

Chapter-4 Decentralised Governance

The 73rd Constitution Amendment Act envisaged establishment of a democratic decentralised development process through people's participation in decision making, implementation and delivery with devolution of powers and responsibilities upon Panchayats at appropriate levels. Further, 74th Constitutional Amendment paved the way for decentralisation of powers, transfer and devolution of more functions and funds to the Urban Local Bodies (ULBs).

Prior to the bifurcation of the State of Uttar Pradesh, the enabling Act governing the Panchayat Raj System was Uttar Pradesh Panchayati Raj Act, 1947 and the Uttar Pradesh Kshetra Panchayat and Zila Panchayat Act, 1961 and the rules framed thereunder, which formed the legal basis for Gram Panchayats (GPs), Kshetra Panchayats (KPs) and Zila Panchayats (ZPs), respectively. The system of democratic governance down to grass root level in Urban Local Bodies (ULBs) was implemented through Uttar Pradesh Municipal Corporation Act, 1959 and Uttar Pradesh Municipalities Act, 1916. The operation of these Act(s) continued in Uttarakhand after its formation and were amended through Uttaranchal Tristariya Panchayat Raj Amendment Act, 2002 and Uttar Pradesh Municipalities Act (Uttaranchal Amendment) Act, 2001. In the State, a draft Municipal Bill, 2008 was prepared to amend Uttar Pradesh Municipalities Act, 1916 but the same is pending approval of the Cabinet as on date (November 2012).

In the district, for implementation and delivery of democratic decentralised development process through people's participation, there exists one ZP, eight KPs and 460 GPs and one Nagar Nigam (NN), three Nagar Palika Parishads (NPPs) and three Nagar Panchayats (NPs).

4.1 Decentralisation

The Eleventh Schedule in the Constitution contains a list of twenty nine subjects which State Legislature may, by law, transfer to the PRIs. In respect of ULBs, the State Legislature may, by law, transfer 18 functions as listed in the XIIth Schedule. The Government of Uttarakhand had entrusted only 14 subjects⁵ to PRIs in the year 2003 and thereafter no subject was devolved to PRIs. In case of ULBs, only thirteen⁶ functions have been transferred till date. With regard to the performance in empowerment of the PRIs and arrangements for their accountability in discharge of their functions, the State is ranked at number 14 amongst all the States as per the cumulative ranking of Devolution Index assessed (2011-12) by the Ministry of Panchayati Raj, GOI.

⁵ Drinking Water; Rural Housing; Poverty Alleviation; Primary Education; Praud Evam Anaupcharik Shiksha; Library; Cultural Activities; Family Welfare; Health and Sanitation Programme; Women & Child Development; Social Welfare; Public Distribution System; Minor Irrigation and Agriculture (watershed).

⁶ Registration of Death and Birth; Slum Improvement; Urban Poverty Alleviation; Provision of Urban Amenities; Burial Ground; Cattle Pounds; Regulation of Slaughter Houses; Public Amenities; Safeguarding the Interest of Weaker Sections; Promotion of Cultural, Educational & Aesthetic Aspect; Urban Forestry; Roads & Bridges and Public Health.

4.2 Organisational arrangements in PRIs and ULBs

The organisational arrangements of PRIs and ULBs in Nainital District including at the State level is given below:

At the State level, the Principal Secretary cum Forest and Rural Development Commissioner (FRDC) heads the PRIs while, the Secretary Panchayati Raj and the Secretary Rural Development Department are the Chief Controlling Officers. In the district, District Panchayati Raj Officer reports to the Joint Director, Panchayati Raj while KPs fall within the purview of the Rural Development Department. The organisational chart of PRIs is given in **Appendix-4.1**.

At the State level, the Urban Development Department coordinates the functioning of all ULBs as shown in the chart in **Appendix-4.2**. The ULBs perform its duties as per Section 7 of the UP Municipalities Act, 1916. Besides, the ULBs may, where so required, under Section 104 of the UP Municipalities Act, 1916 decide to perform its functions through committees by making their regulations, exercising such powers and performing such duties or discharging such functions as may be delegated to the committee under Section 112 of the UP Municipalities Act, 1916.

4.2.1 Availability of Village Development Officers

Both Government of India (GOI) and State Government are implementing schemes through GPs such as works under SSA, MGNREGS, Single Village Schemes under NRDWP and NRHM activities, *etc.* As a result, the outlay of the GPs had considerably increased and it has become vital to provide adequate staff to the GPs.

In the district, only 98 Village Development Officers (VDOs)/ Multi-purpose workers (MPWs) were working for 460 GPs. Consequently, one VDO/ MPW on an average was looking after the task of more than four GPs. In the test checked blocks, it was noticed that one VDO was looking after the charge of five GPs. The shortage of VDOs/ MPWs resulted in non-maintenance of accounting formats, asset registers *etc.*

In exit conference, it was stated by the District Magistrate that recruitment process is underway to meet the shortage.

4.3 Planning

4.3.1 Holding of Meetings

As per Para 61 & 84 of UP Zila Panchayat Act, 1961 and Para 11 of UP Panchayati Raj Act, 1947, ZP and KPs should ordinarily meet for the transaction of business at least once in every two months while GPs were to convene two general body meetings in a year.

Test-check of the records of ZP, KPs and GPs for the period 2007-08 to 2011-12 revealed the following:

- General body of the ZP met only 11 times⁷ as against the required 30 times.
- Records of four KPs revealed that only 67 meetings were held as against the required 120.
- Records of 24 GPs revealed that they had held meetings as per prescribed norms except for two GPs which had met once in the year while two other GPs could not produce the supporting records.

4.3.2 Preparation of plans

As per Paragraph 63 of UP Panchayati Raj Act, 1961, the ZP was required to integrate annual plans of the KPs with its plan and to submit it to the DPC for further integration with the District Development Plan. But no such activity was carried out by it during the period 2007-08 to 2011-12. On this being pointed out, the Apar Mukhya Adhikari of Zila Panchayat stated (September 2012) that no such plan was being prepared.

Section 127-B of the UP Municipalities Act, 1916 envisages for the preparation of plans by ULBs and submit it to DPC for integration with district development plans. Scrutiny revealed that the ULBs also did not prepare and submit their annual plans to DPC in any of the years. The annual performance/ working reports were also not being prepared by the ULBs.

4.4 Financial Management

The main sources of revenue/ income for PRIs and ULBs in the State are funds devolved by GOI under the various Centrally Sponsored Schemes (CSS)⁸, Grants received from the State Government besides grants recommended by the Twelfth Finance Commission (TFC) and Thirteenth Finance Commission (ThFC) for specific purposes. In addition, PRIs and ULBs are also required to mobilize resources from own sources such as taxes, rents, license fees *etc.*

Test-check of records of PRIs⁹ and ULBs¹⁰ revealed that 15 *per cent* and six *per cent* funds were lying unutilised respectively at the end of March 2012 (*Appendix-4.3*). During the period 2007-12 an amount of ₹ 4.91 crore and ₹ 34.99 crore were realized by the PRIs and ULBs respectively from their own resources. However, it was found in audit that PRIs and ULBs failed to collect an amount of ₹ three crore leviable on house tax, rent, hat bazaar, animal fare *etc.* during the period 2007-08 to 2011-12. The ULBs apprised that recoveries were being made while ZP intimated that notices for ₹ 0.15 crore had been issued. The replies were not justifiable as the recoverable amount was piling up from year to year.

4.4.1 Utilisation certificates

Government of India and State Government released grants to ZPs, KPs and GPs for implementation of various schemes. A total amount of ₹ 56.47 crore were received by the PRIs

⁷ Meetings held in 2007-08 not available

⁸ CFC, JNNURM, MP & MLALAD, MNREGS, SSA, NRHM *etc.*

⁹ GPs-24, KPs-4 & ZP-1

¹⁰ NN-1, NPP-2 & NP-1

during the period 2007-08 to 2011-12. The details of funds received under SFC, TFC and ThFC by the PRIs in Nainital District is given in **Appendix-4.4**.

As per Government Order (November 2006), the District Panchayati Raj Officer (DPRO) is required to submit Utilisation Certificates, duly countersigned by the DM, to the Finance Department along with the statement of works against the released funds and for further release of next installment.

Scrutiny of the records revealed that District Panchayati Raj Officer (DPRO) received ₹ 44 crore for further release to KPs and GPs of the district during the period 2007-08 to 2011-12. In contravention of the financial rules, the released amounts were reported as utilized without ensuring actual expenditure incurred by the KPs and GPs and statement of works as required in the Government Orders (GO). Besides, an unspent balance of ₹ 42.35 lakh was lying in the accounts of DPRO pertaining to the SFC funds released in 2007-08 for which UCs had already been submitted.

The DPRO stated (July 2012) that efforts were made to collect UCs and the blocked funds would be released only after information from BDOs regarding status of executed works and amount due to each GP is received. The reply itself indicates that UCs were submitted by the DPRO despite funds remaining unutilised. Further, records of the ZP revealed that ₹ 2.96 crore remained unspent as of March 2012 under SFC, TFC and ThFC due to incomplete construction works.

4.5 Maintenance of Accounts

The Comptroller and Auditor General of India had prescribed the accounting formats, with coding pattern for each tier of PRIs, to strengthen their accounting system and enable the authorities to monitor the progress of receipts and expenditure under different schemes. Test-check of records of 24 GPs, four KPs and one Zila Panchayat revealed as under:

- **Gram Panchayats:** They were required to maintain, *inter alia*, cash book, asset register, stock register, register of movable and immovable properties and Measurement Book (MB). However, none of the 24 sampled GPs maintained their accounts in these formats. It was found that due to shortage of staff only Cash Book could be maintained by these GPs.
- **Kshetra Panchayats:** KPs did not maintain Bank Reconciliation Statement while the Cash Book was not maintained properly.
- **Zila Panchayat:** Asset register was not properly maintained or updated.

4.5.1 Panchayati Raj Institutions

The Ministry of Panchayati Raj, GOI in consultation with the Comptroller and Auditor General of India and State Governments prepared a Model Accounting System (MAS) for the PRIs to ensure transparency and accountability in their operations. Directions were issued

(September 2010) by the GOI to adopt MAS for Panchayat Accounting System by the PRIs. Accordingly, *PRIA Soft-Accounting Software* for PRIs was introduced from 1 April 2011.

Scrutiny of records revealed that ZP was not using this software. Entry of only 164 out of 460 GPs and three out of eight KPs were found uploaded (July 2012) after a lapse of one year. It was also observed that broadband facility was not installed in the DPRO (July 2012) to upload online entries of approved plans and funds received/ utilized by the GPs. The DPRO stated that due to insufficient infrastructure and supporting staff, data could not be uploaded in the MAS; while, ZP was in the process of uploading the data.

4.5.2 Urban Local Bodies

The Ministry of Urban Development, in consultation with the Comptroller and Auditor General of India, developed National Municipal Accounting Manual (NMAM). The Government of Uttarakhand had introduced (2009-10) the same only in mission city Nainital under Jawaharlal Nehru National Urban Renewal Mission (JnNURM). The other three selected ULBs had not adopted double entry system of accounting as of November 2012.

4.6 Monitoring of executed works

As per the directions issued (September 2011) by the Director Panchayati Raj, ten works per month, executed by the Village Panchayats, were to be physically visited and inspected by the DPRO while *cent per cent* works were to be physically inspected and verified by the Assistant Development Officers (Panchayat) posted in the blocks. A report was to be submitted monthly for each physically inspected work to the Director, Panchayati Raj¹¹. No records were produced before audit to confirm that inspections were carried out by these authorities and that reports were submitted to the Director, Panchayati Raj. However, the DPRO produced few inspection reports carried under twenty point programme in support but the same had no relation with the works executed by the PRIs.

Paragraph 33 (iii) of U.P. Zila Panchayat Act, 1961 envisages that ZP should supervise the activities of KPs and GPs. Scrutiny revealed that no monitoring or supervision was carried out by ZP in respect of the works carried out by the GPs and KPs. The Zila Panchayat admitted the facts.

Recommendations

The State Government/ District Administration may consider to ensure:

- *Devolving all the subjects to PRIs and ULBs as envisaged in the XIth and XIIth schedules of the Constitution.*
- *Integration of district development plan with the plans prepared by PRIs and ULBs.*

¹¹ As per order of Director, Panchayati Raj dated September 2011.