

## **CHAPTER - III**

### **PART B**

#### **PANCHAYATI RAJ INSTITUTIONS**

#### **AN OVERVIEW OF THE PANCHAYATI RAJ INSTITUTIONS**

##### **3.1 Introduction**

The President of India promulgated the Goa, Daman & Diu Village Panchayat Regulation, 1962 under Article-240 of the Constitution of India. This was amended in 1994 to incorporate the provisions of the 73<sup>rd</sup> Constitutional Amendment Act, 1992 to establish a two-tier panchayat system of elected bodies – Village Panchayats (VPs) at village level and Zilla Panchayats (ZPs) at district level.

As already mentioned in paragraph 1.3, the State of Goa consists of two Districts namely ‘North Goa’ and ‘South Goa’. As of September 2013, there were two ZPs and 190 VPs<sup>8</sup> in the State of Goa.

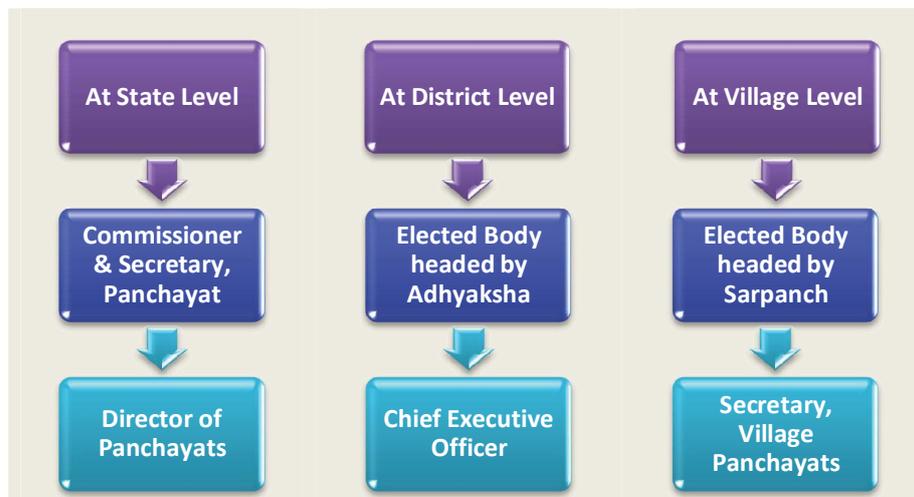
The last elections for ZPs and VPs were held in February 2010 and May 2012 respectively.

##### **3.2 Organisational Set-up**

The organisational set-up of Panchayati Raj Institutions (PRIs) in the State is shown below:

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<sup>8</sup> The local area of Harvalem was excluded from the Sanquelim Municipal Council for formation of Harvalem Village Panchayat vide Government of Goa Notification No. 10/3-6/ 2012/ Sanquelim/ 2918 dated 25.02.2013



The Commissioner and Secretary, Panchayat is the Administrative Head of the Panchayat Department. The Director of Panchayats (DOP) exercises control and supervision over the PRIs and also acts as the Appellate Authority under the Goa Panchayat Raj Act.

Adhyakshas head the ZPs and are provided with Chief Executive Officers by the Government besides other staff. Sarpanchs head the VPs and are provided with Secretaries and other staff. After elections, various Standing Committees are formed in ZPs<sup>9</sup> and VPs<sup>10</sup> respectively for governing their functions, as per Sections 142 and 63 of the Goa Panchayat Raj Act 1994.

### **3.3 District Planning Committees**

In pursuance of Section 239 of Goa Panchayat Raj Act, 1994 the Government constituted (October 2003) District Planning Committees (DPCs) for the two districts - North Goa and South Goa. These committees were reconstituted in September 2006, August 2009 and March 2012. Every year, a development plan is required to be prepared by every VP and submitted to the ZP which would consolidate the development plans received from all the VPs and forward the same along with ZP plan to the DPC which in turn would prepare a Draft Development Plan (DDP) for the district as a whole and forward to the Government. However, Annual

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<sup>9</sup> (a) General Standing Committee; (b) Finance, Audit and Planning Committee; (c) Social Justice Committee; (d) Education and Health Committee; (e) Agriculture and Industries Committee; (f) Taluka Development Committee.

<sup>10</sup> (i) Production Committee; (ii) Social Justice Committee; (iii) Amenities Committee

Development Plans were not submitted by most of the VPs to the ZPs which was not keeping in with Constitutional provisions (Article 243 G) and the Goa Panchayat Raj Act, 1994.

The Village Panchayat plans constitute a vital input while drawing up the DDP. The planning process of the District was thus hampered by the absence of plans from the ground level. No reasons were assigned for non-compliance of the provisions of the Act.

### 3.4 Functions

#### 3.4.1 Devolution of Functions

The Eleventh Schedule (Article 243G) appended to the Constitution of India gives a list of the 29 functions and responsibilities which may be devolved to the PRIs. The Schedules I and II appended to the Goa Panchayat Raj Act, 1994 envisaged entrustment of 28 and 25 functions to VPs and ZPs respectively (*Appendix 3.1 and 3.2*). However, only 12 functions each have been devolved partly to the VPs and ZPs as shown in **Table VII** below:

**Table VII: Functions devolved to VPs and ZPs**

Functions devolved to VPs		Functions devolved to ZPs	
Sr. No. of Sch XI of Constitution	Name of Sub Function/ Scheme	Sr. No. of Sch XI of Constitution	Name of Main Function/ Scheme
1	Agriculture including Agricultural extension	1	Agriculture including Agricultural extension
4	Animal husbandry, dairy & poultry	3	Minor irrigation, water management and watershed development.
5	Fisheries	4	Animal husbandry, dairy & poultry
11	Drinking water	5	Fisheries
16	Poverty alleviation programme	8	Small scale industries including food processing industries
17	Education, including primary and secondary schools	11	Drinking water
21	Cultural activities	16	Poverty alleviation programme
23	Health and sanitation including hospitals, primary health centres and dispensaries	17	Education including primary and secondary schools
25	Women and child development	21	Cultural activities
26	Social welfare including welfare of the handicapped and mentally retarded.	23	Health and sanitation including hospitals, primary health centres and dispensaries

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29	Maintenance of community assets	25	Women and child development
	General functions, preparation of annual plans, preparation of annual budget, providing relief to natural calamities, removal of encroachment, organising voluntary labour and contribution for community works and maintenance of essential statistics	26	Social welfare including welfare of the handicapped and mentally retarded.

The State Government had set up two Finance Commissions to review the financial position of Local Bodies. The SSFC was set up in August 2005 and was requested to carry out activity mapping. Accordingly, SSFC recommended (December 2007) devolution of all the 28 Functions and 74 Activities to VPs and 25 Functions and 47 Activities to ZPs for economic development and social justice as listed in Schedules I and II respectively of the Goa Panchayat Raj Act, 1994.

The DOP stated (November 2013) that the Government has reconstituted (February 2013) a committee of Group of Ministers for examination of the report of the SSFC. The committee was assigned with the preparation of Explanatory Memorandum on the recommendations of the SSFC. The report of the committee is awaited (April 2014).

### **3.4.2 Recommendations of the Second State Finance Commission**

The SSFC recommended an amount of (i) ₹ 722.81 crore for the 21 core functions<sup>11</sup> and ₹ 1131.03 crore for 17 consultative functions<sup>12</sup> for VPs, and (ii) ₹ 284.51 crore for 10 core functions and ₹ 459.61 crore for 11 consultative functions for ZPs for a period of five years from 2007-08 to 2011-12 as detailed in **Appendix 3.3**. The recommendations of the SSFC are yet to be approved though the five year period envisaged by the Commission ended in March 2012. Thus, additional assistance according to the recommendations of the SSFC was denied to the PRIs. The Third State Finance Commission for the five year period from 2012-13 to 2016-2017 has not been constituted till date (April 2014).

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<sup>11</sup> Functions related to direct responsibilities of Local Bodies.

<sup>12</sup> Planning and monitoring functions including selection of beneficiaries.

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### 3.5 Transfer of Funds

#### 3.5.1 Sources of Funds

The Government of Goa sanctions grants under Section 160 of the Goa Panchayat Raj Act, 1994 and Goa Panchayat Rules to the ZPs/ VPs in the State for financing developmental works, administrative expenses, matching grants, compensation in lieu of Octroi, etc. During the year 2011-12, the amount of grants released to the ZPs and VPs (including the amount received from the Central Government) was ₹ 9.70 crore and ₹ 28.52 crore respectively.

The details of own revenue, grants-in-aid and expenditure for the five years from 2007-08 to 2011-12 are exhibited in **Table VIII** and bar charts below:

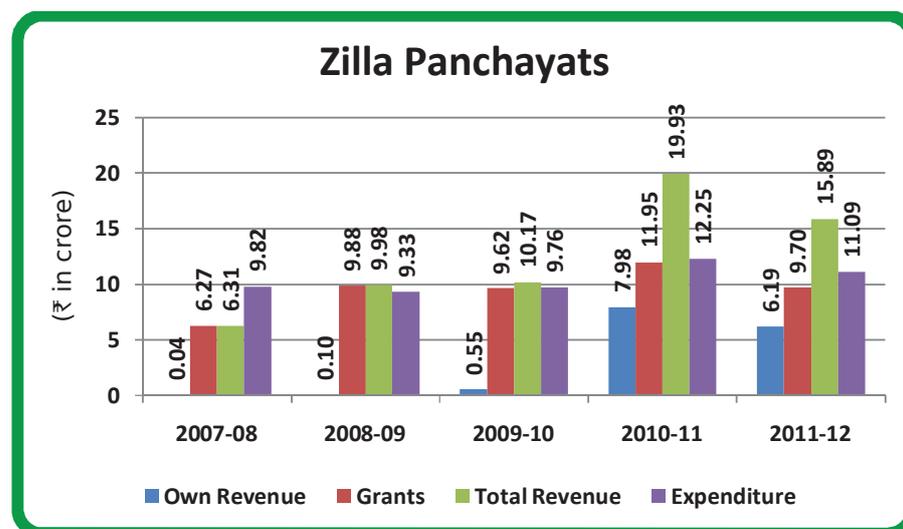
**Table VIII: Own Revenue and grants received by ZPs and VPs during the five year period ending 31 March 2012**

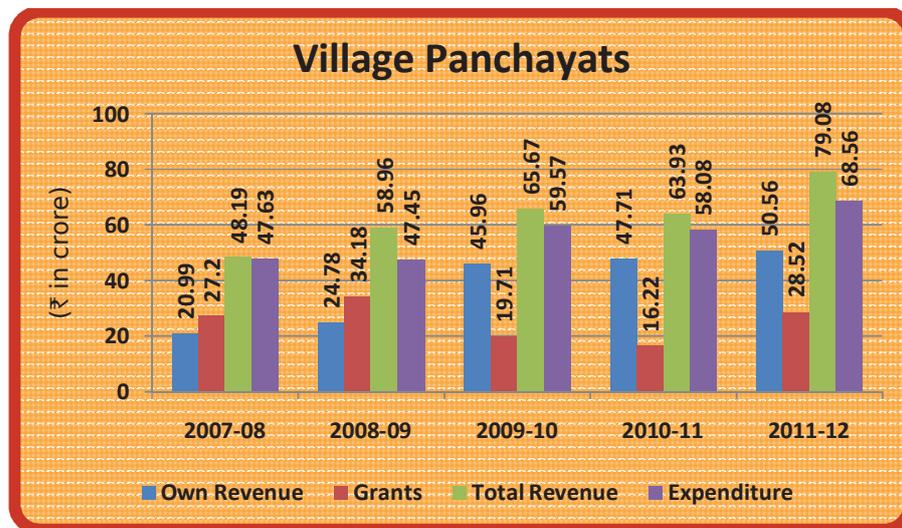
(₹ in crore)

Year	ZPs				VPs			
	Own Revenue	Grants	Total Revenue	Expenditure	Own Revenue	Grants	Total Revenue	Expenditure
2007-08	0.04	6.27	6.31	9.82	20.99	27.20	48.19	47.63
2008-09	0.10	9.88	9.98	9.33	24.78	34.18	58.96	47.45
2009-10	0.55	9.62	10.17	9.76	45.96	19.71	65.67	59.57
2010-11	7.98	11.95	19.93	12.25	47.71	16.22	63.93	58.08
2011-12	6.19	9.70	15.89	11.09	50.56	28.52	79.08	68.56

Source: Information furnished by the Directorate of Panchayats

Note: Grants includes grants received from Central/ State Government and sanctioned through District Rural Development Agencies.





The own revenue consisted of revenue collection, matching grants and compensation in lieu of octroi. In the case of ZPs, the own revenue decreased by ₹ 1.79 crore during the year 2011-12 as compared to the previous year. The grants released during the same period also decreased by ₹ 2.25 crore as compared to the previous year.

In the case of VPs, the own revenue increased by ₹ 2.85 crore during the year 2011-12 as compared to the previous year. The grants released during the same period also increased by ₹ 12.30 crore as compared to the previous year.

### 3.5.2 Position of Revenue Arrears as on 31 March 2012

The total recoverable amount pertaining to all VPs in the State for the year 2011-12 was ₹ 26.65 crore (current year demand ₹ 9.11 crore + arrears of previous years ₹ 17.54 crore). As against this, only ₹ 9.44 crore was recovered during the year 2011-12 and the outstanding revenue arrears at the end of March 2012 was ₹ 17.21 crore. The year-wise details of outstanding revenue arrears were not available. The DOP replied (November 2013) that the pending arrears relate to House Tax and Professional Tax and further stated that demand notices and reminders were being issued to defaulters.

### 3.6 Thirteenth Finance Commission

The FC-XIII was constituted under Article 280 of the Constitution to make recommendations for the period 2010-11 to 2014-15. The FC-XIII grants are divided into two components – a basic component and a performance based component. According to the recommendations, each State is entitled to a share of the basic grant from 2010-11 and a share of general performance grant from the year 2011-12 onwards subject to compliance of four conditions<sup>13</sup> by PRIs. The details of basic grant and performance grant recommended for PRIs of the State for the five year period from 2010-11 to 2014-15 is exhibited in **Table IX** below:

**Table IX: Details of general basic grant and general performance grant recommended by the FC XIII to the PRIs of the State for the five year period from 2010-11 to 2014-15**

(₹ in crore)

Year	2010-11	2011-12	2012-13	2013-14	2014-15	Total
General Basic Grant	8.40	9.77	11.39	13.49	15.96	59.01
General Performance Grant	0.00	3.31	7.82	9.24	10.87	31.24
<b>Total</b>	<b>8.40</b>	<b>13.08</b>	<b>19.21</b>	<b>22.73</b>	<b>26.83</b>	<b>90.25</b>

Out of the recommended grants of ₹ 90.25 crore for a period of five years ending 2014-15, the PRIs received only ₹ 8.83 crore (basic grant - ₹ 8.32 crore during 2010-11 and performance grant ₹ 0.51 crore during 2011-12) which were fully utilised (March 2014).

### 3.7 Transfer of Functionaries

The Government of Goa has provided one Village Panchayat Secretary to each VP whose salaries and allowances are paid directly by the State Government. The VPs have also employed their own staff like clerks-cum-typists and peons.

The Government has appointed a Senior Grade Officer of the Goa Civil Services in each ZP as the Chief Executive Officer and an officer of the cadre of Deputy Director of Accounts as Chief Accounts Officer in each

<sup>13</sup> Budget & accounting, auditing, ombudsmen and levy of property tax.

ZP. Other functionaries like Stenographers, Accountants, Clerks, Peons, Sweepers and Drivers have also been provided to each ZP. The services of the engineers from PWD have been placed at the disposal of the ZPs for execution of technical works like preparation of estimates of different works, recording of measurements, tendering of works and preparation of running account bills.

### **3.8 Outstanding Utilisation Certificates**

The PRIs receive grants from the State Government/ Finance Commission. As per the terms and conditions of release of the grants, the entire amount shall be utilised within a period of one year and utilisation certificates (UCs) shall be submitted by the PRIs within 18 months. However, the PRIs failed to submit the UCs in time. It was observed that 2976 UCs for ₹ 131.58 crore released during the years 1991-92 to 2010-11 were outstanding from ZPs and VPs as of June 2012 (*Appendix 3.4*). The DOP replied (November 2013) that Block Development Officers and Chief Executive Officers of the ZP have been directed to submit the UCs.

### **3.9 Audit coverage**

The audit of ZPs in Goa is conducted under Section 20 (1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. By virtue of Section 194 of the Goa Panchayat Raj Act, 1994, CAG is the sole Auditor for ZPs. The audit of accounts of North Goa Zilla Panchayat (NGZP) and South Goa Zilla Panchayat (SGZP) were completed upto the period 2007-08; the transaction audit of SGZP and NGZP has been completed upto 2010-11 and 2012-13 respectively (April 2014). The ZPs stated (April 2014) that the arrears of accounts for both the ZPs would be submitted for certification shortly.

The Director of Accounts is the Statutory Auditor of VPs under Section 187 of the Goa Panchayat Raj Act. The State Government, in November 2006, entrusted Technical Guidance & Supervision (TGS) over accounts and audit of PRIs to the CAG. Accordingly, audit of 10 VPs for the year 2011-12 was conducted.

### 3.9.1 Internal Audit

It was observed that there was no internal audit set up in both the ZPs. The DOP stated (January 2013) that the proposal for creation of Internal Audit Cell in the Directorate of Panchayats and creation of additional post of one Accounts Officer and one Accountant was submitted to the Government. The DOP further replied (November 2013) that action would be taken to resubmit the proposal to the Government for creation of Internal Audit Cell.

### 3.9.2 Response to audit

The position of outstanding paragraphs of the Inspection Reports of Accountant General, Goa in respect of ZPs and Directorate of Panchayats (DoP) is shown in **Table X**.

**Table X: Position of Inspection Reports and paragraphs relating to PRIs issued upto 30 June 2012 and outstanding as on 31 December 2012**

Year	No. of Inspection Reports	No. of Paragraphs
2004-05	1	1
2008-09	2	8
2009-10	1	3
2010-11	1	9
2011-12	3	36
<b>Total</b>	<b>8</b>	<b>57</b>

There was no clearance of outstanding paragraphs of the Inspection Reports during the year and the response to Audit Paragraphs was not satisfactory as replies to 57 paragraphs of 8 Inspection Reports (issued upto 30 June 2012 and outstanding as on 31 December 2012) pertaining to the period from 2004-05 to 2011-12 were outstanding from ZPs and Directorate of Panchayats (DoP). The DOP replied (November 2013) that outstanding Audit Paragraphs of the Inspection Reports had been forwarded to the respective PRIs for compliance and replies would be submitted.

According to Section 187 (10) of the Goa Panchayat Raj Act, 1994 and Rules “the Director of Accounts shall submit a summary of observations made in the Audit Report and rectifications made by the Panchayats to the Government which shall be laid on the Table of the House”. Further

Section 194 (3) of the Act states that “the Government shall on receipt of the Audit Report of the ZPs lay them before the State Legislature”. However, the Audit Reports of the ZPs were not tabled (April 2014) in the State Legislature. The ZPs replied (April 2014) that the Audit Report of both ZPs would be placed in the ensuing Assembly session. The FC-XIII had also recommended (December 2009) the placing of Annual Report of the Director of Local Fund Audit before the State Legislature. The information about the placement of Annual Report of the Director of Local Fund Audit before the State Legislature had been called for and is awaited (April 2014).

### **3.10 Accounting Procedures**

Based on the recommendation of the Eleventh Finance Commission, for exercising proper control and securing better accountability, the formats for preparation of budget and accounts and data base on finances of PRIs were prescribed by CAG in 2002. The formats were simplified and reduced to eight numbers in January 2009. However, VPs and ZPs had not adopted the revised accounting formats. Further, the Ministry of Panchayati Raj (MoPR) reiterated (August 2011) the need for adoption of Model Accounting System (MAS) and it was one of the mandatory conditions for the States to become eligible for Performance grant component of FC-XIII grants. The MoPR has also launched (September 2010) a simple Accounting Software called Panchayati Raj Institution Accounting Software (PRIA Soft). A State Level Monitoring Committee (SMC) for adoption and implementation of MAS and PRIA Soft was constituted (April 2012). The DOP replied (November 2013) that an amount of ₹ 28.68 lakh released by MoPR was utilised for imparting training to officials on MAS and PRIA Soft. The work of the implementation of the project was proposed to be allotted to M/s Goa Electronics Limited (GEL) and approval from the State Government is still awaited (May 2014).