

Unit – 3

ACCOUNTING FOR RURAL LOCAL GOVERNMENTS

Panchayat Raj institutions system of rural local self-government in India. Local self-government is the management of local affairs by such local bodies who have been elected by the local people. In its present form and structure PRI has completed 26 years of existence however, A lot remains to be done in order to further decentralization and strengthen democracy at the grassroots level

Panchayat Raj institutions play a significant role in the development of religious especially in areas like primary education health agriculture developments women and child development and women participation in local government etc

Origin of Panchayat Raj Institutions (PRI)

Panchayat raj institutions (PRI)-origin of panchayat raj institutions-constitutional background- three tierpanchayat raj system-Financial functions of Zilla panchayat, taluk panchayat, gram panchayat

The Panchayati system in India is not purely a post independence phenomenon. In fact, the dominant political institution in rural India has been the village panchayat for centuries

- ❖ **Vedic Era:** In the old Sanskrit scriptures, word '**Panchayatan**' has been mentioned which means a group of five persons, including a spiritual man. Gradually the concept of the inclusion of a spiritual man in such groups vanished.
- In the **Rigveda**, there is a mention of **Sabha, Samiti and Vidanta as local self-units**. These were the **democratic bodies at the local level**. The king used to get the approval of these bodies regarding certain functions and decisions
- ❖ **Epic Era:** indicates the two great epic periods of India, that is, the **Ramayana** and the **Mahabharata**. The study of Ramayana indicates that the administration was divided into two parts, **Pur and Janpad or city and village**. In the whole of the state, there was also a **Caste Panchayat** and **one person elected by the Caste Panchayat** was a **member of the king's Council of Ministers**. Self-government of a village finds ample expression in the 'Shanti Parva' of the Mahabharata; in the Manu Smriti as well as in Kautilya's Arthashastra. **As per the Mahabharata**, over and above the village, **there were units of 10, 20, 100, and 1,000 village groups**, **Gramik** was the chief **official of the village**, **Dashap** was the chief of ten villages, **VinshyaAdhipati**, **Shat Gram Adhyaksha** and **Shat Gram Pati** were the chiefs of **20, 100, and 1,000 villages**, respectively. **They collected the local taxes and were responsible for the defense of their villages**
- ❖ **Ancient Period:** There is a mention of village panchayats in **Kautilya's Arthashastra**. The **town** was referred to as **Pur** and its **chief** was the **Nagarik**. **Local bodies** were free from any **royal interference**. **During the Mauryan and Post-Mauryan periods too, the headman**, assisted by a council of elders, continued to play a prominent role in the village life. The system continued through the Gupta period, though there were certain changes in the nomenclature, as the district official was known as the **vishyapati** and the village headman was referred to as the **grampati**. Thus, in ancient India, there existed a well-established system of local government which was run on a set pattern of traditions and customs.

However, it is significant to note that there is no reference of women heading the panchayat or even participating as a member in the panchayat

- ❖ **Medieval Period:** During the Sultanate period, the **Sultans of Delhi** divided their kingdom into provinces called '**Vilayat**'. For the governance of a village, there were **three important officials** **Mukkaddam** -for administration, **Patwari** - for collection of revenues, **Choudhry** -for settling disputes with the help of the Panch. The villages had sufficient powers as regards self governance in their territory. **Casteism and feudalistic** system of governance under the Mughal rule in the medieval period slowly eroded the self- government in villages, even in the medieval period there is no mention of **women participation**
- ❖ **British Period:** Under the British regime, village panchayats lost their autonomy and became weak. (Provincial), It is only from the year 1870 that India saw the dawn of representative local institutions. The famous **Lord Mayo's resolution of 1870** gave impetus (Force) to the development of local institutions by enlarging their powers and responsibilities. (**Financial decentralization** - Provincial - local taxation to balance their budgets.) The year 1870, introduced the concept of elected representatives, in urban municipalities. The revolt of 1857 had put the imperial finances under considerable strain and it was found necessary to finance local service out of local taxation **Lord Rippon in 1882-** provided the much-needed democratic framework to these institutions. **All boards (then existing) were mandated to have a two- thirds majority of non-officials who had to be elected and the chairman of these bodies had to be from among the elected non-officials. This is considered to be the Magna Carta of local democracy in India. Father of Indian Local Government - Lord Rippon.** Local self-government institutions received a boost with the appointment of the Royal Commission on centralization in 1907 under the Chairmanship of C.E.H. Leonard Hobhouse. The commission recognized the importance of panchayats at the village level. Montagu reforms of 1919 transferred the subject of local government to the domain of the provinces. The reform also recommended that complete possible independence for them from external control. However, by 1925, eight provinces had passed the Panchayat Acts and by 1926, six native States had also passed panchayat laws.

Constitutional background of PRI's (post-Independent Period)

After the Constitution came into force, article 40 made a mention of Panchayat's and article 246 Empowers the state legislator to legislate with respect to any subject relating to local self-government. however, this inclusion of panchayats into the constitution was not unanimously agreed upon by the then decision-makers with the major opposition having come from the framer of the Constitution himself i.e., B.R. Ambedkar.

It was after much discussion among the supporters and opponents of the village panchayat that the Panchayat finally got a place for themselves in the constitution as article 40 of the Directive Principles of state policy.

Directive Principles are **not binding principles**, the result was the **absence of a uniform structure** of these bodies throughout the country. In modern India, **Mahatma Gandhi** was one of the leading advocates of

Gram Swaraj village self-governance where the village would be **responsible for its own affairs. (Grass Root level). Rajasthan** became the first state to establish Panchayati Raj in **1959 in Nagaur District. Andhra Pradesh** soon followed the system in the **same year. (1959)**

There were a number of committees appointed by the government of India to study the implementation of self-government at the rural level and also recommended steps in achieving this goal

The committees appointed are as follows: -

Balwant Rai Mehta Committee was constituted in 1957

It was appointed to **examine the working of the Community Development Programme (1952) (Betterliving) and the National Extension Service (1953) (wider coverage)**

- It recommended three-tier Panchayati raj.
- **Village panchayat**
- Panchayat samiti
- **Zila Parishad**
- The village panchayat should be constituted with **directly elected representatives**, whereas panchayat samiti and Zila Parishad should be constituted **with indirectly elected members.**
- **Planning and development orthopedic primary objectives of the Panchayati Raj system.**
- **Panchayat Samithi should be executive code and Zilla Parishad will act as the advisory and supervisory body**
- **District collector to be made the chairman of Zilla Parishad**

Ashok Mehta Committee was constituted in 1977

- It was formed to make recommendations to revive and strengthen the declining Panchayati raj system in the country.
- District level as the first level of supervision after the state level.
- Zilla parishad should be the executive body and responsible for planning at the district level
- It recommended **two-tier** Panchayati raj, **Zila Parishad and Mandal panchayat.**
- Constitutional recognition to be accorded to panchayats.

GVK Rao Committee was constituted in 1985

- It was set up to review the existing Administrative Arrangements for Rural Development and Poverty Alleviation Programmers.
- **Zila Parishad** should be of **pivotal**(central) importance
- Some of the **planning functions at the state level** should be **transferred to the district level planning units.**
- **Post of district tenant commissioner to be created he will be the chief executive officer of the Zilla Parishad**
- **Elections eight levels of Punjabi Raj Systems should be held regularly.**

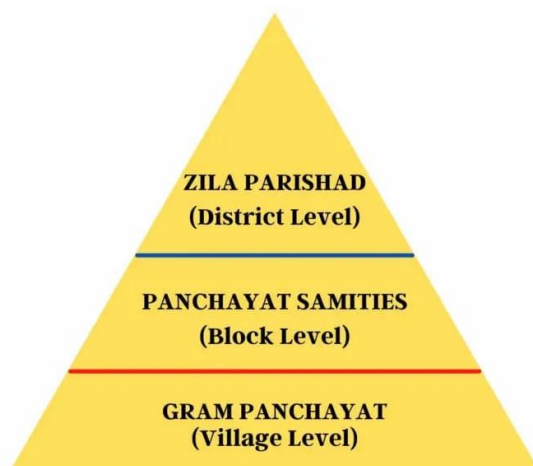
LM Singhi Committee was constituted in 1986

- It was set up to prepare a concept paper on 'Revitalization of PRIs for **Democracy and Development**'.
- It called for the constitutional recognition of panchayats.
- **It emphasized the importance of Gram Sabha.**
- **Recommended Panchayat should have new finances for their activities**
- **Judicial tribunals to be set up in each state to adjacent matters relating to the elections to the Panchayati Raj Institutions and other matters relating to their functioning**

Constitutional Background Of Three Tire Panchayath Raj System

Panchayat have been one of the basic features of Indian society. As we know even Mahatma Gandhi advocated for Panchayats and village republics. Since independence, we have multiple provisions of panchayats in India from time to time finally reaching the epitome with the 73rd Constitutional Amendment act of 1992.

Set alarm aims to provide a three-tire system of Panchayati Raj, which consist of:



*It is the highest level of Panchayat Raj system.
*It makes development plans at the district level. with the help of Panchayat Samitis, it regulates the money distribution among all the tax Panchayats

*It functions at the block level under the Zila Parishad

*It is under the Panchayat Samiti comprise Pancha and Sarpanches at the village level

Important provision of 73rd Amendment Act

- It added a **new Part-IX** consisting of **Articles 243 to 243-0.**
- The act provides for a Gram Sabha as the foundation of the Panchayati raj system.
- The act provides for a **three-tier system** of Panchayati raj in every state.
- **Seats are reserved for Scheduled Castes (SCs) and Scheduled Tribes (STs) and chairpersons of the Panchayats at all levels are reserved for SCs and STs in proportion to their population**

- **One-third** of the **total number of seats** are to be **reserved for women**.
- **One-third** of the **seats reserved** for **SCs and STs**, are also **reserved for women**.
- This policy extends to the office of the **chairperson** at all levels as well (**Article 243D**).
- There is a **uniform policy** with each term being **five years**.
- **Fresh elections** must be **conducted before** the **expiry of the term**.
- In the event of **dissolution**, **elections** compulsorily **within six months** (**Article 243E**).
- **A five-year** term of office to the panchayat at **every level**
- Article 243I provides for the constitution of the State Finance Commission to review the financial position of the panchayat.
- **Article 243K** provides for the constitution of the **State Election Commission** to **conduct elections to the panchayat**.

THE KARNATAKA PANCHAYATH RAJ (AMENDMENT) ACT, 2010

1. To define “Panchayat Development Officer” and to provide for powers and functions, there of
2. Panchayat Raj Institutions by using electronic voting machines in the elections to Grama Panchayat, Taluk Panchayat and Zilla Panchayat in the State;
3. To provide fifty percent reservation for women in seat and the offices in all the three tiers of Panchayat Raj Institutions.

GRAM PANCHAYAT

Gram Panchayat consists of a **village divided into smaller units** called "**Wards**", Each **ward selects or elects a representative** who is known as the **Panch or ward member**

Declaration of panchayat area and establishment of Grama Panchayats

Name of the State	Size of Gram Panchayat		
	Population in a GP	Number of wards in a GP	Number of wardmembers in a GP
Andhra Pradesh	300-15000+ Population	5Min-21Max.	5Min.-21Max.
Arunachal Pradesh	50-300 Population	1Min.-2Max.	1Min.-2Max.
Karnataka	5000-7000 Population *	12Min.-17Max.	12Min.-17Max.
Kerala	15000- 50000Populatio	11Min.- 25Max.	11Min.- 25Max.

*Provided that the Government may order that an area with a population of [**not less than two thousand five hundred**] may be so declared as a panchayat area in such areas of the districts of **Belgum, Chickmagalur, Dakshina Kannada, Dharwar, Hassan, Kodagu, Shimoga** , [**Udupi , Haveri**] and **Uttara Kannada** as may be specified by the Government:

* Provided further that irrespective of population, wherever it is found necessary, the Government, as a special case, may, order that an area within [a radius of five kilometers (diameter of ten kilometers)] from the center of a village may be so declared as a panchayat area

Provided also that the **Deputy Commissioner** may, with, **the previous permission of the Government** declare any **area comprising a village or group of villages having a population of** [either less than five thousand or more than seven thousand] to be a panchayat area.

FUNCTIONS FOR GRAM PANCHAYAT

The Gram Panchayat shall Perform the functions specified in accordance with the guidelines or norms laid down for performing such functions as per section I :

- Providing sanitary latrines to not less than ten percent of the households every year and achieve full coverage as early as possible.
- Constructing adequate number of community latrines for the use of men and women and maintaining them.
- Maintaining water supply works either on its own or by annual contract by generating adequate resources
- Revising and collecting taxes, rates and fees periodically which are leviable under this Act.
- ensuring Universal Entertainment of children in Primary school
- Achieving universal immunization of children.
- Ensuring prompt registration and reporting of birth and deaths.
- Providing sanitation and proper drainage.
- Construction, repair and maintenance of public streets.
- Removing encroachments on public streets or public places.
- Providing adequate number of street lights and paying electricity charges regularly.
- Filling-up insanitary depressions and reclaiming unhealthy localities.
- Destruction of rabid and owner less dogs,
- Maintenance of all community assets vested in it
- Maintenance of records relating to population census, crop census, cattle census, census of unemployed persons and person below poverty line
- Earmarking places away from the dwelling houses for dumping refuse and manure.

The Gram Panchayat may also make provision for carrying out within Panchayat area any other work or measure which is likely to promote the healthy, safety, education ,comfort covariance of social or economic well-being of the inhabitants of the Panchayat area

TALUK PANCHAYAT

Block Panchayat (Panchayat Samiti) (Taluk): The Panchayat Samiti acts as the link between Gram Panchayat and District Panchayat. These blocks do not hold elections for the Panchayat Samiti council seats.

Constitution Of Taluk Panchayat

- The elected members as determined under section 122; (Provided that in Taluks having a population of not exceeding one lakh, there shall be a minimum of eleven elected members)
- The members of the House of People and the State Legislative Assembly representing a part or whole of the Taluk, whose constituencies lie within the Taluk;
- The members of the Council of States and the State Legislative Council who are registered as electors within the Taluk;
- one-fifth of the Adhyakshas of the Grama panchayats in the Taluk by rotation for a period of one year as the [Adhyaksha of the Taluk Panchayat] may determine by lot:

Reservations in Taluk Panchayat

- ❖ SC----15%
- ❖ ST----3%
- ❖ OBC---1/3
- ❖ Women----50% Seats
- ❖ President and Wise President ----Elect among the Members on the basis of reservation ---- term -----20 Months

Taluk Panchayat meeting

- A Taluk Panchayat shall hold a meeting for the transaction of business at least once in two months
- Shall be fixed by the Assistant Commissioner who shall preside at such meeting and date of each subsequent ordinary meeting shall be fixed at the previous meeting of the Taluk Panchayat,

FUNCTIONS OF TALUK PANCHAYAT

Development functions:

1. List out the development works to be undertaken Agriculture development
2. Animal husbandry –
3. Allotment of manure pits(the decomposed form of dead plants and animals, which is applied to the soil to increase production.) –
4. Waste land cultivation
5. Promotion of cottage industry, cooperatives and small

Civil functions

- 1.Sanitation
- 2.Cleaning of public roads
3. Minor irrigation

3. Public toilets and Supply of drinking water.
4. Constructing public wells
5. Rural electrification
6. Social health and
7. Primary and adult education etc.

ZILLA PANCHAYAT

The Zilla Panchayat or district development council or Mandal Parishad or District Panchayat is the third tier of Panchayat Raj system and functions at the district levels in all states. Zilla Panchayat is located at the apex of the Panchayat system at the district level. Zilla Panchayat is an elected body.

COMPOSITION OF ZILLA PARISHAD

There shall be constituted for each district a Zilla Panchayat having jurisdiction over the entire district excluding such portions of the district as are included in a [smaller urban area] or are under the authority of a municipal corporation, and Industrial Township

Constitution of Zilla Panchayat. -

- 1) the elected members as determined under section 160; (Elected members. -The elected members of the Zilla Panchayat shall consist of persons elected from the Taluks in the district, the number of members to be elected from each Taluk [being fixed by the [Government] in accordance with the scale of one member for forty thousand or part thereof of the population where two-thirds of the total number of members of any Zilla Panchayat required to be elected
- 2) The members of the House of People and the members of the State Legislative Assembly representing a part or whole of the district whose constituencies lie within the district;
- 3) The members of the Council of State and the members of the State Legislative Council who are registered as electors within the district;
- 4) The Adhyakshas of Taluk Panchayats in the district.

Functions of Zilla Panchayat

- I. Establish health centers and maternity centers as per the government rules
- II. Construct underground structures for water recharge to make water available in the drinking water wells.
- III. Prevent drilling of irrigation bore wells near drinking water wells to ensure adequate drinking water.
- IV. Create a plan for social forestry development in each taluk.
- V. Establishment and maintenance of the taluk and village veterinary hospitals, first-aid centres and mobile veterinary dispensaries.
- VI. Development of the fisheries in the irrigation works vested in the Zilla Panchayat.

- VII. Khadi, Village and Cottage Industries.
- VIII. Small-scale Industries including Food Processing Industries.
- IX. Promotion of the rural housing programme.
- X. Promotion of the drinking water and rural sanitation programmes.
- XI. Promotion of the social and farm forestry, fuel plantation and fodder development.
- XII. Roads, Buildings, Bridges, Ferries, Waterways and other means of the Communications.
- XIII. Promotion and development of the non-conventional energy sources.
- XIV. Planning supervision and monitoring the implementation of the poverty alleviation programs
- XV. Promotion of the educational activities in the district including the establishment and maintenance of the primary and secondary schools.
- XVI. Planning and implementation of the programmes of the adult literacy and non-formal education programs.
- XVII. . Implementation of the maternity and child health programmes.

FUNCTIONS OF ZILLA PANCHAYAT

The main functions of the Zilla Panchayat may be categorized as Development, Civil, Welfare, Coordinative, Supervisory, Financial and Advisory.

- a. Developmental functions
- b. Civil activities
- c. Welfare functions
- d. Coordination
- e. Financial functions
- f. Advisory functions

ADHYAKSHA AND UP-ADHYAKSHA

The elected members of the Zilla Parishad referred to in the section 50 shall, as soon as may be, elect two members from amongst themselves to be respectively Adhyaksha and up-Adhyaksha therefore and so often as there is a casual vacancy in the office of the Adhyaksha and Up-Adhyaksha they shall elect another member from among themselves to be Adhyaksha or Up-Adhyaksha as the following cases.

- 1) Provided that no election shall be held if the vacancy is for period of one month.
- 2) The state government shall in the prescribed manner reserve

Powers and functions and duties of Adhyaksha and Up-Adhyaksha

The Adhyaksha

- i. The Dexter Shell performs all the duties imposed and exercise all the powers conferred on the Adhyaksha under this act and rules made there under
- ii. Convene, preside at and conduct meetings of the Taluk Panchayat;

- iii. Discharge all duties imposed and exercise all the powers conferred on him under the Act and the rules made hereunder and perform such functions entrusted to him by the Government from time to time;
- iv. Exercise overall supervision over the financial and executive administration of the Taluk Panchayat and place before the Taluk Panchayat all questions connected therewith which shall appear to him to require its orders and for this purpose may call for records of the Taluk Panchayat; and
- v. Have power to accord sanction up to a total sum of twenty-five thousand rupees in a year for the purpose of providing immediate relief to those who are affected by natural calamities in the taluk.

Up-Adhyaksha

The Up-Adhyaksha of the Taluk Panchayat shall

- I. exercise the powers and perform the duties of the Adhyaksha when he is absent on leave or incapacitated from functioning or when the office of Adhyaksha is vacant; and
- II. in the absence of the Adhyaksha or when the office of the Adhyaksha is vacant, preside over the meeting of the Taluk Panchayat.

SALARY, TRAVELLING ALLOWANCES AND OTHER ALLOWANCES TO ADYAKSHA, UPADYAKSHA AND MEMBERS OF ZILLA PANCHAYAT, TALUK PANCHAYAT, GRAM PANCHAYAT

Few State Governments have implemented the 6th Pay Commission's recommendations.

While, some states have their own pay structures For latter category of the States, it may be difficult to follow the 6th Pay Commission's pay structures for PRIs. They would necessarily have to follow the pay structure applicable to other State Government employees of the State

Salary and allowances to the Adhyaksha and Up-Adhyaksha and other members.

- a) The salary and allowances of Adhyaksha and Up-Adhyaksha shall be as prescribed.
- b) Every member of the Zilla Panchayat other than the Adhyaksha and the Up-Adhyaksha shall be entitled to receive such sitting fee and allowances, as may be prescribed.

Payment Honorarium of Adhyaksha and up-Adhyaksha of Gram Panchayat

Payment of honoraria and other allowances of Pradhan. Upa-Pradhan, Sanchalaks, Members and salary to the employees of the Gram Panchayat A Gram Panchayat shall maintain an acquittance register in Form 10 for disbursement of honorarium and allowances to the Pradhan, Upa-Pradhan, Sanchalaks, or the members and in Form 1 for disbursement of salary to its employees.

GRANTS AND FUNDS

1. For every Panchayati Raj Institution, there shall be constituted a fund bearing the name of the concerned Panchayati Raj Institution and there shall be placed to the credit thereof
 - a) Contributions and grants, if any, made by the Central or the State Government including such part of the land revenue collected in the State as may be determined by the government.

- b) Share of taxes or other revenues as approved by the State Finance Commission
- c) Contribution and grants, if any, made by any local authority.
- d) Loan, if any, granted by the Central or the State Government or raised by the Panchayati Raj Institution concerned.
- e) All receipts on account of tolls, taxes and fees levied by the concerned Panchayati Raj

Institution.

f) All receipts in respect of any school, hospitals, dispensaries, building institution or works vested in, constructed by or placed under the control and management of the concerned Panchayati Raj Institution.

g) All sums received as gift or contribution and all income from any trust or endowment made in favour of the concerned Panchayati Raj Institution

h) All fines or penalties imposed and realised under the provisions of this Act or of the bye-laws, made thereunder, and

i) All other sums received by or on behalf of the concerned Panchayati Raj Institution

2. Every Panchayati Raj Institution shall set apart and apply annually such sums as may be required to meet the cost of its own administration including the payment of salary, allowances, provident fund and gratuity to the officers and employees. The total expenditure on establishment shall not exceed thirty per cent of the total expenditure of the concerned Panchayati Raj Institution

(Provided that repayment of loans shall be provided for the Panchayati Raj Institution concerned in its Annual Budget estimates [Provided further that the ceiling of thirty per cent expenditure on establishment may be relaxed by the State Government in specific schemes or programmes.]

3. A Panchayati Raj Institution shall have power to spend such sums as it thinks fit for carrying out the purposes of this Act and may determine the amount of imprest to be kept to defray current expenses.
4. The Panchayati Raj Institution fund shall be vested in the concerned Panchayati Raj Institution and the balance of the credit of the fund shall be kept in personal deposit account in the nearest Treasury/ Sub-Treasury, Post Office or branch of any Scheduled Bank.]
5. Subject to such general control as the Panchayat Samiti or Zila Parishad may exercise from time to time, all orders and cheques for payments from the Panchayat Samiti Fund or Zila Parishad Fund, shall be signed by the Vikas Adhikari or Chief Executive Officer respectively and in this absence by an officer authorised by the Panchayat Samiti or Zila Parishad.

Provided that all such orders and cheques of Panchayat Samiti or Zila Parishad for an amount exceeding 20,000/- shall be countersigned by the Pradhan or Pramukh, as the case may be and in the case of a Panchayat, all withdrawals will be with joint signatures or Sarpanch and Secretary.

TAXES

Taxes which may be imposed by a Panchayat

1. Subject To the rules and any orders made by the state government in this behalf may impose one or more of the following taxes, namely;
 - (a) Attacks on building owned by person not exceeding such rate as maybe prescribed.
 - (b) An octroi on animals or goats fought within the Panchayat Circle for consumption or use therein.
 - (c) Vehicle tax except on those which are used for the purpose or cultivation.
 - (d) Pilgrim tax.
 - (e) Attacks for arranging the supply of drinking water within the Panchayat Circle.

- (f) Attacks on commercial crops.
- (g) Any other tax which the State Legislator has under the Constitution, power to impose in the state and which has been sanctioned by the Government.
2. The taxes under Sub-sec shall be imposed, assessed and raised in such manner and paid or realised at such times, as may be prescribed.
 3. The State Government, by notification in the Official Gazette require any Panchayat to impose, subject to the provisions of sub-sec, any of the taxes specified in Sub-sec from such date and at such rates, as may be specified in the notification.
 4. The Panchayat shall proceed to impose the tax or taxes therein specified, as if a resolution of the Panchayat has been passed for the imposition thereof and it shall not be local for it to abandon, Modify or abolish any tax so imposed.
- (a) Provided that the state government may at any time cancel any such requisition or modify it in any respect.
- (b) Provided for that when any tax has been imposed upon the requisition of the State Government under Sub-sec (3), any other tax of like nature previously imposed by the Panchayat without such requisition shall cease to be levied and realised from the date from which the tax imposed upon the set requisition is to be limit and realised.
- (c) Provided for the gut the tax under Clause (c) of Sub-sec,(1) Shall not be levied on a motor vehicle as defined in the motor vehicles act, 1988 or any other mechanically propelled vehicle

Special Tax For Community Service

A Panchayat may impose a special tax on the adult male members of the Panchayat area for the construction of any public work of generally utility for the inhabitants of the said area. Provided that it may exempt any member from payment of this tax in lieu of doing voluntary labour or having it done by another person on his behalf

Powers of Panchayat to charge fees

A Panchayat may charge fees for:-

- 01) Any licence or permission granted or given by it for making any temporary erection or for putting up any projection
- 02) For the temporary occupation of any public or other land visited in the Panchayat.
- 03) For any service rendered by it or it respects of any duty performed by it or under the provisions of the Panchayat Raj Act.

Such fees shall be charged at such rate and in such manner as may be provided for in any rules made under this Act or in bye-laws By the Panchayat and it shall be lawful for the Panchayat to lease the levy of any such fees by public auctions.

Powers of Panchayat submitted to impose taxes

A Panchayat Samiti may impose and levy in the prescribed manner a tax on the rent payable for the use of or occupation of agricultural land, at the rate of fifty paise in a rupee of such rent, such tax being payable by the person or persons severally or jointly to cultivator position of such land or in respect of any income therefore subject to provide act 276 of the Constitution of India and to any general or special orders of the

State Government, a Panchayat Samiti may also impose and levy in the prescribed manner all or any of the following taxes, namely;

- (1) A tax on such trades, calling professions and industries as may be prescribed.
- (2) A primary education cess
- (3) Attacks in respect of Panchayat submit fairs held within the limits of its jurisdiction.

Power of Zilla Parishad to impose taxis and fees

Subject to such maximum rates as the Government may prescribe, a Zilla Parishad may levy: -

- 1) A fee for license for a fair or male
- 2) Water rate, where management for the supply of water for drinking irrigation or many purpose is made by the Zilla Parishad within its jurisdiction.
- 3) Surcharge:
 - (a) Up to five per cent on stem duty on sale of property in rural areas
 - (b) Up to half per cent on the market fees referred to in section 17 of the Rajasthan Agriculture Project Market Act, 1961 (Rajasthan Act No. 38 of 1961).

PRIASOFT ACCOUNTING SOFTWARE IN PANCHAYAT RAJ INSTITUTION AND PANCHATANTRA SOFTWARE

Ministry of Panchayati Raj (MoPR) has desired that CAG and NIC should work together to bring out the new version of PRIAsoft (Panchayati Raj institutions accounting software) that captures the 3-tier revised classification and generates all the reports in the formats prescribed by the sub-Committee on budget and Accounting Standards for PRIs. Accordingly, NIC is working closely with CAG to come out with a new version of (PRIAsoft PRIA Soft ver 2.0), which will have the following features:

- (a) Three-tier system: The three tire system accordingly classification consisting of Major Heads, Minor Heads and Object Heads will be captured by the software in addition as defined by CAG in the revised classification, wherever central/state scheme activities are to be captured as per the scheme guidelines, the software will provide the accounting to the scheme as a Sub-head under the respective Minor Head.
- (b) Faculty To Classify Based On Sub Heads And Auto Generation Of Reports: All the time of keying in the receipts and expenditures figures in to the system, the software will promote the user to select the appropriate account heads from the 3 tier classification. In case the expenditure is Bing booked under a scheme the software will promote user to select the appropriate subhead out of the standardized scheme sub-head created. Once the receipts and expenditure entries are captured in the system, the software will automatically generate the reports in the revised formats prescribed by the CAG. A Since the new format allows the user to book expenditure explicitly under sub-head provided for the scheme, scheme-wise expenditure will also be generated automatically.
- (c) State specific classification: In order to extend flexibility to start which want to retain their own exceeding classification relating to the schemes, the software will provide mapping of the state-specific classification of the revised classification proposed by CAG. This will enable the panchayats in those states to carry on with their ongoing accounting classification while at that same time enabling Government of India to view the accounting details of the PRIs as per the classification prescribed by the CAG.
- (d) Availability of online and offline version of the software: In order to bring about accountability and

transparency in the functioning of PRIs, the software will be web-based software all the accounting data of PRIs will be available online on the centralized system. However, in view of lack of Internet connectivity in mainly PRIs, an offline version of the software will be made available. Panchayat level users can enter their account details locally and periodically update the data on the online site. This will encourage even PRIs with no Internet connectivity to the use of the software.

- (e) **Security:** In view of the high security need of the accounting system, the software will provide a strong authoritarian mechanism and also maintain detailed audit logs of all the transactions carried out through the software.

Gram Panchayat - budget and accounting rules

The GPs were following a 'Single Entry - Cash Basis' system of accounting. Under this system, a cash book was maintained in which entries were made for all receipts and payments. A receipts and payment account was prepared on month/year basis, to summarize the receipts and payments during the period under various heads. In addition, a series of registers and records (asset registers, demand, collection and balance register, advances registers etc.) were maintained separately which gave information on specific items. This system had several limitations. Information was fragmented as incomplete. Authenticity of information could not be ensured. The information provided by the receipts and payment account was inadequate in an age of information explosion and transparency. The new KPR (GPBA) Rules addresses these limitations and provides for financial statements which could be easily understood by all stakeholders.

As 'National Rural Employment Guarantees Scheme' is implemented in all the GPs in the country from 1st April, 2008, flow of grants to GPs from Government will henceforth increase manifold. The new KPR (GPBA) Rules will go a long way in ensuring proper accounting of grants received by the GPs and furnishing required financial reports to government.

Silent features of the new GP accounting and budget system

- a. It is a double entry accounting system.
- b. accrual of income and expenditure is done on a selective basis
- c. Accounting is done using a standard chart of accounts, which is uniform for all GPs.
- d. Budgeting is done on cash basis using prescribed budget codes.
- e. The accounting and budgeting system consists of a series of accounting, and non-accounting firms and registers.
- f. At the end of the year, the accounts are summarized into a set of financial statements which reflect the performance of the GP during the year, and its financial position as at the end of the year.

Budget Heads

The revenue and expenditure of GPs are grouped under the following budget head types:

- 01) revenue receipts or revenue expenditure
- 02) capital receipts or capital expenditure
- 03) deposits and advances

Classification Of Budget Head Types

The different budget types are further classified into Major Heads Minor Heads and Sub-minor Heads.

For example, under the budget head type 'Revenue Received/Revenue Expenditure', the following categories of revenue and expenditure are classified as 'Major Heads'

Revenue Receipts

- a. Rates and Taxes
- b. Revenue derived from GP property
- c. Revenue derived from statutory purpose of GP apart from taxation
- d. Grants, donation and contribution
- e. Other miscellaneous receipt

Revenue Expenditure

- (1) General administration
- (2) Development administration
- (3) Transferred to capital account
- (4) Other revenue expenditure

Different types of Revenue/Expenditure falling under each category are classified as Minor Heads and each time of revenue and expenditure coming under each type is classified under sub-minor heads.

The detailed classification of types and items of expenditure classified into minor and sub-minor heads are forthcoming in the budget formats prescribes under KPR (GPBA) Rules 2006.

Gram Panchayat funds

A major portion of part IX Of the Constitution deals with the structural empowerment of the PRIs But the real strength in terms of both autonomy and efficiency of these institutions is dependent on their Financial position (Including their capacity to generate own resources). In general, Panchayats in our country received phones in the following ways:

1. Grants from the union government based on the recommendations of the central finance commission.
2. Devolution from the state government based on the recommendations of the state finance commission.
3. Loans/grants from the state government.
4. Programme-specific allocation under central sponsored schemes and additional central associate.

Internal issues generation (tax and non-tax) powers have been given to states. States which have not been given adequate attention to fiscal empowerment of the panchayat. Panchayats' can generate their own resources. Kerala, Karnataka and Tamil Nadu are the states which are considered to be progressive in PRI empowerment but even there, the Panchayats are heavily dependent on government grants.

ACCOUNTING POLICIES FOR GRAM PANCHAYATS

- a) Accounting Year
- b) Accounting Of Income Accruable in Nature
- c) New Demands Change in Demand During the Course of The Year
- d) Accruable Income Received in Advance
- e) Accounting Cess
 - i. Cess Payable to The Government

ii. Cess Collection Charges

- f) Write Off of Unreasonable Receivables
- g) Accounting For Non-Accruable Income
- h) Accounting For Expenditure
- i) Works Related Transactions
- j) Fixed Assets
- k) Depreciation On Fixed Assets
- l) Investments
- m) Purchase Issue and Consumption of Materials
- n) Loans Received
- o) Loans And Advances
- p) Grants Including Grants Under Schemes
- q) Earmarked Funds
- r) Sinking Funds

THALUK PANCHAYAT FINANCE AND ACCOUNTS

Grants to Taluk Panchayat

The central Scheme grants are transferred to the TPs through the concerned ZP. Through the allocations under central plan schemes and centrally sponsored schemes are indicated in the link document, The funds flow to the TP through the banking channel. The expenditure under such schemes is also through the banking channel against approved action plans as indicated earlier. The process flow for receipts and expenditure under banking channel is given in Taluk Panchayat accounts manual of Karnataka.

BUDGET PREPARATION PROCESS

The process for preparation of budget estimates has been shown in the form of a process followed diagram in annex 3 chart 1. Activities with respect to budget preparation process are explained below:-

- i. **Preparation of shelf of projects:** the Planning officer (PO) shall ask the concerned head of the line departments to provide the list of works/details of expenditure proposed under different schemes along with the financial estimates. Similarly, the PO shall prepare a list of works/other expenditure proposed out of any unit grants available to the TP. The PO shall prepare a consolidated document, in consultation with the AAO and EO, called the Shelf of Projects (SoP) based on the information given by the line department along with the TP's own estimates. The Shelf of Project shall be prepared in the format given in annex 6, Shelf of the Project. the Shelf of the Project shall be approved by the TP general body. The approved Shelf of Projects becomes the basis for preparation of the Plan budget estimates.
- ii. **consolidated budget proposal :** estimates for salary and establishment expenses shall be prepared based on the approved Appendix B. Based on the approved Shelf of Projects and

Appendix B; The AAO shall prepare the consolidated budget proposal of the TP. The budget proposal shall be prepared in the format given in Annex 6 Annual Budget.

- iii. **Approval of budget proposals:** The budget proposals of the TP along with the Shelf of Projects shall be placed before the TP finance, audit and Planning Committee and then forward it to the general body for final approval. The approved budget proposals are sent to the ZP. At the ZP level, discussions are held and changes to the TP budget proposals, if any are made. The TP budget proposals are consolidated and the ZP level and sent to the Finance Department of The State.
- iv. **Approval of state budget:** These budget proposals undergo multiple rounds of discussions and interactions at various levels. The final proposals are included in the state budget and approved by the state legislature. After approval of the budget, A division wise link document is released by the state government.

Taluk Panchayat accounts

The Taluk Panchayat accounts staff maintained the registers maintained in the KPRTTP rules and certain additions registers for the proposal of control. In order to suit their accounting system prescribed, certain new registers have been prescribed in this manual. The manual has also modified formats of the existing registers as necessary. Certain registers not relevant in the present-day context due to simplification have been let out. The key registers based on which the accounts are compliant in a Taluk Panchayat are:

1. Treasury release register : Receipt of grants during a period
2. Receipts and expenditure tracking (RET) Register : Expenditure incurred during a period head of account wise
3. Collection and remittance register : Own source receipts during a period
4. DCB Register : Receivables position as on a date
5. Scheme Cashbook : Closing balance of scheme bank accounts of their TP as well as the LDDDOS
6. Scheme Ledger : Income and expenditure details under schemes
7. Treasury fund watch register : Closing balances of earned accounts of the treasure

Zilla panchayat budget and account

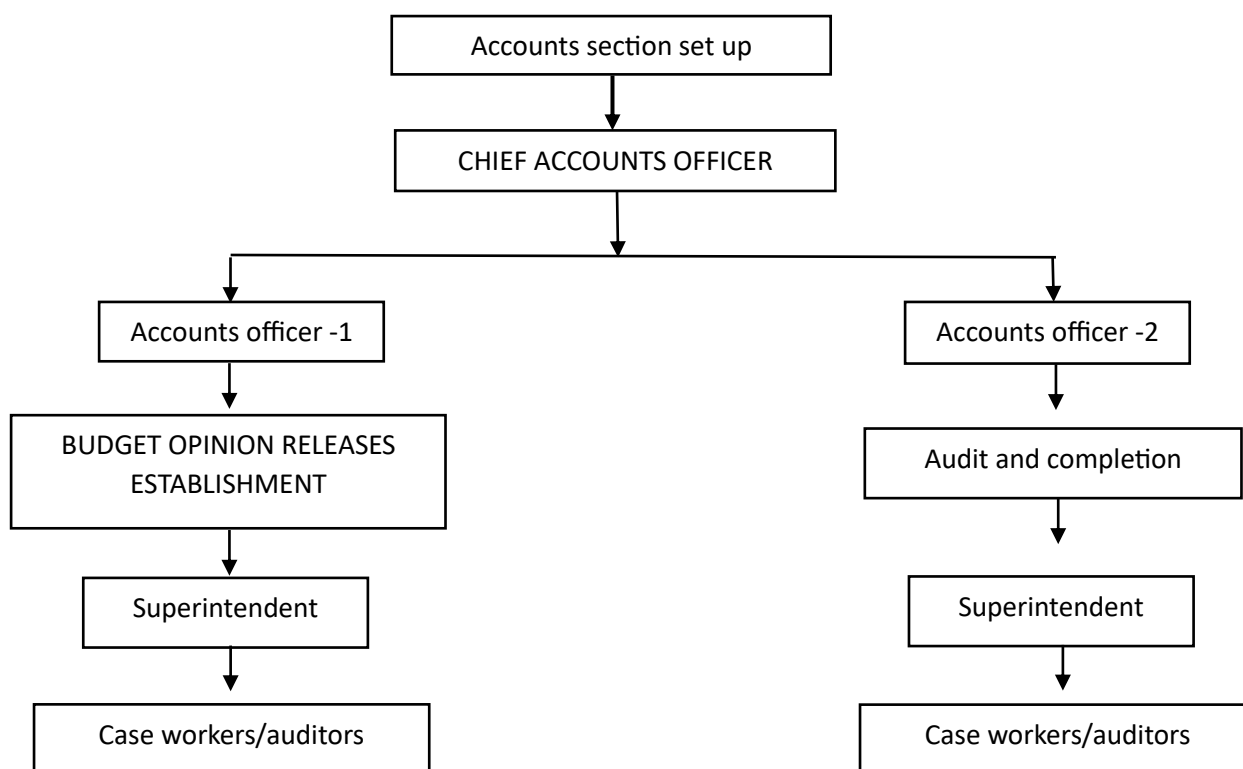
- 1) Every Zilla Parishad shall, at such time and in such manner as may be prescribed, prepare in each year a budget of its estimated receipts and disbursements for the following year and submit it to the Government.
- 2) The government may, within such time and may be prescribed either approve the budget or return it to the Zilla Parishad for such modifications as it may direct. On such modifications being made the budget shall be resubmitted within such time as may be prescribed for approval of the Government. If the approval of the government is not received by the Zilla Parishad by the last date of the financial year, the budget shall be deemed to approve by the Government
- 3) No expenditure shall be incurred unless the budget is approved by the Government.
- 4) The Zilla Parishad may prepare in each year a supplementary estimate providing for any modification of its budget and may submit it to the Government for approval within such time and in such manner as name prescribed.

The chief accounts officer shall advise Zilla Parishad in matters of financial policies And shall be responsible for all matters relating to the accounts of Zilla Parishad including the preparation of the annual accounts and budget. The Chief Accounts official ensure that no expenditure is incurred expect under proper sanction and in accordance with this act and rules and regulations made there under an shell disallow any expenditure not warranted by the Act or the rules or regulations for which no provision is made in the budget.

ZILLA PANCHAYAT ACCOUNT

Account selection

It is headed by A senior officer from the state accounts department designed as chief Account officer. This section acts as finance department as well as audit department in Zilla Panchayat system. There will be two accounts officers to assist the Chief Accounts Officer In his duties and functions. The CAO is the custodian of the Zilla Panchayat fund and also he advises the Chief Executive Officer and President of Zilla Panchayat in financial matters. He will directly work under the Chief Executive Officer



FUNDS FLOW IN ZILLA PANCHAYAT

Zilla Panchayat receives the funds from the consolidated fund of the state and centre in the following categories:

- 1) Planned Funds
 - 2) Non-Planned Funds
 - 3) Additional Grants
1. Plant funds: It is received both from state as well as the central government for the executive of developmental activities/ Works including the creation of the new infrastructure and their maintenance. In addition, various centrally sponsored schemes such as JGSY, IAY, SGSY, PMGY, PMGSY, EAS

etc. for the welfare of the scheduled castes and tribes grants is also released through a separate programme Special Component Programme (SCP). For the planned programme the financial allocation is made by the government on the basis of Population, Actual Needs, Backwardness (Determined by specific parameters)

2. Non-Planned Funds: It is mainly meant to meet the committed expenditure of the different departments (mainly the salary) & also the maintenance of the infrastructures which are already created. These funds are exclusively released to the Zilla panchayat from the state Government

Plan and Non-plan funds are released by the State Government to the Z P in a Quarterly basis and Zilla Panchayat in turn releases these funds to the District level Officers of different Departments. Taluk Panchayats and Grama Panchayats in monthly/Quarterly basis. Funds is also released from the Central government to the various Programmes/Schemes implemented through the Zilla Panchayat and its subsidiary systems such as Taluk Panchayats and Gram Panchayats

3. Additional grants: These funds are not provided in the budget of the Zilla panchayat & hence it is called the extra budgetary or non-budgetary Grants. Usually it is released by the State Central Government to meet out the emergency needs such as to provide drinking water, formation of roads, to create rural employment at the drought prone areas, for the control of epidemic diseases & to meet the deficiency of the budget.