

**Chapter – X**

**Implementation of Schemes**

**(Panchayat and Rural Development Department)**

**10.1 Transfer of Functions, Functionaries and Funds to Panchayati Raj Institutions (PRIs)**

***Highlights***

The 73<sup>rd</sup> Constitutional Amendment Act, 1992 (effected from June 1993) had defined the process of decentralisation of governance in India to empower Local Bodies up to village level. This led to transfer of functions, functionaries and funds to these bodies through various mechanism. Out of 29 functions, envisaged in the 11<sup>th</sup> Schedule of the Constitution only eight functions were found devolved to the PRIs and remaining 21 functions were being performed by the respective departments. Functionaries attached to devolved functions were not found transferred. The departments were not providing budget in the budget grants prescribed for PRIs. Some of the important findings were as under:-

- Out of 29 functions only 8 functions were found devolved to PRIs.

***(Paragraph 10.1.5.1)***

- CEOs, ZPs accorded administrative approval of works below 5 lakh each which were within the powers of the GPs.

***(Paragraph 10.1.6.2)***

- Functionaries attached to the devolved functions were not transferred to the PRIs.

***(Paragraph 10.1.7.1)***

- Budget for devolved functions was not provided in the budget grants prescribed for PRIs.

***(Paragraph 10.1.8.1)***

**10.1.1 Introduction**

The 73<sup>rd</sup> amendment of the Constitution (brought in 1993) had defined the process of decentralisation of governance in India. Subsequently the State government of Madhya Pradesh had passed legislation to empower the establishment of Local Bodies up to village level. This process had led to transfer of functions, functionaries and funds to these bodies through various mechanism. In this regard the State Government had issued various orders between 1994 to 1998. The major elements of devolution were transfer of administrative control over staff and freedom to take administrative and financial decisions at local level. The functions relating to the matter as enumerated in the 11<sup>th</sup> schedule of the above mentioned constitutional

amendment were required to be transferred accordingly to three tiers (Zila Panchayats (ZPs), Janpad Panchayats (JPs) and Gram Panchayats (GPs)) of Panchayat Raj Institutions (PRIs).

### **10.1.2 Organisational Setup**

The functions after actual devolution to the PRIs were to be implemented by Chief Executive Officer (CEO) Zila Panchayat (ZPs), Janpad Panchayat (JPs) and Secretaries, Gram Panchayats (GPs) at district, block and village level under the over all control of Principal Secretary, Panchayat & Rural Development Department and Commissioner, Panchayat and Social Justice at State level. The 21 functions which were being implemented by the respective departments before devolution, were still being implemented though these were devolved to the PRIs by them.

### **10.1.3 Audit objectives**

The audit objectives were to evaluate whether:

- The functions, functionaries and funds envisaged to be transferred to the PRIs were actually transferred.
- The transferred functions were carried out effectively and efficiently and whether there were any overlapping in performing the functions.
- The PRIs were suitably empowered administratively and financially to discharge the enhanced responsibilities.
- Functionaries transferred were adequate and fully under the control of PRIs.
- Adequate monitoring and internal control system exists for effective planning and execution of transferred functions/ activities.

### **10.1.4 Audit Coverage.**

The audit coverage of performance audit was for the period 2002-07. The records of the Commissioner, Panchayat and Social Justice, Rural Development, Tribal Department, Health Services and Engineer-in-chief, Public Health Engineering Department (E-in-C PHED) were test-checked at State level and CEO, ZPs (4)<sup>1</sup>, JPs (8)<sup>2</sup>, GPs (16) were test checked at district, block and village level respectively during the period March-June 2008.

### **Audit Findings**

The audit findings are summarised in the succeeding paragraphs:-

---

<sup>1</sup> Balaghat, Jhabua, Satna and Seoni

<sup>2</sup> Balaghat, Baihar, Meghanager, Ranapur, Mazgawan, Suhawal, Seoni and Barghat

## 10.1.5 Transfer of functions

### 10.1.5.1 Transfer of a few functions

The state government stated (December 2006) that all 29 functions were devolved by the respective departments to PRIs but test check of records in selected districts revealed devolution of only eight functions to PRIs as shown below:

Sl. No.	Name of function and Department	Functions Devolved to		
		Z.P.	J.P.	G.P.
1.	Rural Housing (R.D.)	Z.P.	J.P.	G.P.
2.	Roads Bridges and other communications means (R.D.)	--do--	--do--	--do--
3.	Libraries (P. & S.J.)	--do--	--do--	--do--
4.	Other Cultural Activities (P. & S.J.)	--do--	--do--	--do--
5.	Market and fairs (P. & S.J.)	--do--	--do--	--do--
6.	Social Welfare including welfare of disabled person (RD)	--do--	--do--	--do--
7.	Poverty alleviation programme (RD)	--do--	--do--	--do--
8.	Maintenance of rural assets.	--do--	--do--	--do--

On being pointed out the CEO, ZPs stated (February, May and June 2008) that other 21 devolved functions were still being performed by the respective departments. The Director Health Services (DHS) M.P. Bhopal replied (April 2008) that after annulment of Panchayat Raj in the state, the department was performing the devolved functions. However no such orders of annulment of Panchayat Raj in the state were made available to audit by the DHS.

### 10.1.5.2 Non observance of activity mapping

For balancing the distribution of powers and functions among the PRIs, the basic criteria for such distribution was that a function should be performed by one tier of PRI to which it belongs naturally. In case of any overlapping of functions, there should be a mechanism for inter-tier coordination. For this purpose a detailed activity mapping of transferred functions should be conducted for clear distribution of functions among three tiers of the PRIs.

Test-check of records of Commissioner, Panchayat and Social Justice Department Bhopal revealed that though the activity mapping was prepared regarding devolutions of 29 functions of 23 departments and issued to PRIs in August 1998, these functions, were still not being performed at ZP/JP and GP level. Most of the departments were performing the devolved functions themselves, whereas the CEO, ZPs of test checked districts were denying the existence of any activity mapping prepared and issued by the state government for devolutions of 29 functions.

## 10.1.6 Performance of devolved functions

Following irregularities were noticed in performance of devolved functions:-

### **10.1.6.1 Implementation of Total Sanitation Campaign (TSC) through Women and Child Development Department**

The TSC programme was to be implemented by the PRIs. Test-check of records of CEO, ZP, Satna revealed that this programme was implemented through Women and Child Development Department Satna during 2006-07. This was against the spirit of the 73<sup>rd</sup> constitutional amendment. On being pointed out no reply was given by the CEO, ZP, Satna (June 2008).

### **10.1.6.2 Misutilisation of financial powers**

The state government devolved financial powers to the three tiers of PRIs as under:

- (1) To accord administrative approval regarding construction works upto Rs. 5 lakh by the Sarpanch, Gram Panchayat.
- (2) To accord administrative approval regarding construction works between Rs. 5 lakh to Rs. 10 lakh by the CEO, Janpad Panchayat
- (3) To accord administrative approval regarding construction work above Rs. 10 lakh by the CEO, Zila Panchayat

Test-check of records in selected districts revealed that CEOs of ZPs<sup>3</sup> accorded the administrative approval for 707 works valuing Rs. 20.54 crore below Rs. 5 lakh each which were within the financial powers of Sarpanch, GPs. Thus the CEOs of ZPs were performing the functions of GPs. This shows that financial powers of GPs were usurped by ZPs.

### **10.1.7 Transfer of functionaries**

#### **10.1.7.1 Non-transfer of functionaries**

Devolution of powers and functions to PRIs required availability of staff (functionaries) at each levels for efficient discharge of these functions. The PRIs should have full administrative control over the functionaries. The state government had also issued orders to transfer the staff to PRIs to discharge the duties, relating to devolved functions.

Test check of records in selected districts revealed that the functionaries attached to transferred functions had not been transferred to the PRIs. Non-transfer of functionaries to PRIs resulted in devolution of functions being ineffective.

On being pointed out the CEO, ZPs of selected districts stated that the departments did not transfer any functionaries to PRIs.

---

<sup>3</sup> Balaghat (185 Rs. 7.11 crore), Jhabua (182 Rs. 2.58 crore), Satna (135 Rs. 8.16 crore) and Seoni (205 Rs. 2.69 crore)

### 10.1.7.2 Withdrawal of transferred staff

The state government issued orders (October 1996) that one Sub- Division (local) of PHED in each district along with staff was to be transferred to the Zila Panchayat for maintenance of hand pumps in rural areas (Panchayat Sector). Accordingly the Sub-Division along with staff was transferred to ZPs. The same was withdrawn subsequently and the maintenance of hand pumps in rural areas was being performed by the PHED. On being pointed out it was stated by the EEs that the staff was withdrawn on the basis of the orders of the government, but no such orders were made available to audit. This was in contravention of the spirit of decentralisation of powers.

### 10.1.8 Transfer of funds

#### 10.1.8.1 Non-Providing Budget allotment to ZPs.

The Government of Madhya Pradesh stated that budget for PRIs had to be provided in the State Budget under the grant No. 15, 52 and 80 for implementation of transferred functions. The funds provided under these grants were to be drawn and utilised by the PRIs.

It was observed that the Budget for all 29 functions stated to have been transferred to PRIs were not provided in the above mentioned budget grants. The concerned departments were regularly providing budget under their own budget grants. Some examples were as under:

Sl. No.	Name of Department	Grant No.
1.	Medical and Public Health Department	19 (Medical) 41 (Tribal Sub Plan) 64 (Special Component S.C.)
2.	Tribal Department	33, 41
3.	Agriculture	38
4.	Public Health Engineering	20

Thus it was evident that the budget windows developed in the State budget were of no use. The departments were not providing budget under these grants to PRIs despite orders of the government. The budget provided was also drawn and utilised by the respective departments instead of CEOs of ZPs.

### 10.1.9 Internal Control

A strong internal control mechanism facilitates smooth functioning of an institution. The internal control should be effective at all level i.e. from Gram Panchayat to Directorate level. Test check of records revealed that there were three Directorate viz Panchayat and Social Justice, Rural Development Department and Tribal Development Department controlling the PRIs, under the overall control of Principal Secretary, Panchayat, Rural Development and Tribal, Schedule caste and other Backward class Development Department. It was further observed that no single authority was available for internal control. the CEOs, ZP were under the control of the Development Commissioner. The

224 CEOs, JP of Community Development (CD) blocks and GPs were under the control of Commissioner, Panchayat and Social Justice Department and 89 CEOs JP of Tribal Development (TD) block were under the control of Commissioner, Tribal Development. The budget allotment for pay and Allowances of ZP/JP was provided by the respective controlling departments. There were no correlation or coordination between these departments. Thus due to lack of coordination at Directorate/Government level, no effective internal control mechanism could be developed. This also affected the planning, programme implementation, funds management and monitoring of transferred activities and resulted in lack of control in execution of devolved functions. However, State Government constituted an independent Directorate Panchayati Raj (December 2007).

#### **10.1.10 Decentralisation cell not constituted**

A decentralisation cell was required to be constituted at district level to review the progress of transfer of functions along with functionaries and funds. The decentralisation cells were not constituted at any district level with the result that the implementation of devolved functions could not be monitored effectively.

#### **10.1.11 Rules for implementation of devolved functions not framed**

The state government did not frame any rules for proper and effective implementation of devolution of functions, functionaries and funds. In the absence of rules, there was no system to watch implementation of transfer process.

#### **10.1.12 Conclusion**

The functions, functionaries and funds, in fact have not been transferred to PRIs though state government issued orders in this regard. Thus there was no realistic devolution of functions.

#### **10.1.13 Recommendations**

Following recommendations are proposed:-

- (1) State government should take strict measures for transfer of functions to PRIs along with functionaries.
- (2) Budget for implementation of transferred functions should strictly be provided under the grant Nos 15, 52, 80 for PRIs.
- (3) The budget provided under these grants should be drawn and utilised by the CEOs of ZPs instead of respective departments.

## 10.2 Audit findings on release and utilisation of Twelfth Finance Commission's (TFC) grants

### 10.2.1.1 Interest payable to Panchayati Raj Institutions (PRIs) not drawn and paid

According to para 6.1 and 6.4 of Government of India's (GOI) guidelines<sup>4</sup>, States had to mandatorily transfer the grants to the PRIs within 15 days of the same being credited by the Centre into the State government's account. In case of delayed transfer of grant to PRIs beyond the specified period of 15 days, the State Government was required to pay the amount of interest to PRIs at the rate equal to the RBI rate. The details of TFC grant released by GOI and State Government were shown below:-

(Rs. in crore)

Sl. No.	Year	I <sup>st</sup> instalment			II <sup>nd</sup> instalment			Total
		Date of release by GOI	Date of release by State Govt.	Amount	Date of release by GOI	Date of release by State Govt.	Amount	
1.	2006-07	6 Sept. 06	15 Nov. 06	166.30	22 Mar. 07	26 Mar. 07	166.30	332.60

Scrutiny (July 2007) of records of the Finance Department (FD) revealed that the GOI released first instalment of grant of Rs. 166.30 crore for the year 2006-07 on 6 September 2006 and credited into State government's account on the same date. But the copy of GOI's sanction letter (dated 6 September 2006) was received on 8 November 2006 in FD and it was sent to Principal Secretary/Commissioner, Panchayat and Social Justices (P&SJ) Departments Bhopal (Directorate) in November 2006. Therefore, there was delay of 69 days in releasing the amount of the first instalment. In this connection FD issued (March 2007) a financial sanction of Rs. 1.28 crore of interest payment for 69 days to PRIs on delayed transfer of grant to them but the amount of the interest was not drawn and paid to PRIs by the P&SJ Department /Directorate (July 2007 and October 2008) due to non receipt of the copy of financial sanction from FD. Comments of FD called for (December 2007 and October 2008). FD replied that information will be furnished soon (October 2008).

### 10.2.1.2 Non payment of interest on further delayed transfer of grant to PRIs

According to the provision of TFC guidelines, interest was to be paid on delayed transfer of grant to PRIs. Scrutiny of records of 47<sup>5</sup> test checked PRIs (Gram Panchayats) of five districts revealed that the first instalment of TFC grant amounting to Rs. 37.85 lakh for the year 2006-07 was received in Gram Panchayats during 22 November 2006 to 10 March 2007 beyond the period of delay of 69 days<sup>6</sup>. Thus there was further delay in distribution of first instalment ranging between 7 and 115 days. Similarly second instalment of Rs. 25.58 lakh was also transferred beyond specified period of 15 days, which

<sup>4</sup> Guidelines for release and utilization of grant recommended by the Twelfth Finance Commission (TFC) were issued by the Government of India, Ministry of Finance, Department of Expenditure vide DO letter No. 12 (1) FCD/2005 dated 15 June, 2005

<sup>5</sup> Bhind (1), Bhopal (11), Gwalior (1), Mandasaur (25) and Satna (9).

<sup>6</sup> Period of 69 days (i.e. 7.09.2006 to 14.11.2006) for which interest was sanctioned by FD as stated in sub para - I (a)

resulted in delay ranging between 5 and 121 days in case of 28<sup>7</sup> test checked GPs of four districts. Therefore, interest on such delayed transfer of grant was to be paid, but no interest was paid on further delay to such PRIs. The matter was reported to the Commissioner (P&SJ); reply was awaited (October 2008).

#### **10.2.2.1 Delay in release of grant by GOI**

According to para 6.1 of guidelines<sup>4</sup> grants to local bodies were to be released in two equal instalments in July and January every year. Scrutiny of records of the FD revealed (July 2007) that the amount of Rs. 404.80 crore<sup>8</sup> for the year 2006-07 were released by GOI on 6 September 2006 and 22 March 2007 respectively and credited into State government's account on the same dates. This resulted in delay ranging from 36 to 49 days in release of the grant by the GOI. According to para 6.2 of the guidelines<sup>4</sup> two sets of details i.e. one on allocation of funds and another on release of funds were to be sent by the State government in the prescribed format prior to the release of each instalment by the GOI. State Finance Secretary was also required to furnish a certificate within 15 days of the release of each instalment. But it was noticed that the above prescribed certificate and sending of information for release of second instalment (2006-07) to the GOI was delayed by 128<sup>9</sup> days excluding prescribed period of 15 days.

#### **10.2.2.2 Delay in release of grant by ZPs**

Government of Madhya Pradesh, Panchayat and Rural Development Department (PRDD) also issued (July 2006) a separate guideline (Revised)<sup>10</sup> for utilisation of TFC grant. As per para 3 of the guideline, Zila Panchayats should provide funds to all the Gram Panchayats within 15 days. Scrutiny of records of ZPs Gwalior, Indore, Satna and Ujjain revealed that Rs. 20.67 crore (out of funds drawn: Rs. 27.35 crore) were distributed to Gram Panchayats with delay of 18 days to 159 days (excluding normal period of 15 days). On being pointed out in audit, the CEOs (ZPs) Gwalior, Indore, Satna and Ujjain stated (September-November 2007) that delay was due to late depositing of funds by banks in the accounts of Gram Panchayats (GPs), revision of guidelines, spending of more time to complete formalities etc. as detailed in **Appendix XXXIX**. The replies of all the CEOs were not acceptable as it was mandatory for ZPs to ensure that the funds were to be deposited in the accounts of GPs within specified time.

---

<sup>7</sup> Bhopal (3), Indore (6), Mandsaur (18) and Satna (1).

<sup>8</sup> Total amount received: Rs. 404.80 crore—I<sup>st</sup> instalment: Rs. 202.4 crore (PRIs Rs. 166.30 crore and ULBs: Rs. 36.10 crore) and II<sup>nd</sup> instalment: Rs. 202.4 crore (PRIs Rs. 166.30 crore and ULBs: Rs. 36.10 crore).

<sup>9</sup> Prescribed date for mailing the certification and information was 21.9.2006 as the date of receipt of I<sup>st</sup> instalment was 6.9.2006. Therefore, further delay was 128 days (22.9.2006 to 28.1.2007)

<sup>10</sup> Revised guidelines issued by PRDD vide letter No. 1-11/22/05/च-1 Dated 27.07.2006.



### **10.2.3 Unauthorised drawl of grant resulted in grant lying idle**

Contrary to the above circulars, CEO (ZP) Bhopal drew both the instalments (October 2006) of Rs. 2.70 crore and distributed to the GPs by way of depositing in their bank accounts. However the CEO (ZP) Bhopal ordered GPs (November 2006) for non-drawal of second instalment from bank (50 per cent) till March 2007. This resulted in the grant of Rs. 1.35 crore (II<sup>nd</sup> instalment) lying idle in the bank accounts of GPs for the period of four months. On being pointed out in audit, the CEO replied (December 2007) that due to instructions issued (November 2006) by the Commissioner (P&SJ) for drawal of I<sup>st</sup> instalment only the GPs were asked not to draw from bank. The reply was not acceptable as CEO, ZP should not have drawn the amount from treasury till instructions from Commissioner

### **10.2.4 With holding of grants**

GOI released TFC grant of Rs. 332.60 crore for PRIs during the year 2006-07. Scrutiny of information made available (July 2007) by the Commissioner (P&SJ) Bhopal revealed that the provision of Rs. 328.41 crore only was made in the budget. This resulted in short provision and with holding of Rs. 4.19 crore whereas utilisation certificate of Rs. 332.60 crore was sent to GOI. On being pointed out in audit, the Commissioner (P&SJ) stated (July-2007) that the information regarding such difference would be furnished separately. The comments of FD were called for (September 2007) and reply was awaited (October 2008).

### **10.2.5 Unauthorised financial aid to the Bank**

TFC grant was to be utilised by the Panchayats in respect of Water Supply and Sanitation. The funds were to be transferred to Gram Panchayats within 15 days. Scrutiny of cashbook of TFC grant in Zila Panchayat Gwalior revealed that out of Rs. 4.85 crore drawn (September 2006) on account of TFC grant, Rs. One crore were transferred (29 September 2006) from State Bank of India, Bada Branch (Regular Account) to Punjab National Bank, Morar (Gwalior) without any reason thereof and returned back (10 October 2006) after expiry of eleven days. This resulted in violation of procedure and financial aid to the bank in an irregular manner. On enquiry (September 2007), the CEO (ZP) Gwalior did not offer any reason.

### **10.2.6 Non-submission of utilisation certificate on the basis of expenditure incurred**

Secretary FD was required to furnish a utilisation certificate every year for the grants spent by the ULBs as well as PRIs. According to the para 14 (format- 1) of the revised guidelines<sup>10</sup> of State government, all the CEOs (ZPs) were required to submit Utilisation Certificates (UCs) on the basis of expenditure incurred by the GPs. Test check of records of Zila Panchayats Bhopal, Gwalior, Indore and Satna revealed that the UCs of Rs. 22.60 crore as shown in **Appendix XXXX** for the year 2006-07 were prepared and sent to the Commissioner (P&SJ), on the basis of amount drawn from treasury by the ZPs although a sum of Rs. 66.16 lakh were lying unspent in the bank accounts of

67<sup>①</sup> test checked GPs of six districts. When pointed out in audit, Zila Panchayat Bhopal, Indore and Satna stated (October - December 2007) that in future the UCs would be prepared as per the guidelines<sup>4</sup>. No reason was given by Zila Panchayat Gwalior. Reply of the Zila Panchayat Ujjain was awaited (October 2008).

### **10.2.7 Bank account not opened for maintenance funds of assets**

According to the para 4.1.1 of guidelines<sup>10</sup> (Revised 2006) and circular issued (July-August 2006) by the PRDD, the assets created and handed over by the various departments to the Gram Sabhas (Village Assemblies) were to be listed in a register and maintenance of such assets to be carried out from 15 per cent of TFC grant. Therefore, a separate Bank account for maintenance funds of assets was to be opened. Test-check of information of 33<sup>②</sup> GPs of five districts revealed that 736 assets were handed over to such GPs but no assets register/records was maintained and in 64<sup>③</sup> test-checked GPs a separate bank account for maintenance funds of assets were not opened. In the absence of such record, maintenance of assets could not be ascertained. The main reasons for non-maintaining the same were reportedly lack of knowledge/information etc.

### **10.2.8 Non-Recovery of pending user charges**

The PRIs should be encouraged to take over the assets relating to Water Supply and Sanitation and utilise the grants for repairs/rejuvenation and O&M costs as mentioned in the para 2.3 (XII) of GOI guidelines<sup>1</sup>. The PRIs should, recover at least 50 per cent of recurring costs in the form of user charges. As per revised guidelines<sup>10</sup> of State government (para 4.2.1.1), recovery of user charges was to be made from the consumers of water connections under the Water Supply scheme of “Naljal”. Test-check of information made available by 18 GPs revealed that the amount of Rs. 14.59 lakh was pending for recovery from the consumers of water connections, as detailed in **Appendix XXXI**. The reasons for pending recovery of user charges were attributed to lack of interest/cooperation of the representatives of public and non-supply of adequate drinking water and it was stated (September – November 2007) that recovery would be made. Besides, State was required to intimate details of recurring O&M cost recoverable by the PRIs on the scheme of Water Supply to the GOI. But no such information was supplied to GOI. On being called for, the Directorate (P&SJ) replied (December 2007) that the same would be furnished after examination of facts.

### **10.2.9 Non-conducting of Social Audit**

Social Audit of each construction and development work was to be conducted mandatorily by the Gram Sabhas (Village Assemblies) as per para 13 of the revised guidelines<sup>10</sup>. Scrutiny of information of 30<sup>④</sup> test checked GPs of four districts revealed that the Social Audit was not conducted by the concerned Gram Sabhas for want of instructions/knowledge and work load etc. as replied by the such PRIs.

---

① Bhopal (19), Gwalior (7), Indore (11), Mandsaur (17), Satna (9) and Ujjain (4)

② Bhopal (3), Gwalior (8), Indore (7), Satna (7) and Ujjain (8)

③ Bhopal (24), Gwalior (8), Indore (12), Satna (11) and Ujjain (9)

④ Bhopal (15), Gwalior (7), Indore (5) and Ujjain (3)

### 10.2.10 Execution of non-permissible works

TFC felt that grants for PRIs should be used to improve the service delivery by the panchayats in respect of Water Supply and Sanitation according to the para 2.1 of the GOI guidelines<sup>4</sup>. It was also recommended in Chapter 8 (Para 8.40)<sup>11</sup> of the Report that the TFC grants for the PRIs should be utilised for such purpose. The expenditure under the separate head of Maintenance of Civic Services (like: works of primary health care, cremation & burial grounds, street lighting and public conveniences etc.) was recommended in Chapter 8<sup>12</sup> of the report of Eleventh Finance Commission (Para: 8.18 and 8.22) but not in the report of TFC. Therefore, TFC grant was not to be utilised for the works under the head of minimum needs for Gram Panchayats. Scrutiny of information as made available by the Commissioner (P&SJ) Bhopal revealed that the budget provision of Rs. 325.77 crore under the scheme head of minimum basic needs to Gram Panchayats was made and an expenditure of Rs. 331.97 crore was incurred for the construction of Approach roads, Internal and other works (like: Roads, Boundary wall, Chabutra, Cremation & Burial Grounds, Street lighting and Buildings) etc. under the head of minimum basic needs to Gram Panchayats as detailed in **Appendix XXXXII**. This fact was confirmed from the records of the test checked Zila Panchayats of Gwalior, Indore, Satna, Ujjain as detailed in **Appendix XXXXIII** and in 41<sup>13</sup> GPs of six districts. This resulted in non-follow up of the report and guidelines<sup>4</sup> of TFC as well as execution of non-permissible works. The matter was brought (November 2007) to the notice of the Finance Department and Commissioner (P&SJ); reply had not been received (October 2008).

### 10.2.11 Best practices to be followed for augmenting the resources

TFC recommended best practices for augmenting the resources of the PRIs which, inter alia, included followings-

- (i) Levy of certain major taxes and exploitation of non-tax revenue sources be made obligatory for the Panchayats. The minimum rates for all such levies be fixed by the State government.
- (ii) A minimum revenue collection from the Panchayat taxes be insisted;
- (iii) All common property resources vested in the village Panchayats may be identified, listed and made productive of revenue;
- (iv) Valuation of taxable lands and buildings should be done by a separate cell in the Panchayati Raj Department of the State government and not left to the Panchayats;

<sup>11</sup> Chapter 8 (Local Bodies) of report of the Twelfth Finance Commission (2005-10) published in November 2004.

<sup>12</sup> Chapter 8 (Local Bodies) of report of the Eleventh Finance Commission (2000-05) published in June, 2000.

<sup>13</sup> Bhopal (14), Gwalior (6), Indore (10), Mandasaur (1), Satna (3) and Ujjain (7).

- (v) Powers to levy a tax/surcharge/cess on agricultural holdings should be given to the intermediate or district Panchayats:

Scrutiny of records/information as made available by the Directorate (P&SJ) revealed that none of the above practices being followed. The Directorate stated (December 2007) that the same would be collected from the districts and furnished to audit after examination.