



ABSTRACT

Rural Development and Panchayat Raj Department - Fourteenth Finance Commission - Issue of revised Guidelines for availing Fourteenth Finance Commission Performance Grant by the Village Panchayats from the year 2017-2018 to 2019-2020 - Orders issued.

Rural Development and Panchayat Raj (PR-1) Department

G.O.(Ms) No.31

Dated: 28.02.2019

Read:

1. G.O. (Ms) No.55, Rural Development and Panchayat (PR-1) Department, dated 05.05.2016.
2. From the Additional Secretary to Government of India, Ministry of Panchayat Raj, New Delhi Letter No.11011/4/2017-FD, dated 29.9.2017.
3. Tamil Nadu Government Extraordinary Gazette No.400, dated 20.12.2017 / G.O. (Ms) No.147, Rural Development and Panchayat (PR-1) Department, dated 20.12.2017.
4. G.O. (Ms) No.34, Rural Development and Panchayat (PR-1) Department, dated 07.03.2018.
5. From Joint Secretary to Government of India, Ministry of Panchayati Raj, D.O. Letter No.N-11011/4/2017-FD, dated 2.1.2019.
6. From the Director of Rural Development and Panchayat Raj letter Roc. No.12173/2016/PRI 2.1, dated 23.01.2019.

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ORDER:

The Fourteenth Finance Commission has recommended Grants in aid to the Village Panchayats as Basic Grant and Performance Grant. Out of the total Grants-in-aid to Village Panchayats, 90% of the Grant will be Basic Grant and 10% will be the Performance Grant. As per the recommendations of Fourteenth Finance Commission, the grants-in-aid are to be devolved to the Village Panchayats only. Accordingly, the Basic Grant upto the year 2018-19 (first instalment) and Performance Grant upto 2016-17 has been released to the Village Panchayats.

2. In the Government Order first read above, based on the recommendations of Fourteenth Finance Commission, guidelines and operational criteria for availing Performance Grant by Village Panchayats were issued

(P.T.O)

3. In the letter second read above, the Ministry of Panchayat Raj, Government of India had issued revised guidelines and laid few additional conditions/evaluation criteria to avail Performance Grants for the period from 2017-18 to 2019-20. Accordingly, in the Government Order third read above, detailed guidelines and operational criteria for availing the Performance Grant by the Village Panchayats from 2017-18 to 2019-20 were issued. In the Government Order fourth read above amendment was issued as per the instructions of Government of India.

4. In the letter fifth read above, the Government of India has intimated that the release of Performance Grant for the Financial Year 2017-18 have been pending due to the implementation difficulties faced by some States to comply with all the additional conditions / evaluation criteria and the resultant situation of very less number of Gram Panchayats becoming eligible for Performance Grant for the Financial Year 2017-18. The same has been deliberated upon in the 6th and 7th Fourteenth Finance Commission Coordination Committee Meetings and it was decided to revert back to the earlier scheme of Performance Grant with only two conditions i.e., submission of audited accounts and increase in Own Source Revenue (OSR) as prescribed by Fourteenth Finance Commission, with the maximum cap of 5 times the basic grant allocation for the respective year 2017-18 to Village Panchayats. The 14th Finance Commission has recommended that the detailed procedure and the operational criteria, including quantum of incentives to be given for the distribution of performance grant to the Village Panchayats (with the maximum cap of five times the basic grant for the Village Panchayats) be decided by the State Governments concerned, subject to the following eligibility conditions:-

- i. Village Panchayats will have to submit audit report of Village Panchayat accounts that relate to a year not earlier than two years preceding the year in which the Village Panchayats seeks to claim the performance grant.
- ii. Village Panchayats will have to show an increase in their own revenues over the preceding year as reflected in the audited accounts.

5. The Director of Rural Development and Panchayat Raj in the letter sixth read above has stated that the Ministry of Panchayati Raj has requested to notify the revised guidelines and operational criteria for availing the Performance Grant by the Village Panchayats from 2017-2018 to 2019-2020. He has also sent the draft revised guidelines and requested the Government to issue necessary orders approving the guidelines for availing the Fourteenth Finance Commission Grant by the Village Panchayats from the year 2017-2018 to 2019-2020 and also to notify the same in the Tamil Nadu Government Gazette.

6. The Government after careful examination have decided to supersede the earlier orders issued and approve the revised guidelines and operational criteria for availing Performance Grant by the Village Panchayats as annexed to this order.

7. The Works Manager is requested to notify this Government Order along with the guidelines appended to this order in an Extraordinary issue of the Tamil Nadu Government Gazette, dated 28.02.2019.

8. The Director of Rural Development and Panchayat Raj is requested to pursue necessary follow up action.

9. This order issues with the concurrence of Finance Department vide its U.O. No.5423/Fin(RD)/2019, dated 27.02.2019.

(By Order of the Governor)

HANS RAJ VERMA
Additional Chief Secretary to Government.

To
The Works Manager, Government Central Press, Chennai-79.
(for publication of the Notification in the Tamil Nadu Government Gazette,
Extraordinary and to send 200 copies to Government)
The Additional Chief Secretary / Commissioner of Rural Development and
Panchayat Raj (Training), Chennai-15.
The Director of Rural Development and Panchayat Raj, Chennai-15.
All District Collectors. (except chennai)

Copy to:

The Senior Personal Assistant to Hon'ble Minister, (Municipal Administration,
Rural Development and Implementation of Special Programme), Chennai-9.
The Senior Principal Personal Secretary, Additional Chief Secretary to
Government, Rural Development and Panchayat Raj Department, Chennai-9
The Secretary to Government of India, Ministry of Panchayati Raj,
Krishi Bhawan, Dr.Rajendra Prasad Road, New Delhi-110 001.
The Director, Finance Commission Division, Ministry of Finance,
Department of Expenditure, CGO Complex, Lodhi Road, New Delhi 110003
The Rural Development and Panchayat Raj (B&C/OP II) Department, Chennai-9
The Planning Development and Special Initiatives (B&C) Department, Chennai-09.
The Director, State Institute of Rural Development, Maraimalai Nagar,
Kanchipuram District.
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// Forwarded by Order //

J. Subramanian
Section Officer.

G.O. (Ms) No.31, Rural Development and Panchayat Raj (PR-1) Department,
dated 28.02.2019

Guidelines for availing 14th Finance Commission Performance Grant by Village Panchayats from the year 2017-18 to 2019-20.

Introduction

The 14th Finance Commission has recommended Grants-in-aid to the Village Panchayats under two categories, as Basic Grant and Performance Grant. Out of the total grants-in-aid to Village Panchayats, 90% of the Grant is released as Basic Grant and the balance 10% is sanctioned as Performance Grant. As per the recommendations of the 14th Finance Commission, the performance Grant is being released from the year 2016-17 onwards based on the performance of the Village Panchayats as it is a conditional grant.

The share of Tamil Nadu on grants-in-aid to Village Panchayats for the period from 2015-16 to 2019-20 is given below:-

(Rs. in crore)

Grants	2015-16	2016-17	2017-18	2018-19	2019-20	Total (2015-20)
Basic Grant	947.65	1312.19	1516.12	1753.87	2369.86	7899.69
Performance Grant	---	172.12	194.78	221.20	289.64	877.74
Total	947.65	1484.31	1710.90	1975.07	2659.50	8777.43

2. Mandatory Conditions to avail Performance Grant:-

Based on the recommendation of the 14th Finance Commission, Government of India has communicated detailed procedure and operational criteria, including quantum of incentives to be given for the distribution of performance grant to the Village Panchayats.

The Village Panchayats shall fulfill the following mandatory conditions to avail the Performance Grant from the year 2017-18 with the maximum cap of 5 times of the basic grant allocation for the respective year.

- (1) Submission of Audited Accounts that relate to year not earlier than two years preceding the year in which the Gram Panchayat seeks to claim the performance grant.
- (2) Increase in Own Source Revenue (OSR) over the preceding year as reflected in the audited accounts.

2.1. Submission of Audit Report of annual accounts by Village Panchayats:

The Village Panchayat shall submit the Audited Accounts that relate to the year not earlier than two years preceding the year in which the Gram Panchayat seeks to claim the Performance Grant.

2.1.1. Existing arrangements for audit of Village Panchayat accounts:

- (i) Government have issued orders for rationalization of Village Panchayats Accounts and procedure for the operation of accounts vide G.O.Ms.No.146, Rural Development and Panchayat Raj (C4) Department, dated 17.8.2007, G.O.Ms.No.60, Rural Development and Panchayat Raj (PR-1) Department, dated 16.4.2015 and G.O.Ms.No.89, Rural Development and Panchayat Raj (PR-1) Department, dated 15.6.2015.
- (ii) As per the Tamil Nadu Panchayats (Issue and Disposal of Audit Report of Village Panchayats) Rules, 2000, the Deputy Block Development Officer (Audit) is the Auditor of Village Panchayats.
- (iii) Assistant Director of Rural Development (Audit) checks the audit reports of the Village Panchayats in the district to verify the correctness of the Audit done by the Deputy Block Development Officer (Audit).
- (iv) The Local Fund Audit Department conducts test audit in 22% of Village Panchayats annually.
- (v) In addition, the Office of the Accountant General conducts audit in select Village Panchayats on a regular basis.

2.2. Increase in own revenue generation by the Village Panchayats

Own source of revenue of Village Panchayats would include both tax and non-tax revenue. The Village Panchayats should ensure 100% assessment of House tax, Professional Tax, Dangerous and Offensive Trade and other own source of revenue, finalise the demand and complete collection before the end of March of every year. The Village Panchayats should show better progress in augmentation of the own source of revenue as compared to the preceding year, for example, increase in 2015-16 comparing to the year 2014-15 as reflected in the audited accounts for availing the Performance Grant for the year 2017-18.

In other words, if T1 is the total Revenue in 2014-15 i.e.,

T1 = Tax and Non-tax revenue collection in 2014-15.

T2 = Tax and Non-tax revenue collection in 2015-16.

Then, the Village Panchayat is eligible for Performance Grant amount in 2017-18 only if $T2 > T1$.

The Performance Grant claim year and the corresponding base year that will be assessed for sanction of Performance Grant

Sl. No	Mandatory Conditions	Performance Grant claim year		
		2017-18	2018-19	2019-20
1	Submission of Audited Accounts that relate to year not earlier than two years preceding the year in which the Village Panchayat seeks to claim the performance grant	2015-16	2016-17	2017-18

Sl. No	Mandatory Conditions	Performance Grant claim year		
		2017-18	2018-19	2019-20
2	Show increase in Own Source Revenue (OSR) over the preceding year as reflected in the audited accounts.	2015-16 over 2014-15	2016-17 over 2015-16	2017-18 over 2016-17.

3. Procedure for application for Performance Grant and evaluation of claim:

- Each Village Panchayat should fill-up the format in Annexure I under joint signature of the Village Panchayat President, Zonal Deputy Block Development Officer and Block Development Officer (Village Panchayat).
- Both filled-up format shall be collected from the Village Panchayats by the respective Zonal Deputy Block Development Officer in accordance with the checklist as per Annexure-I and the same shall be handed over to the Block Development Officer (Village Panchayat).
- Both submission of audit report of annual accounts of the relevant year as well as increase in the collection over the previous year by the Village Panchayats is to be certified by the Deputy Block Development Officer (Audit) with specific recommendation for eligibility to avail Performance Grant as per the Format for certification in Annexure-I and forward the same to Block Development Officer (Village Panchayats).
- The Block Development Officer (Village Panchayats) will check all the proposals submitted by the Deputy Block Development Officer (Audit) and then forward the proposals to the office of the District Collector.
- The Assistant Director (Panchayats) shall consolidate the proposals received from the Block Development Officer (Village Panchayats) after conducting 10% super-check. In addition to that, the Assistant Director (Audit) should also conduct 10% super check of proposals received from Block Development Officer (Village Panchayats). The District Collector shall finalise the list of eligible Panchayats.
- The consolidated list of Village Panchayats eligible for the receipt of Performance Grant shall be sent in Annexure-II to the Director of Rural Development and Panchayat Raj.
- The timeline for submitting the proposals will be sent by the Director of Rural Development and Panchayat Raj to the District Collectors each year.
- The District Collector should ensure that Audit Report of the relevant year have been placed before the Grama Sabha and Village Panchayats have made Online submission of Village Panchayat Form 30 in the official website of Rural Development and Panchayat Raj Department (www.tnrd.gov.in) and completion of PRIA Soft online entry in the website (www.accountingonline.gov.in) regularly.

4. Utilisation of Performance Grant:

Fourteenth Finance Commission has recommended assured transfer to the local bodies for planning and delivering of basic services smoothly and effectively within the functions assigned to them. Therefore it is advised that the Village Panchayat can utilize this grant to provide basic services within the functions assigned to them as per Tamil Nadu Panchayats Act, 1994 after proper Village Panchayat Development Plan are prepared by them

5. Release of funds:

- i) The Director of Rural Development and Panchayat Raj will arrive at the 14th Finance Commission Performance Grant due for each eligible Village Panchayat as per the 5th SFC formula for the horizontal sharing and release the same to the District Collectors.
- ii) The District Collectors shall release grants to the Village Panchayats concerned immediately after receipt of funds from the Director of Rural Development and Panchayat Raj. No amount should be kept at District level at any point of time since the Grant is the entitlement of Village Panchayat and any delay in timely release will attract penal interest.

6. Documentation/Submission of Utilisation Certificates:

The expenditure incurred under 14th Finance Commission Performance Grant should be properly documented at District level. Utilisation Certificates should be obtained from all the Village Panchayats and consolidated report should be sent by the District Collectors to the Directorate.

The Additional Chief Secretary to Government, Rural Development and Panchayat Raj Department is empowered to modify the guidelines issued for utilisation of 14th Finance Commission Performance Grant whenever necessary in consultation with the Director of Rural Development and Panchayat Raj and Finance Department.

HANS RAJ VERMA
Additional Chief Secretary to Government.

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Section Officer.

