

# **CHAPTER 1**

## **An overview of the Panchayati Raj Institutions**

## CHAPTER 1

### Section A

## An Overview of the Functioning of Panchayati Raj Institutions in the State

### 1.1 Introduction

Panchayati Raj Institutions (PRIs) came into existence in Odisha from 1948, with the enactment of 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 73<sup>rd</sup> 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*

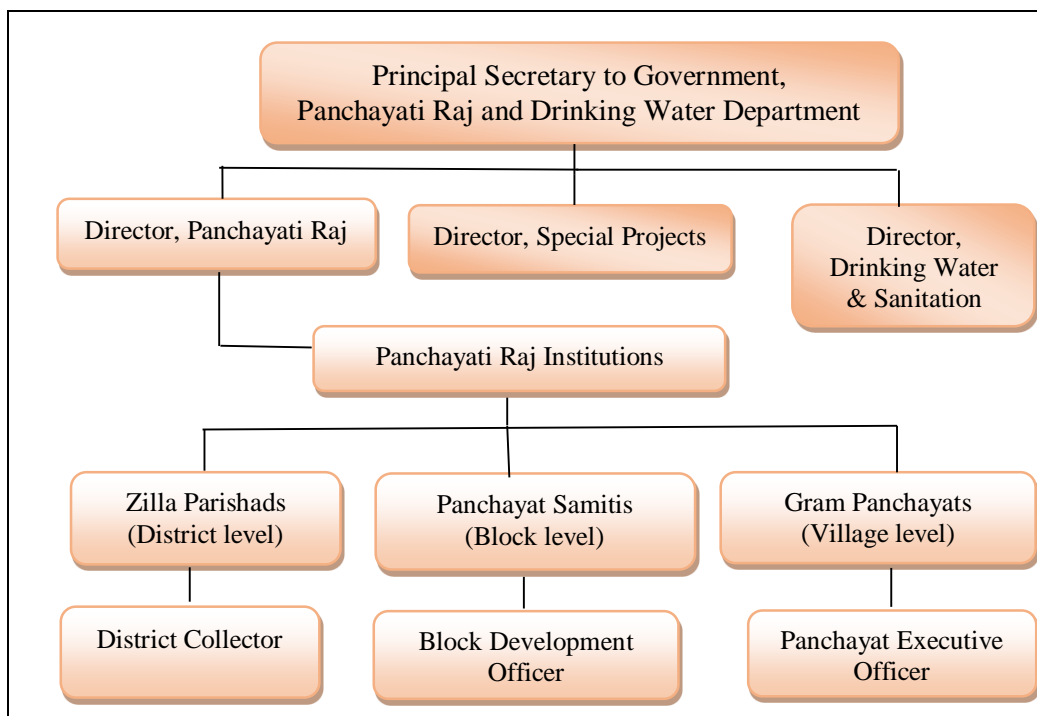
Indicators	State statistics	Unit
Area	1,55,707	Square km
Tehsils	317	Number
Total population (Census 2011)	419.74	Lakh
Rural population	83	<i>Per cent</i>
Rural sex ratio	989	Females per 1,000 males
Density	270	Persons/ Square km.
Male literacy	81.59	<i>Per cent</i>
Female literacy	64.01	<i>Per cent</i>
Rural literacy rate	70.22	<i>Per cent</i>
Scheduled Caste population	17.13	<i>Per cent</i>
Scheduled Tribe population	22.85	<i>Per cent</i>
Zilla Parishads	30	Number
Panchayat Samitis	314	Number
Gram Panchayats	6,794	Number

*Source: Census of India 2011 and information furnished by the 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 setup of the PRIs is indicated in **Chart 1.1**.

Chart 1.1: Organisational setup of the PRIs



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

Each of the 30 districts of the State has a ZP. 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 (PD) of District Rural Development Agency (DRDA) acts as the *ex-officio* Executive Officer<sup>1</sup> (EO), for discharging the day-to-day administrative functions of the ZP.

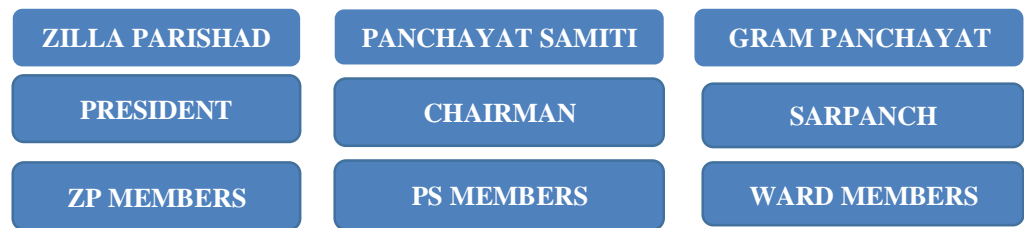
The PS, functioning at the Block level, is managed by an elected body, headed by a Chairman. The Chairman is duly elected from amongst the elected representatives of the Block. The Block Development Officer (BDO) acts as the executive head of the PS.

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 Sarpanch. He/she is responsible for general superintendence and overall control of the GP.

Election of the PRIs, at all tiers, were last conducted in February 2022. The setup of the elected Bodies of the PRIs, is as shown in **Chart 1.2**:

<sup>1</sup> The designation of PD, District Rural Development Agency had been changed to Chief Development Officer-cum-Executive Officer, Zilla Parishad with effect from 3rd June 2022.

Chart 1.2: Setup of elected Bodies of the PRIs



### 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 the State Governments. It enjoins the State Legislatures, to enact laws/amend existing laws, devolving/ transferring the 29 functions listed in the Eleventh Schedule of the Constitution of India, to the PRIs, with the expectation that this would lead to the PRIs emerging as platforms for the planning and implementation of programmes for the economic development of, and social justice for, the rural population.

As of March 2022, out of the 29 functions of 19 Departments, the State Government had transferred 21 functions of 11 Departments, to the PRIs (*Appendix-1.1*). The State Government provides funds, along with the grants recommended by the Central Finance Commissions (CFCs) and State Finance Commissions (SFCs). 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 under Section 13 (1) of ZP Act, 1991. The PD, DRDA, is the *ex-officio* Executive Officer of the ZP. The BDO is the Executive Head of the PS. He/she is assisted, in the discharge of his/her functions, 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 prescribed under GP Rules, 2014.

The sanctioned strength, *vis-a-vis* the persons-in-position, in the PSs and GPs of the State, as of March 2022, are shown in *Table 1.2*.

*Table 1.2: Sanctioned strength vis-a-vis persons-in-position, in PSs and GPs*

Post	Sanctioned strength	Persons-in-position	Vacancies (per cent)
BDO	314	308	6 (2)
ABDO	314	212	102 (32)
Junior Engineer/Gram Panchayat Technical Assistant (GPTA)	4,134	1,792	2,342 (57)
PEO	6,798	4,280	2,518 (37)

*Source: Information collected from the PR&DW Department*

It can be seen from **Table 1.2** that there were 32 *per cent* vacancies against the posts of ABDOs in PSs, 57 *per cent* vacancies against the posts of JEs/GPTAs and 37 *per cent* vacancies against the post of PEOs in GPs. These being administrative posts, the large number of vacancies was likely to have adversely affected the functioning of the PRIs.

### **1.5 Functioning of various committees**

To execute the functions of PRIs, seven Standing Committees are to be constituted, under Rule-3 of the Orissa Gram Panchayats (Constitution of Standing Committees) Rules, 2002, Rule-3 of the Orissa Panchayat Samiti (Constitution of Standing Committees) Rules, 2002 and Rule-3 of the Orissa Zilla Parishad (Constitution of Standing Committees) Rules, 2000, at GP, PS and ZP level, respectively. The Chairman and the members are to be elected from among the elected representatives. The roles and responsibilities of these Standing Committees are given in **Appendix-1.2**.

Further, Ministry of Rural Development issued (July 2016) guidelines for the formation of the District Development Coordination and Monitoring (Disha) Committee, at the state and district level, superseding the *erstwhile* Vigilance Monitoring Committee. The Disha Committees, at the State and District levels, are expected to: (i) ensure the 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 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*, are 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 Committee is required to meet at least once in every quarter.

During the Financial Year (FY) 2021-22, no Disha meetings were held at the State level. At the district level, against the required four meetings, 13 districts had conducted one meeting each, four districts had conducted two meetings each and 13 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 (CSSs). These schemes including the: 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 (NRWDP)/ Jal Jeevan Mission (JJM) etc. Grants received, as per the recommendations of the SFCs and the CFCs were another source. Funds were also received under State sponsored schemes, such as the: Buxi Jagabandhu Assured Drinking Water to all Habitation (BASUDHA), Ama Gaon Ama Bikash (AGAB) and Gopabandhu Grameen Yojana (GGY).

The position of funds received by the PR&DW Department under various schemes of the GoI and Government of Odisha (GoO) and released to PRIs, is given in **Table 1.3** and **Table 1.4**.

**Table 1.3: Receipts of funds from various schemes during FYs 2017-22**

(₹ in crore)

Scheme	2017-18	2018-19	2019-20	2020-21	2021-22 (% increase over 2017-18)
PMAY	4,004.64	4,502.92	3,496.38	4,628.76	2,377.71
MGNREGS	810.86	891.97	989.32	1,600.14	6,852.36 (745%)
NRLM	493.49	610.29	897.19	804.63	1,074.36 (118%)
GGY	300.00	500.00	00	00	24.37
AGAB	00	00	00	1,188.25	1,554.68
NRDWP/JJM	00	253.35	720.97	1,204.01	6,000.00
BASUDHA	00	00	00	00	850.00
SBM	00	1,986.97	2,336.27	80.96	215.40
SFC	1,509.01	1,645.25	1,762.12	2,461.54	2,533.55 (68)
<b>Total</b>	<b>7,118.00</b>	<b>10,390.75</b>	<b>10,202.25</b>	<b>11,968.29</b>	<b>21,482.43 (202)</b>

**Source:** Information from the PR&DW Department

As evident from **Table 1.3** the overall receipt during FY 2021-22 had increased by 202 per cent over that of FY 2017-18. The major percentage of increase was in schemes like MGNREGS, NRLM, SFC and in new schemes like AGAB, NRWDP/JJM, BASUDHA and SBM.

**Table 1.4: Release of funds to the PRIs from various schemes during FYs 2017-22**

(₹ in crore)

Scheme	2017-18	2018-19	2019-20	2020-21	2021-22 (% increase over 2017-18)
PMAY	4,004.64	4,502.92	3,496.38	4,628.76	1,138.02
MGNREGS	810.86	891.97	989.32	1,600.14	5,984.98 (638)
NRLM	493.49	610.29	897.19	804.63	843.86 (71)
GGY	300.00	500.00	0	0	33.22
AGAB	0	0	0	1,188.25	1,305.55
NRDWP/JJM	0	253.35	720.97	1,204.01	2,636.95
BASUDHA	0	0	0	0	944.32
SBM	0	1,986.97	2,336.27	80.96	207.73
SFC	1,509.01	1,645.25	1,762.12	2,461.54	2,533.55 (68)
<b>Total</b>	<b>7,118.00</b>	<b>10,390.75</b>	<b>10,202.25</b>	<b>11,968.29</b>	<b>15,628.18(120)</b>

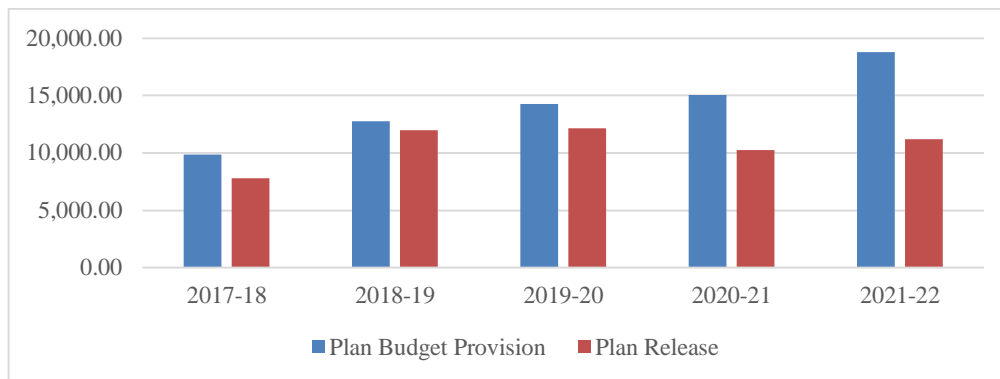
**Source:** Information from the PR&DW Department

As evident from **Table 1.4**, the overall release to PRIs during FY 2021-22, had increased by 120 per cent, over that of FY 2017-18. The major percentage of increase was in schemes like MGNREGS, NRLM, SFC and expenditure in new schemes like AGAB, NRWDP/JJM, BASUDHA and SBM. Further, during FY

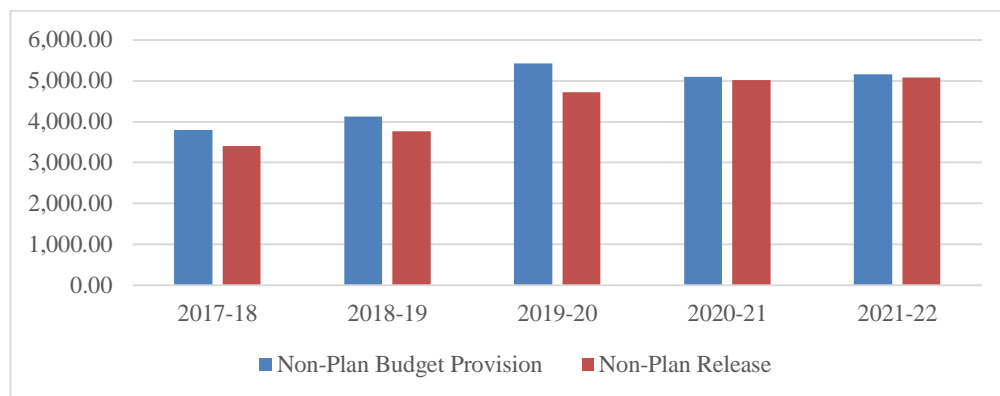
2021-22, as against the receipt of ₹21,482.43 crore, the expenditure was ₹15,628.18 crore leaving 27 per cent of the fund unutilised.

The budget provisions, for the plan and non-plan sectors, for PRIs, during the last five financial years, are shown in **Charts 1.3, 1.4** and **Table 1.5**.

**Chart 1.3: Budget provisions and releases under the Plan sector, for PRIs, during FYs 2017-22 (₹ in crore)**



**Chart 1.4: Budget provisions and releases under the Non-Plan sector, for PRIs, during FYs 2017-22 (₹ in crore)**



**Table 1.5: Budget provisions, for the plan and non-plan sectors, for PRIs, during FYs 2017-22**

(₹ in crore)

FY	Plan		Non-Plan	
	Budget Provision	Release (per cent)	Budget Provision	Release (per cent)
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)
2021-22	18,764.44	11,176.10 (60)	5,159.74	5,072.02 (98)

**Source:** MIS Reports of the PR&DW Department

As seen from **Table 1.5**, release of funds, under plan heads, during the FYs 2017-22, ranged between 60 and 94 per cent of the corresponding budget provisions. Similarly, release of funds, under non-plan heads, ranged between 87 and 98 per cent, during the FYs 2017-22.

### 1.7 Recommendations of the State Finance Commissions

The 4<sup>th</sup> SFC (2015-20) had endeavored to assist and advise the State Government in developing the lowest tiers of democratic institutions, as

responsible local government. Some of its recommendations 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 5<sup>th</sup> SFC (2021-26) were grouped into the following four broad heads:

1. Transfer of funds;
2. Institutional strengthening;
3. Measures needed to enhance the own source of revenue of Local Bodies; and
4. General issues.

The total resource recommended by the 4<sup>th</sup> and 5<sup>th</sup> SFCs (from State resources), to PRIs, for the FYs 2017-22, is given in **Table 1.6**.

**Table 1.6: Recommendations of the State Finance Commissions**

*(₹ in crore)*

Distribution mechanism	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Devolution	493.77	493.77	493.77	915.09	915.09	3,311.49
Assignment of Taxes	620.16	672.84	730.79	759.55	797.07	3,580.41
Grant-in-aid	455.12	539.20	581.72	978.99	1,018.99	3,402.82
<b>Total</b>	<b>1,569.05</b>	<b>1,705.81</b>	<b>1,806.28</b>	<b>2,653.63</b>	<b>2,731.15</b>	<b>10,294.72</b>

**Source:** Reports of the 4<sup>th</sup> and 5<sup>th</sup> SFCs

The State Government had released ₹2,533.55 crore, towards 5<sup>th</sup> SFC award, to PRIs, during FY 2021-22.

### 1.8 Recommendations of the Central Finance Commissions

The 14<sup>th</sup> FC (2015-20) had recommended a Basic Grant and a Performance Grant, for Rural Local Bodies. Basic 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 lightning and burial and cremation grounds. The States were given access to Basic grants for five years. However, the Performance grants were to be released from the FY 2016-17, based on the fulfillment of certain performance parameters, to address the issues: i) making available reliable data on Local Bodies receipts & expenditure through audited annual accounts; and ii) improvement in own revenues.

Similarly, the 15<sup>th</sup> FC recommended, 60 percent Tied Grant earmarked for national priorities like (a) water supply (b) rainwater harvesting and (c) sanitation, while 40 percent Basic Grant (Untied Grant) to be utilised by the Rural Local Bodies at the discretion of the PRIs for improving basic services.



Year-wise allocation of grants to Odisha, as recommended by the 14<sup>th</sup> and 15<sup>th</sup> FCs, is given in **Table 1.7**.

**Table 1.7: Recommendations of the Central Finance Commissions**

(₹ in crore)

Sl. No.	Subject	2017-18	2018-19	2019-20	2020-21	2021-22	Total
1	Basic/ Untied Grant	1,528.71	1,768.44	2,389.54	2,258.00 <sup>2</sup>	667.60	8,612.29
2	Performance/ Tied Grant	196.40	223.04	292.05	0	1,001.40	1,712.89
<b>Total</b>		<b>1,725.11</b>	<b>1,991.48</b>	<b>2,681.59</b>	<b>2,258.00</b>	<b>1,669.00</b>	<b>10,325.18</b>

**Source:** 14<sup>th</sup> and 15<sup>th</sup> FC Reports

As per the recommendations, the State Government received ₹1,669 crore, towards 15<sup>th</sup> FC award, during FY 2021-22.

## 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 26 District Audit Offices. The status of audit of PRIs, by DLFA, as of March 2022, is given in **Table 1.8**.

**Table 1.8: Status of audit of PRIs, by DLFA, as of March 2022**

Year	Total number of PRIs planned for audit			Total number of PRIs audited			Shortfall (percentage)		
	GP	PS	ZP	GP	PS	ZP	GP	PS	ZP
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	1,219 (32)	10 (3)	3 (10)
2021-22 <sup>3</sup>	590	273	30	493	257	30	97 (16)	16 (6)	0 (0)

**Source:** Information furnished by the 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 the accounts of 338 GPs (in addition to 493 GPs audited by DLFA), during FY 2021-22, on behalf of the DLFA.

### 1.9.2 Audit by the Comptroller and Auditor General of India

On the recommendations of the 13<sup>th</sup> FC, the State Government entrusted (July 2011) the Comptroller and Auditor General of India (CAG), with the right to conduct test-check of the accounts of all the three tiers of PRIs of the State and to comment on and supplement the report of the DLFA, 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. Government

<sup>2</sup> Both tied and untied grants

<sup>3</sup> As compared to FYs 2019-20 and 2020-21, DLFA planned less number of units for FY 2021-22, due to: i) Shortage of manpower, resulting from retirement, promotion and transfer of Audit Personnel to other cadre ii) Audit of Central Finance Commission Accounts in the Audit Online Module, as directed by Ministry of Panchayati Raj (MoPR).

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 Audits.

## **1.10 Reporting Arrangement**

### **1.10.1 Audit Report of Primary Auditor**

As per recommendations of the 13<sup>th</sup> FC and provisions of the Odisha Local Fund Audit (Amendment) Rules, 2015, DLFA shall prepare and submit to the State Government, not later than 30<sup>th</sup> September of each year, a consolidated report, for the previous year, to be laid before the State legislature. The audit report of DLFA for FY 2020-21, was laid before the Odisha Legislative Assembly, on 13 July 2022.

### **1.10.2 CAG's Report on Local Bodies**

The Report of the CAG of India on Local Bodies, for the year ended March 2021, was laid in the Odisha Legislative Assembly, on 03 October 2023.

### **1.10.3 Response to Audit Observations**

During FY 2021-22, 500 Inspection Reports (IRs) and 5,500 paragraphs were settled through Triangular Committee Meetings<sup>4</sup> and by review of Principal Accountant General (Audit-I) Odisha. As on 31 March 2022, 10,714 paragraphs, relating to 2,987 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 Reports on Local Bodies, for the years ended March 2016, 2017 and 2021, were prepared during FYs 2016-17, 2017-18 & 2021-22 and were placed in the Legislative Assembly on 16 September 2017, 26 March 2018 & 03 October 2023, respectively. Observations on PRIs, for the financial year 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 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.

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<sup>4</sup> 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.

**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 the 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 for two years and is extendable not more than twice, by one year each. During FY 2021-22, 26 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 2021-22, 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 2022, the SAU was functioning with one Director and five Social Audit Experts. Further, there were 30 District Resource Persons at the district level, 285 Block Resource Persons at the PS level and 9,592 Village Resource Persons at the GP level. During the FY 2021-22, 6,798 Social Audits were conducted at the GP level, twice a year, for MGNREGS works and other social security programmes.

**1.12 Pending submission of Utilisation Certificates**

It was observed that, 13 out of 16 PSs, audited during FY 2021-22, had not submitted Utilisation Certificates (UCs), amounting to ₹ 262.53 crore, against their total expenditure of ₹ 437.62 crore.

**1.13 Outstanding Advances**

It was observed that, in 14 out of 16 PSs, audited during FY 2021-22, advances of ₹48.90 crore, had remained unadjusted, as of March 2022. The details of such advances, viz. 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 2021-22, in 10 out of 16 PSs, Audit observed discrepancies of ₹11.91 crore, between the balances in the Cash Book 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.

- Out of 893 Accounts of PRIs, planned for audit, 780 Accounts were certified by the Director, Local Fund Audit, during FY 2021-22.
- In order to strengthen e-Governance in PRIs, Ministry of Rural Development launched (April 2020) eGramSwaraj, a simplified work-based accounting application. As of March 2022, all the PRIs in Odisha had uploaded their vouchers in eGramSwaraj.