

CHAPTER - 1

An Overview of the Panchayat Raj Institutions

1.1 Panchayat Raj Institutions (PRIs): constitutional background

The 73rd Constitution Amendment envisages a three-tier system of Panchayats: (a) Gram Panchayat at the village level; (b) Zilla Parishad at the district level and (c) Panchayat Samiti between the village and the district Panchayats (mostly at the block level).

The 11th Schedule to the Constitution delineates 29 functions to be devolved on the Panchayats. It, however, does not automatically confer any powers on PRIs or entrust them with the responsibility. The State legislature has been empowered by the 73rd Amendment to decide and to confer powers and responsibilities on PRIs.

The Constitution also provides that the State Government shall appoint a Finance Commission every fifth year to review the financial position of the Panchayats and recommend as to (i) the distribution between the State and the Panchayats, of the net proceeds of taxes, duties, tolls and fees leviable by the State, which may be apportioned between them and how allocation would be made among various tiers of Panchayats (ii) what taxes, duties, tolls and fees may be assigned to the Panchayats and (iii) grants-in-aid to Panchayats. The report of the Commission together with a memorandum of action on it is to be laid before the State legislature.

1.2 PRIs in West Bengal

The three-tier Panchayat system was envisaged in the West Bengal Panchayat Act, 1973, which came into force in June 1978 when the first general election for the Zilla Parishads, Panchayat Samitis and Gram Panchayats was held. Since then the general election for the panchayats has continued to be held every five years and the latest election (i.e. the sixth in the series) was held in May 2003.

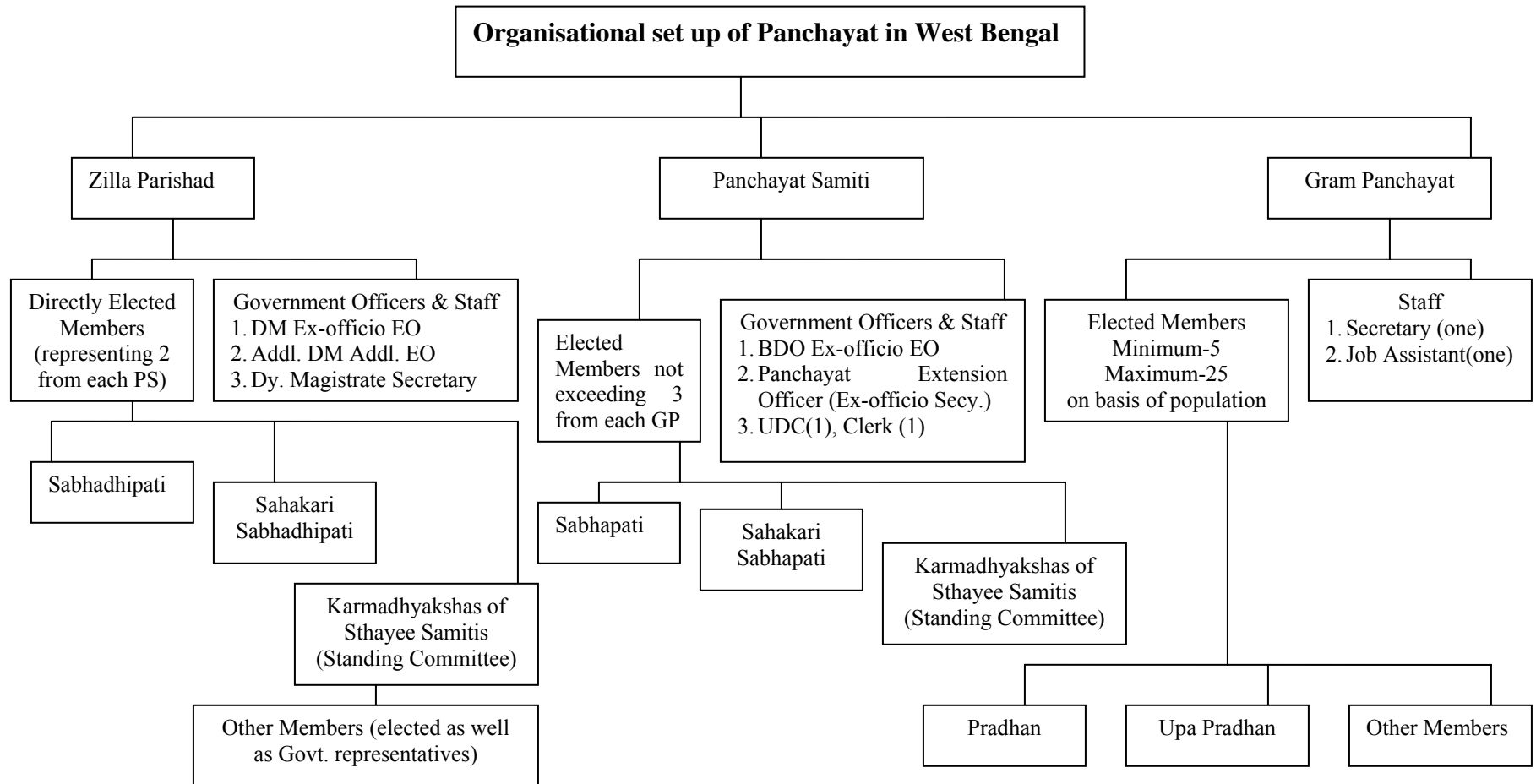
1.3 Area and population covered

The Act extends to the whole of West Bengal in areas other than Municipalities/Municipal Corporations/Cantonment areas. Thus 70 per cent of the total area (88,751 sq. km.) of the State inhabited by 5.77 crore of rural population, which is 72 per cent of the total population (8.02 crore as per 2001 census), came under the purview of the Act.

1.4 Organisational structure of the PRIs

There are 17 Zilla Parishads (ZPs), one Mahakuma Parishad (with all the powers and authority of the Zilla Parishad) for Siliguri Sub-Division, 341 Panchayat Samitis (PSs) and 3354 Gram Panchayats (GPs) in the State. Panchayat and Rural Development (P&RD) Department headed by a Secretary exercises administrative control over the Panchayat Raj system.

The organogram given below depicts the organisational set up of the Panchayat Raj System in West Bengal.



The Act envisages the functioning of the ZPs and PSs, through ten functional Standing Committees called Sthayee Samitis* having elected representatives and concerned officials as members. Each of the Sthayee Samitis of the ZPs/PSs is headed by a Karmadhyaksha (also an elected representative). No such Sthayee Samitis have, however, been provided for the GPs which shall function through one or more groups of members (popularly called as Upa-Samitis) with a convener for each, nominated from the concerned group, as envisaged in the Act.

1.5 Powers, functions and duties vested with the PRIs

The Act vests a PRI with the following powers and duties: (i) to prepare development plan/annual action plan (ii) to implement schemes for economic development and social justice as may be drawn up by, or entrusted upon it (in pursuance of 11th Schedule of the Constitution) (iii) to manage or maintain any work of public utility and (iv) to collect revenue for utilisation of such funds for development work.

As of March 2005, the State Government transferred 28 functions out of 29 included in the eleventh schedule of the constitution to the PRIs, along with funds and functionaries for 12 functions. Only one function, viz., Technical training and vocational education could not be transferred for want of infrastructural facilities with the PRIs, as

* (1) Artha, Sanstha, Unnayan O Parikalpana (Finance, Establishment, Development and Planning).

(2) Jana Swasthya O Paribesh (Public Health and Environment).

(3) Purnakarya O Paribahan (Public Works and Transport).

(4) Krishi, Sech O Samabaya (Agriculture, Irrigation and Co-operation).

(5) Siksha, Sanskriti, Tathya O Krira (Education, Culture, Information and Sports).

(6) Sishu O Nari Unnayan, Janakalayan O Tran (Children and Women's Development, Social Welfare and Relief).

(7) Ban O Bhumi Sanskar (Forest and Land Reforms).

(8) Matsya O Prani Sampad Bikash (Fishery and Animal Resource Development).

(9) Khadya O Sarbaraha (Food and Supplies).

(10) Kshudra Shilpa, Bidyut O Achiracharit Shakti (Small Industries, Power and Non-conventional Energy Sources).

stated by the Department in January 2006. But as the funds and functionaries relating to 16 functions have not been transferred, the Department could not clarify (February 2006) how the devolution of the 16 functions could effectively work in practice.

1.6 Audit arrangement for PRIs

As per provisions of the West Bengal Zilla Parishads Act, 1963/West Bengal Panchayat Act, 1973, the State Government is to appoint an Auditor for audit of the accounts of ZP, PS and GP.

The Examiner of Local Accounts (ELA), in the office of the Accountant General (Receipt, Works and Local Bodies Audit), West Bengal had been appointed Auditor to audit Zilla Parishads and Panchayat Samitis (earlier called Anchalik Parishads)¹.

Audit of the Gram Panchayats was conducted till 2001-02 by the Extension Officer (Panchayat), a State Government official stationed at the respective Block offices. The position changed when, by a notification in March 2003, the Examiner of Local Accounts had been appointed Auditor to audit Gram Panchayats also, from 2002-03 onwards.

1.7 Funding and lodging of funds

The Second State Finance Commission of West Bengal constituted in July 2000 submitted its report within a year of its constitution. Its recommendations covered the period from 2001-02 to 2005-06. Two basic recommendations of the State Finance Commission that could improve the financial position of the PRIs were not accepted by the State Government. (i) The Commission recommended providing an entitlement fund for rural as well as urban local bodies constituting 16 per cent of State taxes. Instead, the

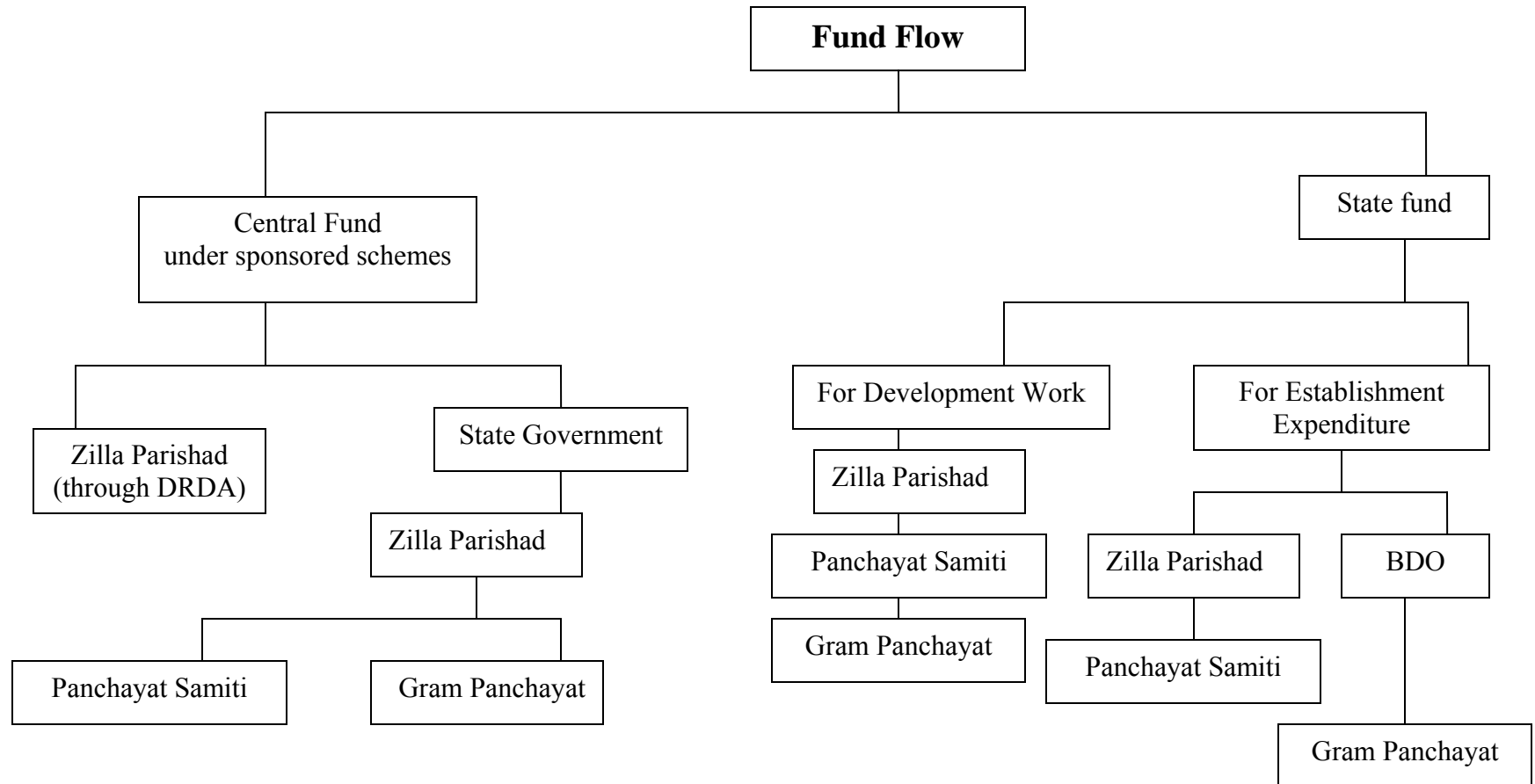
¹ Vide Rule 101 (1) of the West Bengal Zilla Parishads (Election, Constitution and Administration) Rules, 1964 framed under the West Bengal Zilla Parishads Act, 1963. The erstwhile general framework of four-tier PRIs as provided for in the 1963 Act was, however, replaced by three-tier PRIs as provided for in the West Bengal Panchayat Act, 1973.

Government decided to allocate ‘the maximum amount possible’ out of its resources without establishing any definite linkage of the quantum of entitlement with State taxes.

(ii) The commission also recommended that a minimum amount of Rs. 700 crores should be provided in the budget for devolution to rural and urban local bodies as untied entitlement. The State Government fixed the level at Rs 350 crores (i.e. 50 per cent of the recommended amount) and that also in the budget for 2005-06.

The PRIs are mainly funded by the Government. The funds for ZPs and PSs are lodged in Treasury in Deposit Account (head “8448-Local Fund Deposit Account, 109-Panchayat Bodies”), which is operated as non-interest bearing banking account. Centrally sponsored scheme funds are kept in banks in Savings Account according to guidelines for the respective schemes. The funds for GPs are to be kept in Savings Bank Account at the nearest Post Office or a Scheduled Bank or a Co-operative Bank.

A fund flow statement is given below:



1.8 Budgetary control

The following table shows the provisions in the State budget and release of funds thereagainst by the P&RD Department along with funds actually made available to the PRIs during 2001-02 to 2003-04.

(Rupees in crore)

Year	Budget provision		Amount released			Of which, amount actually made available to		
	Head	Amount	Central	State	Total	ZPs	PSs	GPs
2001-02	Salary & allowances	150.79	-	148.23	148.23	17.84	12.57	117.82
	Funds for implementation of schemes	460.93	715.95	286.09	1002.04	512.58	321.49	167.97
	Other grants	259.46	-	310.12	310.12	101.73	60.67	147.72
	Total	871.18	715.95	744.44	1460.39	632.15	394.73	433.51
2002-03	Salary & allowances	153.46	-	147.84	147.84	18.07	12.79	116.98
	Funds for implementation of schemes	222.40	392.36	257.26	649.62	202.31	304.19	143.12
	Other grants	687.29	-	33.75***	33.75	19.63	12.80	1.32
	Total	1063.15	392.36	438.85	831.21	240.01	329.78	261.42
2003-04	Salary & allowances	164.53	-	183.93	183.93	22.10	14.80	147.03
	Funds for implementation of schemes	122.03	41.76	271.92	313.68	176.45	27.16	110.07
	Other grants	156.67	30.31	31.86	62.17	29.93	2.54	29.70
	Total	443.23	72.07	487.71	559.78	228.48	44.50	286.80

[Source: Panchayat and Rural Development Department]

The above table shows that, during all the years, the amount actually released for implementation of schemes and the amount released as 'other grants' in 2001-02 were much higher than the amount provided in the budget. The reasons for release in excess of the budget provision could not be indicated by the Department (February 2006). In absence of any information on expenditure against the funds received, it was not clear whether the releases of such funds were based on the absorption capacity of the implementing agencies.

*** In 2002-03, the amount of budget provision under 'other grants' was much more than the released amount, reasons for which were not stated.

The P&RD department had no consolidated information on expenditure out of the funds received by the PRIs (2002-03: Rs. 405.47 crore; 2003-04: Rs.421.34 crore; and 2004-05: Rs.530.78 crore) direct from the Government of India without passing through the State budget.

The P&RD department could not furnish (February 2006) any information on the funds received during 2001-02 to 2003-04 from various line departments for implementation of programmes for socio-economic development within their functional areas and expenditure incurred out of the funds during the period.

It is apparent that the P&RD department does not have an effective system in place for monitoring of releases and expenditure of funds by PRIs.

In August 2005, the State Government informed in reply to an audit query that it had not received any grant from Eleventh Finance Commission (EFC) specifically for maintenance of accounts. The department had advised the PRIs to spend a part of the EFC grant towards computerisation of accounts, on which expenditure of Rs. 55.40 lakh only was reported to have incurred only in four districts. Therefore, no efficient system for collection of financial data from all over the State could be built up by the department as yet.

1.9 Audit coverage

Audit of accounts of 17 ZPs, one Mahakuma Parishad (MP), 204 PSs for the years up to 2003-04 and 3348 GPs (out of 3354) for the year 2003-04 were conducted during 2004-05. Audit of accounts of 6 GPs (as detailed in **Appendix-XXXII**) could not be taken up during 2004-05 for want of records. The audit findings are discussed in the succeeding paragraphs.