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The Institute of Public Auditors of India (IPAI)

The Institute of Public Auditors of India (IPAI) was established in 1996 with the main objective of assisting the authorities in establishing sound accounting, auditing and financial management practices. The Institute has established itself as a leading Institute in the country in the areas of management consultancy, audit and investigative examination, evaluation of programmes, system appraisals and setting up systems for efficient functioning of the organisations / departments of the central and state governments and local bodies. IPAI has a presence across the country through its eighteen Regional Chapters located at Ahmedabad, Allahabad, Bangalore, Bhopal, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kolkata, Lucknow, Mumbai, Patna, Ranchi, Shimla, Srinagar and Thiruvanthapuram. Each Chapter is equipped to undertake consultancy assignments and organize training programmes.

CONTENTS

FROM THE PRESIDENT'S DESK

IPAI has been publishing its journal by including variety of articles in a particular volume. The present issue of our Journal is a little different in the sense that it contains articles only on one theme – the Panchayati Raj Institutions in India.

The Ministry of Panchayati Raj had assigned to the IPAI preparation of State/UT specific Budget, Accounts and Audit Manuals and related Rules and Guidelines for Panchayats in close consultation with the States/ UTs. This was a huge task and was to be accomplished in a limited period of 4 months. At IPAI, we rose up to this challenge and prepared 105 manuals, *i.e* three manuals each for all the 35 States and UTs (except Delhi).

The work involved reviewing the existing Rules, Manuals and Guidelines for preparation of budget, maintenance and audit of accounts in the Panchayat in each state/ UT (except Delhi) and then simplifying the process so as to make it easily understandable for a common man in the village. In the process, IPAI's team of officers engaged on this task gathered vast amount of knowledge regarding the Panchayati Raj Institutions in India. Our Patron, the CAG of India, in his speech delivered at the 18th Annual General Meeting of the IPAI, had also suggested that IPAI must think of bringing theme based issue of the Journal this year. Keeping his suggestion in mind, we decided to bring out this issue of our Journal based on the theme of the Panchayati Raj Institutions in India.

Having studied the PRI Acts of all the States, we had extracted the relevant provisions relating to Budgeting and

Accounting from all the Acts and put them together. Due to space constraint, we are unable to include these in this issue of the Journal. Surely, we will include them in our next issue.

I hope readers will find this issue useful as it provides wealth of information regarding the Panchayati Raj Institutions in India.

ANUPAM KULSHRESHTHA

EDITORIAL

73rd amendment of the Constitution was a giant step in the direction of actualising the Gandhian dream of Poorna Swaraj which requires that democracy has to be grass-root democracy to bring power to the masses to participate and catalyse the development process. But Panchayats today as Sri Jagmohan has described them in his book"Governance in India" are 'centres of decentralised corruption, decentralised political fragmentation, decentralised caste divisions and decentralised litigations, violence and social disruption'. The major functions of Panchayat are planning and implementation. But Panchayats have little role in planning and even lesser role in implementation. Panchayat system as a whole and the revenue collection and expenditure accountal and audit needs to be looked into in particular to bring about the needed improvements by plugging the loopholes and also by amending the 73rd amendment itself. This is the raison d'tre behind bringing out an issue of the Journal exclusively on the issues relating to Panchayati Raj planning, accounting and auditing.

Article 243G which envisages devolution of subjects detailed in Eleventh Schedule to the Panchyats has been adopted more in breach and except for some states like Kerala, Karnataka and Maharashtra, there is little correlation between devolution of functions and other Fs-funds and functionaries. Either States are reluctant to devolve functions or where they have, in the absence of funds and functionaries, it amounts to an empty devolution. Some of the issues relate to lack of clarity about tasks to be entrusted to different tiers of Panchayats by way of activity mapping and the problems faced by State Finance Commissions by way of inadequate administrative support and inadequate resources.

Kerala has taken significant initiatives in this regard. The successive Finance Commissions beginning with 10th FC have addressed the issue of finances of Panchayats. Should devolution of functions, functionaries and funds to Panchayats by the State Governments be a factor for determining the quantum of funds to States by FC? Should all funds relating to the subjects in Eleventh Schedule be given directly to the Panchayats? As a condition precedent, it would require amendments to 73rd amendment to make mandatory devolution of functions, funds and functionaries in a time bound manner and strengthening of planning, accounting, auditing and computerisation of the process of fund transfer and accountal. PRIASoft and PANCHA TANTR are major efforts in this direction which is to be carried forward. Some States like Kerala and Karnataka to name a few have taken significant steps in this regard. Technical guidance and supervision of CAG has to be strengthened as recommended by successive National Finance Commissions. Superimposed, supplementary audit of national auditor in addition to audit by appointed agencies has to be introduced making it part of CAG's constitutional mandate. CAG must have a big role in Audit of PRIs looking at the quantum of funds of more than 2 lac crores being disbursed to States by way of 14th FC recommendations. Should there be a Report to Parliament by CAG on PRIs?

Empowerment of women has got a fillip with the 73rd amendment echoeing the sentiments of- give me good mothers, I will give you a great nation; but major problems remain. Should there be a major role for Mahila Sabhas in Gram Sabhas and should there be a separate quorum for women members? Kerala initiative of Kudumbashree is laudable.

Economic reforms and 73rd amendment are coeval as both started in early Nineties of last century. Is scant attention paid to Panchayats one of the reasons for the fruits of reforms not reaching the poor? Will proper attention to Panchayats further the process of inclusion?

The present issue has tried to address some of these issues. If it triggers debate in the cognoscenti about these, we in Institute of Public Auditors will feel gratified that our endeavour to promote proper planning, accounting, auditing and probity in Panchayats and in other echelons of government have got the response we are looking for.

AJIT PATNAIK
Editor

EMPOWERMENT OF WOMEN UNDER THE PANCHAYATI RAJ SYSTEM-REAL OR ONLY TOKENISM?

Nandini Y. Kapdi*

********Political empowerment and social empowerment do not run parallel to each other. Women's social empowerment is a multi-dimensional aspect, deeply rooted in tradition, culture and way of life. A lot still needs to be done in addressing issues such as health, conditions of living, livelihood and financial inclusion. Successive governments have been working on these and creating an appropriate platform. With the improved political status of women, it should be possible to break social barriers as well. ********

Art. 40 of the Constitution of India includes village Panchayats in Part IV which reads- "The State shall take steps to organize village Panchayats and endow them with such power and authority as may be necessary to function as units of Self-government." In 1957, a breakthrough was achieved in the establishment of Panchayati Raj through the Report of the Team for Study of the Community Development Projects and National Extension Service headed by Shri Balwantrai Mehta which recommended that "Public participation in community works should be organized through statutory representative bodies." On 2 Oct. 1959 the then Prime Minister Shri Jawaharlal Nehru inaugurated the Panchayati Raj at Nagaur in Rajasthan. By the sixties, Panchayats had been formed in several States. However

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there was no uniformity in empowerment of these Panchayats in different States nor was there any fixed tenure. There was no concept of reservation for women.

Subsequently, Ashok Mehta Committee recommended in 1978 that Panchayats be given Constitutional status. The 73 Constitutional Amendment Act-1992, gave a distinct Constitutional status to Panchayats by recognizing local self-government as the third tier of governance after Central and State Governments. A three tier model divided the Panchayati Raj Institutions into District (Zilla), Intermediate (taluka or block)and Village (Gram Panchayat) was prescribed based on the geographical area and the population served. Most importantly, it provided for reservation of not less than one third of the total number of seats for women (including the number of seats provided for the women belonging to the SCs and STs. Further not less than one third of the total number of offices of chairpersons in the offices of Panchayats at each level were to be reserved in favour of women.

Presently, India has 618 district Panchayats, 6618 Block/intermediate Panchayats, and 248255 Gram Panchayats. 20 states have 50 or more percent of women elected representatives. There are 13.42 lakhs Elected Women Representatives (EWRs), and they constitute 46 % of the total Elected Representatives (ERs). Jharkhand has the highest percentage of 59.18% followed by Rajasthan (58.29%) and Uttarakhand (57.83%). Punjab has only 30.13% which is less than the constitutionally mandated norm of 33%.

Women's participation at the grass root level of democracy has far reaching implications. As a result of this amendment and consequent executive action, rural women marginalized by lack of education, lack of opportunities and a distinct indifference towards their betterment could look forward to being equal partners in nation building exercise. For the very first time they were recognized for their true worth as citizens and participants in governance. Here was the chance to get center stage and take responsibility. It also provided an opportunity to hitherto deprived low caste women. It boosted confidence in them and in their abilities and encouraged them to seek a meaningful role in society. The dream of the Father of the Nation Mahatma Gandhi towards democratic decentralization was achieved to some extent.

India can boast of the numbers of elected women representatives. But have the twin objectives of achieving gender equality and equity been achieved? After over two decades of the 73 Amendment, have the women been empowered in the true sense? Is the ground reality different from what was sought to be achieved by the Constitutional amendment?

Mere act of empowerment through legislation alone can not deliver gender equality or equity. While the 73 Amendment gave an enabling mandate and the States did implement those provisions relating to reservation of women, actual quality of participation by Elected Women Representatives (EWRs) in decision making is still a matter of concern. Several Studies have been carried out across various States in India to assess how far the Constitutional mandate had been effective in ensuring women's empowerment. The results might vary from State to State depending upon the Literacy and Social status of women but some definite trends have been indicated.

On the positive side, it has been noted that pursuant to the political empowerment at the grass root level, women are emerging out of their cocooned existence and taking part in areas that affect them most, such as drinking water supply, sanitation, primary health care, child development, street lighting, public distribution system and clean environment in and around the village. They understand sustainable development and help in preservation of the environment. They have developed self-confidence and a new interest in literacy and education. They are also more responsive to the needs of other women and discourage corruption at the village office.

The Ministry of Panchayati Raj commissioned a study in 23 States across the country on empowerment of EWRs in Panchayats after enactment of 73rd Constitutional Amendment Act and the study submitted its report in April, 2008. The findings contained in the report on the Study confirm the view that mandated political participation of women has had a positive impact on society as a whole. The study also revealed that reservation facilitated the first entry into politics for most of them. A sizable proportion of EWRs perceived enhancement of their self-esteem, confidence and decision making ability.

"The last fifteen years of Panchayati Raj in India have contributed significantly not only to the political but also the social empowerment of women as is evident from the findings of the study on EWRs in PRIs. Earlier notions of women being mere proxies for male relatives have gradually ceded space to the recognition that given the opportunity to participate in the political system, women are as capable as their male counterparts. The impact of women's participation in the Panchayats is seen in the development priorities identified by them. EWRs have used their office to not only mainstream gender issues but also address the developmental needs of the community as a whole. The positive contribution made by EWRs needs to be sustained by ensuring the continued participation of women in the political process. In conclusion it may be said that the political participation of women in Panchayati Raj institutions enhances self-esteem and self-confidence among them. This is reflected in the creation of an enabling environment both within the home and community as well as the professional space which in turn improves the performance of the EWRs."

The major recommendations and the nationwide study of

EWRs are as detailed below:

- Education level should be improved
- Younger women should be encouraged to join politics
- There should be regular training, covering multiple dimensions, including rules regulations, administrative issues, budgeting and finance, and the implementation of development schemes
- In order to increase the effective participation of women they should be given more honoraria and Membership of groups/committees plays an important role in terms of increasing the visibility of women in village. Thus, such entities should be provided greater support
- The rotation of seats for reservation may be discontinued for the women-headed Panchayats and wards
- Efforts should be made not only to maintain the representation of women in politics in terms of their percentage, but also improve their ability to remain in politics.

Studies conducted independently by Civil Society Organisations and NGOs showed a negative picture as well. The contribution of EWRS in decision making is either lacking or at the most conforming to the stronger majority. It must be kept in mind that India has been traditionally a patriarchal society and women had always taken a secondary position in decision making. This is all the more prevalent in rural areas where women go by the diktats of father, husband, and father in law or son. Thus an elected woman representative (EWR) is likely to seek advice or guidance from the dominant male member of the family instead of acting on her own.

Secondly, different social groups continue to exert influence over the women elected representatives, who are bound by social considerations and caste considerations emerging out of a feudal and patriarchal society. Rather than find solutions based on the welfare of the whole, decisions are often made on caste lines or social group basis.

In several Panchayats, it has been reported that women are only not allowed to attend meetings, but there are male proxies who vote on their behalf. Many a time, women are only passive participants or figureheads and have no role in decision making at all. Illiteracy and lack of awareness of women's rights is another factor to be considered. Many elected women representatives are only dummies for males who exert real power. Continued dependence on men at home translates into similar behavior at the village governance functions. Even if a woman representative tries to raise her voice, she is soon silenced by the stronger majority.

Further, several EWRs are burdened by family responsibilities of rearing and nurturing children, looking after the elders and the sick, managing the housekeeping, and attending to agricultural duties as well. Burdened by such responsibilities, women representatives in villages often cannot attend the Panchayat meetings.

Even when they attend the meetings, most of them remain silent and seldom take part in the deliberations. They hardly express their own views relating to identifying beneficiaries, assigning contracts, locating development projects, budget preparation, planning etc. The reasons for such lack of or poor participation are identified as lack of awareness, experience, knowledge, skill, leadership quality, low level of education, lack of exposure, influence of family, caste, social outlook etc.

Economically marginalized sections of women representatives face different set of problems. Rural poverty is a multidimensional fact. The rural poor survive with a lot of deprivations. For women there is the double jeopardy of poverty and gender. Their everyday challenges comprise of –restricted access to employment opportunities and income, scarce and insecure housing and basic civic services, often violent and unhealthy environments, little or no social protection mechanism, and restricted access to satisfactory health and education opportunities.

A variety of socioeconomic factors is responsible for women's lower educational attainment: direct cost, the need for female labor, the low expected return, and social restrictions. For the majority of girls from poor rural families, going to school is an impossible dream. In poor families, both girls and boys begin to help with household chores from a very early age, but as they grow older the burden shifts more and more onto the girls. When resources are limited, families prefer to educate boys, not girls, as girls will be married and sent off to another family.

While poverty eats into their very essence of life, they also face discrimination even if elected to Panchayats by virtue of reservation. They have to simply toe the line of men who exert pressure on them. Several researchers have found that Panchayat officers have an indifferent attitude towards EWRs and often misguide them on various rules. This is deplorable.

Capacity Building: Any new empowerment needs to be supported by capacity building efforts in order to make the newly elected women representatives familiar with their duties and understand the challenges before they start functioning.

The Govt. of India in collaboration with UNDP made serious efforts in designing appropriate capacity building plans for the EWRs. In a workshop held in July 2009 in that connection, it was noted-

"However, this aggregate figure tells only part of the story. While representation is adequate (as per the norm of one-third of all seats) participation is less than adequate. While it is relatively easy to legislate representation, it is more difficult to create conditions suitable for participation. Experience indicates that representation does not automatically lead to participation. A number of factors limit the active engagement of women in the political sphere. First, deeply entrenched stereotypical norms relegate women to the domestic space, with severely restricted engagement in public affairs, an area largely dominated by men. Second, caste and class restrictions and the patriarchal system and mindset pervades the political space provided to women. Women are still not recognized as political entities and their perspective is seldom seen as integral to the design and delivery of services. The third factor is the lack of exposure of women themselves to politics and the absence of any experience in exercising their political responsibilities. Low literacy levels, absence of education and limited or no exposure, all lead to a lack of confidence and many women are unable to comprehend the true spirit of decentralization and recognize the opportunities that it provides. "

This led to the initiation of the project - Capacity Building of Elected Women Representatives and Functionaries of Panchayati Raj Institutions by the Ministry of Panchayati Raj (MoPR), Government of India and United Nations Development Programme (UNDP) India, from 2003 -2008. One district each of the10 selected states (Bihar, Chhattisgarh, Jharkhand, Haryana, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Uttarakhand and Uttar Pradesh) was chosen. Specifically, the project aimed to:

- Build capacities of Elected Women Representatives (EWRs) for effective functioning and setting of women's agenda.

- Institutionalize mechanisms to strengthen capacity building of EWRs to better understand and perform their functions.
- Mobilize community and strengthen processes of constituency building to enable women to articulate their voices and participate in the electoral process.

The project activities were implemented through Civil Society Organizations (CSOs) to harness their expertise in mobilizing women and creating awareness of issues at the grassroots level. For each of the 10 states, one CSO was identified based on the demonstrated work experience on local governance issues in that area. The capacity-building project focused on EWRs and Panchayat functionaries.

(Source: From Reservation to Participation-Capacity Building of Elected Women Representatives and Functionaries of Panchayati Raj Institutions-www.UNDP.org)

PMEYSA: In the 11 Plan periods, Govt. of India launched a new Scheme "Panchayat Mahila Evam Yuva Shakti Abhiyan (PMEYSA). In order to address the empowerment of EWRs and EYRs in a systematic, programmatic manner, the Ministry of Panchayati Raj, Govt. of India, has launched a new scheme with the approval of the competent authority in the 11th Five Year Plan. The objective of PMEYSA is to knit the EWRs in a network and through group action, empower themselves, so that both their participation and representation on local governance issues, improves. PMEYSA aims at a sustained campaign to build the confidence and capacity of EWRs, so that they get over the institutional, societal and political constraints that prevent them from active participation in rural local self-governments.

Further enhancement in reservation in favour of women: The Committee on Empowerment of Women (2009-10) in its third report titled "Empowerment of women through Panchayati Raj Institutions" submitted to Fifteenth Lok Sabha in April 2010, being satisfied that the women are making a significant contribution in the running of Panchayati Raj Institutions, made the recommendation to enhance the reservation of women in Panchayati Raj Institutions to 50 percent,

In 2009, the then UPA Government decided to increase the percentage of women to 50 percent in the Panchayati Raj Institutions. Panchayati Raj being a State Subject, each State was free to increase the reservation upto 50%. Bihar was the first State to increase percentage of reservation in favour of women to 50 percent in 2005 even before the Central Govt. had made a recommendation. Later, other States viz. Uttarakhand, Madhya Pradesh and Himachal Pradesh increased the quota of women to 50 percent. Rajasthan, Kerala, Karnataka, Chhattisgarh, Jharkhand, Maharashtra, Assam and Odisha have also followed suit.

Political empowerment and social empowerment are not exactly parallel in India. Women's social empowerment is a multi-dimensional aspect, deeply rooted in tradition, culture and way of life. A lot still needs to be done in addressing issues such as health, conditions of living, livelihood and financial inclusion. Successive governments have been working on these and creating an appropriate platform. However, India, deeply entrenched in a system of social discrimination and gender discrimination, more so at the rural levels, needs to focus on change of mindset, based on teachings of Mahatma Gandhi and other Social reformers. However, a good beginning has been made. With the improved political status of women, it should be possible to break social barriers as well. Sometimes top down approach is better than bottoms up approach. Women's reservation at the lowermost tier of governance needs to be replicated at the State Legislature and Parliament as well. Only then true empowerment can be achieved.

STATUS OF DEVOLUTION OF FUNCTIONS, FUNDS AND FUNCTIONARIES TO PANCHAYATS: ISSUES, CONCERNS AND THE CHALLENGES AHEAD

R N Ghosh*

********Effective devolution is fundamental to achieving better outcomes in terms of better service delivery at the grassroots and bringing Panchayats closer to the rural populace, who are the primary stakeholders. For substantive and real devolution, Panchayats need to control and supervise the local service delivery, and for this, an effective Activity Mapping is the key to achieving the goals of decentralisation and bringing in its wake, the benefits of improved service delivery, greater popular involvement in governance, increased revenue mobilisation.********

1. Introduction:

India had a long history of self-governing village communities, dating back to the ancient times, and the tradition of panchayats continued through the medieval period. Much later, it was during the pre-independence period, the village panchayats were replaced by the village administrative setup coming under overall government control, with limited powers of levying and collecting taxes. It was Lord Ripon's pioneering move in 1880s providing for local bodies, that was a major watershed in the evolution of local self-government in the country. The Government of India Act 1935 was another significant step, which empowered

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the provincial governments to enact legislation for empowering the Panchayats with administrative powers, including criminal justice. This subsequently culminated in the inclusion of Article 40 as the Directive Principles of State Policy in the Constitution of India:

"The State shall take steps to organize Village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government."

In the years that followed from the 1950s till 1980s, there was some success of the Panchayati Raj System in the States like Rajasthan, West Bengal, Karnataka, Maharashtra, Andhra Pradesh that gave further momentum for building up support for transforming the local bodies into Constitutional entities, and it finally led to the passage of 73rd and 74th Constitutional Amendment Acts in 1992, by inserting parts IX and IXA in the Constitution (subsequently published in the Gazette of India on 24th April, 1993). While Part IX relates to the Panchayats, Part IXA is for municipalities. It would be important to mention here that the Local Government or Local Bodies is a State subject, and what the Union did was to outline the scheme, which was be implemented by the States by making laws or amending their own existing laws to bring them in conformity with the Constitutional amendments. The States passed the conformity laws subsequently to make the local bodies' reforms a reality.

With the 73rd Constitutional Amendment coming into force in 1993, Panchayati Raj Institutions (PRIs) were given the constitutional status, and a three-tier political-administrative system was formed to ensure people's participation in the socio-economic development at the grassroots level. With this seminal change, India has become the largest representative and functional democracy. There are 2.51 lakh Panchayats in the country, which include 2.39 lakhs Gram Panchayats, 6405 block Panchayats and 589 district Panchayats, or Zilla Parishads. There are over 29 lakh democratically elected panchayat representatives, including over

12 lakh women members, who plan and implement schemes affecting the life and livelihood of rural populace in India, and epitomise their needs and aspirations. Today, the panchayats stand as a very important tier of governance for initiating and carrying forward the country's rural development efforts and poverty alleviation measures. With two decades of constitutional reforms, the panchayats have shown maturity and experience to play a much greater role in creating an enabling platform in implementing grassroots level programmes for the socio-economic development of the rural populace, especially those who are poor and marginalised, while ensuring the involvement of people in decision making.

This paper addresses the issues related to the status of devolution of powers and authority to the PRIs, by way of transfer of functions, funds and functionaries, by the States. The paper has been organised into broadly three sections. Section I deals with the concept of devolution of functions, and concomitant to that, funds and functionaries required to implement the constitutional scheme of things in terms of Article 243G. In Section II, we would discuss the progress made by various States and what are the impeding factors in empowering panchayats to function as genuine institutions of grassroots democracy. The concluding Section III would discuss the road ahead and the measures that would help in speedier and more effective devolution of powers and authority to the panchayats to fulfil the constitutional mandate, in letter and spirit.

Section I

Before we go into the concept of devolution to the panchayats by the State governments, a look at Article 243G of the Constitution which mandates the assignment of functions to Panchayats would be in order:

2. Clause 243G: Powers, Authority and Responsibility of Panchayats

Subject to the provisions of this Constitution, the Legislature of the State, may by law endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level, subject to the conditions as specified therein, with respect to:

a) The preparation of plans for economic development and social justice

b) The implementation of schemes for economic development and social justice as may be entrusted to them, including those in relation to matters listed in the Eleventh Schedule.

Thus, the Constitution envisages a three-fold role for local bodies:

- as institutions of self-government
- as institutions for planning their economic development and ensuring social justice
- as agents of Central and State governments in implementation of schemes for economic development and social justice as may be entrusted to them.

The important development that ensued the path-breaking panchayat reforms was that besides consolidating many of the gains achieved earlier and introducing a political uniformity on the structure and working of the third tier, the 73rd amendment perceived popular participation as the key in decision-making and service delivery, with democratic decentralization and empowerment of local people through the Panchayats. The Constitutional scheme of things also endow Panchayats with such powers and authority as may be necessary to enable them to function as units of self-government.

2.1 Devolution and Activity Mapping

Devolution by the States to the PRIs

In keeping with the spirit of the seventy-third amendment and the philosophy of decentralization which recognizes that grassroots level participation and implementation is the very essence of good governance, rural local bodies or the Panchayats have been entrusted with the responsibility of implementation of many schemes and programmes, of Government of India, the state governments and of the Panchayats, Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), being a prime example. Other schemes where Panchayats play a leading role include, Midday Meal scheme, National Rural Drinking Water Programme, Rural Housing – Housing for All, etc. The successive central finance commissions (CFCs) recommended award of grants to local bodies for specific purposes. The 14th Finance Commission gave due consideration to the fiscal federalism framework by recommending a huge increase in award of grants vis-à-vis the 13th Finance Commission, as a measure of real devolution of administrative and financial powers. Successive State Finance Commissions set up under Article 243I have also recommended for improving the financial health of the Panchayats with grants from the State budget.

As the local government is a State subject, it is the State legislatures which have a critical role in determining the extent of devolution of powers and authority to the Panchayats. concerned. In terms of the Constitution, Panchayats àre ordained to function as institutions of local government and prepare plans and implement schemes for economic development and social justice. However, the Constitution leaves the precise devolution of powers and authority to Panchayats to the States, and it is the State legislatures which are to consider the 29 matters listed in the Eleventh Schedule for devolution to the Panchayats. It is instructive to note that the powers to impose taxes by the Panchayats are determined by State.

It is also the States that determine the powers of Gram Sabhas. Thus, the supremacy of State legislatures has been recognised by the Constitution, within the overall framework of Constitutional empowerment of Panchayats, as enunciated by the 73rd Amendment.

With increasing responsibilities, the issue of accountability assumes critical importance. There is need for a re-look at the existing system for ensuring accountability, strengthening of processes and practices. Most importantly, the local self-governing institutions need to be empowered administratively and fiscally to discharge their enhanced responsibility in the light of their Constitutional status. Devolution of functions, funds and functionaries is a natural corollary to give effect to the Constitutional empowerment to the Panchayats for making the decentralisation and inclusive development effective at the ground level. The role of the Central government is essentially that of advocacy and persuading the State Governments to devolve powers to the Panchayats.

Activity Mapping is the starting point: Activity Mapping is the first effective step towards devolution of functions to the Panchayats that provides a very clear picture of the roles and responsibilities of the Panchayats of different tiers. In order to have an effective devolution, it is essential to have a very precise delineation of functions or clear breaking down of functions to sub-functions and sub-activities for each level of the local self-government. In simple terms, the Activity mapping means that the subjects or sectors as listed in the Eleventh Schedule of the Constitutionare unbundled and broken down to various activities under each subject. Thereafter, following the principles of public finance, public accountability, subsidiarity and democratic decentralisation, various activities are assigned to the different levels of government – Central Government, State Governments, District Panchayat, Block Panchayat and Gram Panchayat. The principle of subsidiarity in the context of devolution would mean that any activity which can be performed at a lower level should be undertaken only at that level and at no higher level. This also means that what can be done at a higher level must be done at that level and no lower.

2.2 Devolution of Functions, Funds and Functionaries (3 Fs)

It is a well-accepted principle of democratic decentralisation that for the PRIs to perform the assigned functions effectively and for the benefit of the rural populace; these self-governing institutions must be fiscally autonomous, self-sufficient and capable. It is also concomitant that funds must follow functions. The possible sources of Panchayat revenue include taxes, duties, fees and tolls, as well as grants-in-aid from the State.

Functions:

As stated above, it is the States that had to pass the enabling State legislation devolving functions to the PRIs, in terms of Schedule XI of the Constitution, earmarking 29 subjects for the Panchayats. In order to avoid any overlapping of functions and ambiguities in the specific role to be played by the different tiers, the Union and the state governments embarked on detailed 'Activity Mapping', considered as the foundation of sound panchayati raj system.

Funds:

It is the States that have been powers under the Constitution to devolve funds by giving taxation and other revenue raising powers to the local bodies for them to be fiscally strong, effective and autonomous. PRIs are entirely at the discretion of the States for devolving fiscal powers. One of the pre-requisites of sound fiscal decentralisation is that there should be no mismatch between functional and financial capabilities of PRIs. The setting up of state finance commissions to further augment financial resources of local bodies was a significant move towards fiscal independence and vibrancy of the Panchayats.

Functionaries:

The last link in the devolution triad is that of functionaries. Effective democratic decentralisation requires that functionaries of government work under elected leadership. The process of devolution would not be complete without the transfer of state government staff to administer functions and funds transferred. This is the most crucial link in the entire devolution chain as the Panchayat functionaries remain as state government officials in some of the States, with the result that the Panchayats have little administrative control over them, thereby undermining accountability.

It is important to note that devolution of functions through activity mapping does not imply that the subjects are devolved wholesale. The subjects or sectors need to be unbundled and assigned to the different levels of Governments and PRIs on the basis of clear principles of public finance, public accountability and subsidiarity.

Section II

3. We start this section with a discussion on the State-wise status of devolution to the PRIs.

3.1 Devolution – Not in the spirit of the Constitutional provisions

Some of the States are yet to take effective steps to devolve functions, funds and functionaries to the PRIs for them to discharge the Constitutional responsibilities properly, as would be evident from the status of devolution to the panchayats by the States detailed in Annexure–I. Devolution of 3Fs to the Panchayats is quite uneven across States, and along with the best practice States, there are States where a lot needs to be done to usher in genuine decentralisation, with governance to be brought closer to the people. PRIs are still to have funds matching with the functional responsibilities, and functionaries continue to be with the government or under the government control in some of the States. It is those States like Kerala, Karnataka, Madhya Pradesh, and Maharashtra which have historically been pro-active in panchayati raj reforms, that have continued to perform well in devolving funds, functions and functionaries. Over the last two decades, however, all the State Governments have, by and large, implemented the mandatory provisions of the Constitution.

3.1.1 Ineffective devolution in most States: Despite more than twenty years of Constitutionally empowered Panchayati raj system and almost a decade of mooting the idea of activity mapping, most of the States in India have not devolved in clear terms the functions and the matching funds and functionaries, and have not put in place a sound administrative framework and other enabling measures in keeping with the Constitutional spirit and vision. This could be due to lack of administrative or political will to empower Panchayats, and the disinclination of State government employees to work under the Panchayats. There is also the reluctance of the State administration to make separate allocations in favour of the Panchayats and concomitant budget cuts in the line departments' budget, in cases where the States have decided to devolve powers and functions. It goes without saying that only an empowered panchayat can evolve into an institution of self-governance and also plan and implement programmes for economic development and social justice.

3.1.2 Deficient Financial autonomy of the Panchayats - With the Fourteenth-Finance Commission (FFC) awarding a very substantial increase in grants to the local bodies vis-à-vis the earlier Commission, Panchayats will have considerable financial augmentation during the period 2015-20. Moreover, these funds would be with only minimal conditionalities, and there would be untied grants too. This is a welcome augury and by identifying basic service delivery to the citizens like water supply, sanitation, sewerage, etc., and by placing trust in the Panchayats, a seminal change has been brought in the financial domain of the Panchayats.

However, Panchayats own revenues being quite insignificant, they largely depend on the devolution of funds from the Central and the State Governments and the Finance Commissions. This raises questions on the Panchayats' financial autonomy. The State Finance Commissions (SFCs) need to play a more serious and pro-active role in fiscal decentralisation of Panchayats as there are concerns regarding the functioning and the Reports of the SFCs and the actions taken thereon.

3.1.3 Serious Issues concerning the Panchayat functionaries: While some States have transferred staff to the Panchayats alongwith control and disciplinary powers, in others, the functionaries remain State officials on deputation to the local bodies, with Panchayats exercising little administrative control over them. This raises questions about the accountability of the staff to the Panchayats. Moreover, providing requisite staff to the Panchayats is a critical issue in many places, with serious questions on their capacity to handle the complexities involved in the various functions that Panchayats are expected to perform, post Constitutional amendment.

3.1.4 Top-down government machinery emasculating Panchayats : Devolving functions as per activity mapping is one thing; to implement the Constitutional scheme of things in a manner that the core services are delivered to the citizens efficiently and effectively, is another. Even in those States where devolution is clear, the top-down government machinery or the limited capacity of the Panchayats ensure that the services do not reach the rural population in the manner as desired.

3.1.5 Gram Panchayats (GPs) reluctant to use taxation powers: It is widely acknowledged that only a few Gram Panchayats use their fiscal power to levy and collect taxes; the arguments proffered are that the Panchayats find it difficult to levy tax in its own constituency because it would make the panchayats unpopular. The fact remains that with less fiscal autonomy, Panchayats would continue to be dependent on the higher tiers of government.

3.1.6 Limited capacity and capability of Panchayats: Doubts are often expressed in some quarters about the capacity and accountability of PRIs. The traditional wisdom in public administration and in decentralised governance tells us that there is need for capacity building of Panchayats to begin with, before they are gradually entrusted with higher responsibilities. This is a vicious circle since, unless funds, functions and functionaries are devolved to the Panchayats, they would not be able to do full justice to the Constitutional mandate of providing effective service delivery, being closest to the people. Here, it is interesting to note that Kerala in order to bring real and effective decentralisation went for a big bang approach of transferring a substantial part of development budget of the State to the Panchayats, alongwith transfer of all the 29 subjects and placing the services of the staff transferred at the disposal of the Panchayats. However, most of the States have preferred a gradualist approach, to mixed results. It is, however, imperative that empowering Panchayats with clear roles and authority assigned to different tiers through effective activity mapping, should remain the top priority for Panchayats to discharge their assigned functions, as mandated. Moreover, the clear cut delineation of functions for each level of local governance is a pre-requisite for sound decentralisation and should be done continuously.

3.2 Activity Mapping in the context of 14th Finance Commission and the Local Bodies Grants

Fourteenth Finance Commission has awarded Rs.2,00,292 crore to Panchayats for the period 2015-20, which is a substantial increase over the previous finance commission award. While the 13th Finance Commission grant was for all the three tiers of panchayats – district, block and gram panchayat, 14th FC grant is for gram panchayats only. The fund availability over the five-year period at the GP level will be Rs.2, 404 per capita, and Rs.17 lakh per annum (Rs.85 lakh for five years) for an average GP. The 14th FC grant is to be spent on the basic services as drinking water, sanitation, sewerage, solid waste management, storm water drainage, street lighting, local body roads and footpaths, parks, playground, burial and cremation grounds. For this, Panchayats will have to prepare local plans, to ensure that these basic services reach everyone, especially the marginalised sections, with special focus on sanitation. Also, the process of Activity Mapping for the above basic services for proper delineation of roles and responsibilities at the GP level, with proper staff identified for performing these functions, would be an essentiality.

In the case of Gram Panchayats, 90% will be basic grant and 10% will be performance grant. The access to performance grants to Panchayats would be only on two conditions: i) submission of audited annual accounts of receipts and expenditure, and ii) improvement in own revenue. The important difference between the previous awards and the FFC award is that the Commission placing trusts and respect for local bodies as institutions of local self-government.

Section III

4. It is the States who are largely responsible for empowerment and strengthening of Panchayats through devolution of functions, funds and functionaries. In order to have the Activity Mapping completed with delineation of functions for each tier of PRIs, it is essential to provide incentives to the State Governments to act in the direction of such empowerment. It is also necessary that the centrality of Panchayats is increasingly recognised, as in the case of MGNREGS, for other major centrally sponsored schemes too, for Panchayats to be the leading agency for planning and implementation.

4.1 Devolve functions as per Activity Mapping for primary education, health, etc.: While all the subjects listed out in the Eleventh Schedule to the Constitution need to be progressively in the Panchayat domain, to begin with, funds, functions and functionaries relating to at least Primary Education, Primary Health, Women & Child, Social Justice, Drinking Water & Sanitation, Agriculture Extension, could be considered for devolution to the Gram Panchayats (GPs) by the States, who have not done so far, to the extent the functions relate to the GPs. Similar devolution of the functional domain could also be considered to the Block/District Panchayats.

The Expert Committee on Leveraging Panchayat for Efficient Delivery of Public Goods and Services – Towards Holistic Panchayat Raj (20th Anniversary Report (2013) – Volumes 2 and 4) developed Model Activity Maps for eight major Centrally Sponsored Schemes, including Sarva Shiksha Abhiyan (SSA), National Rural Health Mission (NRHM), Integrated Child Development Scheme (ICDS) National Rural Drinking Water Mission, Rashtriya Krishi Vikas Yojana (RKVY), to name a few. The exercise started with unbundling of 'Functions' into activities and sub-activities, and then assigning precise activities and tasks to different levels of government (Central/State/Local) on the principle of "Subsidiarity." Then the Activity Mapping was extended to include allocation of Funds and Functionaries to different tiers of government. On the unbundling of functions, the Committee adopted a uniform classification of activities into five broad categories:

i) setting standards;

ii) planning;

iii) asset creation;

iv) operation and maintenance; and

v) monitoring and evaluation.

If they are placed in a matrix with allocation of activities for different tiers of government, it would look like the following:

Activity Description	Central Government	State Government	District Planning Committee (DPC)	District Panchayat (DP or ZP)	Block Panchayat (BP)	Village Panchayat (VP)	Community Organisations, User Groups, SHGs, School Management Committees
Setting Standard	√	√					
Planning			√		√	√	
Asset Creation				√	√	√	
Operation and Maintenance				√	√		
Monitoring & Evaluation	√	√		√	√	√	

Note: The symbol √ denotes that the activity could be in the domain of any of the tiers of government – Central/State governments, District/Block/Village Panchayats

In any allocation of activities across different tiers of government, setting standards would always be in the domain of Central/State Government, while planning could be in the domain of DPC and even intermediate/village panchayats and other activities like asset creation, operation and maintenance could be with different tiers of panchayats. Monitoring and evaluation could be, depending on the scheme guidelines, with either Central/State governments and/or with PRIs at different levels, as appropriate.

Following the devolution of functions, the allocation of funds' and functionaries' domain to different tiers of Panchayats would be the natural corollary. The Expert Committee had recommended that the State Governments may adapt the CSS Model Activity Maps to their 'respective realities, perceptions and compulsions, hopefully in consultation with the PRIs themselves' (para 3.27, page 52 of Vol.1)

4.2 Panchayat Devolution Index: In order to encourage States to empower Panchayats to effect devolution of 3 Fs, the performance of States regarding devolution is measured through a Performance Development Index (PDI) every year. The indicators of the PDI aim at assessing the state of devolution in respect of functions, funds and functionaries by States to the PRIs.

4.3 Challenges - The Road Ahead

The following measures would go a long way in operationalising devolution through activity mapping:

1. With Kerala taking the lead in preparing the detailed Activity Map, it could serve as the model for implementing the devolution scheme by other States. Kerala has most extensively devolved the functions and the activities that are being performed by the Panchayats in the State, with concomitant transfer of funds and functionaries, being placed at the disposal of the Panchayats. While the wide diversities that prevail in India, considering the size of the States, devolution of functions, the relationship between the three-tiers of district governance, socio-economic and other parameters, there certainly is scope for emulating the practices in other States, considering the uniformity in the Constitutional scheme of things in so far as devolution is concerned.

Kerala's experience in devolution of functions, funds and functionaries through activity mapping

In Kerala, ¾ of public service delivery functions have been transferred to the local self-government institutions. The important service institutions transferred were:

a. Primary, secondary and higher secondary schools.

b. Dispensaries, Primary Health Centres, Community Health Centres, Taluk Hospitals under the three systems of medicine, namely, Allopathic, Homoeopathic, Ayurvedic.

c. Anganwadis

d. District Farms – Agriculture and Animal Husbandry

e. All veterinary institutions at the district level and below.

Functions assigned to the Panchayati Raj Institutions in Kerala

Some of the key functions assigned to the three tiers are as follows:

Sr. No.	Village Panchayat	Block Panchayat	District Panchayat
1.	**Minor Irrigation within the area of a village panchayat** 1. All micro irrigation schemes 2. Water conservation	**Minor Irrigation** 1. All lift irrigation and minor irrigation schemes covering more than one village panchayat	**Minor Irrigation** 1. Development of ground water sources. 2. Construction and maintenance of minor irrigation schemes covering more than one block panchayat. 3. Command Area Development
2.	**Housing** 1. Identification of homeless people and providing house site and houses. 2. Implementation of rural housing programmes 3. Implementation of shelter upgradation programmes	**Housing** 1. Popularisation of low cost housing 2. Promotion of housing cooperative societies.	**Housing** 1. Housing complex and infrastructure development 2. Mobilising housing finance
3.	**Poverty Alleviation** 1. Identification of the poor 2. Self-employment and group employment schemes for the poor, especially women 3. Providing community assets of continuing benefit to the poor.	**Poverty Alleviation** 1. Planning and implementation of employment assurance schemes in coordination with the village panchayats. 2. Skill upgradation of the poor for self-employment and wage employment for people below poverty line.	**Poverty Alleviation** 1. Providing infrastructure for self-employment programmes.

4.	**Education** 1. Management of government pre-primary schools and government primary schools 2. Literacy programmes	**Education** 1. Management of industrial Training Institutes	**Education** 1. Management of government high schools, higher secondary schools and vocational higher secondary schools. 2. Management of government technical schools, vocational centres and polytechnics. 3. Management of District Institute for Education and Training. 4. Coordinate centrally and state sponsored programmes related to education.
5.	**Public Health and Sanitation** 1. Management of dispensaries and primary health centres and sub-centres 2. Management of child welfare centres and maternity homes 3. Immunisation and other preventive measures 4. Family Welfare 5. Sanitation.	**Public Health** 1. Management of community health cnetres and taluk hospitals with the block panchayat area in all systems of medicines.	**Public Health** 1. Management of district hospital in all systems of medicines. 2. Setting up of centres for care of special categories of disables and mentally health people. 3. Coordination of centrally and state sponsored programmes at the district level.
6.	**Social Welfare** 1. Running of anganwadis 2. Sanctioning and distribution of pension to destitute, widows, handicapped and agricultural labourers 3. Sanctioning and distribution of unemployment assistance 4. Sanctioning of assistance for	**Social Welfare** 1. Management of ICDS	**Social Welfare** 1. Payment of grant to orphanages. 2. Staring of welfare institutions for the disabled, destitute, etc.

	marriage of the daughter of widows. 5. Management of the group insurance scheme for the poor.		
7.	**Public Works** 1. Construction and maintenance of village roads within the village panchayat. 2. Construction of building for institutions transferred.	**Public Works** 1. Construction and maintenance of all village roads connecting more than one village panchayat and other District Roads within the block panchayat. 2. construction of building for institutions transferred.	**Public Works** 1. Construction and maintenance of all district roads other than State Highways, National Highways and Major District Roads. 2. Construction of building for institutions transferred.

Source: Kerala – A case study of classical democratic decentralisation published by Kerala Institute of Public Administration

2. Since Panchayats can be leveraged for efficient delivery of public goods and services, it is essential that for the major areas of service delivery, such as health, education, nutrition, water supply, sanitation, employment generation, poverty alleviation, social security, etc., detailed activity mapping, as discussed above, as a prior exercise for devolution, is completed by all States.

3. Activity Mapping should be linked to the budget making exercise with a separate statement of funds allocated to Panchayats, annexed to the budget document.

4. Need for educating the stakeholders on the importance of activity mapping exercise, is an immediate imperative, for effective devolution to become a reality.

4.4 CAG's audit of the devolution process: Activity Mapping is an on-going exercise and in the spirit of cooperative federalism, the Ministry of Panchayati Raj can goad, motivate, induce and encourage the States to complete the devolution process. Comptroller and Auditor General (C&AG) can, while reviewing the social sector schemes and in assessing as to how far the GOI/States have put in place the framework for devolution of powers and responsibilities to the Panchayats, look into the steps taken by the States to adapt CSS Model Activity Mapping Maps to their requirements and respective realities. CAG may also examine the devolution of funds and functionaries in line with the transfer of subjects and activities.

5. Conclusions

It is undoubted that a more purposive Activity Mapping could lead to greater effectiveness in devolution of functions and responsibilities to Panchayats, and consequently, better service delivery and more responsive governance, being closer to the people. When proper role-clarity between different levels of government is achieved, which is the starting point for a well-functioning inter-governmental system, people can hold Panchayats accountable. Only when Panchayats are allocated clear, well delineated functions and tasks, matched by adequate devolved funds and functionaries trained to deliver services to the people, especially the poor and marginalised, the PRIs could function as institutions of local self-government, and effective performance demanded from them. The enactment of law by the States in line with Article 243G is an essential step towards devolution of powers and authority to the Panchayats, but not sufficient to ensure that the spirit of the Constitution is followed. That requires creation of a legal and administrative framework and a series of 'collateral or enabling measures' to be put in place. There is a word of caution here. Along with law, delegated legislation and executive orders issued by the States to give effect to devolution, should bring in changes in long-established codes and approval processes so that the implementation of a devolved function should not de-facto continue to be with line departments concerned.

Effective devolution is fundamental to achieving better outcomes in terms of better service delivery at the grassroots and bringing Panchayats closer to the rural populace, who are the primary stakeholders. For substantive and real devolution, Panchayats need to control and supervise the local service delivery, and for this, an effective Activity Mapping is the key to achieving the goals of decentralisation and bringing in its wake, the benefits of improved service delivery, greater popular involvement in governance, increased revenue mobilisation.

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Annexure - I

Status of Devolution to the Panchayati Raj Institutions for major States / UTs

Sr. No.	Status/UT	No. and Names of Departments/Subjects transferred to Panchayats with respect to		
		Funds	Functions	Functionaries
1.	Andaman and Nicobar Islands	Grants-in-aid released to PRIs to discharge their functions	All the functions (29 subjects) have been transferred to the Panchayats	639 functionaries of various departments have been transferred to the panchayats
2.	Andhra Pradesh	Only Gram Panchayats (GPs) are entitled to collect taxes. Government Orders (GOs) issued for devolving funds for 10 departments	22 GOs issued during 1997 - 2002. Further, 10 line departments have devolved certain powers to PRIs.	Functionaries are under the administrative control of their respective line departments, but they are partially accountable to PRIs
3.	Arunachal Pradesh	PRIs do not collect taxes. Transfer of funds by departments has not taken place.	29 subjects have been devolved. GOs covering 20 departments have been issued, but not yet implemented. PRIs can exercise the powers of supervision and implementation of plans in respect of all subjects coming under their respective jurisdiction.	Functionaries have not been transferred.
4.	Assam	PRIs are empowered to collect taxes but cannot enforce. The main source of revenue is lease rent from markets, river banks and ponds.	Activity mapping done for 23 subjects. But GOs have been issued only for 7 subjects by 6 departments.	There has been minimal devolution of functionaries. Officials continue to report to departments.
5.	Bihar	No taxes are collected by PRIs but a proposal regarding the same is under consideration by the state governments.	Activity mapping has been conducted. 20 line departments have issued GOs.	Departmental staff are answerable to departments. Anganwadi workers, teachers and health workers are appointed by PRIs.
6.	Chhattisgarh	GPs are authorised to collect various types of taxes. Funds for 12 departments have been devolved.	Activity mapping of 27 matters have been undertaken. GOs not issued.	Panchayats make recruitments for 9 departments.

Sr. No.	Status/UT	No. and Names of Departments/Subjects transferred to Panchayats with respect to		
		Funds	Functions	Functionaries
7.	Goa	Panchayats levy 11 type of taxes. United funds are given to panchayats	18 matters are devolved to GPs, while 6 matters are devolved to ZPs.	PRIs have their own core staff for execution of works
8.	Gujarat	8 major taxes are collected by PRIs In 2008-09, 13 departments allocated funds to PRIs.	14 functions have been completely devolved and 5 are partially devolved.	GOs have been issued for devolution of functionaries for 14 functions.
9.	Haryana	GPs generate revenue from lease of panchayat land, liquor cess and rental of panchayat premises.	Panchayati Raj Act devolves 29 functions. GOs have been issued for 10 departments.	There is no significant devolution of functionaries.
10.	Himachal Pradesh	Only GP is empowered to levy taxes. Funds have been transferred.	27 out of 29 subjects have been devolved to PRIs.	Functionaries have not been transferred to PRIs.
11.	Jammu and Kashmir	State Government has issued GO notifying activity mapping. Funds have been devolved in a limited sense. Functionaries has been identified in the activity mapping document who will assist panchayats in carrying out assigned functions but have not been transferred.		
12.	Jharkhand	Elections to PRIs were held for the first time in November-December, 2009-10 since 73rd CAA came into force. Three departments, namely, agriculture, social welfare and primary education have recently devolved functions to PRIs by Departmental notification. Activity mapping has not been done so far.		
13.	Karnataka	PRIs collect 7 types of taxes. Panchayati Raj provides the mandatory transfer to untied funds to PRIs.	Karnataka has delegated all 29 functions by notifying activity mapping.	All panchayat functionaries function under the dual control of the departments concernted and the PRIs.
14.	Kerala	GPs have tax domain of 9 types of taxes. Untied funds and funds for specific purpose by departments are given by PRIs.	Activity mapping for all 29 functions done and activities devolved to panchayats.	PRIs have full managerial and part-disciplinary control over transferred functions.
15.	Madhya Pradesh	GPs are empowered to collect taxes. Funds for 13 departments covering 19 matters are released to PRIs.	GOs containing the activity mapping in respect of 25 matters pertaining to 22 departments have been issued.	Functionaries of 13 departments have been transferred to PRIs. There is a State Panchayat Service.

Sr. No.	Status/UT	No. and Names of Departments/Subjects transferred to Panchayats with respect to		
		Funds	Functions	Functionaries
16.	Maharashtra	ZPs and GPs collect taxes. Grants for 11 departments are transferred to PRIs.	11 subjects have been fully devolved. For 18 subjects, schemes are implemented by PRIs.	Class III and Class IV employees at all levels are Zilla Parishad employees.
17.	Manipur	Five departments have issued GOs transferring funds to PRIs.	GOs have been issued devolving functions related to 22 departments.	Five departments have issued GOs transferring functionaries to PRIs.
18.	Orissa	PRIs collect 6 types of taxes. There is no clear devolution of untied funds.	11 departments have devolved 21 subjects.	Officials of 11 departments are accountable to PRIs.
19.	Punjab	Main source of income of GP is from auction of panchayat land. There is no clear devolution of funds.	The devolution of 7 key departments relating to 13 subjects approved.	No functionaries have been transferred to PRIs by line departments.
20.	Rajasthan	5 departments have issued GOs transferring funds to PRIs upto district level. 10 % untied funds to PRIs.	Five departments have transferred all functions upto district level to PRIs. Fresh Activity Mapping of above five departments has been done.	Five departments have transferred all functionaries upto district level to PRIs.
21.	Sikkim	PRIs do not collect taxes. Funds are being transferred by 17 departments. 10% of total fund of each department is given to panchayats. Untied funds are given to panchayats.	All 29 functions are devolved as per legislation. Acitivity Mapping has been conducting for 20 subjects covering 16 departments.	Employees are under the control of PRIs, but panchayats exercise limited control over them.
22.	Tamil Nadu	Only gram panchayats have the power to levy taxes. 9% of the States own revenue devolve to Local Bodies, of which rural local bodies will recieve 58% share.	Government of Tamil Nadu has delegated supervision and monitoring powers of 29 subjects to PRIs.	There is no significant devolution of functionaries to PRIs.
23.	Tripura	Part funds related to PWD Department, primary schools and Social Welfare and School education and pension funds have been transferred to PRIs. Untied funds are also transferred to PRIs.	So far GOs have been issued devolving irrigation schemes, primary schools and activities related to adult and non-formal education, women and child development and social welfare.	Functionaries of 5 subjects for which functions have devolved, have been transferred to PRIs.

Sr. No.	Status/UT	No. and Names of Departments/Subjects transferred to Panchayats with respect to		
		Funds	Functions	Functionaries
24.	Uttar Pradesh	All 3 tiers have the power to collect taxes.	16 subjects relating to 12 departments have been devolved to PRIs.	PRIs do not have control over functionaries.
25.	Uttarakhand	Only ZPs collect taxes. Funds are made available to PRIs for activities for only 3 functions.	Master GO on transferring financial and administrative powers on 14 subjects has been issued in 2003.	Supervisory role over functionaries related to 14 subjects.

Source : Annual Report of the Ministry of Panchayati Raj for 2015-16

Note :

a. Mizoram, Meghalaya and Nagaland are exempt.

b. Delhi has no panchayats

c. Information was not available with the Ministry about the UT of Dadra & Nagar Haveli

In addition, the status of devolution of 3 Fs in West Bengal is as follows :

Sr. No.	Name of State	Number of Departments / Subjects transferred to the Panchayats		
		Funds	Functions	Functionaries
1.	West Bengal	12	29	12

INSTITUTIONAL REFORMS IN FINANCIAL MANAGEMENT OF PANCHAYATI RAJ INSTITUTIONS

Dr. Subhash Chandra Pandey*

********The recommendation of the 14th Finance Commission to transfer Rs. 2,00,292.22 crore to the Panchayati Raj Institutions (PRIs) during 2015-20 has put the spotlight on concerns about their absorptive capacity and ability to translate this funding with accountability for desirable and visible outcomes. This paper examines the challenges in this mammoth task. Developments are traced since the recommendation of ad hoc grants by the 10th Finance Commission. Use of e-governance tools for strenthing planning and oversight capabilities, simplified and IT-enabled accounting and Social Audit strengthened with the support of the CAG are identified as key tools to improve governance in this regard. The institution-building measures taken so far are not commensurate with the size of financial outlays and there is little credible assurance on which local body has received/spent exactly how much and when. ********

1. Introduction:

There has been a significant increase in the agency role of the Panchayats in the recent past. A number of Centrally Sponsored Schemes and plan schemes are being implemented by the Panchayats.

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Tenth Finance Commission recommendations on augmenting the finances of PRIs

Though not specifically required to do so under its terms of reference, the 10th Finance Commission had recommended ad hoc grants to the States for Panchayati Raj Institutions as well as for the Urban Municipal bodies at the rate of Rs.100 per capita of rural population (1971 census) amounting to a total or Rs.4380.93 crore. (For urban local bodies, Rs.1000 crore had been provided for the five-year period 1995-2000 on the basis of the inter-State ratio of the slum population derived from the urban population figures as per 1971 Census.).

Eleventh Finance Commission recommendations on augmenting the finances of PRIs

The 11th Finance Commission was given specific mandate to recommend the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State. The 11th Finance Commission recommended a 50% increase in the grants to States for Local Bodies with 80% being earmarked for rural and 20% for urban bodies. The Commission recommended a total grant of Rs.1,600 crore for the panchayats and Rs.400 crore for the municipalities for each of the five years starting from the financial year 2000-01. The inter-State allocation criteria and relative weights assigned to different factors for the grant for local bodies were as follows:

- Population — 40 per cent
- Index of decentralization — 20 per cent
- Distance from highest per capita income — 20 per cent
- Revenue effort — 10 per cent
- Geographical area — 10 per cent

Specified portion of these grants were earmarked for "excluded areas in the concerned States" which should be made available to the respective States only after the relevant legislative measures are completed for extension of the provisions of 73rd and 74th Constitution amendments to such areas. These grants were 'untied' except that they were not to be used for payment of salaries and wages. The distribution of these grants to the panchayats and the urban local bodies was to be done on the basis of the principles recommended by the State Finance Commissions(SFC).

These grants were to be in addition to the internal resource generation by these local bodies through plethora of measures recommended by the Commission if and when fully implemented by the States. These amounts should also be over and above the normal flow of funds to the local bodies from the States and the amounts that would flow from the implementation of SFC recommendations. In per capita terms, the amounts recommended for the rural local bodies were higher than those for the urban bodies are because the urban local bodies were expected to generate higher per capita revenue from taxes owing to the rural-urban income differentials.

Of the total grants of Rs.8000 crore during 2000-05 for local bodies, the Commission emphasized further earmarking in two areas: Rs.200 crore for development of database on the finances of the panchayats and municipalities at the District, State and Central Government levels to be easily accessible by computerizing it and linking it through V-Sat under supervision of the C&AG and Rs.98.61 crore for maintenance of accounts of 240588 village level panchayats and 5930 intermediate level panchayats (@ average amount of Rs.4,000 per panchayat per annum on contract basis. These items of expenditure were supposed to be the first charge on these grants, to be released by the concerned Ministries of the Government of India, after the arrangements suggested by the Commission had become operational. It was realized that actual requirement of funds for accounts keeping could be different for different States and even for different Panchayats within a State, depending on local conditions. Hence, any additional funds required for this purpose was to be met from the grants given to the States for the Panchayats. The remaining amount was to be utilized for maintenance of core civic services by the local bodies, on the principles indicated in paragraph 8.18 of the Commission's report.

Eleventh Finance Commission recommendations on institutional reforms in financial management of PRIs

The Commission recommended that the C&AG should be entrusted with the responsibility of exercising control and supervision over the proper maintenance of accounts and their audit for all the tiers/levels of panchayats and urban local bodies. The Director, Local Fund Audit or any other agency were to be made responsible for the audit of accounts of the local bodies for which they should work under the technical and administrative supervision of the C&AG *in the same manner as the Chief Electoral Officers of the States operate under the control and supervision of the Central Election Commission.* An amount of half-a-per cent of the total expenditure incurred by the local bodies was recommended to be placed with the C&AG for this purpose. The Commission also envisaged that the State Legislatures would create new Committees to examine the report of the C&AG relating to audit of accounts of the panchayats and the municipalities on the same lines as the Public Accounts Committee. The Commission recommended that the C&AG should prescribe the format for the preparation of budgets and for keeping of accounts for the local bodies and may also lay down the qualifications and experience for the agency/person who could be contracted out the work of maintenance of accounts. Further, local bodies particularly the village level panchayats and in some cases the intermediate level panchayats, that does not have trained accounts staff, may contract out the upkeep of accounts to outside agencies/persons.

Government accepted these recommendations with the rider that the local bodies should raise suitable matching resources. Further, in cases where elected local bodies are not in place, the Central Government shall hold the share of such bodies in trust on a non-lapsable basis during 2000-2005. Central Government may also similarly hold back a part of the recommended share in case of such bodies to whom functions and responsibilities have not been devolved as mandated by the Commission. Measures to strengthen accounts and audit have also been accepted in principle. Details were to be worked out in consultation with the C&AG.

The 11th Finance Commission, which started the system of regular FC grants for Local Bodies, had this to say about accounting:

14.42 *The grants recommended for local bodies in this report should be given to those local bodies which have the primary responsibility for maintenance of civic services. The grant should be untied, but should not be used for payment of salaries and wages. (Para 8.18)*

14.43 *States should review the existing accounting heads under which funds are being transferred to the local bodies. For each major head/sub-major head, six minor heads should be created- three for the panchayati raj institutions and another three for the urban local bodies. This may be done in consultation with Comptroller and Auditor General of India (C&AG) and the Controller General of Accounts, to ensure uniformity among the States. (Para 8.19 a)*

14.43 *States should review the existing accounting heads under which funds are being transferred to the local bodies. For each major head/sub-major head, six minor heads should be created- three for the panchayati raj institutions and another three for the* *urban local bodies. This may be done in consultation with Comptroller and Auditor General of India (C&AG) and the Controller General of Accounts, to ensure uniformity among the States. (Para 8.19 a)*

14.44 *The C&AG should be entrusted with the responsibility of exercising control and supervision over the maintenance of accounts and their audit for all the tiers/levels of panchayats and urban local bodies. (Para 8.19 b)*

14.45 *The Director, Local Fund Audit, or any other agency made responsible for the audit of accounts of the local bodies, should work under the technical and administrative supervision of the C&AG. In no case, should be the Director for Panchayats or for Urban Local Bodies be entrusted with this work. The prescribed authority entrusted with the audit and accounts of the local bodies should not have any functional responsibility in regard to these bodies, so as to ensure his independence and accountability. (Para 8.19 c)*

14.46 *The C&AG should prescribe the format for the preparation of budgets and for keeping of accounts by the local bodies, which should be amenable to computerisation. (Para 8.19 d)*

14.47 *Local bodies, which do not have trained accounts staff, may contract out the upkeep of accounts to outside agencies/persons. The C&AG may lay down the qualification and experience required for this purpose. The Director, Local Fund Audit, or his equivalent authority, may do the registration of such agencies/persons. (Para 8.19 e)*

14.48 *Audit of accounts of the local bodies may be entrusted to the C&AG, who may get it done through his own staff, or by engaging outside agencies on payment of remuneration fixed by him. An amount of half per cent of the total expenditure incurred by the local bodies should be placed with the C&AG for this purpose. (Para 8.19 f)*

14.49 *The report of the C&AG, relating to audit of accounts of the panchayats and the municipalities, should be placed before a committee of the State Legislature constituted on the same lines as the Public Accounts Committee. (Para 8.19 g)*

The transfers to the local bodies and PRIs have been increasing since the 10th Finance Commission and successive Finance Commissions have been making specific recommendations regarding auditing and accounting arrangements of local bodies. Thirteenth Finance Commission noted that the following recommendations by FC-XI relating to maintenance of accounts and audit of local bodies were still to be implemented.

i. Review of the accounting heads under which funds are transferred to local bodies to ensure clarity.

ii. Prescription of the format for maintenance of accounts by the Comptroller and Auditor General (C&AG). State bodies would be responsible for preparing the accounts which would then be supervised by the C&AG.

iii. Audit of accounts by the C&AG, whose report should be placed before a committee of the State Legislature constituted on the same lines as Public Accounts Committee.

Accordingly, the 13th Finance Commission had recommended that the State Government must put in place an audit system for all local bodies (all categories of ULBs and all tiers of PRIs) with the

C&AG being given Technical Guidance and Supervision (TG&S) role over the audit of all the local bodies in a State at every tier/category and the CAG's Annual Technical Inspection Report as well as the Annual Report of the Director of Local Fund Audit must be placed before the State legislature.

The Second Administrative Reforms Commission (SARC), in its second report on 'Local Governance – An Inspiring Journey into the Future', proposed setting up of audit committees in the local bodies as well as a separate standing committee for local bodies in the State Legislature, which would consider the reports of the C&AG. It emphasized the need to ensure the suzerainty of the C&AG over the audit of accounts of urban local bodies, even if they are to be initially undertaken by other agencies. It calls for institutionalizing the existing arrangements under which the C&AG provides technical guidance and supervision over maintenance of accounts and audit of PRIs and ULBs, as well as for providing functional independence to the Director, Local Fund Audit at the State Government level. It proposes that FC grants be released to local bodies only after State Governments accept the technical guidance and supervision (TG&S) of the C&AG.

It may be recalled that earlier the National Commission for Review of the Constitution had also underlined the importance of prompt audit of accounts of local bodies and recommended that the C&AG be empowered to conduct the audit or lay down accounting standards for the Panchayats.

Thirteenth Finance Commission recommendations on financial support to PRIs

The 13th Finance Commission broke the mound of recommending specific absolute amounts as grants for local bodies and linked the quantum to the divisible pool of Central taxes/Duties. The Commission recommended a basic grant and a performance grant for local bodies. Both these grants in any year were quantified based on a percentage of the divisible pool of the preceding year. For every year of the award period, the Commission has recommended a basic grant amounting to 1.5% of the size of divisible pool in the preceding year. Similarly, for 2011-12 the Commission recommended a performance grant of 0.5% of the divisible pool of the preceding year and for subsequent years in the award period, 1% of the divisible pool of the preceding year. Thus, the basic grants were for 5 years (2010-11 to 2014-15) and performance grants were for 4 years (2011-12 to 2014-15).

The Commission also recommended a separate special area basic grant computed @ Rs.20 per capita, carved out of the total basic grant, for every year in the award period for Schedule V and Schedule VI areas and areas excluded from Part IX and IX A of the Constitution. For these areas, it has recommended a special area performance grant of Rs.10 per capita for 2011-12 and Rs.20 per capita for subsequent years of the award period. The performance grants were to be released if the States met conditions specified by the Commission in Chapter 10 of the Report. As per the revenue projections of the Commission, total grant recommended for the local bodies aggregated to Rs.87,519 crore over the award period. The actual amount would be known after the net proceeds of Central taxes are certified by the CAG.

Fourteenth Finance Commission recommendations on financial support to PRIs

The 14th Finance Commission recommended total grants of Rs.2,87,436 crore to Local Bodies for a 5-year period April 1, 2015 -March 31, 2020. (Rs.2,00,292.22 crore to Panchayats and Rs.87,143.80 crore to Municipalities). Criteria for distribution being 90% weightage to 2011 population and 10% to the area of the State. Two types of grants are sought to be given: Basic (untied) grants and performance-linked grants. The ratio of basic to performance grants is 90:10 for Panchayats and 80:20 in the case of Municipalities. The Performance criteria include reliable data through audited accounts; improvement in own revenues; and measurement and publishing of service level benchmarks (for Urban Bodies only).

Fiscal transparency about grants to PRIs: Government accounting

The accounting system that has been put in place as a follow up of these accepted recommendations of the Finance Commissions in the government accounts is as follows

i. Major Head 3601 Sub-major Head 01 - Non-Plan Grants - Minor head 104 'Grants under the Proviso to Article 275(1) of the Constitution' captures the Finance Commission. The full code for FC grants for Local Bodies is 3601.01.104.05.00.31 for 13th FC [upto 2014-15]. For Budget 2015-16, the code mentioned is 3601.01.104.xx.00.31 for 14th FC grants. May be there is some uncertainty about classification.

ii. The receipts of Central grants in State accounts are under corresponding receipt head in Major Head 1601. The minor head is 1601.01.104. Classification below minor head is not uniform across States.

iii. Counterpart funding of local bodies by States is under minor head 193 'Assistance to Local bodies and other non-Government Bodies/Institutions' which is operated under different functional major heads depending upon the purpose of grants to local bodies. Many stop at minor head level.

It can be seen that the Central government accounts by themselves cannot capture current and cumulative State-wise releases by the Centre. It needs extra layer of proforma accounts for tracking this and reconciling it with the corresponding receipts in the State accounts. Is it being done and what are the discrepancies, if any, is not in public domain.

Institutional reforms in financial management of PRIs

As a follow-up of the above recommendations of the Finance Commissions, Panchayat Accounting Manual was finalized in 2009 by the Ministry of Panchayati Raj Institutions (MoPRI) in consultation with the CAG.

To strengthen the account bookkeeping and collection / compilation of management information system relating to PRIs, MoPRI is providing funds for setting up State and District level Project Management Units(PMUs) under e-Panchayat Mission Mode Project (MMP). As per official figures, there are approximately 2,50,000 Panchayats in India mapped by the National Informatics Centre and Ministry of Panchayati Raj on the ministry website under the project called e-Panchayat. However, it is difficult to find any information about single panchayat. With this background, the National Internet Exchange of India (NIXI) and the Digital Empowerment Foundation (DEF) initiated and rolled forward the concept of 'Digital Panchayat (DP)' programme across the nation. Digital Panchayat means – a web-based dynamic digital interface created for each and every Panchayat in India, giving information about particular panchayat in a two-way flow of content. The objective is to facilitate and improve Panchayat functioning on day-to-day basis, through two-way flow of information and content.

An important legislative and regulatory measure in improving financial administration of PRIs has been the promulgation of 'National Rural Employment Guarantee Act, 2005'. Section 17 of the Act provides for regular 'Social Audits' so as to ensure transparency and accountability in the MGNREG Scheme and other schemes implemented in villages. Although the scheme expenditure is incurred through the agency of State government offices like the Block Development Offices, the Panchayats have a role in identification of beneficiaries, planning of works to be undertaken as well as in oversight on outcomes.

'Mahatma Gandhi National Rural Employment Audit of Schemes Rules, 2011 have been framed by the Government in consultation with the CAG of India and the Ministry has also come out with a Social Audit Manual. On March 10, 2015, a workshop of all stakeholders was organized jointly by the Ministry of Rural development and the office of the CAG of India. The Rules prescribe that the State Government shall facilitate the conduct of Social Audit by Gram Sabhas.

The supplementary audit of the accounts of the PRIs has been entrusted to the CAG of India under S.20 of the CAG's Duties, Powers and Conditions of Service Act, 1971 in most States together with the responsibility of providing 'Technical Guidance and Supervision' to the State Government Directorates of Local Fund Audit.

Outstanding issues in financial management of PRIs

The institution-building measures taken so far are appropriate, given the diversity and spread of PRIs and the tremendous challenge of change management and capacity building. However, it must be noted that the results are not visible due to poor state of reporting mechanism.

The Government is targeting expand broadband connectivity to all 2.5 lakh panchayats of the country by 2016. The current progress is not in public domain. Further, broadband connectivity by itself will not enable the Panchayats to monitor their receipts, expenditures, and physical outputs of expenditures. Dedicated apps are also required to be simultaneously developed and installed.

There is no update in the public domain about the implementation of accounting and financial management system in different States. Thus, there is lack of transparency about actual outcomes on ground. The rigour and resources applied for accounting of 'expenditure' incurred by the Central Government and State governments is not manifest in the accounting by the newly created accounting entities, viz., the Village, Block and District level PRIs. There is little feedback in public domain as to who is monitoring whether these entities are preparing, getting audited and submitting accounts to the respective 'governing councils', the Gram Sabhas and what is the status of arrears in this regard.

Conclusions

In sum, there is no 'report to the nation' on how the huge funds being remitted from the Consolidated Funds of the Union and the States are being used and what other resources are being leveraged by the PRIs.

It is thus seen that some institution-building measures have been taken but these are not commensurate with the size of financial outlays and there is little credible assurance on which local body has received/spent exactly how much and when. This is a major challenge to public finance professionals.

PANCHAYATI RAJ IN INDIA

P. N. Koul*

*****Self-government is the essence of Panchayati raj. Panchayats function as institutions of self-government are expected to own assets, human resource and functional autonomy. Panchayats are dependent on grants and man power. Devolution and disbursal of finances by States as per the recommendations of the SFC has not changed the financial performance of Panchayats for the better. Implementation of Schemes and programs falling within the domain of panchayats through parallel structures weaken the system. CSSs need reform to be compatible with the Amendment to ensure that Panchayats are not by-passed. *****

1. Introduction:

The earlier councils or assemblies called Village Sabhas, in course of time, took the form of Panchayat (an assembly of five persons), which became the pivot of administration, the focus of social solidarity and principal forum for the dispensation of justice and resolution of local disputes. Over the years the characteristics of Village Panchayat remained unchanged. In British India Ripon Resolution of 1882 was the Magna Carta of local democracy. With popularly elected governments in the provinces, under the Government of India Act, 1935 and the provincial autonomy, almost all provincial administrations enacted legislation for further democratization of local self-government institutions, including the Village Panchayats. The position as regards local self-

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government institutions remained unchanged till India attained independence in 1947.

"The States shall take steps to organize Panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government" reads Article 40 of the Constitution of India in Part IV which contains the non-mandatory "Directive Principles of State policy".Ashok Mehta Committee set up in 1977 to look into the working of Panchayats observed that PRIs lacked Constitutional mandate without which States were not obliged to establish Panchayati Raj. The Constitutional (64th Amendment) Bill, 1989 followed with Constitution (65th Amendment) Bill could not be enacted. Constitution (74th Amendment) Bill of September 1990 was not taken up in Parliament due to change of government.

The concept of Gram Swaraj became a reality with the enactment of Constitution (73rd Amendment) Act, 1992 which came into force on 24 April 1993, adding a new part to the Constitution, namely Part IX titled "the Panchayats". The amendment mandates a 3 –tier panchayati raj system in the country and provides Constitutional status to the Panchayati Raj Institutions(PRIs). The Constitution envisages key role to PRIs particularly in the matters of 29 subjects listed in the Eleventh Schedule. These enactments are in the nature of basic provisions to be supplemented by laws to be made by the State Legislature to define the details as to the powers and functions of Panchayats. The State / UTs have enacted legislation to amend the Acts to conform to the requirements of the Constitution (73rd Amendment) Act, 1992.The provisions of the Constitution are limited to (i) constitution of 3-tier of Panchayats, (ii) holding of regular elections to these PRIs every five years, (iii) stipulated reservation for women, (iv) constitution of District Planning Committee,(v) obligatory establishment of State Election Commission. The Act, Article 243(b), explicitly defines Gram Sabha, but its powers and functional domain are as the Legislature of the State, by law, provide. Gram Sabha has become an only forum at grass-root level to ensure direct democracy. Village Panchayat is accountable to the Gram Sabha.

Constitution provides that the States may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government.Self-governmenthas been the essence of panchayati raj from the very beginning. As of now PRIs are dependent on assistance from upper levels of government. In many cases the assistance is tied to specific purposes. For Panchayats to function as institutions of self-government they are expected to raise funds, own assets, incur liabilities by borrowing on their own account, have necessary human resource to manage their affairs and functional autonomy. They should have discretion on their spending and have own staff to work independently of external administrative control. Slowly but steadily PRIs will take up revenue generating activities and create their own staff both technical and non-technical to work independently of external administrative control. These measures will make the institutions self-supportive and self-reliant, minimise grant of assistance and dependence on line departments

The Eleventh Schedule distributes powers between the State Legislature and the Panchayats. It does not, however, automatically confer any powers on PRIs or entrust them with the responsibility for the subjects mentioned therein. The Constitution charges the State, not the Centre, with the responsibility of devolution. State legislature has to decide and confer powers and/or responsibilities on PRIs. The devolution history, however, illustrates lack of positive will on the part of some State governments. The process of statutory devolution by State governments in line with the spirit of Constitution has not been effective. The States have been following incremental approach in devolving functions on PRIs. Majority of the 29 subjects illustrated in the Eleventh Schedule are still to be devolved on one or the other tier of PRIs in most of the States. In accordance with Article 243 G of the Constitution, States to name a few, Assam, Haryana, Karnataka, Rajasthan, have passed Legislation transferring all 29 functions listed in the Eleventh Schedule; others are progressively doing it. Disintegration of functions into activities for devolution to the three tiers of Panchayats through Activity Mapping has been completed in Karnataka followed by devolution of funds & functionaries. In other States the process is moving on steadily.

Ministries at the Centre and departments in the State Governments have created parallel structures to implement rural development schemes and programs concerning education, health, women and child welfare etc. subjects falling within the domain of Panchayats. This is a disturbing concern. Through these inroads, the PRIs are bypassed all the way. This practice has weakened the Panchayats. District Rural Development Agency (DRDA), a registered society, under Ministry of Rural Development has not been merged with Zila Parishad in some States and continues to function as a parallel structure contrary to the provisions of the Act, thereby overlapping the functional domain of Panchayats. Governments release funds directly to DRDAs. The schemes are implemented through panchayats but the accounts are maintained by DRDAs. Works executed with MPLADS funds are mostly from the subjects of the Eleventh Schedule. Large inflow of funds to State Governments is through Centrally Sponsored Schemes (CSSs) which mostly cover subjects like Primary education, Public Health, Drinking Water identified in the Eleventh Schedule for devolution to Panchayats. Implementation of CSSs thus needs to be compatible with the 73rd Constitution Amendment Bill to ensure centrality of Panchayats in planning and implementation of these schemes by incorporating provisions in the scheme structure. With the devolution of functions it would become essential to transfer funds and functionaries to administer these tasks. In majority of States this has not happened. In the times to come fair measure of devolution of functions, funds and functionaries on PRIs can be expected in the States.

Upon complete statutory devolution of functions on one or the other tier of Panchayats and transfer of funds by the State governments in line with the spirit of the Constitution, the functional and financial domain of PRIs will immensely enlarge. Besides, with the transfer of funds by Central government for Centrally Sponsored Schemes, poverty alleviation and rural employment schemes sponsored by Ministry of Rural Development which fall within the domain of Eleventh Schedule listed matters to PRIs directly instead of the parallel structures overlapping the functional domain of PRIs, the volume of funds to be handled by these institutions will grow considerably strengthening the panchayati raj. In view of huge flow of funds and varied pattern of spending, sound financial management, efficient accounting and enforcement of internal controls in PRIs would be a necessity. Activities of PRIs in their capacity as service providers are expected to expand enormously necessitating transparent accounting, efficient financial management and a set of specialised accounting standards.

State Legislature has, by law, (i) authorised Panchayats to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and such limits, (ii) assigned to Panchayat such taxes, duties, tolls and fees levied and collected by the State government for such purposes and subject to such conditions and limits, (iii) provided for making such grants-in-aid to the Panchayats from the Consolidated Fund of the State and (iv) for constitution of such Funds for crediting all moneys received, respectively, by or on behalf of Panchayats and also for the withdrawal of such moneys therefrom, as may be specified in the law. Panchayat receipts comprise: (i) government grants on various accounts, (ii) taxes, duties, tolls and fees levied and collected by it, (iii) interest receipts, (iv) share of compensation and assignments by State government, and (v) some capital receipts. Panchayats credit receipts to and meet expenditure authorised under law from the Pancahyat Fund(s) established under Article 243H. Depending on the provisions in the State Act the receipts are kept either with the Bank(s) or State Treasury in Public Account probably to support ways and means position of the State government.

State Finance Commission (SFC) constituted every five years review the financial position of Panchayats and make recommendations as to the principles which govern (i) distribution of tax revenue between the State and the Panchayats, (ii) determination of taxes, duties etc. which may be assigned to, or appropriated by, the PRIs, (iii) distribution of grants-in-aid to Panchayats from the Consolidated Fund of the State. The Commission also recommends measures to augment the Consolidated Fund of State to supplement the resources of the Panchayats in the State to improving their financial health. SFCs in States and Union Territories are functional. As per the provisions of Clause 4 of Article 243I the Action Taken Reports are being placed before the State Legislatures. SFCs have been recommending measures to improve the financial position of panchayat bodies, increase their income with a view to making them self-reliant. Allocation of resources has mostly not matched the volume of fund recommended by the SFC. Devolution and disbursal of finances by the State governments has however, improved, but not changed much for the better, the fiscal performance of panchayat bodies in majority of States.

Each PRI is an accounting and reporting entity and adopt an Annual Report, including Financial Statements. Funds transfer to PRIs by State government is shown in the Financial Statement of State government at minor head level as assistance to these institutions individually below functional major heads of account and also against Compensation and Assignments to PRIs. State Budget enlists transfers to PRIs under detailed heads of account. The financial reporting by PRIs is expected to fulfil their duty to be publically accountable and enable the citizenry asses the accountability. The Statements should demonstrate the use of resources compliant with finance related legal requirements and also assists public in assessing the service efforts, costs and accomplishments.

Article 243 J of the Constitution charges States with the responsibility of making provision by legislation for maintenance of accounts. The financial accounting and reporting of PRIs is governed by a framework of statutes, regulations and orders and form of accounts prescribed by State government. PRI accounting is an integral part of accounting discipline; therefore, rely upon the basic concepts of that discipline. The environmental characteristics and financial reporting objectives being no different than of government, government accounting architecture are being followed by PRIs. State Panchayat Act devolves responsibility of overseeing maintenance of proper accounts in Block panchayat and Zila Parishad on the respective Standing committee on Finance and Accounts. In village panchayat accounts maintenance is the responsibility of Panchayat Secretary. With man-power constraint upkeep of accounts particularly at Village Panchayat level has considerably suffered. Some States have outsourced accounting function. Given the responsibilities cast on village Panchayat Secretary the post warrants up-gradation in terms of status, salary and educational qualification. Village Panchayats mostly keep Cash Book where cash received and paid is recorded. All Panchayats receipts are paid into Panchayat Fund constituted by Article 243 H of the Constitution. The 14th Finance Commission has raised concerns about completeness and proper maintenance of accounts. To bring qualitative improvement in basic account keeping, address the Commissions concerns, Ministry of Panchayati Raj in the Government of India engaged Institute of Public Auditors of India to write State specific accounting manuals consistent with States legal frame work, in line with the accounting frame work outline in the Model Accounting System aligning the same with PRIA Soft developed by National Informatics Centre for the Ministry. Constitution Amendment provides that state Legislature shall provide by law for audit of PRIs. In Bihar, Jharkhand and West Bengal Examiner Local Fund Audit are under the control of C&AG of India. In other States the statutory authority for audit is the Examiner/ Director Local Fund Audit who has administrative control over his Organisation. In Karnataka C&AG audits Zila Panchayats and Panchayat Samitis. Controller of Accounts (State Local Fund Auditor) audits Gram Panchayats. The focus of audit is mainly on transaction audit, accountal of receipts and disbursements and compliance with rules and regulations. Certification of accounts is not covered in the audit at present. In order to bring about qualitative improvement in audit of Panchayat accounts including follow up, Government of India guidelines of June 2001 expected States to entrust audit / technical guidance & supervision to the C&AG of India. Majority of the States (illustratively; Assam, Kerala, Maharashtra, Madhya Pradesh, Rajasthan, Tamil Nadu and Uttar Pradesh) have complied with these guidelines. In the remaining States, State Accountants General are pursuing the matter with the State Government.

Operationalization of District Planning Committee has been a boost to decentralised planning. At village level Gram Sabha play an important role in the success of a panchayat. Voluntary Organisations/Non–governmental organisations being close to people are contributing in a big way in creating enabling conditions for the success of panchayats through awareness-building programs, campaigns, information dissemination, establishment of resource centres etc. These are the specialised agencies and important sources and are being adequately tapped by Panchayats to assist them in planning and implementation of social development programs, impart training to elected members especially women, building capacity of PRI officials through structured training programs and conduct of social audit of developmental works. Social Audit secures accountability through analysis of the working of the Institutions with reference to their social relevance to the society.

Capacity building and training related activities have been outsourced. The Ministry has taken a major initiative to promote

Rural Business Hubs through the establishment of a governance relationship between business enterprises and PRIs. The scheme is applicable to Backward Regions Grant Fund districts and all the districts in Northern Region. RBHs scheme is being implemented by the Ministry and is based on the principle of Public Private Panchayat Partnerships. RBHs scheme has mobilised and converged existing schemes and institutions. Given the importance of rural infrastructure projects in the economic growth, there is an increasing focus on rural development, providing urban amenities in rural areas, through Public Private Partnership (PPP). Projects of social infrastructure, rural housing, water supply, health, education, drainage and sewerage, to illustrate, are being developed under PPP model. Larger role is envisaged for the extra governmental agencies for implementation of these projects.

PANCHAYATI RAJ IN KERALA

Thomas Abraham*

********In pursuance to the Constitution 73rd Amendment, Kerala had enacted Kerala Panchayat Raj Act 1994 which prescribed a three tier Panchayat Raj System comprising of District Panchayat, Block Panchayat and Grama Panchayat.***

Kerala is one of the pioneers in implementation of Panchayat Raj system in the country. After India got independence, the first Travancore Cochin Panchayat Act came into existence in 1950 which was one of the earliest move towards decentralization. In many ways, the local government system and structures for citizen participation in governance in Kerala, is referred to as a model for deepening democratic decentralization of governance in India. *****

The development of Kerala, particularly its achievements in human development is often attributed to the states' persistent efforts in democratic decentralization and the series of governance reforms undertaken over the years. The process of governance decentralization has been a unique experiment for the state that has widened and strengthened people's participation in governance, and augmented the space for public action. The process starting with People's Planning Campaign (August 1996) resulted in significant reorganization of the governance institutions and ushered in participatory decentralization mechanisms in the state. Subsequent reforms further deepened the democratic and fiscal

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decentralization, local expenditure autonomy and administrative independence of local governments in the state. In many ways, the local government system and structures for citizen participation in governance in Kerala, is referred to as a model for deepening democratic decentralization of governance in India.

1. History of Decentralisation in Kerala

Kerala is one of the pioneers in implementation of Panchayat Raj system in the country. After India got independence, the first Travancore Cochin Panchayat Act came into existence in 1950 which was one of the earliest move towards decentralization.

In pursuance to the Constitution 73rd Amendment, Kerala had enacted Kerala Panchayat Raj Act 1994. Under the Act a three tier Panchayat Raj System was established, comprising of District Panchayat, Block Panchayat and Grama Panchayat.

2. Strategy of Decentralisation in Kerala

The real and effective decentralisation probably calls for a big bang approach – functions, powers and resources being transferred at one go in a political act of faith instead of transferring power in small doses. Kerala followed this approach instead of the traditional wisdom of doing capacity building of local governments initially and then transferring power in small doses. To a large degree the campaign succeeded in setting the agenda for decentralization.

3. Decentralization of Democratic Process

To institutionalize and operationalise decentralization and strengthen Panchayat Raj Institutions, an innovative experiment of bottom up planning process or local level planning known as the 'People's Planning Campaign' was introduced for IXth Plan in August 1996 with multi-pronged socio-political mobilization and sensitization of people.

The campaign was designed to create an active role for local citizens in shaping local development policy making and budgeting. Consequently local governments vested with the responsibility of designing and implementing their own development plans were also mandated to do so through an elaborate series of participatory exercises in which citizens are given a direct role in shaping—rather than just choosing—policies and projects.

After the enactment of the Kerala Panchayat raj Act 1994, the Government in September 1995 transferred various duties and related institutions to the three tier local self governments. With reference to the 29 subjects envisaged in the 11th schedule all functions except functions relating to **Minor Forest Produce, Distribution of Electricity and the implementation of land reforms** were transferred to the three tier Panchayats.

4. Autonomy to local bodies

Fiscal Autonomy

Based on the recommendations of Fourth State finance commission report issued in January 2011, the Kerala Government is transferring 25-30 percent or more of state plan funds for local governments besides 3.5 percent of State's Own Tax Revenue (SOTR) for general purpose grant and 4.5 percent of SOTR as maintenance grant for the first year which would increase to 5 percent in the second year and then remain fixed at 5.5 percent thereafter. The commission also recommended allocation of special grants to Grama Panchayats out of development fund based on deprivation index indicating their relative backwardness as compared to other Panchayats.

In the state budget a separate Appendix IV is included showing allocation of funds to the various Local Self Government institutions.

The Budget allocation given for Panchayats in the Budget for 2015-16 was as follows.

Category of funds	District Panchayats	Block Panchayats	Grama Panchayats
A. General purpose /Traditional functions	320.6	456	7913.16
B. Maintenance - assets	1184.85	620.33	10006.74
C. Expansion & development (Include 14th FC award)	6229.85	6229.85	26843.23
Fund for transferred institutions - Plan & Non Plan	1192.02	4727.59	20545.84
Total	8927.32	12033.77	65308.97
Number of institutions at the time of budget	14	152	978
Average share of each panchayat	**637.67**	**79.17**	**66.78**

Apart from the above, the Panchayats are also getting funds under Centrally Sponsored Schemes (CSS) and State Sponsored Schemes (SSS). The accounts of these schemes are separately monitored by the Central and State Governments.

The CAG of India in his audit report on local bodies issued in 2015 stated that of the total receipts during the five year period 2009-2014 the percentage share of State, Central and Own revenue was 63, 22 and 13 respectively.

Functional and Administrative Autonomy

Local self-government institutions in Kerala have also been given responsibilities for far greater number of services or functions including specific functions related to health and education than other states in the country. For creating an accountable and efficient administrative set-up for Panchayati Raj Offices the number of full time staff under local government was increased and is the highest in the country. Besides full time staff, additional contractual staffs under local government have also been appointed to strengthen the administrative unit.

The normal staff strength of a gram panchayat is as follows

Secretary	1	Asst Secretary	1
Junior Supt	1	Accountant	1
Senior clerk	3	Clerk	4
Office attendant	2	Part time sweeper	2

In addition to this, a person well versed in accounting software is also posted on contract basis. For each block, a technical expert in computer is also posted on contract basis for assisting all the panchayats coming under the area of that particular block Panchayat. They are paid from World Bank aided KLGSDP project.

For creating an accountable and efficient administrative set-up for LSGs, the following measures were taken by the Government.

Landmark events since 1994

Sl. No.	Date	Event
1.	April / May 1994	Enactment of the Kerala Panchayat Raj Act
2.	October 1995	Transfer of powers and functions to local governments; along with institutions, offices and functionaries.
3.	February 1996	Introduction of a Special Budget Document for local government allocations
4.	August 1996	People's Plan Campaign launching
5.	March 1999	Comprehensive Restructing of the Kerala Panchayat Raj Act and the Kerala Municipality Act
6.	March 2000	Amendments to 34 Acts having relevance to local government functioning

Development Framework (VGDF) to further strengthen the planning process for vulnerable groups. This ensures social justice, special consideration for sidelined people and people deserving special consideration like ladies, kids, old aged people, differently abled (handicapped) people, Scheduled Caste, Scheduled Tribe, conventional Fishermen and people engaged in conventional labour sector. As per directions of Government, in the annual plan, specific amounts are set apart for Scheduled Castes under Special Component Plan (SCP) and for Scheduled Tribes under Tribal Sub Plan (TSP). For meeting the development needs of women, minimum 10 percent of the Development funds are compulsorily set apart under Women Component Plan (WCP). For palliative care of aged, physically and mentally challenged persons and for children a mandatory minimum allocation of five percent of Development Fund is prescribed by Government.

Such mandatory allocation of funds in the annual plan has helped in the betterment of the vulnerable group.

ii. Implementation of e-governance in local bodies.

The Government formed an institution named Information Kerala Mission (IKM) for developing various software for use of local bodies. The following web based software developed by the IKM is being used in the local bodies.

❖ **Saankhya Software**

It is an accrual based double entry accounting software and all transactions like receipts, expenditure, liabilities and assets are recorded on real time basis in the accounts. Reports can be generated as and when required. The Saankhya software was introduced in 2012-13 and by 2014-15 all the three tier Panchayats are using it. When accounts were prepared manually there were arrears of 1 to 4 years. With the introduction of Saankhya the arrears in preparation of accounts was wiped out to the maximum extent.

❖ **Sulekha software**

This is web based Application software for use of annual plan formulation and online submission to the DPC and can be used with the help of web browser only. For preparation of plan all the Panchayats are using this software. This has avoided printing and physical submission of plan documents and speeded up the preparation and approval of annual plan.

❖ **Sanchaya software**

The Revenue and Licence System "*Sanchaya*" is application software developed for the computerisation of Revenue System in local governments. This software is intended to handle own revenue items such as property tax, profession tax, rent on Land and Building, Advertisement tax etc., Licenses, fees, and other receipts. This is not yet implemented fully.

❖ **Sachitra software**

Sachitra is the software for recording the various assets of the three tier Panchayats. It has ten forms for recording various types of assets. A special drive was taken up to capture all the existing assets in the software. However the subsequent acquisition of assets were not fully entered and hence data is not up to date in majority of cases.

❖ **Soochika software**

A single window system named `front office` was established in all the Grama Panchayats and a software named `Soochika` was introduced for receiving tapal and petitions from public and giving acknowledgements and also for receiving tax and non tax revenues, fees etc from public and issuing receipts using Saankhya software.

It is workflow application software for handling file track, grievance handling and providing up to date information on status of public service transactions and back end operations etc. Using these software acknowledgements for the petitions filed by the public is given. Hence the public has an advantage of pursuing the matter especially in view of the Right to Service Act which stipulates time limit for disposal of various items. But facility for file tracking by public through the system is not yet implemented.

❖ **Sthapana software**:

It is software for storage of personal data of employees, generation of pay bills etc.

❖ **Subhadra software**

This is the software designed for handling the budget of the Panchayats. Government has also prescribed a format for preparing the budget for the Panchayats. The contents of this format have to be entered in this system.

iii. Display of Citizen Charter in public

It is mandatory for local government to formulate and publish citizen charter narrating the different categories of services rendered to the citizens and it is envisaged that the citizen charter is renewed and updated periodically, but at least once in a year.

The citizen charter of local government needs to be displayed at the Panchayati Raj Offices and at ward level for information of the citizens.

iv. Disclosure of public works

The Panchayati Raj Offices have the obligation of placing before the Grama Sabha full details of development projects and works undertaken from the development fund. The details of works also needs to be disclosed at the work site and in the notice board of Panchayati Raj Offices to ensure that the public receive complete information about works executed by the local government.

v. Disclosure of Institutional Information under RTI Act

All local self-governments are mandated to publish various categories of institutional information under the Right to Information (RTI) Act 2005 and such publication must be available in the public domain.

vi. Delivery of services according to Right to Service Act

According to the provisions of Right to Service Act (2012), Local Self Government Institutions are mandated to provide the services specified in the Act to the public within the time frame mentioned against each item. Non compliance of the provisions may invite punitive action to the officers and staff. Kerala is the second state in India to enact Right to Service Act next to Madhya Pradesh.

After the implementation of the Right to Service Act the service delivery to public have improved a lot due to fear of punitive action among the officers and staff.

An annual performance assessment of Panchayats was done for the year 2013-14 under the auspices of World Bank for releasing performance based World Bank grant to Panchayats and Municipalities. It revealed that in about 30% Grama Panchayats (GP) the timely service delivery was done in 100% cases. In 50% GPs 75% to 100% cases were disposed in time and in 16% institutions 50% to 75% cases were disposed in time. Only in five percent GPs, the disposal level was below 50 %. This shows that the Right to Service Act has improved the level of public service delivery.

vii. The process of bottom up planning in Kerala

One of the principal objectives of the democratic decentralization process in the state so far has been to ensure that the development planning process is bottoms-up and is based on people's own plan in order to ensure that it is inclusive, participatory and is based on local requirements and demand.

The basic structure of participation in the annual planning and budgeting cycle consists of four discrete stages:

1. **Grama Sabha**:- Serves as an open forum in which residents identify local development problems, and generate priorities. Where tribals are residing in the area of a Grama Sabha, Oorukootam (Tribal hamlets) shall be conducted for each tribal group and Ooru Moopan (head) of that community shall participate. The Quorum for Grama Sabha is 10 % of voters. In the case of Oorukootam the quoram is 50% of adult population and among those participating at least 50% should be women.

A performance assessment done in 2013-14 under the auspices of World Bank revealed that the state average of Grama Sabha meetings having quoram was 90.7% whereas in the case of Oorukootam it was 22 %.

2. **Development Seminar:-** A one day development seminar is conducted to discuss the draft development report and plan proposals for producing a comprehensive plan document.

3. **Task Forces:-** They are selected by the Development Seminars. They convert the broad solutions of the seminars into project/scheme proposals into a shelf of projects designed to be integrated into the final Panchayat plan.

4. The fourth phase of the annual planning exercise is the actual **formulation of the Panchayat budget**. The Panchayat drafts local plan from the shelf of projects prepared by the Task forces, based on available budgetary resources.

Plan formulation

Every year the Government issues detailed guidelines for Plan formulation and subsidy. Plan formulation is completely computerized in Sulekha software.

viii. Compliance with the prescribed Development Planning Process

For preparation of plans the following procedure are adopted.

Formation of Working groups

For planning of projects for various sectors and subjects, working groups of experts are formed every year for each sector by committee/council of the Panchayati Raj Offices. The working groups makes consultations with the Lead bank for getting the possibility of getting loans and also with the stakeholders. The working groups then prepare draft project proposals which are discussed in the Gram/Ward Sabha or Oorukootam (meetings in tribal hamlets for each tribal group). After discussions, the working groups finalize the status report as well as five year plan and annual plan. The beneficiaries are also selected in the Gram/Ward Sabha or Oorukootam.

Block/District Panchayat -level

For project formulation of Block/District Panchayats, meetings of peoples` representatives equivalent to Grama Sabha are conducted.

In respect of Block Panchayats, all the members of Grama Panchayat, Block and District Panchayat in the area of the Block Panchayat participate.

In respect of District Panchayats, all the members of District Panchayat, Presidents of Block and Grama Panchayats and the Chairmen of Standing committees of Block Panchayats participate.

The decisions are recorded in the minutes of each Sabha.

Standing Committees

There are four Standing Committees in Panchayats as shown below.

i. Finance Standing Committee.

ii. Welfare Standing Committee

iii. Education and Health Standing Committee

iv. Development Standing Committee

The standing committees take initiative in the effective formation of working groups on the subjects coming under their jurisdiction.

Development Seminar

The proposals given by the Grama Sabha are discussed by the Panchayati Raj Offices governing body and a Taskforce (subcommittee) is formed for preparing a draft development report for the five year plan period in consultation with standing committee for development, and placed before the one day Development seminar. After discussion in the Development seminar the plan proposals are finalized.

Finalization of projects

Based on the recommendation of the Standing Committee on Finance, the allocation of funds for each sector is decided by the committee/council of the Panchayati Raj Offices. Then each standing committee approves every project coming under their portfolio.

Subsequently the Steering Committee finalize the project proposals and submit to the governing body for discussion and approval. The projects approved by the governing body are printed as a Final Plan Document and published.

ix. Formulation of Budget

- Budget is prepared on accrual basis.
- Budget is prepared in prescribed format in double entry system
- Budget is to be prepared based on the approved annual plan.

- **Supplemental or revised budget** is to be prepared in cases where there is requirement for incurring expenditure, not provided for in the budget or in excess of the provision in the budget.

x. Different Audits and Internal Control System

a. In addition to Social Auditing, Internal Audit, Audit by State Audit Department and CAG's audit, a new audit system (performance cum corrective audit) was implemented in the local self-government bodies. It is headed by a State Performance Audit Officer. The objective of such a system is to do quarterly review of administrative measures, monitoring of expenditure etc. This helps in timely detection of irregularities and it gives chance to take corrective action to avoid such irregularities, and remedy the avoidable errors.

b. Performance cum corrective audit by State Performance Audit Officer.

The Government has issued the Kerala Panchayat Raj (Manner of Inspection & Audit System) Rules 1997 nominating Secretary to Government LSGI as State Performance Audit Authority. The State Performance Audit Officer is appointed by Government to assist the Performance Audit Authority. The performance audit teams are constituted under District wise Regional Performance Audit Officers to conduct performance audit in all PRIs under their jurisdiction. The performance audit covers all aspects of the functioning of the LSGIs and also monitor the adequacy of the meetings held by various committees, Grama Sabhas, levy and collection of revenue, incurring of expenditure, disbursement of various social security pensions etc. Initially the performance audit was done tri-monthly. From June 2015 the performance audit is done every month in Grama Panchayats and once in six months in Block Panchayats and District Panchayats.

The State Performance Audit Officer shall submit annual performance audit reports to the State Performance Audit Authority separately for each tier of PRIs

c. Technical Guidance and Supervision (TGS) by CAG

Government of Kerala, in October 2002, entrusted the audit of LSGIs to CAG for providing Technical Guidance and Supervision (TGS) to the Director of Kerala State Audit Department. (DKSAD) The scheme for TGS comprises audit planning, annual transaction audit of 10 per cent of institutions under section 14/15 and supplementary audit of 10 per cent of institutions audited by DKSAD under section 20(1) of the CAG's (DPC) Act 1971. Government extended the scheme of Technical Guidance and Supervision (TGS) up to March 2018.

The Auditing Standards for PRIs prescribed by the Comptroller and Auditor General of India (CAG) and the guidelines for Certification Audit of accounts of PRIs issued by CAG for financial attest audit have been adopted by DKSAD.

xi. Performance based grants from World Bank.

The Kerala Govt. had implemented an effective method of decentralisation by adopting a big bang approach of transferring Functional autonomy, financial autonomy and Administrative autonomy to Panchayati Raj Offices and resources at one go instead of transferring power in small doses. This necessitated the input of additional manpower, resources, infrastructure etc to effectively execute the new functions entrusted to Panchayati Raj Offices.

So the Government availed the opportunity of getting funds from World Bank for transferring performance assessment based grant to Panchayati Raj Offices under Kerala Local Government service Delivery Project (KLGSDP) to support additional investment for creation of assets to improve governance functions and public service delivery.

The performance based grant during first phase (2011-12 &

2012-13) has been transferred to eligible local governments (Grama Panchayats and Municipalities) based on the assessment of basic fiduciary access criteria by KLGSDP.

For the third and fourth year (2013-14 & 14-15) and the extended period of the project (2015-16) the performance grant to Panchayati Raj Offices was based on demonstrated institutional performance measured through an independent annual performance assessment. A very comprehensive coverage of various emerging performance areas under (i) Planning and Budgeting, (ii) Project Execution and Service Delivery, (iii) Accounting, Financial Reporting and Audit and (iv) Participation, Transparency and Accountability were covered in the performance assessment. During the last three years, the grants were released to those Panchayati Raj Offices which qualified in the assessment. During the year 2013-14 the normal allocation of KLGSDP grant alone was released to the 937 LSGs which cleared in the performance assessment process. But the full allocation of grant for 2014-15 was divided and granted among the 848 GPs and 46 Municipalities (Total 894) which were cleared in the assessment process. During 2015-16 also the same procedure was adopted.

xii. Ombudsman for LSGIs

Government had set up an Ombudsman for Panchayati Raj Offices in the State in the year 2000. The Ombudsman is a high powered quasi-judicial body which can conduct investigation and enquiries in respect of charges on any action involving corruption, maladministration or irregularities in discharge of administrative functions by LSGIs, officials and elected representatives of the LSGIs. Ombudsman can even register cases *suo motto* if instances of the above kind come to his notice. During the period 2013-14, out of 3555 cases (including 1413 old cases), 2221 cases (62 *per cent*) were disposed of by the Ombudsman.

xiii. Tribunal for LSGIs

A judicial tribunal for LSGIs was set up in the State in February 2004, consisting of one judicial officer having the rank of a District Judge. The duty of the Tribunal is to consider and settle appeals and revisions by the citizens against decisions of LSGIs taken in exercise of their functions like assessment, demand and collection of taxes or fees or cess, issue of licences, grant of permits, etc. During 2009 to 2014, 6224 cases (appeal & revision) were filed before the Tribunal, out of which 1118 cases were pending disposal.

PANCHAYATI RAJ INSTITUTIONS (PRIS) IN UNION TERRITORIES HAVING NO LEGISLATURE

K P Shashidharan*

********There is a mismatch between activity mapping and corresponding funding of PRIs under various budget heads of UTs. The delay in receiving technical sanction can be due to the shortage of technical, trained staff. Second, the elected representatives of PRIs are also not provided with adequate training and orientation. Gram Sabha has the authority to approve the work, but adequate expertise is lacking in preparation of budget, accounts and maintenance of essential books of accounts. This is a major constraint to ensure accountability, transparency, effective, efficient and economic utilization of PRI resources by PRIs to function as the third tier grass root rural local self-government institutions. ********

Part 1

a) Constitutional Provisions & Administrative Arrangement of Union Territories

The UTs are administered in accordance with Article 239 to 241 of the Constitution of India. Out of 7 UTs of India, two UTs viz. National Capital Territory of Delhi and Puducherry have their own legislatures; Council of Ministers headed by the Chief Minister, and has their own Consolidated Funds. The remaining 5 UTs, namely, Andaman & Nicobar Islands, Lakshadweep, Chandigarh, Dadra & Nagar Haveli, and Daman & Diu have no legislatures and Consolidated Funds of their own.

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The two UTs with Legislatures and the UT of Andaman and Nicobar Islands have Lt. Governors as Administrators. The Governor of Punjab functions as the Administrator of the UT of Chandigarh with an Advisor to assist him. The remaining 3 UTs viz. Daman and Diu, Dadra and Nagar Haveli and Lakshadweep are administered through officers who are appointed as Administrators. Under the Government of India (Allocation of Business) Rules, 1961, certain subjects pertaining to the UTs have been allocated to MHA. Some matters pertaining to the UTs have been specifically allotted to other Ministries/Departments.

MHA particularly deals with Legislative matters, Finance and Budget and Services for the UTs. Administrator's Advisory Councils are set up in these UTs without Legislatures to advise the Administrators. Home Minister's Advisory Committees (HMACs) are set up in the UTs without legislature to address general issues relating to social and economic development. For the island UTs of Andaman and Nicobar Islands and Lakshadweep, there is Island Development Authority (IDA).

The legislating power of these five UTs having no legislatures is entrusted with the Parliament, exercised through the administrative ministry of the Central Government, the Ministry of Home Affairs (MHA). These UTs are directly administered by the President of India through the Administrators/Lt. Governors. Revenue earned by them is credited to the Consolidated Fund of India, and the budgets of these 5 UTs are funded 100% by the Central Government through the budget of MHA. These UTs are also not covered under the Terms of Reference of the Fourteenth Finance Commission (FFC). Therefore they are not entitled to the devolution of taxes as per FFC recommendations.

It is the responsibility of the Central Government to meet the development expenditures of these UTs. UT administrations have the responsibility to provide infrastructure and basic services to the citizens, as each of the UTs has its own unique geographical, cultural, environmental, ecological, demographic, regional, socio economic characteristics, strengths and disadvantages.

Transfer of funds to UTs for non-plan and non-development purposes is administered through the Demand for Grants of MHA. Funds for development purposes, both for Central Sector and Schemes under the National Development Agenda are allocated UT wise. Programmes like MNREGA, Drinking Water and Swachch Bharat Mission, Rural Electrification, Access to Roads and Communication, Agriculture, Animal Husbandry, Fisheries, Irrigation, Education, Health, Housing etc. are part of the National Development Agenda. The releases of funds are based on Utilization Certificates of the earlier installments.

In the absence of a legislature in these UTs, policies are framed, approved and implemented through executive orders of the UT administration, under MHA. The ministry prepares budgets for the UTs and gets budgetary allocation passed from the consolidated fund of India by the Parliament. Then the UT administrators can incur expenditure. They have more administrative flexibility in the fund allocation than other states and UTs having legislatures. The role of PRIs as rural local bodies merely is limited to identify, formulate, implement and monitor socio economic development and welfare programmes.

b) Role of Finance Commissions for UTs

Article 243 of the Constitution stipulates constitution of a Finance Commission to review the functioning of the panchayats and recommend transfer of financial resources to local bodies. As stated earlier, UTs having no legislatures are not covered under the terms of reference of FFC. However, Finance Commissions were separately constituted for the UTs to make recommendations on the determination of taxes, duties, tolls and fees which may be assigned to or appropriated by the panchayats, grants-in-aid to the panchayats, the measures needed to improve the financial position of the panchayats, and on any other matter referred to the

Commission by the administrator in the interest of sound finance of panchayats.

Finance Commission constituted under Section 186 of the Andaman and Nicobar Islands (Panchayat) Regulation, 1994, for the Andaman was also the Finance Commission for the Union Territory of Lakshadweep, Daman and Diu and Dadra and Nagar Haveli. The State Finance Commission for NCT of Delhi functioned also as Finance Commission for UT, Chandigarh.

These Finance Commissions submitted reports recommending various strategies to improve the overall financial positions of the PRIs. Resource Mobilization and Utilization PRIs in UTs receive funds mainly from government as grant-in-aid and through centrally sponsored schemes. These funds are primarily used for executing various development projects. Major projects undertaken by the three tiers of PRIs include construction of bridges, auditorium, mini stadium, anganwaries, community hall, markets, shopping complex, bus shelter, drainage, retaining wall, footpaths and school buildings at various places. PRIs give thrust on installation of rural water supply, rural sanitation, village roads, lighting, footpath, culvert, rural education and minor irrigation.

Part 2

i) PRI System in Andaman & Nicobar Islands

The UT Administration issued notification under the provisions of A&N Islands Panchayat Regulation, 1994, specifying the powers of all the three tiers of PRIs (ZP, PS and GP) in relation to matters listed in various schedules. This includes activities pertaining to sanitation, health education, agriculture, animal husbandry, social welfare, minor irrigation, cooperation, women welfare, village industries, relief etc. The Regulation endows the PRIs with powers and authority as may be necessary to enable them to function as institutions of self-government and authorizes the Panchayats to levy, collect and appropriate such taxes, duties, tolls and fees as are specified.

Panchayats in A&N Islands

There are 2 Zilla Parishads, 7 Panchayat Samities, 70 Gram Panchayats, 9 Community Development Blocks and 1 Municipal Council under the jurisdiction of Rural Development, PRIs & ULB Department. Director (RD, PRIs & ULB) is in overall supervision of RD Programmes, MGNREGA, responsible for the release of grants to Panchayats, creation of posts and filling up of vacant posts, transfer and posting of staff to CD Blocks as well as Panchayats.

In the ZP, there are 30 elected members-one each from the 30 constituencies, and one Pramukh each from the 7 PS and all members have voting rights. The Adhyaksha and the Up-Adhyaksha of the ZP are elected from amongst its elected members for the duration of one year. The seat of the Adhyaksha, ZP for the first and third year is reserved for women and the fifth year in favour of the member if any belonging to ST.

Nyaya Panchayat

Section 53 (1) of the A&N Islands (Panchayat) Regulation, 1994 provides for every village a Nyaya Panchayat. Accordingly, a Nyaya Panchayat is formed for every Gram (village), which comprised of five persons elected by the members of the GP from amongst themselves. The Nyaya Panchayat takes cognizance of suits in cases of immovable property, damage caused to standing crops by cattle trespass etc. The decision of Nyaya Panchayat is based on majority decision.

Gram Sabha (GS)

Gram Sabha, the village assembly is a functional body in A&N Islands. Its meetings are held twice a year, one in the month of October or November, and the other in April or May. The public is informed of the GS to be held via radio, newspapers, notice boards, wallpapers and public announcement system. Expenditure for convening GS is met from the untied funds.

District Planning Committee

DPC has been created through the A&N Islands (Municipal Council) Regulation,1994 to deal with the grass root level planning, i.e., to consolidate the plans prepared by the Panchayats, Municipalities and the Tribal Administrative Bodies in the reserved areas and to prepare a consolidated draft development plan for the UT.

The members of DPC comprises of Adhyaksha, ZP as Chairperson; Chairperson of Port Blair Municipal Council; Member of Parliament; 4/5th of the total members of Zilla Parishad & Municipality (in proportion to population ratio), six persons from tribal residents in Car Nicobar Tehsil, four persons from tribal residents in Nancowry Tehsil, one person from primitive tribe viz. Andamanese, Onges or Shompens, Secretary (Panning), Secretary (Finance), Secretary (LSG), A&N Administration as members and Chief Executive Officer of Zilla Parishad as Ex-Officio Secretary.

The DPC meeting is convened every year to discuss and finalise the consolidated plan of PRIs including the plan of development departments before submission to the Administration for discussion in the Planning Commission. The District Planning Committee shall consolidate the draft plans of the Zilla Parishad (consisting the draft plans of the Gram Panchayats, Panchayats Samiti and of the Zilla Parishad), Municipal Council and Tribal Councils. The District Planning Committee shall meet before 10thOctober each year to finalize the consolidated plan and submit the same to the Administration.

As soon as the size of the Annual Plan is decided by the Planning Commission, the Planning Department of the Administration communicates to the Zilla Parishad and the Municipal Council the quantum of funds earmarked for functions to be performed by the Panchayati Raj Institutions and the quantum of grant-in-aid as well as allocations proposed under various heads for schemes to be executed by the PRIs. The Part- II budget of the PRIs shall stand approved by the Administrator to the extent of grant-in-aid so allocated.

The allocation of funds between the Zilla Parishad, Panchayat Samiti and the Gram Panchayats shall be in the ratio of 20: 15:65. Upon receipt of the allocation of funds and immediately thereafter, the Adhyaksha, Zilla Parishad shall call the meeting of the Parishad to decide the works that are to be executed during the ensuing financial year within the allocation made by the Administration. Only the works included in the draft plan already approved by the Gram Sabhas, which find place in the draft plan of the Zilla Parishad (comprising the plans of the Panchayat Samitis, the Gram Panchayats and its own plan) can be taken up in order of priority. The works so decided in the meeting of the Zilla Parishad shall be sent to the Administration for inclusion in the Annual Plan Programme of the Union Territory.

Panchayat Funds

In Andaman and Nicobar Islands, funds received under Grant-in-aid and Centrally Sponsored Schemes is the main source of funds for PRIs in Andaman and Nicobar Islands. Own source of revenue forms an insignificant part of the total funds of PRIs in the UT. The administration releases grant-in-aid for general and sectoral schemes and matching grants to the PRIs from time to time.

Section 34 of the A&N Islands (Panchayats) Regulation, 1994 provides that there shall be a Gram Fund for each Gram Sabha and the same shall be utilized for carrying out the duties and obligations imposed upon the Gram Sabha or the Gram Panchayat by this Regulation.

Gram Fund consists of the proceeds of any tax or fee imposed under section 37; the contributions made by the Government or any local authority or person; all sums ordered by any authority or court to be credited to the Gram fund; the income from securities in which the Gram Fund is invested; the share in the collection of land revenue or other dues of the Government; all sums received by way of loans or gifts; the income derived from fisheries under the management of the Gram Panchayat; sums assigned to the Gram Fund by any general or special order of the Government; Income from or proceeds of any property of the Gram Sabha; Sale proceeds of all dust, dirt, dung or refuse collected by the servants of the Gram Panchayats; and all sums received or for expenditure on any institute or service rendered or financed from Gram Sabha or managed by Gram Panchayat.

The Administrator may, subject to such conditions as he may deem fit, make grants to the Gram Panchayat for general purposes or for the improvement of the Gram and the welfare for the residents therein. Apart from the grants from the Central Government, source of receipts of Panchayats at each level are only the receipts from taxation and receipts from other than taxation. Thus, there are two distinct receipts of a Panchayat. Panchayat receives grants from the UT Administration as part of the UT Finance Commission award and its own revenue, which includes tax and non-tax receipts of a Panchayat.

This does not include the funds received under Central Sponsored Schemes (CSS) like Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and State Sponsored Schemes (SSS). The accounts of these schemes are separately monitored by the Central and UT Administration. The Bank Accounts of the schemes are also maintained separately by the concerned panchayats. The receipts and payments are accounted for and spent as per the terms and conditions of the concerned schemes. A proper procedure must be prescribed after watching accountability aspect of all receipts and expenditure of Panchayat funds so that it is possible to ensure that the funds have been specifically spent on the heads for which these were allotted. The person or authority responsible for accountability must be specified for each project.

The funds from UT Administration as Grants-in-aid and Centrally Sponsored Programmes form the earmarked funds for a Panchayat and it is UT's responsibility to prepare a budget estimating receipts of the UT and possible expenditure out of the funds towards development of the village and basic services to the members of the Gram Panchayat. In addition, there are many schemes of the UT Administration and the Central Government, which are implemented in the village either by the Panchayat itself or by the respective department to which a particular scheme belongs.

The expenditure incurred on these schemes is accounted for as part of the accounts of the State Government and as such this expenditure will not form part of Panchayat budget and accounts. It may be possible that in certain cases, a particular department may ask the Panchayat to maintain accounts for any of their scheme of rural development. However, such accounts should be kept separately, though the similar procedure can be used by the Panchayat for keeping the accounts relating to schemes.

ii) PRI System in the UT of Lakshadweep

In 1994, the Administration notified the Lakshadweep Panchayat Regulation, 1994 to transfer schemes and programmes under any of the subjects incorporated in the IVth Schedule of the Regulation for the preparation of schemes and programmes for economic development and social justice and their implementation. A major step further in this direction was the notification of the Administration of the UT in March 2012, wherein the UT had devolved Functions, Functionaries and Funds to the District Panchayats and Village (Dweep) Panchayats relating to the schemes and programmes being implemented by the Department of Animal Husbandry, Education, Fisheries, Health and Sanitation along with all the plan schemes and non plan components to the District Panchayat and Village (Dweep) Panchayats.

All the grants released to the Panchayats shall be spent strictly according to the Lakshadweep Panchayats Regulation, 1994, Lakshadweep Panchayat (Finance & Accounts) Rules, 1997 and GFR of Central Government. In 2015, the Fourth Finance Commission for UTs (without Legislature) recommended that the share of PRIs in total plan outlay of the UT of Lakshadweep should devolve substantially. The recommendations are under examination by the Ministry of Home Affairs, Government of India. Ten inhabited islands have the 10 Village (Dweep) Panchayats (VDPs). The District Panchayat (DP) has its headquarters at Kavaratti. The First Schedule of the Regulation lists out the names of the following 10 inhabited Islands that constitute the UT of Lakshadweep: Amini. Androit, Kavaratti, Minicoy, Agatti, Kadmat, Kalpeni, Chellat, Kiltan, and Bitra.

Organizational structure of PRIs

The PRIs are under the administrative control of the Department of Rural Development (Panchayat) UT Lakshadweep. The Chief Executive Officer/Executive Officer/ Secretary appointed by the UT is a whole time officer of the DP and VP respectively and is the executing authority for the purpose of carrying on the administration of PRIs, subject to the provision of the LPR Regulation, 1994 and of any bye-laws made there under. Collector & Development Commissioner is the Secretary Panchayats & Appellate Authority under Section 67 (4) of the Regulation.

Relevant provisions of the Regulation and Rules governing the Panchayats

Section 8(1) of the LPR, 1994, provides for the constitution of a DP for the entire UT. The DP consists of directly elected members from territorial constituencies of a VP. The Pradhans of the VPs and the Member of the Lok Sabha representing the UT are members of the DP with voting rights. Reservations for Scheduled Tribes and Women in membership as well as in positions of

President-cum-Chief Counsellor have been made in conformity with the Constitutional (Seventy-third Amendment) Act, 1992. As per section 24 of the LPR 1994, the President-cum-Chief Counsellor and two Vice Presidents-cum-Counsellors shall be elected from amongst the directly elected members, by these members and Pradhans of the VPs, who are the ex-officio members of the DP.

The subjects within the jurisdiction of VDP are enlisted in the Third Schedule and those of the jurisdiction of the District Panchayat are mentioned in the Fourth Schedule of the Regulation. Section 46 of the LPR entrust the VP execution, maintenance or repair of any work including implementation of schemes of economic development and social justice and place the management of an institution at the disposal of the Panchayat. The DP is implementing various developmental schemes formulated by it as well as those transferred from the developmental departments of the Lakshadweep Administration. The DP also prepares its projects separately and submits to the District Planning Committee (DPC). The PRIs now have powers and responsibility to function as two tier of UT Administration.

The Village Panchayats in the UT implement a large number of Central/State Sector schemes/programmes and substantial funds are released to the VPs. However, the VPs are not adequately equipped with qualified technical expertise. Besides, the transfer of functionaries to PRIs was not done and works of the PRIs were being performed by the UT functionaries.

The Lakshadweep Panchayats Regulation, 1994 empowers the panchayats to levy taxes and fees on the items indicated therein. Based on the recommendations of the Finance Commission for UT, a Joint Committee under the chairmanship of the President cum-Chief Counsellor, DP, was constituted to recommend a proper taxation proposal to the panchayats. The panchayats have not yet started collection of most these taxes and fees. Moreover, the taxation system of the local government is not in place. This has compelled each village panchayat to develop small projects that are suitable to local conditions to generate funds. Some examples of such project are jaggery and vinegar making, pickle making, sale of vegetables, broiler chicken and plastic bags, rental of furniture, etc. As these departments are functioning almost independently, village panchayat does not have much role in the fund utilisation.

Part 3

Some Issues of PRIs in UTs Having No Legislatures

Though the administrative bodies of all the five UTs have specified that functions be transferred to PRIs, practically devolution has not happened in the proper way. The UT administration keeps functions, functionalities, funds and powers, may be, due to unique characteristics, sensitivity and security concerns and their geographical locations.

All the UTs, except Chandigarh, have set up DPCs. Among these five UTs, the DPC in Andaman and Nicobar Islands has a greater role in the planning process. However, in all the UTs, as the final approval of the plan is required from the UT administration, the freedom of DPCs is limited. Being constituted partly through indirect election and the remaining by nomination, the DPC is neither accountable to the people directly nor to the local government institutions.

All the five UTs have provisions in the respective Panchayat Raj Acts with respect to the maintenance of accounts by panchayats and the auditing of such accounts as stipulated by Article 243-J of the Indian Constitution.

There have been unutilized funds available with PRIs over the years, impacting adversely UTs own mobilization of revenue resources. Own source of revenue can be strengthened by both tax and non tax resources, but the representatives of the people seem to be reluctant to take unpopular decisions of imposition of taxes to the people.

There is a mismatch between activity mapping and corresponding funding of PRIs under various budget heads of UTs. The delay in receiving technical sanction can be due to the shortage of technical, trained staff. Second, the elected representatives of PRIs are also not provided with adequate training and orientation. Gram Sabha has the authority to approve the work, but adequate expertise is lacking in preparation of budget, accounts and maintenance of essential books of accounts. This is a major constraint to ensure accountability, transparency, effective, efficient and economic utilization of PRI resources by PRIs to function as the third tier grass root rural local self government institutions. Also, the committee system, mainly work committee, estimate committee and finance committee are not constituted or functioning effectively in almost all the panchayats.

The Examiner of Local Fund, who is the prescribed authority, conducts the audit of accounts of the panchayats at all the three levels in the UT. However, local fund audits are not being done regularly. Besides, audit by the Comptroller and Auditor-General is also being conducted by the respective Accountants General.

There is need for augmenting own sources of tax and non tax resources by PRIs in these UTs as recommended by various Finance Commissions for UTs by new taxation as well as bringing more services under user charges, fees and fines. Availability of trained technical manpower, properly oriented elected representatives, and effective functioning of the Committee system, especially, the work committee, estimate committee and finance committee are critical for proper development planning, budgeting, project implementation, monitoring, accounting, and maintenance of proper books of accounts for enforcing accountability and audit. The PRI functionaries must be equipped with knowledge, necessary skills and expertise in planning, budgeting, accounting, social auditing for monitoring and effective implementation of development programmes and schemes. Increasing financial autonomy can be handled only when adequate capability and competency are available at grassroots levels. Adequate infrastructure including building, trained personnel, Information technology and engineering staff should be available for PRIs in these UTs for effective discharge of duties.

PANCHAYATI RAJ INSTITUTIONS ACCOUNTING SOFTWARE (PRIASoft)

Rama Hariharan and Manie Khaneja (NICSI)*

********[**]NICSI has developed a software named 'PRIASoft' which enable the PRIs to maintain their accounts. The software consolidates accounts of PRIs and makes various management reports available. This was introduced under e-Panchayat mission Mode Project.With the unveiling of the Digital India campaign,it is proposed to cover more PRIs in coming years. *******

Need for Accounting

The need for timely and relevant financial information for proper decision making cannot be denied. In the context of Panchayats, their increasing role, funds and enhanced accountability require that they spend and record public money with utmost care. Hence, PRIs need to follow good practices of management viz. better planning, sound decision-making and regular monitoring.

In the financial context, these aspects can be achieved only if the financial recording and reporting systems are well established and functional. These should facilitate accuracy and timely recording of information with efficiency and effectiveness, leading to better planning, controlling / monitoring and decision making.

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[*]Ms. Rama Hariharan, is the officer in-charge for the Ministry of Panchayati Raj and Ms. Manie Khaneja, is the cloud coordinator. The authors belong to NICSI and have been instrumental in developing the PRIASoft.

[**]The software is available at https://accountinggonline.gov.in.

Rolling out of Model Accounting System

In 2008, the Technical Committee on Budget and Accounting Standards for PRIs proposed the need for a simplified accounting system for PRIs. Accordingly, a simplified 'Model Accounting System for Panchayats' was prepared and approved by the Technical Committee in January 2009. The Ministry of Panchayati Raj, Government of India after consultative process with C&AG and State Governments prepared PRIASoft (Panchayati Raj Institutions Accounting Software) which follows Model Accounting System to ensure transparency and accountability in their operations.

The salient features of this system are:

- Each institution i.e. Zilla Parishad / Block Panchayat / Gram Panchayat is a separate accounting entity.
- The accounts are to be kept on cash basis i.e. recording shall be done only when the amounts are received and paid, not on their becoming due.
- A detailed chart of accounts has been prescribed using a three tier structure i.e. Functions, Programs or Schemes and Object. The chart of accounts shall be used both for budgeting and accounting to ensure a link between them with proper budgetary control.
- The system prescribes maintenance of 8 formats with certain additional records in subsidiary formats.
- The system requires preparation of Receipts & Payment Account incorporating both revenue and capital transactions for every financial year ending on 31st March.

Current Accounting systems in PRIs

The major source of revenue for PRIs are funds from central

/ state schemes as well as share of state government funds released on recommendations of the State Finance Commission. Zilla Parishads and Block Panchayats generally have limited revenue from own sources viz. rent of shops/ Dak bungalows / Inspection

Bungalows, lease rent of land, settlement of Ghats, Ferries and Bus Stand etc. Gram Panchayats are authorized to levy and collect taxes but current levels of such self-generated revenue are minimal. PRI expenditure is largely on account of development scheme works apart from some maintenance and establishment costs. However, due to increasing activities and limited skilled manpower, PRIs are generally unable to ensure up-to-date maintenance of these records. Further, since the records are manually maintained, their updating, reconciliation and regular review becomes difficult.

Introduction of PRIASoft under e-Panchayat Mission Mode Project

For effective management of accounts by various Panchayats, PRIASoft was introduced under e-Panchayat Mission Mode Project (e-Panchayat MMP) by Ministry of Panchayati Raj (MoPR) and C&AG. PRIASoft is a centralized web based application which allows PRIs at various levels to enter their financial transactions online.

PRIASoft follows the Double-Entry system of book-keeping wherein both the credits and debits are recorded for a transaction. However, this is done in an intuitive, user friendly manner, without unduly burdening the end users with the knowledge of accounting. It follows Cash-basis of accounting whereby, only actual cash-based transactions are recorded in the system; transactions related to receivables and payables are not recorded as part of accounting. PRIASoft captures the 4-tier classification and generates all the reports in the formats prescribed by the sub-Committee on Budget and Accounting Standards for PRIs.

PRIASoft aims to keep track of all the in-flow (Receipts) and out-flow (Payments) of the PRIs. It is a Centralized Accounting Software intended for maintaining accounts, by all the three levels of Panchayats viz., District, Block and Village Panchayat. It captures the most distinctive feature of the accounting system i.e. the classification and differentiation of financial transactions under both receipts and payments. It also captures the details of Contras entries i.e. deposits & withdrawals. Adding Bank/Treasury Reconciliation Statement for a given month, stock receipt & issue or sale details are also captured under this section.

Standalone features and advantages of accepting PRIASoft

PRIASoft helps PRIs with following distinct advantages:

- Facilitates maintenance of accounts under MAS and serves as a good financial management tool.
- Monitoring of allocated funds, expenditure incurred and inter-PRIs transfer/advances.
- Improve transparency and accountability of the Panchayats in large volume of funds.
- Enhance credibility of Panchayats which would induce greater devolution of funds to PRIs.
- Enhance ability of higher authorities to effectively monitor flow and usage of funds for better planning the requirement of PRIs.
- Complies with the 4-tier accounting classification system and reporting formats prescribed by C&AG under MAS. The Central & State Government schemes are mapped at the Sub-Head Level to facilitate accounting under each scheme.
- PRIs can check all the records online and therefore,

visiting banks for every single query is no more required.

- It uses a simple user interface screen allowing non-finance personnel to use it without having to worry about the accounting aspects which are handled at the backend.
- There are various reports generated by PRIASoft Application which helps PRIs to analyze the things in effective manner.
- Budget Estimates allows PRIs to capture both initial and revised budget estimates for Receipt as well as Payments. The budget estimates is captured per predefined account heads.
- PRIs can also record details of funds to be made / received in the future through receivable/payables in PRIASoft.
- Facilitates smooth synchronization of accounts among the Panchayats of all three tiers of a State, particularly when there are transactions related to inter-PRI advances and fund transfers thus leading to a correct, integrated view of accounts of the Panchayats at State level.
- Facilitates each PRI to specify scheme-wise opening balance for the first financial year maintained under various Bank/Treasury/Post Office accounts. This is a one-time entry. For subsequent years, it would be automatically generated by the software.

Four kind of transactions which are commonly dealt by Panchayats include :

a) Receipt Voucher- Allows PRIs to capture the details of fund inflow in the Panchayat.

b) Payment - Allows PRIs to capture the details of fund outflow from the Panchayat.

c) Contra - Allows PRIs to capture the details of fund movement within a scheme or own resource, both of which are owned by the Panchayat.

d) Journal – Allows PRIs to pass any rectifications entries for the existing transactions already entered in the application.

PRIs need to close the book of accounts and ensures that necessary steps are taken to carry forward the accounts to the next period. Reconciliation of account is often required and hence, a feature is provided in PRIASoft that allows PRIs to reconcile the Cash Book generated by PRIASoft with the actual pass book maintained in Bank/Treasury/Post Office on a monthly basis.

The following table describes action required for closing of Day Book, Month Book and Year Book respectively.

Day Book closing	
	• Freeze Opening Balance • Freeze all the Vouchers pertaining to all the schemes for that Day • System will not allow freezing of payment voucher if sufficient funds is not available in the corresponding Scheme/Component from which the payment is being made
Month Book closing	• Close Day Book for all the days • Close Month Book • Reconcile all the accounts maintained by PRIs in Bank / Treasury / Post Office

Reconciliation	• Close Month Book • Reconcile all the accounts maintained by PRIs in Bank/Treasury/Post Office
Year Book closing	• Grand Total of Part A/Part B of annual receipt//payment account should match
Voucher Entry of next year	• Opening Balance for the next year computed

Implementation

More than 206601 Accounting Units across India have adopted PRIASoft on https://accountingonline.gov.in A demo site is also operational to facilitate hands-on and training session using dummy data.

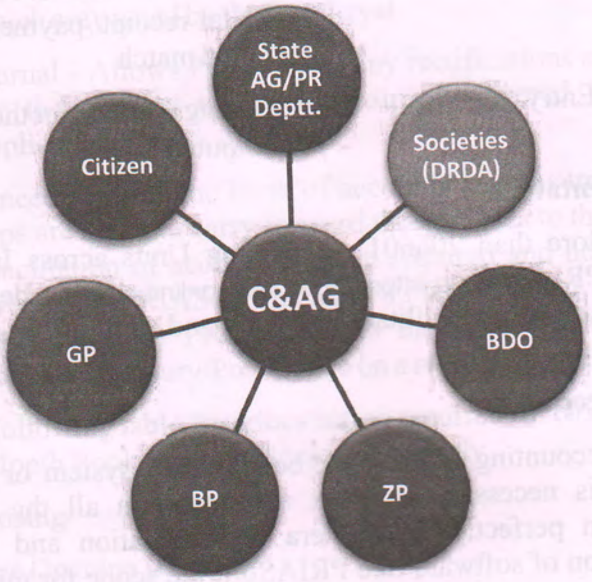
Future Scope

Accounting is the back bone of any system or financial body. It is necessary to track and maintain all the financial transaction perfectly. In the era of automation and with the introduction of software like PRIASoft, the scope for minimizing the errors can be made possible. PRIASoft aims to strengthen the PRIs by effective management of funds and accounts. Government of India has already rolled out "Digital India" campaign we are aiming to reach more PRIs or accounting units PAN India in coming years.

Potential Users of PRIASoft

- Rural Local Bodies (Gram Panchayats, Intermediate Panchayats and District Panchayats and TLBs)
- State Accountant General (State AG)

- Comptroller & Auditor General (CAG)
- State Line Departments
- Central Line Ministries/ Departments
- Citizens



PANCHA TANTR (NIC)*

Introduction

********NIC has developed the software 'PANCHA TANTR' for use in Karnataka which is an accrual basis double entry accounting system in Gram Panchayats in accordance with the KPR (GPs B&A) Rules 2006 as well as for meeting the basic requirements of the Gram Panchayats.********

The Government of Karnataka (GoK) decided to introduce an 'accrual basis, double entry accounting system' in Grama Panchayats (GPs), and replace the 'Karnataka Panchayat Raj (Grama Panchayats Accounts and Budget) Rules, 1995' with 'Karnataka Panchayat Raj (Grama Panchayats Budgeting and Accounting) Rules, 2006'. The Karnataka Panchayat Raj (Grama Panchayats Budgeting and Accounting) Rules, 2006, came into effect from 01/04/2007. It prescribes the maintenance of a double entry and books of accounts and forms, accrual basis accounting, and the accounting procedures, formats of financial statements and budget. This rule is applicable to all GPs in the state.

On this background, the Rural Development and Panchayat Raj (RDPR) Department requested the National Informatics Center (NIC) to develop a web-based application for implementing the double entry accounting system in GPs. As a result, NIC developed **Pancha Tantra** application as per the requirements.

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The **Pancha Tantra** is a comprehensive application that meets the basic requirements of the GPs. It facilitates maintaining the double entry accounting system while carrying out the regular functionalities / activities. This system is developed, keeping in mind the understanding and knowledge of the panchayat staff in performing the operations onthe computer system.

Double Entry Accounting System

We know that, every businesses or organizations uses the Double Entry System to record the financial transactions. This is because all commercial transaction consists of exchange of one item for another in terms of credits and debits. Thus, the double entry accounting system is used to show this two-fold effect. Debits and credits acts as a device that enables to record the entries twice. During each transaction, the transaction details are recorded in at least two places (accounts) using debits and credits.

The two important rules about the double entry system are as follows:

Assets = Claims (Liabilities and Owner's Equity

and

Total Debits = Total Credits

The double entry system also has built-in checks and balances. Due to the use of debits and credits, the double entry system is self-balancing. The performance and effectiveness in the operations of the organizations can be measured by the balance sheet, income and expenditure, and asset-liability statements.

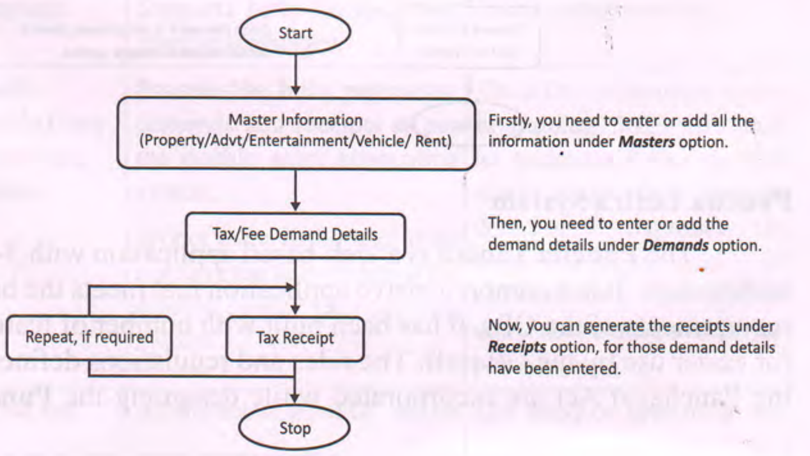
When this system is used with the accrual method of accounting, the accounting system becomes complete and focuses on the income statement and balance sheet.

The double entry accounting system generates the number of financial statements such as balance sheet, income and expenditure, receipts, payments, and so on. These financial statements summarize the financial performance of a GP during a period and its financial status as at the end of the year. By viewing the financial statements, it is possible to recognize whether the GP has earned sufficient income during the year to meet developmental and other expenditures, assets held and its obligation.

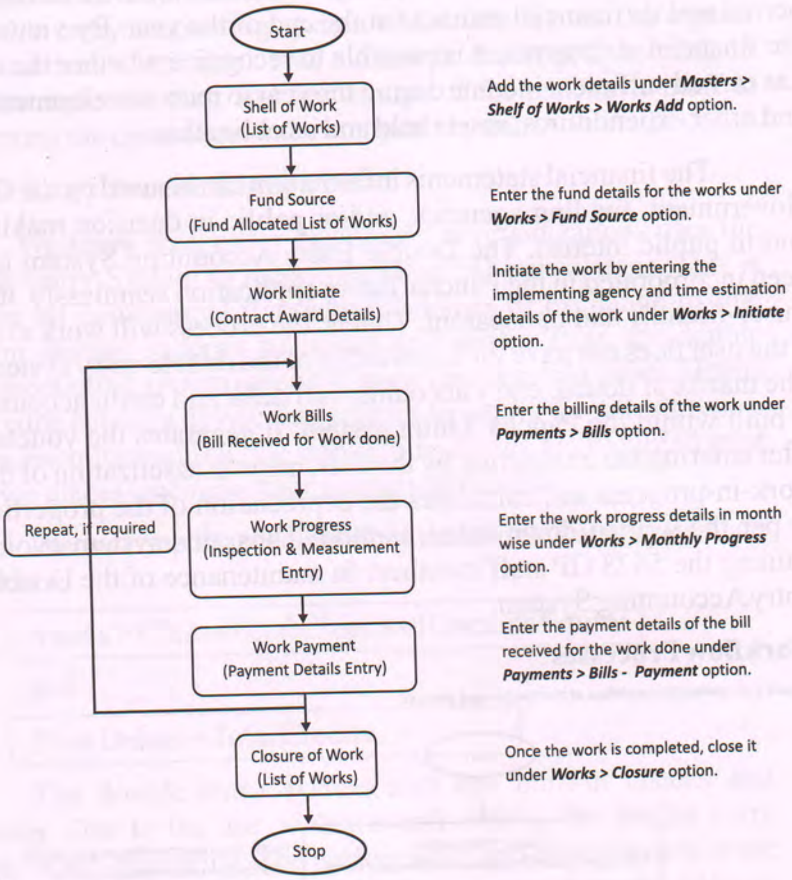
The financial statements information can be used by the GP, Government, funding agencies, and/or public in decision making and in public interest. The Double Entry Accounting System has been incorporated in the Pancha Tantra application seamlessly. It is a user-friendly and transparent. That is, the process will work even if the user does not have the knowledge of the double entry system. The matrix of double entry accounts, and debit and credit accounts is built within the Pancha Tantra system. It generates the voucher after entering the transaction by the user, helps in assetization of the work-in-progress and calculates the depreciation of the properties as per the written down value method. Thus, this system avoids training the 5628 GP staff members in maintenance of the Double Entry Accounting System.

Workflow Processes

Figure 1 illustrates the workflow of the tax demand process.



Workflow for Development Process



Pancha Tantra System

The **Pancha Tantra** is a web-based application with 3-tier architecture. It is a comprehensive application that meets the basic requirements of the GPs. It has been built with number of features for easier use by the GP staff. The rules and regulations defined in the Panchayat Act are incorporated while designing the **Pancha**

Tantra application. It guides the officers to carry out the GP activities as per the rules.

This application helps you to submit the details of various properties, beneficiaries, works, and generate various forms as required and to view various reports maintained by the department.

Pre-requisites to use this application are:

- Client system with 486 system or above and 256 MB RAM or above
- Dot Matrix or Laser printer
- Windows 2000 Professional / Windows XP operating system (OS)
- UPS
- Internet connectivity

Various features and benefits of the **Pancha Tantra** application:

Particulars	Features	Benefits
Language	Supports both Kannada and English languages.	Easily understandable.
Inbuilt Double Entry Accounting System	Process the bills, payments, demands and receipts as per the double entry accounting system. Works even if the user does not have the knowledge of the double entry accounting system.	The effort of the department in training 5628 GP staff to understand the double entry accounting system is not required. It helps the department in implementing the double entry accounting system as per the Act.
Online and	All the activities at GP can be	The need of preparing the

Particulars	Features	Benefits
User Friendly	done online using Kannada or English languages as required. The user with minimum knowledge of computer can use this application to do the work.	number of reports at the GP for sending it to the higher offices is eliminated since the reports can be generated online. The vouchers are generated for each entry of receipts and payments. The internal or external audit of the GP can be carried out easily as all the data required for the audit is available in the system. Using this data, the audit officers can verify the documents/registers/bills/ bank accounts in the GP to prepare audit reports.
Business Rules	Designed and developed as per the business rules defined in the Panchayat Act and Rules.	Business logic will not be deviated.
Inbuilt Public Interface	Helps users to pay the tax or apply / request for beneficiary license or complaints / suggestions across the counter and collect the acknowledgment for the same. Based on the access level given, the senior officers and the public can monitor the status of the application online.	

Particulars	Features	Benefits
Workflow Based System	Wherever it is critical, workflow system has been incorporated so that the required accountability is built in this system. Even though the officials / operators of GP do the data entry, some of the critical entries will be approved or modified by the secretary only. The fund released by the Taluk Panchayat, Zilla Panchayat or State RDPR are made available to GP online.	
Transparent	The progress, performance and achievement of any offices can be viewed by the other offices. This helps in sharing the data.	The Taluk / District / State level officers can monitor the progress made by the GPs in implementing the various schemes. The GP activities and achievements can be published on the website for general public. This provides the complete transparency of the department.
Controls	The number of required controls has been incorporated so that it guides the GP to follow the procedures properly. The	It guides the GP officials in proper utilization of funds without deviating to some other purposes.

Particulars	Features	Benefits
	system will not allow passing the bills without the measurement book entries. After work completion, the system guides the user to convert it into the assetization. It will also automatically calculate the TDS and other deductions while passing the bills.	
Role based access	As different level of users will be operating this system, the system provides the different options as per their roles. The Taluk / District / State office can monitor the progress and enter the fund release details, but cannot modify the data of GPs.	It helps the Taluk / District / State level officers in releasing the funds based on the utilization of the fund and performance in implementing the schemes.

The different types of users and their roles in accessing the modules in the **Pancha Tantra** application.

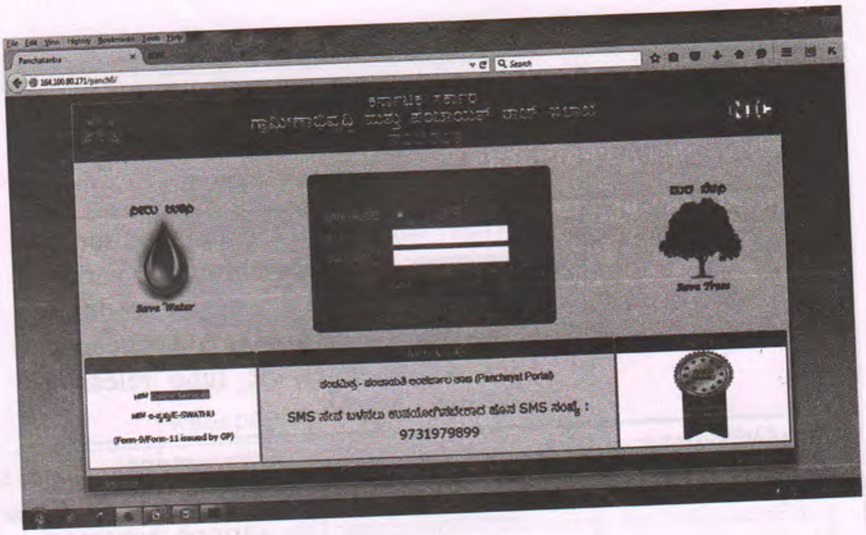
User	Role
GP Operator	Perform the data entry in the various modules of this application.
GP Secretary	Approval and correction of the data besides the data entry work.
Taluk Officers	Monitors the activities of the GP by viewing the various reports on the system. If the taluk officer is assigned the role of fund releasing, they will

User	Role
	perform this action using the application.
ZP Officers	Views the data of GP and monitor the progress in implementing the various schemes. The fund releasing module is available to this CAO / AO officers of the ZP to enter the fund releasing details.
State Officers	Monitors the achievements and progresses made by the GPs in implementing the various schemes. They will also have privilege to release the funds.

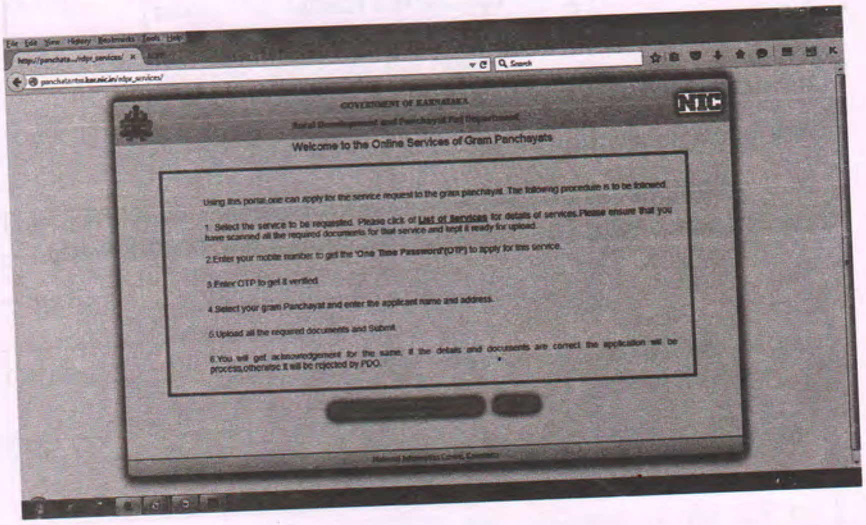
Online service of Panchatantra

www.panchatantra.**kar.nic.in**

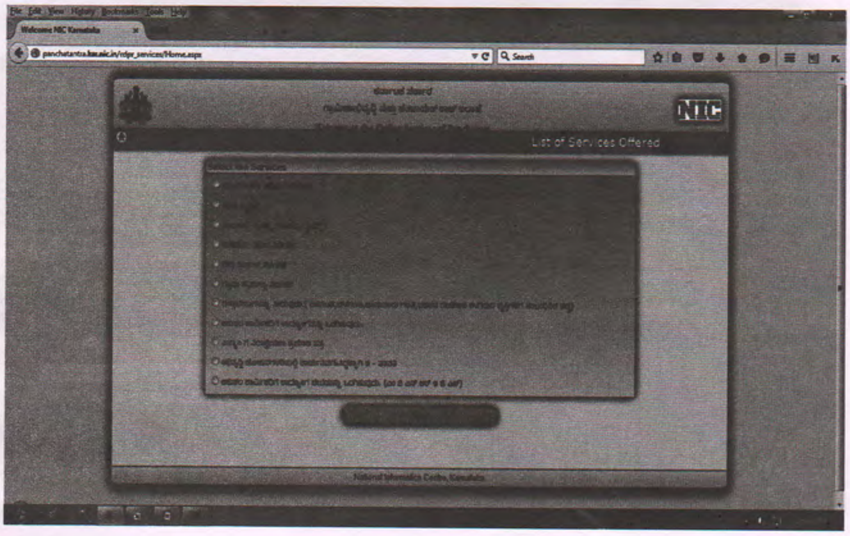
Using this portal, one can apply for the service request to the gram panchayat. The following procedure is to be followed.



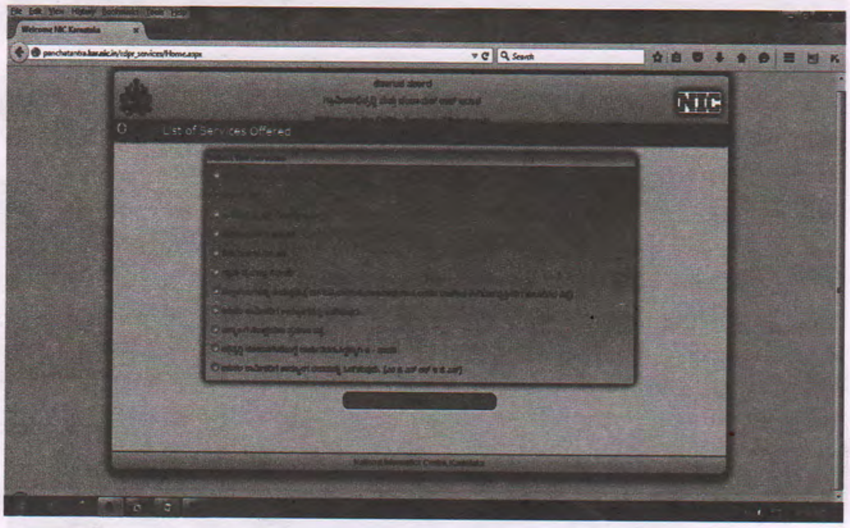
click on online services



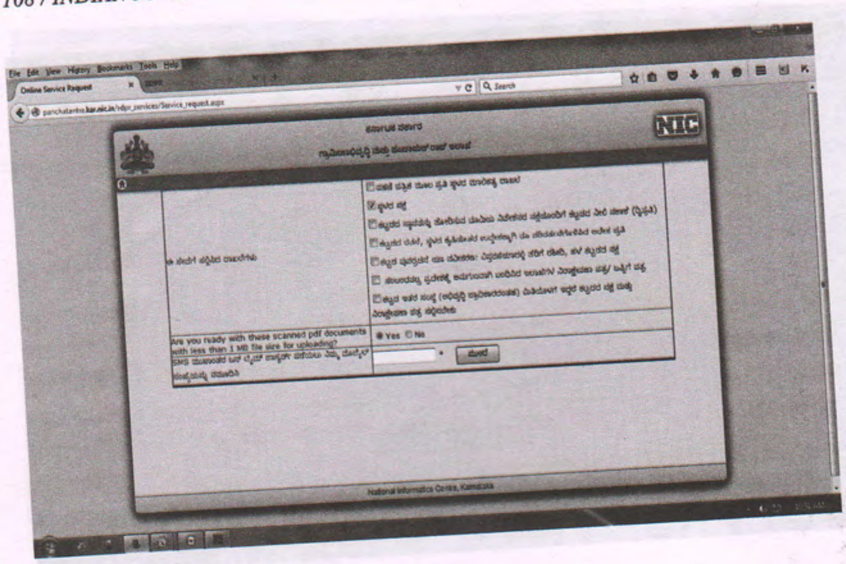
Select the service to be requested. Please click of List of Services for details of services. Please ensure that you have scanned all the required documents for that service and kept it ready for upload



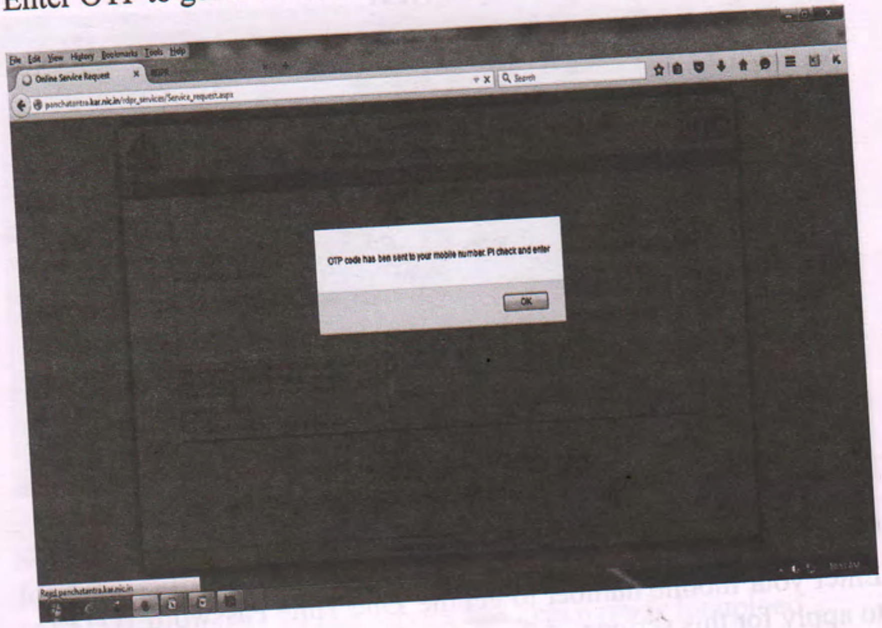
select the Service and click on Next



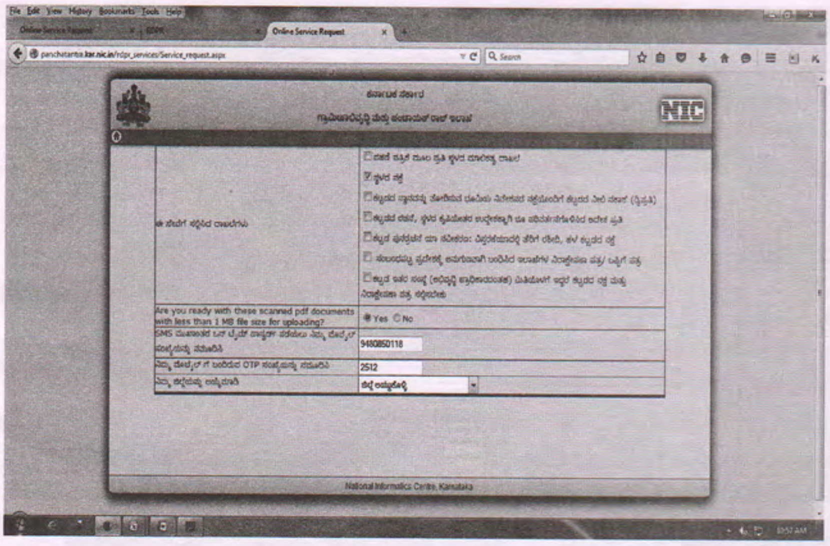
Enter your mobile number to get the 'One Time Password' (OTP) to apply for this service.



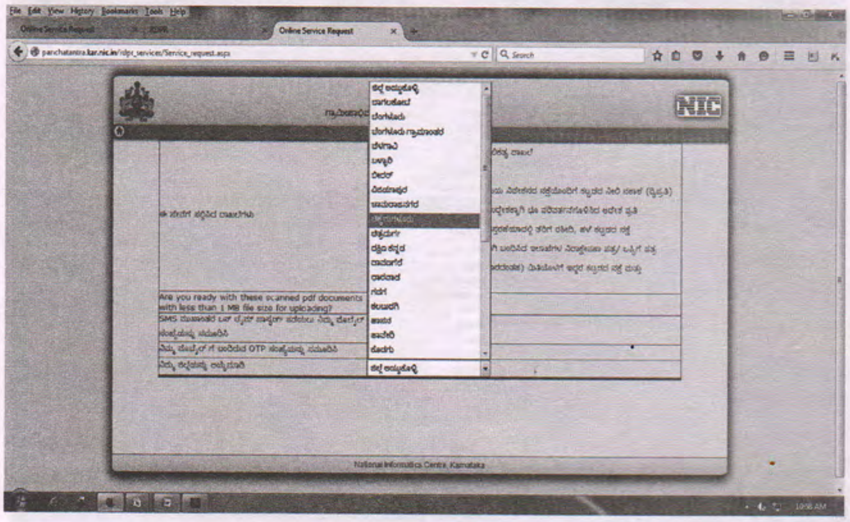
Enter OTP to get it verified.



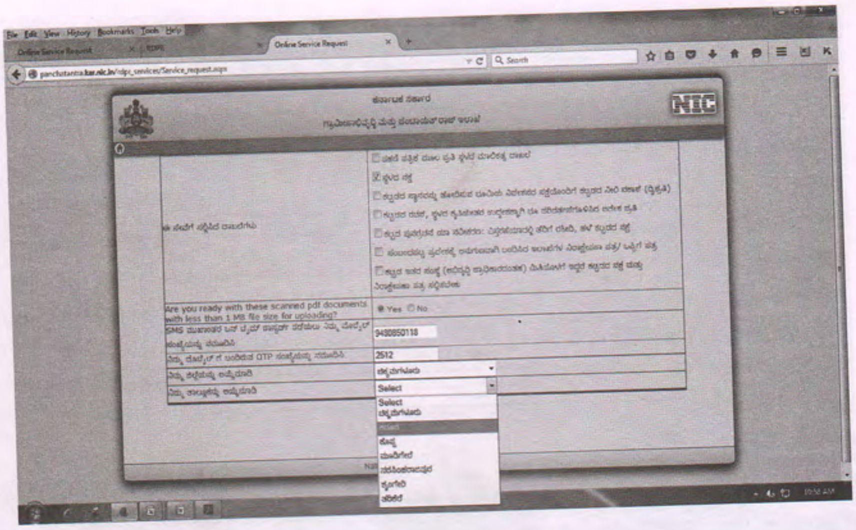
select your District



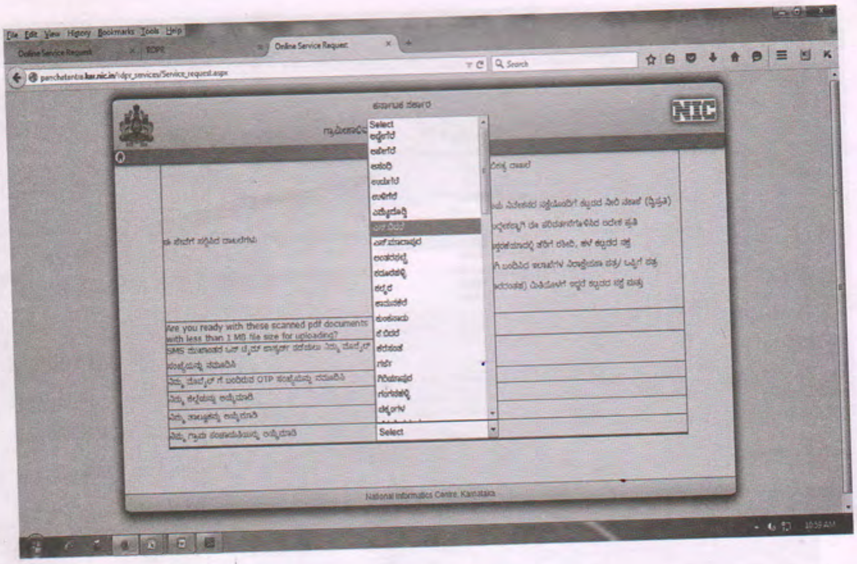
Select your Taluk



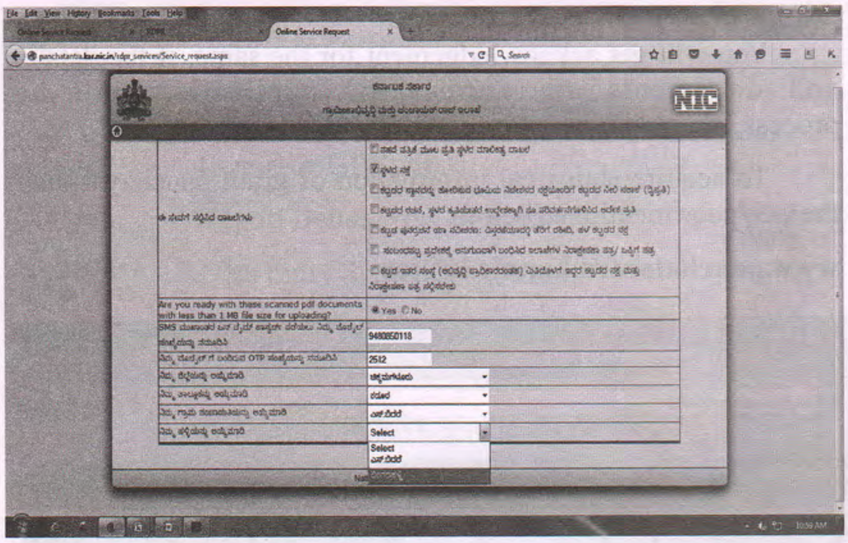
Select your gram Panchayat



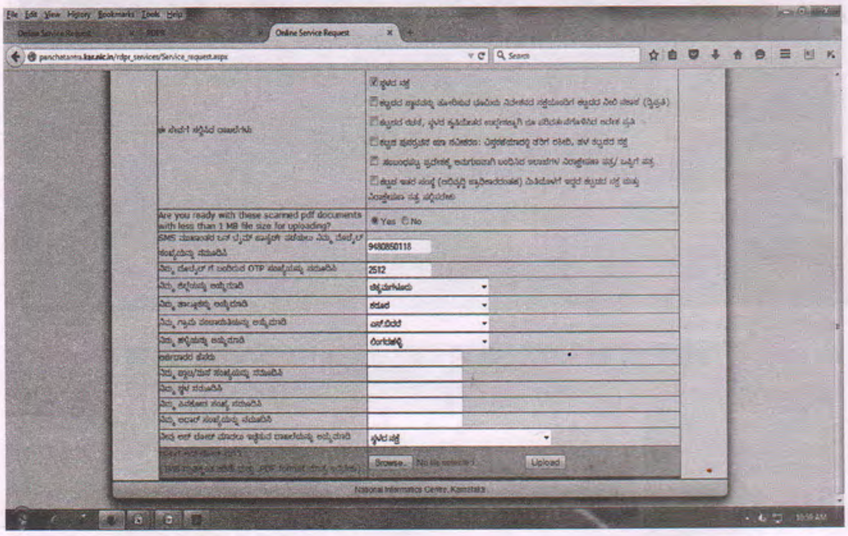
Select your gram Panchayat



Select your Village



enter the applicant name and address

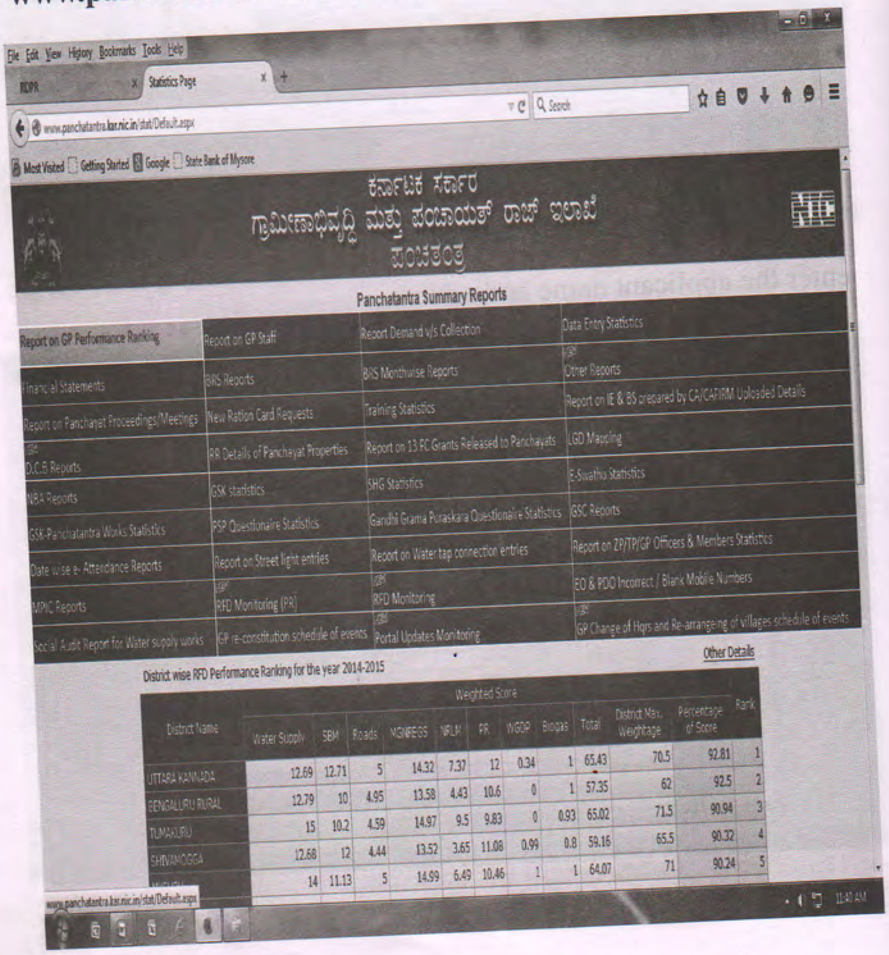


Upload all the required documents and Submit.

You will get acknowledgement for the same, if the details and documents are correct the application will be process,otherwise it will be rejected by PDO.

To acquire statistical information of gram panchayat visit the web page mentioned below:

www.panchatantra.kar.nic.in/stat



The following information can be acquired using this webpage:

1. Report on GP Performance Ranking
2. Report on GP Staff
3. Report Deman v/s Collection
4. Data Entry Statistics
5. Financial Statements
6. BRS Reports
7. BRS Monthwise Reports
8. Other Reports
9. Report on Panchayat Proceedings/Meetings
10. New Ration Card Requests
11. Training Statistics
12. Report on IE & BS prepared by CA/CAFIRM Uploaded Details
13. D.C.B Reports
14. RR Details of Panchayat Properties
15. Report on 13 FC Grants Released to Panchayats
16. LGD Mapping
17. NBA Reports
18. GSK statistics
19. SHG statistics
20. E-Swathu Statistics
21. GSK-Panchatantra Works Statistics

22. PSP questionaire Statistics
23. Gandhi Grama Puraskara Questionaire Statistics
24. GSC Reports
25. Date wise e-Attendance Reports
26. Report on Street light entries
27. Report on Water tap connection entries
28. Report on ZP/TP/GP Officers & Members Statistics
29. MPIC Reports
30. RFD Moitoring(PR)
31. RFD Monitoring
32. EO& PDO incorrect / Blank Mobile Numbers
33. Social Audit Report for Water supply works
34. GP re-constitution schedule
35. Portal Updates Monitoring
36. GP Change of Hqrs and Re-arrangeing of villages schedule of events

DOCUMENT

73RD AMENDMENT - CONSTITUTION OF INDIA

THE CONSTITUTION OF INDIA

"PART IX - The Panchayats 243

Definition -In this Part, unless the context otherwise requires:-

a) "district" means a district in a State;

b) "Gram Sabha" means a body consisting of persons registered in the electoral rolls relating to a village comprised within the area of Panchayat at the village level;

c) "Intermediate level" means a level between the village and district levels specified by the Governor of a State by public notification to be the intermediate level for the purposes of this Part;

d) "Panchayat" means an institution (by whatever name called) of self-government constituted under article 243B, for the rural areas;

e) "Panchayat area" means the territorial area of a Panchayat;

f) "population" means the population as ascertained at the last preceding census of which the relevant figures have been published;

g) "village" means a village specified by the Governor by public notification to be a village for the purposes of this Part and includes a group of villages so specified.

243-A. Grama Sabha - A Gram Sabha may exercise such powers and perform such functions at the village level as the Legislature of a State may, by law, provide.

243-B. Constitution of Panchayats -(1) There shall be constituted in every State, Panchayats at the village, intermediate and district levels in accordance with the provisions of this Part. Notwithstanding anything in clause (1), Panchayats at the intermediate level may not be constituted in a State having a population not exceeding twenty lakhs.

243-C. Composition of Panchayats –

1) Subject to the provisions of this Part, the Legislature of a State may, by law, making provisions with respect to the composition of Panchayats:

** Inserted vide Constitution 73rd Amendment Act, 1992 and came into force on 22.04.1993.*

Provided that the ratio between the population of the territorial area ot a Panchayat at any level and the number of seats in such Panchayat to be filled by election shall, so far as practicable, be the same throughout the State.

2) All the seats in a Panchayat shall be filled by persons chosen by direct election from territorial constituencies in the Panchayat area and, forthis purpose, each Panchayat area shall be divided into territorial constituencies in such manner that the ratio between the population of each constituency and the number of seats allotted to it shall, so far as practicable, be the same throughout the Panchayat area.

3) The Legislature of a State may, by law, provide for the representation –

a) of the Chairpersons of the Panchayats at the village level, in the Panchayats at the intermediate level or, in the case of a state not having Panchayats at the intermediate level, in the Panchayats at the district level;

b) of the Chairpersons of the Panchayats at the intermediate level, in the Panchayats at the district level;

c) of the members of the House o! the People and the members of the Legislative Assembly of the State representing constituencies which comprise wholly or partly a Panchayat area at a level other than the village level, in such Panchayat;

d) of the members of the Council of States and the members of the Legislative Council of the State, where they are registered as electors within –

   i. a Panchayat area at the intermediate level, in Panchayat at the intermediate level;

   ii. a Panchayat area at the district level, in Panchayat at the district level.

4) The Chairperson of a Panchayat and other members of a Panchayat whether or not chosen by direct election from territorial constituencies in the Panchayat area shall have the right to vote in the meetings of the Panchayats.

5) The Chairperson of –

a. a Panchayat at the village level shall be elected in such manner as the Legislature of a State may, by law, provide; and

b. a Panchayat at the intermediate level or district level shall be elected by, and from amongst, the elected members thereof.

243-D. Reservation of seats –

1) Seats shall be reserved for–

a. the Scheduled Castes; and

b. the Scheduled Tribes, in every Panchayat and the number of seats so reserved shall bear, as nearly as may be, the same proportion to the total number of seats to be filled by direct election in that Panchayat as the population of the Scheduled Castes in that Panchayat area or of the Scheduled Tribes in that Panchayat are a bears to the total population of that area and such seats may be allotted by rotation to different constituencies in a Panchayat.

2) Not less than one-third of the total number of seats reserved under clause (1) shall be reserved for women belonging to the Scheduled castes or, as the case may be, the Scheduled Tribes.

3) Not less than one-third (including the number of seats reserved for women belonging to the Scheduled Castes and the Scheduled Tribes) of the total number of seats to be filled by direct election in every Panchayat shall be reserved for women and such seats may be allotted by rotation to different constituencies in a Panchayat.

4) The offices of the Chairpersons in the Panchayats at the village or any other level shall be reserved for the Scheduled Castes, the Scheduled Tribes and women in such manner as the Legislature of a State may, by law, provide: Provided that the number of offices of Chairpersons reserved for the Scheduled Castes and Scheduled Tribes in the Panchayats at each level in any State shall bear, as nearly as may be, the same proportion to the total number of such offices in the Panchayats at each level as the

population of the Scheduled Castes in the State or of the Scheduled Tribes in the State bears to the total population of the State 'Provided further that not less than one-third of the total number of offices of Chairpersons in the Panchayats at each level shall be reserved for women.

Provided also that the number of offices reserved under this clause shall be allotted by rotation to different Panchayats at each level.

5) The reservation of seats under clauses (1) and (2) and the reservation of offices of Chairpersons (other than the reservation for women) under clause (4) shall cease to have effect on the expiration of the period specified in Article 334.

6) Nothing in this Part shall prevent the Legislature of a State from making any provision for reservation of seats in any Panchayat or offices of Chairpersons in the Panchayats at any level in favour of backward class of citizens.

243-E. Duration of Panchayats etc.–

1) Every Panchayat, unless sooner dissolved under any law for the time being in force, shall continue for five years from the date appointed for its first meeting and no longer.

2) No amendment of any law for the time being in force shall have the effect of causing dissolution of a Panchayat at any level, which is functioning immediately before such amendment, till the expiration of its duration specified in clause.(1).

3) An election to constitute a Panchayat shall be completed –

a) Before the expiry of its duration specified in clause (1):

b) Before the expiration of a period of six months from the date of its dissolution:

Provided that where the remainder of the period for which the dissolved Panchayat would have continued is less than six months, it shall not be necessary to hold any election under this clause for constituting the Panchayat.

4) A Panchayat constituted upon the dissolution of a Panchayat before the expiration of its duration shall continue only for the remainder of the period for which the dissolved Panchayat would have continued under clause (1) had it not been so dissolved.

243-F. Disqualifications for membership –

1) A person shall be disqualified for being chosen as, and for being, a member of a Panchayat –

a) if he is so disqualified by or under any law for he time being in force for the purposes of elections to the Legislature of the State concerned : Provided that no person shall be disqualified on the ground that he is less than twenty-five years of age, if he has attained the age of twenty-one years;

b) if he is so disqualified by or under any law made by the Legislature of the State.

2) if any question arises as to whether a member of a Panchayat has become subject to any of the disqualification mentioned in clause (1), the question shall be referred for the decision of such authority and in such manner as the Legislature of a State may, by law, provide.

243-G. Powers,authority and responsibilities of Panchayats -

Subject to the provisions of the Constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon

Panchayats at the appropriate level, subject to such conditions as may be specified therein, with respect to :

a) the preparation of plans for economic development and social justice;

b) the implementation of. schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule.

243-H-Powers to impose taxes by, and Funds of the Panchayats- The Legislature of a State may, by law, -

a) authorise a Panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits;

b) assign to a Panchayat such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits;

c) provide for making such grants-in-aid to the Panchayats from the Consolidated Fund of the State; and

d) Provide for constitution of such funds for crediting all moneys received, respectively, by or on behalf of the Panchayats and also for the withdrawal of such moneys therefrom as may be specified in the law.

243-1-Constitution of Finance Commission to review financial position. (1) The Governor of a State shall, as soon as may be within one year from the commencement of the Constitution (Seventy-third Amendment) Act, 1992, and thereafter at the expiration of every fifth year, constitute a Finance Commission to review the financial position of the Panchayats and to make recommendations to the Governor as to –

a) the principles which should govern –

   i. the distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this Part and the allocation between the Panchayats at all levels of their respective shares of such proceeds;

   ii. the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Panchayats;

ELEVENTH SCHEDULE[1]

(Article 243G)

1. Agriculture, including agricultural extension.
2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small scale industries, including food processing industries.
9. Khadi, village and cottage industries.
10. Rural housing.
11. Drinking water.
12. Fuel and fodder.
13. Roads, culverts, bridges, ferries, waterways and other means of communication.
14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.

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[1]Added by the Constitution (Seventy-third Amendment) Act, 1992, s. 4 (w.e.f. 24-4-1993)

20. Libraries.
21. Cultural activities.
22. Markets and fairs.
23. Health and sanitation, including hospitals, primary health centres and dispensaries.
24. Family welfare.
25. Women and child development.
26. Social welfare, including welfare of the handicapped and mentally retarded.
27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.
28. Public distribution system.
29. Maintenance of community assets.

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