

CHAPTER IV

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF PANCHAYAT RAJ INSTITUTIONS

Highlights

All the 29 functions listed for devolution as per Seventy-third constitutional amendment had been reported as transferred to Panchayat Raj Institutions. However transfer of functionaries for carrying out these functions is yet to be done.

No interest was given by the State Government for the delayed release of Twelfth Finance Commission grants to panchayat unions and village panchayats during 2006-07.

Though 32,164 inspection paragraphs of Director of Local Fund Audit relating to panchayat unions and District Panchayats were pending settlement as of March 2007, no inspection paragraph was settled during the last one year.

4.1 Introduction

4.1.1 In the first few years after independence, community development programmes were implemented in the State through a three tier system of Panchayat Raj Institutions (PRIs) viz., panchayats, community development blocks and district boards. While panchayats and blocks were responsible for implementation of programmes, the district boards were in-charge of administration. Subsequently, a two tier system of panchayat administration viz., Panchayats at village level and panchayat unions at block level was introduced in the State by the Panchayats Act, 1958 and the district boards were abolished.

4.1.2 To promote greater autonomy at the grass root level and to involve people in identification and implementation of developmental programmes involving gram sabhas, the Seventy Third Constitutional Amendment Act, 1992 was promulgated (April 1993). Consequently, the Tamil Nadu Panchayats Act, 1994 was enacted which came into effect from 22 April 1994. Under this Act a three tier system of Panchayat Raj Institutions (PRIs) viz., village panchayats at the village level, panchayat unions or block panchayats at the intermediary level and district panchayats at the apex level were established. There were 12,618 village panchayats, 385 Panchayat unions and 30 District panchayats in the State as of March 2007.

The population of village panchayats as per 2001 census in the State varies widely, as shown in **Table 4.1**.

Table 4.1: Number of village panchayats – Population-wise

Population of Village Panchayat	Number of Village Panchayats
Below 500	66
Between 501-3,000	8,418
Between 3,001-10,000	3,948
Between 10,001-25,000	174
Above 25,000	12
Total	12,618

(Source: Policy Note of Rural Development and Panchayat Raj Department for 2007-08)

Similarly, wide variations were also noticed in the income levels of various village panchayats, as given in **Table 4.2**.

Table 4.2: Income-wise classification of village panchayats

(Average income of three years from 2003-04 to 2005-06)

Sl. No.	Income range per annum	Number of Village Panchayats
1	Upto Rs 50,000	10
2	Between Rs 50,000 and Rs one lakh	178
3	Between Rs one lakh and Rs five lakh	7,422
4	Between Rs five lakh and Rs 10 lakh	3,181
5	Between Rs 10 lakh and Rs 25 lakh	1,489
6	Between Rs 25 lakh and Rs 50 lakh	252
7	Between Rs 50 lakh and Rs one crore	60
8	Between Rs one crore and Rs 3 crore	24
9	Above Rs 3 crore	2
	Total	12,618

(Source: Policy Note of Rural Development and Panchayat Raj Department for 2007-08)

4.2 Administrative arrangements

4.2.1 The administrative control of the PRIs vests with the Secretary to Government, Rural Development and Panchayat Raj Department. The responsibility for implementation of rural development programmes through PRIs devolves on the Director of Rural Development and Panchayat Raj (DRDPR).

4.2.2 District Rural Development Agency (DRDA), a society registered under Societies Registration Act, 1860 monitors all the schemes implemented by PRIs in the district. The DRDA is headed by the District Collector who is assisted by a Project Officer/Additional Collector.

4.2.3 The executive authority for the District panchayats is the Secretary at the level of Assistant Director of Rural Development and its Chairman is an elected representative.

4.2.4 In the case of Panchayat unions, the Block Development Officer (BDO) (Block Panchayat), who is also the Commissioner of the Panchayat Union Council, is the executive authority and the Chairman is an elected representative. Another BDO (village panchayats) is responsible for the implementation of the schemes by the village panchayats. In case of village panchayats, the President, an elected representative, is the executive authority.

4.3 Accounts and Audit

4.3.1 Accounts and database formats

4.3.1.1 State Government issued orders (April 2004) adopting the accounts formats prescribed by the Comptroller and Auditor General of India. The accounts formats have not been fully operationalised yet, as some modifications to suit State specific requirements are underway. A copy of the simplified format of accounts for village panchayats was forwarded by Audit to DRDPR, with a request to furnish suggestions. The same was forwarded (April 2007) by DRDPR to Director of Local Fund Audit (DLFA) seeking his suggestions. The DRDPR stated (December 2007) that the remarks of DLFA are yet to be received.

4.3.1.2 State Government also agreed (February 2005) to adopt the database formats on the finances of the PRIs, prescribed by the Comptroller and Auditor General of India. The DRDPR stated (December 2007) that a detailed reply on the current status of maintaining of database would be sent shortly.

4.3.1.3 Details of various accounts maintained by PRIs are discussed below:

(a) Village Panchayats

Village panchayats are required to maintain four accounts *viz.*,

- (i) Village Panchayat Fund Account
- (ii) Village Panchayat Earmarked Fund Account
- (iii) Village Panchayat Scheme Fund Account
- (iv) Village Panchayat Drinking Water Account

The cash balances of the above accounts are maintained in Co-operative Banks, Regional Rural Banks, Post Office Savings Banks and Nationalised Banks and operated jointly by the President and Vice President of the panchayat.

(b) Panchayat Unions

Panchayat unions are required to maintain four accounts, *viz.*,

- (i) General Fund Account
- (ii) Education Fund Account

- (iii) Nutritious Meal Fund Account
- (iv) Scheme Account

Besides the above, two more accounts are also maintained according to necessity viz.,

- Village Panchayat Consolidated Fund Account
- NABARD (10 per cent) Account

The above accounts are operated through the Treasury and amounts released through the State budget are deposited in them. The amounts received directly from Government of India for certain schemes are deposited in Banks, as required under the orders issued.

(c) District panchayats

The main source of finances for the District panchayats are State and Central Government grants. After meeting expenditure on staff and contingencies, the District panchayats can take up works with the remaining funds. The District panchayats are required to maintain two accounts, viz.,

- (i) General Fund Account
- (ii) Scheme Fund Account

The funds received by District panchayats are kept in banks, irrespective of the purpose for which received.

A chart showing the funds flow to PRIs is given in **Appendix 4.1**.

4.3.2 Audit arrangements

4.3.2.1 In accordance with Section 193 of Tamil Nadu Panchayats Act, 1994 Government of Tamil Nadu appointed the following officers as Auditors for PRIs as given in **Table 4.3**.

Table 4.3: Audit arrangements for PRIs

Tier of PRI	Auditors appointed	Periodicity
District Panchayat	Director of Local Fund Audit (DLFA)	Annually
Panchayat Union	DLFA	Quarterly
Village Panchayat	(i) Deputy Block Development Officer (DBDO) except audit of scheme accounts	Quarterly
	(ii) Assistant Director of Rural Development (Audit) except audit of scheme accounts	Quarterly
	(iii) DLFA for audit of scheme accounts	Annually (test check)

4.3.2.2 Accounts of District panchayats and panchayat unions are also audited by Principal Accountant General (Civil Audit) under Section 14(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). Further technical guidance is provided by the Principal Accountant General to DLFA regarding audit of District panchayats and panchayat unions in terms of order of Government of Tamil Nadu (March 2003).

4.3.3 Compilation of Annual Accounts by PRIs and Audit of PRIs

DLFA is the statutory Auditor for panchayat unions and District panchayats. Based on the recommendation of Second State Finance Commission (SSFC), DLFA is conducting only test audit of village panchayats.

4.3.3.1 *Compilation of Annual Accounts and submission of Accounts by PRIs*

The position relating to compilation of Annual Accounts and submission of accounts by PRIs, as of 31 March 2007, as reported by the DLFA revealed that all the PUCs and district panchayats have compiled and submitted their Annual accounts upto 2005-06 and the compilation of account for the year 2006-07 by all the 385 PUCs and 30 District panchayats were in progress (August 2007).

4.3.3.2 *Audit of PRIs*

(a) The audit of all 30 district panchayats and 385 panchayat unions for the year 2006-07 is pending, as reported (November 2007) by DLFA, as of October 2007.

(b) The regular audit of village panchayats was conducted by the Deputy Block Development Officers and 22 *per cent*¹ of the total number of village panchayats has to be test checked by the DLFA annually as per Government orders of November 2002. The position of audit of village panchayats, as reported (November 2007) by DLFA as of October 2007, is given in **Table 4.4**.

Table 4.4: Position of audit of village panchayats as of October 2007

Category of PRIs	Total number to be audited	Number of RLBs wherein Audit not completed for			
		2003-04	2004-05	2005-06	2006-07
Village Panchayats	2,524	535	1,150	2,127	2,524

4.3.3.3 The main reason attributed (November 2007) by DLFA for non-completion of audit in the above institutions was non-submission of accounts by the institutions.

4.3.3.4 The number of paragraphs included in the Inspection Reports (IRs) of DLFA, pending settlement as of March 2007 in respect of panchayat unions and District panchayats aggregated to 31,501 and 663 respectively. The reported (August 2007) position of year-wise pendency by DLFA is as given in **Table 4.5**.

¹ including 2 *per cent* of Village Panchayats based on receipts value of works and on specific complaints forwarded by Director of Rural Development.

Table 4.5: Year-wise pendency details of paragraphs in the IRs of DLFA

Year of IR	Number of paragraphs pending in respect of	
	Panchayat Unions	District Panchayats
Upto 1999-2000	11,549	160
2000-2001	1,081	50
2001-2002	1,398	42
2002-2003	1,525	43
2003-2004	3,741	68
2004-2005	12,207	300
Total	31,501	663

The details of pending paras relating to the year 2005-06 are under compilation and the audit for 2006-07 is under progress.

No paragraph was settled since the last report furnished by the DLFA in June 2006 and included in the previous Audit Report. There is an urgent need for holding regular joint sittings in each district with the District Officers of the Local Fund Authority for expeditious settlement of long pending audit observations.

4.4 Status of Devolution of functions, functionaries and funds

4.4.1 Though the State Government reported that all 29 functions (**Appendix 4.2**) listed in the Eleventh Schedule of the Constitution of India have been transferred to the PRIs, a study conducted by World Bank in 2006 titled India Rural Government and Service Delivery stated that none of the 29 functionaries had been actually transferred. The DRD stated that though the State Government had given powers and functions to the PRIs to match the implementation capacity and financial devolution, the decentralisation and delegation of power was a dynamic and continuous process.

4.4.2 Based on the announcement made in the Legislative Assembly on 11 August 2006, State Government ordered (January 2007) the constitution of a High Level Committee for examining further devolution of powers and responsibilities to the PRIs and to give suitable recommendations. Government in the Rural Development Department stated (February 2007) that after the receipt of the report of the High Level Committee, more devolution of powers to the PRIs would be considered. The High Level Committee had given the report to Government and the same is under the perusal of Government (January 2008).

4.5 Receipt and expenditure of Panchayat Raj Institutions

4.5.1 The details of receipts of PRIs during the last three years, as reported by DRDPR, in November 2007, are given in the **Table 4.6**. However, the accuracy of these figures could not be authenticated in the absence of data compiled from the audited accounts of PRIs by the department/Government.

Table 4.6: Receipts of PRIs

(Rupees in crore)

Category of PRI	Year	Own Revenue	Assigned Revenue	Grants	Loans	Total
Village Panchayats	2004-05	149.37	149.03	746.87	-	1,045.27
	2005-06	158.83	198.77	1,054.42	-	1,412.02
	2006-07	173.30	209.43	1,264.29	-	1,647.02
Panchayat Unions	2004-05	79.62	4.80	797.83	-	882.25
	2005-06	81.31	8.75	899.88	-	989.94
	2006-07	96.49	18.48	972.23	-	1,087.20
District Panchayats*	2004-05	-	-	122.80	-	122.80
	2005-06	-	-	127.12	-	127.12
	2006-07	-	-	185.78	-	185.78

* The receipts of district panchayats consists of grants only.

It would be seen that the receipts of all the panchayat unions and village panchayats had increased during 2004-07 due to increased receipt under all the three components viz., own revenue, assigned revenue and grants.

4.5.2 The details of expenditure of all the three tiers of PRIs during the last three years 2004-05 to 2006-07, as reported by DRDPR duly incorporating the expenditure incurred out of State and Central Finance Commission grants, are given in **Table 4.7**.

Table 4.7: Expenditure of PRIs

(Rupees in crore)

Category of PRI	Year	Revenue Expenditure	Capital Expenditure	Total Expenditure
Village Panchayats	2004-05	777.42	176.96	954.38
	2005-06	967.19	311.40	1,278.59
	2006-07	1,107.57	315.57	1,423.14
Panchayat Unions	2004-05	650.75	232.94	883.69
	2005-06	679.28	250.30	929.58
	2006-07	733.09	252.64	985.73
District Panchayats	2004-05	70.30	46.96	117.26
	2005-06	76.45	58.31	134.76
	2006-07	103.46	65.72	169.18

4.5.3 It would be seen that there was a steady increase in both the capital and revenue expenditure of all the three tiers over the period 2004-07.

4.5.4 The component-wise details of receipts and expenditure for the years 2004-07 as reported by DRDPR are given in the succeeding paragraphs.

4.6 Receipt of Panchayat Raj Institutions

4.6.1 Source of receipts

Among the three tiers, village panchayats alone have the power to levy taxes. The other source of receipts for village panchayats and panchayat unions are non-tax revenue, assigned revenue from the State Government and grants given by State Government for various purposes and by State and Central

Finance Commissions. The percentage share of allocation of various revenues among the PRIs is given in **Appendix 4.3**. The revenue of district panchayats comes only from the statutory grants like State Finance Commission grants and development grants under various State and Central schemes.

4.6.2 Tax revenue

The main components of tax revenue in village panchayats are House Tax, Profession Tax and Advertisement Tax. The position of cumulative demand (including arrears), collection and balance of these taxes during 2004-07 by the village panchayats, as reported by DRDPR is given in **Table 4.8**.

Table 4.8: Tax revenue of village panchayats

(Rupees in crore)

Year	House Tax			Profession Tax			Advertisement Tax		
	D	C	B	D	C	B	D	C	B
2004-05	59.80	53.91(90)	5.89	29.56	28.31(96)	1.25	0.42	0.37(88)	0.05
2005-06	67.10	61.15(91)	5.95	32.40	31.34(97)	1.06	0.17	0.17(100)	NIL
2006-07	73.88	63.69(86)	10.19	36.45	35.34(97)	1.11	0.48	0.47(98)	0.01

(D: Demand, C: Collection, B: Balance)

(Figures in brackets indicate percentage of collection to demand)

While the percentage of collection of both Profession Tax and Advertisement Tax was satisfactory, the percentage of collection of House Tax in village panchayats declined from 91 during 2005-06 to 86 in 2006-07.

4.6.3 Non-tax revenue

Some of the major sources of non-tax revenues of village panchayats are water charges, building licence fees, fees for approval of layouts, Dangerous and Offensive (D&O) trade licence fees, receipts from fairs and festivals, plantation lease amount, shandy lease amount and fishery rentals besides interest receipts.

The main non-tax revenue of panchayat unions is receipts from remunerative enterprises, fairs and festivals, ferries operation, choultries, marriage halls, markets, fishery rentals and fines and penalties besides interest receipts.

The total amount of non-tax revenue realised year-wise by PRIs during 2004-07 as reported by DRDPR, are given in **Table 4.9**. However, no break-up details of various kinds of non-tax revenues realised were furnished by DRDPR.

Table 4.9: Non-tax revenue of PRIs

(Rupees in crore)

Category of PRI	Year	Non-tax revenue realised
Panchayat Unions	2004-05	79.62
	2005-06	81.31
	2006-07	96.49
Village Panchayats	2004-05	66.30
	2005-06	66.17
	2006-07	73.81

While the non-tax revenue actually realised by panchayat unions showed an increasing trend from 2004-05, in respect of village panchayats, the non-tax revenue after decreasing slightly during 2005-06, went up again during 2006-07.

In order to augment the non-tax revenue base of the PRIs, the Government needs to act upon some of the recommendations of State Second Finance Commission (SSFC) like formation of separate committees at village panchayat level for revising the D&O licence fee, sharing rent from the fisheries between panchayat unions and village panchayats, fixing upset price for forest produce, etc.

4.6.4 Assigned revenue

This includes the class of taxes and levies traditionally collected by Government and assigned to the PRIs. SSFC considered the assigned revenue as part of the resource base of the PRIs and desired that the base needed to be maintained.

Entertainment Tax (ET), Surcharge on Stamp Duty (SSD), Local Cess (LC), Local Cess Surcharge (LCS) and Seigniorage Fees (SF) are some of the revenues assigned by Government to panchayat unions and village panchayats and the quantum of such revenue assigned to these PRIs during 2004-07 as reported by DRDPR are given in **Table 4.10**.

Table 4.10: Assigned revenue to PRIs

(Rupees in crore)

	Year	Local Cess	Local Cess Surcharge	Entertainment Tax	Stamp-Duty Surcharge	Seigniorage Fees	Other assigned revenues*	Total
Panchayat Unions	2004-05	ND	2.02	1.21	ND	1.57	-	4.80
	2005-06	ND	6.41	0.99	ND	1.35	-	8.75
	2006-07	ND	15.63	0.84	ND	2.01	-	18.48
Village Panchayats	2004-05	2.31	ND	3.18	104.74	26.30	12.50	149.03
	2005-06	2.15	ND	1.74	144.77	27.08	23.03	198.77
	2006-07	3.30	ND	0.94	148.36	25.27	31.56	209.43

ND – assigned revenue not due.

(* consist of 2 C tree patta fees, lease amount from mines and minerals and cable TV fees)

The Local Cess assigned to village panchayats after a slight decline in 2005-06, increased in 2006-07. The local cess surcharge assigned to panchayat unions steeply increased during 2006-07. The ET to both panchayat unions and village panchayats was on the declining trend during 2004-07. While the SSD assigned to village panchayats was increasing, the SF assigned to village panchayats is fluctuating during 2004-07. A review on the Assigned Revenues to PRIs was conducted and the comments on the performance of collection of assigned revenue along with deficiencies noticed in assignment are incorporated in paragraph 5.3 under Chapter V.

4.6.5 Grants received by PRIs

The details of State Finance Commission (SFC) grants and Central Finance Commission grants received by the PRIs during 2004-07 as reported by DRDPR are given below:

4.6.5.1 State Finance Commission grants

As per the recommendations of the SSFC, Government of Tamil Nadu ordered (March 2002) the following norms for devolution from the State's own tax revenues to the PRIs.

- The PRIs and ULBs would receive eight *per cent* of the State's own tax revenues after excluding the Entertainment Tax receipts. The vertical sharing of resources between PRIs and ULBs would be in the ratio of 58:42.
- Of the total devolution to the PRIs, the resources would be shared among the village panchayats, panchayat unions and the District panchayats in the ratio of 47:45:8.

While the percentage sharing of 58 and 42 among PRIs and ULBs was retained by the Third State Finance Commission, the percentage of horizontal sharing of revenue among PRIs was slightly modified and recommended at 60 *per cent* for village panchayats, 32 *per cent* for panchayat unions and 8 *per cent* for district panchayats. From among the village panchayats share, 3 *per cent* was recommended to be set apart for incentive and the remaining 57 *per cent* for general devolution based on population and area.

Accepting the above recommendation with modification, State Government in their 'Action Taken Report' (May 2007) passed further orders as follows:

- (i) out of 60 *per cent* share to village panchayats from SFC devolution, 5 *per cent* was reserved towards infrastructure gap filling fund, and
- (ii) a minimum grant of Rs three lakh to be provided to each village panchayat as a measure of equalisation from out of the village panchayats share of 55 *per cent* (60 *per cent* less 5 *per cent* earmarked towards infrastructure gap filling fund). The balance amount has to be distributed among the village panchayats, based on population.

The details of SFC grants devolved to PRIs during 2004-07 are given in **Table 4.11**.

Table 4.11: State Finance Commission grants to PRIs

(Rupees in crore)

Category of PRI	2004-05	2005-06	2006-07
Village Panchayats	398.26	499.27	500.81
Panchayat Unions	400.43	426.25	432.03
District Panchayats	64.15	69.23	85.24
Total SFC grants	862.84	994.75	1,018.08
Amount adjusted ** by way of deduction	30.75	37.15	37.14
Net grant released	832.09	957.60	980.94

** adjustment made towards pension contribution of employees in panchayat unions.

The details of utilisation of SSFC grants were not furnished by DRDPR.

4.6.5.2 Twelfth Finance Commission grants

(a) The grants released by Government of India based on the recommendations of the Twelfth Finance Commission (TFC) are shown in **Table 4.12**.

Table 4.12: TFC grants to PRIs

(Rupees in crore)

Category of PRI	Grants released by TFC	
	2005-06	2006-07
District Panchayats	(No grants given to district panchayats)	
Panchayat Unions	34.80	17.40
Village Panchayats	139.20	156.60

The DRDPR reported that the Finance Commission grants received by PRIs were utilised in entirety.

(b) According to para 6.1 of the guidelines issued by GOI regarding TFC grants, States have to mandatorily transfer the grants released by GOI to the PRIs within 15 days of their date of credit to State Government account. In case of delayed transfer, State Government should also provide interest for the period of delay at the rate equal to the interest rate of Reserve Bank of India (RBI).

A test check of connected records revealed that TFC grants were released during 2005-06 to PRIs belatedly with delays ranging between 2 days and 202 days as indicated in **Table 4.13**. No interest was however paid by the State Government for the delay.

Table 4.13: Period of delay in release of TFC grants

Category of local body	Period of delay in release (Delay beyond 15 days from the due date)	
	First instalment	Second instalment
Panchayat Unions	64 to 202 days (38 PUCs)	35 to 104 days (38 PUCs)
Village Panchayats	80 to 196 days (34 VPs)	2 to 98 days (26 VPs)

Amount of interest thus not paid by the State Government for belated release of TFC grants during 2005-06, compiled from the details relating to 38 panchayat unions and 790 village panchayats worked out (at the rate of 6 per cent) to Rs 19.55 lakh as shown in **Table 4.14**.

Table 4.14: Interest due for the belated release of TFC grants

(Rupees in lakh)

	Amount of interest due for the belated release of			Total
	First instalment	Second instalment		
Panchayat Unions	38	4.27	2.00	6.27
Village Panchayats	790	10.13	3.15	13.28
Total	828	14.40	5.15	19.55

4.6.6 Other grants

Apart from the Finance Commission grants, other grants received by PRIs during 2004-07 are given in **Table 4.15**.

Table 4.15: Other grants to PRIs

(Rupees in crore)

Category of PRI	2004-05	2005-06	2006-07
Village Panchayats	301.33	415.95	606.88
Panchayat Unions	358.72	438.83	522.80
District Panchayats	58.65	57.89	100.54
Total	718.70	912.67	1,230.22

Though the entire grants received were reported as fully utilised, the details of grants and the purposes of utilisation were not furnished by DRDPR.

4.7 Expenditure of Panchayat Raj Institutions

4.7.1 Revenue expenditure

Revenue expenditure consists of salaries and pensions, expenditure on repairs and maintenance and administration.

The details of revenue expenditure incurred by PRIs during the last three years viz., 2004-05 to 2006-07 as reported by DRDPR are given in **Table 4.16**.

Table 4.16: Revenue expenditure of PRIs

(Rupees in crore)

Category of PRI	Year	Revenue expenditure				Total
		Salaries	Pension payment	Total of salaries and pension payment	Other revenue expenditure (including SSFC grants utilised)	
Village Panchayats	2004-05	51.14	0.10	51.24	726.18	777.42 (10)
	2005-06	59.91	0.26	60.17	907.02	967.19 (24)
	2006-07	*	*	93.37	1,014.20	1,107.57 (15)
Panchayat Unions	2004-05	63.80	2.59	66.39	584.36	650.75 (35)
	2005-06	66.99	0.91	67.90	611.38	679.28 (4)
	2006-07	*	*	83.63	649.46	733.09 (8)
District Panchayats	2004-05	1.72	0.09	1.81	68.49	70.30 (31)
	2005-06	1.84	0.04	1.88	74.57	76.45 (9)
	2006-07	*	*	5.53	97.93	103.46 (35)

* Break up details for salaries and pension payment not available.

(Figures in brackets under total column indicate the percentage of growth over previous year)

During the above period, all the three tiers recorded an increasing trend of revenue expenditure with the percentage of increase ranging from 10 to 24 in respect of village panchayats, 4 to 35 in respect of panchayat unions and 9 to 35 in respect of district panchayats.

4.7.2 Capital expenditure

Quantum of capital expenditure reported as incurred by PRIs during 2004-07 as reported by DRDPR are given in **Table 4.17**.

Table 4.17: Capital expenditure of PRIs

(Rupees in crore)

Category of PRIs	2004-05	2005-06	2006-07
Village Panchayats	176.96	311.40	315.57
Panchayat Union	232.94	250.30	252.64
District Panchayats	46.96	58.31	65.72
Total	456.86	620.01	633.93

Like revenue expenditure, the capital expenditure in all three tiers showed an increasing trend during 2004-07.

Based on the details compiled by DRDPR, the capital expenditure incurred towards the main core sectors viz., water supply, street lighting and road works during 2004-07 are furnished in **Table 4.18**.

Table 4.18: Core sector-wise capital expenditure of PRIs

(Rupees in crore)

Name of the core sector	Category of PRI	2004-05	2005-06	2006-07
Water supply	Village Panchayats	35.75	36.38	35.75
	Panchayat Unions	34.43	37.27	27.61
	District Panchayats	4.14	5.69	7.85
Total		74.32	79.34	71.21
Street lights	Village Panchayats	11.34	14.35	11.34
	Panchayat Unions	1.28	2.32	3.04
	District Panchayats	1.47	1.69	2.55
Total		14.09	18.36	16.93
Road works	Village Panchayats	42.25	53.89	64.33
	Panchayat Unions	55.89	88.51	100.64
	District Panchayats	23.37	26.97	31.30
Total		121.51	169.37	196.27

In addition to above, works under the core sectors of roads and water supply were also executed under other schemes² executed through various agencies³ with the assistance of Central and State Governments.

² Water supply works: Rural water supply schemes, Combined water supply schemes, Individual power pump schemes, Mini power pump schemes, Accelerated Rural Water Supply Programme, Swajaldhara, etc.

Road works: District and other roads schemes, Improvement to rural road schemes with the assistance from NABARD/HUDCO etc., Pradhan Mantri Gram Sadak Yojana, etc.

³ Water supply works: Tamil Nadu Water Supply and Drainage Board.
Road works: Highways Department, Tamil Nadu Road Development Corporation.

4.8 Response to Audit

Audit Reports upto the year 1996-97 were discussed by the Committee on Public Accounts (PAC) and recommendations were issued. Despite the directions of the PAC to Government Departments for furnishing prompt replies to pending recommendations, as of December 2007, there were 240 recommendations (10 C&AG Reports) relating to the period 1982-83 to 1996-97 pertaining to the Rural Development Department pending final settlement which *inter-alia* consisted of paragraphs relating to PRIs.

4.9 Conclusion

There was no mechanism with the Panchayat Raj Department for collection (centrally) of data on receipts and expenditure of PRIs during the year so that an overall financial picture for each year may be available. The performance of village panchayats in terms of collection *vis-à-vis* demand of taxes was very good as per the reports of the Director of Rural Development and Panchayat Raj. Despite the pendency of huge number of Inspection paragraphs of DLFA in respect of panchayat unions and District panchayats, no paragraph was settled during the last one year. This indicated that no effective action has been taken by the Department for settling the pending paras.

4.10 Recommendations

- Action should be initiated to institute an effective mechanism for collection and compilation of funds flow and expenditure incurred by the Panchayat Raj Institutions for monitoring and decision-making.
- Arrangements for speedy settlement of audit objections and inspection paragraphs should be strengthened through regular joint sittings and the pendency reduced in a phased manner so as to enable the panchayat unions and District panchayats to correct their deficiencies.