

**PART B**  
**PANCHAYATI RAJ INSTITUTIONS**

**CHAPTER – III**

**AN OVERVIEW OF THE PANCHAYATI RAJ INSTITUTIONS**

**3.1 Introduction**

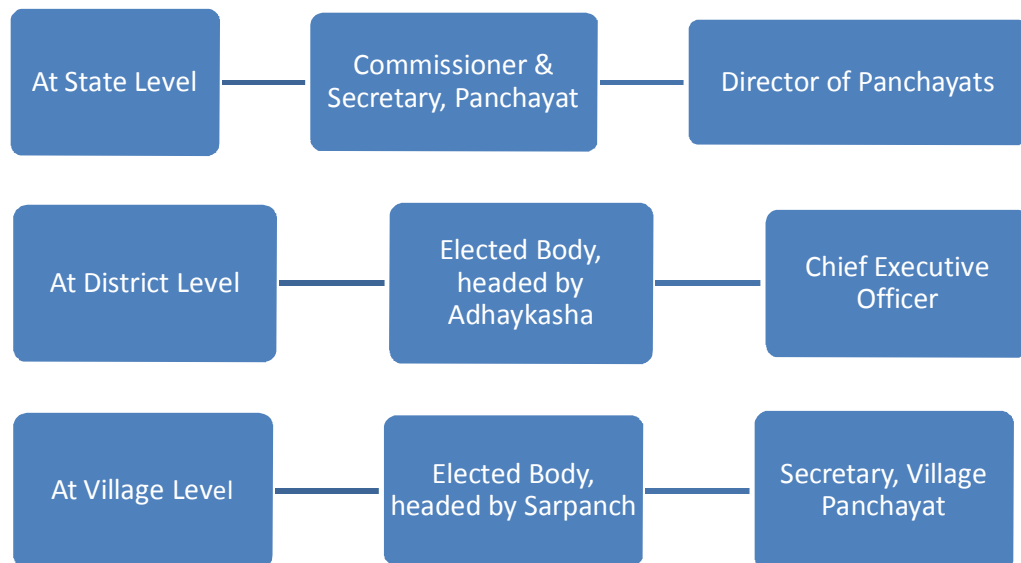
Goa along with Daman & Diu was liberated in December 1961 from the Portuguese rule. After liberation, the President of India promulgated the Goa, Daman & Diu Village Panchayat Regulation, 1962 under Article-240 of the Constitution of India. This was amended in 1994 to incorporate the provisions of the 73<sup>rd</sup> Constitutional Amendment Act, 1992 to establish a two-tier panchayat system of elected bodies – Village Panchayats (VPs) at village level and Zilla Panchayats (ZPs) at district level.

The State of Goa consists of two Districts namely ‘North Goa’ and ‘South Goa’. As of March 2010, there were two ZPs and 189 VPs in the State of Goa.

Last elections for ZPs were held in February 2010 and those of VPs were held in December 2007.

**3.2 Organisational set-up**

The organizational set-up of PRIs in the State is shown below:



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The Commissioner & Secretary, Panchayat is the Administrative Head of the Panchayat Department. The Director of Panchayats (DoP) exercises control and supervision over the PRIs and also acts as the Appellate Authority under the Goa Panchayat Raj Act.

Adhyakshas head the ZPs having a full time Chief Executive Officers appointed by the Government besides other staff. Sarpanchs head the VPs and are provided with Secretaries and other staff. As per sections 142 and 63 of the Goa Panchayat Raj Act 1994, various Standing Committees are set up in ZPs and VPs respectively for governing their functions.

### **3.3 District Planning Committees**

In pursuance of Section 239 of Goa Panchayat Raj Act, 1994 the Government constituted (October 2003) District Planning Committees (DPCs) for the two districts - North Goa and South Goa. These committees were reconstituted in September 2006 and August 2009. Every year, a development plan is required to be prepared by every VP and submitted to the ZP which would consolidate the development plans received from all the VPs and forward the same along with ZP plan to the DPC who would prepare a Draft Development Plan (DDP) for the district as a whole and forward to the Government.

It was stated (November 2010) that since constitution of the DPC in October 2003, the preparation of DDPs has not been materialized due to non-preparation of the Annual Development Plans by the VPs.

### **3.4 Functions**

#### **3.4.1 Devolution of Functions**

The XI<sup>th</sup> Schedule appended to the Constitution of India gives a list of the 29 functions and responsibilities which may be devolved to the PRIs. The Schedules-I and II appended to the Goa Panchayat Raj Act, 1994 envisaged entrustment of 28 and 25 functions to VPs and ZPs respectively **Appendix 3.1 and 3.2**. However, only the following 12 functions each have been devolved partly to the VPs and ZPs.

**Chapter-III An overview of Panchayati Raj Institutions**

Functions devolved to VPs		Functions devolved to ZPs	
Sr. No. of Sch XI of Constitution	Name of Function/Scheme	Sr. No. of Sch XI of Constitution	Name of Function /Scheme
1	Agriculture including Agricultural extension	1	Agriculture including Agricultural extension
4	Animal Husbandry, Dairying & Poultry	3	Minor Irrigation, Water Management & Watershed Management
5	Fisheries	4	Animal Husbandry, Dairying & Poultry
11	Drinking Water	5	Fisheries
16	Poverty alleviation programmes	8	Small scale industries including food processing industries
17	Education, including primary and secondary school	11	Drinking Water
21	Cultural Activities	16	Poverty alleviation programmes
23	Health and sanitation including hospitals, primary health centres and dispensaries	17	Education including primary and secondary school
25	Women & Child Development	21	Cultural Activities
26	Social Welfare including welfare of the handicapped and mentally retarded.	23	Health and sanitation including hospitals, primary health centers and dispensaries
29	Maintenance of community assets	25	Women & Child Development
	General functions, preparation of annual plans, preparation of annual budget, providing relief to natural calamities, removal of encroachment, organizing voluntary labour and contribution for community works and maintenance of essential statistics	26	Welfare of the weaker sections, in particular of handicapped & mentally retarded

The State Government had set up two Finance Commissions to review the financial position of Local Bodies. The Second State Finance Commission (SSFC) was set up in August 2005 and was requested to carry out activity mapping. Accordingly, SSFC recommended (December 2007) devolution of all the 28 Functions and 74 Activities to VPs and 25 Functions and 47 Activities to ZPs for economic development and social justice as listed in the I and II Schedules respectively of the Goa Panchayat Raj Act, 1994.

The Director of Panchayats stated (November 2010) that the recommendations of the SSFC on the activity mapping were under

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consideration of the Government.

### **3.5 Transfer of Funds**

#### **3.5.1 Sources of Funds**

The Government of Goa sanctions grants-in-aid to the ZPs/VPs in the State for financing developmental works, administrative expenses, matching grants, compensation in lieu of Octroi etc. During the year 2009-10, the amount of grants-in-aid released to the ZPs and VPs (including the amount received from the Centre) was ` 9.62 crore and ` 19.71 crore respectively.

The details of own revenue, grants-in-aid and expenditure for the seven years from 2003-04 to 2009-10 were exhibited in the table and the charts below:

(` in crore)

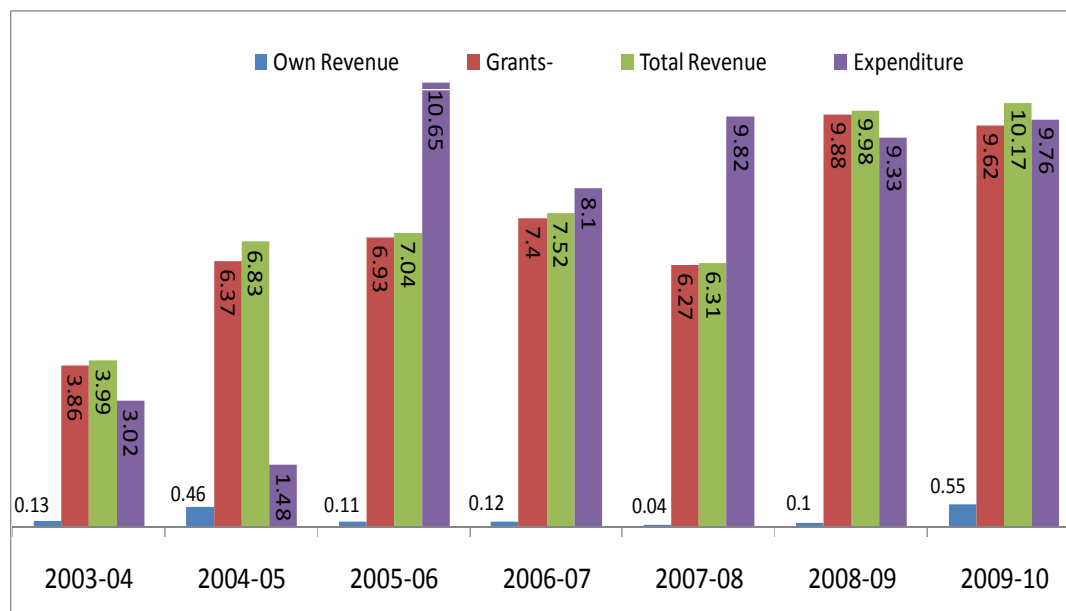
Year	ZPs				VPs			
	Own Revenue	Grants-in-aid	Total Revenue	Expenditure	Own Revenue	Grants-in-aid	Total Revenue	Expenditure
2003-04	0.13	3.86	3.99	3.02	9.87	14.69	24.56	26.39
2004-05	0.46	6.37	6.83	1.48	9.01	18.11	27.12	27.81
2005-06	0.11	6.93	7.04	10.65	11.48	29.53	41.01	32.84
2006-07	0.12	7.40	7.52	8.10	16.61	32.46	49.07	55.23
2007-08	0.04	6.27	6.31	9.82	20.99	27.20	48.19	47.63
2008-09	0.10	9.88	9.98	9.33	24.78	34.18	58.96	47.45
2009-10	0.55	9.62	10.17	9.76	45.96	19.71	65.67	59.57

Source: Information furnished by the Directorate of Panchayats

Note: Grants-in-aid include grants received from Central/State Governments and sanctioned through District Rural Development Agencies.

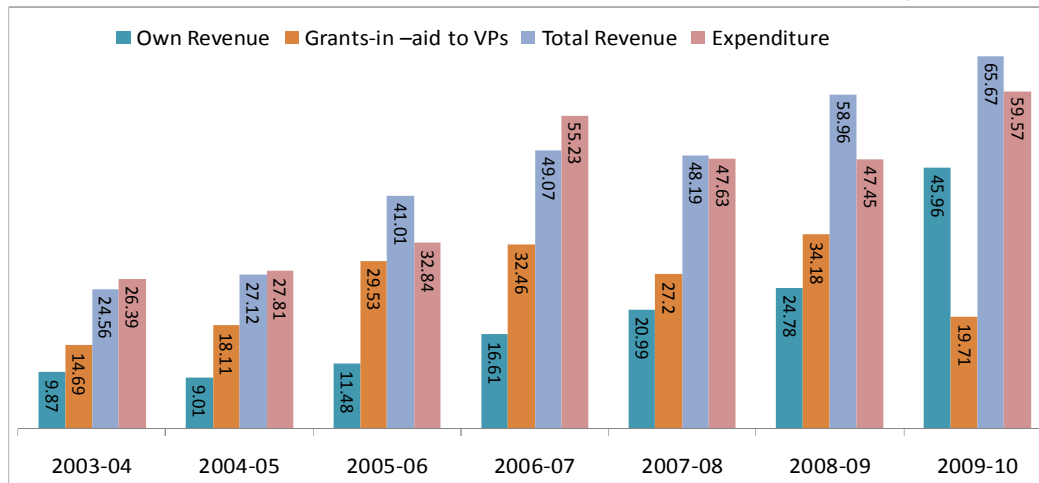
Zilla Panchayats

(` in crore)



Village Panchayats

(` in crore)



The only source of own income for ZPs was sale of tender forms. There was an increase of ` 45 lakh in own revenue and decrease of ` 26 lakh in grants-in-aid during 2009-10 as compared to the previous year. In the case of VPs, the collection of own revenue increased considerably by ` 21.18 crore during the year 2009-10. However, the grants-in-aid decreased by ` 14.47 crore during the same period.

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### **3.5.2 Recommendations of the Second State Finance Commission**

The Second State Finance Commission (SSFC) recommended an amount of ` 722.81 crore for the 21 Core functions<sup>1</sup> as well as ` 1131.03 crore for 17 Consultative functions<sup>2</sup> for VPs and ` 284.51 crore for 10 Core functions and ` 459.61 crore for 11 Consultative functions for ZPs for a period of five years from 2007-08 to 2011-12.

The SSFC also recommended (December 2007) the creation of following posts in various offices, which will entail an annual expenditure of ` 11.01 crore.

<b>Sr. No.</b>	<b>Name of Office</b>	<b>No. of Posts</b>
1	Directorate of Panchayats	603
2	ZPs	21
3	District Rural Development Agencies	19
4	District Planning Committees	13
5	Town & Country Planning Department	10
6	Animal Husbandry	06
7	Agriculture Department (Soil Conservation)	03
8	Health Services	06

The status of the recommendation of the SSFC is already commented in para 1.4 in this report.

### **3.6 Twelfth Finance Commission grants**

As against the total Twelfth Finance Commission (TFC) outlay of ` 18 crore to the PRIs, the Government of Goa received ` 7.20 crore for the years 2005-06 and 2006-07 between February 2006 and July 2007. Out of the above grants, the Directorate sanctioned grants to the extent of ` 6.43 crore to VPs and ` 77 lakh to ZPs. There was a delay of 27 days in releasing ` 1.80 crore to the PRIs for which interest of ` 0.67 lakh was released to the PRIs. As there was delay in producing utilization certificates for the grants released for the years 2005-06 and 2006-07, the grants for the years 2007-08 and 2008-09 were also delayed. The Government of India released (December 2008) TFC grants for the year 2007-08 amounting to ` 3.60 crore during 2008-09 of which ` 3.37 crore was released equally among all the VPs and ` 23 lakh to ZPs in January 2009.

Out of ` 10.80 crore released for the years 2005-06 to 2007-08 an amount of ` 9.84 crore (91.11 *per cent*) was utilized (November 2009).

<sup>1</sup> Functions related to direct responsibilities of Local Bodies.

<sup>2</sup> Planning and monitoring functions including selection of beneficiaries.

Government of India released an amount of ` 1.80 crore being first installment for the year 2008-09 in February 2010 which was released equally among 189 VPs (` 1.50 crore) and ZPs (` 30 lakh) in March 2010. There was a delay of nine days in releasing the grants to PRIs for which the Directorate has not released interest so far (April 2011).

During the test check of 20 VPs, Audit noticed that TFC grants of ` 1.13 crore was sanctioned to these VPs during the period from February 2006 to March 2010. Out of this ` 62.93 lakh (55.69 *per cent*) only was utilized upto the end of March 2010 for clearing water bills of public water taps (` 4.84 lakh), sanitation (` 43.41 lakh), creation and maintenance of data base (` 3.56 lakh) and repairs and maintenance of wells and water tanks (` 11.12 lakh). Further, one VP<sup>3</sup> had not utilized any amount and five VPs<sup>4</sup> had not furnished the utilization certificates (March 2010).

Audit further noticed (April 2011) that due to inordinate delay in implementing approved schemes and producing the utilization certificates, the Government of India had not released grants to the extent of ` 5.40 crore being second installment of 2008-09 and both installments for the year 2009-10.

The Director of Panchayats stated (May 2011) that the lengthy procedure was prescribed for utilization of funds and VPs were lagging behind to utilize the money within the scheduled time limit. It was further stated that due to this VPs failed to submit utilization certificates to the extent of 90 *per cent* of the grants released by the Government of India which resulted in non-release of ` 5.40 crore.

### **3.7 Transfer of Functionaries**

The Government of Goa has provided one Village Panchayat Secretary to each VP whose salaries and allowances are paid directly by the State Government. The VPs have also employed their own staff like clerks-cum-typists and peons.

The Government has appointed a Senior Grade Officer of the Goa Civil Service in each ZP as the Chief Executive Officer and an officer of the cadre of Deputy Director of Accounts as an Accounts Officer in each ZP. Other functionaries like Stenographers, Accountants, Clerks, Peons, Sweepers and Drivers have also been provided to each ZP. The services of

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<sup>3</sup> Alorna

<sup>4</sup> Aldona, Agasaim, Mercas, St.Cruz and Goa Velha

Executive Engineers, Assistant Engineers and Junior Engineers from the PWD of the State have been placed at the disposal of the ZP for execution of technical works like preparation of estimates of different works, recording of measurements, tendering of works and preparation of running account bills.

### **3.8 Outstanding Utilization Certificates**

As per terms and conditions for release of the grants, the entire amount of grant shall be utilized within a period of one year and a utilization certificate (UC) shall be submitted by the ZPs/VPs within 18 months. However, the ZPs and VPs failed to submit the UCs in time. It was observed that 45 UCs in respect of grants amounting to ` 4.40 crore and 2459 UCs in respect of grants amounting to ` 85.60 crore were outstanding from ZPs and VPs respectively as of June 2010 (**Appendix 3.3**).

### **3.9 Audit coverage**

The audit of ZPs in Goa is conducted under Section 20 (1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. By virtue of Section 194 of the Goa Panchayat Raj Act, 1994, the Comptroller and Auditor General of India is the sole auditor for ZPs. The audit of accounts North Goa Zilla Panchayat (NGZP) was completed upto the period 2005-06 and South Goa Zilla Panchayat (SGZP) upto the period 2006-07. The transaction audit of NGZP was completed upto 30 November 2010 and SGZP upto March 2007 (April 2011).

The Director of Accounts is the Statutory Auditor of VPs under Section 187 of the Goa Panchayat Raj Act. The State Government, in November 2006, entrusted Technical Guidance & Support (TGS) over accounts and audit of PRIs to the CAG. Accordingly, audit of 20 VPs for the year 2009-10 was conducted and the results are given in chapter four. Further, training programme for the accounts staff of PRIs was also conducted under TGS in March 2010.

#### **3.9.1 Internal Audit**

It was observed that there was no internal audit set up in both the ZPs. The Director of Panchayats stated (August 2009) that the proposal for creation of Internal Audit Cell in the Directorate of Panchayats was under consideration and was being put up to the Government. Further progress is awaited (May 2011).



### 3.9.2 Response to audit

Response to the Paras of the Inspection Reports was poor as replies to 62 paras of eight Inspection Reports pertaining to the period from 2004-05 to 2009-10 in respect of two ZPs and 485 paras of 63 Inspection Reports pertaining to the year 2009-10 (issued upto June 2010) in respect of VPs were pending as of December 2010 as detailed below:-

Year	NGZP		SGZP		Village Panchayats	
	IR	Paras	IR	Paras	IR	Paras
2004-05	1	1	1	4	0	0
2005-06	0	0	1	7	0	0
2006-07	0	0	1	10	0	0
2007-08	1	1	0	0	0	0
2008-09	1	24	0	0	0	0
2009-10	1	9	1	6	63	485
<b>Total</b>	<b>4</b>	<b>35</b>	<b>4</b>	<b>27</b>	<b>63</b>	<b>485</b>

### 3.9.3 Compliance of Audit Reports of Director of Accounts

There were 7004 outstanding paras as of March 2011 pertaining to the period from 1985-86 to 2009-10 in the Audit Reports of Director of Accounts in respect of 189 VPs. The Director of Accounts stated (May 2011) that the accumulation of paras was due to absence of separate audit cell to monitor and settle the audit paras. It was further stated that there was a proposal to outsource the work to expedite the replies to outstanding paras.

### 3.10 Accounting Procedures

Based on the recommendation of the Eleventh Finance Commission, for exercising proper control and securing better accountability, the formats for preparation of budget and accounts and data base on finances of PRIs were prescribed by CAG in 2002. The formats were simplified in January 2009. However, VPs and ZPs had not adopted the revised accounting formats (April 2011).