Chapter 8

SUMMARY AND CONCLUSIONS
CHAPTER - EIGHT

Summary and Conclusions

The basic objective of the present study is to examine critically the financial management practices followed by the PRIs in West Bengal in general and those of Howrah district in particular. To attain the core objective, humble attempts have been made in the study to explore how the finances are being collected by PRIs and how economically, efficiently and effectively these are utilised and what measures have been taken to secure and safeguard public money in achieving financial accountability. The present study is based on the principle of two-stage stratified sampling where PSs are divided into three strata, namely, where usage of agricultural land is lower (Stratum I), usage of agricultural land is higher (Stratum II) and rest close to urban areas (Stratum III). 21 GPs (3 each from Stratum I, II and III) seven PSs and Howrah ZP are considered for the study. The study began with discussing a framework of PRIs in general and West Bengal in particular. The chapter is divided into three major sections. In section I, it has been discussed the origin and development of Panchayati Raj system in rural India. The section - II has been devoted to discuss the Panchayati raj system as developed in West Bengal. The final section narrates the demographic details of Howrah district with special emphasis on the developmental progresses of Panchayati raj system since inception.

In chapter three an endeavour has been made to discuss the pattern of governance prevailing in Panchayati Raj system of West Bengal. It has dealt with financial governance and its importance in PRIs and then has narrated structure of governance in GP, PS and ZP in West Bengal. In finance section, an overview of panchayat finance has been discussed giving special importance on internal resource mobilisation and fiscal power of PRIs, as entrusted with the Act, in generating resources out of own source of fund.

The accounting system of governmental entities gives stress on receiving, managing and expending public monies in accordance with the authority within the constitution, acts, financial regulations, and budgets. It also includes the system for managing cash releases, maintaining records of receipts and payments, and providing reports for monitoring and control. Keeping in view of the basic philosophy of government accounting and reporting, discussions have been made in chapter four on some basic issues like fundamentals of government accounting, framework of government accounting and fund concept, basis of government accounting and accountability. The financial reporting practices of PRIs in West Bengal has been discussed in the next part of the chapter.
highlighting issues on budget, recording of transactions and preparation of financial reports by these institutions. The audit practices of PRIs are also discussed in the chapter.

It has now been advocated from various corners of academic and professionals who are working on the contemporary issues on financial management of government and not-for-profit organisations that since the Panchayati Raj Institutions commit large sums of money to projects that incur costs and generate benefits over long period of time, either the investment decisions or financing decisions or both, a proper financial planning and management is a must for these institutions to get the best results. Chapter five has dealt with analyzing the important factors and elements responsible for developing an effective financial management system of government organizations in general and PRIs in particular. It has given stress on the framework of financial management in government organisations highlighting the broad financial management objectives of government organisations, basic elements of an effective financial management system of these entities. It also has discussed the techniques of financial management in PRIs which contains cash management, revenue management, expenditure management and asset management techniques. The process of financial management in PRIs of West Bengal has also been discussed at length.

Having discussed the financial management system of government organisations in general and Panchayati Raj in particular, the study has focused on chapter six to discuss the financial management practices followed by selected PRIs in Howrah district. The data as collected by way of administering questionnaire and secondary sources like budget and financial reports have been analysed highlighting areas like rules compliances, mobilisation of resources, pattern of expenditure etc. Detailed discussions are made on GPs belong to different stratum. For PSs and HZP, separate analysis has been made highlighting specific issues relating to procurement and utilisation of finance.

In the penultimate chapter (i.e. chapter 7), the shortcomings of the present system of financial management as practised by the PRIs in West Bengal in general and the Howrah district in particular are identified and the factors which are responsible for such deficiencies are also located. These are discussed under three broad heads, namely, assessment of record keeping and rules compliances, assessment of procurement and utilization of finance and assessment of performance of District Council in financial management mechanism of PRIs. The areas, Inter alia, include budgeting, accounting, utilisation of funds, internal control, and implementation of schemes, revenue, asset management and rules compliances.

There is no denying the fact that current spending by the Panchayats of the state as a whole is too little to make a substantial impact on the economic and social life of the people within a reasonable
period indicating that they should have more resources under their command. This is also true for the PRIs operating in Howrah district. Besides, the Panchayats are presently unable to fully utilize the resources available with them. The Panchayats have a poor resource base for own source revenue (OSR), which is insignificant compared to the total fund available with them (as discussed in Ch- 6). At the same time those bodies are unable to utilize the entire potential of collection of OSR because of many factors. Therefore, several measures are to be taken for both augmenting availability of fund with the Panchayats including OSR and at the same time there is need for augmenting capacities of Panchayats and putting several systems in place for effective and faster utilization of available resources and maintaining transparency and financial norms of a high standard for minimizing fiduciary risks. The present chapter describes the current initiatives and steps to be taken for realizing the broad objectives related to both augmentation of OSR as well as proper management and utilization of fund.

**Mobilization of Own Source Revenue**

Only the GP has the power to collect tax from homestead land and building and from advertisement. Other sources of revenue of all the tiers are through various tolls, fees and rates in exchange of providing various services. All the tiers also collect non-tax revenue through various remunerative assets. Sincere effort need to be made for augmentation of OSR of the PRIs to avert the high dependence on higher tier governments for day to day expenditures. Under Section 223 of the West Bengal Panchayat Act 1973, it is mandatory for every Gram Panchayat, Panchayat Samiti and Zilla Parishad to adopt a bye-law for enhancement of resources. PRIs in our study had mostly prepared the bye-law but their adoption is not satisfactory. It may be mentioned that in the year 2003, model bye-laws were prepared by the State Government and the Panchayats were motivated to frame their own bye laws. The bye-laws cover basically the non-tax sources of revenue mobilization. Because of these initiatives OSR of the PRIs in the state as a whole has increased from Rs 51.91 crore during the year 2003-04 to Rs 112.84 crore in 2007-08 i.e., the same has registered a simple annual growth of around 30% during the previous four years. A close study on the Annual Reports of P&RD reveals that total availability of fund with the PRIs of the State (excluding fund that flows per year to those bodies from different line departments of the State Government, which is estimated to be of the order of a hundred crore or so) during this period has increased from Rs 962.85 crore to Rs 3230.43 crore during the same period. It works out that availability of fund with the PRIs of the State has grown at a simple annual rate of around 59% during the last four years. As a result, in spite of rapid growth of OSR its share with the total revenue of the PRIs has declined over the years. Share of own revenue is an important indicator of strength of the local bodies and low share in respect of PRIs of the State at present calls for more emphasis on collection of OSR by the PRIs by augmenting
the revenue base as well as improving efficiency of collection. A list of such revenue base of PRIs of Howrah district as collected by administering the questionnaire is shown in Appendix-v.

There is scope to improve collection of property tax by the GP. Assessment of that tax requires huge collection of data of individual property-holders. The GP has little capacity to collect and handle the huge database and to assess property tax properly. In the year 2006, the West Bengal Panchayat (Gram Panchayat Administration) Rules, 2004 has been amended, which provides that every assessee has to submit a self-declaration of properties under his/her control and their market values. Introduction of self-declaration will help the GP to take a leap towards adoption of a scientific tax assessment approach. This self-declaration process should effectively be introduced in all the Gram Panchayats on urgent basis. This will aid in preparation of tax assessment list based on such declaration. One of the advantages that will derive by taking such a step is most of the assesses can be brought under the tax net and GPs can easily estimate the total demand. However, to make the initiative successful it requires computerization of the tax demand and progress of collection for which necessary application software need to be developed and capacity of the GPs will be enhanced for its use.

Previously there was no enabling provision in the rules for assessment of non-tax revenue. The amendment of the West Bengal Panchayat Act in 2006 has introduced the system of assessment for non-tax sources as well. These assessments will be based on bye-laws in most cases and all Panchayat bodies will adopt appropriate bye-laws for themselves and collect rate, fee, toll etc. using all clauses of their adopted bye-laws. Meanwhile, in order that full revenue potential of the Panchayats is realized a list of assets of all the Panchayats is being compiled. This will help to develop the resource base of PRIs (as discussed under asset management). The task of filling up of both tax and non-tax assessment list will help to assess the revenue base of the GPs in the days to come. These will certainly enhance collection out of the demand and can be maintained on a continuous basis.

This process of preparation of a proper and scientific assessment list requires time, attention and will of Panchayats. Resource mobilization was never a preferred area of attention of the PRI members. Most important step initiated for improving OSR is orientation of the members on the need for augmenting OSR and constant monitoring on the performance. The same will be taken up in the right earnest by organizing orientation camps of PRI members and officials directly as well as through Lokasiksha Sanchar [satellite based Training and Development Communication Channel
(TDCC)], campaign through radio programmes and through better monitoring at all levels. More involvement of the GUS in preparation of assessment list has been advocated in the amended rule. People, generally feel reluctant to pay tax and the GUS will be oriented to make people aware of their responsibilities. It has been observed that the people feel at ease to pay tax when the payer can relate paid tax with justified spending out of this fund and there are quite a few success stories in this regard. The State Government will facilitate percolation of this idea for more visibility of spending out of the own revenue of the local bodies, more disclosure of information related to both collection and utilization of OSR for better appreciation and compliance to payment of tax and other revenue by the people.

Expenditures out of OSR are also being tracked for the purpose mentioned above, which reveals that the expenditure for development purpose is still not at the required level. The amendment in 2006 lays down, inter alia, that a Gram Panchayat should utilize at least 50 per cent of OSR collection for development work in the area. The GPs will be motivated to implement this provision for improving tax compliance. In 2007-08, ZP and PS respectively utilized 65% and 60% of their OSR for contingent expenditure, i.e., not for development purpose. More attention will be paid to track the expenditure pattern of the PRIs and to sensitize those bodies for better utilization of the OSR for meeting their critical needs. A cell has already started functioning as a part of the programme for Strengthening Rural Decentralization to analyse all information related to resource mobilization and its utilization. That will help sensitizing the Panchayats in better utilization of their own resources.

Twelfth Finance Commission has recommended maintaining parity for release of grants with the resource mobilized by the respective PRI. Weightage has been given on OSR in working out the formula for allocation by the State of fund received as grants from the 12th Finance Commission. This has been able to enliven the attention of the PRIs towards the need for resource mobilization. In the coming years, it is expected, complete dissemination of this information of incentive grant will help to change the mindset of the PRI functionaries. Incentive schemes need to be launched by the State Government to encourage collection of OSR, which will further be stimulus in the collection of OSR. It is expected that the OSR of GPs will increase at a compounded rate of at least 25% and that of the other tiers will increase by at least 10% over the next five years. Emphasis will be given on improving scope and quality of services being delivered by the Panchayats as well as creating more income generating assets in the coming years for augmenting the revenue base of the Panchayats. Apart from these initiatives, some more new avenues of resource mobilization will be explored. The Third State Finance Commission (2008) has considered the issue very carefully and
recommendations have been made accordingly keeping in view of prevailing poor mechanism of collection.

**Improvement of Budgetary Control and Financial Management**

Since many of the components of expenditure by the Panchayats are scheme based, the practice of proper budgetary control has not received enough attention, rather observance of only the scheme guidelines and maintaining scheme based fund utilization became the sole criteria. However, when the fund is credited to a Panchayat any expenditure has to be duly authorized by the competent authority and actual expenditure should be subject to budgetary control. The target will be to ensure that each Standing Committee / Upa- Samiti will have positive contribution in preparation of budget and will exercise due budgetary control on expenditure related to its domain of activities and appropriate management practices will be followed for proper application of fund. In order to achieve that there will be need for capacity building of all personnel associated with financial management of the Panchayats. Such capacity building can be better facilitated through computerisation of all accounting and financial management related activities, putting appropriate system for monitoring financial performance in place and organizing training of all the functionaries for efficient functioning of the system. Norms and formats for essential disclosure related to financial management of the Panchayats will be developed for better accountability to the respective Sansads. The members of the Standing Committee on Finance will be oriented for completing budgetary exercises on time, ensuring better budgetary control on all expenditure and monitoring financial performances including utilization of fund and avoiding time and cost overrun on a regular basis. The State Government monitors the financial performances of all the ZPs every month. The similar monitoring process should be taken up by the ZP for all the PS and the GPs within the jurisdiction. At present there are deficiencies in Howrah ZP to take up the monitoring process. Capacities of the ZP need to be appropriately augmented for undertaking that task.

In order to use the budget an effective tool for managing financial resources of PRIs in West Bengal in general and Howrah district in particular, the following features need to be incorporated in the budgetary processes:

- **A Policy Document**—The budget would document the financial, operational policies, and priorities that guide budgetary decisions of PRIs. Budgetary goals and objectives, and expenditure priorities would be articulated and documented.

- **A Financial Plan**—The budget would serve as the panchayat’s financial plan by identifying revenues and expenditures. Furthermore, the assumptions and trends upon which these financial projections are made would also be described. Through the use of charts and tables, panchayats would present financial data in a clear, concise and easy to comprehend manner.
An Operations Guide—The budget would describe the activities, services or functions to be carried out by PRIs. Qualitative and quantitative measures, or outputs, by which program performance and results will be evaluated, would be identified. Program beneficiaries, such as the number of citizens served, and the number of employees required to carry out each activity would be specified. Therefore, the budget of each institution not only identifies the cost of each activity, but also the level of service to be provided, the number of citizens who will benefit from the service, and the staffing level required to carry out the activity.

A Communication Device—The budget document would serve as the mechanism by which rate payers, people attending at Gram Sansad meeting, panchayat officials, policy-makers and others can understand a panchayat’s budgetary issues, trends, and choices addressed in the budget.

Improvement of Accounting Practices and Computerisation of Accounts

Better financial management demands better maintenance of accounts. New rule for maintaining double entry system of accounts for the ZP and the PS has been introduced from the financial year 2003-04 and that for the GP has been introduced from the financial year 2008-09. With introduction of double entry accounting system it has become easier to track fund received from different sources and to exercise necessary budgetary control. However, the same can be done easily only when the accounts is computerized. Two software have been developed in-house for this purpose. Gram Panchayat Management System (GPMS) has been designed to serve the Gram Panchayats and the SARAL-IFMAS (Integrated Fund Management and Accounting System) has been developed to fulfill the needs of the upper two tiers of the Panchayats viz. Panchayat Samiti and Zilla Parishad. It is observed that the locations where such initiatives have successfully been adopted, time taken for various accounting operations have been minimized, accuracy level have been increased and the quality of accounting have been improved and uniform standard of accounting has been established. Since the starting of this initiative in 2005-06, accounts of Howrah Zilla Parishad have been computerised. It has been found from the questionnaire survey that at the end of the financial year 2009-10, five PSs under the purview of our study have been brought under the coverage of the SARAL-IFMAS software and most of them are using the software satisfactorily. However, the progress of installation of GPMS software at Gram Panchayats is negligible during the same period of time. But the Annual Report of PRDD (2009-10) reveals that in some districts in the State (e.g. Bardhaman) Gram Panchayats are working with the software with desired level of satisfaction. However, necessary capacity building of all concerned and the same, including those for adoption of the double entry & double column cash books of the GPs as per the West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules, 2007 is a pre-condition for successful operation of the
Software need to be developed for transferring financial data efficiently, which will help the higher tiers to analyse the financial performance and advise on improving better financial management.

Improving Efficiency and Transparency in Procurement and Payment

One aspect of improving efficiency of using financial resources is to procure goods and services efficiently. It has been decided that all ZPs will adopt e-procurement measures gradually beginning from the year 2008-09. The process has started with publication of all procurement above Rs. 10 lakh in the website of the department and the ZP concerned and will be initially a hybrid combination of both manual and electronic processes. The process will be completed by automatic evaluation of the bids without any manual processes. Adoption of e-procurement measures entirely will be completed by all the ZPs by the year 2009-10. This will result in reduced delay in procurement, lesser amount of resources getting locked up for such delay and will also improve transparency of procurement, which is important for good governance. Documentation of all procurement including various engineering works will make it possible to improve contract management, which will also lead to more efficient utilization of available resources. All payment by the ZPs against procurement is planned to be made electronically by the year 2009-10. Similar measures will be taken for the Panchayat Samitis from the year 2010-11 or earlier and will be completed over a period of three years.

Internal Audit of Panchayat Accounts

Accounts of all the tiers of Panchayats are being audited at present by the Comptroller and Auditor General of India (CAG). There is need for follow up of the audit reports for improvement of the system. The audit set up at the field levels will be appropriately strengthened for that purpose. For monitoring the whole arrangement the Directorate of Panchayat and Rural Development will be strengthened by opening an Audit & Accounts Cell. Training of all personnel concerned on accounts, audit and related matters of financial management will be strengthened with the help of the SIPRD and the ETCs as well as other professional training institutes.

Social Audit

If a reliable system of social audit is built up, it will have multi-dimensional salutary effects. It will bring transparency in proper use of fund and will also eliminate misutilisation of fund to a large extent. The system will also bring in its wake more sensitisation of the common people, increase their awareness and will encourage their closer participation in the development process. A system
has already been built where the Gram Panchayat will place the annual plan, budget, half-yearly and annual income and expenditure statement and the audit reports and action-taken reports following internal audit as also annual audit by the Examiner of Local Accounts, in the meeting of the Gram Sansad and the Gram Sabha for scrutiny, debate and recommendation. Though any one can access information related to any financial parameter using the RTI Act, norms for minimum disclosure of financial information before all the Sansads should be prescribed. In addition to that, norms for reporting to the citizen on a regular basis in the (a) wall of the Panchayat office, (b) notice-board in front of the Panchayat office, (c) display boards in prominent places and other means will also be prescribed. The departmental officers have to compulsorily attend the Gram Sabha meetings and they can play a role in providing handholding support to steer the function. Apart from the aforesaid measures, steps will be taken to put in place a more structured system of social audit, to be conducted by a group of persons consisting of primary stakeholders who will function under some specified norms and procedure as has been done for the MGNREGS, in respect of all the programmes.

Scrutiny of Panchayat Accounts by the Legislature
There was no formal arrangement for scrutiny of the accounts of the Panchayats by the State legislature. Necessary change in the West Bengal Panchayat Act has been made very recently for allowing formal scrutiny of the Accounts of the Panchayats based on the report of the Comptroller & the Accountant General of India. That will improve the accountability of the Panchayats as well as more scrutiny of Panchayat Accounts will help in improvement of the system.

Cash management and electronic transfer of Fund
The cash management function of any organization is responsible for establishing and maintaining a set of policies and procedures with the dual purpose of ensuring that funds are available to cover payments made for program purposes, while also ensuring that funds as received from upper tier government have been drawn unreasonably in advance of when they are needed to pay for program expenses.

As referred in chapter seven, the PRDD, Government of West Bengal has introduced a fund transfer mechanism with the help of State Bank of India (SBI). Similar initiation has been come into effect in Howrah district. But all the GPs in the district are yet to cover the said mechanism and the process of electric transfer of fund is not beyond criticisms and referred in chapter seven. In the present system the Panchayat has to maintain one extra account with SBI. The system will be improved further, for which the matter has already been taken up with RBI and other banks so that fund is
transferred electronically to the existing accounts of the Panchayats. Information on release of fund is being published in the website of the PRDD. A project for "Mobile Governance" has been taken up and it is expected that all information on fund release will be possible to be communicated to the persons concerned through SMS services. It is suggested that such SMS services should be extended to the members of GUS as and when fund is being released. It helps the members to be aware of when the fund comes to the GP and how much fund has been released. Needless to mention, the successful operation of such type of fund transfer will add positive approach towards financial management of PRIs by way of ensuring better degree of transparency and accountability.

RECOMMENDATIONS

1. A comprehensive exercise needs to be taken up regarding broadening and deepening of the revenue base of local governments. This exercise will have to simultaneously look into four major aspects of resource mobilisation viz. (i) potential for taxation (ii) fixation of realistic tax rates (iii) widening of tax base and (iv) improved collection. Government may incorporate this as one of the terms of reference of the Thirteenth Finance Commission.

2. All common property resources vested in the Village Panchayats should be identified, listed and made productive for revenue generation.

3. State Governments should by law expand the tax domain of Panchayats. Simultaneously it should be made obligatory for the Panchayats to levy taxes in this tax domain.

4. At the higher level, the local bodies could be encouraged to run/ manage utilities such as transport, water supply and power distribution on a sound financial basis and viability.

5. The expanded tax domain could inter alia include levies on registration of cattle, restaurants, large shops, hotels, cybercafés and tourist buses etc.

6. The role of State Governments should be limited to prescribing a band of rates for these taxes and levies.

7. PRIs should be given a substantial share in the royalty from minerals collected by the State Government. This aspect should be considered by the SFCs while recommending grants to the PRIs.
8. State Governments should consider empowering the PRIs to collect cess on the royalty from mining activities. In addition they should also be given power to impose and collect additional/special surcharge from such activities (mines/minerals/plants).

9. Innovative steps taken by the States and the PRIs to augment their resources must be rewarded by linking Central Finance Commission and State Finance Commission grants to such measures. States may reward better performing PRIs through special incentives.

10. In the tax domain assigned to PRIs, Pillage Panchayats must have primary authority over taxation. However, where such taxation has inter Panchayat ramifications, the local government institutions at higher levels - Intermediate Panchayat and Zila Parishad could be given concurrent powers subject to a ceiling. Whenever a tax/fee is imposed by the higher tier, such taxes should be collected by the concerned Village Panchayats.

Suggestions for Revenue Generations

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**New Era of Financial Management**

Any new grant must establish "eligibility" requirements for access to grant funds, that is, necessary conditions without which the local foundations for financial management may not be prepared to assume the successful implementation of the new grant. In addition, it is also possible to identify performance criteria that may allow "graduation" of GPs (depending on the ultimate design of the grant) to larger grant amounts or greater discretion in the use of funds granted. Finally, reforms suggested include those to the financial management system that should be in place by the time the grant program expires.

"**Eligibility Requirements**" for the Grant may be pointed out as below:

1. Qualifying GP must indicate that all GUS have been constituted at the GS level of the GP, especially if encouraging GS level participation is an objective of the new grant.

2. Qualifying GP must indicate that GPMS software is operational and In use; financial reports have been prepared using the GPMS in the previous budget year.

3. Ensure by laws are issued regarding the schedule of non-tax charges to improve own revenue collection capacity and, with it, discretionary powers of GPs.

4. Qualifying GP must reside in block in which vacancies of internal audit positions at the PAAOs have been filled.
5. Qualifying GP must indicate the existence of Executive Assistant.

6. Qualifying GP must indicate that budget in the last fiscal year was finalized and published within the defined timeframe of 2007 budget, accounting and audit rules.

7. Qualifying GP must indicate that the budget is published and widely shared with the local population in a timely manner.

"Graduation" Criteria for a GP receiving New Grant Funds can be identified as below:

1. Timely submission of financial reports to upper levels of government, including monthly Form 26 and biannual Form 27.

2. No expenditures made without budgetary allocation for the grant year.

3. No excess expenditure over budget for the grant year.

4. No unreconciled differences between cash and pass books for the grant year.

5. Clear alignment to West Bengal’s standard chart of accounts in financial reporting.

6. Evidence, from the internal audit report produced in June, that issues raised in the self-evaluation in the previous December have been properly addressed in current budget, by virtue of data review at the point of the fourth (annual) internal audit.

7. GP indicates timely and responsive procurement administration, by virtue of reporting through the annual internal audit process currently conducted, as well as through adherence to any future procurement manual produced.

Steps needed for evolving a contemporary financial management practice in PRIs

1) Implementation of a three to five year planning process that encompasses a medium-term expenditure framework.

2) Establishment of incentives to ensure the attendance of GP sectoral committee members to the budget meetings.

3) Preparation of sectoral expenditure ceilings from the finance and planning committee to the sectoral GP committees to ensure alignment of allocations of at least untied funds with development priorities. This would include the ability to prioritize allocation of funds across schemes that allow for multi sectoral application (BRGF) along such priorities.

4) Ensure own revenues enter the resource framework for planning and budgeting processes as well as the other available resources.

5) Replacement of the rule of a ten percent increase in resources that is applied by GPs currently to grant funds for budget preparation with a more conservative rate; consider application of a rate that reflects actual grant revenues from the previous budget year.
6) Introduction of accrual accounting in participating GPs by the end of the grant support period.
7) Standardization of registers at the GP level with a view towards simplification in order to reduce the administrative burden of local governments.
8) Evaluation of the annual self-assessment and the annual internal audit conducted in June for fewer, more reliable measures of performance.
9) Evaluation of the annual self-assessment and the annual external audit for fewer, more reliable measures of performance.
10) Increasing the number of IT support specialists and trainers at the upper PRI and state levels to ensure proper response to GPMS implementation problems at the GP level.
11) Evaluation of the tax collector role and capacity; strengthening this position can help strengthen the fiscal and management capacities of the GPs.

Implications of Further Research

The present study has been confined to financial management aspects of PRIs in a district of West Bengal. The study has not paid adequate attention to cost and management aspects of PRIs. A proper cost determination system is required to compute unit costs of projects and various services like water supply, street lighting, sanitation etc. and the economic viability of those projects. Measurement of performance in various departments at each level of Panchayati Raj is not considered in the present study and therefore, a serious study is required to judge how efficiently and effectively the line departments are performing. Another area of research may relate to the community participation in developmental projects and to assess how the people’s participation to such projects helps achieving the sustainable rural development of the economy. The relationship between good panchayat governance and better financial management may be identified as another important area of research.