



ABSTRACT

Rural Development and Panchayat Raj Department – Introduction and Implementation of Public Financial Management System Platform in three tiers of Rural Local Bodies and State Schemes – Guidelines - Approved – Orders – Issued.

Rural Development and Panchayat Raj (PR-1) Department

G.O. (Ms) No.133

Dated: 18.09.2018

Read:

1. G.O. (Ms) No.104, Rural Development and Panchayat Raj (PR-1) Department, dated 26.07.2018.
2. The Director of Rural Development and Panchayat Raj Letter No.26942/2017/PRI 2-1, dated 09.07.2018.

ORDER:

In the Government Order read above, based on the announcement made by Hon'ble Minister for Municipal Administration, Rural Development and Implementation of Special Programme on 04.06.2018, the Government have issued orders authorizing the Director of Rural Development and Panchayat Raj to access the Public Financial Management System Platform to monitor Financial transactions of the three tier Panchayats and instructed the State Project Management Unit of Public Financial Management System to create scheme registration and to provide necessary technical support in this regard.

2. In the letter read above, the Director of Rural Development and Panchayat Raj has stated that the 73rd Constitutional amendment and the subsequent enactment of Tamil Nadu Panchayats Act, 1994, has transformed the structure of the local governance in rural areas from a two-tier system to a three-tier system in the State. Rural Local Bodies now perform a wide range of civic and developmental functions for local development with significant increase in responsibilities and distinct sharing of resources with the State and Central Governments. Considering the growing importance of the local bodies, there is a need to improve their financial and resources management system, strengthening their capacity to carry out the new responsibilities. The Major Sources of revenue for Panchayat Raj Institutions (PRIs) are:

1. Tax Revenue
2. Non Tax Revenue
3. Grants
 - a. State Finance Commission Grant (SFC)
 - b. Central Finance Commission Grant (CFC)
4. Shared Revenues:
 - a. Surcharge on stamp duty

3. The Director of Rural Development and Panchayat Raj has also stated that the Rural Local Bodies undertake various works towards maintenance of basic amenities and infrastructural development from its own source of revenue and from the grants received from both Central and State Governments. They are authorized to maintain and operate bank accounts for transacting the funds. The Government of Tamil Nadu has evolved efficient financial management systems and procedure for Panchayat Raj Institutions (PRIs) and has issued detailed guidelines for budgeting, accounting, book keeping, transactions, audit etc. The transactions in the Panchayat Raj Institutions are monitored manually through monthly reports, periodicals and field inspections.

4. He has further stated that the introduction of PRIASoft by Ministry of Panchayat Raj, Government of India, the Web based monitoring tool, the management and monitoring of the financial transactions of the PRIs has improved significantly. All transactions of Panchayat Raj Institutions (PRIs) are entered in PRIASoft within a time frame and are available to the supervising officers for scrutiny and evaluation. Even then, the mismanagement of funds, unwarranted or excess expenditure from local body funds could be noticed only after a lapse of time. Hence, there is a need to monitor the transactions and the expenditure of Panchayat Raj Institutions (PRIs) on a real time basis. This will help to improve efficiency in the utilization of financial resources.

5. The Director of Rural Development and Panchayat Raj has also added that the Government of Tamil Nadu implements many programmes for provision of basic amenities and infrastructure developments in rural areas through District Rural Development Agencies (DRDA) and the Rural Local Bodies. These funds are also maintained by those agencies in bank accounts. The transactions in these accounts are monitored through monthly reports, periodicals etc. Therefore, all accounts maintained by Village Panchayats and all Grants and Own Source Revenue accounts of the Block Panchayats and District Panchayats may be brought under Public Financial Management System (PFMS). All the bank accounts maintained by the District Collectors, Assistant Director Panchayats, Rural Local Bodies, District Rural Development Agencies, Block Development Officers and all other Rural Development offices for the amount received for implementation of State Government funded Schemes and release of Grants to Panchayat Raj Institutions may also be brought under Public Financial Management System.

6. The Director of Rural Development and Panchayat Raj has sent the guidelines to bring all accounts maintained by Village Panchayats, all Grants and Own source Revenue accounts of the Block Panchayats and the District Panchayats and the bank accounts maintained by District Collectors, District Rural Development Agencies, Assistant Director Panchayats, Block Development officers and all other Rural Development offices for the amount received for implementation of State Government funded Schemes and release of grants to Panchayat Raj Institutions under Public Financial Management System (PFMS). He has requested the Government to approve the same and issue order to implement the same.

7. The Government after careful examination of the proposal of the Director of Rural Development and Panchayat Raj decided to accept the same and direct that all accounts maintained by Village Panchayats, all Grants and Own source Revenue

accounts of the Block Panchayats and the District Panchayats and the bank accounts maintained by District Collectors, District Rural Development Agencies, Assistant Director Panchayats, Block Development officers and all other Rural Development offices for the amount received for implementation of State Government funded Schemes and release of grants to Panchayat Raj Institutions shall be brought under Public Financial Management System (PFMS) and the Guidelines as annexed to this order is approved.

8. This order issues with the concurrence of Finance Department vide U.O.No.40081/RD/18, dated 20.08.2018.

(By Order of the Governor)

HANS RAJ VERMA
Additional Chief Secretary to Government.

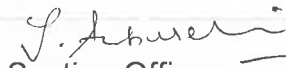
To

The Director of Rural Development and Panchayat Raj, Chennai – 15.
The Director General, Rural Development and Panchayat Raj (Training),
Chennai – 15.
All District Collectors,
The Director, State Institute of Rural Development, Maraimalai Nagar,
Kancheepuram District.
All District Treasury Officers.
The Director of Treasuries and Accounts, Chennai–35.
The Director of Local Fund Audit, Chennai -35.
The Pay and Account Officer (South), Chennai 35

Copy to:

The Hon'ble Chief Minister's Office, Chennai-9.
The Special Personal Assistant to Hon'ble Minister, (MA & RD, Impn. Spl. Prog.),
Chennai-9
The Senior Principal Private Secretary to Additional Chief Secretary to Government,
Rural Development and Panchayat Raj Department, Chennai-9
The Finance (RD/SFC-MC/FC.II/W&M.I) BG.I/BG.II) Department, Chennai -9
Rural Development and Panchayat Raj (All Sections)
Department, Chennai-9
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Section Officer.

Annexure to G.O. (Ms) No.133, Rural Development and Panchayat Raj (PR-1)
Department, dated 18.09.2018

Guidelines for Introduction and Implementation of Public Financial Management System Platform in three tiers of Rural Local Bodies and State Scheme

Public Financial Management System (PFMS)

Public Financial Management System (PFMS) is a common electronic platform for complete tracking of fund flow from the Government to large number of programme implementing agencies until it reaches the final intended beneficiaries or vendors. It enables real time monitoring of disbursements and utilization of funds and also provides decision support system across departments, institutions and offices. It promotes transparency and tangible improvements in the overall financial management and implementation of various schemes with collateral benefits of plugging leakages and eliminating ghost beneficiaries.

The biggest strength of Public Financial Management System (PFMS) is its integration with the Core Banking System (CBS). Public Financial Management System (PFMS) has interface with all Public Sector Banks, Regional Rural Banks, major Private Sector Banks, Reserve Bank of India, India post and Cooperative Banks that provides Public Financial Management System (PFMS) with unique capability to push online payments to almost every beneficiary and vendors.

Steps involved in Adoption of PFMS:

Agency and USER Registration:

Agencies:

The Directorate of Rural Development and Panchayat Raj shall be designated as State Level Scheme Manager under Public Financial Management System (PFMS) and Agency approval shall be done by the Finance Department of the Government / State Project Management Unit of Public Financial Management System (PFMS), Tamil Nadu. The identified Officers who transact State Government Grants at District Level such as District Collectors, Project Directors of District Rural Development Agencies, Assistant Director of Panchayats, Block Development Officers, all the Panchayat Raj Institutions (PRIs) (i.e.) 31 District Panchayats, 385 Block Panchayats, 12524 Village Panchayats will be treated as individual agency and registered in the Public Financial Management System (PFMS) Platform at State, District, Block and Village Panchayat level before they start transaction under any scheme.

Agency Administrator:

The following officers of the respective Agencies are designated as Agency Administrator under PFMS at State, District, Block and Panchayat level with full powers (i.e.) to approve Agency registration, to create Agency Users as Data Originator (Maker), Data Approver (Checker).

Sl. No	Agency	Operational Status	Agency Administrator
1	Directorate of Rural Development and Panchayat Raj	State Level	Finance Department / State Project Management Unit of Public Financial Management System (PFMS), Tamil Nadu.
2	District Collector	District Level	Director of Rural Development and Panchayat Raj
3	District Rural Development Agency	District Level	District Collector
4	District Panchayat	District Level	District Collector
5	Block Panchayat	Block Level	Project Director, District Rural Development Agency
6	Block Development Officer (VP)	Block Level	Project Director, District Rural Development Agency
7	Village Panchayat	Village Level	Assistant Director (Panchayats)

Agency Data Originator (MAKER) / Agency Data Approver (CHECKER):

An official responsible for processing the payment shall be the Agency Data Originator (MAKER) and will initiate the payment process under Public Financial Management System (PFMS). The competent authority to make payment from the particular account, on satisfaction that all the conditions and procedures ordered by the government for making payment has been duly followed and the transaction is valid and legal shall authorize the payment who is recognized as Agency Data Approver (CHECKER) under Public Financial Management System (PFMS). Both Agency Data Originator (Maker) / Agency Data Approver (Checker) have equal legal obligations and responsibilities for all the transactions made using their respective Login / Digital Signature Certificate. The following officers of the respective Agencies designated as Agency Data Originator (Maker) / Agency Data Approver (Checker) under Public Financial Management System (PFMS) at State, District, Block and Panchayat level.

Sl. No	Agency	Operational Status	Agency Data Originator (Maker)	Agency Data Approver (Checker1)	Agency Data Approver (Checker2)
1	Directorate of Rural Development and Panchayat Raj	State Level	Financial Advisor & Chief Accounts Officer / Accounts Officer	Additional Directors of Rural Development	Director of Rural Development and Panchayat Raj
2	District Collector (PRIs)	District Level	Accountant O/o. Assistant Director Panchayats	Additional Director (Pts)	Collector
3	District Rural Development Agency	District Level	Accountant, District Rural Development Agency	Accounts Officer(DRDA) / Project Director, District Rural Development Agency	Project Director, District Rural Development Agency / Collector

4	District Panchayat	District Level	Assistant / Accountant	Superintendent District Panchayat	District Panchayat Secretary
5	Block Development Officer (Block Panchayats)	Block Level	Accountant	Deputy Block Development Officer (General)	Block Development Officer (BP)
6	Block Development Officer (Village Panchayats)	Block Level	Accountant	Deputy Block Development Officer (Panchayats)	Block Development Officer (VP)
7	Village Panchayat	Village Level	Village Panchayat Secretary	Vice President	President

The Government in G.O (Ms) No.92 Rural Development (C.III) dated 26.03.1997 has further ordered that 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 is obtained for this. This system will be followed in the Public Financial Management System (PFMS) based transactions also. The member so authorized will be the CHECKER 1.

Procedure to be followed in case of Transfer/ Retirement of officials or demittance of office by users:

After an official is relieved from a particular post on transfer or otherwise, he shall not authorize any transaction associated with the original post using his user credentials. All such transactions will be considered as illegal and misappropriation of Government funds and disciplinary and criminal action will be initiated for violation for financial norms and misconduct.

The Agency Administrators under Public Financial Management System (PFMS) is responsible for monitoring such transfer and should immediately make necessary modifications by disabling the transferred officials from the position of the authorized user of that agency. The retired officials should also be disabled from the position of the authorized user of the agency promptly.

Likewise in case of Panchayat Raj Institution functionaries, the President and the Vice-President of the Village Panchayats should not authorize any payment after they demit their office. The Assistant Directors (Pts.) are responsible for monitoring and disabling them in the Public Financial Management System (PFMS) platform in this regard.

Bank Account Configuration:

All accounts maintained by Village Panchayats, all Grants and Own Source Revenue accounts maintained by the Block Panchayats and the District Panchayats and all accounts under State government funded schemes maintained by the Panchayat Raj Institutions, District Rural Development Agencies, Block Development Officers and all other Rural Development offices will be registered under Public

Financial Management System (PFMS). No transaction will be made in these Bank accounts outside the purview of Public Financial Management System (PFMS) after it becomes operational. No cheque drawal is permitted from these accounts. All such transactions made from these accounts outside the purview of Public Financial Management System (PFMS) will be treated as null and void and illegal and appropriate disciplinary action will be initiated. All agencies should operate their accounts in a bank having interface with Public Financial Management System (PFMS). In case an existing account is in a bank which does not have Public Financial Management System (PFMS) interface the same should be closed and a new account should be opened in a bank having Public Financial Management System (PFMS) interface.

Mode of Transaction:

All agencies will continue to adopt, follow and maintain the existing systems, procedure, conditions, formats, documents and registers ordered by the Government/ Directorate of Rural Development and Panchayat Raj as necessary for making a transaction or payment from a particular fund, scheme or bank account. The change in procedure brought by adopting Public Financial Management System (PFMS) is limited to the issuing of cheque only. Under Public Financial Management System (PFMS) enabled transactions, instead of payment through cheque the payment will be digitally authorized by e-transfer.

All payments shall be made only after the bills are passed by the Executive Authority or by the official authorized by the Government in respect of any particular scheme or fund. The bill passing authority shall check and examine the bills as regards to its admissibility with reference to sanction, the propriety of the claim and the arithmetical accuracy. If on such check and examination the bill is found to be correct, he shall pass the bill. Further it is ordered that no payment will be made unless the work has proper administrative and technical sanction from competent authorities, necessary budget provisions and duly measured and check measured by the engineers concerned. In case of the scheme fund accounts of Village Panchayats transactions under Public Financial Management System (PFMS) should be initiated only after obtaining the release orders in the form of proceedings of the Block Development Officer (Village Panchayats).

Registration of Suppliers /Contractors/ Clients:

The suppliers, contractors and all clients such as Village Poverty Reduction Committee/Panchayat Level Federation need to be registered as vendors under Public Financial Management System (PFMS) by the agency for making any payment to them. The Agencies can register such vendors related to their requirement. The vendors should be registered after verification of necessary documents and the same has to be entered and maintained in separate register containing all the information of vendors. Vendors should have proper GST Registration / TIN number / valid contractor registration / ADHAAR Number/ PAN number etc. to be included in the Public Financial Management System (PFMS) platform. The vendor can undertake work with any of the three agencies within the geographical jurisdiction of the original agency which registered the vendor.

Approval Authority for Vendor Registration

Sl. No	Vendor Registration Authority	Approval Authority
1	District Rural Development Agency	District collector
2	District Panchayat	Project Director, District Rural Development Agency
3	Assistant Director Panchayat	Project Director, District Rural Development Agency
4	Block Panchayat	Assistant Director, Panchayats
5	Block Development Officer (VP)	Assistant Director, Panchayats
6	Village Panchayat	Block Development Officer (VP)

If any of the vendors involve in malpractice, forgery or fraudulent activity such vendor will be permanently deregistered and action will be initiated against the vendor under criminal laws of the country.

Digital Signature Certificate (DSC) Enrolment:

A Digital Signature Certificate (DSC), like hand written signature, establishes the identity of the sender filing the documents through internet which sender cannot revoke or deny. A Digital Signature Certificate is not only a digital equivalent of a hand written signature it also adds extra data electronically to any message or a document where it is used to make it more authentic and more secured.

A Digital Signature Certificate (DSC) requires periodical renewal. As per provisions of Information Technology (IT) Act, 2000, respective Digital Signature Certificate (DSC) key holders are fully responsible for all transactions made using their Digital Signature Certificate (DSC). The Digital Signature Certificate (DSC) key holders is liable for prosecution under Indian Penal Code (IPC), Criminal Procedure Code (CrPC), Cyber and other relevant laws of the Country apart from recovery of amount misappropriated for any wrong or illegal transaction done by using their Digital Signature Certificate (DSC) keys.

Monitoring:

Systemic monitoring of the expenditure including alerts on quantum and periodicity of transaction will be inbuilt in Public Financial Management System (PFMS) with specific monitoring responsibility to officials at various levels. The Zonal Deputy Block Development officer is primarily responsible for ensuring proper transactions under Public Financial Management System (PFMS) of all village Panchayats under his jurisdiction. He should equip himself with a good knowledge of the systems and procedures of PFMS and keep a close watch of all transactions by the Village Panchayats in his jurisdiction.


The Assistant Director (Panchayats) should monitor the transactions under Public Financial Management System (PFMS) by Block Panchayats and District Panchayat and if any illegal transaction, malpractice or irregularities found, the same should be brought in to the knowledge of District Collector. The Project Director, District Rural Development Agency is responsible for monitoring of all transaction under State government funded schemes and overall proper functioning of Public Financial Management System (PFMS).

The Additional Chief Secretary to Government, Rural Development and Panchayat Raj Department may be empowered to modify any of the above guidelines in consultation with Director of Rural Development and Panchayat Raj based on the exigencies that may arise from time to time in the implementation of the Scheme.

(By Order of the Governor)

HANS RAJ VERMA
Additional Chief Secretary to Government.

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Section Officer.
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