

## CHAPTER - 5

### OTHER FINANCIAL, ORGANISATIONAL AND ADMINISTRATIVE ISSUES

#### 5.1.0 Audit Of Panchayat Accounts :

5.1.1 Till March 2003, the *accounts of the Gram Panchayats* in the State were being *audited by the 'Panchayat Auditors'* who belong to the *Panchayat Department* working under the *Director of Panchayats*. The State government however has decided to entrust the statutory audit of *Gram Panchayat* accounts to the '*Local Fund Department*' which works under the *Department of Finance*, thus conforming to the practice in vogue in most States except *Tamilnadu* (where the Deputy BDO of the Block is made the auditor of *Gram Panchayat* accounts except the "Schematic Funds" which are subject to the LF Audit wing of the State), and West Bengal (where the Panchayat Extension Officer working in the Panchayat Samithi acts as the statutory auditor of *Gram Panchayat* accounts). In other words, in our State, the government had made the LF Department auditors the statutory auditors of *Gram Panchayat* accounts also with effect from April 2003. As the LF Department was conducting audit of accounts of *Janpad Panchayats* and *Zila Panchayats* also, the posts of Panchayat Auditors have now become redundant.

5.1.2 The Panchayat Audit wing of the Panchayats Department of the State has a sanctioned strength of 16 District *Auditors* and 108 *Deputy Auditors*. The Commission understands that consequent on entrusting the *Gram Panchayat* audit to LF Department, the Panchayat Auditors restricted the scope of their functions to conducting an '*Internal Audit*' of *Gram Panchayat* accounts. Regardless of the existing size of LF Department auditors to extend their audit operations to all the *Gram Panchayats* in the State, it is time that we explore the possible avenues of defining the role of the existing Panchayat Auditors afresh, so as to avoid confusion among the *Gram Panchayats* regarding the actual agency for conducting statutory audit of their accounts.

The Commission, after a careful examination, feels that with the ever-increasing size of the State-aid to the *Gram Panchayats* and absence of secretarial assistance to the *Gram Panchayat Secretary*, prompt preparation and maintenance of appropriate accounts and related documents by the *Gram Panchayats* assumed greater importance. We have earlier recommended for a post of *Gram Panchayat Clerk/Assistant* for each panchayat as part of our '*Devolution Package*'. This should at least provide some solace to the Secretary of *Gram Panchayats*. Nevertheless, we consider that the Sarpanch as well as his secretarial staff need proper guidance in preparing and maintaining their records and registers in a systematic manner, and knowledge regarding the statutory provisions and the executive orders that may be issued by the government from time to time. *In Kerala* and *West Bengal*, some mechanism is evolved by the state government in this regard, though they are not similar in the scope of their duties.

5.1.3 In *Kerala*, the accounts of the panchayats are audited by the Examiner of Local Fund Audit and the CAG. The Local Fund Audit is a post-audit and is annual. The CAG audit is usually a test audit. In view of the substantial volume of resources, particularly under '*Plan*' account, being transferred to the panchayats in the State, the need for introducing a novel system of internal audit in the form of '*Performance Audit*' for the benefit of the panchayats was felt by the *Sen Committee appointed by the Government of Kerala*. Based on the Committee's recommendations, the State government had introduced the system of '*Performance Audit*' for the Panchayats towards the end of 1990s. Originally introduced in 1997, this innovative system/practice became more effective only from May 2000 onwards<sup>1</sup>.

The performance audit differs from the formal audit systems that are in vogue, namely, audit by statutory audit authority and the C&AG in that it is a system of concurrent evaluation of plan formulation, monitoring, rectification of errors, and procedures and other mistakes that are likely to be committed by the panchayats in the performance of their assigned duties.

---

<sup>1</sup> see GO(MS.) 172/97/LAD dated July 11, 1997; and GO (MS.) No.333/2000/LSGD dated November 30, 2000, Govt. of Kerala.

As the performance audit is a comprehensive evaluation of all the activities of a local government institution and is an internal audit system, the State government directed that no separate internal audit needs to be undertaken by the respective departments. The government further directed that all enquiries and investigation duties should be assigned to the performance audit staff, and that follow-up of audit paras/inspection reports of the Accountant General should be done by the said staff.

The Government issued sanction of staff for the performance audit work. Accordingly, the Headquarters staff consists of 26 JS/PI, 65 Clerks, 16 Typists and 26 Peons. Similarly the sanctioned field staff for the performance audit division comprises 66 Senior Superintendents, 138 PI/Junior Superintendents, 152 Clerks, and 152 Peons for the performance audit work.

In *Gujarat*, the Panchayats Act 1993 provides that the audit of accounts of a panchayat shall be carried out under the provisions of the Local Fund Audit Act, 1963<sup>2</sup>. Accordingly, audit of accounts of all the three levels of panchayats is done by the Examiner of Local Fund Audit in the State. It is usually post-audit conducted annually. Besides, the AG conducts test audit, on sample basis, of the accounts of the Taluka and district panchayats. In addition, for the Chief Minister's Fund and schemes of Rural Development Department, Chartered Accountants conduct the audit.

In each district panchayat, there is an Accounts Officer (Class-I Gazetted) and an Internal Audit Officer (Class-II Gazetted) who belong to the State-cadre posts of the Local Fund Audit Department. They conduct internal audit which is obligatory for any payment the amount of which exceeds Rs.40000/- for a district panchayat, and Rs.15000/- for a Taluka Panchayat in the district. The statute also makes provision for surcharging the amounts involved in illegal payments, on the person(s), making or authorizing such payments.

---

<sup>2</sup> see Sections 121, 143 and 163

The Local Fund Audit Department is an independent audit department under the administrative control of the Finance Department. It is a part of the Directorate of Accounts and Treasuries and is headed by an Examiner at the State level. The Examiner conducts *inter alia*, the statutory audit of panchayats through 18 district-level offices<sup>3</sup>.

The Directorate of Accounts and Treasuries conducts periodical training on audit at its own training centre and also conducts the departmental examination for them. Also a quarterly magazine is published by it regularly in which recent orders of Government/ Departments, important court judgments, etc. are included. For computerization of the head office and district offices of the LF Audit Department, the process has been commenced. Hardware has been purchased and the software is being developed through an approved agency.

In ***West Bengal***, the State government introduced a cadre of Panchayat Accounts and Audit Officers which is specifically charged with the responsibility of conducting internal audit for the panchayats at all levels. The duties of these officers are (i) detection and minimizing the fraud and errors by frequent visits to village panchayats; (ii) exerting valuable moral check on village panchayats in keeping their books of accounts up-to-date; (iii) checking the books of accounts in greater detail; and (iv) introducing increased efficiency and accuracy in book-keeping by the village panchayats. For the village panchayats, the Panchayat Accounts and Audit Officer at the block level visits all the panchayats within the block at least once in each month for organising the accounts and conducting internal audit of accounts of the panchayats. At the sub-divisional level, the Samiti Accounts and Audit Officers (SAAO) perform similar duties for all the panchayat Samitis in the sub-division. At the district level, the Audit and Accounts Officer performs duties similar to that of the SAAO, for the district panchayat. In addition, he prepares statements giving particulars of action taken by the panchayat Samitis and the district panchayats on the annual report of the Examiner of Local Accounts received from the sub-divisional officer before the same is forwarded by the District Magistrate to the Accountant

---

<sup>3</sup> see the *Gujarat Local Fund Audit Act, 1963; Gujarat Local Fund Audit Rules, 1974, and Manual of Audit* as revised in 2001.

General. The internal audit of the accounts of the district panchayat is also conducted by the Regional Audit and Accounts Officer working under the administrative control of the Divisional Commissioner, while the statutory audit of this panchayat is conducted by the Examiner of Local Accounts.

One of the innovative features of this Panchayati Raj system in **West Bengal is constitution of a District Council for each district**. A statutory District Council is constituted in each district from 1994 on the lines of Public Accounts Committee. *The chairman of the Council is the Leader of the Opposition* and its secretary is the Additional Executive Officer of the district panchayat. The vice-chairman and five other members of the Council are elected by the members of the district panchayat from amongst them. The State government also nominates three of its officials as members of this Council. The primary functions and powers of the District Council is examination of the book of accounts and associated registers of panchayats within its jurisdiction; inspecting any office of the panchayat within its jurisdiction; calling for inspection / audit reports and the action taken by the panchayats thereon; interacting with any official / functionary of the panchayats; visiting work-sites of schemes/programmes under implementation; and suggesting corrective action, or measures for improvement where needed. The Council enjoys the unique position of overseeing all the financial transactions, maintenance of accounts, and inspection reports relating to all levels of panchayats in the district.

- 5.1.4 So far as Chhattisgarh is concerned, with the task of **conducting statutory audit of the accounts of all the three levels of panchayats** having been entrusted to the **LF Department** of the State, we consider it necessary to redesignate the existing Panchayat Auditors as **"Panchayat Internal Audit Officers"**. They may be required to perform pre-auditing, advisory and promotional roles *vis-à-vis* the administrative and financial management in the panchayats, particularly akin to the **West Bengal system**. Their primary goal is to ensure that the nature and number of probable audit objections that may be raised by the statutory auditors of the panchayats (LF Department) in relation to **Gram, Janpad and Zila Panchayat** accounts, registers and other relevant records, are minimised by timely action. In particular, their new tasks should include periodic inspection of the panchayats for checking the records, registers and other related documents of their

receipts and expenditure; detection and minimising of chances of fraud, impropriety, irregularity, misclassifications, errors in the account books of the panchayats; exerting valuable moral check on the panchayats in keeping their books of account up-to-date; and posting the secretary/CEO of the panchayat of the copies of the latest changes, if any, in the statutory provisions or rules issued thereunder, and other government orders that were issued by the State government from time to time. In addition, they may be required to submit a report on their inspection of accounts of each panchayat, and the major irregularities that were noticed by them which cannot be rectified at their level, to the CEO of the **Zila Panchayat** for further necessary action. The State government may issue necessary rules or executive instructions to these Panchayat Internal Audit Officers regarding their functions, the frequency of their inspection of panchayat accounts, submission of their inspection reports, etc.

**5.1.5** As for the audit of panchayats at all levels, there is need for strengthening the Local Fund Department with adequate staff. At present, we understand the Director of Treasuries and Accounts is also the *ex-officio* Director of Local Fund Audit. To assist the Director, two posts, namely, one Additional Director and two Joint Directors, were newly created but these two posts are vacant though they are held, as a temporary arrangement, by one Joint Secretary (Finance) and Additional Director (Statistics) in *ex-officio* capacity at present. At the State level, the LF Audit Directorate consists of one full-time Deputy Director, two Assistant Directors, Senior Auditors and Assistant Auditors, supported by some secretarial staff. At the divisional level, there are six Divisional Officers, one in each division who are supported by a Deputy Director, Senior Auditors and Assistant Auditors. The Local Fund Audit wing does not have staff at the district and or sub-district levels. The total staff strength of the Local Fund Audit Wing of the State (from Director level to the Peon post) is reported to be only around 350. Saddled with the multifarious institutions placed under its audit jurisdiction, it is doubtful if the existing staff strength in the LF Audit Wing of the Finance Department can cope with the word load cast on it, particularly after the audit of **Gram Panchayat** accounts is entrusted to their wing. ***The Commission therefore, recommends that the LF Audit wing of the State is adequately strengthened to ensure that in each year, it will be able to cover all the institutions for which it is made the statutory audit authority.***

5.1.6 *In the area of audit of panchayat accounts, the Commission further wishes to make three other recommendations. First*, all the secretaries of **Gram Panchayats**, Panchayat Internal Audit Officers, and all Accounts Officers/Deputy Accounts Officers working at different levels of panchayats in the State must be given at least a week's training in the accounts of the panchayats and their audit, at the State Institute of Rural Development, each year. In fact, the training module of every training programme,, induction as well as refresher, for all the existing and new official functionaries of panchayats should invariably contain at least a three-day course content relating exclusively to the **budgeting, accounts and audit** in panchayats.

*Second*, Rule 14 of the Panchayat Audit Rules 1997 stipulates that the "panchayat shall be liable to pay such audit fees as the state government may from time to time, specify in that behalf". We understand that at present, the 'audit fees' is fixed at 0.33 per cent of the income of each panchayat from its 'own resources'.

5.1.7 Since several **Gram Panchayats** and a few **Janpad Panchayats** do not have 'own resources' regardless of the reasons therefor, they tend to refuse to pay audit fees. Besides, some **Gram Panchayats** do not want to have the audit of their accounts on the ground that they can not pay audit fees thereby deliberately delaying audit of their accounts by the LF Auditors. Nevertheless, the Commission, after careful examination of the rationale of levying an 'audit fee' on the panchayats to get their account books audited by the statutory auditors, is of the view that, there is no justification for collection of such a 'fee'. Statutory audit should never be left to the option of any panchayat. As the salaries and allowances of the Local Fund Audit staff is a charge on the State exchequer in view of these employees being state government employees, collecting meagre amounts towards audit fee from the panchayats is not necessary. Moreover, since the functions and powers of the panchayats are derived from a State Panchayat Act, and a substantial volume of State funds are being transferred to the panchayats each year, *it should be the responsibility of the government to arrange, on its own, for a regular audit of the receipts and expenditures of the panchayats so as to verify as to the application of the funds made available to the panchayats.* In *Andhra Pradesh*, and *few other States*, no audit fee is insisted on from the panchayats. In the context of our State where the

`own resources' of the panchayats at all levels constitute not more than five per cent of the aggregate resources of these panchayats, levying an audit fee will be a drag on their extremely limited own resources. *The Commission therefore, recommends that Rule 14 of the Panchayat Audit Rules, 1997 be deleted or withdrawn.*

**5.1.8** These Rules do not explicitly empower the statutory auditors to exercise powers to surcharge the persons who are responsible for the impropriety, irregularity or misapplication or embezzlement of public funds. In several States in the country, the LF Auditors are endowed with this power, and provisions to this effect are incorporated in their Panchayat Act or Rules issued thereunder. Under the existing dispensation in our State, the auditor can only submit his report to the prescribed departmental authority who is expected to take necessary action to recover the funds involved in cases of misappropriations, fraud, etc. Though the LF Auditors in the State exercise the surcharge powers in extreme cases, we understand the process of ensuring recovery of funds from those who indulged in irregular or unlawful use of public funds, is stated to be tardy. *The Commission, therefore recommends that the State Panchayat Act be amended providing for surcharge powers to the statutory auditors, and making either the State government or court of law as the appellate authorities to pronounce the final word in all cases where surcharge proceedings issued by the statutory auditors against specific persons, official or non-official and the institution are challenged by the aggrieved.*

**5.1.9** At present, many *Gram Panchayats* get the audit of their accounts delayed, and put forth several reasons, fictitious or genuine, in seeking such postponement. Records and registers which have to be produced to the auditors are not being maintained by many *Gram Panchayats*. We understand that there is lack of necessary co-operation from the *Gram Panchayats* to the auditors. Failure to produce the relevant registers, accounts, vouchers, measurement books and other related documents; misapplication or misuse of public funds; failure to hand over the outstanding cash balances by an outgoing Sarpanch to his successor; failure to physically produce `cash on hand' shown in the relevant cash books, to the auditor; non-payment or irregular payment of the prescribed audit fee to the government, etc., are stated to be some of the important findings of the LF Auditors in our State.



5.1.10 From *Table No.5.1* it could be observed that the audit of accounts of **Gram Panchayats, Janpad Panchayats** and Zila Panchayats in the State is in heavy arrears to the extent of 25972, 593 and 64 audit years respectively at the end of December 2006. In other words, the backlog in terms of no. of pending audit years, is more than twice the number of the total number of panchayats in the State. This situation needs immediate correctives. At the outset, the State government may find out whether the heavy backlog in LF audit is due to the shortage of necessary audit staff in LF Directorate or non-cooperation of the panchayats in making all their relevant records, registers and books of account available to the LF auditors or both. *A time-bound programme for the completion of post-audit of all the unaudited accounts of panchayats at all levels needs to be chalked out to ensure that not more than 10 per cent of the preceding year's accounts of the total number of panchayats at each level remain unaudited in a year. A 'special drive' to expedite completion of the pending audit of accounts of the panchayats is to be conducted by the State government also by strengthening the audit staff of the Directorate of LF Audit.* We emphasize that if audit of accounts of a public institution like panchayats is delayed indefinitely, it becomes virtually difficult to trace the old records at the panchayat level for being produced before the auditors. Moreover, cases of impropriety, major misappropriations, fraud, and misuse of government funds are likely to escape the attention of the auditors, a risk that cost heavily the morale of the tax-payers, and the rationale of the annual audit. Even if they are noticed at a later stage, it may prove to be very difficult to trace the people concerned, elected or official functionaries, for making them accountable for the monetary losses resulted due to their wrong actions during their tenure of office. The Commission therefore urges the government to treat this matter with all seriousness that it rightfully and urgently deserves. Earlier, we had recommended for the appointment of three additional accountants in each Block. *Similarly, we recommend that each Zila Panchayat should have a Chief Accounts Officer for conducting internal audit/pre-audit of all work bills and other payments of the Zila Panchayat concerned, and to ensure that audit of the annual accounts of the panchayat by the LF auditors is promptly facilitated.*

*The Commission again emphasises that the panchayat functionaries who indulge in mischief or misuse of public funds should be severely dealt with.* Financial discipline, economy, accountability and transparency in the use of public funds should not be allowed to be violated by the functionaries of panchayats at any cost.

The LF audit is equally in heavy arrears in the case of *Janpad* and *Zila Panchayats*. From the information furnished to the commission by the *LF Directorate*, as of December 31, 2006, the arrears become more evident (see *Table -5.1*).

## **5.2.0 Group Gram Panchayat Secretaries :**

**5.2.1** In para 3.2.3(A)(I) we had earlier recommended appointment of regular government servants as Secretary of two or three small but contiguous *Gram Panchayats* whose combined population, on an average, would be around 3,000. Also, we suggested appointment of one clerk/assistant in each *Gram Panchayat*. We again reiterate our earlier recommendation on this subject here. In this connection, the Commission however, suggests that the government may consider the desirability and feasibility of segregating the functions and powers of the head of the deliberative wing (*Gram Panchayat*), and the executive wing of the panchayat headed by the regular government secretary of the *Gram Panchayat* Panchayats, as corporate bodies, are merely the deliberating and decision-making authorities. The execution of the decisions of the *Gram Panchayats* is the responsibility of the executive authority (*Gram Panchayat* secretary) so long as the decisions so made by the panchayat are in conformity with the relevant statutory provisions, executive rules issued thereunder and other government orders issued by the State government from time to time.

**5.2.2** In fact, cheque-drawing power is an executive act. The executive authority of a *Gram Panchayat* is expected to deposit, withdraw and account for the receipts and expenditure of the *Gram Panchayat*. As long as he acts within the confines of the law governing the powers and functions of both the *Gram Panchayat* and the executive authority, it will be within his power to draw cheques for making lawful payments in accordance with the decisions made by the *Gram Panchayat*. Several State Acts also empower him to refuse to carry out any decision of a *Gram*

*Panchayat* if, in his opinion, such a course would contravene the existing legal framework of the panchayats, and to report immediately all such matters to the prescribed higher-level authorities. Nevertheless, the Commission is not suggesting such measures for our *Gram Panchayats* for the present, **but emphasize that the cheque-drawing power should be the joint responsibility of the Sarpanch and a regular government employee like the Gram Panchayat secretary. The system of withdrawing of the Gram Panchayat funds through cheques signed by the Sarpanch and the low-paid contractual employee like the Panchayat Karmi should immediately be given up in the interests of the long-term fiscal health of the Gram Panchayats in the state.**

### **5.3.0 Pruning The Number Of Gram Panchayats :**

5.31. The average size of a *Gram Panchayat* in terms of population is a little over 1600 in the State. Mushrooming of the number of small *Gram Panchayats*, denying them of secretarial and technical staff support, requiring these miniscule panchayats to maintain their own registers and records, and execute schemes on their own seem to be one of the maladies afflicting the rural local government in our State. While geographical, topographical and cultural factors deserve a pragmatic approach to the establishment of institutions of local governance in the rural sector of the State, economic, administrative and financial viability of these village-level institutions demand larger jurisdictions, both in terms of demography and territory. Pruning the number of *Gram Panchayats* by merging two or three small and contiguous *Gram Panchayats* wherever possible, will result in economies in staff deployment, effective supervision and control over the institutions, and redistribution of resources among the villages with varying resource endowments. The tasks of the supervisory and audit staff would also be rendered relatively easier in the process.

For the small State of Chhattisgarh with 166.48 lakh rural population accounting for around 80% of the total population of the State, constitution of as many as 9820 *Gram Panchayats* seems to be on the high side, even after taking into account the topographical and cultural specificities of the State. A large number of **Gram Panchayats**, particularly in the tribal areas are not economically,

administratively or financially viable units of local government at the village level. Multiplication of **Gram Panchayats** may assure the political aspirants of village-level seats of power and social status but that makes the tasks of equipping each **Gram Panchayat** with minimum 'core' staff, enlarging the revenue base of these panchayats, economizing the administrative costs in dealing with large number of units, and provision of secretarial and technical support, extremely difficult.

#### **5.4.0 Classification Of Panchayats :**

**5.4.1** Despite inter-local variations in resource endowments and local needs in the rural sector of a State, it is unfortunate that most of the State governments did not bother to classify their panchayats at all levels into a few categories on the basis of certain verifiable and objective parameters/ indicators of development, and link their assistance to such classification.

Needless to emphasize, strictly speaking the State governments cannot afford to treat all units of local government of a particular level, alike. That would be foolhardy and defeats the principle of equalization of delivery and standards of services to the civil society. While some State governments had classified the Urban Local Bodies into a few grades/classes, similar classification of the rural local government units is conspicuous by its absence in most of the States in the country, largely due to the nonchalant attitude of the State governments towards Panchayati Raj Institutions.

In **Chhattisgarh**, the State government would however do well not to emulate the silence of other States in this regard particularly in the light of its special features. The State government may, to start with, classify all its 16 districts as well as Blocks and **Gram Panchayats** into three or four categories on the basis of certain reliable, quantifiable and objective indicators.

The object of suggesting classification of the panchayats at all levels in the State is to drive home the need for treatment of differently situated panchayats differently for purposes of linking the State government assistance to the panchayats on a varying basis. Also it should be noted that any classification of panchayats made

at a given point of time will not be absolute and permanent. Rather the classification once made needs to be reviewed and modified for every five years in view of possible changes in some of the variables included for the original formula of classification.

**5.4.2** *The Commission therefore urges the State Government to explore the desirability and feasibility of classifying the Panchayats at all levels into two or three broad categories so as to treat differently - situated panchayats differently for the infusion of State aid to them, with the most backward panchayats receiving relatively larger financial assistance.*

#### **5.5.0 Devolution Of Functions And Powers On Panchayats :**

**5.5.1** In terms of Art. 243(G) of the Indian Constitution, devolution of responsibilities, authority and powers on panchayats is a subject over which the State legislature has been empowered to act on with a view to making panchayats institutions of self-government in planning and implementation of schemes for economic development and social justice. Our Commission therefore, does not want to interfere with the privileges of the State legislature. Nevertheless, we consider that a few observations and suggestions pertaining to this area deserve to be offered by us. In the *first* place, State Finance Commission may not be able to do full justice to its job of recommending additional fiscal measures or work out the actual quantum of revenue gap that may result consequent on devolution of additional responsibilities to the panchayats unless it has a clear idea about the probable or committed package of functional devolution for the panchayats. The Commission understands that the State government had already made '*Activity-Identification / Mapping*' exercise in respect of the additional responsibilities, powers and staff that it may transfer to the panchayats. Also there is a *MoU* by the state government with the Honorable Union Minister of Panchayati Raj on this subject.

**5.5.2** *The Commission however urges the State government to expedite the process of actual transfer of the identified responsibilities, powers and staff to the Panchayats.*

*Second*, once this process is complete, the SFC may be informed of the quantum of additional financial resources that the government would be willing to

transfer to the panchayats. If the identified activities of various development departments are entirely advisory, monitoring, promotional, etc., in nature there may not be any substantial fiscal burden on the state government. On the other hand, if the activities involve, to a large extent, implementation of schemes, then the government may have to provide assistance, both in terms of funds and staff, to the panchayats. The Commission is not aware of the nature of responsibilities that are likely to be entrusted to the panchayats during the next few years. This has prevented us from making any attempt to work out the probable revenue gap to be bridged by the government. Nevertheless, the Commission hopes that the next SFC would have a clear picture of the degree and nature of functional devolution that is affected by the government.

*Third*, before contemplating any serious functional devolution, the State government would have to bring in changes in the organisational and administrative framework of the panchayats as devolution of functional responsibilities without reference to the organisational and administrative capabilities of the panchayats render the devolution totally irrelevant. Therefore, the government may have to reorganise the **Gram Panchayats** before any purposeful or meaningful further devolution of responsibilities is brought into effect.

#### **5.6.0 Training For Capability-Building For Panchayat Functionaries :**

**5.6.1** In order to be successful in their political and administrative careers, and to contribute their skills and knowledge to the cause of strengthening the process of democratic decentralisation, the official and non-official functionaries of Panchayati Raj should improve the levels of their capabilities through training. In our State, the *State Institute of Rural Development (SIRD)* with its excellent infrastructure should be able to equip these functionaries with necessary capabilities *vis-à-vis* the role they are expected to play in the overall context of rapid rural development. We, on our part, have earmarked 2% of the Twelfth Finance Commission grant to the SIRDs and the PTCs/ETCs under their control. We believe that this earmarked fund would further strengthen these training institutions.

These institutions should have permanent/core staff comprising subject-specialists in various fields of development, and other supporting academic and secretarial staff, besides training aids.

For all new recruits to panchayats, the SIRD should be able to offer '**Induction Training**' programmes, the duration of which should be sufficiently longer. Again, for each category of panchayat functionaries, the Institute should conduct 'refresher training' programmes every year which will be at least of a week's duration. Time-bound training modules may be developed for different categories of panchayat functionaries at all the three levels. If necessary, the SIRD may outsource preparation of training modules but it should have sufficient number of knowledgeable trainers to cater to the needs of different categories of clientele of panchayats. The State government must accord top priority to training of all elected and official functionaries of panchayats. It should be made a pre-requisite for all the functionaries for earning their next increment, or drawl of their normal honorarium.

#### **5.7.0 Statutory Rules To Undergo Suitable Modifications :**

The statutory provisions and the executive rules issued thereunder by the government seem to be at variance in a significant number of cases. In some cases, the Rules are not exhaustive to cover all aspects of the relevant statutory provisions. In others, they do not strictly adhere to the letter of the law governing their issuance. *The State government, the Commission recommends, may examine all the statutory or executive rules issued so far by virtue of their delegated powers, afresh and ensure that all the rules issued as per the statutory provisions are exhaustive and are strictly in conformity with the relevant letter and spirit of the legal provisions.*

#### **5.8.0 Loan Capital To Panchayats :**

*The Commission recommends that the gram, Janpad and Zila Panchayats be encouraged to raise loan capital either from the government or District Panchayati Raj Fund for undertaking remunerative enterprises which, besides being self-liquidating in nature, would also earn them some additional*

*revenue through rents, fees or lease.* As the creditworthiness and trustworthiness of the panchayats in general is rated low by the institutional credit agencies, the Janpad and **Zila Panchayats** must be able to exhibit their ability and willingness to raise resources on their own. Panchayats at all levels must recognise that the proportion of their own resources in their aggregate resources would reflect the degree of their financial autonomy. So long as they continue to subsist entirely on State-aid, it is not possible for them to raise any loan capital from non-governmental or institutional credit agencies or open market.

### **5.9.0 A Separate Local Government Service (LGS) :**

**5.9.1** The Commission is of the view that, as Panchayat and Municipal institutions have come to stay in the wake of the 73<sup>d</sup> and 74<sup>th</sup> Constitutional Amendment Acts, it would be appropriate to create a new service for all the employees of these local government institutions. *This 'Local Government Services' (LGS) may consist of three wings, namely, administrative, technical or engineering, and accounts.* Posts like Deputy CEO, Administrative Officer, Superintendent, Senior and Junior Assistants, Stenographer, Computer Programmer, Town Planning Officer, Planning and Statistics Officer, etc., in the **Zila Panchayats**, municipal corporations and municipal councils can be brought under the administrative wing of the LGS. Similarly, CEOs, Deputy CEOs, Extension/Assistant Development Officers of the **Janpad Panchayats**, Deputy CEO, Assistant Planning Officer, etc., of the Town Panchayats, Secretaries of **Gram Panchayats**, etc., can also be brought under this administrative wing of the LGS. The Technical Wing comprise engineering and other technical staff working in the **Zila Panchayats, Janpad Panchayats**, municipal corporations, municipal councils and nagar panchayats. The Accounts Wing consists of Chief Accounts Officer in the **Zila Panchayats** and municipal corporations, Accounts Officers and Senior and Junior Accountants working in the **Zila Panchayats, Janpad Panchayats, Municipal Corporations, Municipal Councils** and **Nagar Panchayats**. This list is only illustrative and is meant to show how the varied categories of staff working in the rural and urban local government institutions in the State can be brought under a separate umbrella of service.



The creation of this separate LGS does not however, imply that the State government does not have the power to depute its officers to work in the panchayats or municipalities for a specified period. Like the staff working in the Central and State governments have an identity of their own, staff working in the local government institutions will enjoy the privilege of having their own identity of service through the LGS. Persons recruited or posted to the LGS can be made transferable from rural to urban local government institutions and *vice versa*. They may enjoy the pay scales and allowances on par with State and Union government can share the total costs of establishment in the LGS in the ratio of 50:50. *The State government may therefore bestow its attention on this issue and examine the desirability of creating a separate Local Government Service in our State*. If the proposal finds favour with the State government, necessary follow-up measures, including submission of their proposal to the Central Finance Commission, may be initiated at the earliest.

**Table No. 5.1**  
**Year Wise Pending Audited Information**  
**About Panchayats (As On 31/12/2006)**

S.N.	Body	Total No. Of Bodies	Financial Year Wise Pending Audit							Total No. Of Pending Financial Years
			Till March 2000	Till March 2001	Till March 2002	Till March 2003	Till March 2004	Till March 2005	Till March 2006	
1	Zila Panchayat	16	07	07	09	09	09	10	13	64
2	Janpad Panchayat	146	34	47	58	93	102	118	141	593
3	Gram Panchayat	9820	-	-	-	-	7993	8491	9488	25972

Source : Directorate of L.F. Audit, Govt. of Chhattisgarh, Raipur, (March. 02, 2007)