057.33	9,113.10	12,182.52	12,797.25	13,066.76

(Source: Information from the PR&DW Department)

As evident from **Table 1.3**, the expenditure during FY 2020-21, had increased by 62 per cent, over that of FY 2016-17. The major percentage of increase was in schemes like MGNREGS, NRLM, FC Grants and NRDWP.

Budget provisions, for plan and non-plan sectors, for PRIs, during the last five financial years, is shown in **Charts 1.2, 1.3** and **Table 1.4**.



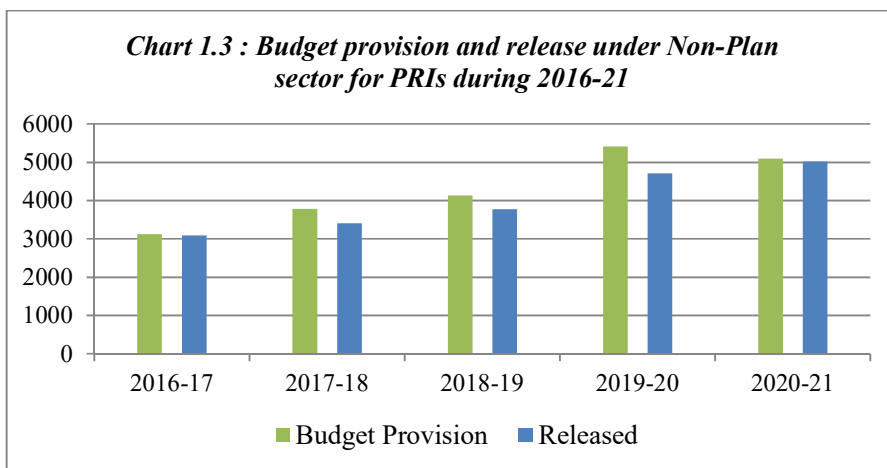


Table 1.4: Budget provision for plan and non-plan sectors for PRIs during the last five years

(₹ in crore)

Year	Plan		Non-Plan	
	Budget Provision	Release (per cent)	Budget Provision	Release (per cent)
2016-17	5,883.70	5,259.88 (89)	3,127.18	3,086.32 (99)
2017-18	9,855.94	7,774.10 (79)	3,789.64	3,407.57 (90)
2018-19	12,744.02	11,958.62 (94)	4,132.07	3,769.64 (91)
2019-20	14,280.68	12,144.42 (85)	5,416.18	4,712.89 (87)
2020-21	15,052.67	10,243.99 (68)	5,099.29	5,019.48 (98)

(Source: MIS Reports furnished by PR&DW Department)

As seen from Table 1.4, release of funds under the plan heads, during the FYs 2016-17 to 2020-21, ranged between 68 to 94 per cent of the corresponding budget provisions. Similarly, release of funds under non-plan heads, ranged between 87 to 99 per cent, during the FYs 2016-17 to 2020-21.

1.7 Recommendations of the State Finance Commissions (SFCs)

The 4th SFC (2015-20) had endeavored to assist and advise the State Government in developing the lowest tiers of democratic institution as responsible local government. Some of the recommendations were related to measures for strengthening the resource base of the Local Bodies, in order to help them evolve into responsible units of Local Self Governance. Its recommendations were grouped under the following four broad heads:

1. Institutional and structural strengthening
2. Resource generation and legal hurdles thereof
3. General issues and
4. Fund transfer

Similarly, the recommendations of the 5th SFC (2021-26) were grouped into following four broad heads:

1. Transfer of funds
2. Institutional strengthening
3. Measures needed to enhance the OSR of local bodies and
4. General issues

The total resource transfer (from State resources), to PRIs, recommended by the SFCs, for the period 2016-17 to 2020-21, is given in **Table 1.5**.

Table 1.5: Resource transfer recommended by the SFCs

(₹ in crore)						
Distribution mechanism	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Devolution	493.77	493.77	493.77	493.77	915.09	2,890.17
Assignment of Taxes	539.60	620.16	672.84	730.79	759.55	3,322.94
Grant-in-aid	368.43	455.12	539.20	581.72	978.99	2,923.46
Total	1,401.8	1,569.05	1,705.81	1,806.28	2,653.63	9,136.57

(Source: Report of the 4th and 5th SFC)

The State Government had released ₹2,485.59 crore, towards SFC award, to PRIs, during FY 2020-21.

1.8 Recommendations of the Central Finance Commissions (CFCs)

The 14th FC (2015-20) had recommended a Basic Grant and a Performance Grant to Rural Local Bodies. These grants were intended to be used for providing basic civic services, which included water supply, sanitation, sewerage management, solid waste management, storm water drainage, maintenance of community assets, maintenance of roads, footpaths, street lighting and burial and cremation grounds. The States were given access to the basic grants for five years. However, the performance grants were to be released from the FY 2016-17, based on the fulfilment of certain performance parameters.

Similarly, the 15th FC recommended 50 percent Basic Grant and 50 percent Grant tied to (a) sanitation and maintenance of ODF status (b) supply of drinking water, rain water harvesting and water recycling.

Year-wise allocation of grants to Odisha, as recommended by the 14th and 15th FCs, is given in **Table 1.6**.

Table 1.6: Recommendations of the Central Finance Commissions

(₹ in crore)							
Sl. No.	Subject	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	Basic Grant	1,323.09	1,528.71	1,768.44	2,389.54	2,258.00 ¹	9,267.78
2	Performance Grant	173.55	196.40	223.04	292.05	0	885.04
Total		1,496.64	1,725.11	1,991.48	2,681.59	2,258.00	10,152.82

(Source: 14th and 15th FC Reports)

As per the recommendations, the State Government received ₹2,258 crore, towards 15th FC award, during FY 2020-21.

1.9 Audit mandate

1.9.1 Primary Auditor

The Director, Local Fund Audit (DLFA) is the primary Auditor of PRIs in the State. It is a directorate under the Finance Department of the State and functions under the Orissa Local Fund Audit Act, 1948. The DLFA conducts audit of PRIs of all 30 districts of the State, through 25 District Audit Offices. The status of audit of PRIs, by the DLFA, as of March 2021, is given in **Table 1.7**.

¹ Both – tied, as well as untied grants

Table 1.7: Status of audit of PRIs, by DLFA, as of March 2021

Year	Total number of PRIs planned for audit			Total number of PRIs audited			Shortfall (percentage)		
	GP	PS	ZP	GP	PS	ZP	GP	PS	ZP
2018-19	4,444	314	30	3,932	310	28	512 (12)	4(1)	2(1)
2019-20	3,941	314	30	3,425	305	30	516 (13)	9(3)	0 (0)
2020-21	3,762	314	30	2,543	304	27	1,229(32)	10 (3)	3(10)

(Source: Information furnished by Director, Local Fund Audit, Odisha)

The Government/DLFA had engaged (September 2010) the Institute of Public Auditors of India (IPAI), for audit of the accounts of GPs. The objective was to reduce the arrears in audit of GPs. The IPAI audited accounts of 627 GPs during FY 2020-21, on behalf of DLFA.

1.9.2 Audit by Comptroller and Auditor General of India

On the recommendation of the 13th FC, the State Government entrusted (April 2011) the Comptroller and Auditor General of India (CAG) with the audit of all the three tiers of PRIs of the State, under Section 20(1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. In addition, the CAG was also requested to provide Technical Guidance and Support (TGS) to the State Audit Agency, viz. DLFA for audit of Local Bodies. The Government notified (July 2011) the parameters of the TGS in the Official Gazette. Under the TGS arrangement, DLFA staff were imparted training, topics were suggested for Thematic Audit and guidance was issued for conducting Thematic Audit.

1.10 Reporting Arrangement

1.10.1 Audit Report of Primary Auditor

As per the recommendations of the 13th FC and provisions of the OLFA (Amendment) Rules, 2015, DLFA shall prepare and submit to the State Government, not later than 30th September of each year, a consolidated report for the previous year, to be laid before the State Legislature. The Audit Report for FY 2019-20 was laid before the Odisha legislative Assembly on 8 September 2021.

1.10.2 CAG's Report on Local Bodies

The Report of the CAG of India on Local Bodies, for the year ended March 2017, was laid in the Odisha Legislative Assembly, on 26 March 2018.

1.10.3 Response to Audit Observations

During FY 2020-21, 554 Inspection Reports (IRs) and 3,484 paragraphs were settled through Triangular Committee Meetings² and review at the Headquarters level. As on 31 March 2021, 16,072 paragraphs, relating to 3,472 IRs, remained unsettled.

The Office of the Principal Accountant General (Audit-I), Odisha, issued nine Annual Technical Inspection Reports (ATIRs) on PRIs, relating to the FYs 2005-06 to 2014-15. CAG's Report on Local Bodies, for the years ended March 2016 and 2017, were prepared during FY 2016-17 & FY 2017-18 and were placed in the Legislative Assembly on 16 September 2017 and 26 March 2018,

² Triangular Committee meetings are held between the representatives of the concerned Administrative Departments, Executing Agencies and Audit, for expeditious settlement of old outstanding Inspection Reports/ Paragraphs.

respectively. Observations on PRIs, for the financial years ending March 2019 and 2020, were reported in CAG's G&SSA Report and placed in the Legislature on 3 April 2021 and 10 December 2021, respectively. In response to the reports issued, the PR&DW Department had issued guidelines to the PD, DRDAs, and BDOs, for avoiding common audit objections. The Department had also constituted (February 2015) District Audit Monitoring Committees, to review compliance to Audit Reports.

Section B
Accountability Mechanism and Financial Reporting Issues

1.11 Accountability Mechanism

(i) Ombudsman

Ombudsman is an Institution formed under Section 27 of MGNREGA, to function as an independent grievance redressal body, at the district level, to hear complaints relating to implementation of the MGNREG Act and the schemes made under the Act. It directs the appropriate authorities for redressal, disciplinary and corrective action and reports the awards to the District Programme Coordinator and Secretary, State Nodal Department. The Tenure of the Ombudsman is two years and is extendable not more than twice, by one year each. During FY 2020-21, 10 Ombudsmen were appointed, for redressal of grievances and disposal of complaints relating to the MGNREG Act.

(ii) Lokayukta

The President accorded his approval to the Odisha Lokayukta Bill in January 2015. Accordingly, the State Government established (March 2019) the Lokayukta. As per Section 3 of the Odisha Lokayukta Act, 2014, the body shall consist of a Chairperson and five members. During FY 2020-21, the body was functioning with the Chairperson and three members.

(iii) Social Audit

The State has constituted an independent Social Audit Unit (SAU), namely the Odisha Society for Social Audit Accountability and Transparency. As of March 2021, the SAU was functioning with one Director and six Social Audit Experts. Further, there were 29 District Resource Persons at the district level, 223 Block Resource Persons at the PS level and 9,596 Village Resource Persons at the GP level. Social Audit was being conducted at the GP level, twice a year, for MGNREGS works and other social security programmes.

1.12 Pending submission of Utilisation Certificate (UC)

It was observed that, five out of eight PSs, audited during FY 2020-21, had not submitted UCs, amounting to ₹47.99 crore, against the total expenditure of ₹117.48 crore.

1.13 Outstanding Advances

During the audit of eight PSs, Audit observed that advances of ₹13.12 crore had remained unadjusted, as on March 2021. The details of such advances, viz. the dates and purposes of the payments made, could not be ascertained in audit, due to non-maintenance of Advance Registers by the PSs.

1.14 Non-reconciliation of balances as per the Cash Book

During FY 2020-21, in seven out of eight PSs, Audit observed discrepancies of ₹ 11.46 crore, between the balances in the Cash Books and Bank Pass Books, due to non-reconciliation of the Bank Statements and Cash Books.

1.15 Maintenance of Accounts by PRIs

- Accounts of PSs are prepared by the respective PSs and Chartered Accountants are engaged for the maintenance of GP Accounts. Accounts

of the PRIs are certified by the Director, Local Fund Audit, as per Rule 20 (h) of the Orissa Local Fund Audit Rules, 1951.

- During FY 2020-21, while the accounts of 4,106 PRIs were planned for audit, only 2,874 Accounts were certified by the Director, Local Fund Audit.
- In order to strengthen e-Governance in PRIs, the MoRD launched (April 2020) e-GramSwaraj, a simplified Work Based Accounting Application. As of March 2021, all the PRIs in Odisha had uploaded their vouchers in the e-GramSwaraj.