

Chapter-II

Autonomous District Council Fund

2.1 Introduction to District Fund

Paragraph 7 of Sixth Schedule to the Constitution of India provides for a District Fund for each autonomous region and a Regional Fund to which shall be credited all moneys received by the District Council for that district and the Regional Council for that region in the course of the administration of such district or region respectively in accordance with the provisions of the Constitution. BTC Fund was constituted under the provisions of Sub-Paragraph (I) of Paragraph 7 of the Sixth Schedule to which shall be credited all moneys received by the BTC in the course of the administration of the Bodoland Territorial Area District (BTAD) in accordance with the provisions of the Constitution. The fund is maintained as Deposit Account (8443-Civil Deposit) in the Kokrajhar Treasury, and Principal Secretary of BTC is the authorised officer who operates the fund.

The ADC fund comprises of receipts from its own resources, shared revenue and grants/ Loans & Advances from State / Central Governments. Broad classification as per C&AG's prescribed form of Accounts is as discussed below:

A. District Fund

District Fund further has two divisions namely: (i) Revenue Section for Revenue Receipts and Expenditure and (ii) Capital Section for Capital Receipts and Expenditure, Public Debt, Loans and Advances. The first division deals with the proceeds of taxation and other receipts classed as revenue receipts and revenue expenditure met therefrom. It also includes the grants and contributions received from the Government and also grants and contributions made by the Council. The second division deals with expenditure of Capital nature met from borrowed funds. It also comprised of loans received and their repayments by the Council and loans and advances disbursed and their recoveries made by the Council.

B. Deposit Fund

Deposit Fund covers transactions relating to Deposits, General Provident Fund (GPF), other funds and advances such as Cess, Income Tax, Sales Tax and Security Deposits, *etc.*, where the Council incurs a liability to repay the moneys received or has a claim to recover the amount paid.

Contrary to this, as per the extant practise, funds received from the State Government for subjects/departments entrusted to the Council during 2016-17 were accounted for in Part-II Deposit fund while own resources of the Council were accounted for in the District Fund. This has been discussed in Chapter III of this Report.

2.1.1 BTC Resources

Resources of BTC are mainly from the Revenue receipts of own sources, like Forest, Land Revenue, Market and Fair, *etc.*, as envisaged in the Sixth Schedule. Assistance

to meet a part of the Council's own expenditure is also provided by the State Government. For implementation of various developmental schemes/programmes for 39 entrusted departments to BTC, the State Government provides funds from the State budget (BTC specific Grant No-78). In addition, BTC is also in receipt of funds from other Grants⁵ through the State Budget for various purposes.

2.1.2 Budgetary process

BTC prepares two sets of budgets as detailed below:

Entrusted Budget: BTC prepares its entrusted budget, which forms Grant No 78 of the State Budget, for subjects entrusted to it as per the Sixth Schedule. This budget is submitted to the State Government for appropriation by the State Legislature and release of funds. In this budget, the Chart of Accounts (CoA)⁶ followed by BTC is that of List of Major and Minor Heads (LMMH) of the Union and States. Funds from this Grant are released by the State Government to BTC in two instalments as advance.

Council Budget/ Normal Budget: BTC also prepares another budget in respect of estimated own revenue receipts, estimated Central Sector Schemes (CSS), and receipts relating to grants other than Grant No. 78 received from the State Government and the estimated expenditure to be incurred therefrom. The Form of Accounts as well as the heads of account (Chart of Accounts) for use by the Autonomous District/Regional Councils were prescribed by the CAG in 1977 with the approval of the President, under clause 7(3) of the Sixth Schedule. The CAG's Chart of Accounts (CoA) prescribed for ADCs is a simplified CoA with 17 Major Heads (Roman Number I to XVII) for Revenue Receipts, and 24 Major Heads (Number 1 to 24) for Revenue Expenditure, and three Major Heads for Capital Expenditure (Number 40 to 42), while LMMH is the comprehensive CoA, followed uniformly by Union and State Government.

Audit however, noticed that CoA followed in Council Budget deviates from both CAG's prescribed CoA as well as LMMH. It may be pointed out that, while the Controller General of Accounts prescribed the Account code '*2225-03-001-Welfare of Scheduled Castes, Scheduled Tribes Other Backward Classes and Minorities-Welfare of Backward Classes-Direction and Administration*' to book expenditure on salary and that the CAG had prescribed a simplified code '*1-District Council- District Council-Pay and Allowances of Chairman, Dy. Chairman and members of District Council*', but the Council assigned Account code '*2225-01-a*' to book the expenditure on '*Salary and Allowances of Speaker Dy. Speaker*' in deviation from the prescribed CoA, which needs rectification.

⁵ For illustration: Grant No 25-Misc General Service, Grant No 38-Welfare of SC/ST&OBC, Grant No 39: Social Security Welfare and Nutrition, Grant No 44 NEC, Grant No 66-Compensation & Assignment of Local Bodies and PRI, etc.

⁶ A numbering system where each account head on the financial statements is assigned a number.

2.1.3 Release of funds by State Government

Upon appropriation of the Entrusted budget of BTC (Grant No. 78) by the State Legislature, funds are released by GoA as advance under the Head of Account “K-Deposit and Advances (C) 8550 Civil Advances not bearing interest-103- Other Departmental Advances” and placed at the disposal of BTC as per Paragraph 6(2) of the Sixth Schedule.

Due to such provision, BTC is responsible to the State Legislature for the funds transferred to it by the State. The BTC is also liable to render detailed monthly accounts to Pr. AG (A&E), Assam.

But there are also funds released from other than Grant No. 78 by respective departments of the State Government through sanction/Fixation of Ceiling⁷/ Bank draft, Advances, *etc.*, for which, BTC do not render monthly accounts to PAG (A&E). After receipt of these funds by the BTC, transactions are maintained in the treasury under the Public Deposit Account-Head of Account “8443-Civil Deposits.”

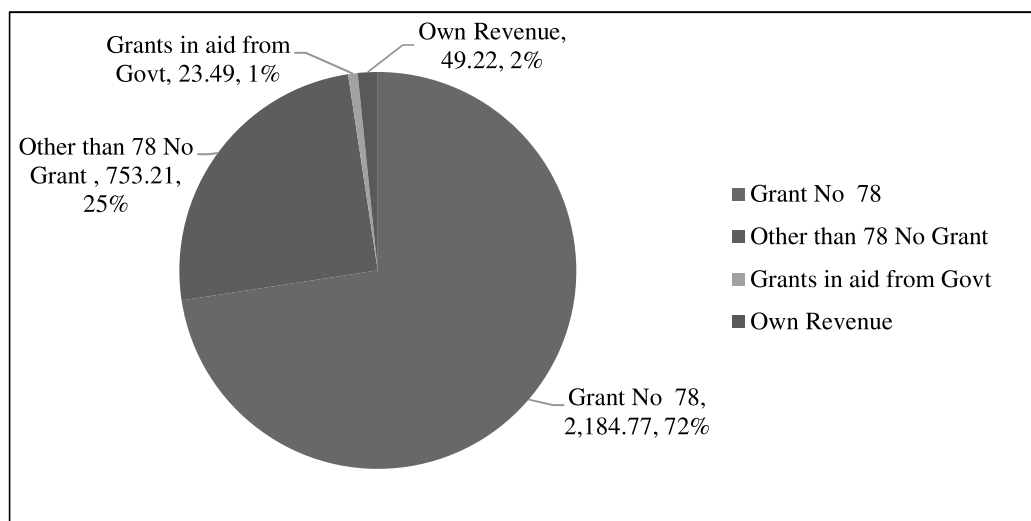
2.2 Receipts and Disbursements

2.2.1 Composition of receipts

The composition of resources of the Council during 2016-17 is shown in Chart- 2.1.

Chart- 2.1: Composition of Aggregate Receipts

(₹ in crore)



The above chart indicates that only two *per cent* (₹ 49.22 crore) of its fund could be generated by BTC during 2016-17 and 98 *per cent* (₹ 2,961.47 crore) of the funds was provided by the State Government.

⁷ Fixation of Ceiling (FoC) earlier named as Letter of credit (LoC). This system ensures that the Government expenditure at any time of the year do not exceed the inflow of receipts as far as practicable and departments do not incur expenditure in excess of authorised provision.

2.2.2 Summary of financial transactions

The summary of financial transactions of BTC during 2016-17 is shown in **Table-2.1**, while **Appendix-II** provides details of receipts and disbursements of the current as well as the previous year as per Annual Accounts of BTC.

Table-2.1: Fund position of BTC during 2016-17

(₹ in crore)		
Receipts		Disbursement
72.71	District Fund	75.07
2.36	Deficit under District Fund	--
2,937.99	Deposit Fund	2,338.59
--	Surplus Under Deposit Fund	599.39
3,010.70	Total receipt and disbursement	2,413.67
337.24 ⁸	Opening /Closing Balance	934.27
3,347.94	Grand Total	3,347.94

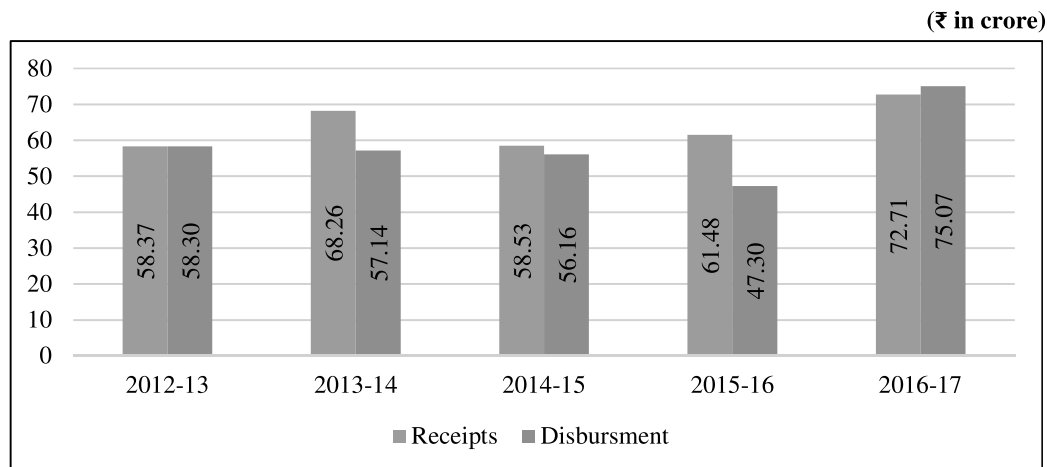
Source: Annual Accounts

As is evident from the table above, bulk of the activities (97 per cent⁹) undertaken by BTC was from the funds provided by the State Government, which is currently being shown under “Deposit Fund.”

2.2.3 Trend of receipts and disbursement

Charts 2.2 and **2.3** present the trends of receipts and disbursement under District Fund (fund generated from its own sources) and Deposit Fund (funds provided by the State Government) over a period of five years (2012-17).

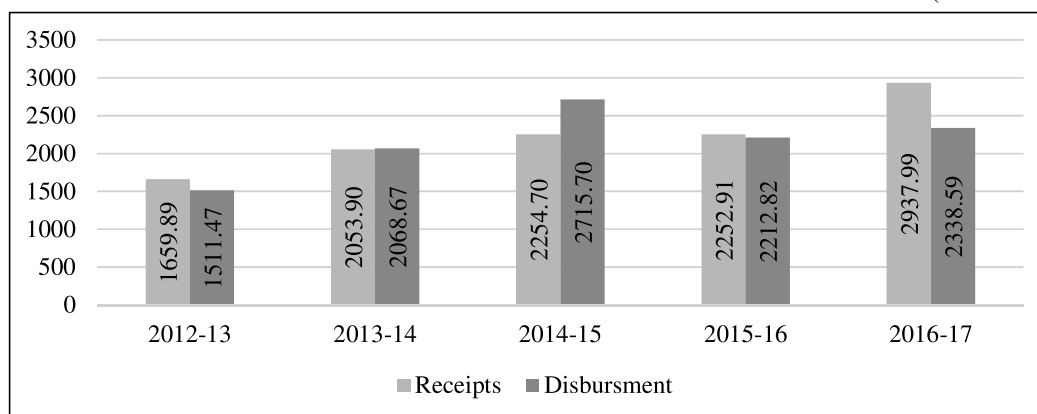
Chart-2.2: Trend of receipts and disbursement under District Fund during 2012-17



⁸ Opening balance has been taken as ₹ 337.24 crore instead of ₹ 336.40 crore which was the closing balance as on 31 March 2016 as per Annual accounts for the year 2015-16 due to accounting of uncashed cheque value of ₹ 0.84 crore

⁹ ₹ 2338.59 crore*100/₹ 2413.67crore)

Chart-2.3: Trend of receipts and disbursement under Deposit Fund during 2012-17
(₹ in crore)

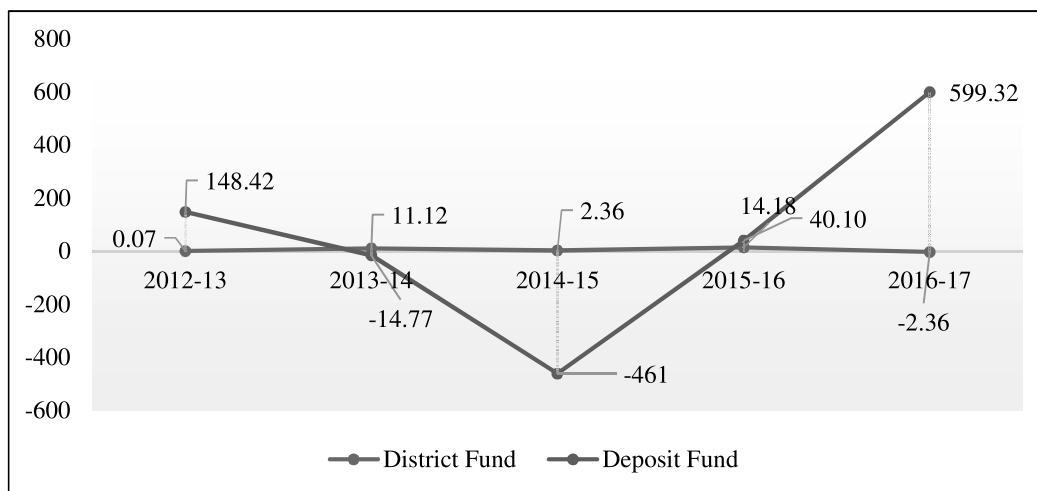


Audit noticed that there was deficit of ₹ 2.36 crore under **District Fund** (own revenue and Assistance by State Government to BTC) during 2016-17 which was evidently met from the surplus of previous years. The head of accounts from which BTC incurred the excess expenditure over the receipts during the year was, however not disclosed in the Annual Accounts as BTC maintained only consolidated balances for both District and Deposit Funds.

2.2.4 Surplus/deficit under District and Deposit Fund

The trends of fund wise surplus/deficit during 2012-17 is depicted in **Chart-2.4**.

Chart-2.4: Trends of Surplus/deficit under District and Deposit Fund
(₹ in crore)



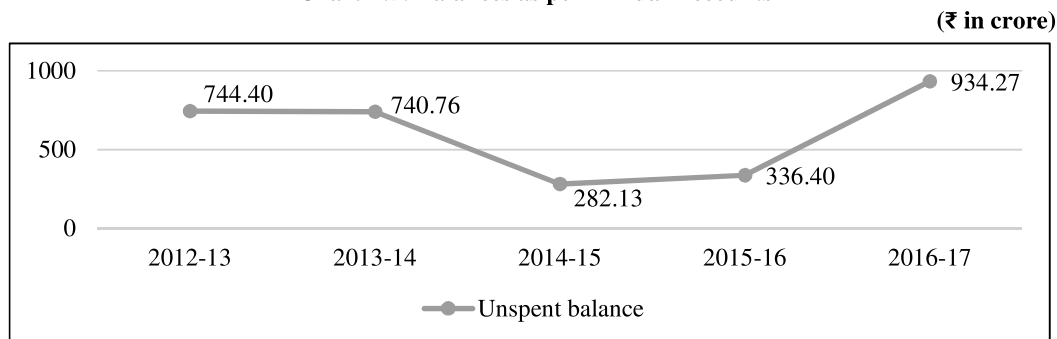
The surplus/deficit under **Deposit Fund** (funds provided by the State Government for entrusted functions) shows fluctuating trend from surplus of ₹ 148.42 crore during 2012-13 to a deficit of ₹ 461 crore in 2014-15 and again surplus of ₹ 599.32 crore during 2016-17. BTC attributed the reasons for surplus of ₹ 606.22 crore under Deposit Fund to receipt of funds from the State Government at the fag end of the financial year 2016-17.

2.2.5 Unspent balance

Rule 3(3) of BTC Fund Rules, 2012 provides that the unspent balance at credit of the fund at the end of the financial year shall be carried over to the next financial year. Thus, there is no lapsing of Funds at the end of the financial year. **Chart-2.4** presents the position of unspent balances of last five years as per Annual Accounts.

Audit noticed a decrease in the balances during 2014-15 from ₹ 740.76 crore at the end of 2013-14 to ₹ 282.13 crore as on March 2015. The closing balance of funds, however, increased significantly to ₹ 934.27 crore during 2016-17.

Chart-2.5: Balances as per Annual Accounts



BTC maintains only consolidated opening and closing balances without Head/Grant-wise details in the Personal Deposit Account. Non-disclosure of balances Head/Grant-wise details makes the Annual Accounts opaque and weakens the basis for the control over the expenditure and posed serious risk of misutilisation of funds released for various schemes/programmes. During the year 2016-17, the Annual Accounts disclosed that against 18 Heads of Accounts, BTC had incurred expenditure in excess (₹ 78.35 crore¹⁰ receipts; ₹ 121.77 crore¹¹ expenditure) of the funds received under those Heads (as detailed in *Appendix-III*). However, due to non-disclosure of Head-wise balances in the Annual Accounts, Audit could neither ascertain whether there were balances available in those Heads to meet the expenditure in excess of receipts nor was it clear whether funds available in other Heads were utilised for such excesses. Further, depiction of Head/Grant wise details will clearly indicate the departments and the DDOs responsible for such deviation from the rules and also help in ensuring better budgeting control and discipline in its financial management in future.

Thus, due to absence of Head-wise balances in PDA, there was no assurance that the expenditure was incurred for the purpose for which it was sanctioned.

2.2.6 Receipts of Own Fund compared with previous years

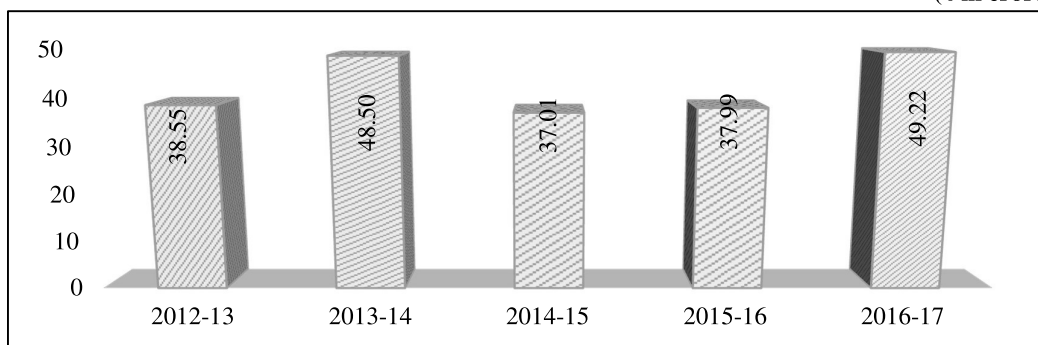
Chart-2.6 presents the trend of revenue receipts of BTC from own sources during the last five years (2012-17).

¹⁰ Plan only

¹¹ (Non-Plan: ₹ 2.64 crore, Plan: ₹ 119.13 crore)

Chart-2.6: Trend of revenue receipts during 2012-17

(₹ in crore)

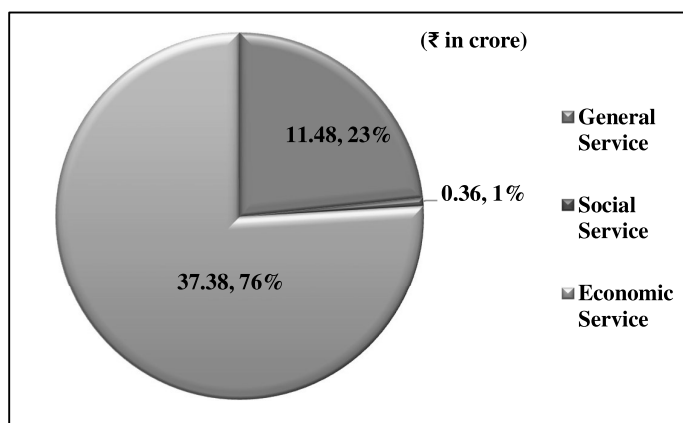


As evident from the chart, the growth of revenue during 2012-17 showed a fluctuating trend. The collection of revenue increased from ₹ 38.58 crore in 2012-13 to ₹ 48.50 crore in 2013-14 and fell to approximately ₹ 37 crore during 2014-15 and 2015-16. It again rose to ₹ 49.22 crore in 2016-17, which was only ₹ 0.72 crore higher than the collection achieved during 2013-14. Despite low revenue mobilisation, no concrete steps were taken to increase generation of own revenue resources by BTC.

2.2.7 Sector wise receipts and disbursement under District Fund

Total receipts and expenditure under the District Fund was ₹ 72.71 crore and ₹ 75.07 crore respectively. **Chart-2.7** indicates sector-wise revenue receipts of ₹ 49.22 crore (excluding *grants-in-aid* of ₹ 23.49 crore received from State Government) raised by the BTC under Part I District Fund during 2016-17.

Chart -2.7 Sector wise receipt under District Fund



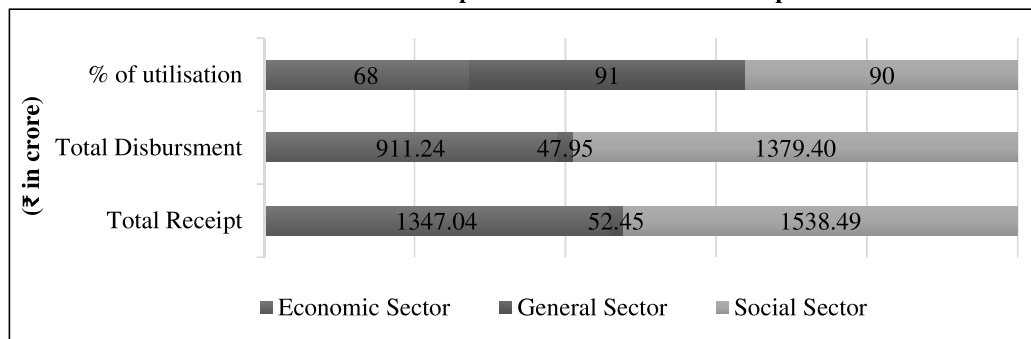
There was maximum receipt during 2016-17 from the Economic Sector (78 *per cent*) followed by the General Sector (23 *per cent*) to one *per cent* from Social sector. Head-wise details of revenue generated under the three sectors were as detailed in **Appendix-IV**.

The entire expenditure of ₹ 75.07 crore of its District Fund was incurred under Social Sector which consisted mainly of payment of pay & allowances, travelling expenses, contribution towards CPF and not towards the economic sector which has a greater potential to generate more economic development and resources for the future.

2.2.8 Sector wise receipts and disbursement under Deposit Fund

Total receipts and expenditure under the deposit fund as per Annual Accounts was ₹ 2,937.99 crore and ₹ 2,338.59 crore respectively. **Chart-2.8** indicates sector-wise receipts and disbursement accounted by BTC under Deposit Fund during 2016-17.

Chart-2.8 Sector wise receipts & disbursement under Deposit Fund



It could be seen from above that during 2016-17, disbursement for Social Sector was the highest at ₹ 1,379.40 crore (59 *per cent*) while ₹ 911.24 crore (39 *per cent*) was for Economic sector and ₹ 47.95 crore (two *per cent*) for General sector. Head-wise details of expenditure under the three sectors are detailed in **Appendix-V**. Further, during the year 2015-16, BTC could utilise approximately 84 *per cent* out of its total fund received. Against the total disbursement of ₹ 2,101.62 crore¹² during 2015-16, disbursement for Social Sector was ₹ 1,299.07 crore (62 *per cent*), Economic Sector at ₹ 718.95 crore (34 *per cent*) and for General Sector ₹ 83.60 crore (four *per cent*).

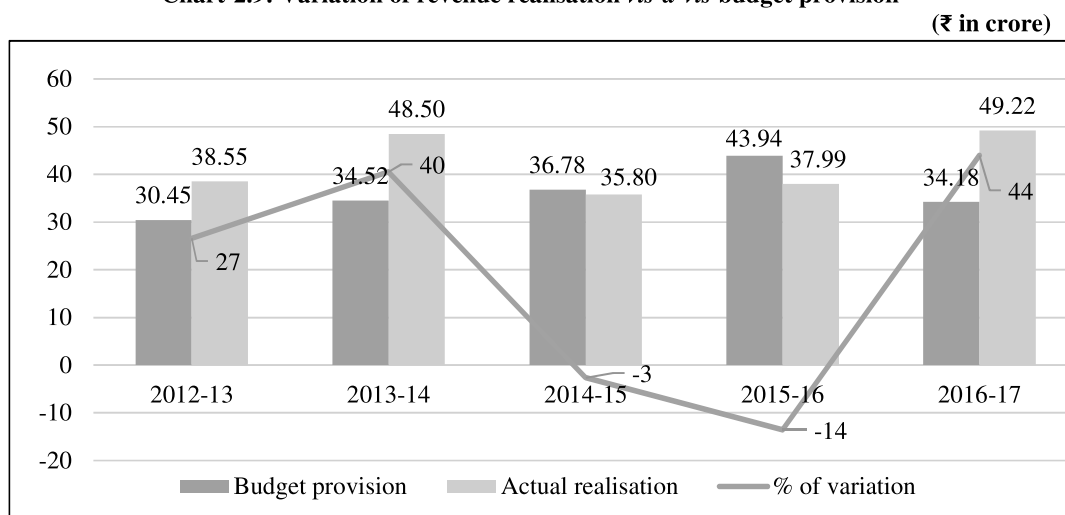
As BTC (2015-16) did not disclose Heads of Account wise fund received from the State Government, comparison of Sector wise percentage of utilisation against the receipts could not be analysed in audit.

BTC needs to augment its resources for higher utilisation of funds in Social and Economic Sector to improve socio-economic condition of its people.

2.3 Receipts compared to budget provision

Chart-2.9 shows considerable variation between estimated provisions (Normal budget) and actual revenue realisation during the years 2012-17.

Chart-2.9: Variation of revenue realisation vis-a-vis budget provision



¹² Excluding refund of ₹ 111.20 crore

Audit noticed high fluctuation in revenue collection as compared with budget estimates. During 2012-13 and 2013-14 the revenue collection rose by ₹ 8.10 crore and ₹ 13.98 crore over the budget estimates respectively. Thereafter, it declined by 14 *per cent* (₹ 5.95 crore) during 2015-16 against the estimate. It again increased by 44 *per cent* (₹ 15.04 crore) over budget estimates during 2016-17. This indicates that the budget estimation of revenue collection as prepared by BTC was unrealistic and underlines the need for a review of the budget estimates to set a more realistic target for better augmentation of own resources.

2.4 Conclusion

- i. BTC does not include the unspent balance of previous year in the current year entrusted budget as required under Assam Budget Manual.
- ii. Annual Accounts did not follow the same CoA as was used for preparation of budget. BTC neither adopted CoA prescribed by CAG nor followed LMMH.
- iii. BTC maintains only consolidated opening and closing balances without Head/Grant wise details. Thus, there was no assurance that the expenditure was incurred for the purpose for which it was sanctioned.
- iv. Budgetary exercise of the Council was not realistic during 2016-17. There was wide fluctuation/variations between the Budget estimates and actual receipt and expenditure during 2016-17.

2.5 Recommendations

- *Council should include anticipated unspent balances in the entrusted budget document of the succeeding financial year as envisaged in the Assam Budget Manual.*
- *Council may ensure adoption of CAG's prescribed Chart of Accounts in its Normal Budget for better depiction/disclosure in its Annual Accounts.*
- *Council may disclose Grant-wise Head-wise breakup of consolidated opening and closing balances in the Annual Accounts to provide assurance that the expenditure incurred was for the purpose it was sanctioned.*