

PART II
PANCHAYAT RAJ INSTITUTIONS

CHAPTER IV
AN OVERVIEW OF
PANCHAYAT RAJ INSTITUTIONS

Chapter IV

SECTION 'A'

AN OVERVIEW OF PANCHAYAT RAJ INSTITUTIONS

4.1 Background

The 73rd Constitutional amendment gave Constitutional status to Panchayat Raj Institutions (PRIs) and established a system of uniform structure, election, regular flow of funds through the Finance Commission etc. As a follow up, the States were required to entrust the PRIs with powers, functions and responsibilities to enable them to function as institutions of self-government.

Consequent to the 73rd amendment of the Constitution, the Government of Tamil Nadu (GoTN) enacted the Tamil Nadu Panchayats Act, 1994. Under this Act, a three tier system of PRIs viz., Village Panchayats at the village level, Panchayat Unions or Block Panchayats at the intermediary level and District Panchayats at the apex level were established.

4.2 State profile

The demographic and developmental status of the State is given in Table 4.1 below:

Table 4.1: Important statistics of the State

Indicator	Unit	State statistics
Population	Millions	72.14
Population density	Sq.Km	555
Rural population	Percentage	51.55
Number of PRIs	Numbers	12,940
Number of District Panchayats	Numbers	31
Number of Panchayat Unions	Numbers	385
Number of Village Panchayats	Numbers	12,524
Gender ratio	Per 1,000 males	995
Literacy	Percentage	80.33

(Source: 2011 Census figures and Policy Note of the Rural Development and Panchayat Raj Department for 2012-13)

4.2.1 Classification of the Panchayat Raj Institutions

As mentioned above, the PRIs are classified into three tiers, viz., District Panchayats, Panchayat Unions and Village Panchayats. There are 31 District panchayats, 385 Panchayat Unions and 12,524 Village Panchayats in Tamil Nadu.

The categorisation of the Village Panchayats based on population is given in Table 4.2.

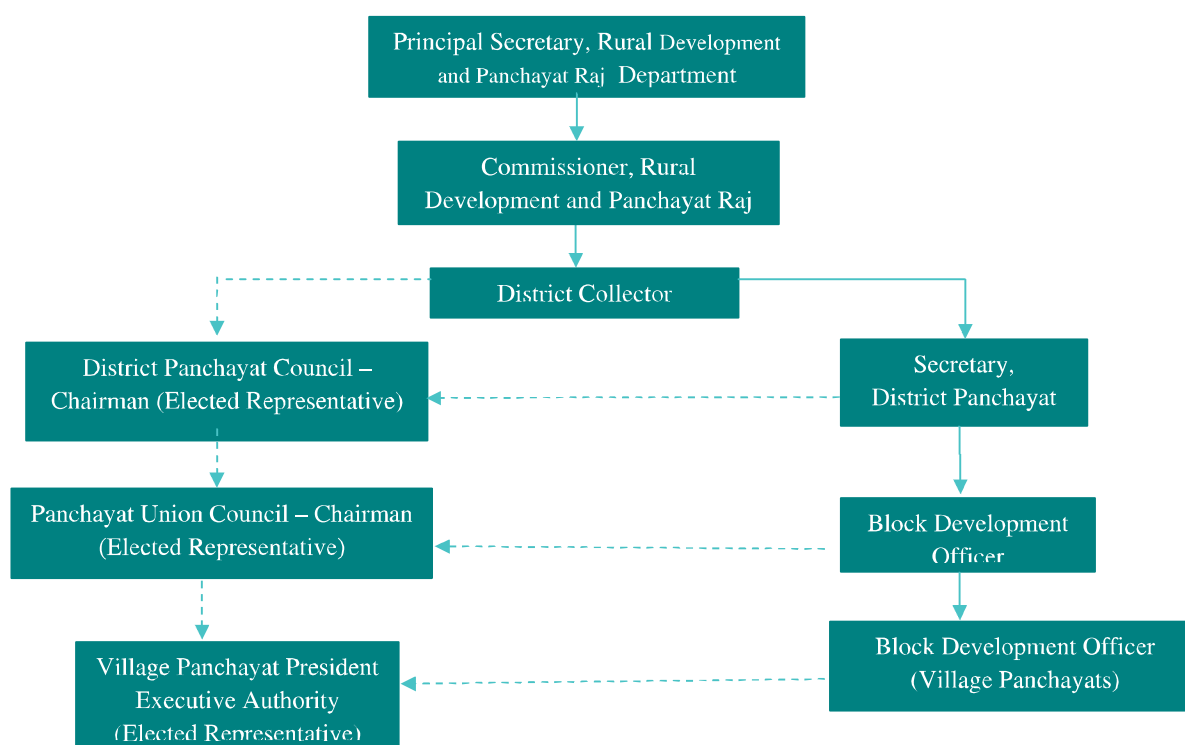
Table 4.2: Population-wise classification of Village Panchayats

Sl. No.	Population	Number of Village Panchayats
1	Below 500	66
2	501 to 1,000	1,175
3	1,001 to 3,000	7,228
4	3,001 to 5,000	2,554
5	5,001 to 10,000	1,354
6	Above 10,000	147
	Total	12,524

(Source: Policy Note of Rural Development and Panchayat Raj Department for 2012-13)

4.3 Administration of PRIs

An organogram of PRIs is as given below:



4.4 Status of devolution of functions and functionaries

Eleventh Schedule of the Constitution of India empowered the State Legislature to transfer 29 functions to PRIs. The important changes brought about by the Tamil Nadu Panchayats Act, 1994 were: (i) introduction of three tier system, (ii) mandatory conduct of local body elections every five years,

(iii) introduction of reservation of seats and offices for SC/ST, (iv) introduction of reservation of one-third of seats and offices for women, (v) constitution of State Election Commission to conduct elections to local bodies, (vi) establishment of a quinquennial State Finance Commission, (vii) constitution of District Planning Committees and (viii) introduction of the concept of Grama Sabha in Village Panchayats. In accordance with the changes made in the Tamil Nadu Panchayats Act, 1994, the State Election Commission was constituted and local bodies elections were conducted every five years. One third of seats and offices have been earmarked for women and seats and offices have been reserved for SC/ST and the State Finance Commission has been constituted every five years and its recommendations are placed in the State Legislature.

4.5 Decentralised planning

4.5.1 Standing Committees

PRIs are required to constitute Standing Committees to perform the assigned functions. The constitution of the committees is given in **Table 4.3** below:

Table 4.3: Constitution of the Standing Committees

Category of PRIs	Chief Political Executive	Standing Committees	Political Executive of Standing Committees
District Panchayats	Chairman/Chairperson	Food and Agriculture, Education, Health and Welfare, Industries and Labour, Public Works Committee	Chairman and Members of the Council
Panchayat Unions	Chairman/Chairperson	Agricultural Production, Education, General Purpose Committee	
Village Panchayats	President	-	-

As per Section 241(1) of the Tamil Nadu Panchayats Act, 1994 the State Government constituted a District Planning Committee (DPC) in each of the 28 districts in November 1997. One DPC was formed in 2005 and two more were formed in April 2012 totalling to 31 DPCs. The role and responsibility of DPCs are already mentioned in Paragraph 1.5.1 of this report. As stated in Paragraph 1.5.1 of this report, the Annual Plans prepared at the Government level are only consolidated and adopted as District plans. No separate inputs are received from the PRIs. Requirements at the grass root level were thus not completely reflected in the District plans.

4.6 Financial profile

4.6.1 Sources of funds flow to PRIs

The major resource base of PRIs consists of State Finance Commission (SFC) grants, Central Finance Commission (CFC) grants, Centrally Sponsored Schemes (CSS) grants, Own Revenue and Assigned Revenue.

4.7 Accounting framework

4.7.1 Accounts format

The XIII Finance Commission stated (December 2009) that for the period 2011-15, a State Government would be eligible to draw its general performance grant only if it followed the conditions stipulated by it. One of the conditions was that the PRIs should follow the Model Panchayat Accounting System prescribed by the CAG and the Ministry of Panchayat Raj. The State Government has to certify that the accounting system as recommended by the Government of India (GoI) has been introduced in all the Rural Local Bodies.

The Commissioner of Rural Development and Panchayat Raj (CRDPR) reported (December 2011) that the High Level Monitoring Committee in its meeting held in September 2011 decided to implement the conditions laid down by the GoI to draw the general performance grant.

GoTN issued orders (April 2012) for implementation of the Panchayat Raj Institutions Accounting (PRIA) software model accounting system in all the three tiers of PRIs from 2012-13. The Government also ordered the Electronic Corporation of Tamil Nadu (ELCOT) as the agency for purchase, delivery and installation of computers and peripherals in the Village Panchayats. Out of 12,524 Village Panchayats, ELCOT has completed installation of computers in 12,422 Village Panchayats, Printers in 9,826 Village Panchayats and Uninterrupted Power Supply in 5,611 Village Panchayats. In respect of Broadband connectivity, ELCOT has engaged BSNL to provide Broadband connectivity. The BSNL has just commenced the work and promised to complete 50 *per cent* before 28 February 2013 and the balance before 31 March 2013. The implementation PRIA software in other two tiers i.e Panchayat Unions and District Panchayats has not been taken up.

Though Government issued orders for implementing the PRIA software from 2012-13, the accounting model is yet to start.

4.8 Audit arrangements

In accordance with Section 193 of the Tamil Nadu Panchayats Act, 1994, GoTN appointed the following officers as Auditors for PRIs as given in Table 4.4.

Table 4.4: Audit arrangements for PRIs

Tier of PRI	Auditors	Periodicity
District Panchayats	Director of Local Fund Audit (DLFA)	Annual
Panchayat Unions	DLFA	Quarterly
Village Panchayats	(i) Deputy Block Development Officer (DBDO) except audit of scheme accounts	Quarterly
	(ii) Assistant Director of Rural Development (Audit) to follow up the audit of DBDO	Quarterly
	(iii) DLFA for audit of scheme accounts	Annual (test check)

DLFA is the statutory Auditor for Panchayat Unions and District Panchayats. Based on the recommendation of Second State Finance Commission (SSFC), DLFA is conducting only test audit of Village Panchayats accounts including scheme accounts. The Deputy Block Development Officer audits all the General Fund accounts of the Village Panchayats and certifies them.

Accounts of District Panchayats and Panchayat Unions are also audited by the Principal Accountant General under Section 14 (1) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971. Further, technical guidance is provided by the Principal Accountant General to DLFA regarding audit of District Panchayats and Panchayat Unions in terms of order of GoTN issued in March 2003.

4. 8.1 Audit of PRIs by the Principal Accountant General

Audit of PRIs is conducted under Section 14 (1) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971 in respect of financial assistance given to PRIs. Important irregularities detected by Audit during local audit of PRIs by test checking of records are followed up through Inspection Reports issued to the PRIs concerned and CRDPR.

Government had issued general orders in April 1967 fixing a time limit of four weeks for response by the authorities for all paragraphs included in the Inspection Reports issued by Audit. However, as of December 2012, 1,727 paragraphs contained in 472 Inspection Reports relating to the period 2008-09 to 2011-12 were pending for settlement for want of satisfactory replies.

CAG's Audit Reports upto the year 1996-97 were discussed by the Public Accounts Committee (PAC) and recommendations were issued. As of January 2013, Action Taken Reports on 169 recommendations relating to the period 1982-83 to 1996-97 of the Rural Development and Panchayat Raj Department were pending for final settlement. All draft paragraphs/reviews included in CAG's Audit Reports on PRIs for the year 2000-01, 2005-06 and 2006-07 were taken up and discussed by the PAC in January 2012.

SECTION 'B' – FINANCIAL REPORTING

4.9 Introduction

Financial reporting in the PRIs is a key element of accountability. The resource base of PRIs in addition to their own tax/non-tax revenue consists of devolution of funds by State Government, assigned/shared revenue and funds provided based on the recommendations of Central Finance Commission. A chart showing the flow of funds to PRIs is given in **Appendix 4.1**.

4.10 Source of receipts

Among the three tiers, Village Panchayats alone have the power to levy taxes. The other source of receipts for Village Panchayats and Panchayat Unions are non-tax revenue, assigned revenue from State Government and grants given by State Government for various purposes and State and Central Finance Commissions grants.

Details of receipts and expenditure of PRIs during 2007-12 as furnished by the Director of Rural Development and Panchayat Raj (DRDPR) are shown in **Table 4.5**. The accuracy of these figures could not be ensured in the absence of audited accounts of PRIs.

Table 4.5: Details of receipts and expenditure of PRIs

(₹ in crore)

	2007-08	2008-09	2009-10	2010-11	2011-12
Own revenue	307.80	277.77	309.83	382.07	426.83
Assigned revenue	217.44	459.85	220.73	154.72	374.42
Grants	1,586.27	1,718.50	1,926.57	2,961.23	3,353.96
Total receipts	2,111.51	2,456.12	2,457.13	3,498.02	4,155.21
Revenue expenditure	2,231.60	2,579.24	3,044.41	3,829.72	4,193.92
Capital expenditure	500.69	505.21	471.61	527.73	602.40
Total expenditure	2,732.29	3,084.45	3,516.02	4,357.45	4,796.32
Percentage of capital expenditure to the total expenditure	18	16	13	12	13
Funds released for MGNREGA	592.23	1,593.25	1,600.49	2,099.50	3,108.80
Total funds released for MGNREGA during 2007-12	8,994.27				

(Source: Details furnished by DRDPR in February 2013)

The expenditure was depicted as more than the receipts for the years 2007-08 to 2011-12 as the details of scheme grants routed through DRDA were not available. The grants included the State and Central Finance Commission grants only.

The funds released by GoI for the flagship scheme directly to DRDA have not been included in the receipts. For example, the funds released by GoI amounting to ₹ 8,994.27 crore for the period from 2007-08 to 2011-12 has not

been included in the receipts, while the expenditure incurred under the scheme has been taken into account.

The quantum of Capital expenditure remained more or less at the same level and its proportion to total expenditure declined from 18 *per cent* in 2007-08 to 13 *per cent* in 2010-12. This shows that development activities in the Village Panchayats have not progressed well over the years.

4.11 Central Finance Commission grants

The details of Central Finance Commission (CFC) grants released to PRIs are given in **Table 4.6**.

Table 4.6 : Details of Central Finance Commission grants

(₹ in crore)

Finance Commission	Period	Grant released			
		Village Panchayats	Panchayat Unions	District Panchayats	Total
X FC	1996-97 to 2000-01	76.97 (27)	155.62	54.75	287.34
XI FC	2000-01 to 2004-05	242.49 (52)	223.63	Nil	466.12
XII FC	2005-06 to 2009-10	817.80 (94)	52.20	Nil	870.00
XIII FC	2010-11 to 2014-15	665.16 (100)	Nil	Nil	665.16

(Source: Funds released detail of Rural Development and Panchayat Raj Department and details furnished by DRDPR in February 2013)

It was observed that release of CFC grants to Village Panchayats increased from 27 *per cent* of total grants released to PRIs in X FC period to 52 *per cent* in XI FC period, 94 *per cent* in XII FC period and 100 *per cent* in XIII FC period. These grants were to be spent for operation and maintenance of water supply, sanitation and street lights.

4.12 Arrears in Audit and Accounts

4.12.1 Audit of PRIs by DLFA

(a) The position of arrears in audit of PRIs as of March 2012 is given in **Table 4.7**.

Table 4.7: Position of audit of Panchayat Unions and District Panchayats by DLFA

Category of PRI	Year	Total number of PRIs	Accounts yet to be submitted	Audit completed	Audit in arrears
Panchayat Unions	2009-10	385	Nil	288	97 (25)
	2010-11	385	21	20	365(95)
District Panchayats	2009-10	29	1	28	Nil
	2010-11	29	6	23	6 (21)

(Source: Details furnished by DLFA)

Figures in bracket denote Percentage of Audit in arrears.

As seen from the table, out of 385 Panchayat Unions and 29 District Panchayats, DLFA completed audit of only 288 Panchayat Unions and 28 District Panchayats for the year 2009-10 and 20 Panchayat Unions and 23 District Panchayats for the year 2010-11.

(b) The regular audit of Village Panchayats is conducted by the Deputy Block Development Officers and 20 per cent of the total number of Village Panchayats was to be test checked by the DLFA annually. The position of audit of Village Panchayats by DLFA as on 31 March 2012 for the years 2009-10 and 2010-11 is given in **Table 4.8**.

Table 4.8: Position of audit of Village Panchayats

Category of PRI	Number of Village Panchayats		Total number to be audited by DLFA	Number of Village Panchayats wherein audit not completed	
	2009-10	2010-11		2009-10	2010-11
Village Panchayats	12,620	12,524	2,526 (2009-10) 2,506 (2010-11)	43	1,061

(Source : Details furnished by DLFA in January 2013)

The number of paragraphs included in the Inspection Reports of DLFA issued upto 2010-11, pending for settlement as on 31 March 2012, in respect of Panchayat Unions and District Panchayats aggregated to 29,320 and 330 respectively. Year-wise pendency position is given in **Table 4.9**.

Table 4.9 : Year-wise pendency of paragraphs

Year of IR	Number of paragraphs pending in respect of	
	Panchayat Unions	District Panchayats
Upto 2005-06	3,202	90
2006-07	905	20
2007-08	2,302	26
2008-09	9,755	65
2009-10	10,516	87
2010-11	2,640	42
Total	29,320	330

(Source: Details furnished by DLFA)

The State Government appointed a State High Level Committee (SHLC) in November 1997 with the Commissioner, RDPR Department as Chairman and DLFA as Deputy Chairman assisted by three¹ members and District High Level Committee (DHLC) headed by District Collector as Chairman and

¹ Financial Advisor and Chief Accounts Officer, RDPR Department; Chief Engineer/Superintending Engineer, Tamil Nadu Water Supply and Drainage Board and Chief Engineer (Highways and Rural Works) as members.

Project Officer, District Rural Development Agency (DRDA) as Deputy Chairman assisted by three² members and one Secretary for settlement of the outstanding paragraphs.

As reported by DRDPR (February 2013), the DHLC conducted eight meetings during 2011-12 and eight paragraphs were placed in the committee and three paragraphs were settled relating to District Panchayats. In respect of Panchayat Unions 75 meetings were conducted, 3,089 paragraphs were placed in the committee and 2,166 paragraphs were settled. Due to lesser receipt of appeals from the aggrieved persons, State High Level Committees were not conducted after 2006.

4.13 Conclusion

The proportion of capital expenditure to total expenditure declined from 18 *per cent* in 2007-08 to 13 *per cent* in 2011-12. Government of Tamil Nadu decided to implement the Panchayat Raj Institutions Accounting (PRIA) software in all the three tiers of Panchayat Raj Institutions from 2012-13. Installation of computers, printers and Uninterrupted Power Supply (UPS) has not been completed in all the Village Panchayats. As reported by the Commissioner of Rural Development and Panchayat Raj, the installation process is likely to be completed by 31 March 2013. The implementation of PRIA software in other two tiers i.e. Panchayat Unions and District Panchayats has not been taken up. Though Government issued orders for implementing the PRIA software from 2012-13, the accounting model is yet to start. As of December 2012, 1,727 paragraphs contained in 472 Inspection Reports of the Principal Accountant General for the period 2008-09 to 2011-12 were pending for settlement for want of satisfactory replies.

² Deputy Director, DLFA; Executive Engineer, DRDA; Deputy Director, RDPR Department as members and PA to District Collector (Audit) as Secretary.