

CHAPTER I

An Overview of the Panchayati Raj Institutions

1.1 PRIs in West Bengal

Panchayats, the third tier of democratic governance providing for self-governance, have been constitutionally created under 73rd Amendment of the Constitution. As of April 2014, the State has 3,349 Gram Panchayats (GPs) at the village level, 341 Panchayat Samitis (PSs) at intermediate level between the district and village, 17 Zilla Parishads (ZPs) and one Mahakuma Parishad (MP) at the district level.

As per latest census report (2011), the State has 6.22 crore rural population (68 *per cent* of total population of the State) covering an area of over 86,152 sq km (97.07 *per cent* of total area of 88,752 sq km of the State).

1.2 Powers, Functions and Organisational structure of the PRIs

The powers, authority and responsibilities of PRIs as laid down under Article 243G and 243H of the Constitution of India are as below:

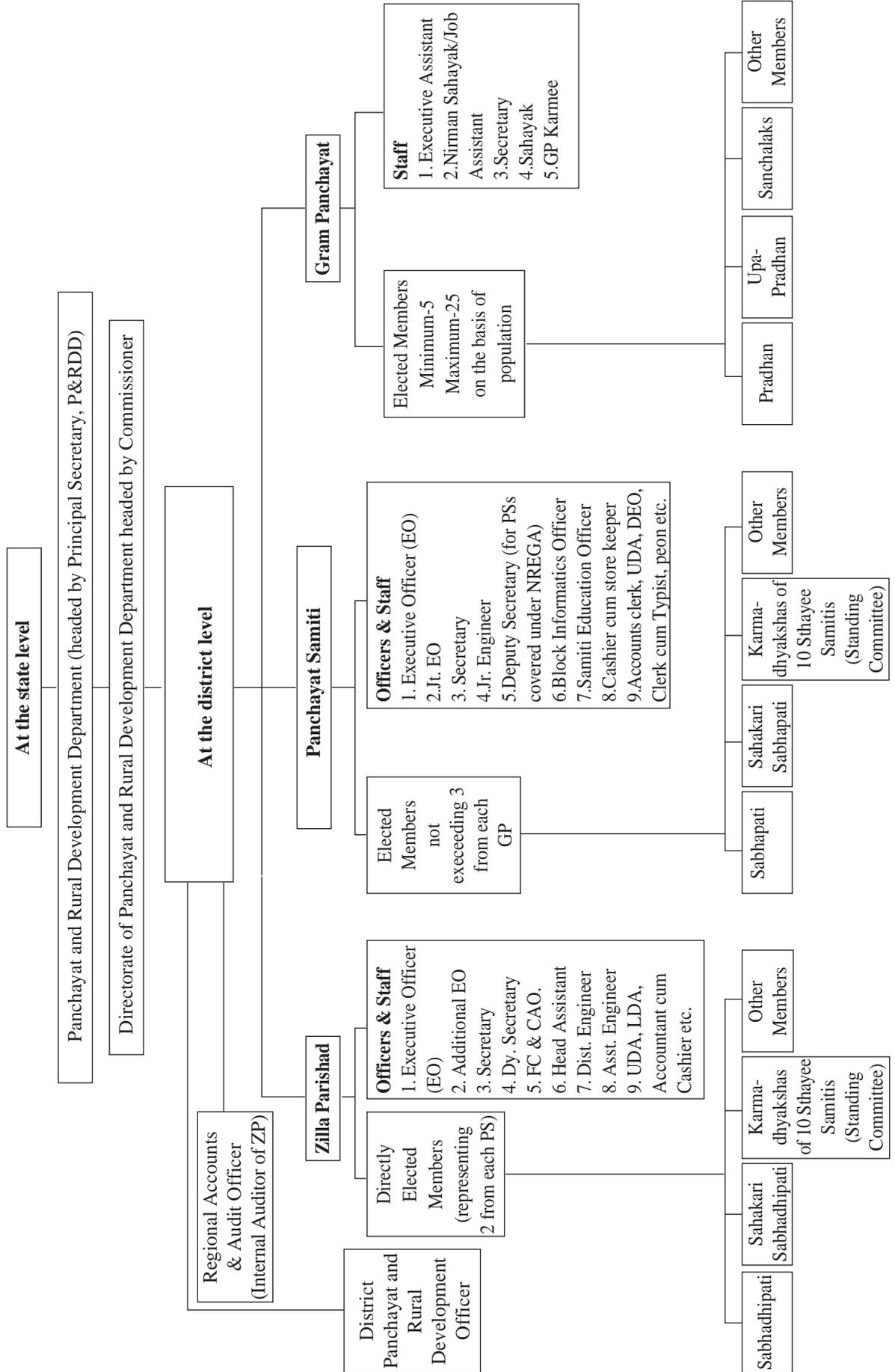
- Preparation of plan for economic development and social justice;
- Implementation of schemes for economic development and social justice as may be entrusted to it in relation to the matters listed in the Eleventh Schedule of the Constitution; and
- Powers to impose taxes.

The above powers and duties were earlier included and categorised in Sections 19 to 34; 109 to 118 and 153 to 165 of West Bengal Panchayat Act, 1973 for GPs, PSs and ZPs respectively.

The Act stipulates functioning of the PRIs through well-designed Standing Committees called *Sthayee Samitis* (for ZPs and PSs) and *Upa Samitis* (for GPs) having elected representatives and officials as members.

The detailed organisational set up of the Panchayati Raj system in West Bengal is shown in the following flow chart:

ORGANISATIONAL CHART



1.3 Devolution of functions

Article 243G of the Constitution provides for devolution of powers and responsibilities by the State Government to the Panchayats in preparation and implementation of plans for economic development and social justice including implementation of schemes relating to the 29 subjects listed in the 11th Schedule of the Constitution. Accordingly, the State Legislature inserted Sections 207A (in 1992) and 207B (in 1994) in West Bengal Panchayat Act, 1973 for placement of officers and employees at the disposal of PRIs and transfer of such powers, functions and duties as exercised, performed and discharged by the State Government.

Transfer of 28 functions excluding technical and vocational education was completed through Activity Mapping exercise between November 2005 and October 2007.

PRIs in West Bengal have played an increasing role in certain aspects of service delivery but their ability to influence the outcome has been limited. Lack of clear allocation of responsibilities, inadequate access to discretionary funds, lack of powers over state level functionaries and inadequate local capacity have been contributing to poor service delivery.

1.4 Fund of PRIs

PRIs receive grants from the Central and the State Government for implementation of assigned schemes. Central funds were released to the PRIs either directly or through the State budget while the State Government releases salary grants, state share of Centrally Sponsored Schemes and Finance Commission grants through State budget and through West Bengal State Rural Development Agency (WBSRDA) of Panchayat and Rural Development Department (P&RDD).

ZPs and PSs deposit State funds in the Treasury in Deposit Account head 8448-Local Fund Deposit Account, 109-Panchayat Bodies which is operated as non-interest bearing bank account and centrally sponsored scheme funds are deposited in savings accounts as per the guidelines of the respective schemes. GPs keep GP Fund in one or more savings accounts maintained with any one or more branches of a nearby nationalised bank or any other scheduled bank or licensed Co-operative Bank or Post Office or any two or more of them.

1.5 Accounting procedure of PRIs

PRIs maintain their accounts as per formats prescribed in West Bengal Panchayat Act, 1973 and Rules framed thereunder. The accounts are maintained on cash basis double entry system. Two software programmes namely, Integrated Fund Monitoring and Accounting System (IFMAS) for ZPs and PSs and Gram Panchayat Management System (GPMS) for GPs were developed for generation of accounts.

Ministry of Panchayati Raj, GoI in consultation with Comptroller and Auditor General of India, prescribed Model Accounting System (MAS) for Panchayats for exercising proper control and securing better accountability. P&RDD prepared a coding structure comprising three tier budget head for receipt of grants-in-aid and four tier budget head for expenditure consistent with MAS after minor modifications and issued instruction (March 2012) to all PRIs that the accounts should be maintained in prescribed format with effect from April 2011 and eight database formats were also to be generated as prescribed in the MAS.

During audit of accounts of PRIs for the year 2012-13, it was noticed that accounts were not maintained as per the codification structure prescribed by P&RDD. When enquired, the department intimated (June 2013) that different aspects of MAS like cash based accounting, yearly closing, recording of all transaction in Cash Book and other Ledgers, monthly reconciliation, preparation of monthly receipt and payment report etc. were in practice in all three tiers of PRIs in West Bengal. The issue of classifying funds according to National Accounting Code (NAC) is being addressed by the Government. The mapping of existing heads as per State Rules was completed for GPs and their accounts were uploaded in PRIASOFT portal. The mapping of PS accounting heads was in process and is expected to be completed by December 2014.

1.6 Financial Position of PRIs

A Performance Audit on "Receipts of Panchayats" of six districts¹ has been carried out covering the period from 2009-10 to 2013-14. Results of the Performance Audit have been incorporated in Chapter IV of this report. However, a brief financial position of the ZPs, PSs and GPs for the last five years has been depicted in **Appendix- I**.

¹ South 24 Parganas, Hooghly, Murshidabad, Bankura, Dakshin Dinajpur and Jalpaiguri.

1.7 Sectoral Analysis

Sector-wise receipt and expenditure under schematic fund like education, rural housing, poverty alleviation and health and family welfare for the past five years as obtained from the records of P&RDD are as follows:

Table 1.1 : Sector-wise comparison of Receipt and Expenditure

Name of Sector	2009-10		2010-11		2011-12		2012-13		2013-14	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
Poverty alleviation	2,137.50	2,347.59 (55%)	2,629.13	2,741.88 (63%)	3,027.21	3,166.61 (62%)	3,862.59	3,909.26 (47%)	3,543.98	3,696.41** (37%)
Social Security	745.47	678.33 (16%)	753.73	475.12 (11%)	910.09	792.67 (15%)	911.87	654.61 (8%)	2,374.74	2,374.74 (24%)
Health & Family Welfare	46.75	110.74 (3%)	113.27	0.00	0.97	NA	0.87	0.87 (.01%)	1.08	1.08 (0.01%)
Backward area development	242.18	104.10 (2%)	216.03	208.75 (5%)	251.45	229.22 (4%)	204.62	300.32 (4%)	310.29	310.29 (3%)
Development of natural resources	13.67	7.72 (0.2%)	2.75	0.00	1.65	3.17 (0.06%)	0.28	3.28 (0.04%)	–	–
Rural Development	87.27	93.84 (2%)	141.01	141.01 (3%)	945.05	NA	2,162.88*	1,428.42* (17%)	2,766.33*	2,406.20* (24%)
Rural roads	8.80	8.80 (0.2%)	7.45	0.00	823.90	NA	431.55	343.73 (4%)	442.49	442.49 (4%)
Rural Housing	863.49	891.65 (21%)	791.45	796.83 (18%)	860.43	926.13 (18%)	680.69	910.18 (11%)	100	100 (1%)
Education	37.51	37.50 (0.9%)	7.50	0.00	60.00	NA	74.05	74.05 (0.09%)	79.44	79.44 (0.8%)
Other sectors	0.1	0.10	0.34	0.00	0.00	0.00	625.13	624.97 (8%)	673.3	673.30 (7%)
Total	4182.74	4280.37	4662.66	4363.59	6880.75	5117.80	8954.53 (30%)	8249.69	10291.66 (14.9%)	10083.94

(Source: Panchayat & Rural Development Department)

* Receipts and expenditures increased due to inclusion of Central and State scheme and grant-in-aid in the 2012-13 and 2013-14

** Unspent balance of previous year was expended during 2013-14

It can be seen from the above table that,

- During 2013-14, overall receipt of PRIs increased by 15 per cent over 2012-13. However, during the same period expenditure incurred under poverty alleviation sector decreased to 37 per cent of total schematic expenditure from 47 per cent during 2012-13;

- (b) Both the receipt and expenditure under social security sector increased by 160 *per cent* and 263 *per cent* respectively during 2013-14 in comparison to 2012-13;
- (c) Expenditure under rural housing sector decreased to 0.99 *per cent* of total schematic expenditure during 2013-14 from 21 *per cent* in 2009-10; and
- (d) Expenditure under health and family welfare sector reduced to 0.01 *per cent* of total schematic expenditure in 2013-14 from three *per cent* in 2009-10 and expenditure under Education sector was constantly below one *per cent* during 2009-14.

1.8 Thirteenth Finance Commission grants

Grants as per recommendations of Thirteenth Finance Commission (13th FC) are released under three heads viz. general basic grant, special area basic grant and performance grant. Details of release and utilisation of 13th FC grants during 2010-14 are detailed below:

Table 1.2: Release and utilisation under 13th FC

Year	Amount released from GoI	Amount released to PRIs			Utilisation by PRIs	Expenditure towards basic amenities		
		General basic grants	Special area basic grants	Performance grants		ZPs	PSs	GPs
2010-11	192.93	192.93	0.80	Nil	110.21	37.14	13.55	59.52
2011-12	429.86	430.68	1.60	Nil	321.57	77.03	47.59	196.95
2012-13	533.83	507.42	1.60	24.01	353.63	46.45	54.45	252.73
2013-14	288.77	287.97	0.80	-	328.75	39.45	59.18	230.12
Total	1,445.39	1,419.00	4.80	24.01	1,114.16	200.07	174.77	739.32

(Source: Panchayat & Rural Development Department)

GoI release under 13th FC has been reduced by 46 *per cent* in 2013-14 from 2012-13. Further, the State failed to receive performance grants recommended by 13th FC as incentive during 2010-14 except during 2012-13 when ₹ 24.01 crore was received.

P&RDD released 13th FC grants to PRIs without earmarking funds for various sectors. However, details of sector-wise expenditure during 2013-14 furnished by P&RDD are given below:

Table 1.3: Sector-wise release and expenditure

(₹ in crore)

Sector	Fund released			Expenditure	Percentage of sector-wise expenditure
	ZP	PS	GP		
Safe drinking water supply	37.07	47.68	204.02	3.39	1.03
Maintenance of PMGSY/RIDF roads				145.21	44.17
Recruitment of staff				1.28	0.39
Maintenance of water resources				23.8	7.24
Maintenance of e-governance system				9.96	3.03
Basic amenities				52.83	16.07
Others				92.28	28.07
Total	288.77			328.75 *	

(Source: Panchayat & Rural Development Department)

*Unspent balance of previous year was expended during 2013-14.

It is evident from the above table that the PRIs spent ₹ 3.39 crore during 2013-14 towards safe drinking water supply which is only one *per cent* of the total expenditure. Moreover, it was stipulated in the guidelines that five *per cent* of the available funds at each tier of PRIs was to be earmarked for maintenance of the e-governance system but no fund was earmarked under this sector. However, PRIs spent ₹ 9.96 crore which is only three *per cent* of total expenditure incurred during 2013-14.

1.9 District Planning Committee

Article 243ZD of the Constitution envisages that every State should constitute a District Planning Committee (DPC) at district level to consolidate the plans prepared by the Panchayats and Municipalities in the district and to prepare draft development plan for the district as a whole. Further, DPC should consider matters of common interest including spatial planning, sharing of water and other physical and natural resources, integrated development of infrastructure, environmental conservation etc. and the chairperson of every district should forward the development plan as recommended by such Committee to the State Government.

The districts in the State were requested (June 2014) by Examiner of Local Accounts (ELA), West Bengal to furnish details about the working of DPCs

during 2012-13. Only nine districts² have furnished details while the remaining nine districts did not respond in spite of reminder (by ELA) in August 2014. Review of the working of nine DPCs revealed as under:

1.9.1 Functioning of DPC

Section 3 of West Bengal District Planning Committee Act, 1994 provides that the State Government shall constitute a DPC in every district.

Except in Bankura district, DPCs were formed in eight out of nine of the districts with delays between one and fifteen years after passing of the West Bengal District Planning Committee Act, 1994.

1.9.2 Constitution of DPC

The State Government determines the number of members of DPC which shall be equal to the sum total of number of constituencies of the ZP for that district and one fourth of that number provided:

- (a) number of constituencies between 48 and 80 will have 60 members in the DPC and
- (b) if it is more than 80, the number of members will be 100.

Eighty *per cent* members of the DPC will be elected by and from the elected members of the ZP and municipalities and 20 *per cent* will be appointed by the State Government.

Out of the above nine districts, eight districts maintained prescribed percentage of number of appointed and elected members of DPC but in Bankura district, there were 43 elected members against the prescribed 46 members.

1.9.3 Meeting of DPC

The State Government has so far not prescribed any periodicity for holding of meeting of DPC. In absence of this, it was noticed that none of the districts could hold more than one meeting except Bankura, while Malda and Howrah did not have any DPC meeting held during 2013-14. Only one meeting was held by DPC during 2013-14 in Paschim Medinipur, South 24 Parganas, Purulia, Birbhum and Uttar Dinajpur.

In order to ensure regular monitoring of the implementation of District Plans,

² Bankura, Birbhum, Dakshin Dinajpur, Howrah, Malda, Paschim Medinipur, Purulia, South 24 Parganas and Uttar Dinajpur.

Government may consider prescribing periodicity of holding regular meetings by the DPC.

1.9.4 Preparation of Draft Development Plan (DDP)

All the nine districts reported that plans from PRIs, ULBs and line departments were collected and compiled at district level and forwarded to DPC. DPC integrates the plan prepared by all the three tiers of Panchayats along with the plans prepared by the District Urban Committee and the line departments. District Plan prepared by DPC is sent to the Development and Planning Department, Government of West Bengal for preparation of State Plan.

It was noticed that only Dakshin Dinajpur district maintained the time schedule for acceptance of DDP for the year 2013-14 while there were delays between one and eleven months from the scheduled date of acceptance (March 2013) in Uttar Dinajpur, Paschim Medinipur, Bankura and South 24 Parganas. The districts explained that the delays occurred due to non / late submission of draft plans by PRIs, ULBs and line departments / executing agencies of the respective districts and enforcement of Model Code of Conduct for Panchayat Election 2013.

Further, Purulia and Malda could not forward DDP for the year 2013-14 by March 2014 while DDPs for the year 2013-14 were due for acceptance from the respective DPCs in Birbhum and Howrah.

It is thus evident that the DDP had little impact as State Plan was prepared well in advance before the commencement of financial year.

1.9.5 Fund sanctioned, released and utilised

In Uttar Dinajpur district, PRI plans constituted 94 *per cent* of the DDP for the year 2013-14 while in South 24 Parganas district the same was only 14 *per cent*. In the remaining districts, it ranged between 29 and 68 *per cent*.

In Uttar Dinajpur, Paschim Medinipur and Bankura districts percentages of fund sanctioned against amount projected for PRIs in DDP for the year 2013-14 were 50, 35 and 8 respectively. Birbhum district reported that no amount was sanctioned against the DDP for PRIs for the year 2013-14. The remaining districts did not furnish any information regarding amount sanctioned against DDP.

Regarding utilisation, Paschim Medinipur, Bankura and Uttar Dinajpur districts reported that they utilised 79, 45 and 1 *per cent* of the grants sanctioned to PRIs

but the remaining six districts failed to furnish any information.

1.9.6 Monitoring

Monitoring arrangement for implementation of various schemes in different districts as reported by the DPCs of nine districts is given below:

Table 1.4: Monitoring of schemes

Name of the districts	Monitoring arrangement
Bankura	Monitoring through DPC meeting and field visit by district and block officials.
Birbhum	Does not arise as no fund was sanctioned against DDP.
Dakshin Dinajpur	Dist. Level Monitoring Committee comprising DM, Addl. DM , Dist. Planning Officer, Executive Engineer (P&RD) and Executive Engineer (PWD).
Howrah	Did not furnish any details.
Malda	Monthly Monitoring Meeting, spot inspections
Paschim Medinipur	By Dist. authority / Sub- Div authority / Block level authority.
Purulia	Concerned Department and PRIs
South 24 Parganas	Development Monitoring Committee at Dist. Sub -Div and Block/ Review meetings with functionaries of PRIs and line department/ Meeting of SC, report/ return and field visit
Uttar Dinajpur	Inspection by Engineering Section of ZP.

(Source: Replies of DPCs)

Thus, the DPC formed in districts had much scope for improvement. District plans were prepared as a routine exercise and without consideration of resources available for implementation of the proposals except in Birbhum district. Delays in preparation of plans signified that the plans had little impact on the State Plan. Most of the districts³ did not follow up on receipt of funds against their plans. The State Government needed to take remedial measures to improve the efficiency and effectiveness of the DPC.

1.10 State Finance Commission Grants

Third State Finance Commission (SFC) constituted in February 2006, recommended allocation of ₹ 800 crore, constituting around five *per cent* of the State's own net tax revenue to PRIs and ULBs in the ratio of 76 and

³ Dakshin Dinajpur, Purulia, South 24 Parganas, Malda and Howrah.

24 respectively for the year 2008-09 with progressive increases of allocation at the minimum rate of 12 *per cent* per annum on a cumulative basis for the year 2009-10 to 2013-14. The Government accepted the recommendation in July 2009 and started releasing grants from 2009-10 onwards.

The actual release under SFC to PRIs during 2009-10 to 2013-14 is shown below:

Table 1.5: Recommendation, release and utilisation under 3rd SFC

Year	Tax Revenue of the State Government	Recommended by SFC for PRIs & ULBs	Recommended by SFC for PRIs (76% of PRIs & ULBs)	Actual release	Shortfall	Utilisation (%)
2009-10	16,899.98	800.00	608.00	236.50	371.50	180.67 (76%)
2010-11	21,128.74	896.00	680.96	301.80	379.16	61.64 (20%)
2011-12	24,938.16	1,003.52	762.68	252.47	510.21	268.31(106%)
2012-13	32,808.49	1,123.94	854.20	568.34	285.85	419.33 (74%)
2013-14	35830.56	1,258.81	956.70	493.73	462.97	436.39 (88%)
Total	131,605.93	5,082.27	3,862.54	1,852.84	2,009.69	1,366.34 (73%)

(Source: Panchayat & Rural Development Department)

It is evident from the above table that the State Government released only ₹ 1,852.84 crore (48 *per cent*) against ₹ 3,862.53 crore recommended for five years i.e. 2009-10 to 2013-14. Instead of progressive increase of 12 *per cent* per annum as stipulated, actual release during 2011-12 and 2013-14 decreased from the previous years.

Year wise sectoral analysis of expenditure from SFC grant in respect of three tiers of PRIs during 2009-14 was not made available to audit. However, tier-wise and sector-wise cumulative expenditure upto March 2014 was furnished by the State Government.

Sector-wise analysis is given in table 1.6:

Table 1.6 : Sector-wise receipt and expenditure under 3rd SFC

Sl. No	Sector	Receipt of 3rd SFC grant during 2012-13			Expenditure			Total
		ZP	PS	GP	ZP	PS	GP	
1	Creation/ development of asset	222.34	333.51	1296.99	84.60	102.85	374.07	561.52
2	Social aspects				6.91	26.65	109.09	142.65
3	Maintenance of existing PRI owned assets				24.77	40.89	173.65	239.31
4	Contingent expenditure				0.82	1.95	10.27	13.05
5	Others				20.40	45.32	171.29	237.01
Total		1,852.84			137.5	217.66	838.37	1,193.54

(Source: Panchayat & Rural Development Department)

1.11 Audit mandate for PRIs

Examiner of Local Accounts (ELA), West Bengal has been appointed as Auditor under Section 186 of West Bengal Panchayat Act, 1973 to examine and audit 100 *per cent* accounts of funds of ZPs, PSs and GPs, vide Government Order dated 3 September 1980 (for ZPs and PSs) and notification dated 28 March 2003 (for GPs).

1.12 Audit Coverage

Accounts of 18 ZPs (including one MP), 167 PSs and 2,086 GPs were audited during 2013-14. The audit findings are discussed in the succeeding Chapters.

1.13 Response to Audit Reports

In terms of Section 191(A) of West Bengal Panchayat Act, 1973, the Report of the ELA on PRIs shall be laid before the State Legislature and in terms of sub-rule 4A of Rule 310ZG of the Rules of Procedure and Conduct of Business in West Bengal Legislative Assembly (WBLA). Matters relating to scrutinising the Report of the ELA on PRIs have been entrusted to the Standing Committee on Panchayats and Rural Development, Land & Land Reforms and Sundarban Development of WBLA. Accordingly, Reports for the years ended 2004 to 2012 were laid before the State Legislature and the Standing Committee had considered all these Reports till December 2014. Thirty nine recommendations have been made on those reports. No action taken note has been received till December 2014.

The Report for 2012-13 was laid before the Legislature in February 2015.

1.14 Pending Audit Observations of Inspection Reports

Section 191 (1) of the Act stipulates that within two months from the receipt of the Inspection Report (IR), the GP, PS or ZP concerned shall set right any defect or irregularity pointed out in the IR and shall also inform the auditor of the action taken on it.

The following table indicates position of IRs and paragraphs pending for settlement, as on 31 March 2014.

Table 1.7 : IRs and paragraphs pending for settlement

Category of PRIs	IRs pending for settlement		No of paras contained in the IRs awaiting settlement		Money value (₹ in crore)	
	More than 5 years	Less than 5 years	More than 5 years	Less than 5 years	More than 5 years	Less than 5 years
ZPs	67	73	285	636	39,277.12	58,187.82
PSs	543	664	1,659	3,881	25,494.76	33,610.29
GPs	6,761	9,855	59,255	75,483	NA	

(Source: Objection Book of ELA)

Further, no Audit Committee Meeting was held to settle the outstanding IRs and paragraphs during 2013-14.

1.15 Recovery at the instance of audit

In course of audit of PRIs during 2013-14 it was observed that collection of revenue in respect of 32 PRIs⁴ in the shape of house rent receipt, trade registration fees, etc. was not deposited into PRI accounts. Besides, PRI made excess payment of ₹ 1.29 lakh to suppliers and contractors for various reasons during 2008-14. On this being brought to the notice of the concerned PRIs during field inspections, ₹ 1.29 lakh was recovered by the concerned PRIs and deposited into PRI accounts.

⁴ **GPs:** Burirhat-I, J alas-Nizam tara, Thakuranichak, Bamunia, Gosainpur, Patharghata, Bogpur, Panchrol, Anulia, Baruipara- Paltagarh, Guma-I, Lowa Ramgopalpur, Ghoshpur, Atpukur, Bhuri, Jamsheerpur, Duma, Bodai, Taraberia, Jaleshwar-II, Amta, Tantishal, Karimpur-II, Mohanpur, Rajivpur Bira, Bomontor, Nayabasti Milani and Rasapunja.

PSs: Katwa- II, Mathurapur-I, Habra-I and Balurghat.