



Accounting and Audit System in Panchayati Raj Institutions (PRIs) in India

Durga Kalyan G

Dept. of Public Administration, University College of Arts & Social Science, Osmania University, Hyderabad

KEYWORDS

Introduction

The panchayati raj is a South Asian political system mainly in India, Pakistan, Bangladesh and Nepal. It is the oldest system of local government in the Indian subcontinent. The word "panchayat" literally means "assembly" (ayat) of five (panch) wise and respected elders chosen and accepted by the local community. However, there are different forms of assemblies. Traditionally, these assemblies settled disputes between individuals and villages. Modern Indian government has decentralized several administrative functions to the local level, empowering elected gram panchayats. Gram panchayats are not to be confused with the unelected khap panchayats (or caste panchayats) found in some parts of Northern India.

Panchayat Raj

Panchayat Raj is a system of governance in which gram panchayats are the basic units of administration. It has 3 levels: Gram (village, though it can comprise more than one village), Janpad (taluka or block) and Zilla (district).

The term "panchayat raj" is relatively new, having originated by Pandit Jawaharlal Nehru during 1958. Raj literally means "rule". Mahatma Gandhi advocated Panchayati Raj, a decentralized form of Government where each village is responsible for its own affairs, as the foundation of India's political system. The term for such a vision was Gram Swaraj («village self-governance»). The leader of the panchayat was generally called the mukhiya or sarpanch, a position which is elected.

Functions

1. Implementation schemes for the development of agriculture.

2. Establishment of primary health centres and primary schools.
3. Supply of drinking water, drainage and construction/repair of roads.
4. Development of cottage and small-scale industries, and the opening of cooperative societies.
5. Establishment of youth organisations.

Sources of income

The main sources of income of the panchayat samiti are grants-in-aid and loans from the State Government.

1. Taxes on water, pilgrimage, markets, etc.
2. Fixed grant from the State Government in proportion with the land revenue and money for works and schemes assigned to the Parishad.

Accounting System in PRIs:

The need for having a simple and robust accounting and reporting system for the PRIs is evident. MoPR and CAG have evolved such a system; having appropriate MIS/DSS window and covering both the agency and core functions of PRIs. The salient features of this simplified format of accounts are:

- (i) The 4-tier classification system under Major/Minor/Object Heads conforms to the Government accounting system.
- (ii) Will help in capturing receipts and expenditure under the appropriate Heads uniformly.
- (iii) Will enable the States to track flow & usage of funds.
- (iv) Output reports will provide comprehensive financial management information enabling formulation of appropriate policies and strategies.

Accountability structure in PRIs:

The broad accountability structure in PRIs is as follows:

PRIs	Functions Assigned
Zilla Parishad Chief Executive Officer (CEO)	1. Drawal and disbursement of fund 2. Preparation of annual budget and accounts 3. Supervision and control of officers of the ZP 4. Finalisation of contracts 5. Publishing statement of accounts of PSs in the Government Gazette
Chief Accounts and Finance Officer (CAFO), ZP	1. Compilation of the accounts of ZP 2. Providing financial advice
Heads of Departments (HODs) in ZPs	1. According technical sanctions to the works 2. Supervising the work of Class II officers
Mandal Parishad Block Development Officer (BDO)	1. Drawal and disbursement of funds 2. Acquisition, sale or transfer of property 3. Preparation of statements of accounts
Gram Panchayat Gram Sevak	1. Secretary to the Gram Sabha 2. Execution and monitoring of schemes and maintenance of accounts and records

PRI a soft:

The PRI Accounting Software (PRIA Soft) would facilitate the process. Accounts of approx. 50,000 Panchayats up to the voucher level were available on line in public domain for 2010-11. Accounts of all the Panchayats are expected to be on line by Oct. 2011.

CAG audit:

As per the recommendations of the Thirteenth Finance Commission, audit of the accounts of all Local Bodies (both urban and rural at all levels) need be done under the Technical Guidance and Supervisions (TGS) of the CAG. State Governments need to constitute separate committees of Legislature for discussion of the Annual Technical Inspection Reports (ATIR). This will ensure accountability.

Social Audit:

(a) It is observed that at present, Social Audit is largely limited to MGNREGA as it is a statutory requirement under the relevant Act. The 2nd ARC Report on Local Self Governance has recommended that:

- (i) Social Audit should not be individually prescribed for each scheme. A multiplicity of social audits separately prescribed for each scheme undermines the importance of the process.
- (ii) Adequate publicity needs to be given for Social Audit.
- (iii) Social Audit —action taken reports have to be time bound and placed in the public domain. It is advisable to precede a Social Audit with the action taken on the previous social audit.
- (iv) Opportunity has to be given to the people to inspect the records of the local bodies such as accounts, tax assessments and collection, measurement books, muster rolls.
- (v) Adopt a system where the higher level of Panchayat, such as the Intermediate Panchayat, provide comparative assessment of performance of all the Panchayats falling within its jurisdiction, so that the people know where their Panchayat stands in respect of each service.
- (vi) Social Audit of Gram Panchayats by the Committees of Gram Sabha should be encouraged.
- (vii) Community Based Organisations be involved in the Social Audit.

(b) The following action may be taken by Union Ministries and State Govts. To empower and enable the Gram Sabhas for Social Audit:

- (i) Provide legal sanction: make necessary provisions in the State PR Act/Rules for Social Audit in respect of all programmes/services implemented in the Gram Panchayat area.
- (ii) Issue detailed guidelines and create Institutional framework to facilitate Social Audit: and define clear process for taking follow up action on the Social Audit Reports. .
- (iii) Provide the Gram Sabha with capacity to conduct Social Audit: identify & train resource persons for training the relevant functionaries.
- (iv) Create an environment through IEC.

Ombudsman:

(a) Establishment of Ombudsman is needed for the following reasons:

- (i) Redemption of people's faith and confidence in the Panchayati Raj system by providing an independent and effective channel for redressal of grievances;
- (ii) Ombudsman would be a step for correcting the present exaggerated notions of corruption, inefficiency and lack of fair play. Allegations without enquiries distort the image of PR system.
- (iii) Ombudsman would have psychological value in that people would have a watchdog to hold the Panchayats and functionaries accountable to it.
- (iv) The justice delivery system is perceived as expensive, time-consuming, procedure-ridden, technical and difficult to comprehend, thereby preventing ordinary people from

approaching courts etc. The Ombudsman would be an expert and independent forum for redressal of such cases.

(b) In para 3.8.3.4 of the Fourth Report titled —Ethics in governance, the 2nd ARC has recommended amendment of the State PR Acts to provide for the institution of Ombudsman to investigate cases of corruption and maladministration against functionaries, both elected and official, of the Local Bodies. Chapter XVII of the Model Panchayat Act circulated by MoPR broadly conforms to the Kerala system.

Fiscal Responsibility Regime

MoPR, with a view to developing a fiscal responsibility regime, has formulated model Fiscal Responsibility Bill. The States could enact the model bill with modifications as appropriate. The major objectives of the model Bill are: Medium term fiscal plan, Principles of Financial Management, Transparency in Financial Management, Principle of audit of accounts, Adherence to audit report, Measures to enforce compliance.

GoI to support States:

Sound finances of the Panchayats are a Constitutional stipulation and, in pursuit of that, the States and the centre must work together in a true spirit of fiscal federalism to strengthen finances of the PRIs. MoPR should, on its part, assist the States in designing local solutions, designing training programmes, developing software solutions for tax management and networking with champions. It should also undertake analysis of the State trends to identify initiatives and drives, conduct periodical experience sharing workshop, support policy studies on local taxation particularly on ascertaining taxation capacity and designing incentive packages.

The States should strengthen the administrative and enforcement capacity of Panchayats through proper staffing, regular training programmes comprising wellstructured modules, simple guidelines, etc.

Action Points:

Increase share of transfers to the PRIs from the State governments as untied grants By Consolidating state schemes into untied grants (as Kerala has done), explicitly defining through State legislation a formula to allocate grants to PRI as a share of the State revenues (States) Give right to the Panchayats to levy & collect taxes, tolls, fees, user charges on their own with minimum rates, in order to reduce their dependence on State and Central governments(States) Strengthen composition and functioning of the State Finance Commission.(States) Link scheme funding with performance: Allocations through CSSs to the States to be linked to the Devolution Index and to the Panchayats, based on their performance grading.(GoI) Strengthen Accounting & Audit system: implement MAS and PRIASoft. (States) Fulfil performance grant conditions under the 13th CFC award.(States) Adopt electronic transfer and tracking of funds using CBS and Authorisation-tospend'.(GoI & States)

Conclusion:

This essay deals with The Accounting and Audit System in Panchayati Raj Institutions (PRIs) in India, in which the Powers and Function, The broad accountability structure in PRIs, Accounting System, The PRI Accounting Software (PRIA Soft) would facilitate the process. It presents the Audit of the accounts of all Local Bodies (both urban and rural at all levels) need be done under the Technical Guidance and Supervisions (TGS) of the CAG. Further it also concentrated on need for the Establishment of Ombudsman, Fiscal Responsibility Regime, and Government of India to support States.

REFERENCES

1. Ahmednagar, Akola, Aurangabad, Buldhana, Gadchiroli, Gondia, Hingoli, Jalgaon, Jalna, Kolhapur, Latur, Nagpur, Nanded, Nandurbar, Nashik, Osmanabad, Parbhani, Satara, Sindhudurg, Solapur, Thane and Wardha. | 2. RD&WCD informed (May 2011) the ZPs were to credit the unspent grants as on 31 March 2009. All the ZPs except Nanded credited 1056.15 crore Chandrapur, Nandurbar, Nashik, Raigad, Sangli and Yavatmal | 3. Excluding information in respect of Nandurbar, Nashik, Raigad and Sangli though reminded repeatedly with the latest reminder on 16 May 2011 and to RD&WCD of GOMon 4 April 2011 Abstract of approved accounts of ZPs, PSs and GPs prepared by CAFO Annual Accounts prepared by 'BDOs' of PS and approved by Panchayat Samitis Act, 1958 | 4. ZP Statement of Revenue and Expenditure u/s 136(1) of ZPs and PSS Act, 1961 Audit and Certification by CALFA and publication in Government Gazette |