

20. ACCOUNTS AND AUDIT

20.15 Rationalization of Village Panchayat accounts and the procedure for operation of the accounts

Rural Development and Panchayat Raj (C4) Department

G.O. (Ms) No. 146

Dated : 17.8.2007

Read :

1. G.O. (Ms) No.92, Rural Development Department, dated 26.3.1997.
2. G.O. (Ms) No.260, Rural Development Department, dated 9.12.1998.
3. From the Director of Rural Development and Panchayat Raj, Chennai - 15, Letter Rc.No.52964/2007/PRI.1-4, dated 19.7.2007 and 28.7.2007.

ORDER

In the Government Order first read above, orders were issued for rationalisation of Village Panchayat Accounts, and the procedure for operation of the Accounts. In the said order, the following three bank accounts were prescribed to be maintained by Village Panchayats.

- 1) Village Panchayat Fund Account
- 2) Village Panchayat Earmarked Grants Account
- 3) Village Panchayat Scheme Fund Account

Subsequently as per the orders issued in the Government Order second read above, a fourth account in respect of deposits for water connection charges was ordered to be opened and, as such, 4 accounts are presently being operated in each Village Panchayat. In district, where the National Rural Employment Guarantee Scheme (NREGS) is in operation, a fifth account for the scheme has been opened in each Village Panchayat.

2. The Village Panchayat Fund Account consists of all the receipts of the Village Panchayat by means of house tax, profession tax, fees levied in markets etc. and the Village Panchayat Earmarked Grants Account consists of all grants to the Panchayats in the form of tied funds (other than scheme funds). These Accounts are being operated jointly by the President and the Vice-President of the Village Panchayat.

For the third account, namely Village Panchayat Scheme Fund Account, while the bank account is maintained at the Village Panchayat level and operated jointly by the President and the Vice-President, no payment can be made unless the work has been duly measured and check measured by the Engineers concerned and the bill has been holds good for the NREGS Account as well.

Weaknesses in the existing System

The following difficulties are encountered in the present system:

1) Non-payment of Current Consumption & Water Supply charges

Several instances of the State Finance Commission Grant and Central Finance Commission Grant moneys released to the Village Panchayat Earmarked Grants Account and not being used for payment of dues relating to Electricity and Water charges, but being diverted for less important purposes, thereby accumulating huge arrears, have come to the notice of the Government. In order to avoid the diversion of funds meant for CC charges and water supply maintenance, the District Collectors have been directed to deduct the current charges, payable to TNEP & TWAD Board at the district level before releasing money to the Village Panchayats. However, this has resulted in the following two anomalies:

- (a) TNEB has issued wrong / duplicate bills in may instances which do not get detected since the payment is made at district level without proper check by Village Panchayat Presidents concerned and

- (b) the Panchayat Presidents lose their interest in ways and means to reduce power consumption as they never pay the electricity / water supply bills of their own.

2) Unauthorised Drawals

Several instances have come to the notice of the Government wherein Village Panchayat Presidents and Vice-Presidents have issued cheques for Scheme Fund works / NREGS works without the works being measured and bills being passed by the Block Development Officer (VP) concerned. Once the President and Vice-President have signed the cheques, the bankers are strictly bound to accept the cheques and are not concerned whether the Block Development Officer (VP) has authorized the cheques or not. This is a weakness in the system and instances of unauthorized drawals are more on the eve of Local Body elections.

3. Against this background, the Director of Rural Development and Panchayat Raj has submitted a proposal for revising the existing procedure for operation of Village Panchayat Accounts. The Government have examined the proposal of the Director of Rural Development and Panchayat Raj in detail and pass the following orders :

There shall be the following 3 Accounts in each Village Panchayat

- 1) Village Panchayat Fund Account

The Village Panchayat Water Supply Account presently maintained as Account No. IV shall be closed and the balance amount available in the account will be taken to Village Panchayat Fund Account.

- 2) Village Panchayat Payments To TNEB and / Or TWAD Board Account ;
- 3) Village Panchayat Scheme Fund Account

In Village Panchayats where NREGS is being implemented, a fourth Account, Village Panchayats NREGS Account, will also be operated.

(1) Village Panchayat Fund Account

The receipts, which shall be credited to, the types of expenditure that can be incurred out of and the mode of operation of Village Panchayat Fund Account are described as under.

(A) Receipts

1. Revenue from all the Components as mentioned in section 188 (1) of Tamil Nadu Panchayats Act 1994.
2. State Finance Commission Grant other than the portion released to the Village Panchayat Account No.2
3. Deposits received for drinking water Supply house service connections
4. Water Charges and any other receipts related to drinking water supply including public contribution.

(B) Expenditure

All the day-to-day as well as urgent operations of the Village Panchayats are to be carried out through the funds taken out of the Village Panchayat Fund Account.

All the administrative expenditure, capital works, maintenance expenditure, other essential items and other duties of Village Panchayats which enable the Village Panchayats to function autonomously are to be carried out of the Village Panchayat Fund Account. Hence, the types of the expenditure that can be incurred out of Village Panchayat Fund Account are as follows :

(a). Administrative Expenditure

- (i). Sitting fee for elected representatives
- (ii). Travelling allowance for elected representatives

20. ACCOUNTS AND AUDIT

- (iii) Pay and Allowances for Village Panchayat Employees
- (iv) Pension contribution for Village Panchayat Employees
- (v) Purchase of Stationery
- (vi) Purchase of Forms and Registers
- (vii) Building Rent
- (viii) Expenditure towards Village Panchayat funds and Festivals
- (ix) Contingency expenditure
- (x) Interest on Loans
- (xi) Any other Administrative Expenditure Allowed from time to time

(b) Capital Expenditure

- (i) Construction of Building
- (ii) Formation of Roads
- (iii) Construction of Bridges and Culverts
- (iv) Water Supply and Sanitation works
- (v) Other Capital Expenditure allowed from time to time

(c) Maintenance Expenditure

- (i) Maintenance of Street lights
- (ii) Maintenance of Hand pumps and power pumps
- (iii) Maintenance of Village Panchayat Roads
- (iv) Maintenance of Sports Centres
- (v) Maintenance of Library
- (vi) Maintenance of burial and burning grounds
- (vii) Sanitation works
- (viii) Any other Maintenance expenditure allowed from time to time

(d) Miscellaneous Expenditure

- (i) Repayment of Loan
- (ii) Refund of Deposits
- (iii) Advances repaid
- (iv) Any other expenditure as permitted under section 191 of Tamil Nadu Panchayats Act 1994
- (v) Funeral Grants as permitted by the Government.

Administrative sanction for the items of expenditure of this Account shall be accorded based on the norms and conditions specified in G.O. (Ms) No.286, Dated:31.12.1999.

(C) Mode of Operation :-

The Village Panchayat Fund Account shall be jointly operated by the President and the Vice-President. In exceptional cases, where there is adversarial relationship between the President and the Vice-President, the Village Panchayat, may by a resolution authorize any member other than the Vice-President to operate the account along with the President, provided that the prior approval of the Inspector of Village Panchayats (District Collector) will be obtained for this.

2.Village Panchayat Payments of TNEB and / or TWAD Board Account : The existing Village Panchayat "Earmarked Grants Account: shall be renamed as "Village Panchayat Payments to TNEB and / or TWAD Board Payments Account".

(A) Receipts :

The details of receipts to be credited to the Village Panchayat payments to TNEB and / or TWAD Board Payments Account shall be;

1. Central Finance Commission Grants
2. State Finance Commission minimum grant of Rs.3 lakhs (or such other amount as may be prescribed by Government from time to time) for each Village Panchayats.
3. A part of State Finance Commission Grant (Other than the minimum grant) that may be released to those Village Panchayats where items No. 1 and 2 above are not sufficient to cover the payments to TNEB / TWAD Board.

(B) Expenditure

- (i) Payment of electricity charges towards (a) street lights, (b) water supply systems maintained by the Village Panchayats, (c) buildings owned and maintained by the Village Panchayats and (d) other items of electricity consumption as billed to the Village Panchayats.
- (ii) Service charges payable to the TWAD Board for Combined Water Supply Schemes if any.

(C) Mode of Operation

The account shall have to be operated only for the payment of electricity consumption charges to TNEB or the service charges payable to TWAD Board for the Comprehensive Water Supply Schemes if any. So all cheques from out of the above account will only be pertaining to payment to TNEB and / or TWAD Board. No self drawal will be permitted. Collectors should instruct all the concerned bank branches in writing to make suitable ledger / computer entries to ensure that payments only to TNEB / TWAD Board are honoured for cheques pertaining to this account and no self -cheques or drawals based upon withdrawal forms are permitted for this account. The words "for payments to TNEB and / or TWAD Board only" should be printed / stamped on each cheque leaf of the cheque books issued for this account.

3. Village Panchayat Schemes Fund Account:**(A) Receipts:**

1. Funds received under Centrally Sponsored Schemes (other than the funds received under NREGS).
2. Funds received under State Funded Schemes.
3. Funds received from any other Department / Agency / Board / Corporation for implementation of the schemes as may be prescribed.

(B) Expenditure:

The funds credited into the Village Panchayat Schemes Fund Account will be spent for payment of the works pertaining to the Central Schemes / State funded and other schemes as prescribed.

20. ACCOUNTS AND AUDIT

(C) Mode of Operation:

The above account shall be operated by the President and Vice President of the Village Panchayats concerned. However, Collectors should instruct the concerned bank branches in writing to make suitable ledger / computer entries to honour the cheques signed by the President and Vice-President only if they are accompanied by the released orders in the form of proceedings of the B.D.O. (Village Panchayats) for the payment of works from the Village Panchayat Scheme Funds concerned. The cheque leaves should also be stamped with "To be paid only if accompanied by proceedings of the B.D.O. (Village Panchayats)" and no self-cheques or drawals based upon withdrawal forms are to be permitted for this account.

4. Village Panchayat NREGS Account (in districts where NREG Scheme is in vogue):

This account will be operated only in districts implementing NREG Scheme in Tamil Nadu.

The receipts which shall be credited to, the types of expenditure that can be incurred out of and the mode of operation of Village Panchayat NREGS Account are described as under:

(A) Receipts:

The receipts to be credited to the Village Panchayat NREGS Account shall be the funds received under NREG Scheme.

(B) Expenditure:

The funds credited into the Village Panchayat NREGS Account will be spent for payment of the works pertaining to the NREG Scheme as prescribed.

(C) Mode of Operation:

The above account shall be operated jointly by the President and Vice-President of the Village Panchayats as is done for the Village Panchayat Funds Account concerned. However, Collectors should instruct the concerned bank branches in writing to honour the cheques signed by the President and Vice-President of the Village Panchayats only if they are accompanied by the release order in the form of proceedings of the B.D.O. (Village Panchayats) for the payment of works from the Village Panchayat NREGS Account concerned. The cheque leaves should also be stamped with "To be paid only if accompanied by proceedings of the Block Development Officer (Village Panchayats)" and no self-cheques or drawals based upon withdrawal form are to be permitted for this account.

4. All District Collectors are requested to communicate the changes introduced by this Government Order to all banks / Block Development Officer (Village Panchayats) and Village Panchayats in their District.

(By order of the Governor)

K.ASHOK VARDHAN SHETTY
SECRETARY TO GOVERNMENT