

## CHAPTER I

### RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

#### AN OVERVIEW OF PANCHAYAT RAJ INSTITUTIONS

##### 1.1 Background

Consequent to the 73<sup>rd</sup> Constitutional amendment, the State Government enacted the Karnataka Panchayat Raj (KPR) Act, 1993 to establish the three tier Panchayat Raj Institutions (PRIs) at the village, taluk and district levels in the State and framed rules to enable the PRIs to function as institutions of local self-government.

The PRIs aim to promote participation of people and effective implementation of rural development programmes for economic development and social justice including those enumerated in the Eleventh Schedule of the Constitution.

##### 1.2 State profile

The comparative demographic and developmental picture of the State is given in **Table 1.1** below. The population growth in Karnataka in the last decade was 15.60 *per cent* which was less than the national average of 17.70 *per cent*.

The decadal growth rates of urban and rural population were 7.63 *per cent* and 31.27 *per cent* respectively. As per Census 2011, the population of the State was 6.11 crore, of which women comprised 49.20 *per cent*. The State has 114 backward taluks, out of which 39 taluks spread over 14 districts are the most backward.

**Table 1.1: Important statistics of the State**

Indicator	Unit	State value	National value	Rank amongst all States
Population	1,000s	61,095	12,10,570	9
Population density	Persons per sq km	319	382	13
Urban population	Percentage	38.70	31.20	4
Number of PRIs	Numbers	5,833	2,40,540 (approx)	14
Number of Zilla Panchayats (ZPs)	Numbers	30	540 (approx)	8
Number of Taluk Panchayats (TPs)	Numbers	176	6,000 (approx)	13
Number of Gram Panchayats (GPs)	Numbers	5,627	2,34,000 (approx)	16
Gender ratio (females per 1,000 males)	Numbers	973	943	11
Literacy	Percentage	75.40	73	16

Source: Economic Survey Report 2013-14 and Census 2011

##### 1.3 Organisational structure of PRIs

The Rural Development and Panchayat Raj Department (RDPR) is the nodal department for PRIs at the State level, headed by the Additional Chief Secretary and Development Commissioner, Government of Karnataka. The organisational structure with respect to functioning of PRIs in the State is given in **Appendix 1.1**.

### 1.3.1 Standing Committees

The Standing Committees are constituted to perform the assigned functions of the PRIs. The constitution of the Committees is given in **Table 1.2** below:

**Table 1.2: Constitution of the Standing Committees**

Level of PRIs	Chief Executive	Standing Committees	Executive of Standing Committees
Gram Panchayat	Adhyaksha	(a) Production Committee (b) Social Justice Committee (c) Amenities Committee	Chairman (Elected from amongst elected members of GPs, TPs and ZPs)
Taluk Panchayat	Adhyaksha	(a) General Standing Committee (b) Finance, Audit and Planning Committee (c) Social Justice Committee	
Zilla Panchayat	Adhyaksha	(a) General Standing Committee (b) Finance, Audit and Planning Committee (c) Social Justice Committee (d) Education and Health Committee (e) Agricultural and Industries Committee	

Source: KPR Act, 1993

## 1.4 Financial profile

### 1.4.1 Resources of the PRIs

The resource base of PRIs consists of State Finance Commission (SFC) grants, Central Finance Commission (CFC) grants, State Government grants and Government of India (GoI) grants for maintenance and development purposes. The fund details of flagship schemes are given in **Appendix 1.2**.

The trends of resources of PRIs for the period 2010-15 are shown in **Table 1.3** below:

**Table 1.3: Trends and composition of resources of PRIs**

Particulars	₹ in crore)				
	2010-11	2011-12	2012-13	2013-14 <sup>1</sup>	2014-15
Own revenue~	256.95	312.08	269.09	176.93	228.84
CFC transfers (Twelfth/Thirteenth)~	419.38	769.58	1,036.49	1,350.87 <sup>¥</sup>	977.82 <sup>¥</sup>
Grants from State Government and assigned revenues <sup>^</sup>	11,789.48	13,340.83	16,622.14	19,669.19	21,004.52
GoI grants for CSS and State Schemes*	3,575.74	2,764.62	2,837.00	4,243.92	3,426.05
Other receipts <sup>#</sup>	257.91	192.66	153.00	224.12	179.20
<b>Total</b>	<b>16,299.46</b>	<b>17,379.77</b>	<b>20,917.72</b>	<b>25,665.03</b>	<b>25,816.43</b>

Source: ~ as furnished by RDPR

<sup>^</sup> Figures as furnished by Treasury for 2014-15 in respect of ZPs and TPs

\* GoI grants released for Centrally Sponsored Schemes (CSS) and State Schemes to TPs through ZP accounts are excluded and uncertified figures for the year 2014-15 in respect of 24 ZPs and 136 TPs

<sup>#</sup> Interest and miscellaneous receipts from scheme accounts

<sup>¥</sup> Includes ₹1.76 crore and ₹1.35 crore released towards interest for delayed release of Thirteenth Finance Commission grants by the State Government during 2013-14 and 2014-15 respectively

<sup>1</sup> The reason for variation in the figures for 2013-14 exhibited in the Audit Report 2013-14 and this Report is due to adoption of figures as per certified accounts of ZPs and TPs and as furnished by RDPR in respect of 'own revenue'.

### 1.4.2 Application of Resources

The trends of sector-wise application of resources of ZPs and TPs for the period 2010-15 are given in **Table 1.4** below:

**Table 1.4: Sector-wise application of resources**

Year	2010-11	2011-12	2012-13	2013-14 <sup>2</sup>	2014-15
<b>(₹ in crore)</b>					
<b>ZILLA PANCHAYATS</b>					
<b>State Grants and assigned revenues</b>					
<b>Capital Expenditure</b>	<b>0.46</b>	<b>5.32</b>	<b>4.19</b>	<b>4.86</b>	<b>0</b>
Social Services	0.46	2.89	2.40	3.02	0
Economic Services	0	2.43	1.79	1.84	0
<b>Revenue Expenditure</b>	<b>4,220.94</b>	<b>4,998.21</b>	<b>5,456.62</b>	<b>6,218.79</b>	<b>6,864.09</b>
General Services	121.93	137.17	152.50	162.02	168.10
Social Services	3,234.42	3,517.17	4,033.85	4,857.56	5,394.22
Economic Services	864.59	1,343.87	1,270.27	1,199.21	1,301.77
<b>Centrally Sponsored Schemes and State Schemes</b>					
<b>Capital Expenditure</b>	<b>153.46</b>	<b>103.28</b>	<b>94.88</b>	<b>0</b>	<b>49.25</b>
Social Services	145.15	103.28	94.88	0	49.25
Economic Services	8.31	0	0	0	0
<b>Revenue Expenditure</b>	<b>3,308.29</b>	<b>2,743.62</b>	<b>2,717.25</b>	<b>3,626.32</b>	<b>2,413.01</b>
General Services	0	0	0	0	0
Social Services	453.09	406.64	827.51	881.57	664.81
Economic Services	2,855.20	2,336.98	1,889.74	2,744.75	1,748.20
<b>Total</b>	<b>7,683.15</b>	<b>7,850.43</b>	<b>8,272.94</b>	<b>9,849.97</b>	<b>9,326.35</b>
<b>TALUK PANCHAYATS</b>					
<b>Capital Expenditure</b>	<b>0.19</b>	<b>0</b>	<b>0</b>	<b>0.41</b>	<b>0</b>
General Services	0	0	0	0	0
Social Services	0.03	0	0	0.41	0
Economic Services	0.16	0	0	0	0
<b>Revenue Expenditure</b>	<b>6,333.23</b>	<b>7,084.87</b>	<b>9,344.03</b>	<b>10,223.40</b>	<b>12,440.91</b>
General Services	0	0	0	0.05	0
Social Services	5,841.25	6,387.46	8,498.31	9,322.97	11,459.49
Economic Services	491.98	697.41	845.72	900.38	981.42
<b>Total</b>	<b>6,333.42</b>	<b>7,084.87</b>	<b>9,344.03</b>	<b>10,223.81</b>	<b>12,440.91</b>
<b>Grand Total</b>	<b>14,016.57</b>	<b>14,935.30</b>	<b>17,616.97</b>	<b>20,073.78</b>	<b>21,767.26</b>

Source: Separate Audit Reports (SARs) of ZPs and consolidated SAR for TPs up to the year 2013-14, and figures as furnished by Treasury for 2014-15 for ZPs and TPs. Centrally Sponsored Schemes/State Schemes figures are provisional.

The total expenditure increased from ₹14,016.57 crore in 2010-11 to ₹21,767.26 crore in 2014-15. There was 38 per cent and 84 per cent growth of revenue expenditure under General and Social Services sector respectively during the period 2010-15, while the revenue expenditure under Economic Services had declined by four per cent during the same period. The share of capital expenditure to total expenditure during the current year was less than one per cent.

## 1.5 State Finance Commission Grants

As per the recommendations (December 2008) of the Third SFC, the State Government was to release 33 per cent of Non Loan Net Own Revenue Receipts (NLNORR) to PRIs during 2014-15. As against this, the State Government had released ₹24,991.28 crore, which works out to 33.38 per cent of NLNORR (₹74,868 crore).

<sup>2</sup> The reason for variation in the figures for 2013-14 exhibited in the Audit Report 2013-14 and this Report is due to adoption of figures as per certified accounts of ZPs and TPs.

## **1.6 Release of additional stamp duty**

As per Section 205 of the KPR Act, 1993, the duty on transfer of immovable property shall be levied in the form of a surcharge at the rate of three *per cent* of the duty imposed by the Karnataka Stamp Act, 1957 on instruments of sale, gift, mortgage, exchange and lease in perpetuity, of immovable property situated within the limits of the area of a TP. The entire amount collected in respect of the lands and other properties situated in the taluk shall be passed on to the TPs in the State, in proportion to the population of the taluk, by the Inspector General of Registration and Commissioner of Stamps (IGR) after deducting 10 *per cent* towards collection charges. However, the IGR had not transferred the additional stamp duty to the TPs for the years 2013-14 and 2014-15 (November 2015).

The IGR stated (December 2015) that only 10 District Registrars had sent the details for release of ₹5.91 crore to the TPs under their jurisdiction for the year 2013-14 and details from other District Registrars were awaited.

## **1.7 Devolution of Functions**

The 73<sup>rd</sup> amendment to the Constitution envisaged transfer of the functions listed in the Eleventh Schedule to PRIs. Accordingly, the State Government transferred all the 29 functions to PRIs. The State Government devised an activity map for distribution of activities for 26 functions amongst PRIs in 2003. However, no activity map was devised for the three functions of 'Welfare of weaker sections', 'Public Distribution System' and 'Maintenance of community assets'.

## **1.8 Accountability framework**

### **1.8.1 Audit mandate**

**1.8.1.1** The Karnataka State Accounts Department (KSAD) is the statutory external auditor for GPs. Its duty, *inter alia*, is to certify correctness of accounts, assess internal control system and report cases of loss, theft and fraud to audit entities and to the State Government.

Audit of accounts of 5,065 GPs (91 *per cent*) as against 5,577 GPs planned, for the period up to 2014-15, was conducted by KSAD as of March 2015.

**1.8.1.2** The Comptroller and Auditor General of India (CAG) audits and certifies the accounts of ZPs and TPs under Section 19(3) of CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971. The audit of accounts of 130 units under PRIs had been completed as of March 2015.

The State Government entrusted (May 2011) the audit of GPs under Technical Guidance and Supervision (TGS) module to the CAG by amending the KPR Act, 1993. As at the end of March 2015, 38 GPs had been audited under TGS module.

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## 1.9 Poor response to Inspection Reports

The Karnataka Zilla Panchayat (Finance & Accounting) Rules, 1996, stipulate that the heads of the Departments/Drawing and Disbursing Officers of the ZPs shall attend to the objections promptly issued by the Accountant General. It has been further stipulated that the ultimate responsibility for expeditious settlement of audit objections lies with the Chief Executive Officers (CEOs) of ZPs. As of March 2015, 3,544 Inspection Reports (IRs) consisting of 14,061 paragraphs were outstanding in various ZPs. Out of 3,544 IRs outstanding, 1,221 IRs (34 *per cent*) containing 2,583 paragraphs (18 *per cent*) were pending for more than 10 years, which was indicative of inadequate action on the part of CEOs in settlement of the objections. The details about IRs and paragraphs outstanding have been given in **Appendix 1.3**.

## 1.10 Conclusion

The IGR had not transferred the required additional stamp duty for the years 2013-14 and 2014-15 (November 2015) to TPs. The State Government had also not devised activity maps for distribution of activities for the functions of 'Welfare of weaker sections', 'Public Distribution System' and 'Maintenance of community assets'.