

# CHAPTER-1

## An Overview of the Panchayat Raj Institutions

### **1.1 Panchayat Raj Institutions (PRIs): Constitutional Background**

Article 243 B of the Constitution envisages a three-tier system of Panchayats: (a) GP at the village level; (b) ZP at the district level and (c) PS at intermediate level between the village and the district levels (mostly at the block level).

The 11<sup>th</sup> Schedule of the Constitution lists 29 functions to be devolved on the Panchayats. Article 243 G of the Constitution empowered the State legislature to decide and confer powers and responsibilities on PRIs.

Article 243 I of the Constitution also provides that the State Government shall appoint a Finance Commission every fifth year to review the financial position of the Panchayats and to make recommendations on (i) the distribution between the State and the Panchayats, of the net proceeds of taxes, duties, tolls and fees leviable by the State, which may be divided between them and the allocation between the Panchayats at all levels of their respective shares of such proceeds (ii) the determination of the taxes, duties, tolls and fees which may be assigned to the Panchayats and (iii) grants-in-aid to Panchayats. The report of the Commission together with a memorandum of action taken on the report is to be laid before the State legislature.

### **1.2 PRIs in West Bengal**

A three-tier Panchayat system was envisaged in the West Bengal Panchayat Act, 1973, which came into force in June 1978 when the first general election for the ZPs, PSs and GPs was held. Since then the general election for the panchayats has continued to be held every five years and the last election (i.e. the seventh in the series) was held in May 2008.

### **1.3 Area and population covered**

The Act extends to the whole of West Bengal in areas other than Municipalities / Municipal Corporations / Cantonment areas. Thus, 70 *per cent* of the total area (88,751 sq. km.) of the State inhabited by 5.77 crore of rural population (72 *per cent* of the total population of 8.02 crore as per 2001 census), came under the purview of the Act.

### **1.4 Organisational structure of the PRIs**

There are 17 ZPs, one MP (with all the powers and authority of the ZP) for Siliguri Sub-Division, 341 PSs and 3,354 GPs in the State. P&RDD headed by a Principal Secretary exercises administrative control over the PRIs.

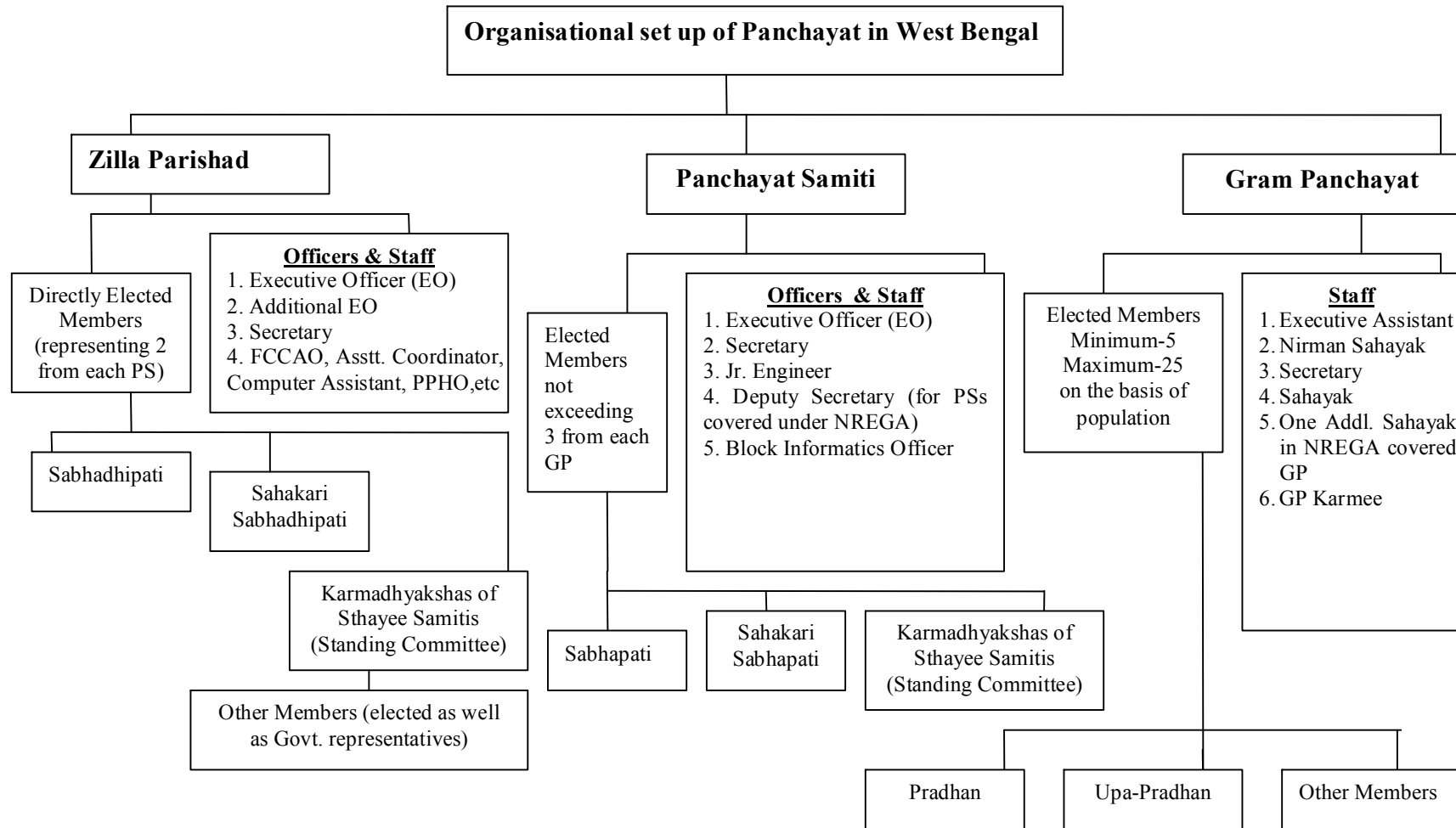
The Act envisages the functioning of the ZPs and PSs through ten functional Standing Committees called *Sthayee Samitis*<sup>1</sup> having elected representatives and officials concerned as members. Each of the *Sthayee Samitis* of the ZPs/PSs is headed by a *Karmadhyaksha* (also an elected representative). No such *Sthayee Samitis* has, however, been provided for the GPs which shall function through one or more group of members (popularly called as *Upa-Samitis*) with a convener for each, nominated from the group concerned, as envisaged in the Act.

The organisational set up of the Panchayat Raj System in West Bengal is as follows:

---

<sup>1</sup> (i) *Artha, Sanstha, Unnayan O Parikalpana* (Finance, Establishment, Development and Planning).  
(ii) *Janasasthya O Paribesh* (Public Health and Environment).  
(iii) *Purta Karya O Paribahan* (Public Works and Transport).  
(iv) *Krishi Sech O Samabaya* (Agriculture, Irrigation and Co-operative).  
(v) *Shiksha, Sanskriti, Tathya O Krira* (Education, Culture, Information and Sports).  
(vi) *Sishu O Nari Unnayan, Janakalayan O Tran* (Children and Women's Development, Social Welfare and Relief).  
(vii) *Bon O Bhumi Sanskar* (Forest and Land Reforms).  
(viii) *Matsya O Prani Sampad Bikash* (Fishery and Animal Resource Development).  
(ix) *Khadya O Sarbaraha* (Food and Supplies).  
(x) *Khudra Shilpa, Bidyut O Achiracharit Shakti* (Small Industries, Power and Non-conventional Energy Sources).

---

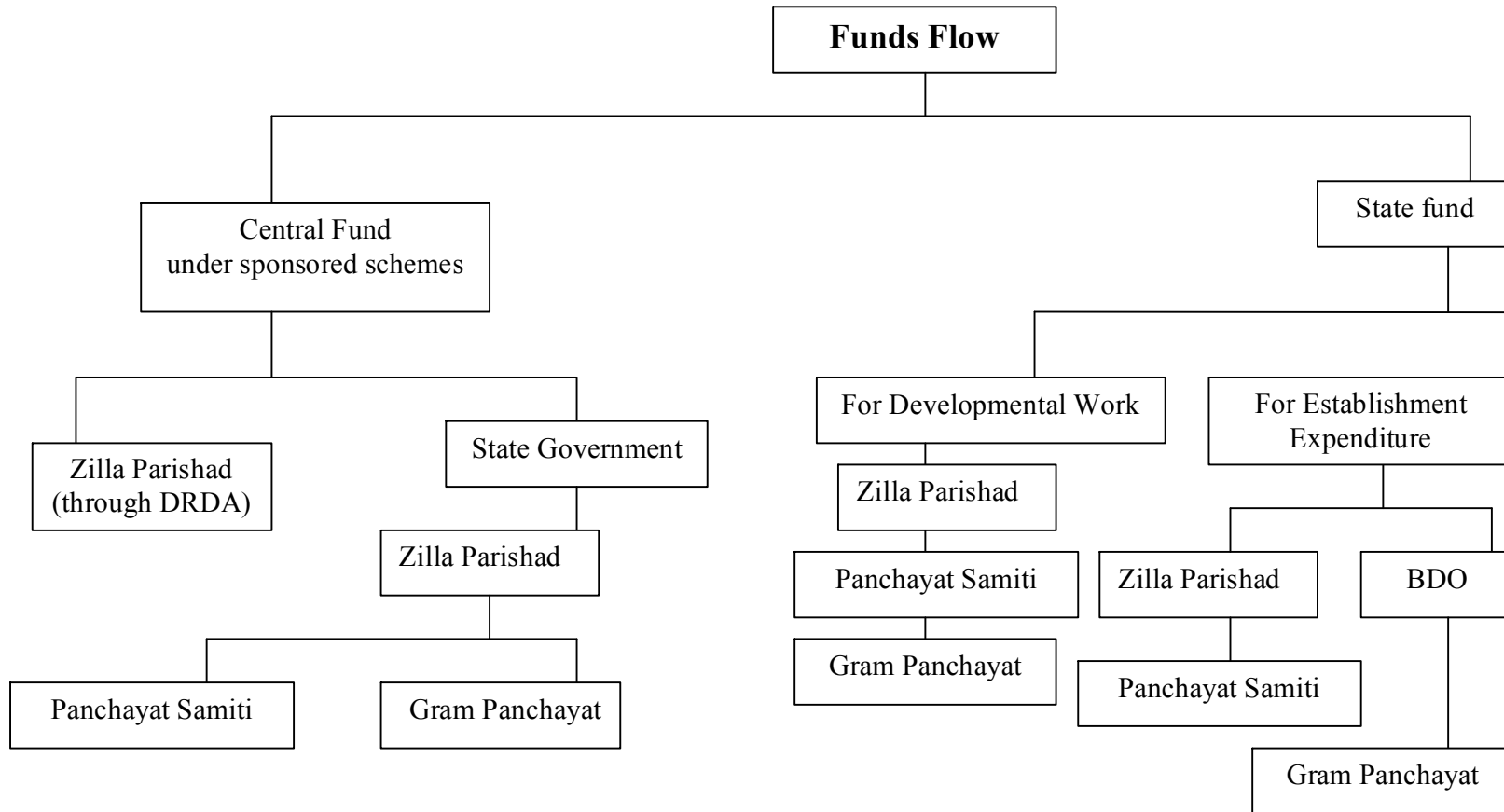


### **1.5 Powers and functions**

The Act vests a PRI with the following powers and duties: (i) to prepare development plan/annual action plan (ii) to implement schemes for economic development and social justice as may be drawn up by or entrusted to it in pursuance of 11<sup>th</sup> Schedule of the Constitution (iii) to manage or maintain any work of public utility and (iv) to collect revenue for utilisation of such funds for developmental work.

### **1.6 Flow of funds**

The fund for ZPs and PSs are lodged in the Treasury in Deposit Account (head “8448-Local Fund Deposit Account, 109-Panchayat Bodies”) that is operated as non-interest bearing banking accounts. Centrally sponsored scheme funds are kept in banks in Savings Account according to guidelines for the respective schemes. The funds for GPs are to be kept in Savings Bank Account at the nearest Post Office or a Scheduled Bank or a Co-operative Bank. A funds flow statement as per general procedure is given below:



### **1.7. Creation of Database and Maintenance of Accounts**

Pursuant to the recommendations of the Eleventh Finance Commission (EFC), Government of India, Ministry of Finance, issued guidelines for utilisation of funds related to local bodies which envisages that the Comptroller and Auditor General of India (C&AG) should prescribe formats for preparation of budget and for keeping accounts. The format prescribed by the C&AG of India for maintenance of accounts and database on finances of PRIs is yet to be adopted by the Government of West Bengal.

The State Government had intimated (December 2007) that no specific percentage was earmarked for expenditure on creation of database or maintenance of accounts out of EFC grants and the amount of expenditure incurred during 2004–06 for those items out of EFC grants, were not available. The State Government earmarked (December 2006) the percentage of Twelfth Finance Commission (TFC) grants to be utilised for maintenance of accounts including computerisation of accounts and creation/ improvement of database. The State Government reported (December 2008) that against available TFC grants of Rs 635.50 crore for 2005-08, Rs 38.84 crore (i.e. Rs 21.47 crore on creation of database and Rs 17.37 crore on maintenance of accounts) was utilised during 2006-08.

The State Government, however, had developed and introduced two software packages namely, Integrated Fund Management and Accounting System (IFMAS) and Gram Panchayat Management System (GPMS) for maintenance of accounts and database for ZP/PS and GP respectively. The status of implementation of the software packages as of March 2008 is as follows:

Item	ZPs/MP	PSs	GPs
Installation	18	205	1,285
Working	NA	NA	705

(Source: Annual Administrative report of the P&RDD for the year 2007-08)

### **1.8 Sources of Revenue of PRIs**

The revenue receipts of PRIs comprise receipts from its own sources, assigned revenue, grants and contributions. The main sources of revenue of PRIs are grants from the Central and State Governments. Receipts of PRIs from various sources are discussed in the succeeding paragraphs.

#### **1.8.1 State Budget allocation vis-à-vis actual release made**

The allocation of funds in State Budget for PRIs which includes Salary & allowances, schematic fund, other grants including State Finance Commission (SFC) grants and funds released to PRIs thereof are detailed under:

(Rupees in crore)			
Year	State Budget allocation	Actual release by the P&RDD	Short release
2005-06	1,004.37	1,066.21	-
2006-07	1,272.84	1,233.95	38.89
2007-08	2,163.93	1,880.77	283.16
<b>Total</b>	<b>3,436.77</b>	<b>3,114.72</b>	<b>322.05</b>

**Short release of Rs 322.05 crore to PRIs from the State Budget during 2006-08**

It would be seen from above that there was short release of Rs 322.05 crore to PRIs from the State Budget allocation made by the P&RDD during 2006-08.

The SFC recommended (February 2002) a minimum amount of Rs 700 crore per annum or 16 *per cent* of share of State taxes to Local Self Governments as untied entitlement. Out of these, 12.8 *per cent* has been recommended to PRIs. The State Government decided to allocate 'maximum amount possible' out of its resources. The entitlement vis-à-vis actual release under SFC is shown below:

**(Rupees in crore)**

<b>Year</b>	<b>Tax Revenue of the State Govt.</b>	<b>Entitlement for PRIs</b>	<b>Actual released under SFC</b>	<b>Shortfall</b>
2005-06	10,388.38	1,329.71	278.29 (2.7%)	1,111.42
2006-07	11,694.77	1,496.93	140.08 (1.2%)	1,356.85
2007-08	13,126.33	1,680.17	204.61 (1.5%)	1,475.56
<b>Total</b>	<b>35,209.48</b>	<b>4,506.81</b>	<b>622.98</b>	<b>3,943.83</b>

**Shortfall in release of Rs 3,943.83 crore against entitlement for PRIs under SFC during 2005-08**

Thus, the PRIs got 2.7, 1.2 and 1.5 *per cent* of the State Tax revenue against their entitlement of 12.8 *per cent* and a shortfall of Rs 3,943.83 crore was noticed during 2005-08.

### ***1.8.2 Government Grants and 'Own Source Revenue'***

Sources of revenue of PRIs mainly consist of grants from the Central and State Governments for implementation of various Central and State schemes. Besides meeting the cost of salary and allowances, the State Government transfers share of some taxes collected by it according to recommendations of the State Finance Commission. The 'own source revenue' (OSR) constitutes a very small percentage of the total revenue from all sources of the PRIs.

The revenue received by the PRIs during the last three years according to their sources is as follows:

(Rupees in crore)

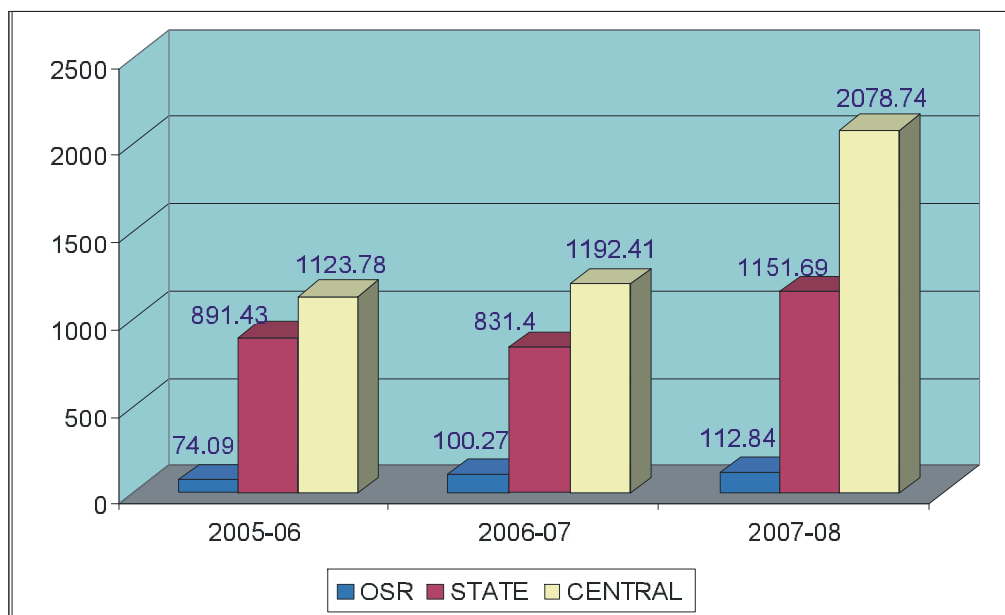
Year	Salary Grants by the State	Grants by the State including 2 <sup>nd</sup> State Finance Commission Grant	State Share of Centrally Sponsored Schemes	Additional Central Assistance & Central Finance Commission Grants	Total Fund (State Budget)	Amount made available to (from the Total Fund - State Budget)			Central Share of Centrally Sponsored Schemes (direct to PRIs)	Grand Total of grants received from Central and State Govts.	Own Source Revenue (OSR)				Total revenue from all sources (Govt. grants + Own Source Revenue)	Percentage of Govt. grants to total revenue (In per cent)	Percentage of OSR to total revenue (In per cent)	Total expenditure incurred by the PRIs
						ZPs	PSs	GPs			ZPs	PSs	GPs	Total				
2005-06	192.43	425.23	273.77	174.79	<b>1,066.22</b>	345.09	154.82	566.31	948.99	<b>2,015.21</b>	13.03	15.44	45.62	<b>74.09</b>	<b>2,089.30</b>	<b>96</b>	<b>4</b>	<b>1255.48</b>
2006-07	210.79	317.71	302.90	402.55	<b>1,233.95</b>	290.02	156.33	787.60	789.86	<b>2,023.81</b>	28.01	17.61	54.65	<b>100.27</b>	<b>2,124.08</b>	<b>95</b>	<b>5</b>	<b>1171.55</b>
2007-08	251.01	465.73	434.95	729.08	<b>1,880.77</b>	572.93	327.12	980.72	1,349.66	<b>3,230.43</b>	35.73	15.50	61.61	<b>112.84</b>	<b>3,343.27</b>	<b>97</b>	<b>3</b>	<b>1255.48</b>



During the period from 2005-08 the PRIs continued to be overwhelmingly dependent on grants from the Central and State Governments which increased by 85 per cent and 29 per cent as illustrated below :

### Sources of Revenue: Percentage Component

(Rupees in crore)



A system of electronic transfer of fund directly from the P&RDD to all the PRIs through the network of the State Bank of India (SBI) had been introduced during 2005-06 for timely utilisation of funds for various programmes like Indira Awas Yojana, Sampoorna Grameen Rozgar Yojana, National Old Age Pension Scheme, National Family Benefit Scheme, Total Sanitation Campaign etc. During the year 2007-08, Rs 1,131.60 crore was electronically transferred through the Fund Transfer (FT) Account.

#### 1.8.3 Funds received from Line Departments

The P&RDD could not furnish (December 2008) any information about funds received by the PRIs during 2005-08 from various line departments of the State Government for implementation of programmes for socio-economic development within their functional areas.

However, scrutiny of records as available from the P&RDD revealed that Rs 27.80 crore was received from the Health & Family Welfare (H&FW) Department and Rs 17.38 crore was received from Public Health Engineering Department (PHED) by the ZPs for implementation of programmes.

#### 1.9 Overall financial position of PRIs

The P&RDD could not furnish (December 2008) any information on the opening balance, total receipts, total expenditure and closing balance regarding flow of fund and its utilisation by the GPs and PSs during 2006-08. However, the variation of Rs 17.33 crore was noticed in opening balance as on 1 April 2007 and closing balance as on 31 March 2007 in respect of ZPs.

(Rupees in crore)

Year	Opening Balance as on 1 April	Receipt	Total	Payment	Closing Balance as of 31 March	Difference in closing balance on 31 March 2007 and opening balance on 1 April 2007
2006-07	595.81	1,072.32	1,668.13	1,171.55	496.58	17.33
2007-08	479.25	1,370.25	1,849.50	1,255.48	594.02	

(Source: Annual Administrative Report of the P & RDD for the year 2006-07 and 2007-08 )

### **1.10 Sectoral analysis**

The P&RDD could not furnish (December 2008) any information regarding the mechanism in use to capture receipts and expenditure under important sectors like education, health, nutrition, social forestry, etc. that may be amenable to sectoral analysis of such transactions.

### **1.11 Working of District Planning Committee**

In terms of Article 243-ZD of the Constitution, each State Government shall constitute a District Planning Committee (DPC) at district level to consolidate the development plans formulated by the local bodies based on planning at the grassroots level and prepare a Draft Development Plan (DDP) for the district as a whole.

The State Government determines the number of members of DPC on the basis of the number of constituencies in the district. A district having 40-80 constituencies will have 60 members in the DPC. If it is more than 80, the number of members will be 100.

Eighty *per cent* members of the DPC are elected by and from amongst the elected members of the ZP and municipalities and 20 *per cent* are appointed by the State Government.

The DPC shall consider matters of common interest including spatial planning, sharing of water and other physical and natural resources, integrated development of infrastructure and environmental conservation in respect of panchayats and municipalities in the district and shall prepare a DDP for five years after consolidating plans of panchayats, ULBs and other development agencies in the periphery of the district planning area.

The working of nine DPCs<sup>2</sup> for the years from 2003-08 was selected for test check. Test check of the records in nine DPCs between October 2008 and February 2009 revealed the following:

#### **1.11.1 Functioning of DPC:**

Section 3 of the West Bengal District Planning Committee Act, 1994 provides that the State Government shall constitute a DPC in every district. But it was noticed that delay in commencement of functioning of DPC in

<sup>2</sup> (1) Hooghly; (2) Purba Medinipur; (3) Dakshin Dinajpur; (4) Cooch Behar; (5) Birbhum; (6) Jalpaiguri; (7) Howrah; (8) Bankura and (9) South 24 Parganas.

eight districts<sup>3</sup> ranged from two to 10 years from the date of passing the Act and framing of the rules (May 1994 and September 1994 respectively). No information in respect of commencement of functioning of DPC in Cooch Behar District was available.

#### **1.11.2 Preparation of Draft Development Plan:**

Purba Medinipur and Dakshin Dinajpur districts did not prepare DDP during the period 2003-04, 2005-07; Cooch Behar, Birbhum and Hooghly districts did not prepare DDP during the period 2003-07; Jalpaiguri District prepared DDP only during 2006-07; and Howrah District did not prepare DDP during 2004-07. Specific information could not be made available in respect of South 24 Parganas District.

In absence of DDP, it could not be ensured whether common interest of the local bodies was given special attention.

#### **1.11.3 Approval of DDP:**

Although DDP was forwarded to Development and Planning Department/State Planning Board by Howrah District during 2003-04 but approval of the same could not be assured by the DPC. Purba Medinipur District did not even forward DDP during 2004-05.

#### **1.11.4 Fund sanctioned and released:**

Hooghly, Purba Medinipur, Birbhum, South 24 Parganas and Howrah districts had no information regarding total amount sanctioned and released against Development Plan (DP) including amount released for the PRIs/ULBs and for other Departments. Although Rs 476.63 crore was sanctioned against DP, Dakshin Dinajpur District had no consolidated information regarding release of funds against the DP.

#### **1.11.5 Achievement**

Hooghly, Cooch Behar, Birbhum, South 24 Parganas and Howrah districts did not prepare the statement showing annual execution of the plans prepared and included in the DP. Bankura District also could not furnish information relating to target and achievement under various schemes.

As such, percentage of achievement, vis-à-vis the target planned under various schemes could not be ascertained in these districts.

#### **1.11.6 Monitoring**

Laxity in proper functioning of DPC could bring inequity in co-relation and co-ordination between common interests of urban and rural habitants at the cost of development works.

### **1.12 State Finance Commission Grants**

The recommendations of the Second State Finance Commission (SSFC) of West Bengal, constituted in July 2000, covered the period from 2001-06. The following recommendations of the SSFC that could have

<sup>3</sup> (1) Hooghly (Year of constitution: September 1996); (2) Purba Medinipur (September 2002); (3) Dakshin Dinajpur (January 2004); (4) Birbhum (1996); (5) Jalpaiguri (December 2003); (6) Howrah (January 2004); (7) Bankura (October 2003) and (8) South 24 Parganas (2003).

improved the financial position of the PRIs were not accepted by the State Government:

- Provision of an entitlement of fund for rural as well as urban local bodies constituting 16 *per cent* of State taxes. The Government decided to allocate ‘the maximum amount possible’ out of its resources instead of linking up the quantum of the entitlement fund with the State’s own tax revenue. The actual allocation to PRIs were 2.7 *per cent*, 1.2 *per cent* and 1.5 *per cent* during the years 2005-08 respectively against the entitlement of 12.8 *per cent* of the State taxes.
- A minimum amount of Rs 700 crore should be provided in the budget for devolution to PRIs and ULBs as untied entitlement.

The Third State Finance Commission constituted in February 2006 was required to submit its report by February 2007, but is yet to submit its report (December 2008).

### **1.13 Audit arrangement for PRIs**

As per provisions of the West Bengal Panchayat Act, 1973, the State Government is to appoint an Auditor for audit of the accounts of ZPs, PSs and GPs.

The Examiner of Local Accounts (ELA), West Bengal has been appointed as Auditor to audit ZPs and PSs (earlier called *Anchalik Parishads*)<sup>4</sup>.

Audit of the GPs was conducted till 2001-02 by the Extension Officer (Panchayat), a State Government official stationed at the respective Block Offices. Subsequently, by a notification in March 2003, the ELA had been appointed as Auditor of GPs also, from 2002-03 onwards.

### **1.14 Audit Coverage**

Accounts of 17 ZPs, one MP, 181 PSs and 3,348 GPs (out of 3,354) for the year up to 2006-07 were audited during 2007-08. Audit of accounts of

---

<sup>4</sup> Vide Rule 101 (1) of the West Bengal Zilla Parishads (Election, Constitution and Administration) Rules, 1964 framed under the West Bengal Zilla Parishads Act, 1963. The erstwhile general framework of four-tier PRIs as provided for in the 1963 Act was, however, replaced by three-tier PRIs as provided for in the West Bengal Panchayat Act, 1973.

six GPs<sup>5</sup> could not be taken up during 2007-08 for want of records.

The audit findings are discussed in the succeeding Chapters.

### **1.15 Response to Audit Reports**

In terms of Section 191(A) of the West Bengal Panchayat Act, 1973, the report of the ELA on PRIs shall be laid before the State Legislature and in terms of sub rule 4A of the rule 310 ZG of the Rules of Procedure and Conduct of Business in the West Bengal Legislative Assembly, the matters relating to scrutinising the Report of the ELA on PRIs have been entrusted to the Standing Committee on Panchayats and Rural Development, Land & Land Reforms and Sundarban Development, West Bengal Legislative Assembly. Accordingly, Reports of the ELA on PRIs for the years ending 2004, 2005, 2006 & 2007 were laid before the State Legislature and the Standing Committee had considered Reports of the ELA on PRIs for the year ending 2004, 2005 & 2006.

### **1.16 Pending Audit Observations of Inspection Reports**

Pradhan of the GP, Executive Officer of the PS or ZP shall comply with the observations made by the auditor and thereafter compliance report is required to be sent to the ELA within two months from the date of receipt of the Inspection Reports (IRs).

The following table indicates position of IRs and paragraphs pending for settlement, as on 31 March 2008.

5

Sl. No.	Name of GP	Controlling PS / ZP	Reasons for not taking up audit	Ref. of letter to the Principal Secretary to the P&RD Department, Govt. of West Bengal (with a copy to the concerned GP)
(1)	Gopal Nagar	Pathar Pratima/ South 24 Parganas	Due to seizure of records by the local police	LA/GP/343/6423 dated 30.7.2007
(2)	Pokharia	Goalpokher-I/ Uttar Dinajpur	Due to seizure of records as reported by the Pradhan, Pokharia GP vide his reply dated 07.03.2008	LA/GP/M.R.No.1562(4863)/1341 dated 26.05.2008
(3)	Sonachura	Nandigram-I/ Purba Medinipur	Destruction of relevant records in Nandigram violence vide letter dt.11.01.2008	LA/GP/3104/4867 dated 26.05.2008
(4)	Sahapur	Panchla/ Howrah	Due to seizure of records as reported by the Pradhan, Sahapur GP vide his reference letter No.SGP-1(2006-07)/3 dated 07.11.2006 and SGP- 15/2007-08 dt.06.08.2007	LA/GP/MRNo.2244/8368 dated 13.02.2007 and LA/GP/2244/1177/1341 dated 28.04.2008
(5)	Madhabdanga-I	Maynaguri/ Jalpaiguri	Non-production of records/accounts due to loss by the Pradhan as intimated vide letter dt. 08.12.2007	LA/GP Cell/2866(2004-05)/10238 dated 20.02.2006 and LA/GP/2546/5321 dated 09.06.2008
(6)	Kalabani	Hura/ Purulia	Seizure of records by Police (2002-03). The office was stated to have been locked by unidentified persons (2006-07) as reported by the Pradhan vide letter dt.26.07.2007	LA/GP/5950 dated 22.09.2003 and LA/GP/M.R.No.913/1639/4859 dated 26.05.2008

(Rupees in crore)

Category of PRIs	Accounting years for which IRs pending for settlement	No. of IRs pending for settlement	No. of paras contained in the IRs awaiting settlement	Money value
ZP	1985-86 to 2006-07	103	995	1,599.14
PS	1976-77 to 2006-07	896	3,285	671.02
GP	2002-03 to 2006-07	15,344	190,850	2,267.00

However, an Audit Committee comprising the Principal Secretary of the P&RDD, representatives of the Finance Department and the ELA was formed for settlement of the outstanding IRs. During 2007-08, two meetings were held and 132 paras worth Rs 206.44 crore were settled therein.