CHAPTER 2

Overview of Panchayati Raj Institutions

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2.1 Introduction

Panchayati Raj Institutions came into existence in Odisha from 1948, with the enactment of Odisha Gram Panchayat Act, 1948. Subsequently, the Odisha Panchayat Samiti and Zilla Parishad Act, 1959 was enacted in 1961 and the three-tier system of PRIs was established in the State. All these Acts were amended[6] in conformity with the 73rd CAA, 1992, for empowering the PRIs to function as institutions of self-government, to accelerate economic development and ensure social justice in rural areas.

The profile and demography of the rural population in the State are given in **Table 2.1.**

Table 2.1: Rural population in Odisha: key indicators

Indicators	State statistics	Unit
Area	1,55,707	Square km
Tehsils	317	Number
Total population (Census 2011)	419.74	Lakh
Per capita income (2022-23)	1.45	lakh
Rural population	83	*Per cent*
Rural sex ratio	989	Females per 1,000 males
Density	269	Persons/ Square km.
Male literacy	81.59	*Per cent*
Female literacy	64.01	*Per cent*
Rural literacy rate	70.22	*Per cent*
Scheduled Caste population	17.13	*Per cent*
Scheduled Tribe population	22.85	*Per cent*
Zilla Parishads	30	Number
Panchayat Samitis	314	Number
Gram Panchayats	6,794	Number

***Source**: Census of India 2011, Ministry of Statistics and Programme Implementation, GoI, and information furnished by the PR&DW Department, GoO*

2.2 Functioning of PRIs

Article 243 of the Constitution prescribes the powers, resources and responsibilities to be devolved to the elected rural Local Governments, by the State Governments. It enjoins the State Legislatures to enact laws/amend existing laws, devolving/ transferring the 29 subjects listed in the 11th Schedule

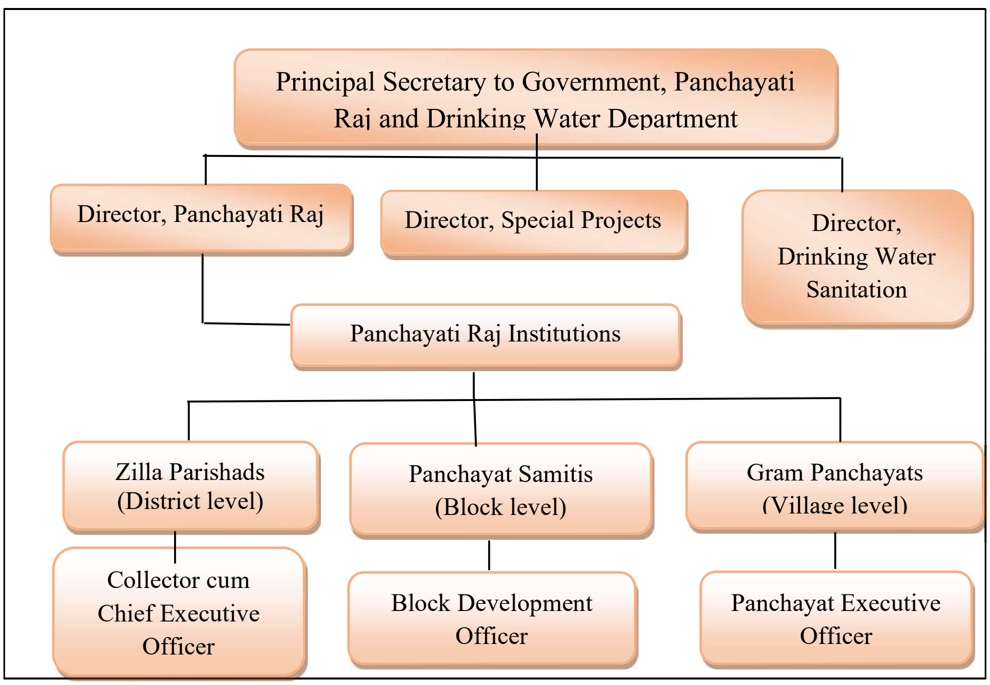
6 Odisha Gram Panchayat Act, 1964 amended by Odisha Act-3 of 2004, Odisha Panchayat Samiti Act, 1959 amended by Odisha Act 15 of 2003, Odisha Zilla Parishad Act, 1991 amended by Odisha Act - 21 of 1995

of the Constitution of India, to the PRIs, with the objective to empower them for grassroot level planning and implementation of the programmes for delivering basic services to the rural population. As of March 2023, out of the 29 functions, the State Government had transferred 21 functions (July 2003) to the PRIs, as detailed in ***Appendix-2.1*** and the remaining eight[7] functions were yet to be devolved to the PRIs. Further, there was partial devolution of the subjects at Sl.No. 2 of the 11th Schedule i.e. 'Land improvement, implementation of land reforms, land consolidation and soil conservation', as only 'soil conservation' function was devolved to the PRIs. Subsequently, the State Government had mapped various activities of 17 functions with the PRIs. The PRIs largely depended on Government grants, as they were not empowered to levy, collect and appropriate taxes, duties, tolls, except in case of GPs. Productive assets of Departments related to devolved functions were not handed over to the PRIs. The PRIs had no power to recruit and control their own functionaries for discharging their assigned duties. The effect of the devolution of functions has been discussed in **Chapter-3** of this Report.

2.3 Organisational Setup of PRIs

PRIs are classified into three tiers, viz. ZPs, PSs and GPs. The organisational setup of the PRIs is indicated below.

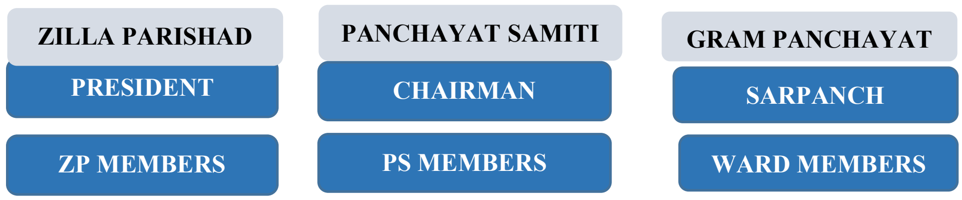
Chart: 2.1: Hierarchy of functionaries of PRIs



7 Social forestry and farm forestry, Small scale industries including food processing industry, Khadi, village and cottage industry, Fuel and fodder, Rural electrification, including distribution of electricity, Technical training and vocational education, Libraries, Cultural activities

The setup of the elected Governments of the PRIs, is as follows:

Chart: 2.2: Hierarchy of elected representatives of PRIs



All three tiers of PRIs function under the administrative control of the Panchayati Raj & Drinking Water (PR&DW) Department, headed by its Principal Secretary. He/She is assisted by the Director, Panchayati Raj; Director Special Projects; and Director, Drinking Water & Sanitation, at the State level.

Each of the 30 districts of the State has a ZP. It is managed by an elected government, headed by a President, who is elected from amongst the elected representatives of the ZP. The District Collector acts as the *ex-officio* Chief Executive Officer (CEO) of the ZP. The Chief Development Officer-cum-Executive Officer (CDO cum EO) is the Head of ZP for discharging the day-to-day administrative functions of the ZP.

The PS, functioning at the Block level, is managed by an elected government, headed by a Chairman. The Chairman is duly elected from amongst the elected representatives of the PS. The Block Development Officer (BDO) acts as the executive head of the PS.

At the GP level, the elected members, headed by a Sarpanch, constitute the GP. The Panchayat Executive Officer (PEO) discharges his/her duties under the supervision of the Sarpanch. He/She is responsible for general superintendence and overall control of the GP.

The sanctioned strength, vis-a-vis the persons-in-position, in the PSs and GPs of the State, as of March 2023, are shown in ***Table 2.2***.

Table 2.2: Sanctioned strength vis-a-vis persons-in-position, in PSs and GPs

Post	Sanctioned strength	Persons-in-position	Vacancies
BDO	314	303	11
Additional Block Development Officer	344	203	141
Junior Engineer	2,289	1,678	611
Gram Panchayat Technical Assistant	51	51	0
PEO	6,794	4,243	2,551
Accountants-cum-Data Entry Operator	7,142	3,685	3,457

***Source**: information collected from the PR&DW Department*

2.4 Formation of various committees

For efficient discharge of its functions, the PRIs are to constitute, seven Standing Committees, viz. (i) Planning, Finance, Anti-Poverty Programmes and Co-ordination (ii) Agriculture, Animal Husbandry, Soil Conservation, Horticulture, Watershed Development and Fisheries (iii) Works, Irrigation, Electricity, Drinking Water Supply and Rural Sanitation (iv) Health and Social Welfare (including Women and Child Development) (v) Public Distribution System, Welfare of Weaker Sections, Forests, Fuel and Fodder (vi) Handicrafts, Cottage Industry, Khadi and Village Industries and Rural Housing (vii) Education, Sports and Culture. These committees are constituted, under respective Rules of the Odisha Gram Panchayats (Constitution of Standing Committees) Rules, 2002, the Odisha Panchayat Samiti (Constitution of

Standing Committees) Rules, 2002 and the Odisha Zilla Parishad (Constitution of Standing Committees) Rules, 2000. The Chairperson and the Secretary of each Standing Committee are elected from among the elected representatives.

Further, as per the Odisha District Planning Committees Act, 1998, District Planning Committees are constituted to consolidate the plans prepared by the PRIs and ULBs in the district and to prepare a draft development plan for the district as a whole.

Further, Ministry of Rural Development (MoRD) issued (July 2016) guidelines for the formation of the District Development Coordination and Monitoring (Disha) Committee, at the State and District level. The Disha Committees, at the State and District levels, are expected to: (i) ensure the quality of expenditure (ii) bring about optimization of public funds spent under different programmes (iii) monitor the implementation of various programmes, in accordance with prescribed guidelines, and (iv) promote synergy and convergence of different programmes.

During the FY 2022-23, no Disha meetings were held at the State level. At the district level, against the required four meetings, two districts had conducted three meetings, fifteen districts had conducted two meetings each, ten districts had conducted one meeting each, and three districts had not conducted any meeting.

Accountability Mechanism and Financial Reporting

2.5 Sources of Funds

The main sources of funds, of the PRIs in the State, are from the Government of India (GoI) grants, through various Centrally Sponsored Schemes (CSSs) *viz.* i) MGNREGS, ii) PMAY-G, iii) NRLM, iv) SBM-G, *etc.* Further sources are the grants received as per the recommendations of the SFCs and the CFCs. Funds are also received under State sponsored schemes, viz. BASUDHA, AGAB, etc. Apart from these, PRIs also generate revenue from their own sources as authorised under their respective Acts.

The receipt and expenditure of funds by the PRIs under various schemes of the GoI and Government of Odisha (GoO), are given in **Tables 2.3 and 2.4.**

Table 2.3: Receipt of funds by the PRIs during FYs 2018-23

(₹ in crore)

Year	CFC	SFC	Schemes[8]	Own Revenue	Total
2018-19	1,768.44	1,705.81	7,992.15	44.26	**11,510.66**
2019-20	2,389.54	1,806.28	7,719.16	42.36	**11,957.34**
2020-21	2,258.00	2,490.43	8,302.74	43.33	**13,094.50**
2021-22	1,669.00	2,559.95	12,294.51	54.59	**16,578.05**
2022-23	1,728.00	2,599.91	14,210.55	70.09	**18,608.55**

***Source**: information from the PR&DW Department*

As evident from **Table 2.3**, the receipt of funds by PRIs showed an increasing trend over the period 2018-19 to 2022-23. Total receipts increased from ₹11,510.66 crore in 2018-19 to ₹18,608.55 crore in 2022-23, registering a growth of 62 *per cent* over five years. The increase was mainly attributable to higher allocations under State-sponsored schemes and grants released under the recommendations of the Central and State Finance Commissions.

Further, it was observed that although the own revenue component remained minimal in the overall fund structure, it showed marginal improvement from

8 MGNREGS, PMAY-G, NRLM, SBM-G, AGAB and BASUDHA

₹44.26 crore in 2018-19 to ₹70.09 crore in 2022-23. This highlights the continued dependence of PRIs on external grants and the limited efforts towards strengthening internal revenue mobilisation.

Table 2.4: Expenditure from different scheme funds during FYs 2018-23

(₹ in crore)

Year	CFC	SFC	Schemes	Own Revenue	Total
2018-19	1,768.44	1,645.25	7,992.15	Not furnished by the PR &DW Department	**11,405.84**
2019-20	2,389.54	1,762.12	7,719.16		**11,870.82**
2020-21	2,258.00	2,461.54	8,302.74		**13,022.28**
2021-22	1,669.00	2,533.55	10,424.26		**14,626.81**
2022-23	1,728.00	2,675.13	12,412.24		**16,815.37**

***Source**: information from the PR&DW Department*

Analysis of **Table 2.4** indicates that the overall expenditure by PRIs also increased from ₹11,405.84 crore in 2018-19 to ₹16,815.37 crore in 2022-23, reflecting an overall growth of 47 *per cent* during the same period. However, it was noticed that while the expenditure pattern generally kept pace with the increase in receipts, there remained a significant unutilised portion of available funds, particularly in the later years. For instance, during 2022-23, while ₹18,608.55 crore was received, the expenditure incurred was ₹16,815.37 crore, indicating a gap of ₹1,793.18 crore (9.63 *per cent* of total receipts).

2.6 Recommendations of the 5th SFC

The 5th SFC (2021-26) had endeavoured to assist and advise the State Government in developing the lowest tier of democratic institutions, as responsible local government. Its recommendations related to measures for strengthening the resource base of the Local Bodies, to help them evolve into responsible units of Local Self Governance. The recommendations of the 5th SFC (2021-26) were grouped into the following four broad heads:

1. Transfer of funds;
2. Institutional strengthening;
3. Measures needed to enhance the own source of revenue of Local Bodies; and
4. General issues.

The State Government had accepted the following major recommendations of the 5th SFC with modifications.

- The 5th SFC had given its recommendations for the year 2020-25. But, to synchronise with the period of 15th CFC (First Report for 2020-21 and final Report for 2025-26), Government extended the recommendations of 5th SFC to additional one year i.e. up to 2025-26.
- State Government accepted the 5th SFC recommendations on Devolution of Fund and Assignment of Taxes to the PRIs at the same rate for the years 2020-25 and for the extended year 2025-26.
- For Grants-in Aid, Government had divided the recommended amount of five years (2020-25) in six years (2020-26).
- While the 5th State Finance Commission recommended that all funds be untied, the State Government adopted a 50:50 ratio between tied and untied grants. Tied grants are to be used for drinking water, sanitation, solid waste management, etc., while untied grants are for providing basic services.

- The SFC allocated funds for District Data Centre for PRIs. But, Government made it at State level, with provision for each district level PRIs.
- As per SFC recommendations, a special supplement to the Budget document, detailing the transfer of funds to the Local Bodies, is presented with each Budget.

The total resource transfer (from State resources) to PRIs, recommended by the 4th and 5th SFCs, for the FYs 2018-23, is given in ***Table 2.5***.

Table 2.5: Resource transfer as per recommendations by the SFCs

(₹ in crore)

Year	Recommendation	Transfer	Short Transfer
2018-19	1,705.81	1,645.25	60.56
2019-20	1,806.28	1,762.12	44.16
2020-21	2,490.43	2,461.54	28.89
2021-22	2,559.95	2,533.55	26.40
2022-23	2,599.91	2,675.13	-

***Source**: Reports of the 4th and 5th SFCs*

As evident from ***Table 2.5***, during the FYs 2018-23, there were consistent shortfalls in the transfer of funds recommended by the SFCs ranging from ₹26.40 crore to ₹60.56 crore, annually. However, in 2022-23, the actual transfer exceeded the recommended amount by ₹75.22 crore.

2.7 Recommendations of the CFCs and Utilisation of CFC funds

Year-wise allocation of grants to Odisha, as recommended by the 14th and 15th CFCs, is given in ***Table 2.6***.

Table 2.6: Resource transfer as per recommendations by the CFCs

(₹ in crore)

Year	Recommendation	Transfer
2018-19	1,768.44	1,768.44
2019-20	2,389.54	2,389.54
2020-21	2,258.00	2,258.00
2021-22	1,669.00	1,669.00
2022-23	1,728.00	1,728.00

***Source**: 14th and 15th CFC Reports and information from PR&DW Department*

2.8 Maintenance of Records

The Odisha ZP Rules, 2001, Odisha Panchayat Samiti Accounting Procedures (OPSAP) Rule, 2002, Odisha GP Rules, 2014 provide for preparation of reports and maintenance of various records. The status of maintenance of records by the PRIs is as follows.

(a) The PRIs had submitted the following reports to their next level of authorities intimating financial and physical progress of the activities.

1. Monthly, quarterly, half yearly and annual progress reports
2. Utilisation Certificate
3. Annual physical verification Report of Stocks/Stores
4. Annual Action Plan

The PRIs had maintained the following records for recording financial transactions and other physical activities.

1. Cash Book
2. Book of Drawals
3. Bill Register

4. Asset Register
5. Stock Register
6. Grant-in-Aid/Allotment Register
7. Vehicle Logbook
8. Advance Register

2.9 Maintenance of Accounts by PRIs

The Accounts of ZPs and PSs are prepared by the respective ZPs and PSs and Chartered Accountants are engaged for the maintenance of GP Accounts. Accounts of the PRIs are certified by the Director, Local Fund Audit, as per Rule 20 (h) of the Odisha Local Fund Audit Rules, 1951.
As of March 2023:

- All the accounts of 30 ZPs had been certified by DLFA up to the FY 2022-23.
- Out of 314 PSs, accounts of 307 PSs had been certified by DLFA up to the FY 2022-23
- Out of 6,794 GPs, accounts of 1,683 GPs had been certified by DLFA up to the FY 2022-23

Further, online audit for grants released under the CFC up to the FY 2022-23 were conducted for all 30 ZPs, 314 PSs, and 6,794 GPs, and the audit reports were uploaded onto the "Audit Online" portal.

To strengthen e-Governance in PRIs, MoRD launched (April 2020) e- Gram Swaraj based on Model Accounting System, a simplified work-based accounting application. Through e-Gram swaraj, the annual accounts of all the funds received from various sources are prepared. As of March 2023, all the PRIs in Odisha had uploaded their vouchers in e-Gram Swaraj.

2.10 Audit of Accounts maintained by PRIs

2.10.1 Audit by DLFA

The DLFA, as the primary Auditor of PRIs, conducts audit of PRIs of the State, through 26 District Audit Offices. The status of audit of PRIs, by DLFA, as of March 2023, is given in **Table 2.7**.

***Table 2.7*: Status of audit of PRIs by DLFA, as of March 2023**

Year	Total number of PRIs planned for audit			Total number of PRIs audited			Shortfall *(percentage)*		
	GP	PS	ZP	GP	PS	ZP	GP	PS	ZP
2020-21	3,762	314	30	2,543	304	27	1,219 *(32)*	10 *(3)*	3 *(10)*
2021-22	590	273	30	493	257	30	97 *(16)*	16 *(6)*	0 *(0)*
2022-23	1683	307	30	1683	307	30	00	00	0

***Source*: information furnished by the Director, Local Fund Audit, Odisha**

2.10.2 Audit by C&AG of India

The Principal Accountant General (Audit-1) has conducted test check of 67 IRs of PRIs issued by the DLFA and suggested for inclusion of following issues in the IRs.

- Remittance of Government revenue realized from various bills;
- Analysis of idling assets and loss of revenue to PRIs;
- Prompt assessment, collection of revenue;
- Economic preparation of the work estimates as per Schedule of Rates;
- Loss to Government due to non-compliance with Government instructions;
- Availability of genuine vouchers for each payment;
- Comparison of Cash Books with supporting vouchers and other supporting records;
- Compliance to codal provisions in execution of works.

2.11 Social Audit

The State has established an independent Social Audit Unit, namely, the Odisha Society for Social Audit Accountability and Transparency (OSSAAT). As of March 2023, the OSSAAT was operating with one Director and five Social Audit Experts. Additionally, there were 30 District Resource Persons at the district level, 309 Block Resource Persons at the PS level and 9,592 Village Resource Persons at the GP level. During the financial year 2022-23, 29,621 Social Audits were conducted at the GP level, twice annually, for MGNREGS works and other social security programmes. The major findings included 3,551 cases of Financial Misappropriation, 9,118 cases of Financial Deviation and 17,034 cases on Process Violations.