

**2023**

**FINANCIAL AND ADMINISTRATIVE  
IMPLICATIONS OF THE KARNATAKA GRAMA  
SWARAJ & PANCHAYAT RAJ ACT, 1993: A  
CRITICAL ANALYSIS**

Abhinav Viswanath

---

**Recommended Citation**

Abhinav Viswanath, 'Financial and Administrative Implications of the Karnataka Grama Swaraj & Panchayat Raj Act, 1993: A Critical Analysis' (2023) 2 IJHRLR 118-144.

Available at [www.humanrightlawreview.in/vol-2-issue-3/](http://www.humanrightlawreview.in/vol-2-issue-3/).

This Art. is brought to you for free and open access by the International Journal of Human Rights Law Review by an authorized Lex Assisto Media and Publications administrator. For more information, please contact [info@humanrightlawreview.in](mailto:info@humanrightlawreview.in).

# **FINANCIAL AND ADMINISTRATIVE IMPLICATIONS OF THE KARNATAKA GRAMA SWARAJ & PANCHAYAT RAJ ACT, 1993: A CRITICAL ANALYSIS**

Abhinav Viswanath<sup>1</sup>

## **INTRODUCTION**

The decision to create local governments was only strengthened once it became clear that only the creation of Grama Panchayats could result in Grama Swaraj. The establishment of Grama Panchayats and the implementation of Panchayat-related institutions and mechanisms are solely the responsibility of the State under the system of power allocation in our nation between the Centre and the State. No laws are made at the State level with the involvement of the Central government. The Centre has been establishing relevant Committees in light of this background and with the goal of implementing Panchayat Raj systems all across the nation. The Balwant Rai Mehta Committee instantly springs to mind in accordance with this connotation.

This committee offered suggestions for various states. A number of States, including Karnataka, established many Committees to implement Panchayat Raj systems suitable for regional contexts and realities. The Panchayati Raj system started to be implemented in various States as a result of the committees' suggestions. The “73<sup>rd</sup> and 74<sup>th</sup> Amendments to the Constitution” went into effect in 1993. Local governments were once solely subject to the authority and control of the State governments, and they were reliant on administrative decisions and obligations.

With this background in mind, the Grama Panchayat and Local Governments Act (also known as the Panchayat and Local Board Act)

---

<sup>1</sup> LLM Student, School of Law CHRIST, (Deemed to be University).

was passed for the first time in Karnataka in 1959. Following that, legislation defining membership in Zilla Panchayats as well as Grama and Taluk Panchayats was passed in 1960. This condition persisted up until 1993.

### **THREE-TIER PANCHAYAT SYSTEM**

To function as local self-government institutions, PRIs must meet a few fundamental requirements: (a) There should be a distinct line drawn between the state and Panchayati Raj bodies as well as between the three levels of local government; (b) there should be sufficient financial power and authority commensurate with the responsibility for development; and (c) there should be functional autonomy within the federal structure. The PRI bodies' limits needed to be established in order for them to operate without having their duties entwined with one another. The new Panchayati Raj Institutions must be viewed as the third tier of government since the constitutional amendment creates opportunities for satisfying these requirements.<sup>2</sup>

The Karnataka Panchayat Raj Act, 1993 provides for a three-tier system of governance with the Gram Panchayat at the village level<sup>3</sup>, the Taluk Panchayat at the municipal level<sup>4</sup>, and the Zilla Panchayat at the district level.<sup>5</sup>

### **GRAM PANCHAYAT**

Chapter III provides for the Ward Sabha under Sec. 3<sup>6</sup> and Gram Sabha under Sec. 3A.<sup>7</sup> "*Ward Sabha*" means a body consisting of persons

---

<sup>2</sup> M. George, M Anand (2003), Decentralisation and local Governance: How Clientelism and Accountability Work, *Axel Hadenius (Ed.)*, Decentralisation & Democratic Governance Experiences: India, Bolivia and South Africa, *ElandersGotab*, Stockholm, pp: 18-19.

<sup>3</sup> Ch. III, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>4</sup> Ch. VII, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>5</sup> Ch. X, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>6</sup> Sec. 3, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>7</sup> Sec. 3A, Karnataka Panchayat Raj Act, 1993, No. 14.

registered in the voters lists of each Grama Panchayat constituency.<sup>8</sup> The members of the Ward Sabha are to meet once every six months with the quorum being 20 members. The functions of the Ward Sabha is to develop proposals, rank the importance of development programmes and schemes to be implemented in the Ward Sabha's area, and then present those proposals to the Grama Sabha for inclusion in the Grama Panchayat Development Plan. To identify the Ward Sabha's residents who are most qualified for beneficiary-oriented programmes based on established criteria, compile a list of those beneficiaries in order of priority, and then submit that list to the Grama Panchayat; obtaining information from the Grama Panchayat on the basis for each decision made by the Grama Panchayat regarding the Ward Sabha's jurisdiction; obtaining information from the Grama Panchayat on the actions taken in response to those decisions; providing and mobilising volunteer labour and financial and in-kind contributions for development work and supervising such work through volunteer teams; and making efforts to ensure that the Ward Sabha members pay taxes among other functions.<sup>9</sup>

Similar to the Ward Sabha, the Gram Sabha ought to meet once every six months with the quorum being 1/10<sup>th</sup> the members of the Sabha. "*Grama Sabha*" means a body consisting of persons registered in the voters list of Grama Panchayat.<sup>10</sup> Some of the primary functions and purposes of the Gram Sabha is to review and approve the Grama Panchayat's annual plan; to create proposals and rank the importance of all development programmes and schemes that will be implemented in the Panchayat region by the Zilla Panchayat or Taluk Panchayat after taking into account the advice and recommendations of the Ward Sabhas via the Grama Panchayat; based on criteria established by the Grama Panchayat, Taluk Panchayat, Zilla Panchayat, or the

---

<sup>8</sup> Sec. 2(42A), Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>9</sup> Sec. 3, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>10</sup> Sec. 2(16), Karnataka Panchayat Raj Act, 1993, No. 14.

Government, to identify and select the most qualified individuals from the Panchayat area for beneficiary-oriented schemes, and to prepare a list of beneficiaries in the order of priority after taking into consideration the priority lists of individual beneficiaries sent by the Ward Sabhas. In order to disseminate information on development and welfare programmes, to render assistance in the effective implementation of development schemes by providing facilities locally available, and to provide feedback on the performance of the same, such a list shall be binding upon the concerned Grama Panchayat, Taluk Panchayat, Zilla Panchayat, or the Government, as the case may be; to provide assistance to the Grama Panchayat in gathering and compiling the necessary information, developing development plans, gathering crucial socioeconomic data, and encouraging participation in health, literacy, and other similar development campaigns; to obtain information from the Grama Panchayat officers regarding the services they will provide and the projects they plan to undertake in the subsequent six months following the meeting of the Grama Sabha; to learn from the Grama Panchayat the reasoning behind each choice it makes about the Panchayat territory and to learn from the Grama Panchayat what steps were taken to implement the Grama Sabha's decisions among other.<sup>11</sup>

The deputy commissioner decides the area that can be deemed as the Gram Panchayat<sup>12</sup> and the composition of the Gram Panchayat varies from time to time depending on the population of the village at the time.<sup>13</sup> It is to be noted that the power entrusted to the Deputy Commissioner under Sec. 4 of the law, does not amount to excessive delegation and that it is not on the onus of the state to provide individual notices regarding the area, so long as the principles of natural justice are followed.<sup>14</sup> The issue regarding the procedure to be

---

<sup>11</sup> Sec. 3A, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>12</sup> Sec. 4, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>13</sup> Sec. 5, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>14</sup> *JAR Shariff v. State of Karnataka*, 1994 (3) Kar, LJ 240A.

adopted by the Deputy Commissioner, and if the Commissioner has the power to reconstitute an already existing panchayat constituted under the repealed Act, it was held by the High Court of Karnataka that when the criteria for forming a panchayat area itself is subject to different variations, there arises a need to constitute panchayat areas as deemed by the legislation.<sup>15</sup> It was further reiterated that a petition cannot be filed under Art. 226 against the deputy commissioner and the state government, unless and until the person has exhausted the available alternative remedies as per the statutes.<sup>16</sup>

### **TALUK PANCHAYAT**

Chapter VII of the Act under Sec. 119 to Sec. 144 provides for the Composition of the Taluk Panchayats.<sup>17</sup> The functions of the Taluk Panchayat is provided under Chapter VIII under Sec. 145 of the Act.<sup>18</sup> According to the Karnataka Panchayati Raj Act, 1993, the Taluk Panchayat is constituted by elected members from the territorial constituencies within the taluk and nominated members by the government. The President of the Taluk Panchayat is elected by the members from among themselves.<sup>19</sup>

The Taluk Panchayat has several functions and duties under the Karnataka Panchayati Raj Act, 1993. The following are some of the important functions of the Taluk Panchayat:

- a) **Planning and Implementation of Development Programs:** The Taluk Panchayat is responsible for the planning and implementation of development programs within the taluk. It prepares plans and schemes for the economic development and

---

<sup>15</sup> BN Shankarappa v. U Srinivas, AIR 1992 SC 836; JAR Shariff v. State of Karnataka, 1994 (3) Kar, LJ 240B.

<sup>16</sup> *CM Swami v. State of Karnataka*, 1994 (4) Kar, LJ 662.

<sup>17</sup> Ch. VII, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>18</sup> Sec. 145, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>19</sup> Sec. 120, Karnataka Panchayat Raj Act, 1993, No. 14.

social welfare of the taluk and ensures their proper implementation.

- b) **Maintenance of Basic Infrastructure:** The Taluk Panchayat is responsible for the maintenance of basic infrastructure such as roads, water supply, and sanitation within the taluk. It ensures that these facilities are available to the people and are well maintained.
- c) **Provision of Public Health Services:** The Taluk Panchayat is responsible for providing public health services within the taluk. It establishes and maintains health Centres and hospitals and provides medical facilities to the people.
- d) **Management of Natural Resources:** The Taluk Panchayat is responsible for the management of natural resources such as forests and water bodies within the taluk. It ensures that these resources are used sustainably and are protected for future generations.
- e) **Collection of Taxes and Grants:** The Taluk Panchayat has the power to levy and collect taxes, fees, and charges within the taluk. It can also receive grants from the state government and other sources for the implementation of development programs.
- f) **Coordination of Gram Panchayats:** The Taluk Panchayat serves as an intermediary between the Gram Panchayats and the Zilla Panchayat. It coordinates the implementation of development programs and ensures that the Gram Panchayats are functioning properly.

The Taluk Panchayat is an important institution of the Panchayati Raj system in Karnataka. It plays a crucial role in the development and welfare of rural areas within the taluk. The Karnataka Panchayati Raj Act, 1993 provides the legal framework for the functioning of the Taluk Panchayat and defines its powers, functions, and duties.

## **ZILLA PANCHAYAT**

Chapter X of the Act under Sec. 158 to Sec. 183 provides for the Composition of the Taluk Panchayats.<sup>20</sup> The functions of the Zilla Panchayat are provided under Chapter IX under Sec. 184 of the Act.<sup>21</sup> Zilla Panchayats are an integral part of the Panchayati Raj system in Karnataka. They function as the third and highest tier of the system, providing governance at the district level. The Karnataka Panchayati Raj Act, 1993 provides the legal framework for the functioning of Zilla Panchayats in Karnataka.

The Zilla Panchayat is composed of members elected from various territorial constituencies within the district. The number of members is determined by the population of the district, with each constituency being represented by one member. In addition, members from the Scheduled Castes, Scheduled Tribes, and women are also elected through a separate electoral process. The Zilla Panchayat also includes members nominated by the government, including experts in agriculture, education, health, and other fields.<sup>22</sup>

The Zilla Panchayat has several important functions and duties under the Karnataka Panchayati Raj Act, 1993.<sup>23</sup> The Zilla Panchayat is responsible for the planning and implementation of development programs within the district. It prepares plans and schemes for the economic development and social welfare of the district and ensures their proper implementation. The Zilla Panchayat is responsible for the management of district-level infrastructure, such as roads, water supply, and sanitation. It ensures that these facilities are available to the people and are well maintained.

The Zilla Panchayat is responsible for a wide range of functions related

---

<sup>20</sup> Ch. X, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>21</sup> Sec. 184, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>22</sup> Sec. 159, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>23</sup> Sec. 184, Karnataka Panchayat Raj Act, 1993, No. 14.

to rural development, including planning and implementation of rural development programs, construction and maintenance of rural infrastructure, promotion of agriculture and rural industries, and collection of taxes and fees related to rural areas. The Zilla Panchayat is also responsible for the implementation of poverty alleviation programs and the maintenance of law and order in rural areas.

The Zilla Panchayat has the power to make and implement plans for rural development, approve budgets for rural development programs, and supervise the functioning of Panchayat Samitis within the district. The Zilla Panchayat also has the power to approve the appointment of government officials in rural areas and the establishment of local institutions such as schools and hospitals.<sup>24</sup>

The Zilla Panchayat is financed through various sources such as grants from the state government, taxes and fees collected from rural areas, and loans obtained from banks and other financial institutions. The Zilla Panchayat has the power to levy taxes and fees on various activities related to rural areas, including agriculture and livestock, and the collection of these taxes and fees is an important source of revenue for the Zilla Panchayat.<sup>25</sup>

## **STATISTICS OF THE STATE OF KARNATAKA- SALIENT INDICATORS**

With a total area of 191791 square kilometres and a population of 5.05 percent of all Indian states, Karnataka is the seventh largest state in terms of size. Rural literacy in the state is higher than the national average (68.7%) as to (67.8 %).

---

<sup>24</sup> Sec. 191, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>25</sup> Sec. 199, Sec. 200, Karnataka Panchayat Raj Act, 1993, No. 14.

<b>Index and Measures (Population/Panchayats)</b>	<b>State Level Measures</b>	<b>National level Measures</b>
<b>Total Population (in Lakhs)</b>	611.95 (in Lakhs)	12106.70
<b>Population (Rural-in Lakhs)</b>	375	8335.67
<b>Population (Rural-in Percentage)</b>	62.34	69.8
<b>Density of the Population (persons per sq kms)</b>	320	383
<b>Sex-ratio (per thousand) in the Rural Areas</b>	980	950
<b>Literacy rate (population %)</b>	69.80	68.9
<b>Zilla Panchayat (approx no.)</b>	30	545
<b>Taluk Panchayats</b>	177	6000
<b>Grama Panchayats</b>	6023	2,44,000

**Source:** Census 2011, “*Economic survey of Karnataka 2018-19 and Annual report 2018-19*” (RDPR 2018-19)

The key department for PRIs at the State level is the Rural Development and Panchayat Raj Department (RDPR), which is run by the Government of Karnataka's Principal Secretary. The organizational structure in relation to how PRIs operate in the State is depicted in accordance to the statistics furnished herewith in the above table.

### **Role of Comptroller & Audit General (C & AG) appended to the Panchayat Raj System-**

The Comptroller and Auditor General of India (CAG) has a different responsibility in relation to Local Bodies on the rural side when it comes to ZPs and TPs than GPs.

- In accordance with CAG's (DPC) Act, the KPR Act, 1993's section 262 mandates that the accounts of the Zilla Panchayat Fund be audited. The accounts of the Taluk Panchayat Fund must also be

audited by the CAG in compliance with the CAG's (DPC) Act, according to section 253 of the KPR Act. This audit is carried out in accordance with section 19(3) of the CAG's (DPC) Act, and the agreement is renewed every five years. The most recent extension runs from 1 April 2017 to 31 March 2022.

- **Audit Scope in the PRI's-** According to information provided by KSAAD (October 2019), it conducted an audit of 5,091 and 5,297 GPs for the fiscal years 2016–17 and 2017–18 during those years. We carried out audits of 42 GPs and 80 GPs under TGS for the fiscal years 2018–19 and 2019–20 among those audited units.

### **Devolution of Financial Powers-**

The GP is made up of elected members, one for every 400 people living in the panchayat region as a whole. Of the elected members, two are chosen to serve as Adhyaksha and Upadhyaksha. Adhyaksha is the GP's executive leader. In addition to the elected members, each GP is required to have a full-time Panchayat Development Officer (PDO), a Secretary, and any other officials designated by the government.

- Rule 77 and Rule 80 of the KPR (GP Budgeting & Accounting) Regulations 2006 permit the financial authority to authorise estimates for GP development projects to be delegated.

<b>Implications of the Sanctions</b>	<b>Composition of the Authority &amp; Delegation of Powers</b>	<b>Extent of Financial Powers</b>
<b>Technical Implications</b>	Gram Panchayat Engineer Executive Engineer of the Zilla Panchayat(sub-division) Executive Engineer Section Engineer	-Within R. 25K -R.25K- 4Lakhs -R. 4-10 Lakhs -Above 10Lakhs
<b>Sanctions of the Administration</b>	Adhyaksha (GP)	Upto Rs. 5K (discretion of the GP with respect to

	Grama Panchayat CEO (Chief Executive Officer) Through Government Orders	delegations of powers based on Resolution) R. 5K-10 Lakhs R. 10-30Lakhs Within or upto 30 Lakhs Grant
--	---	--

### **Account System and Audit Control of Gram Panchayats-**

Receipt and Payment Accounts, Income and Spending Accounts, and Balance Sheet in the prescribed forms are all included in the yearly statement of accounts for general practitioners. Double Entry Bookkeeping is used to prepare the accounts on an accrual basis.

KPR GPs (Budgeting and Accounting) Regulations, 2006 accounting system requirements Before to June 30th of the following year, the GP must review and approve the annual financial statement and the note on accounts according to the Thirteenth Budget Commission's suggestions (TFC),

As required by the GoI, PRIs must start preparing accounts in the Model Panchayat Accounting System (MPAS) in 2011-12.

The MPAS format, in contrast to the older format, makes it easier to display month-by-month totals for revenues and payments, budget allocation, grants released and spent, and movable and immovable assets in the accounts. The State's GPs hadn't yet adapted MPAS forms for their accounts.

The Panchayati Raj Institutions Accounting Software (PRIA soft), developed by the Ministry of Panchayat Raj (MoPR), GoI, prepares all PRI reports in the forms required by the CAG while capturing the three-tier accounting classification. The ZP, TP, and GP tiers of Panchayati Raj are expected to employ this unified accounting software. GP grants given by the Fourteenth Financial Commission (FFC) are now the sole accounts handled by the PRIA soft.

To encourage openness in governance and make all information public, the Government of Karnataka created a programme called “*Panchatantra*” through the National Informatics Centre. The Panchatantra is a web-based application with a three-tier architecture that is used to implement the double-entry accounting system and to fulfil the fundamental needs of general practitioners. In all GPs, the software was put into use beginning in 2012–2013. Panchatantra allows users to view income and expense statements and balance sheets broken down by GP. The department's many reports are accessible on the web as well. For their daily accounting activities, all GPs use the Panchatantra.

- Internal controls are made to offer a reasonable level of assurance that the broad goals of accountability, adherence to legal requirements, maintaining cost-effective, efficient, and effective operations, and protecting resources from loss are accomplished. Failure to follow internal controls can lead to inefficiency, ineffectiveness, misuse of cash, loss, or theft of inventory.
- The periodical comparison of cashbook and bank balances, the annual physical inspection of fixed assets, stores, and stock, the creation and approval of budgets and annual accounts, etc. are some of the crucial internal control procedures that PRIs must apply. Physically confirming stores, stock, and fixed assets annually assures that they are actually present as described in the books of accounts and, if applicable, the cash book.
- Similar to this, it is necessary to regularly reconcile the cash book with the bank book, and any discrepancies between the balances shown in the two places must be looked into and resolved.
- However, a test check of 42 and 80 general practitioners for the years 2016–18 that was done in 2018–19 and 2019–20 indicated the following:

- In 10 General Practices (24%) and 61 GPs (76%) respectively, annual physical verification of stores and stock was not performed. The Physicians did not give any clear explanations for why physical verification was not conducted. Nonetheless, it was announced that going forward, there would be a yearly stock physical verification.
- At 14 GPs (33%) and 22 GPs (28%), respectively, the reconciliation of the cash book and bank scrolls was not done during the fiscal years 2017–18 and 2018–19.
- During 2019–20, a payment of 6.64 lakh rupees was made for cement without registering the stock certificate in one GP, Diddige, Jagalur taluk, Davanagere district. Also, there was no stock register.

### **Corollary Finance of the Gram Panchayats-**

There must be a whole-time monitor, according to Section 111 of the KPR Act of 1993. Secretary, Panchayat Development Officer (PDO), and additional officials appointed each GP is run by the government. The Secretary and other officials will provide assistance to the PDO in carrying out his obligations.

Creating monthly budget estimates is the Secretary's responsibility. Trial balances, yearly and half-yearly accounts, drawback-related issues, and expenditure of cash, upkeep of accounts, and preparation of accounts in accordance with the rules set forth in the KPR (GP Budgeting & Accounting) Guidelines of 2006.

The PDO is required to provide returns, statement of income, and monthly accounts as requested by the GP, Government, accounts and any other information also the auditor.

### **Appointment of Ombudsman-**

According to the TFC's recommendations, the State Government was compelled to set up a system of an independent Ombudsman for Local Bodies to look into accusations of corruption and bad administration against the members and executives of Local Bodies who are elected. The Lokayukta would then send the report along with his recommendations to the Governor after receiving reports from the Ombudsman on such inquiries. To look into allegations of corruption and poor management against the employees of Rural Local Bodies, no such Ombudsman was established by RDPR. The department said that as of December 2020, the Mahatma Gandhi National Rural Employment Guarantee Program (MGNREGS) appointment mechanism had been in place since 2010-11.

- There was a provision to designate 27 Ombudsmen for the State's 30 districts. Common Ombudsmen were to be appointed for the districts of Bengaluru Urban/Rural, Hassan/Kodagu, and Udupi/Dakshina Kannada. As of November 2020, there were 23 designated Ombudsmen for 25 districts, and the position was vacant in five<sup>1</sup>. Against the 24.12 crore that was ordered to be recovered, 2.47 crore were found and 21.65 crore were still awaiting recovery. The matter is not addressed in the response, and it was still the case that the department had not carried out the TFC's proposal to hire an independent ombudsman.

### **Financial Context- An Overview**

Own revenue makes up the GPs' resource base. Government Finance Central Finance Commission (CFC) grants, Commission (SFC) grants, Grants from state governments and the Government of India (G.o.I.) for reasons of upkeep and development

- The comprehensive Grama Panchayat Receipts in the term or period of 2018-19 has been Rs. 4971.17 Crore from the central

allocation, Rs. 1406 Crore in State references, apart from other receipts being generated inclusive of interests amounting to Rs. 511.64 Cr. The total allocation of the arrangement is within the sum of Rs. 6,888.77 respectively<sup>26</sup>.

- The **own source revenue** has been demarcated into revenue being taxable and non-tax revenue. During the term of 2018-19, the tax revenue has been Rs. 379.69 Cr and non-tax revenue was Rs. 131.48 Cr, thereby the total amount in the latest division has been Rs. 511.16 Cr respectively<sup>27</sup>.
- The **GP's Expenditure allotment (in terms of Utilization of Funds) in 2018-19:** bifurcated into Revenue and Capital Expenditure which was Rs. 6100 Cr and Rs. 224.5 Cr accordingly<sup>28</sup>.

As can be observed from the information above, the percentage of own revenue, the percentage of total receipts ranged between 6% (2016–17) and 9% (2015–16) and the share of own revenue in total revenue was less than ten percent of the budget was spent. This proves that the GPs were not independent, and even their daily needs were dependent on grants expenditure (revenue expenditure) (revenue expenditure).

### **Implementation Status: with Reference to Finance Commission Recommendations**

#### **State Finance Commissions-**

Established in August 2006, the Third State Finance Commission (SFC) early December 2008, it turned in its report. The suggestions of the alterations made by the third SFC were approved (October 2011). Government of Karnataka and were implemented for the year 2011–2012 to 2017-18. Each ZP, TP, and GP received funding based on the

---

<sup>26</sup> IFA Section, RDPR of Karnataka.

<sup>27</sup> IFA Section, RDPR.

<sup>28</sup> IFA Section, RDPR, Schedule IV.

following criteria: based on indicators and the weights that specific criteria, like Rural, have been given populace, geography, illiteracy, etc.

- A report from the Fourth SFC, which was established in December 2015, was submitted in May 2018. The suggestions of the Karnataka State Government were Fourth SFC in December 2018, with effect for the years 2018–19, 2022-23<sup>29</sup>.
- In accordance with the suggestions, 7.76% of the percentage of PRIs in to be set aside was Non-Loan Net Own Revenue Receipts (NLNORR) to GPs.
- Statutory grants made available to general practitioners rose from RS.616.62 crore in 2015–16 to in 2018–19, that is Rs. 902.99 crore<sup>30</sup>.
- Basic Grants (BG) for were given funds totaling 8,359.79 crore by the FFC.
- GDP of the State for the years 2015–16 & 2019–20, and \$928.87 billion for the years 2016–17 to 2019–20, performance grants (PG) will be used. In every fiscal year, GoI was supposed to release the grants in two installments (June and October) calendar year. Second installment's release was contingent upon receiving First installment's Utilisation Certificate (UC). Monetary information State transmitted funds received from the G.o.I. for the FFC to the PRIs between 2015 and 2019.

Prior to the publication of the 2018–19 PG allocation to PRIs by the G.o.I. by the end of March 2019 were to be disclosed. In September 2019, RDPR reported that the assertion the G.o.I. has received the 2018–19 PG regarding PRIs, however the grant was not made public. The Honorable Chief Minister has given a reminder in this regard to the finance minister.

---

<sup>29</sup> Public Report-I Section, RDPR 2018

<sup>30</sup> Finance Accounts of June 2018 release.

On September 18, 2020, the minister will meet with India's honorable finance minister. Moreover, the Finance Department reaffirmed in February 2021 that the PG for the year. The GoI did not disclose 2018-19.

Accordingly, the allocation fund has been reported to be 1856.03 Cr within which a shortfall of 14.48 Cr has been witnessed as against a release of 1841.55 Cr in terms of the basic Grant. On the other hand, the performance **grant stands with an allocation of 234.08 Cr but no release witnessed alarmingly, causing a shortfall of the entire allocation**<sup>31</sup>.

### **Accountability in the Financial Arrangement Framework**

#### **Framework of the Report and Internal Audit of the GP's-**

According to the KPR (GP Budgeting and Accounting) Rules, 2006, the GP must review and approve the yearly financial statements for the fiscal year by June 30 of the following year. These documents must also include a note on accounts.

Internal audit is a crucial tool to examine and assess the degree of adherence to policies and procedures as outlined in the applicable Acts as well as the Financial/Accounting Rules. It also gives management assurance regarding the suitability of the risk management and internal control framework in the PRIs.

- **External Audits of the GP-**
  - Primary control of Auditor upon the Report
  - Certification- Finance Statement
  - Compliance Audit system
  - CAG- Technical & Supervisory audits
  - Social Audit report

---

<sup>31</sup> Ch. XVII, Karnataka Panchayat Raj Act, 1993, No. 14.

The KSAAD is the required external auditor for GPs, according to Section 246(1) of the KPR Act, 1993. As part of its duties, it must, among other things, vouch for the accuracy of the accounts, evaluate the internal control framework, and alert audited entities and the state government to any instances of loss, theft, or fraud.

According to Sec. 246(12) of the KPR Act, 1993, the Principal Director of KSAAD must provide a consolidated annual report to the government regarding all of the GPs in the state and the State Government must present this report to both chambers of the state legislature. The state legislature had been presented with the GPs' combined annual report up to the fiscal year 2015–16.

According to Section 246 of the KPR Act, 1993, the Senior Director, KSAAD must authorize any official to examine each GP's accounts annually. The process must adhere to KPR (GP Budgeting and Accounting) Regulations 2006, which make this clear. The Chief Accounting Officer of the ZP and the Assistant Controller of the relevant Local Audit Circle will receive the authorized accounts in accordance with the stipulated procedure, and they will conduct an audit.

- The audit report of January 2021 has been reflected with the statistics stated herewith to be ranging from 5442 totally being audited within a total number of 6022 GP's respectively<sup>32</sup>.

A social audit is an examination of a program jointly carried out by the government and the populace, particularly by those who will be impacted by or will be the intended beneficiaries of such programmes. The first law that required the Grama Sabha to conduct a social audit of all activities undertaken under the scheme within the GP was the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) of 2005. The Mahatma Gandhi National Rural Employment

---

<sup>32</sup> Sec. 246, Karnataka Panchayat Raj Act, 1993, No. 14.

Guarantee Audit of Scheme Regulations were announced by the Ministry of Rural Development (MoRD) in 2011 to make it easier to undertake social audits after consulting with the CAG.

Thus, the Scheme Implementation of Social Audit Regulations 2011 was announced by the Government of Karnataka in January 2012.

The Social Audit Directorate, led by the Director, was established and registered (May 2012) under the Societies Registration Act of 1960 in compliance with these regulations.

*Only for MGNREGS was a Social Audit undertaken on a regular basis.*

According to the main circular, the State Government is required to create Social Audit Units (SAU), each of which must be led by a governing body that is in charge of overseeing the Unit's performance on a regular basis and offering guidance and assistance as necessary.

Following are some interesting observations made during an audit of the “*Effectiveness of Social Audit*” that this office undertook for the years 2016–17 to 2018–19.

- Despite the fact that several scheme requirements required the conduct of social audits, there was no social authority to monitor the social audits of the State's programmes.

The social audit of other programmes like NRDWP, SBM, MDM, and PDS was given to the State's SAU, which was created specifically for MGNREGS. However, unlike in the case of MGNREGS, the Social Audit of these schemes was not a continual process.

- Raising awareness of social audit through information, education, and communication efforts was ineffective and insufficient because fewer than 2% of the population attended 99 percent of Social Audit Gram Sabha (SAGS) meetings.

- The social audit's findings received relatively little follow-up action.
- Less than 1% of the SARs' disputed amounts were ever recovered.
- The State did not perform the monthly reviews of SARs.
- Non-compliance to the Quarterly Report submission for the year 2018-19.

## **ADMINISTRATIVE IMPLICATIONS**

The Karnataka Panchayati Raj Act, 1993 is a comprehensive law that governs the functioning of the rural local self-government bodies in the state of Karnataka. The Act lays down various provisions and guidelines for the conduct of elections, functions, and responsibilities of the Panchayat bodies. It also prescribes penalties for the violation of the provisions of the Act.

## **INSPECTION AND SUPERVISION**

The power of inspection and supervision wherein an officer specially authorised by the Government in this behalf in case of the Zilla Panchayat. The Chief Executive Officer in the case of Taluk Panchayat and the Executive Officer in the case of Grama Panchayat may inspect the offices or premises of or works taken up by the Zilla Panchayat, Taluk Panchayat or Grama Panchayat and for this purpose examine or cause to be examined the books of accounts, registers and other documents concerned and the Zilla Panchayat, Taluk Panchayat or Grama Panchayat concerned shall comply with the instructions issued after such inspections; call for any return, statement, account or report which he may think fit to require the Zilla Panchayat, Taluk Panchayat or Grama panchayat concerned to furnish.<sup>33</sup>

The technical supervision and inspections wherein the Heads of

---

<sup>33</sup> Sec. 232, Karnataka Panchayat Raj Act, 1993, No. 14.

Departments concerned and the officers in-charge of the Departments at the Divisional level may with a view to ensure quality of implementation according to the technical and financial norms contained in the respective schemes or orders, inspect works or development schemes relating to that department under the control of any Zilla Panchayat, Taluk Panchayat or Grama Panchayat and also to inspect relevant documents pertaining to such work or development schemes in the manner specified by the Government. The scope of such inspections may cover technical aspects including feasibility, economic viability, the technical quality of the work, and the expenditure being incurred.<sup>34</sup> The notes of inspections by such officers after such inspections shall be forwarded to the Chief Executive Officer, Executive Officer or the Secretary, as the case may be, for appropriate action. The Zilla Panchayat, Taluk Panchayat or Grama Panchayat concerned shall take follow-up action on the report of the inspecting officer within thirty days from the date of receipt of such report and failure to take such action may be construed as “default in the performance of the duty” for the purpose of Sec. 268.<sup>35</sup>

The Government and Chief Executive Officer's powers in respect of Grama Panchayat, Taluk Panchayat and Zilla Panchayat is such that the Chief Executive Officer may in respect of Taluk Panchayat and Grama Panchayat exercise the following powers, call for proceedings of any Grama Panchayat or Taluk Panchayat or any extract of any book or document in the possession or under the control of the Grama Panchayat or Taluk Panchayat or any return or statement of account or report; require a Grama Panchayat or Taluk Panchayat to take into consideration any objection which appears to him to exist to the doing of anything which is about to be done or is being done by such Grama Panchayat or Taluk Panchayat or any information which appears to him

---

<sup>34</sup> Sec. 232, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>35</sup> Sec. 268, Karnataka Panchayat Raj Act, 1993, No. 14.

to necessitate the doing of anything by such Grama Panchayat or Taluk Panchayat or within such period as he might fix; require a duty to be performed within a specified period if a Grama Panchayat or Taluk Panchayat has made default in the performance of any duty.<sup>36</sup>

The power of Government wherein Zilla Panchayat and Taluk Panchayat to provide for performance of duties in default of Grama Panchayat, Taluk Panchayat or Zilla panchayat is such that when the Government in case of a Zilla Panchayat, Zilla Panchayat in case of a Taluk Panchayat and Taluk Panchayat in case of a Grama Panchayat is informed on complaint made or otherwise, that any Zilla Panchayat or Taluk Panchayat or Grama Panchayat has made default in performing any duty imposed on it, by or under this Act, or by or under any law for the time being in force and if satisfied, after due enquiry that any Zilla Panchayat, Taluk Panchayat or Grama Panchayat has failed in the performance of such duty, to fix a period for the performance of that duty.<sup>37</sup>

The Government may at any time for reasons to be recorded, cause an inquiry to be made by any of its officers in regard to any Grama Panchayat, Taluk Panchayat or Zilla Panchayat on specific matters concerning it, or any matter with respect to which the sanction, approval consent or orders of the Government is required under this Act.<sup>38</sup>

If in the opinion of the Adhyaksha of Taluk Panchayat, the execution of any order or resolution of a Grama Panchayat or any order of any authority or officer of the Grama Panchayat or the doing of anything which is about to be done, or is being done, by or on behalf of a Grama Panchayat is unjust, unlawful or improper or is causing or is likely to cause injury or annoyance to the public or to lead to a breach of peace,

---

<sup>36</sup> Sec. 234, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>37</sup> Sec. 235, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>38</sup> Sec. 236, Karnataka Panchayat Raj Act, 1993, No. 14.

he may by order suspend the execution or prohibit the doing thereof.<sup>39</sup>

The Government may by general or special order provide for all or any of the following matters, namely the manner in which purchase of stores, equipment, machineries and other articles required by a Zilla Panchayat, Taluk Panchayat or Grama Panchayat shall be made by them; the manner in which tender for works contracts and supplies shall be invited and examined and accepted; the manner in which works and development schemes may be executed and inspected and payment may be made in respect of such works, schemes; and constitution of committee for the purpose of this section. Save as otherwise expressly provided in sub-section in respect of all other matters relating to drawl of funds, form of bills, incurring of expenditure, maintenance of accounts, rendering of accounts and such other matters, the rules of implementation as applicable to departments of the Government shall *mutatis-matandis* apply.<sup>40</sup>

Whenever any general election to a Zilla Panchayat or Taluk Panchayat under this Act or any proceedings consequent thereon has been stayed by an order of a competent court or authority; or all the members or more than two-thirds of the members of a Zilla Panchayat or Taluk Panchayat have resigned, the Government shall by notification in the official Gazette appoint an Administrator for such period as may be specified in the notification and may, by like notification, curtail or extend the period of such appointment, so however the total period of such appointment shall not exceed six months. Notwithstanding anything contained in this Act, on the appointment of an Administrator under sub-section during the period of such appointment, the Zilla Panchayat or Taluk Panchayat and the committees thereof and the Adhyaksha or Upadhyaksha of such Panchayat, charged with carrying out the provisions of this Act, or any other law, shall cease to exercise

---

<sup>39</sup> Sec. 237, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>40</sup> Sec. 238, Karnataka Panchayat Raj Act, 1993, No. 14.

any powers and perform and discharge any duties or functions conferred or imposed on them by or under this Act or any other law and all such powers shall be exercised and all such duties and functions shall be performed and discharged by the Administrator.<sup>41</sup>

The Government may, by general or special order, specify from time to time, the role of Grama Panchayat, Taluk Panchayat and Zilla Panchayat in respect of the programmes, schemes and activities related to the functions specified in Schedule I, II and III, in order to ensure properly co-ordinated and effective implementation of such programmes, schemes and activities.<sup>42</sup>

## **PENALTIES & APPEALS**

The Act provides for miscellaneous administrative implications under Sec. 268 to Sec. 321 wherein a detailed analysis of the penalties, powers of the panchayats, appeals etc., have been provided. Penalties under the Karnataka Panchayati Raj Act, 1993 can be broadly classified into two categories: Penalties for the violation of the provisions of the Act. The Act has several provisions that need to be followed by the members of the Panchayati Raj institutions. Violation of these provisions can result in penalties.

Some of the common provisions and penalties are as follows:

- a) Non-attendance of meetings:** The Act requires members to attend the meetings of the Panchayat body. Failure to attend meetings can result in a penalty of Rs. 50 per meeting missed.
- b) Non-disclosure of interests:** Members of the Panchayat body are required to disclose their interests in any matter discussed in the meetings. Failure to disclose such interests can result in a penalty of Rs. 500.

---

<sup>41</sup> Sec. 239, Karnataka Panchayat Raj Act, 1993, No. 14.

<sup>42</sup> Sec. 240, Karnataka Panchayat Raj Act, 1993, No. 14.

**c) Unauthorized absence from duty:** The Act also prescribes penalties for unauthorized absence from duty by Panchayat officials. The penalty for such absence is Rs. 100 per day.

**d) Misuse of Panchayat funds:** Misuse of funds allocated to the Panchayat body can result in penalties ranging from Rs. 500 to Rs. 5,000 depending on the severity of the violation.

Penalties for the violation of rules and regulations are also provided. Apart from the penalties prescribed for the violation of the provisions of the Act, there are penalties for the violation of the rules and regulations framed under the Act. These penalties are generally in the form of fines and imprisonment.

Some of the common penalties are as follows:

**a) Illegal construction:** Illegal construction in the Panchayat area can result in a penalty of Rs. 5,000.

**b) Polluting water sources:** Polluting water sources in the Panchayat area can result in a penalty of Rs. 5,000.

**c) Failure to maintain cleanliness:** Failure to maintain cleanliness in the Panchayat area can result in a penalty of Rs. 500.

**d) Non-compliance with the orders of the Panchayat body:** Non-compliance with the orders of the Panchayat body can result in a penalty of Rs. 1,000.

The Karnataka Panchayati Raj Act, 1993 has laid down several provisions and guidelines for the functioning of the Panchayati Raj institutions in the state. The Act also prescribes penalties for the violation of these provisions and guidelines. These penalties act as deterrents and ensure that the members of the Panchayat body and the citizens of the Panchayat area follow the rules and regulations framed

under the Act.

## **CONCLUSION**

The Department of Rural Development's (DRD) annual report for the time under consideration of the Society for Social Audit, Accountability and Transparency (SSAAT), which allows for comparison of the social auditing practises in other states

Government of Telangana, 2016–17 to 2018–19 was mentioned. According to this, SSAAT Telangana also conducts social audits of other other programmes in addition to MGNREGS. The District Vigilance Officer of the district vigilance wing is given a copy of the Report to process files and start taking action against the insubordinate employees. Almost 30% of the money that was wrongfully taken back was recovered.

As can be seen from the aforementioned information, Telangana has a more effective social audit system in place.