

CHAPTER I

**OVERVIEW OF THE FUNCTIONING,
ACCOUNTABILITY MECHANISM AND
FINANCIAL REPORTING OF PANCHAYAT RAJ
INSTITUTIONS AND URBAN LOCAL BODIES**

CHAPTER I

OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING OF PANCHAYAT RAJ INSTITUTIONS AND URBAN LOCAL BODIES

Functioning of the Panchayat Raj Institutions and Urban Local Bodies in the State

1.1 Introduction

The 73rd and 74th Constitutional Amendments Act, 1992 accorded constitutional status to Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively, thereby establishing a system of uniform structure, regular election and flow of funds through the Finance Commission etc. As a follow-up to the Amendments, the State Governments were required to entrust the PRIs/ULBs with powers, functions and responsibilities to enable them to function as institutions of local self-government.

Accordingly, the State Legislature enacted the Tamil Nadu Panchayats Act, 1994. Under this Act, a three-tier system of PRIs *viz.*, District Panchayats (DPs) at the district level, Panchayat Unions or Block Panchayats (BPs) at the intermediary level and Village Panchayats (VPs) at the village level was established.

Similarly, the State Legislature amended the Tamil Nadu District Municipalities Act, 1920, for transferring the powers and responsibilities to ULBs in order to implement schemes for economic development and social justice including those in relation to the matters listed in the Twelfth Schedule of the Constitution of India.

Important statistics of the State and the PRIs/ULBs are given in **Table 1.1**.

Table 1.1: Important statistics of the State

| | | |
|--------------------|------|----------------------------------|
| Population | | 7.21 crore* |
| Population density | | 555 persons per square kilometre |
| Gender ratio | | 996 females per 1,000 males |
| Urban population | | 48.40 <i>per cent</i> |
| Rural population | | 51.60 <i>per cent</i> |
| Literacy rate | PRIs | 73.54 <i>per cent</i> |
| | ULBs | 87.04 <i>per cent</i> |

Abbreviations used in this report are listed in the Glossary at Page 179.

| Details of PRIs and ULBs | PRIs | | ULBs | |
|--------------------------|----------------------------------|---------------|-------------------------------------|------------|
| | District Panchayats [#] | 36 | Municipal Corporations ¹ | 21 |
| | Block Panchayats | 388 | Municipalities | 138 |
| | Village Panchayats | 12,525 | Town Panchayats | 490 |
| | Total | 12,949 | Total | 649 |

* As per 2011 Census, urban population of the State was 3.49 crore constituting 48.40 per cent of the total population.

One District Panchayat yet to be formed in Mayiladuthurai District.

(Source: Census of India, 2011 and Policy Notes of Rural Development and Panchayat Raj Department and Municipal Administration and Water Supply Department for the year 2022-23).

1.2 Organisational structure of PRIs and ULBs

The organisational structures for administration of PRIs and ULBs in Tamil Nadu, as of March 2022 are given in **Appendices 1.1** and **1.2** respectively.

1.3 Devolution of functions to PRIs and ULBs

(i) The Constitution of India through 73rd Constitutional Amendment Act empowers the State to devolve the 29 functions listed in its Eleventh Schedule to PRIs (**Appendix 1.3**). Of these, the Government of Tamil Nadu (GoTN) has delegated certain powers to the three tiers of PRIs to supervise, assist and monitor the works falling under the 29 functions implemented by various departments.

(ii) Similarly, through the 74th Constitutional Amendment Act, the Constitution of India empowers the State to devolve the 18 functions (**Appendix 1.4**) listed in its Twelfth Schedule to the ULBs. All functions except the Fire Service has been fully devolved to the Corporations (except Greater Chennai Corporation (GCC)) and Municipalities. In respect of Town Panchayats, only 10 functions² were fully devolved, two functions³ were partially devolved and six functions⁴ were yet to be devolved. In respect of GCC, 13 functions⁵ out of 18 functions were devolved (as of October 2022). However, one of the 13 devolved functions, viz., water supply for domestic, industrial and commercial purposes, for the Chennai Metropolitan Area, is handled by the Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB), a statutory body established under an Act of Tamil Nadu.

¹ Avadi, Chennai, Coimbatore, Cuddalore, Dindigul, Erode, Hosur, Kancheepuram, Karur, Kumbakonam, Madurai, Nagercoil, Salem, Sivakasi, Tambaram, Thanjavur, Thoothukudi, Tiruchirappalli, Tirunelveli, Tiruppur and Vellore.

² Serial numbers 1 to 10 of **Appendix 1.4**.

³ Serial numbers 11 and 12 of **Appendix 1.4**.

⁴ Serial numbers 13 to 18 of **Appendix 1.4**.

⁵ Serial numbers 1 to 12 and 17 of **Appendix 1.4**.

1.4 Formation of various Committees

1.4.1 District Planning Committee

As per Section 241(1) of the Tamil Nadu Panchayats Act, 1994, a District Planning Committee (DPC) has to be constituted in every district in the State. The DPC consists of (i) the Chairman of the District Panchayat (Chairperson of the DPC), (ii) the Mayor of the City Municipal Corporation in the district, (iii) the District Collector (Vice Chairperson of the DPC) and (iv) members of the District Panchayats, Town Panchayats and Councillors of the Municipal Corporations and the Municipal Councils in the district as specified by the Government. Members of Parliament, Members of Legislative Assembly and representatives of Local Bodies are permanent special invitees of the DPC.

Functions of the DPC are collection, compilation and updation of information on the natural resources of the district to create a comprehensive database for decentralised planning. It consolidates the plans prepared by Rural Local Bodies and Urban Local Bodies, which facilitates the State Planning Commission in the preparation of the State Plan.

As of March 2023, the DPCs have been reconstituted in 31 districts, and constituted for the first time in five⁶ districts.

1.4.2 Other Committees

GCC stated (October 2022) that Appointment Committee and Standing Committees for Health, Town Planning, Works, Taxation and Finance, Education, Accounts and Audit were in place. GCC further stated that the Committees met once in a month and perused the respective department/subject schemes and projects; on approval of the schemes/projects, they were forwarded to the Council for approval.

Director of Municipal Administration (DMA) stated (October 2022) that Standing Committees for Public Health, Town Planning, Works, Taxation and Finance, Education, Accounts and Appointment were formed in Municipal Corporations and Standing Committees for Contracts, Town Planning, Taxation Appeal and Appointment were formed in Municipalities.

Commissioner of Town Panchayats (CTP) stated (October 2022) that Standing Committees for Taxation Appeal and Appointment were formed in Town Panchayats.

1.5 Audit arrangement

1.5.1 Primary Auditor

Director of Local Fund Audit (DLFA) is the statutory Auditor for Block Panchayats and District Panchayats. Audit of the accounts of Village Panchayats (VPs) is carried out by Deputy Block Development Officers (Audit). DLFA conducts only test audit of VPs' accounts. The DLFA takes up

⁶ Chengalpet, Kallakurichi, Ranipet, Tenkasi and Tirupathur.

audit of 20 *per cent* of VPs in addition to two *per cent* of the VPs selected by Commissioner of Rural Development and Panchayat Raj (CRDPR), every year.

The audit of ULBs was entrusted (August 1992) to the DLFA, who has to certify the correctness of accounts, assess internal control system and report cases of loss, theft and fraud to the audited entities and to GoTN.

Placing of Audit Report of DLFA

As per Section 20 of the Tamil Nadu Local Fund Audit Act, 2014, DLFA should submit to the Government annually, a consolidated report of the audited accounts of local bodies and the Government should cause it to be laid, along with the Report of the Comptroller and Auditor General, before the Legislative Assembly. As per Rule 19 of the Tamil Nadu Local Fund Audit Rules, 2016, the DLFA should, not later than 30 September of every year, send to the Government, a consolidated report of the accounts of local authorities audited during the previous financial year, containing such particulars, which are to be brought to the notice of the Government as per Section 20 of the Act.

The consolidated Audit Report of PRIs and ULBs for the year 2019-20 was placed in the Legislative Assembly on 24 March 2022. DLFA stated (March 2023) that the Consolidated Audit Report of DLFA for the year 2020-21 has been sent to Government for placing it in the Legislative Assembly.

Arrears in submission of accounts

Fifteenth Central Finance Commission (CFC) guidelines prescribes the entry level conditions for release of grants to local bodies for 2021-26. During the first two years i.e. 2021-22 and 2022-23, States need to ensure online availability of unaudited accounts for the previous year and audited accounts for the year before the previous year for 25 *per cent* of the PRIs and ULBs. From 2023-24 onwards 100 *per cent* of the PRIs and ULBs have to mandatorily prepare and make available online, the annual accounts of the previous year and audited accounts for the year before the previous year, to avail the full grants in that year.

PRIs should finalise their annual accounts within two months and ULBs within three months after the end of the financial year.

DLFA stated (November 2022) that the Village Panchayats selected for test audit and all Block Panchyats, District Panchayats have submitted their accounts for the year 2021-22.

In respect of ULBs, DLFA stated (April 2023) that all Municipal Corporations, Municipalities and Town Panchayats have submitted their accounts for the year 2021-22 to DLFA.

Arrears in audit by DLFA

Panchayati Raj Institutions: As of March 2023, DLFA completed audit of all Block Panchayats, District Panchayats and 2,839 Village Panchayats planned for the year 2021-22.

The pendency details of paragraphs in the DLFA's Inspection Reports (IRs) in respect of Block Panchayats and District Panchayats as of March 2023, is given in **Table 1.2**.

Table 1.2: Year-wise pendency of paragraphs in the IRs of DLFA

| Year of IR | Number of paragraphs pending in respect of | |
|---------------|--|---------------------|
| | Block Panchayats | District Panchayats |
| Up to 2017-18 | 23,559 | 234 |
| 2018-19 | 8,172 | 81 |
| 2019-20 | 11,933 | 133 |
| 2020-21 | 14,752 | 218 |
| 2021-22 | 16,306 | 197 |
| Total | 74,722 | 863 |

(Source: Details furnished by DLFA)

Audit analysis revealed that in respect of Block Panchayats, 43,664 (58 per cent) out of 74,722 pending paragraphs and in respect of District Panchayats, 448 (52 per cent) out of 863 pending paragraphs related to period up to 2019-20. This indicated that adequate attention was not given to settle the long pending paragraphs.

The DLFA stated (March/November 2022) that 57 High Level Committee meetings were held during 2020-22 and 1,095 paragraphs pertaining to Block Panchayats were settled.

Urban Local Bodies: The position of audit of ULBs by DLFA, as of April 2023, is given in **Table 1.3**.

Table 1.3: Position of audit of ULBs by DLFA

(In numbers)

| Year | Details | Corporations | Municipalities | Town Panchayats |
|---------|----------------------------|--------------|----------------|-----------------|
| 2019-20 | Number of ULBs | 12 | 124 | 528 |
| | Accounts submitted to DLFA | 12 | 124 | 528 |
| | Audit completed | 12 | 124 | 528 |
| | Audit pending | 0 | 0 | 0 |
| 2020-21 | Number of ULBs | 15 | 121 | 528 |
| | Accounts submitted to DLFA | 15 | 121 | 528 |
| | Audit completed | 15 | 121 | 528 |
| | Audit pending | 0 | 0 | 0 |
| 2021-22 | Number of ULBs | 21 | 138 | 490 |
| | Accounts submitted to DLFA | 21 | 138 | 490 |
| | Audit completed | 21 | 138 | 490 |
| | Audit pending | 0 | 0 | 0 |

(Source: Details furnished by DLFA)

As of August 2022, 1,74,465 paragraphs relating to Municipal Corporations, Municipalities and Town Panchayats, included in the DLFA’s IRs relating to period up to 2021-22, were pending settlement as given in **Table 1.4**.

Table 1.4: Year-wise pendency of paragraphs of DLFA

| Year of IR | Number of paragraphs pending in respect of | | |
|---------------|--|----------------|-----------------|
| | Municipal Corporations | Municipalities | Town Panchayats |
| Up to 2017-18 | 28,488 | 25,044 | 28,530 |
| 2018-19 | 4,294 | 6,390 | 9,743 |
| 2019-20 | 6,939 | 8,839 | 14,622 |
| 2020-21 | 7,057 | 11,133 | 22,208 |
| 2021-22 | 222 | 788 | 168 |
| Total | 47,000 | 52,194 | 75,271 |

(Source: Details furnished by DLFA)

Audit analysis revealed that in respect of Municipal Corporations, Municipalities and Town Panchayats 28,488 (61 *per cent*) out of 47,000, 25,044 (48 *per cent*) out of 52,194 and 28,530 (38 *per cent*) out of 75,271 pending paragraphs respectively pertained to period up to 2017-18. This indicated that adequate attention was not given to settle the long pending paragraphs.

DLFA stated (November 2022) that for settling the pending paragraphs relating to Municipal Corporations, Municipalities and Town Panchayats, 23 meetings were held during 2020-22 as a result of which, 846 paragraphs were settled.

1.5.2 Audit by Comptroller and Auditor General of India (CAG)

Audit of PRIs (in respect of financial assistance given) and ULBs are conducted under Sections 20 and 14 (2) respectively of the CAG’s (Duties, Powers and Conditions of Service) Act, 1971. Technical Guidance and Support is also provided by the CAG to DLFA with respect to the content and quality of DLFA’s Audit Reports on Town Panchayats.

Audit Reports of CAG

The Committee on Public Accounts (PAC) of the Legislature prescribed a time limit of two months from the date of placement of the Audit Reports for furnishing Explanatory Notes by Government departments on the audit observations included in the Audit Report. The Explanatory Note should indicate the corrective action taken or proposed to be taken by them.

As of March 2023, 40 and 136 paragraphs relating to Rural Development and Panchayat Raj (RD&PR) Department and Municipal Administration and Water Supply (MAWS) Department respectively, included in the CAG’s Audit Reports for the years from 2008-09 to 2019-20 were pending discussion and out of which, RD&PR Department and MAWS Department have not furnished Explanatory Notes in respect of 31 Paragraphs/Performance Audits and 67 paragraphs respectively.

Paragraphs included in the CAG's Audit Reports pertaining to RD&PR Department and MAWS department have been discussed up to the year 2008-09 and 2006-07 respectively and recommendations were made by the PAC. As of March 2023, 129 PAC recommendations on paragraphs of RD&PR Department for the period from 1989-2011 are pending settlement by PAC, out of which the Department has not furnished Action Taken Notes for 26 recommendations. Similarly, 171 PAC recommendations on paragraphs of MAWS Department for the period from 1987-2007 are pending settlement by PAC, out of which the Department has not furnished Action Taken Notes for 91 recommendations.

1.6 Response to audit observations of CAG

Panchayat Raj Institutions: Irregularities detected by Audit during test check of records of District Panchayats and Block Panchayats are followed-up through IRs issued to the concerned District Panchayats and Block Panchayats and CRDPR. As of March 2023, 1,633 paragraphs contained in 366 IRs issued up to 31 March 2022 were unresolved for want of satisfactory replies.

Urban Local Bodies: Test check of records of ULBs by Audit is followed-up through IRs issued to the ULBs concerned and to the Commissioner of GCC, Commissioner of Municipal Administration, Director of Town Panchayat. As of September 2022, 4,745 paragraphs contained in 991 IRs issued up to 31 March 2022 were unresolved for want of satisfactory replies.

Accountability Mechanism in the PRIs and ULBs

1.7 Ombudsman

As per Paragraph 10.161(iii) of the recommendations of the Thirteenth CFC, the State Government must put in place a system of independent local body Ombudsman who will look into the complaints of corruption and maladministration against the functionaries of local bodies, both elected members and officials, and recommend suitable action against them. The Tamil Nadu Local Bodies Ombudsman Act, 2014 was enacted by the State Legislature in December 2014 and the Tamil Nadu Local Bodies Ombudsman was established in March 2015 for the Municipal Corporations, Municipalities, Town Panchayats and District Panchayats.

As the Tamil Nadu Local Bodies Ombudsman Act, 2014, did not cover BPs and VPs, 70 complaints in respect of BPs and VPs received by the Ombudsman during 2021-22 were forwarded to the concerned District Collectors for further necessary action.

In respect of ULBs, 225 complaints were received by the Tamil Nadu Local Bodies Ombudsman during 2021-22 against the ULBs and its public servants, out of which, 124 were disposed of and the remaining 101 complaints were in enquiry stage.

1.8 Social Audit in PRIs

As per Section 15(5)(d) of the National Rural Employment Guarantee Act, 2005, Social Audit of all works executed in the jurisdiction of a VP is to be carried out by the *Grama Sabha* and prompt action has to be taken on the objections raised during Social Audit. GoTN established (January 2013) an independent organisation *viz.*, Social Audit Society of Tamil Nadu (SASTA), which was registered as a Society under the Tamil Nadu Societies Registration Act, 1975. During 2021-22, Social Audit was conducted in 12,524 VPs.

1.9 Central Finance Commission grant and submission of Utilisation Certificates

Panchayat Raj Institutions: The Fifteenth CFC had recommended that grants for Rural Local Bodies were to be in two parts *viz.*, Basic-Untied and Tied grants in the ratio of 40:60. Accordingly, ₹2,666 crore was allocated by the Government of India (GoI) as Basic-Untied (₹1,066.40 crore) and Tied Grants (₹1,599.60 crore) for the year 2021-22. GoTN released the grants to the PRIs through CRDPR. Based on release of grants to PRIs, GoTN furnished Utilisation Certificates (UCs) to GoI in October 2021 (for the first instalment of CFC grant) and May 2022 (for the second instalment of CFC grant).

Urban Local Bodies: A sum of ₹1,886.26 crore was sanctioned by GoI as Fifteenth CFC grant to the ULBs in Tamil Nadu for the year 2021-22 and the same was released by GoTN to the ULBs. As regards ULBs, GoTN stated (October 2022) that the UCs regarding grants for scheme were being sent to GoI on the basis of the actual expenditure incurred during the financial year.

1.10 Internal Audit and Internal Control System

Panchayat Raj Institutions: The internal control systems in PRIs included periodical reporting on expenditure, scrutiny by *Grama Sabha* and internal audit. VPs send monthly reports on their expenditure to the Block Development Officer (VP) which was monitored at Block and District level. A Deputy Block Development Officer (Audit) is in-charge of audit of VPs at the Block level which is reviewed by an Assistant Director of Audit at the District level. Moreover, all the expenditure made by VPs was placed before the *Grama Sabha*. DLFA staff in each Block Panchayat carried out the concurrent audit of Panchayat Union's accounts.

Urban Local Bodies: The Financial Advisor, GCC was the overall controller for verification of audit and accounts of Greater Chennai Corporation. The Chief Accounts Officers of GCC carries out internal audit in the respective zones of GCC. DLFA carries out the concurrent audit of GCC and of Municipal Corporations, Special Grade Municipalities as well as the annual statutory audit of Commissionerate of Town Panchayats through District Audit staff.

1.11 Other Accountability Mechanisms in ULBs

1.11.1 Property Tax Board

The State Legislature enacted (May 2013) the Tamil Nadu State Property Tax Board Act, 2013 and GoTN framed (October 2014) the Tamil Nadu State Property Tax Board Rules, 2014. The State Government has constituted (January 2018) the Tamil Nadu State Property Tax Board under the Chairmanship of the Principal Secretary to Government, MAWS Department with three ex-officio members. The Board conducted two meetings in April 2018 and February 2019.

1.11.2 Service Level Benchmark

As per Paragraph 10.161(viii) of the Thirteenth CFC recommendations, State Governments must notify or cause all the Municipal Corporations and Municipalities to notify the service standards for four service sectors *viz.*, water supply, sewerage, storm water drainage and solid waste management proposed to be achieved by them by the end of the succeeding fiscal year.

All ULBs have notified the service level benchmarks for the years 2016-17 to 2021-22. GCC stated (October 2022) that service level benchmarks for four services have been provided in GCC website.

1.11.3 Fire hazard response

As per Paragraph 10.161(ix) of the Thirteenth CFC recommendations, all Municipal Corporations with a population of more than one million must put in place a fire hazard response and mitigation plan for their respective jurisdictions. Notification accepting this recommendation of Thirteenth CFC was issued by GoTN in November 2013.

Fire service, which falls under Home Department, was not devolved as a separate function to ULBs. Funds for this purpose have been released by ULBs to the Department.

Greater Chennai Corporation and Municipal Corporations of Coimbatore and Madurai released ₹2.68 crore, ₹0.51 crore and ₹0.49 crore respectively for the period 2011-15; of this, ₹2.55 crore, ₹0.51 crore and ₹0.49 crore was utilised by Fire and Rescue Services Department as of April 2023 for purchase of vehicles and equipment. The Director, Tamil Nadu Fire and Rescue Services stated (April 2023) that action is being taken to utilise the balance amount for purchase of balance items during 2023-24.

1.12 Financial Reporting in the PRIs and ULBs

1.12.1 Source of funds

Panchayat Raj Institutions: VPs are empowered to levy taxes like property tax, profession tax and advertisement tax. Other source of receipts for VPs and

sources of receipts for BPs are non-tax revenue, assigned revenue and grants from State Government, grants given by GoI for various purposes and grants from the State and Central Finance Commissions. The State Finance Commission (SFC) grants, CFC grants, grants given by State Government and GoI and assigned revenue were released by the CRDPR through District Collectors.

The details of receipts and expenditure of the PRIs for the period 2017-22 is shown in **Table 1.5**.

Table 1.5: Details of receipts and expenditure of PRIs

(₹ in crore)

| Particulars | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------------|
| Own revenue | 797.00 | 731.93 | 470.24* | 436.13* | 1,627.14 [#] |
| Assigned revenue | 510.88 | 407.71 | 1,053.45 | 618.42 | 850.37 |
| Grants | 6,631.73 | 7,655.73 | 7,211.95 | 8,930.43 | 8,815.23 |
| Total receipts | 7,939.61 | 8,795.37 | 8,735.64 | 9,984.98 | 11,292.74 |
| Revenue expenditure | 3,362.16 | 3,584.57 | 3,853.99 | 4,293.10 | 4,376.12 |
| Capital expenditure | 4,223.34 | 4,943.04 | 3,644.68 | 5,504.16 | 6,450.22 |
| Total expenditure | 7,585.50 | 8,527.61 | 7,498.67 | 9,797.26 | 10,826.34 |
| Percentage of capital expenditure to total expenditure | 56 | 58 | 49 | 56 | 60 |

* Due to Covid-19 pandemic, the own revenue reduced drastically.

Increase in own revenue during 2021-22 was due to collection of arrears and new initiatives viz., online mechanism for own revenue.

(Source: Details furnished by CRDPR)

Urban Local Bodies: The details of receipts and expenditure of the ULBs for the period from 2017-22 are given in **Table 1.6**.

Table 1.6: Receipts and expenditure of ULBs

(₹ in crore)

| Particulars | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|--|------------------|------------------|------------------|------------------|------------------|
| Own revenue | 4,412.48 | 5,792.83 | 5,639.65 | 3,781.53 | 4,027.49 |
| Assigned revenue | 437.92 | 486.51 | 569.26 | 1,141.34 | 1,045.75 |
| Grants | 6,562.20 | 7,804.83 | 8,266.35 | 6,145.63 | 4,332.32 |
| Loans | 1,501.35 | 464.19 | 282.69 | 1,388.34 | 3,213.45 |
| Total receipts | 12,913.95 | 14,548.36 | 14,757.95 | 12,456.84 | 12,619.02 |
| Revenue expenditure | 7,132.44 | 8,166.93 | 8,290.13 | 8,947.95 | 7,541.50 |
| Capital expenditure | 3,515.67 | 4,026.92 | 4,711.74 | 6,705.77 | 6,194.09 |
| Total expenditure | 10,648.11 | 12,193.85 | 13,001.87 | 15,653.72 | 13,735.58 |
| Percentage of capital expenditure to total expenditure | 33 | 33 | 36 | 43 | 45 |

(Source: Details furnished by GCC, DMA and CTP)

The percentage of revenue/capital expenditure and savings/excess to the total receipts during 2017-22 is given in **Table 1.7**.

Table 1.7: Percentage of revenue/capital expenditure and savings/excess to total receipts

| Particulars | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|------------------------|---------|---------|---------|---------|---------|
| Revenue expenditure | 55 | 56 | 56 | 72 | 60 |
| Capital expenditure | 27 | 28 | 32 | 54 | 49 |
| Savings (-)/Excess (+) | (-) 18 | (-) 16 | (-) 12 | (+) 26 | (+) 9 |

While Capital expenditure during 2017-2022 ranged between 27 *per cent* and 54 *per cent* of the total receipts, Revenue expenditure ranged between 55 *per cent* and 72 *per cent* of the total receipts.

1.12.2 State Finance Commission Grant

Fifth SFC, constituted in December 2014, recommended (December 2016) a vertical sharing ratio for SFC devolution funds at 56:44 between rural and urban local bodies. For PRIs, the vertical sharing ratio recommended was 55:37:8 among Village Panchayats, Block Panchayats and District Panchayats respectively. For ULBs, the horizontal sharing ratio of SFC devolution funds recommended was 40:29:31 amongst Municipal Corporations, Municipalities and Town Panchayats respectively. GoTN accepted the recommendations in March 2017. The amount of SFC grants released to the PRIs and ULBs during 2021-22 was ₹4,304.46 crore and ₹4,647.58 crore respectively.

1.12.3 Maintenance of accounts

Panchayat Raj Institutions: A new simplified accounting framework, namely 'Model Accounting System for Panchayats' was developed in 2009 to bring about transparency and accountability in the maintenance of accounts of PRIs. Panchayat Raj Institutions Accounting Software (PRIASoft) was developed by National Informatics Centre in consultation with Ministry of Panchayati Raj, GoI to establish centralised accounting software for use by all the three tiers of PRIs. CRDPR stated (February 2023) that all PRIs had completed online entry of accounts using PRIASoft up to 2020-21 and using eGramSwaraj application for 2021-22 as PRIASoft online portal has been merged with eGramSwaraj portal.

Urban Local Bodies: The Government stated (October 2022) that principles laid down in National Municipal Accounting Manual (NMAM) is followed in preparation of annual accounts by ULBs. Accounts are maintained fund wise and annual trial balance, income and expenditure account and balance sheet are prepared on accrual basis. It was also stated that in respect of GCC, the chart of accounts was revised and accounts up to 2021-22 were finalised in conformity with the NMAM.