

CHAPTER-II
Overview of Panchayati Raj
Institutions of Assam

CHAPTER – II

Overview of Panchayati Raj Institutions in Assam

2.1 Introduction

The 73rd Constitutional (Amendment) Act, 1992 (Article 243) conferred Constitutional status to Panchayati Raj Institutions (PRIs). Accordingly, the State was required to entrust PRIs with functions related to 29 subjects and respective functionaries, so as to enable them to function as Institutions of Local Self Government (LSGs). The Constitutional Amendment provided for establishment of a uniform system within States, conduct of regular elections, regular flow of funds, *etc.* The legislative framework for conduct of business of the PRIs in Assam are based on:

- The Assam Panchayat Act, 1994 (AP Act, 1994)
- The Assam Panchayat (Financial) Rules, 2002 (AP (F) Rules, 2002)
- The Assam Panchayat (Administrative) Rules, 2002 (AP (A) Rules, 2002) and
- Government instructions issued from time to time.

Assam, with a geographical area of 78,438 sq. km, has a population density of 398 persons per sq. km as per Census 2011, which is higher than the national average of 382 persons per sq. km. The sex Ratio for rural population in Assam is 958, which is also higher than the national average of 943. Rural population in the State is 2.68 crore (86 *per cent*).

There were 2,400 PRIs in the ‘General’ areas³ of Assam, as of March 2025. The Panchayati Raj system does not exist in the Sixth Schedule Areas, where local governance is vested with the respective Autonomous District Councils (ADCs).

Statistics related to the rural population of the State and the numbers of PRIs as per census of 2011, are given in **Table 2.1**.

Table 2.1: Important Statistics of the State (Rural areas)

SL. No.	Indicators	Unit	Value
1	Total Population	Crore	3.12
2	Rural Population	Crore	2.68
3	Sex Ratio (Females per 1000 Males) - Rural	Numbers	958
4	Population Density	Per sq.km	398
5	Rural Literacy	<i>Per cent</i>	69.34
6	Number of districts	Number	35
7	Zilla Parishad (ZP)	Number	27
8	Anchalik Panchayat (AP)	Number	181
9	Gaon Panchayat (GP)	Number	2,192

Source: Statistical Handbook, Assam 2024 and Information provided by the Department.

³ Constitution of India has provided for constitution of separate Autonomous Councils for tribal areas of Assam under Sixth Schedule. Areas not falling under the provision of the Sixth Schedule are known as General areas.

2.2 Functioning of PRIs

2.2.1 Administrative machinery in PRIs

The administrative set-up of Panchayats in the State comprises a three-tier system, GPs at the village level, APs at the intermediate level (co-terminus with administrative Blocks) and ZPs at the district level. The Constitution enjoins the State Government to make appropriate legislation regarding devolution of powers and functions to the Panchayats, in such a way as to enable them to function as Institutions of Local Self Government (LSGs).

Subject to the provisions of the AP Act, 1994, Panchayats may make bye-laws to carry out their functions. The 73rd Constitutional Amendment empowers them with powers and authority in revenue mobilisation and gives them access to such resources as the State Legislature may, by law, confer on them. Accordingly, the AP (F) Rules were framed in 2002, as amended in 2004, empowering all the three tiers to levy and collect taxes. Through the AP (F) Rules, 2002, GPs got the power to levy certain taxes viz., tax on houses and structures, tax on trades, etc. However, in April 2022, the Government rescinded the existing requirement of issuance of Trade License and suspended the levy of any tax or fee by the PRIs in setting up of business activities, except for foreign or country liquor shops, educational institutions, health establishment, brick kilns, mobile towers, petrol pumps, timber saw mills, godowns, and other pollutant industries. Thus, complete autonomy to the PRIs in revenue mobilisation was not ensured.

2.2.2 Status of devolution of functions, funds and functionaries

The 73rd Constitutional (Amendment) Act, 1992, empowers the PRIs to perform functions related to 29 subjects listed in Eleventh Schedule of the Constitution of India. Central FCs and the State FCs had emphasised the need for complete transfer of funds, functions and functionaries to the PRIs for meaningful devolution.

However, in Assam, there is little progress in transfer of funds, functions and functionaries to the PRIs. Activity mapping of 23 out of the 29 subjects⁴ was done (June 2007) by Government of Assam. However, orders for devolution were issued in respect of only seven⁵ subjects. Though seven subjects were notified to be transferred, no function had been transferred to PRIs as of December 2024 and line Departments and other agencies working parallel to PRIs, are performing those functions.

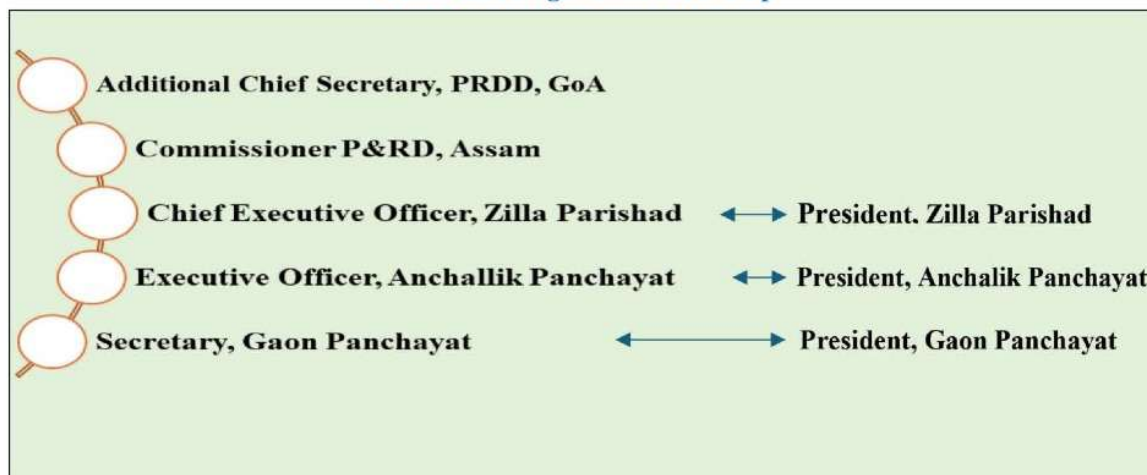
⁴ Activity mapping for six subjects, viz., (i) Maintenance of community assets; (ii) Markets and fairs; (iii) Libraries; (iv) Technical training and vocational education; (v) Non-conventional energy sources; and (vi) Rural housing was not done.

⁵ (i) Agriculture, including agricultural extension; (ii) Land improvement, implementation of land reforms, land consolidation and soil conservation; (iii) Animal husbandry, dairying and poultry; (iv) Adult and non-formal education; (v) Education, including primary and secondary schools; (vi) Khadi, village and cottage industries; and (vii) Rural electrification, including electricity distribution

2.3 Organisational setup of PRIs

The organisational set-up of PRIs is shown in **Chart 2.1**:

Chart 2.1: Organisational Set-up



The Additional Chief Secretary (ACS), Panchayat and Rural Development (P&RD) Department is the administrative head of the Department. The ACS is assisted by the Commissioner, P&RD in allocation of funds, overall control and supervision of functions and implementation of different schemes at the State level. The Chief Executive Officer (CEO) in ZP, the Executive Officer (EO) in AP and the Secretary in GP provide executive and administrative support in their respective organisation.

Accountability Mechanism and Financial Reporting

2.4 Formation of various Committees

2.4.1 Standing Committees

Sections 22, 52 and 81 of the AP Act, 1994 stipulate that PRIs shall constitute Standing Committees to perform functions assigned under the Act. Details of the constitution of the Standing Committees and their roles and responsibilities are given in *Appendix-2.1*.

2.4.2 District Planning Committee (DPC)

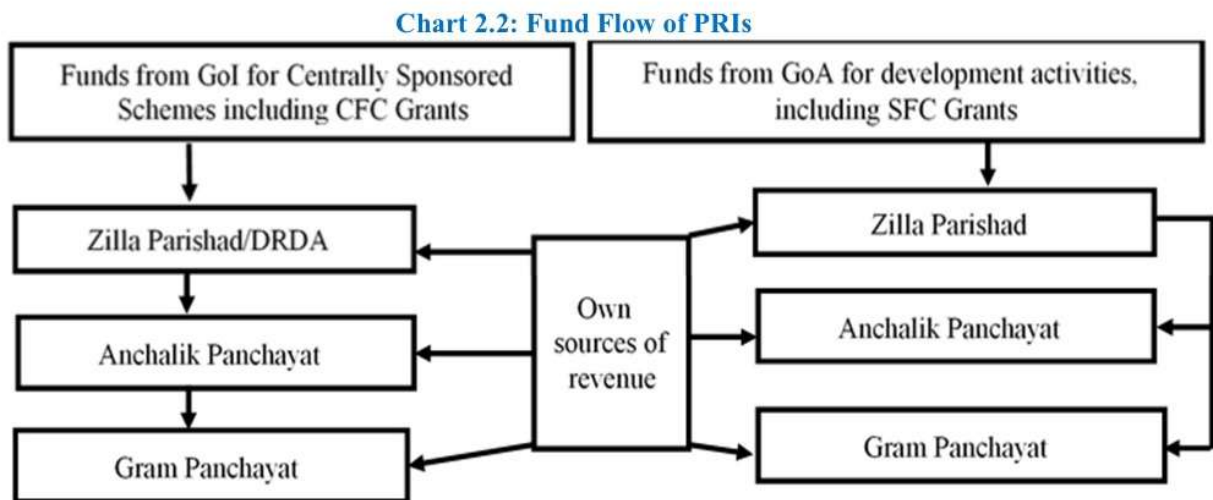
Article 243 ZD of the Constitution of India provides that the State Government should constitute a District Planning Committee (DPC), consisting of (i) members of the House of the People, who represent the whole or part of the district, (ii) members of the Assam Legislative Assembly; and (iii) number of persons, not less than four-fifth of the total number of members, from amongst the members of the ZP, to consolidate the plans prepared by the Panchayats in the district and to undertake integrated development of the district. Accordingly, Section 3 of the AP Act, 1994 and AP (F) Rules, 2002 framed thereunder, provide that the State Government shall constitute a DPC, with a tenure of one year, in every district. The Deputy Commissioner is a permanent invitee to the DPC of the district, while the President of the ZP is the Chairman and the CEO of ZP is the *ex-officio* Secretary of the DPC.

The Commissioner, P&RD, Assam stated (November 2024) that DPCs were constituted by all districts, which approves the annual Gaon Panchayat Development Plan, Anchalik Panchayat Development Plan and District Panchayat Development Plan prepared by the PRIs concerned and that the said development plans are available in the *eGramSwaraj* web portal.

In respect of three districts selected for District-Centric Audit, it was observed that the DPC was constituted, and meeting was held in Tinsukia and Jorhat but no meeting of the DPC was held in Kamrup (Metro) district. Though Zilla Parishads prepared Annual Action Plans for various programmes, a consolidated District Plan was not prepared in advance for the year.

2.5 Source of Funds

The main sources of income for Local Bodies in the State are the funds released by GoI/ GoA under various Centrally Sponsored Schemes (CSS), FC grants, State Finance Commission (SFC) grants and State Government schematic grants. In addition, PRIs also mobilise revenue from their own sources, such as taxes, rents, license fees, *etc.* **Chart 2.2** shows the flow of funds in PRIs:



The receipts of Local Bodies, from all sources, during 2019-20 to 2023-24, are shown in **Table 2.2**.

Table 2.2: Time series data on resources of PRIs

		(₹ in crore)					
	Heads	2019-20	2020-21	2021-22	2022-23	2023-24	Total
1	GoI Grants for CSS	2106.30	2751.89	2869.03	12378.99	5289.16	25395.37
2	CFC transfers (Finance Commission devolution)	164.11	1337.12	988.66	1023.68	522.73	4036.30
3	Grants from State's Own Priority Development (SOPD) fund	609.92	727.96	537.13	517.79	497.06	2889.86
4	SFC transfers (State Finance Commission Devolution)	0.74	0	66.84	144.55	81.65	293.78
5	Own revenue	55.44	62.40	44.84	42.30	54.30	259.28
6	Other receipt	0	20.45	3.03	1.68	--	25.16
Total		2936.51	4899.82	4509.53	14108.99	6444.90	32899.75

Sources: Information received from CPRD



Chart 2.3 depicts the poor augmentation of own revenue compared to total resources of the PRIs.

It was observed that own source of revenue of the PRIs during the period 2019-20 to 2023-24 could not cross even 2 per cent of the total

resources with most of the resources coming from CFC grants and funds provided by GoI for implementation of Centrally sponsored Schemes. The continuous low share of own sources of revenue of PRIs indicates lack of initiative by PRIs to enhance self-reliance and reduce dependence on the Government Grants.

The following **Table 2.3** shows the application of resources by the PRIs during the period 2019-20 to 2023-24.

Table-2.3: Application of resources-PRIs

(₹in crore)

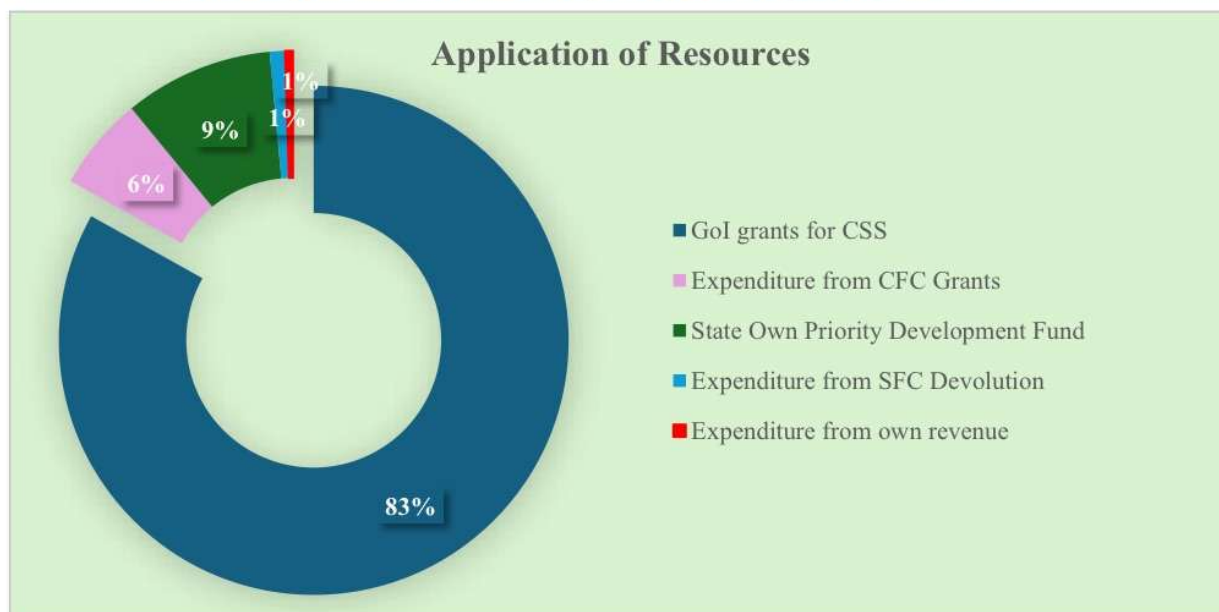
Sl. No	Head	2019-20	2020-21	2021-22	2022-23	2023-24	Total
1	GoI grants for CSS	2106.03	2751.89	2869.03	12378.99	5289.16	25395.10
2	Expenditure from CFC transfers	164.11	2.10	233.62	898.09	522.73	1820.65
3	State Own Priority Development Fund	609.92	727.96	537.13	517.79	497.06	2889.86
4	Expenditure from SFC transfers (SFC Devolution)	0.74	0	66.84	144.55	81.65	293.78
5	Expenditure from own revenue	32.27	36.69	18.23	14.32	54.30	155.81
Total		2913.07	3518.64	3724.85	13953.74	6444.90	30555.20

Source: Information received from CPRD, C&AG Report & eGramSwaraj data.

The Panchayati Raj Institutions (PRIs), while primarily serving as the implementing agencies for Centrally Sponsored Schemes (CSS) and State Sector Schemes (SSS), relied on funding from external sources, as their own revenues constituted only a minuscule portion of the total funds during the five-year period 2019-2024.

The following **Chart 2.4** represents an overall picture of application of resources by the PRIs during 2019-20 to 2023-24.

Chart 2.4: Application of resources by the PRIs during 2019-20 to 2023-24



2.6 Recommendations of the State Finance Commission (SFC) and utilisation of SFC Funds

The State Finance Commission (SFC) in Assam, established under Articles 243-I and 243-Y of the Indian Constitution, reviews the financial status of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and makes recommendations to the state government to improve their fiscal health. Key recommendations typically cover the distribution and assignment of state taxes, duties, tolls, and fees, the quantum of grants-in-aid, measures to enhance the financial position of local bodies, and other relevant financial matters. Assam has had six SFCs so far⁶, each with specific recommendations. Funds devolved based on SFC recommendations are intended for essential services, developmental activities, salaries and operational costs, infrastructure development, specific projects, and capacity building in PRIs and ULBs. The status of devolution of SFC funds to the PRIs are depicted in the **Table 2.4** below.

Table 2.4: SFC fund devolution of PRIs

Sl No.	Year	Net proceeds of Tax Revenue of State Government	Funds to be devolved	Funds devolved	Short devolution (Per cent in bracket)
1	2019-20	16528.69	155.59	0.74	154.85 (99)
2	2020-21	17133.61	325.08	0	325.08 (100)
3	2021-22	19533.10	358.78	66.84	291.94 (81)
4	2022-23	24502.02	417.77	144.55	273.22 (65)
5	2023-24	28020.00	647.03	82.55	564.48 (87)

Source: Information provided by CPRD

It can be seen from the above table that there was constant short devolution (65 to 100 per cent) of SFC funds by the Government during the period 2019-20 to 2023-24. The timely and

⁶ The Seventh Assam State Finance Commission is still in place and is yet to submit its Report

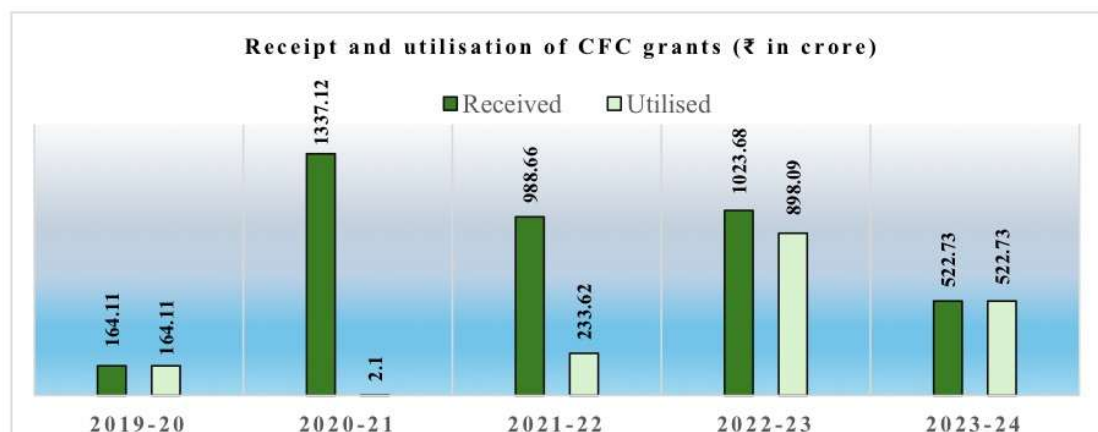
effective utilisation of SFC funds was crucial for strengthening local governance and ensuring that the benefits of these resources reach the grassroots level in Assam.

2.7 Recommendations of the Central Finance Commission (CFC) and utilisation of CFC Funds

The Central Finance Commission (CFC) is a constitutional body that recommends the distribution of financial resources between the Union and State governments, including grants to local bodies (PRIs and ULBs). For Assam, the CFC, such as the 15th Finance Commission (2021-2026), specifies the state's share in central taxes and various grants-in-aid.

The CFC grants for local bodies were transferred to PRIs and ULBs for basic services and infrastructure, with monitored utilisation. Sector-specific and special grants had to be used for their intended purposes according to central guidelines. The receipt and utilisation of CFC grants by the PRIs is depicted in Chart 2.5 below:

Chart 2.5: Receipt and Utilisation of CFC Grants by the PRIs



It can be seen from the above chart that the utilisation of the CFC grants by the PRIs fell short substantially. As against ₹4036.30 crore received during the five-year period, only ₹1820.65 crore (45 per cent) could be utilised by the PRIs.

2.8 Maintenance of Records

2.8.1 Non-maintenance of basic records

Though there is a provision in the *eGramSwaraj* for generating reports related to creation of assets, the same was not generated by any PRI. As the asset registers were not maintained, the assets of the PRIs could not be monitored, thereby leaving possibility for misutilisation/mismanagement of assets. Further, as some of the assets like market sheds, multipurpose halls, burial ground, *etc.*, were revenue generating, the PRIs would not be able to keep track of revenue generated by such assets, leaving possibilities of misuse of assets and misappropriation of revenue generated from such assets.

Further, as per Rule 30(3) and Rule 16(1) of the AP(F) Rules, 2002, PRIs are required to maintain Stock Registers and Registers of Receipt Books. However, in 44 out of 204 PRIs audited during 2023-24, essential records including Asset Registers, Stock Registers, Registers of Receipt Books, Measurement Books and Cash Books were not maintained. In the selected

districts for DCA (Jorhat and Tinsukia), the Zilla Parishads, selected Anchalik Panchayats and Gaon Panchayats had also not maintained the Register of Receipt Books, resulting in the number of receipt books in circulation remaining unverifiable. Non-maintenance of such vital records increases the risk of misutilisation of materials and embezzlement/misappropriation of PRI revenues.

The Government should take immediate steps to instruct the PRIs to maintain the asset registers and fix responsibility on the concerned officer for non-maintenance of vital records.

2.8.2 Non-reconciliation of Cash Books

Rule 8 of the AP (F) Rules, 2002, requires that all money received and payments made, should be entered in the Cash Book which should be closed daily. Further, monthly closing of the Cash Book, physical verification of cash and reconciliation of Cash Book balances with bank balances, under proper authentication, are also to be carried out.

Out of 204 PRIs audited during 2023-2024, 196 PRIs had reconciled their cash book balance with bank balances. However, 11 PRIs⁷ did not reconcile the cash book balances with bank balances and hence discrepancies between Cash Book and Bank Pass book remained undetected.

Thus, non-compliance to reconcile the Cash Book, in terms of the provisions of the financial rules/ manuals, indicates irregularities in cash management.

The Government should take immediate steps to ensure regular reconciliation of balances by PRIs and to fix responsibility for any slippage in this matter.

2.9 Maintenance of Accounts by PRIs

The role, funds, and accountability of PRIs have increased over time, necessitating proper maintenance of accounts and prudent utilisation of public funds. Such diligence could be achieved only if the financial recording and reporting systems are well established and functional. Accordingly, Model Accounting System was introduced (October 2009) by the Comptroller and Auditor General of India on the recommendation of 11th FC.

Instances of Annual Accounts not being maintained by PRIs have been brought to the notice of State Government on several occasions through Inspection Reports and Annual Technical Inspection Reports/Audit Reports.

Examination of accounts of the selected APs & GPs showed that the PRIs did not maintain accounts as per formats prescribed under Rule 49 of the PRI Act. The ZP prepared only Programme wise Annual Accounts (Receipt & Payment Accounts, Income and Expenditure and Balance Sheet) with consolidation of AP and GP level data for receipt and payments only.

⁷ Barpeta ZP, Dhubri ZP, Kakopathar AP, Agomani AP, Singitoli GP, Borsil GP, Dhinerchar Tarangapur GP, Baraibari GP, Bordolong GP, Latak GP and Barunitara Botordal GP.

APs and GPs were not preparing Receipt & Payment, Income & expenditure and Monthly accounts.

Audit also observed in PRIs audited during 2023-24 that, cash book is maintained manually but subsidiary register has not been maintained in any of the selected PRIs. Most of the cash books of units were not updated and authenticated by the DDO. Moreover, Construction Committees under 14th and 15th FC did not maintain cash book. Besides, Construction Committees did not finalize their account after completion of the schemes.

Receipt & Payment Accounts, Income and Expenditure Accounts, and Balance Sheet etc. are prepared only at the ZP level and certified by the CA. However, neither the APs nor the GPs prepared any of the accounts mentioned above. Prescribed format for maintenance of accounts (Forms 1 to 8) by the CAG and the PRI Act were not maintained by any of the PRI unit in the districts.

This indicated that PRI units in the districts did not adhere to the rules & regulations of the PRI Act and instruction of the Government.

2.10 Audit of Accounts maintained by PRIs

2.10.1 Primary Auditor

The Director of Audit, Local Fund (DALF), Assam, established under the Assam Local Funds (Accounts & Audit) Act, 1930 is the Primary Auditor of all tiers of PRIs in the State. The Directorate is responsible for (i) carrying out the Audit of Local Funds with the help of 20 circle offices, each of which was headed by an Assistant Director to perform audit functions at the district level; and (ii) facilitating submission of Audit Reports of administrative departments. The audit must be conducted in conformity with the Assam Audit Manual, as also the relevant Government Rules and Amendments thereto, issued by the Government from time to time.

2.10.1.1 Audit coverage by the DALF

There were arrears in the audit of PRIs by the DALF, during the period 2019-20 to 2023-24, ranging between 51 and 63 *per cent*. Year-wise position of units to be audited, and those actually audited, are detailed in **Table 2.5**.

Table 2.5: Coverage of PRI units planned for audit by DALF in respect of PRIs

Year	No. of units planned for Audit	No. of units audited	Shortfall vis-à-vis plan (<i>per cent</i>)
2019-20	1,105	471	634 (57.37)
2020-21	1,031	501	530 (51.40)
2021-22	1,105	545	560 (50.68)
2022-23	1,105	456	649 (58.73)
2023-24	1,217	452	765(62.85)

Source: Information furnished by DALF, Assam

The DALF stated (September 2024) that the shortfall in audit coverage was due to high vacancies of Audit personnel, huge number of other accounts to be audited as per Annual Audit Action Plan, engagement of audit personnel in specially entrusted accounts by the Government from time to time, election duty, *etc.*

Shortfall in coverage of audit by DALF has affected the accountability mechanism of PRIs in Assam.

2.10.1.2 Submission of Annual Audit Report by DALF

As per paragraph 101 (i) of the Assam Audit Manual, the DALF is required to send an Annual Audit Report to the Finance Department, by 30 September each year, incorporating major audit objections relating to Local Bodies, which are pending for settlement, for further action by the Finance Department. The DALF has so far submitted Audit Reports covering the period from 2010-11 to 2022-23. The status of submission of Audit Reports by DALF to the Government is shown in **Table 2.6**.

Table 2.6 Audit Reports submitted by DALF to the Government

Sl. No.	Audit Report for the year	Submitted to Government	Laid before Legislature
1	2010-11 and 2011-12	21 March 2013	10 February 2014
2	2012-13 and 2013-14	07 December 2014	19 December 2014
3	2014-15	13 November 2015	04 February 2016
4	2015-16 and 2016-17	30 October 2021	12 September 2022
5	2017-18 and 2018-19	30 May 2022	12 September 2022
6	2019-20 and 2020-21	14 December 2022	10 March 2023
7	2021-22	02 September 2023	11 September 2023
8	2022-23	23 August 2024	30 August 2024
9	2023-24	Yet to be submitted	-

Source: Information furnished by DALF, Assam

However, follow-up action and Action Taken Reports by the Finance Department on the Annual Consolidated Audit Reports of the DALF remained pending, resulting in weakening of the accountability mechanism for the PRIs.

2.10.2 Audit by Comptroller and Auditor General of India

Comptroller and Auditor General of India (CAG) conducts audit of substantially financed Local Bodies under Section 14 (1) of CAG's (DPC) Act, 1971 and audit of specific Grants to Local Bodies under Section 15 of the Act *ibid*. The audit of Local Bodies of Assam is also conducted by CAG under Section 20 (1) of the Act, as per the Technical Guidance and Support (TGS) arrangements as entrusted by the Government of Assam in May 2002. The State Government accepted the Standard terms and conditions of TGS (May 2011), in line with recommendations of the 13th FC.

2.10.3 Response to Audit Observations

Inspection Reports (IRs) were issued by the office of the Accountant General (Audit), Assam to the PRI authorities concerned with a copy to the State Government. PRI authorities are required to provide responses to the audit findings contained in the IRs within a period of four weeks from the date of receipt of IRs. Important audit findings were also reported to the Government through the Audit Reports on Local Bodies/ Local Governments. The details of outstanding paragraphs of the last five years in respect of PRIs (as of March 2024), are shown in **Table 2.7**.

Table 2.7: Details of outstanding IRs and paragraphs in respect of PRIs

Year of Issue	No. of Inspection Reports	No. of outstanding Paras	Money Value of audit objection (₹ in crore)	First reply furnished
2019-20	8	92	155.90	0
2020-21	3	89	329.01	0
2021-22	67	411	155.61	3
2022-23	131	808	389.50	3
2023-24	172	1013	266.05	Nil
Total	381	2413	1296.07	6

Source: Progress Register

Thus, 2413 paragraphs pertaining to the period 2019-2024, with a monetary value of ₹1296.07 crore, were pending for settlement (March 2024) for want of replies/ compliance from the PRIs concerned. Even the first reply had not been received for 2407 paragraphs (99.75 per cent) out of 2413 paragraphs. This was indicative of the fact that the PRIs were reluctant in responding to the Audit observations and initiating corrective measures. The administrative heads of the departments concerned also did not ensure that the concerned officers of the PRIs took prompt and timely action in furnishing replies to IRs, which has resulted in weakening of the accountability mechanism of PRIs in Assam.

2.11 Grievance redressal mechanism

As per Section 30, Schedule I of the MGNREG Act, the states are mandated to appoint an Ombudsman for each district for receiving grievances, enquiring and passing awards as per the guidelines of the Ministry. The Ombudsman is to act as an independent quasi-judicial authority for Local Self Government Institutions for conducting investigations and enquiries in respect of any complaints of corruption and maladministration and recommend suitable action.

However, the Assam Panchayat Act, 1994 does not provide for appointment of Ombudsman.

Further, the guidelines of Centrally Sponsored Schemes *viz.*, Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Pradhan Mantri Awas Yojana (PMAY), National Social Assistance Programme (NSAP), Mid-Day Meal, *etc.* specifically provide for social audit of these schemes. The primary objective of Social Audit (SA) is to bring the activities of PRIs under close surveillance of primary stakeholders i.e. the beneficiaries, to enable records and documents of PRIs accessible to public as this would promote transparency and accountability in the day-to-day functioning of ULBs.

The Assam Panchayat Act, 1994 also does not contain provisions for Social Audit to bring the activities of PRIs under close surveillance of the citizens to enable them to access the records and documents of PRIs as this would promote transparency and accountability in the day-to-day functioning of PRIs.

However, the GoA, under section 17(1) of the MGNREG Act, 2005, established (December 2016) the Assam Society for Social Audit/ Social Audit Unit, Assam (SAU) for functioning of the MGNREGS Audit of Scheme Rules 2011. Though SAU was conceptualised and created under the umbrella of MGNREGA, it was gradually assigned with audit/ evaluation of other schemes as well (*e.g.* National Social Assistance Programme, Pradhan Mantri Awas Yojana – Gramin, *etc.*).

Chapter III of this Audit Report discusses the Functioning of Social Audit Unit in Assam for the period from 2017-18 to 2023-24.