

CHAPTER II

AN OVERVIEW OF THE PANCHAYATI RAJ INSTITUTIONS

2.1 Introduction

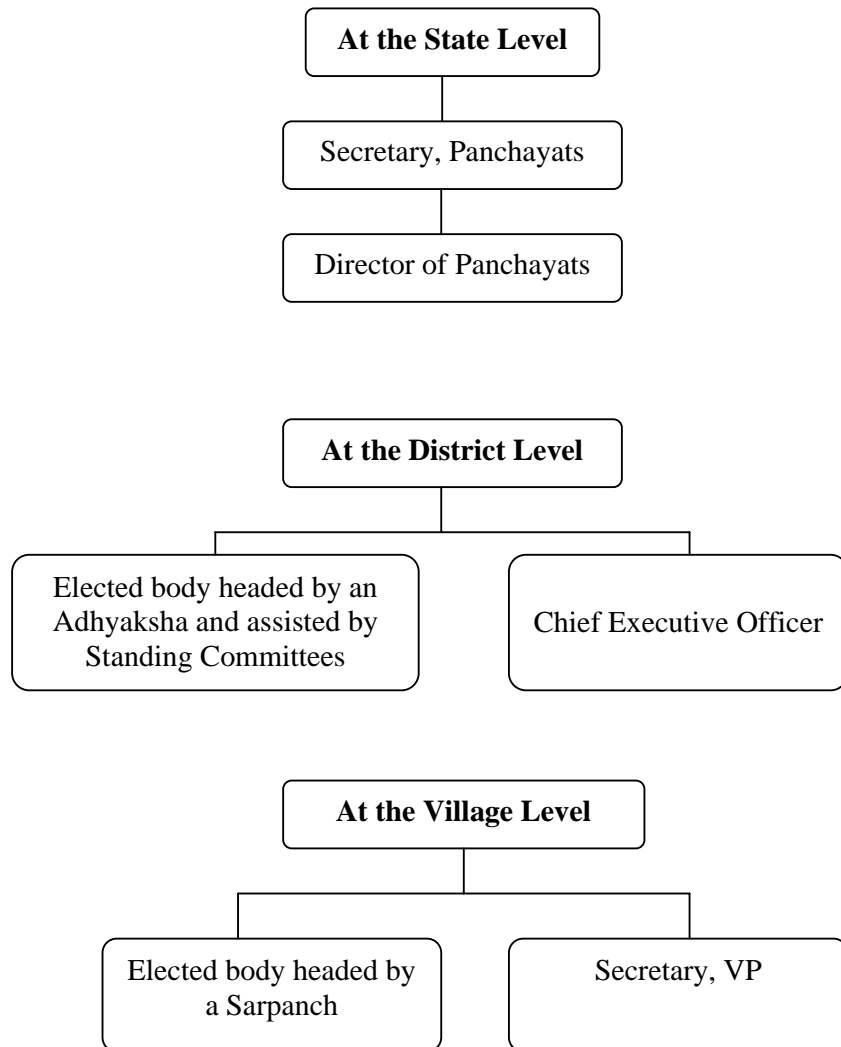
2.1.1 The 73rd amendment to the Constitution carried out in 1992, prescribed a three-tier structure (two tier in case of states with population less than 20 lakh) for PRIs.

2.1.2 The Legislature of a State was required to endow the Panchayats by law, with such powers and authority as necessary to enable them to function as institutions of self-government. Accordingly, the Goa Panchayati Raj Act was enacted in 1994 to establish a two-tier Panchayat system of elected bodies – Village Panchayats (VPs) at village level and Zilla Panchayats (ZPs) at district level.

2.1.3 As of March 2006, there were two ZPs and 190 VPs in Goa. Direct elections to ZPs were held in February 2000 and March 2005. Similarly, the elections to VPs were held in November 1997 and January 2002. The elections to VPs, which became due in January 2007, were yet to be held (March 2007).

2.2 Organisational Structure

2.2.1 The organisational structure of PRIs is shown below:



2.2.2 The Secretary, Panchayats is the Administrative Head of the Panchayat Department. The Director of Panchayat exercises control and supervision over the PRIs. He also acts as the Appellate authority under the Goa Panchayati Raj Act.

2.2.3 Adhyakshas head the ZPs. Both the ZPs in Goa have full time Chief Executive Officers besides other staff. Sarpanchs head the VPs. All the VPs are provided with Secretaries and other staff. As per section 142 & 63 of the Goa Panchayats Raj Act 1994, various Standing Committees are set up in ZPs & VPs respectively for governing their functions.

2.2.4 The ZPs are responsible for overall supervision, co-ordination and implementation of development schemes and preparation of plan for

development. Similarly, the VPs are also required to prepare annual plans for the development of Panchayat areas, maintain essential statistics, remove encroachment on public property and undertake implementation of assigned schemes/works.

2.2.5 The Goa Panchayati Raj Act envisaged entrustment of 26 and 29 functions to ZPs and VPs respectively (Appendix I). However, only five and thirteen functions have been devolved partly to the ZPs & VPs respectively.

Functions devolved to Zilla Panchayats

Sr. No.	Name of Function /Scheme
1	Minor Irrigation, Water Management & Watershed Management
2	Education including Primary school
3	Health & Family Welfare
4	Welfare of the weaker sections, in particular of handicapped & mentally retarded
5	Merger of DRDA's with Z.P., Financial Assistance to VPs & SGRY

Devolutions of Functions to Village Panchayats

Sr. No.	Name of Function /Scheme
1	Agriculture including, Agricultural extension
2	Animal Husbandry, Dairying & Poultry
3	Fisheries
4	Khadi, Village & Cottage Industries
5	Drinking Water
6	Roads, Buildings, Culverts, Bridges, Ferries, Waterways & other means of communication
7	Libraries
8	Cultural Activities
9	Rural Sanitation
10	Women & Child Development
11	Social Welfare
12	Maintenance of Public Parks & Playgrounds
13	Transport, State Rural Employment Guarantee Scheme, IAY, SSA Construction, Gymnasium/Vyayamshala, Financial Assistance to Sportsmen

2.2.6 The District Planning Committees are required to consolidate the development plans submitted by the Zilla Panchayats (which incorporate the development plans received from all the Village Panchayats) and prepare a draft development plan for the district as a whole and send to Government. Effectively the District Planning Committees are non-functional, and the purpose of

consolidating District level development plans remains un-achieved. This also leads to preparation of unrealistic budgets by the VPs.

2.3 Funding of the Panchayati Raj Institutions

2.3.1 Sources of Funds

The PRIs require funds for meeting expenditure on general administration and developmental activities. The funding to PRIs comprises of grants-in-aid from the Central/State Government and own revenues. Since the own revenues generated by PRIs are meagre, as shown in the table below, they have to depend on grants-in-aid from the Government.

(Rupees in lakh)

Year	Zilla Panchayats		Village Panchayats	
	Own Revenue	Grants-in aid	Own Revenue	Grants-in aid
2003-04	12.59	385.50	988.65	1469.23
2004-05	4.55	637.19	900.76	1811.46
2005-06	11.16	680.00	1148.01	2088.65

Note: Grants-in-aid include grants received from Central as well as State Government. (As per the information furnished by the Directorate of Panchayats).

2.3.2 The Eleventh Finance Commission had recommended a grant of Rs 1.85 crore per year, i.e. Rs 9.25 crore for the period 2000-05 for PRIs in Goa. However, the Ministry of Finance, Government of India (MoF) released grants of only Rs 4.63 crore during the corresponding period, which has remained unutilised (February 2007). Though the Ministry of Finance (MoF) had been releasing grants since November 2000, the Directorate of Panchayat came to know of it only in March 2003. The Directorate still could have made a plan for utilisation/distribution of grants after it came to know about it in March 2003. However, the Directorate failed to either prepare a plan or draw the funds. As a result the objective of financing the civic services normally not covered under other schemes of Government remained unfulfilled to that extent.

The Directorate stated that the funds could not be drawn due to communication gap between the Finance Department and the Directorate. The Finance Department maintained that the letters and guidelines received from the Government of India were sent to the Directorate for action.

2.3.3 The FC had recommended 27 per cent of the State's own tax revenue and share in central taxes be devolved to the Zilla Panchayats for activities transferred under non-plan and that the Rural Development Agency's staff be transferred to ZPs. The recommendation, however, was rejected by Government.

2.4 Financial Position of Zilla Panchayats & Village Panchayats

2.4.1 The Financial position of the two ZPs and 190 VPs as per their accounts and information furnished by Directorate of Panchayats for the period 2003-04 to 2005-06 was as follows:

(Rupees in lakh)

Year	Receipt			Expenditure			Surplus
	ZPs	VPs	Total	ZPs	VPs	Total	
2003-04	398.09	2457.88	2855.97	301.53	2337.89	2639.42	216.55
2004-05	641.74	2712.22	3353.96	148.37	2633.06	2781.43	572.53
2005-06	691.16	3236.66	3927.82	1065.00	2219.00	3284.00	643.82

Note: Receipt includes grants-in-aid

2.5 Audit Arrangements

2.5.1 By virtue of Section 194 of the Goa Panchayati Raj Act, the Comptroller and Auditor General of India (CAG) is the sole auditor for ZPs. The audit is conducted under Section 20 (1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

2.5.2 The Director of Accounts had been made the statutory auditor of VPs under Section 187 of the Goa Panchayati Raj Act.

2.5.3 As per the guidelines issued by the Ministry of Finance, Government of India, on the recommendations of Eleventh Finance Commission, the State Government has, in November 2006, entrusted Technical Guidance & Supervision over accounts and audit of Panchayati Raj Institutions to the CAG.

2.5.4 In addition, the audit of receipts and expenditure of local bodies or authorities financed by way of grants/loans from the Government also comes under the purview of CAG in terms of section 14 and 15 of CAG's (Duties, Powers and Conditions of Service) Act, 1971.

2.5.5 Audit of two ZPs and five VPs was carried out during 2005-06.

2.6 Preparation of Accounts

2.6.1 The ‘Guidelines for utilization of Local Bodies Grants Recommended by EFC’ issued by MoF, GOI in June 2001, provided that the format for preparation of budgets and accounts for the local bodies shall be as prescribed by the CAG. The State Government is yet to adopt the formats prescribed by the CAG. The matter is under active consideration of the State Government.

2.6.2 ZPs are preparing accounts in the format laid down under section 191 of the Goa Panchayati Raj Act, as they are yet to adopt the format prescribed by the CAG. The accounts of both ZPs were in arrears. North Goa ZP had finalized its accounts for 2001-02, whereas South Goa ZP had finalized the same for 2004-05.

2.6.3 VPs are preparing accounts in the format laid down under Section 184 of the Goa Panchayati Raj Act, 1994, as the format prescribed by the CAG was yet to be adopted.

2.6.4 The Directorate stated (July 2007) that the work of data entry had already started in all the Village Panchayats and the same was on the verge of completion. As soon as the said work is completed, the work of computerization of database of Finances in the Directorate including ZPs & VPs would be taken up. As per para 3 (xv) of the Twelfth Finance Commission recommendations the State has to assess the requirement of each local body and earmark funds accordingly out of the total allocation recommended so as to have credible information of its finances. This is required to be done early.

2.7 Revenue Arrears

2.7.1 As per the Income & Expenditure Statements of VPs for the year 2003-04 to 2005-06 furnished by the Directorate of Panchayats, an amount of Rs 16.11 crore was yet to be recovered as of March 2006 on account of various Taxes/Rent pertaining to VPs in Goa.

The Finance Department, Government of Goa in May 2006 has issued directives to the Directorate of Panchayats to evolve suitable mechanism to improve the revenue collection by the Village Panchayats. Vigorous efforts are required to be made for collection of revenue arrears so that more funds are available to the Panchayats.

2.7.2 The Zilla Panchayats do not have any specific earmarked sources of revenues. Hence, there are no outstanding arrears in respect of revenues.

2.8 Impact of audit, response to audit, conclusion & recommendations

Response to audit is lukewarm as replies to 38 paras pertaining to the period from 2004-05 to 2006-07 were outstanding as of June 2007 from the Director of Panchayats and Zilla Panchayats. However, in response to audit observation, the Government of Goa, Finance Department had issued instructions to the Director of Panchayats (May 2007) for evolving suitable procedure (i) to collect the arrears of taxes, (ii) for obtaining utilization certificates (iii) for keeping surplus funds in Fixed Deposits, (iv) for reconciliation of banks accounts and (v) proper maintenance of registers.

Hence, it is recommended that

- Vigorous efforts should be made for collection of Revenue Arrears by invoking the relevant provisions of the Panchayati Raj Act.
- Fresh grants should not be released unless the earlier grants released are used for the purpose for which they were released or adjusted against future grants.

AUDIT OF TRANSACTIONS

2.9 Short release of grants in lieu of Octroi to Village Panchayats & Zilla Panchayats amounting to Rs 19.97 crore due to non-adoption of viable procedure

A reference is invited to Para 1.14 under ULBs. The details of additional tax collected and grants released to PRIs are given below:

(Rupees in crore)

Year	Additional Sales Tax Collected	Amount of Additional Sales Tax due to		Amount of Grant Released		Short Release of Grant	
		VPs	ZPs	VPs	ZPs	VPs	ZPs
2002-03	10.13	3.80	2.53	3.49	Nil	0.31	2.53
2003-04	12.45	4.67	3.12	3.89	Nil	0.78	3.12
2004-05	14.63	5.48	3.66	3.89	Nil	1.59	3.66
2005-06	19.16	7.19	4.79	4.00	Nil	3.19	4.79
Total	56.37	21.14	14.10	15.27	Nil	5.87	14.10

Though the Government collected additional sales tax in lieu of abolished octroi, of Rs 56.37 crore during 2002-06, the amount due was not fully passed on to Village Panchayats and Zilla Panchayats. The short release of grants of Rs 19.97 crore to PRIs has deprived them of their rightful resources.

The Directorate of Panchayat stated that the grants were released up to 2002-03 based on the statements furnished by the Sales Tax Department. Since no such statements were received after 2002-03, the grants were released based on earlier statements. The Directorate's reply is not tenable as even when the statements were received from the Sales Tax Departments, the Directorate did not release the adequate grants to PRIs. Further, the Directorate could have collected the requisite information from the Sales Tax Department through better liaison and by taking up the matter at higher level.

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