

FROM THE EDITOR'S DESK

Greetings!

Panchayats are symbols of decentralization, governance and grassroots democracy. The involvement of the people at the grassroots level is the most important means of bringing about socio-economic development. Panchayati Raj is identified as institutional expression of democratic decentralization in India.

The Balwant Rai Mehta Committee recommended the establishment of the scheme of 'democratic decentralization' which finally came to be known as Panchayati Raj. On 24 April 1993, the Constitutional Act, 1992 with the 73rd Amendment came into force to provide constitutional status to Panchayati Raj institutions. The three-tier system of Panchayati Raj consisted of Zilla Parishad, Panchayat Samiti and Gram Panchayat.

As per the Constitution, PRIs are responsible for preparing plans for economic development and social justice in their respective areas and executing the plans. PRIs also have to promote the participation of the people and oversee the effective implementation of various developmental programmes in the rural areas.

The Eleventh Finance Commission (EFC) had recommended that the C&AG must exercise control and supervision over maintenance of accounts of all the three tiers of PRIs. Based on the recommendations of the Eleventh Finance Commission, C&AG prescribed the formats for the preparation of budget and accounts and database on the finances of PRIs in 2002. These formats were further simplified in 2007 for easy adoption at the grassroots level. In 2009, the C&AG and MOPR, GOI recommended the Model Accounting Structure for PRIs.

CMA's have a great role to play in this field

- The PRIs are largely dependent on assistance from the Central and State Governments; their budgets are often

prepared to comply with statutory requirements and not used as a tool for financial control for long-term planning. PRIs need some professional experts who can guide them properly. CMAs can act as consultants with their professional knowledge and expertise. They can help PRIs to manage their fund and to prepare financial budgets.

- While legislation provides for a tight set of internal controls on the utilization of PRI resources, these controls have not managed to curb thousands of reported frauds and embezzlements. The accounting practices adopted by the Panchayats have not kept pace with the increased and diversified flow of resources entrusted to them. CMAs can play a big role to build an efficient internal control system through internal audit.
- PRIs need to maintain proper fund flow management as well as proper assets management. In this area, CMAs can act as professional fund managers for PRIs.
- Financial reports (receipts and payments statements, statement of assets) are regularly prepared and presented to the General Assembly and to the respective authorities. In this area CMAs can play a big role as professional accountants.
- To determine and evaluate the performance and activities of PRIs, proper appraisal and evaluation of the performance are very important. In this too, CMAs can play a key role.

This issue has a quite a good number of articles by distinguished experts and authors on 'Financial stability of Panchayati Raj Institutions (PRIs)', the cover story theme of this issue. A new section, 'Letters to the Editor' that started a few issues ago, continues. We look forward to constructive feedback from our readers on the articles and overall development of the journal under this section. Please send your mails at editor@icmai.in. We thank all contributors for this important issue and hope our readers enjoy the articles.