

CHAPTER I

SECTION 'A' AN OVERVIEW OF PANCHAYATI RAJ INSTITUTIONS

1.1 Background

The 73rd Constitutional amendment gave constitutional status to Panchayati Raj Institutions (PRIs) and established a system of uniform structure, holding of regular election, regular flow of funds through Finance Commission, etc. As a follow up, the States are required to entrust these bodies with such powers, functions and responsibilities so as to enable them to function as institutions of self-government. In particular, the PRIs are required to prepare plans and implement schemes for economic development and social justice including those enumerated in the Eleventh Schedule of the Constitution.

Post 73rd Constitutional amendment, the Government of Tripura enacted the Tripura Panchayats Act, 1993 with a view to establish three tiers Panchayati Raj system which would enable them to function as local self government at the Village, Block and District levels.

The number of PRIs under each tier in the State as of March 2012 is shown in **Table 1.1** below:

Table 1.1: Category- wise PRIs in Tripura.

Sl. No	PRIs	Number of PRIs
1	Zilla Parishad	04
2	Panchayat Samiti	23
3	Gram Panchayat	511

1.2 State profile

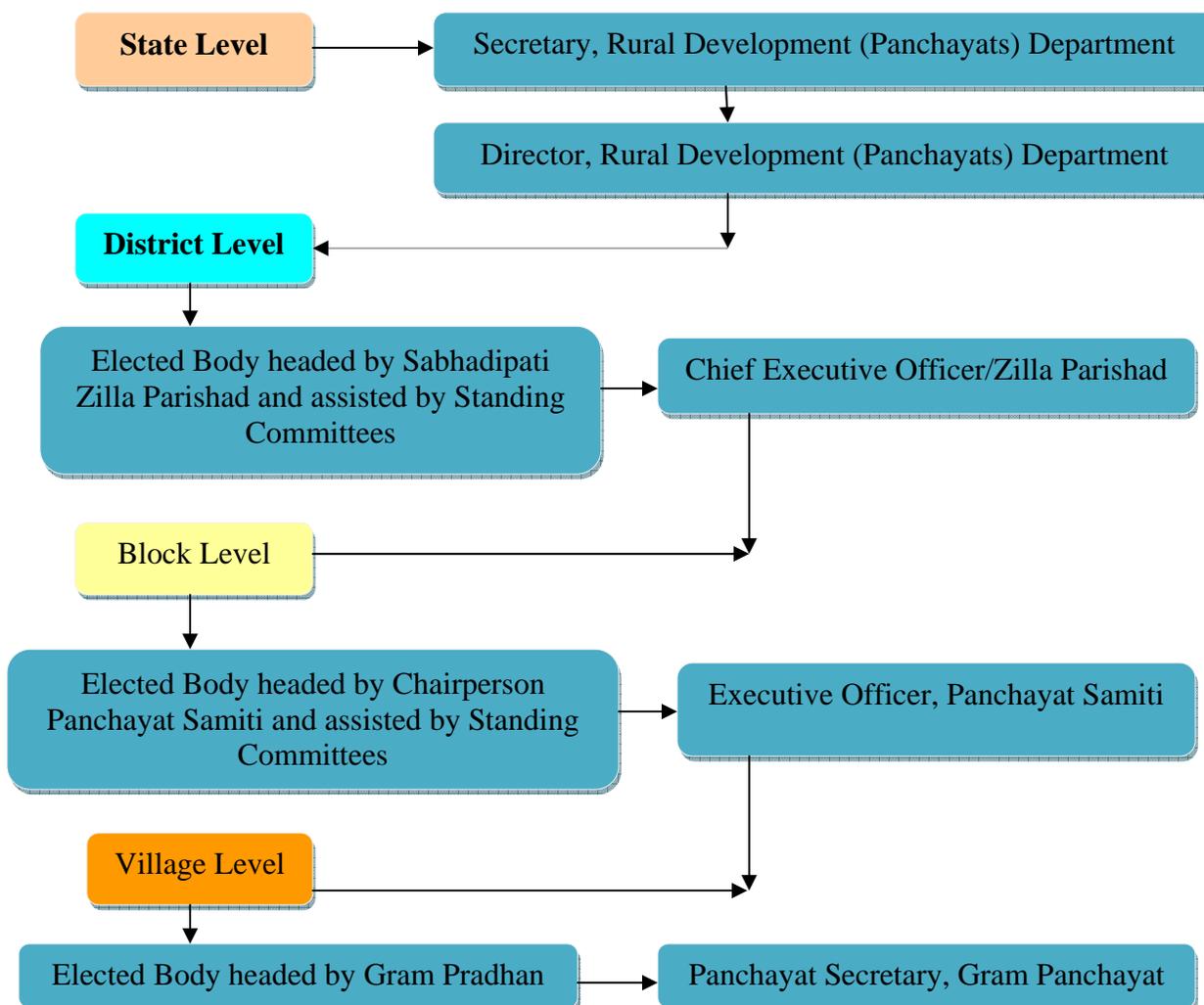
Tripura, a State in North East India, became a full-fledged State of the Indian Union on 21 January 1972. It is the third smallest State in the country and covers an area of 10,491.69 sq. km. Out of this total area, 7132.56 sq. km (68 *percent* of the State) comes under the Tripura Tribal Areas Autonomous District Council (TTAADC) set up under Sixth Schedule to the Constitution of India. Tripura is a land-locked State, surrounded by Bangladesh on its North, South and West. The length of its international border is 856 km (84 *percent* of its total border), while it shares a 53 km-long border with Assam and a 109

km-long border with Mizoram. In the North East, Tripura comes second to Assam in respect of population and population density. Important statistics of the State as per Census 2011 are shown in the **Table 1.2** below:

Table 1.2: State Statistics as per 2011 Census

Indicator	Nos./percentage
Total population	36,71,032
Percentage of decadal variation (2001-2011)	14.75
Male	18,71,867
Female	17,99,165
Sex ratio (female per 1000 male)	961
Density(per sq km)	350
Overall literacy rate (%)	87.80
Male literacy (%)	92.20
Female literacy (%)	83.20

1.3 Organizational structure of PRIs



1.3.1 Standing Committees

The Tripura Panchayats Act 1993 provides that Zilla Parishad (ZP) and Panchayat Samiti (PS) shall constitute standing committees to perform the assigned functions. The leadership of the committees is given in **Table 1.3** below:

Table 1.3: Leadership of the Standing Committees.

PRIs	Standing Committees	Leadership
ZP	(a) Finance, Audit & Planning Committee (b) Education, Environment, Cultural, Health and Sports Affairs Committee (c) Communication, Rural Electrification and Non Conventional Energy Committee (d) Industries including Cottage Industries and Sericulture Committee (e) Social Justice Committee (f) Agriculture, Food, Irrigation, Cooperation, Fishery and Animal Husbandry Committee (g) Poverty Alleviation etc. Committee	Sabhadhipati is the ex-officio President of the Finance, Audit & Planning Committee. Presidents of other committees are elected among the elected members.
PS	(a) Finance, Audit & Planning Committee (b) Education, Environment, Cultural, Health and Sports Affairs Committee (c) Communication, Rural Electrification and Non Conventional Energy Committee (d) Industries including Cottage Industries and Sericulture Committee (e) Social Justice Committee (f) Agriculture, Food, Irrigation, Cooperation, Fishery and Animal Husbandry Committee (g) Poverty Alleviation etc. Committee	Chairman of the PS is the ex-officio President of the Finance, Audit & Planning Committee Presidents of other committees are elected among the elected members.

Source: The Tripura Panchayats Act, 1993

The roles and responsibilities of the Standing Committees are given in **Appendix 1.1**.

1.4 Duties and Functions of PRIs

The Tripura Panchayats Act, 1993 prescribed various duties and functions for PRIs. Some of the important duties and functions are given below:

- (i) Preparation of Annual Action Plan.
- (ii) Promotion and development of agriculture and horticulture.
- (iii) Promotion of village plantation, social forestry and farm forestry.
- (iv) Irrigation including minor irrigation and water management.

- (v) Promotion of dairy farming, poultry and piggery.
- (vi) Development of pisciculture in private and community land.
- (vii) Implementation of poverty alleviation programmes.
- (viii) Any other local work or service of public utility.

1.5 Decentralised planning

In pursuance of Article 243 ZD of the Constitution of India and Section 222 of the Tripura Panchayats Act, 1993 the Government of Tripura constituted District Planning Committee (DPC) in the four districts in September 2008. The DPC consists of a Chairman, two Vice-Chairman and some other elected representatives in each district. The District Magistrate & Collector is the Member Secretary of the Committee.

The role and responsibility of the DPC is to consolidate the plans prepared by the Panchayats, Nagar Panchayats and the Sixth Schedule areas in the district as a whole. It is also empowered to take decisions on the development of the district. As per Section 222 of the Act, every DPC shall prepare draft development plan with regard to matters of common interest between the Zilla Parishads, the Panchayat Samitis, the Gram Panchayats, Notified Area authorities and Municipal authorities and other local authorities in the District including special planning, sharing of water and other physical and natural resources integrated development of infrastructure and environmental conservation and the extent and type of available resources whether financial or otherwise and consult such institutions and organizations as the Government may by order specify. The Chairman of every DPC shall forward development plans as recommended by such committee to the State Government. The DPC shall meet at least twice in a year.

Scrutiny of minutes of the meetings (dated 10.12.2010 and dated 12.01.2012) of DPC, Dhalai District revealed that the maximum allocation of funds under BRGF was made to the power sector for installation of electrical poles in 2010-11. During meetings, the DPC observed that the progress of the said works was very slow and fund could not be utilized to the desired extent. The DPC further observed that the Science, Technology & Environment Department also could not utilize the allotted fund. Accordingly, they had been directed to utilize the fund and submit utilization certificates immediately.

Thus, the review meetings of DPC in Dhalai District indicate that the functioning of DPC was effective. However, the status of functioning of DPCs in other districts though called for has not been furnished.

1.6 Financial profile

1.6.1 Fund flow to PRIs

The resource base of PRIs mainly consists of State Finance Commission (SFC) grants, Panchayat Development Fund (PDF) and Central Finance Commission (CFC) grants for development and maintenance purposes. Besides, the PRIs receive funds under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) outside the State budget. The own sources of funds in PRIs is meager as there is no tax revenue in the PRIs. The fund-wise source and its custody for each tier and the fund flow arrangements in flagship schemes are given in **Table 1.4** and **1.5** below respectively. The authorities for reporting use of funds in respect of ZPs, PSs and GPs are Chief Executive Officer, Executive Officer and Panchayat Secretary respectively.

Table 1.4: Fund flow mechanism in PRIs.

Name of Fund	Zilla Parishads		Panchayat Samities		Gram Panchayats	
	Source of fund	Custody of fund	Source of fund	Custody of fund	Source of fund	Custody of fund
Own receipts	Assesses and users	Bank	Assesses and users	Bank	Assesses and users	Bank
PDF	State Govt.	-do-	State Govt.	-do-	State Govt.	-do-
CFC	GOI	-do-	GOI	-do-	GOI	-do-
MGNREGS	GOI	-do-	GOI	-do-	GOI	-do-

Table 1.5 Fund flow arrangements in flagship schemes.

Sl. No.	Scheme	Fund flow
1	2	3
1	Central Finance Commission grants	Government of India transfers the fund to the State exchequer, which is released to the RD (Panchayats) Department. The RD (Panchayats) Department transfers the fund to the respective bank accounts of ZPs, PSs and GPs.
2	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	GOI and State Government transfer their respective share of MGNREGA funds to the District Programme Coordinators (DPC). DPC transfers the funds to ZPs, PSs and GPs.

The grants enjoin upon sanctioning authorities in Government of India (GOI) to ensure proper utilization of grant money. This is achieved through receipt of progress reports,

Utilization Certificates by the implementing agencies. Each sanction of grant contains certain conditions of grants-in-aid mentioned in General Financial Rules.

1.6.2 Resources: Trends and Composition

Table 1.6 below shows the trends of resources of PRIs for the period 2006-07 to 2010-11.

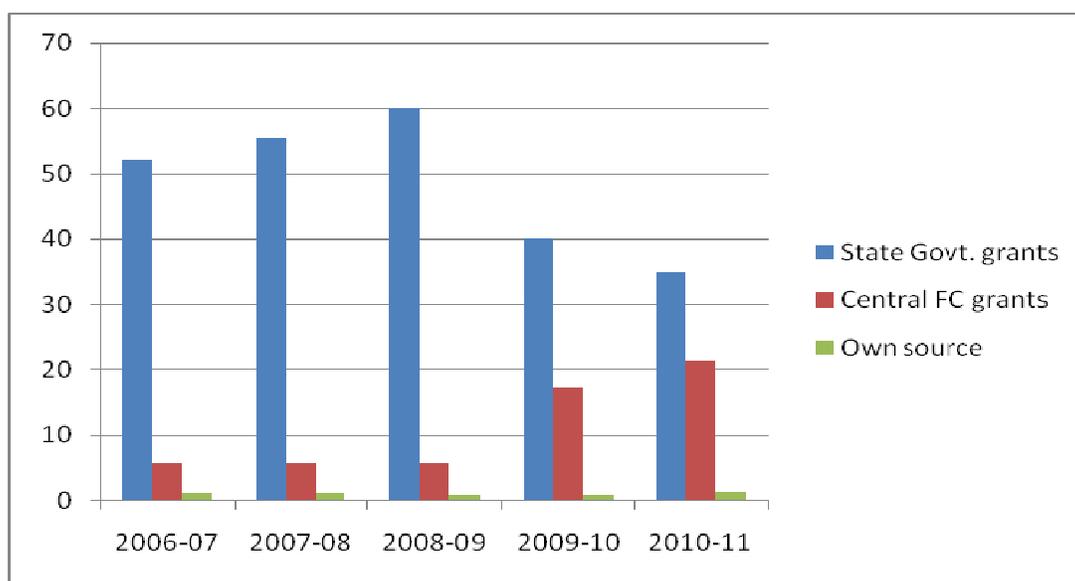
Table 1.6: Time series data on resources of PRIs.

Head	2006-07	2007-08	2008-09	2009-10	2010-11
State Govt. grants	52.00	55.33	60.00	40.00	34.93
Central FC grants	05.70	05.70	05.70	17.10	21.18
Own source	01.02	00.97	00.70	00.72	01.25
Total	58.72	62.00	66.40	57.82	57.36

(₹ in crore)

Source: Rural Development (Panchayats) Department

Chart No. 2



The above table/chart shows that grants from State Government has shown decreasing trend for last two years. Analysis of budget of the State Government revealed that the revised estimates for the year 2009-10 and 2010-11 were less than the actual of the preceding years. Hence, the grants during 2009-10 and 2010-11 were minimized to that extent. The declining trend coincides with the increasing devolution of Central Funds for schemes to be implemented by Panchayats.

1.6.3 Funds under MGNREGS

Table 1.7: below shows the district-wise fund received and expenditure made under MGNREGA[^] for the period from 2006-07 to 2010-11.

Table 1.7

(₹ in crore)

Financial year	Name of District	Fund received		Total availability including OB and other receipts	Total expenditure	% age utilization
		Central	State			
1	2	3	4	5	6	7
2006-07	Dhalai	19.22	4.50	49.85	47.01	94.30
2007-08	Dhalai	37.35	4.42	59.39	59.39	100.00
	South	51.84	7.40	63.73	63.08	98.98
	West	80.46	10.46	95.37	86.11	90.29
Total		169.65	22.28	218.49	208.58	95.46
2008-09	Dhalai	93.89	10.43	104.41	101.52	97.23
	South	113.12	14.61	128.56	121.43	94.45
	West	195.35	17.19	222.23	209.32	94.19
	North	52.55	5.83	58.79	58.19	98.98
Total		454.91	48.06	513.99	490.46	95.42
2009-10	Dhalai	59.06	10.00	72.28	75.45	104.38
	South	218.03	15.00	240.28	206.25	85.84
	West	364.55	13.60	390.36	273.28	70.01
	North	250.13	8.68	259.13	174.19	67.22
Total		891.77	47.28	962.05	729.17	75.79
2010-11	Dhalai	94.54	4.87	100.92	99.15	98.25
	South	149.86	7.33	158.95	156.50	98.46
	West	218.31	6.92	231.79	227.96	98.35
	North	126.57	5.51	146.18	144.15	98.61
Total		589.28	24.63	637.84	627.76	98.41

Source: State MGNREGA Cell, Rural Development Department and MoRD, GOI.

1.7 Devolution of Functions, Funds and Functionaries

The 73rd Constitutional amendment envisaged transfer of functions, funds and functionaries of 29 subjects listed in the Eleventh Schedule of the Constitution to PRIs. The Tripura Panchayats Act, 1993 has only an enabling provision for transfer of subjects to different tiers of PRIs. The State Government has devolved five subjects* to PRIs out of 29 subjects listed in the Eleventh Schedule of the Constitution (August, 2006 & August, 2007). The remaining 24 subjects are yet to be transferred.

[^] Date of introduction of MGNREGA in Tripura: Dhalai District - 2nd February, 2006: South Tripura District - 1st April, 2007: West Tripura District 1st April, 2007: North Tripura District - 1st April, 2008.

* (1) Water Resources, (2) Primary School, (3) Adult and Non- Formal Education, (4) Social Welfare including Welfare of the Handicapped and Mentally Retarded and (5) Women and Child Development.

Out of these five subjects, funds for payment of wages of pump operators and power consumption charges only had been transferred to the PRIs.

Besides, the transfer of functionaries to PRIs was not done which is a prerequisite for successful working of local self government at the grass-root level. The works of the PRIs are being performed by the State Government functionaries.

1.8 State Finance Commission

As per the provision of the Tripura Panchayats Act, 1993 the First State Finance Commission (SFC) was set up in the year 1994. The SFC submitted its report in January 1996 to the State Government. The Second SFC was constituted in the year 1999 and its reports were submitted on 10th April, 2003. The State Government did not accept the recommendations of the Second SFC and decided to continue the implementation of the recommendations of the First SFC only. The Third Finance Commission was constituted in March 2008 covering the period from 2010-11 to 2014-15. The Commission submitted the report in October 2009 and the Government laid the Action Taken Report in the Tripura Legislative Assembly in March 2010. The State Government accepted 41 out of 47 recommendations of Third SFC relating to PRIs mainly on the issue of augmentation of revenue, enhancement of rates of honorarium in respect of elected representatives, devolution of funds, framing of necessary rules for maintenance of accounts by all tiers of PRIs, training for public representatives etc. The Government did not accept two recommendations relating to introduction of service charge to be realized from the beneficiaries who are provided significant individual benefits of durable nature from the Panchayats and discontinuation of the programme for providing *dhuti, saree* and *lungi* at the subsidized rate to the beneficiaries on the eve of 'Durga Puja' festival. The recommendations for enhancement of rates of honorarium in respect of elected representatives and conducting training for public representatives, maintenance of assets registers as prescribed by the C&AG and State Government are being implemented.

1.9 Utilisation of Funds

Status of utilization of funds in respect of seven Panchayat Samitis out of ten test checked Panchayats Samitis and 74 Gram Panchayats out of 224 test checked Gram Panchayats

for the year ended 31st March 2011 relating to different schemes are shown in the **Tables 1.8** and **1.9** below:

Table 1.8: Status of utilisation of funds by seven Panchayat Samitis during 2010-11.

(₹ in lakh)

Sl. No	Name of the Panchayat Samiti	Fund available			Expenditure			Closing balance as on 31.03.2011		
		PDF	NREGA	CFC	PDF	NREGA	CFC	PDF	NREGA	CFC
1	Kalyanpur	19.65	1063.26	6.86	10.82	950.49	6.86	8.83	112.77	Nil
2	Bishalgarh	34.38	2859.27	17.43	17.10	2834.33	2.01	17.28	24.94	15.42
3	Melaghar	38.78	2283.32	27.67	38.16	2143.24	27.67	0.62	140.08	Nil
4	Kathalia	30.49	1291.60	7.08	21.70	1192.81	5.05	8.78	98.79	2.02
5	Rajnagar	36.99	1957.02	26.05	25.90	1742.85	25.39	11.09	214.18	0.65
6	Hrishyamukh	8.81	939.05	4.92	6.67	937.05	3.10	2.21	2.00	0.92
7	Satchand	26.99	1834.85	7.28	8.81	1780.71	0.60	18.18	54.13	6.68
	Total	196.09	12228.37	97.29	129.16	11581.48	70.68	66.99	646.89	25.69

Table 1.9: Status of utilisation of funds by 74 Gram Panchayats under four Panchayats Samitis during 2010-11

(₹ in lakh)

Sl. No.	Name of Panchayat Samiti	No. of GPs	Fund available	Expenditure	Balance as on 31.03.11
1	Khowai	22	770.06	626.63	143.43
2	Mohanpur	30	2268.09	2091.20	176.89
3	Kathalia	08	331.87	286.78	45.09
4	Salema	14	886.69	728.74	157.95
	Total	74	4256.71	3733.35	523.36

From the above, it is observed that the Panchayats Samitis and the Gram Panchayats have been utilizing the funds allocated to them to a great extent. Only 5 percent of funds in respect of Panchayat Samities and 12 percent in respect of GPs was lying un-spent at the end of the year primarily due to the fact that some grants were released to the PRIs at the fag end of the year.

1.10 Accountability framework

1.10.1 Authority and responsibility of State Government on PRIs

The Constitution of India empowers States to legislate on Panchayats and Municipalities. Further, in exercise of the Tripura Panchayats Act 1993 and the Tripura Panchayats (Administartion) Rules 1994, the State Government exercises its powers in relation to PRIs as detailed in **Appendix- 1.2**.

1.10.2 Power of State Government to rescind or suspend resolution of Gram Panchayat, Panchayat Samiti or Zilla Parishad

1) As per Section 218 of Tripura Panchayat Act 1993 the State Government may, by order in writing, rescind any resolution passed by a Gram Panchayat, a Panchayat Samiti or a Zilla Parishad, if in its opinion such resolution- (a) has not been legally passed; or (b) is in excess, or abuse of the powers conferred by, or under this Act or in rules made there under.

2) The State Government shall, before taking any such action under sub-section (1), give the Gram Panchayat, the Panchayat Samiti, or the Zilla Parishad concerned an opportunity for making representation against the proposed order.

1.10.3 Audit mandate

Government of Tripura, Finance Department framed the 'Tripura Local Fund Audit Rules 2011' for audit of accounts of local bodies by the Director, Local Fund Audit and in this regard a gazette notification was issued on 12.01.2012 for implementation of the rules. Rule 3 (1) provides that the State Government or such authority as it may direct; shall appoint a person to be Director, Local Fund Audit (LFA), and the following category of officers to assist him, namely:

(a) Deputy Director,

(b) Assistant Audit Officer,

(c) Auditor/Senior Auditor and

(d) Chartered Accountants, as appointed under sub-rule (4) of Rule 3.

The audit of the accounts of the PRIs is being conducted by DLFA (February, 2012).

1.10.4 Social Audit

The primary objective of social audit is to bring the activities of local bodies under close surveillance of the public and the latter to have access to records and documents of the former. Owing to this mechanism, the citizens should be able to have immediate access to information which would facilitate transparency and accountability in day to day functioning of local bodies. Social audit *inter alia* includes:

- Use of Gram Sabha and Ward Committees as important vehicles for spreading of awareness about social audit.
- Appointment of nodal officer at the level of Gram Sabha and Ward Committees who would register complaints and fix the date for social auditing.

Social audits are being conducted in MGNREGA works at the Gram Panchayat level.

1.10.5 Audit by C&AG of India

C&AG conducts audit of substantially financed local bodies under section 14(1) of C&AG (DPC) Act, 1971. Audit of PRIs has been conducted as per request of the State Government in January 2004. However, the Government of Tripura has entrusted audit of accounts of PRIs under Section 20(1) of the DPC Act to CAG under TGS arrangement vide order dated 17.08. 2011 as per recommendations of 13th Finance Commission.

During 2011-12 the accounts of two Zilla Parishads^{*}, 10 Panchayat Samitis[♦] and 224 Gram Panchayats were test checked by audit (upto October 2011). The important audit findings are summarized in chapter II.

1.11 Conclusion

The State is lagging far behind in devolution of subjects listed in the Eleventh Schedule of the Constitution to the PRIs. The PRIs are yet to levy various taxes as per the provisions of the Tripura Panchayats Act, 1993 to augment their own source of revenue.

^{*} Paschim Tripura Zilla Parishad and Dakshin Tripura Zilla Parishad

[♦] Rajnagar, Kathalia, Melaghar, Bishalgarh, Kalyanpur, Boxanagar, Satchand, Bocafa, Hrishmukh and Matabari.

SECTION 'B'

FINANCIAL REPORTING

1.12 Legal framework

Financial reporting in the Local Bodies is a key element of accountability. Matters relating to drawal of funds, form of bills, incurring of expenditure and maintenance of primary financial records are governed by departmental standing orders and instructions.

1.13 Accounting system of PRIs

Rural Development (Panchayats) Department, Government of Tripura instructed PRIs to maintain the accounts in New Accounting Structure 2009 w.e.f 01.04.2010 as devised by the Ministry of Panchayati Raj, Government of India in consultation with the Comptroller and Auditor General of India. In practice, the PRIs started maintaining their accounts as per the new Accounting Structure from the year 2011-12. The State Government has engaged Chartered Accountant (CA) firms to introduce Double Entry Accounting System (DEAS) in PRIs and they were to train the GP staff in the software implementation and ensure preparation of accounts in double entry system.

1.14 Financial Reporting issues

1.14.1 Preparation of Annual Accounts

As provided under Section 175, Section 119 and Section 66 of the Tripura Panchayat Act, 1993 the Zilla Parishads, Panchayat Samitis and the Gram Panchayats shall keep such accounts in such form as may be prescribed. As per the Tripura Panchayats (Administration) Rules 1994, the Chief Executive Officer of the Zilla Parishad is responsible for maintenance of accounts of Zilla Parishad and the Executive Officer of the Panchayat Samiti is responsible for maintenance of accounts of Panchayat Samiti. The account of the Gram Panchayat is maintained by Panchayat Secretary. Test check of records of PRIs during the year 2011-12 revealed that none of the PRIs prepared Annual Accounts upto the year 2010-11. In the absence of preparation of Annual Accounts, the actual financial position could not be ascertained.

1.14.2 Certification of Accounts

The State Government has not yet made any specific provision in the State Acts/Rules for certification of accounts of the PRIs.

1.14.3 Budget

Budget is the most important tool for financial planning, accountability and control. As per provisions of Sections 64, 118 and 173 of the Tripura Panchayat Act, 1993, annual budget of Gram Panchayats, Panchayat Samitis and Zilla Parishads showing the estimated receipts and disbursement for the following year are required to be prepared and submitted to the next higher authority for approval. If the approval of the higher authority is not received within two months, or by the last day of the year, whichever is earlier, the budget shall be deemed to have been approved by the prescribed authority. The Act further states that no expenditure shall be incurred unless the budget is approved by the prescribed authority.

Scrutiny of records of two Zilla Parishads and ten Panchayat Samitis revealed that neither the Zilla Parishad nor the Panchayat Samitis have prepared the budget of its estimated receipts and disbursement for the year up-to 2010-11 and expenditures were incurred without any budget provisions.

Thus, making expenditure without preparation of budget estimates is violation of the respective provision of the Tripura Panchayat Act. This has been reported by audit in earlier reports as well, however, such violation of the provisions of the Act has been continuing.

1.15 Conclusion

All the three tiers of PRIs have neither prepared the annual budget nor finalized the accounts. In the absence of Annual Accounts, the actual financial position could not be ascertained and making expenditure without preparation of budget estimates is violation of the respective provision of the Tripura Panchayat Act.