

# **CHAPTER II**

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## **FINANCES AND FINANCIAL REPORTING ISSUES OF LOCAL SELF- GOVERNMENT INSTITUTIONS**



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#### 2.1 Financial Profile of LSGIs

##### 2.1.1 Funds flow to LSGIs

The resources of LSGIs consist of own revenue such as tax and non-tax revenue, funds devolved by State Government, Government of India (GoI) grants, and loans from financial institutions. During 2021-22, out of the total funds available with LSGIs, State grants constituted 57 per cent, GoI grants constituted 35 per cent and own funds including loans constituted eight per cent.

##### 2.1.1.1 Resources: Trends and Composition

The composition of resources of LSGIs for the period 2017-18 to 2021-22 is given in **Table 2.1**.

**Table 2.1: Time series data on resources of LSGIs**

Resources	2017-18	2018-19	2019-20	2020-21	2021-22
<i>(₹ in crore)</i>					
<b>Own Revenue:</b>					
(i) Tax Revenue	1356.47	1382.87	1228.81	1239.02	1246.39
(ii) Non –Tax revenue	300.44	288.90	275.22	342.62	357.08
<b>Total Own Revenue</b>	<b>1656.91</b>	<b>1671.77</b>	<b>1504.03</b>	<b>1581.64</b>	<b>1603.47</b>
<b>State Fund:</b>					
(i) Traditional Functions	1364.67	2674.67	1635.69	1721.78	1959.53
(ii) Maintenance Fund (Road Assets and Non-Road Assets)	2265.33	2347.07	2746.49	2943.83	3290.05
(iii) Expansion and Development	4870.18	5324.01	5168.85	5466.24	5038.34
(iv) Funds for State Sponsored Schemes and State share of Centrally Sponsored Schemes	6227.55	4059.26	1657.49	2575.93	1397.05
<b>Total State Fund</b>	<b>14727.73</b>	<b>14405.01</b>	<b>11208.52</b>	<b>12707.78</b>	<b>11684.97</b>
<b>GoI grants:</b>					
(i) Centrally Sponsored Schemes	2632.10	3612.01	4005.88	4678.55	4174.02
(ii) Development and expansion	1793.92	1739.56	2040.51	3549.79	3023.90
<b>Total GoI grant</b>	<b>4426.02</b>	<b>5351.57</b>	<b>6046.39</b>	<b>8228.34</b>	<b>7197.92</b>
<b>Receipts from loans and other sources:</b>					
Loans	24.78	1623.14	1045.54	403.80	168.42
<b>Total Receipts</b>	<b>20835.44</b>	<b>23051.49</b>	<b>19804.48</b>	<b>22921.56</b>	<b>20654.78</b>

*(Source: Information Kerala Mission (Details of Own Revenue), State Finance Commission Cell, Commissionerate of Rural Development, Kerala Urban and Rural Development Finance Corporation (KURDFC), Kerala State Poverty Eradication Mission (Kudumbashree))*

- During 2021-22, of the total receipts, the percentage share of State, Central, Own revenue and loans and receipts from other sources was 56.57 per cent, 34.85 per cent, 7.76 per cent and 0.82 per cent respectively.
- The share of GoI grant to total receipts increased from 21.24 per cent in 2017-18 to 34.85 per cent in 2021-22.

- The share of State grants to total receipts ranged from 55.44 *per cent* to 70.69 *per cent* during 2017-18 to 2021-22.

### 2.1.1.2 Transfer of funds from Government to LSGIs

(i) The State Government provides three types of funds to LSGIs from the Consolidated Fund *viz.*, grants, funds for State Sponsored Schemes and State share of Centrally Sponsored Schemes (CSSs). Appendix IV to the Detailed Budget Estimates of the Government gives the LSGI-wise allocation of funds. The Heads of Account in the Detailed Budget Estimates for drawal of funds from the Consolidated Fund, along with the releases made during 2021-22, are given in **Table 2.2**.

**Table 2.2: Categories of funds and their allotment to LSGIs**

Sl. No.	Category	Major Head of Account from which Budget Provision is allotted	Amount allotted during 2021-22 (₹ in crore)	Allotment mechanism
1	Grants <sup>4</sup>	3604 - Compensation and Assignments to Local Bodies and Panchayat Raj Institutions	8267.42	All the grants are drawn directly from Consolidated fund based on allotment.
		3054 - Roads and Bridges	2020.50	
<b>Total</b>			<b>10287.92</b>	
2	State Sponsored Schemes	12 Major Heads	791.88 <sup>5</sup>	Routed through State Level Nodal Agencies <sup>6</sup> /
3	State share of CSSs	3 Major Heads <sup>7</sup>	605.17	Commissionerate of Rural Development
<b>Grand total</b>			<b>11684.97</b>	

(Source: Government Orders, Voucher Level Computerisation figures, details furnished by State Mission Management Unit (SMMU) AMRUT, Kudumbashree, Commissionerate of Rural Development)

The total fund allotted by the State Government for 2021-22 was ₹11,684.97 crore as against ₹12,707.78 crore allotted during 2020-21, a decrease of 8.05 *per cent*. The allotment of funds towards State Sponsored Schemes and State share of CSSs for 2020-21 were ₹1,518.27 crore and ₹1,057.66 crore respectively. Audit noticed a decrease of 47.84 *per cent* in allotment of funds towards State Sponsored Schemes and a decrease of 42.78 *per cent* in allotment of State share of CSSs. Government did not offer any reasons for the decline in allotment of funds.

(ii) **Table 2.3** gives the details of funds allotted by the State Government under various categories<sup>8</sup> during 2021-22.

<sup>4</sup> General Purpose Fund, Maintenance Fund (Non-Road), Development Fund.

<sup>5</sup> Net Budget figure

<sup>6</sup> Kudumbashree and AMRUT.

<sup>7</sup> Urban Development, Special Programmes for Rural Development, other Rural Development programmes

<sup>8</sup> Excluding funds for State Sponsored Schemes and State share of Centrally Sponsored Schemes

**Table 2.3: Funds allotted by State Government under different categories during 2021-22**  
(₹ in crore)

Type of LSGIs	Development Fund	Maintenance Fund	General Purpose Fund	Total
Corporations	613.15	260.40	169.98	1043.53
Municipalities	523.88	373.17	243.90	1140.95
District Panchayats (DPs)	657.80	681.96	60.23	1400.00
Block Panchayats (BPs)	650.44	135.40	85.67	871.51
Grama Panchayats (GPs)	2593.06	1839.12	1399.75	5831.93
<b>Total</b>	<b>5038.33</b>	<b>3290.05</b>	<b>1959.53</b>	<b>10287.92</b>

(Source: Details furnished by State Finance Commission Cell)

Audit observed the following deficiencies in the allotment and utilisation of Government funds:

- **Delayed allotment of funds**

The sanction for allotment of funds for a financial year would be issued by the State Finance Commission (SFC) cell in three instalments on or before 25 of March, July and November every year and the LSGIs can utilise the funds with effect from the first working day of the next month. The funds not drawn upto 31 March of a financial year will lapse automatically. Audit observed that there was delay upto 67 and 93 days in the allotment of Development funds and Maintenance funds respectively during 2021-22. Delayed release of funds reduces the time available to LSGIs for utilising these funds. Out of the total allotment of ₹8,328.38 crore towards Development and Maintenance funds, ₹1,556.12 crore (18.68 per cent) lapsed at the end of the financial year.

- **Non-authorisation of unspent balance**

As per the revised guidelines (March 2015), for drawal of funds by LSGIs from the Consolidated Fund, the allotted fund not drawn by 31 March of a particular year, shall be provided through additional authorisation/ Supplementary Demands for Grants along with the second allotment in July of the subsequent year, based on the consolidated figures furnished by the Director of Treasuries. Audit observed that total unspent balance in the Development Fund, Maintenance Fund and Fifteenth Central Finance Commission (CFC) Grant for the period 2020-21 was ₹2,993.41 crore as on 31 March 2021. Out of this, an amount of ₹1,396.45 crore (46.65 per cent) only was re-authorised by Government as of March 2022. Only 41.41 per cent of the Development Fund and 47.88 per cent of the CFC Grant was re-authorised during 2021-22. Government response to the above aspects is awaited (December 2023).

(iii) The funds released to LSGIs for implementation of annual plans along with the State Plan outlay for the period 2017-18 to 2021-22 are given in **Table 2.4**.

**Table 2.4: State Plan outlay vis-à-vis Development Fund<sup>9</sup> of LSGIs**

(₹ in crore)

Year	State Plan Outlay	Development Fund released to LSGIs	Percentage of Development Fund of LSGIs to State Plan Outlay
2017-18	26500.00	4653.02	17.56
2018-19	29150.00	5311.00	18.22
2019-20	30610.00	5164.63	16.87
2020-21	27610.00	4668.99	16.91
2021-22	27610.00	4826.00	17.48
<b>Total</b>	<b>141480.00</b>	<b>24623.64</b>	

(Source: Budget documents and Government Orders)

Development Fund devolved to LSGIs constituted 17.48 per cent of the State Plan outlay for the year 2021-22. Audit observed that the Sixth State Finance Commission had recommended for allocation of 26 per cent of the State Plan Outlay towards Development Fund during 2021-22. Though GoK included CFC Grant also in the Development Fund to achieve the prescribed percentage, the total allocation including CFC grant was 24.60 per cent only. Government replied (April 2023) that the shortage in allocation was due to short release of CFC grant by GoI. The reply is not acceptable, as Government could have increased the share of Development Fund to achieve the prescribed percentage, thereby contributing enhanced share of funds towards activities of development and expansion in LSGIs.

### 2.1.1.3 Receipts from GoI

The category-wise release of funds by GoI during 2020-21 and 2021-22 are given in **Table 2.5**.

**Table 2.5: Category-wise release of GoI fund**

(₹ in crore)

Sl. No.	Category	2020-21	2021-22
1	Fifteenth Finance Commission grant	3549.79	3023.90 <sup>10</sup>
2	Centrally Sponsored Schemes	4678.55	4174.02
	<b>Total</b>	<b>8228.34</b>	<b>7197.92</b>

(Source: Government Orders, Voucher Level Computerisation figures, details furnished by AMRUT, Kudumbashree, Commissionerate of Rural Development)

Audit observed a decrease of ₹1,030.42 crore in release of funds in 2021-22 under the above categories, when compared to 2020-21. In addition to ₹4,174.02 crore released in 2021-22, GoI had released ₹103.64 crore towards Centrally Sponsored Schemes viz., Smart City and Swachh Bharat Mission (Urban). However, GoK did not release this amount during 2021-22. Audit noticed a delay of 100 to 144 days in releasing the amount to State Level Nodal Agencies, for which reasons were not furnished.

### GoI grant for implementation of Centrally Sponsored Schemes

During 2021-22, GoI provided grants amounting to ₹4,174.02 crore to LSGIs for implementation of 11 Centrally Sponsored Schemes (CSSs). The grants were provided to LSGIs through State Budget, except in the case of wages to workers in Mahatma Gandhi National Rural Employment Guarantee Scheme.

<sup>9</sup> Excluding CFC Grant

<sup>10</sup> Basic Grant – ₹822.77 crore, Tied Grant – ₹1,774.00 crore, Health Sector Grant – ₹427.13 crore

The details of GoI grants transferred to LSGIs for implementation of CSSs during 2021-22 are given in **Table 2.6**.

**Table 2.6: Release of GoI Grant for Centrally Sponsored Schemes during 2021-22**

Sl. No.	Authority/Agency through which the Grant was released	Details of Scheme	Amount (₹ in crore)
1.	State Budget	Atal Mission for Rejuvenation and Urban Transformation (AMRUT)	205.89
		Rashtriya Gram Swaraj Abhiyan (RGSA)	12.00
		Swachh Bharath Mission (Gramin)	1.70
2.	Directly to State Level Nodal Agencies (Kudumbashree)	Start-up Village Entrepreneurship Programme (SVEP) Phase V	8.24
		Deendayal Antyodaya Yojana-National Rural Livelihoods Mission	92.62
		Deendayal Antyodaya Yojana-National Urban Livelihoods Mission	29.45
		Pradhan Mantri Awas Yojana-Urban (PMAY-U)	222.13
3.	Directly to Poverty Alleviation Unit (Commissionerate of Rural Development)	Pradhan Mantri Krishi Sinchai Yojana (PMKSY)	5.46
		National Rurban Mission(NRuM)	0.35
		Administrative cost for District Rural Development Agencies	3.81
4.	By online transfer to the Joint Bank Account of District Programme Coordinator and Joint Programme Coordinator	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	3592.37
<b>Total</b>			<b>4174.02</b>

(Source: Details furnished by Kudumbashree, Commissionerate of Rural Development, Suchitwa Mission, Directorate of Panchayats, Directorate of Urban Affairs)

In addition to the GoI grants of ₹4,174.02 crore, the State Government provided ₹605.17 crore as its share, for implementation of CSSs. Thus, the total fund received for implementation of CSSs during 2021-22 was ₹4,779.19 crore as against ₹5,736.21 crore during 2020-21.

#### 2.1.1.4 Own funds of LSGIs

Own funds consist of tax<sup>11</sup> and non-tax<sup>12</sup> revenue collected by LSGIs as per provisions in Kerala Panchayat Raj Act, 1994 (KPR Act)/Kerala Municipality Act, 1994 (KM Act) and allied Acts. This category also includes income derived from assets of LSGIs, beneficiary contributions, earnest money deposits, retention money, etc. As per the details furnished by Information Kerala Mission (IKM), Own revenue of 1,200 LSGIs for 2021-22 amounted to ₹1,603.47 crore (tax revenue - ₹1,246.39 crore and non-tax revenue - ₹357.08 crore), as against ₹1,581.64 crore in 2020-21.

<sup>11</sup> Property tax, Profession tax, Entertainment tax, Advertisement tax, etc.

<sup>12</sup> Licence fee, Registration fee, etc.

### 2.1.1.5 Loans availed by LSGIs

As per provisions of Kerala Local Authorities Loans Act, 1963, LSGIs raise loans from State Government, KURDFC<sup>13</sup>, Co-operative Banks, HUDCO<sup>14</sup>, etc. **Table 2.7** gives the details of loans availed by LSGIs during 2021-22.

**Table 2.7: Loans availed by LSGIs during 2021-22**

(₹ in crore)		
Source of loan	Loan availed during 2021-22	Loan outstanding <sup>15</sup> as on 31 March 2022
State Government	Nil	225.51
KURDFC	168.42	2675.36
Kerala Bank	Nil	68.78
HUDCO	Nil	12.43
Co-operative Societies	Nil	63.62
<b>Total</b>	<b>168.42</b>	<b>3045.70</b>

(Source: Details furnished by KURDFC, Kerala Bank, HUDCO, Registrar of Co-operative Societies)

Of the ₹3,045.70 crore loan outstanding, ₹2,604.33 crore pertains to loan availed by local bodies for funding LIFE Mission projects.

### 2.1.1.6 Application of Resources: Trends and Composition

In terms of activities, total expenditure constitutes expenditure on Productive Sector, Infrastructure Sector, Service Sector and other expenditure<sup>16</sup>. As per the details obtained from IKM, the total development expenditure incurred by LSGIs during 2021-22 amounted to ₹10,108.05 crore.

**Table 2.8** shows the composition of application of resources of LSGIs from all sources of funds on these components for the period from 2017-18 to 2021-22.

**Table 2.8: Application of resources**

(₹ in crore)						
Sector	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Productive Sector	955.98	1029.78	714.55	1324.08	1105.58	5129.97
Infrastructure Sector	3096.48	3141.18	2018.61	4485.14	2769.45	15510.86
Service Sector	3837.01	5843.66	4749.73	5940.84	6233.02	26604.26
<b>Total Development Expenditure</b>	<b>7889.47</b>	<b>10014.62</b>	<b>7482.89</b>	<b>11750.06</b>	<b>10108.05</b>	<b>47245.09</b>

(Source: Details furnished by IKM)

- During 2021-22, of the total development expenditure of ₹10,108.05 crore from all sources of fund, percentage of expenditure on productive sector, infrastructure sector and service sector was 10.94 per cent, 27.40 per cent, 61.66 per cent respectively.
- The amount spent on productive sector ranged from 9.55 per cent to 12.12 per cent during 2017-18 to 2021-22, indicating that the LSGIs assigned low priority to productive sectors like Agriculture, Animal Husbandry, Fisheries, Industries, etc.

Government response to the above is awaited (December 2023).

<sup>13</sup> Kerala Urban and Rural Development Finance Corporation Limited

<sup>14</sup> Housing and Urban Development Corporation Limited.

<sup>15</sup> Including interest

<sup>16</sup> Salaries and honorarium, contingency expenditure, other administrative expenditure, terminal benefits, etc.



### 2.1.1.7 Public investment through major Centrally Sponsored Schemes

Public investment through major CSSs are made to LSGIs through State Level Nodal Agencies (SLNAs) viz., Kudumbashree, Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Suchitwa Mission, Smart City, Commissionerate of Rural Development (CRD), etc. The grants for CSSs enjoin upon sanctioning authorities the responsibility to ensure proper utilisation of grant money.

Out of ₹3,443.60 crore<sup>17</sup> available for implementation of CSSs, substantial portion of the funds amounting to ₹1,424.66 crore (41.37 per cent) was lying unspent with agencies viz., Smart City (₹474.82 crore), Kudumbashree (₹410.74 crore), AMRUT (₹294.40 crore), CRD (₹177.82 crore), Suchitwa Mission (₹60.09 crore), etc., thereby defeating the purpose for which the funds were earmarked and released.

Government response to the above is awaited (December 2023).

### 2.1.2 Implementation of projects by LSGIs

Under decentralised planning, LSGIs in the State formulated 1,88,011 projects with a total outlay of ₹15,327.49 crore during 2021-22. Of these, the LSGIs had taken up 1,40,020 projects (74.47 per cent) for implementation and spent ₹8,040.92 crore on the projects. Of the projects taken up for implementation, only 1,05,026 projects (75.01 per cent) were completed during 2021-22 at a cost of ₹5,542.97 crore. The details are given in **Table 2.9**.

**Table 2.9: Details of projects taken up and expenditure incurred during 2021-22**

Type of LSGI	Number of projects			Amount (₹ in crore)			
	Formulated	Taken up	Completed	Outlay of projects formulated	Expenditure on projects taken up	Expenditure on completed projects	Percentage of expenditure on projects taken up to total outlay of projects formulated
Grama Panchayat	144715	110352	83449	9874.68	5048.72	3370.24	51.13
Block Panchayat	13715	11142	7914	1361.28	788.32	549.64	57.91
District Panchayat	6940	3714	2566	1505.44	836.19	597.25	55.54
Municipality	18335	12270	9144	1479.83	840.00	607.12	56.76
Corporation	4306	2542	1953	1106.26	527.69	418.72	47.70
<b>Total</b>	<b>188011</b>	<b>140020</b>	<b>105026</b>	<b>15327.49</b>	<b>8040.92</b>	<b>5542.97</b>	<b>52.46</b>

(Source: Details furnished by IKM)

- Of the 1,88,011 projects formulated, only 1,05,026 projects (55.86 per cent) could be completed during the year indicating that local bodies formulated projects much higher in number than their administrative capacity.
- Out of ₹7,050.46 crore allocated, only ₹5,542.97 crore (78.62 per cent) was expended towards completed projects indicating that estimates of projects were prepared allocating amounts much higher than actual requirement.

<sup>17</sup> Does not include Central share of MGNREGS released directly to beneficiaries towards unskilled wages

- With reference to the outlay of projects formulated, the percentage of utilisation of fund was only 52.46 per cent. The shortfall in implementation of projects was noticed mainly in Corporations.
- Out of ₹3,023.90 crore released towards CFC grant during 2021-22, ₹1,678.43 crore (55.51 per cent) remained unutilised.
- Out of ₹3,290.05 crore released towards Maintenance grant during 2021-22, ₹1,043.93 crore (31.73 per cent) remained unutilised.

Government response to the paragraph is awaited (December 2023).

### 2.1.3 Misappropriation, loss, defalcation, etc.

The Kerala Financial Code stipulates that each Drawing and Disbursing Officer should report all cases of loss, theft or fraud to the Principal Accountant General and the Government. The Government is required to recover the loss, fix responsibility and resolve systemic deficiency, if any. A consolidated statement of the details of misappropriations, loss, theft and fraud was not available with the Government.

**Table 2.10** shows the details of misappropriation/defalcation reported to the Director of Urban Affairs, Commissioner of Rural Development, Director of Panchayats, Executive Director of Kudumbashree and LSGD.

**Table 2.10: Misappropriation, loss, defalcation**

Name of LSGIs/Agency	Amount (₹ in lakh) (Number of cases)					Total
	2017-18	2018-19	2019-20	2020-21	2021-22	
Corporations	0	8.40 (3)	12.59 (6)	26.64 (4)	3.70 (3)	51.33 (16)
Municipalities	2.23 (1)	1.51 (1)	2.16 (3)	0	2.76 (2)	8.66 (7)
District Panchayats	3464.36 (5)	7112.04 (7)	75.58 (4)	0	Not Available	10651.98 (16)
Block Panchayats	0	4.42 (3)	0	0	6.84 (1)	11.26 (4)
Grama Panchayats	5.90 (2)	0	0	15.16 (2)	0	21.06 (4)
Kudumbashree Community Development Societies	28.24 (4)	2.99 (2)	3.33 (3)	9.22 (7)	70.37 (5)	114.15 (21)
<b>Total</b>						<b>10858.44 (68)</b>

(Source: Details furnished by Directorate of Urban Affairs, Commissionerate of Rural Development, Kudumbashree, Directorate of Panchayats and LSGD)

### 2.1.4 Surcharge and Charge imposed by the Kerala State Audit Department

Section 16(1) of Kerala Local Fund Audit Act, 1994 empowers the Kerala State Audit Department (KSAD) to disallow any illegal payment and surcharge the person making or authorising such illegal payment. The KSAD can also charge any person responsible for the loss or deficiency of any sum which ought to have been recovered.

From 2019-20 to 2021-22 KSAD issued 10 Charge Certificates for ₹3.26 lakh and 83 Surcharge Certificates for ₹94.52 lakh. Against the total charge/surcharge amount of ₹97.78 lakh, only ₹6.41 lakh was realised (6.56 per cent), leaving ₹91.37 lakh unrealised.

## 2.2 Results of Supplementary Audit

As per Rule 62(5) of the Kerala Panchayat Raj (Accounts) Rules, 2011 and as per Rule 58(5) of Kerala Municipality (Accounts) Rules, 2007, the PRIs/ULBs shall prepare Annual Financial Statements (AFS) containing Receipt and Payment Statement, Balance Sheet and Income and Expenditure Statement and forward them to the Director, KSAD after approval by the Panchayat Committee/ Municipal Council not later than 15 May and 31 May respectively of the succeeding year.

According to Kerala Local Fund Audit Act, 1994, LSGIs should present their accounts to KSAD by 31 July of the succeeding year. KSAD should complete audit of the accounts within six months of receipt of the accounts and issue Audit Report within three months of the date of completion of audit. KSAD received accounts pertaining to the year 2021-22 from all the LSGIs by 31 July 2022. Of the 1,200 accounts received, Audit Reports were issued in respect of 1,112 accounts (April 2023).

Supplementary audit under Section 20(1) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971, in respect of the audited accounts of 65 LSGIs was conducted during 2021-22. Audit noticed the following deficiencies:

- (i) As per Rule 62(3) of the Kerala Panchayat Raj (Accounts) Rules, 2011 and Rule 58(3) of the Kerala Municipality (Accounts) Rules, 2007, comparative amounts for the preceding year shall be entered in the Financial Statements. The AFS of one Municipality, three BPs and 42 GPs did not contain the comparative amounts (**Appendix 2.1**).
- (ii) As per Rule 62(2) of the Kerala Panchayat Raj (Accounts) Rules, 2011 and Rule 58(2) of the Kerala Municipality (Accounts) Rules, 2007, AFS shall consist of Balance Sheet, Income and Expenditure Statement, Statement of Cash Flow, Receipt and Payment Statements, Notes to Accounts, Key Ratios or Financial Performance Indicators. Appending statements to accounts were not found in one Municipality, three BPs and 38 GPs (**Appendix 2.1**).
- (iii) As per Rules 28, 58(4) of the Kerala Panchayat Raj (Accounts) Rules, 2011 and Rules 27, 54(5) of the Kerala Municipality (Accounts) Rules, 2007, at the end of the year, the Secretary may carry out procedures for creation of provision for expenditure already incurred but not paid and amounts receivable. Provision for expenditure already incurred but not paid or provision for amounts receivable were not created in the AFS of one BP and 20 GPs (**Appendix 2.1**).
- (iv) There were misclassifications of revenue and capital expenditure, advances and capital work-in-progress, incorporation of incorrect cash/bank/ treasury balances in Balance Sheets, non-transfer of utilised revenue grant to capital contribution, under valuation/non-accounting of fixed assets and providing less, more or nil depreciation to assets. This resulted in not exhibiting a true and fair view of the state of affairs of one Municipality, one BP and 23 GPs (**Appendix 2.1**).

Government remarks have not been received (December 2023).

## 2.3 Conclusion

- The amount spent on productive sector ranged from 9.55 *per cent* to 12.12 *per cent* during 2017-18 to 2021-22, indicating that the LSGIs assigned low priority to productive sectors like Agriculture, Animal Husbandry, Fisheries, Industries, etc. The Government may analyse the reasons for low expenditure to enable the LSGIs to utilise the funds productively. The Government may also consider fixing a target for expenditure in the productive sector.
- Out of ₹3,443.60 crore available for implementation of CSSs, substantial portion of the funds amounting to ₹1,424.66 crore (41.37 *per cent*) was lying unspent with SLNAs thereby defeating the purpose for which the funds were earmarked and released by GoI/GoK.
- Out of ₹3,023.90 crore released as CFC grant during 2021-22, ₹1,678.43 crore (55.51 *per cent*) remained unutilised.