

CHAPTER 5

Financial Accountability of the PRIs

Accounts of PRIs in the State

5.1. The state of Chhattisgarh has clearly stated in its Panchayat Raj Act that the accounts of the Panchayats (all three tiers) will be maintained by the PRIs at their disposal under the supervision and guidance of the State Government.

Maintenance of Accounts

5.2. The accounts officer of Zila Panchayat is the head of accounts section and is the designated officer from the State Finance Department. This section deals with finance and audit functions of the system of Zila Panchayats.

5.3. The Accounts Officer advises Zila Panchayat in the matters of financial policy and is responsible for all matters relating to the preparation of the Annual accounts and Budget.

5.4. The accounts officer advises in the allocation of funds to every Janpad Panchayat and Gram Panchayat based on budget approved under all schemes. PRIs uses 2003 version of 'Code of Classification'.

5.5. Double entry accounting system is used by the ZPs and the JPs and Single entry accounting system is used by the GPs in the state. In near future double entry accounting system is to be adopted in Gram Panchayats also. Both ledger and Cash books are maintained at all levels of PRIs in the state.

Application of e-Accounting System

5.6. The process of maintaining accounts across all tiers is manual. However, the National Informatics Centre (NIC) has developed PRIASOFT(PanchayatRaj Institutions Accounts Software) a web based application for maintaining accounts of the PRIs in the state. However, the application is not being used across all tiers of the PRIs.

Role of Panchayat and Rural Development Department

5.7. The Head of Accounts of Panchayat and Rural Development Department is classified under grant number 15 (SCSP), 80 (General Plan) & 82 (TSP).

5.8. Cash and accrual basis of accounting both are used in Panchayats. For petty transactions cash based accounting system has been adopted where as for major transactions accrual based accounting system is being followed.

Audit of the PRI Accounts

5.9. The State of Chhattisgarh has clearly stated in its Act that the accounts of the panchayats (all three tiers) will be audited by an independent audit organisation under the control of the State Government.

5.10. With respect to audit of Panchayats accounts, the 11th Finance Commission in its report had recommended that the responsibility of exercising control and supervision over the maintenance of Panchayats accounts and their audit should be entrusted to the C&AG who may get it done through own staff or by engaging an outside agency.

5.11. The 11th Finance Commission also further recommended that the Director of Local Fund Audit or any other agency assigned the task of audit of Panchayat's accounts is to work under the technical and administrative supervision of the C&AG.

5.12. As per the recommendation of the 11th Finance Commission and on the basis of legal provision, the Government of Chhattisgarh in accordance with terms of notification dated 24 October 2011 has entrusted the Technical Guidance and Supervision over the audit of Urban Local Bodies (ULBs) and Panchayati Raj Institutions (PRIs) to the C &AG.

Observation of CAG on Finances of PRIs

5.13 The CAG in its report of year 2016 had raised various observations with regard to the management of accounts and other related matters of the PRIs in the state.

5.14 Accountant General (Audit) had audited 450 units of PRIs during year 2011-16 and 2868 observations were issued of which 2835(99percent) observations were outstanding. The P & RD department was not taking adequate steps for settlement of audit observations issued by the AG. Therefore, there was an increasing trend of outstanding audit paragraphs.

Local Fund Audit

5.15. The Local Fund Audit prepares an annual audit plan for next financial year by the end of March every year.

5.16. It is the responsibility of the LFA to provide necessary guidance and technical assistance to the field level audit and account functionaries for conducting audit of the PRIs. However vacancy in the posts of Internal Audit and Taxation Assistants, make it difficult for the PRIs to bring down the pending audit paras.

The Commission recommends filling up of the vacant posts and provide them adequate training and infrastructure support.

5.17. The Directorate of Local Fund Audit of Chhattisgarh is located at Naya Raipur. Under the Directorate, there are six regional offices i.e. Raipur, Bilaspur, Jagdalpur, Rajnandgaon, Raigarh and Ambikapur. The status of audit for last three years is given below. (Table 5.1)

Table 5.1: Status of Audit of PRIs

Name of PRI	Regional Office	No. of Audit to be done	Audit done		
			2015-16	2016-17	2017-18
Gram Panchayat	Raipur	2251	2224	2240	2251
	Bilaspur	1626	1465	1581	1626
	Jagdalpur	1628	1536	1565	1628
	Rajnandgaon	2364	2302	2347	2364
	Raigarh	1578	1556	1575	1578
	Ambikapur	1524	1515	1524	1524
Total		10971	10598	10832	10971
Janpad Panchayat	Raipur	24	18	22	24
	Bilaspur	19	2	10	19
	Jagdalpur	32	24	27	32
	Rajnandgaon	25	14	23	25
	Raigarh	22	22	22	22
	Ambikapur	24	22	24	24
Total		146	102	128	146
Zila Panchayat	Raipur	5	4	5	5
	Bilaspur	3	0	2	3
	Jagdalpur	7	6	7	7
	Rajnandgaon	5	3	3	5
	Raigarh	3	3	3	3
	Ambikapur	2	2	2	2
Total		25	18	22	25

Source: Director Local Fund Audit, Raipur

Administration of PRIs and Functionaries Panchayat and Rural Development Department

5.18. The State P & RD department is divided into 2 wings namely Panchayat wing and Rural Development wing. Department is headed by Minister. Secretary is the administrative head of the department. The Panchayat wing is headed by Director, Panchayat.

5.19. The Rural Development (RD) wing is headed by Development Commissioner. This wing implements rural development schemes. Rural Engineering Services (RES) comes under this wing and is headed by Chief Engineer. The RES provide technical support for construction work in rural areas and works as technical advisor to PRIs.

5.20. The subordinate sections/departments of rural development wings are as follows:-

1. Mahatma Gandhi National Rural Employment Guarantee Scheme.
2. Social Audit Unit.
3. Deendayal Upadhyay State Rural Livelihood Mission.
4. Shyama Prasad Mukherji Rurban Mission.
5. Pradhan Mantri Awas Yojana (Rural).
6. Swachh Bharat Mission (Gramin).
7. Chhattisgarh Rural Road Development Agency.
8. Gramin Sampark Prashikshan Sah Anusandhan Kendra.
9. Training Institute of P&RD Department (Thakur Pyarelal Panchayat Evam Gramin Vikas Sansthan).

5.21. The head of the PRIs are as follows, President Zila Panchayat, President Janpad Panchayat and Sarpanch Gram Panchayat. Their administrative work is executed by Chief Executive Officer ZP, JP and GP Secretary.

Zila Panchayats

5.22. For every district a Zila Panchayat is constituted. Each district is divided into 10 to 35 voting constituencies, and each constituency elects a member. The MPs, MLAs and all Chairmen of JPs in the district are also part of ZP. Each Zila Panchayat is headed by a President and Vice-President who are elected by and from among the elected members.

Janpad Panchayats

5.23. A Janpad Panchayat is constituted for each block. Each JP is divided into 10 to 25 voting constituencies, and each constituency elects a member. All members of the State Legislative Assembly whose electoral area, wholly or partly fall within one or more JPs are ex-officio members of all those JPs.

5.24. One fifth of the Gram Panchayat Sarpanchs in the territorial area of the JP on a rotational basis for a period of one year become the invited members of the JP. The Sarpanchs are selected by drawing lots.

Gram Panchayats

5.25. The Gram Panchayats are the smallest unit of elected local self-governance system in the state. Each GP area is divided into not less than ten and not more than twenty wards and each ward elect one Panch for a period of five years.

5.26. The Gram Panchayat consists of the elected Panchs including a Sarpanch, who is the head of the Gram Panchayat. An Upsarpanch is also elected, who acts as the Sarpanch's deputy. Each Gram Panchayat also has a Panchayat Secretary, who may provide his services to one or more Gram Panchayats.

5.27 Works such as implementation of various schemes sponsored by Central and State Governments, administrative work, maintenance of accounts, audit, recovery of taxes etc. are the key functions of the Secretary in a Gram Panchayat. Strong demand was raised in all the division level meetings organized by the Commission, to post an additional staff other than the secretary in Gram Panchayats.

The Commission recommends that at least one additional staff should be posted having basic knowledge of accounts and computer to all the Gram Panchayats.

Gram Sabha

5.28 The Chhattisgarh Panchayat Raj Adhiniyam 1993 defines a 'Gram Sabha' with respect to both revenue and forest 'villages'. All persons registered in the electoral rolls of the 'village' within the area of a gram panchayat are the members of the gram sabha. Gram sabha in the Scheduled Areas are constituted under the Chhattisgarh Scheduled Areas Gram Sabha (Constitution, Procedure of Meeting and Conduct of Business) Rules, 1998. Accordingly a separate gram sabha can be constituted in the following area -

- i) Village or a group of villages.
- ii) Hamlet or a group of hamlets including ward, majra, tola or para etc. &
- iii) Habitation or group of habitations (comprises 'a community, managing its affairs with tradition and customs')

The Sarpanch of a gram panchayat is required to convene the meetings of gram sabha once in every quarter. The quorum for a gram sabha meeting is one-tenth of its members of which at least one-third should be women. In the Scheduled Areas, the quorum is one-third of the members of Gram Sabha of which at least one-third should be women. In normal areas, Gram Sabha meetings are presided by the Sarpanch, while in the Scheduled Areas, by a member elected from among the members of the Scheduled Tribe of Gram Sabha. In other words, in the Scheduled Areas, the Sarpanch, Up-Sarpanch and any of the Panchs are barred from presiding over the meetings of the Gram Sabha.

Annexure-5.1 shows the statutory functions of Gram Sabha in the State. It may thus be seen that the institution of Gram Sabha in Chhattisgarh has been endowed with wide-ranging responsibilities and powers.

The Commission recommends that voice recording of proceedings of Gram Sabha can be done as a pilot project in some Panchayats. This will enhance trust and transparency in working of Gram Sabha.

Gram Sabhas and Panchayats, under PESA Act

Powers under the Gram Sabhas and Panchayats, under PESA Act:-

1. Approval of plans, programmes and projects for social and economic development,
2. Mandatory consultation before acquisition of land in the Schedule Areas for development projects and before resettling or rehabilitating persons affected by such projects,
3. Mandatory recommendations prior to grant of prospecting licence or mining lease and grant of concessions for exploitation of minor minerals in Scheduled Areas.

5.29 Election to Panchayats

A (i) The Panchayat Act provides for direct election to the Gram Panchayats and indirect election to the posts of chairpersons of Janpad Panchayats by the members directly-elected from territorial constituencies;

(ii) Political space was provided to the members of SC/ST in the seats and offices of chairpersons at all the three levels of Panchayats. However, in the Scheduled Areas, the reservation of seats for SCs and STs in every Panchayat is in proportion to their respective population in that Panchayat subject to the condition that reservation of seats of STs is not less than 50% of the total number of seats. Moreover, there is provision for reservation for all offices of chairpersons of Panchayats at all levels for STs. Provision for nomination at Janpad and Zila Panchayat level has been made in case STs are not represented at these levels;

(iii) The Panchayat Act was amended in year 2008 providing for reservation of a minimum of 50% of seats and offices of chairpersons;

(iv) Elected MPs both Lok Sabha and Rajya Sabha, and MLAs are members of the Zila Panchayat, while MLAs are also the members of the Janpad Panchayats;

(v) One-fifth of the sarpanchs of Gram Panchayats are the members of the Janpad Panchayat by rotation every year;

(vii) As stated earlier, in 2008 the Panchayat Act was amended providing for a period of 'two terms' for 'rotation' of seats and offices of chairpersons of Panchayats at all levels in respect of SCs/STs and OBCs.

B There are total 170358 public representatives in Panchayats of Chhattisgarh. Categorywise number of Presidents, Members, Sarpanchs and Panchs is mentioned in table 5.3.

Table 5.3: Categorywise public representatives of PRIs

Sl. No.	PRIs	Deatils of public representatives					
		Presidents/Sarpanchs			Members/Panchs		
		Male	Female	Total	Male	Female	Total
1	Zila Panchayat	12	15	27	179	223	402
2	Janpad Panchayat	56	90	146	1378	1595	2973
3	Gram Panchayat	5410	5461	10971	69931	86008	155939
	Total	5478	5566	11144	71488	87826	159314

Source: Administrative report of Panchayat and Rural Development Department, 2015-16

First in the year 2004-05, second in the year 2009-10 and third Panchayat election in the year 2014-15 were conducted by the Chhattisgarh State Election Commission. In year 2014-15 general election, a total of 1,69,119 non-official functionaries were elected to the three tire Panchayats at various level of which 20,446 (12%) were Scheduled Castes, 65,976 (39%) belonged to Scheduled Tribes. Among the elected functionaries, women constituted 92,866 or 55% of the total.

Role of Parastatals in Managing Functions

5.29. The ZPs have wide ranging Executive and Development functions. But there exist a parallel administrative functioning within the District headed and coordinated by the heads of various line departments, who operate through separate agencies and state level Department Officers posted in the Districts.

5.30. In the case of the state, the existence of various committees such as School Management Committees, Forest Management Committees and other similar kind of institutions have hindered the functioning of the PRIs.

5.31. This parallel system of undertaking works through the various institutions and committees at the grassroot level has not led to more decentralisation but less of it. For instance the Gram Panchayats falling under Naya Raipur area have to take permission for different development work from NRDA.

The Commission recommends that necessary steps should be taken by the State Government to maintain autonomy of Gram Panchayats. For development works with funds from other sources than NRDA, they should not be required any permission from NRDA.

5.32. All funds under centrally sponsored schemes are totally in the hands of the State Government. This system has also in many cases hampered the functional autonomy of the PRIs in the state.

5.33. *The Commission recommends that allocation of more funds to the PRIs should be based on normative and transparent considerations.*