

## Chapter-III

### Audit of Annual Accounts

#### 3.1 Introduction to Accounts and Comments on Council Accounts

In terms of paragraph 7(3) of the Sixth Schedule to the Constitution, the form in which the accounts of the District Council are to be maintained is to be prescribed by the Comptroller and Auditor General of India (C&AG), which was done in 1977. The Form of Accounts prescribed by C&AG comprised of seven statements. A brief description of these seven statements is given in Table 3.1:

**Table 3.1: Statements in the C&AG prescribed Form of Accounts of Autonomous District Councils**

Sl. No.	Statement No.	Particulars of Statements
1.	Statement No.1	Summary of transactions showing summarised position of Receipts and Disbursement of District Fund and Deposit Fund, with breakup at the level of Revenue, Capital, and Debt.
2.	Statement No.2	Progressive Capital Outlay to the end of the Year showing Major Head wise Capital expenditure for the current year, and cumulative expenditure till the end of the year.
3.	Statement No.3	Summarised position of the Debt taken by the Council, the receipts and repayments in the year, and balance outstanding. In addition, the Statement has a separate associated statement showing the monthly ways and means position of the Council.
4.	Statement No.4	Loans and Advances by the Council showing category wise summary of loans and advances given by the council, the payments and receipts, and the balance outstanding at the end of the year.
5.	Statement No.5	Detailed account of revenue of the Council with Minor Head-wise breakup.
6.	Statement No.6	Detailed account of expenditure of the Council with Minor Heads wise break up.
7.	Statement No.7	Receipts, disbursements, and balances under heads relating to District Fund and Deposit Fund showing summarised position of Opening Balance, Receipts, Disbursements, and Closing Balance for heads under District and Deposit Fund.

#### 3.2 Comments on Form of Accounts

**3.2.1** The CAG prescribed Form of Accounts requires the Council accounts to be kept in two parts, namely, District Fund and Deposit Fund, analogous to the Consolidated Fund and Public Account in State and Union Government Accounts. The explanatory notes to the form of Accounts state that the Deposit Fund would comprise of items like Deposits, Advances, Provident Fund, *etc.* Rule 19 (1) of BTC Fund Rules, 2012 also provides the same format and divisions as prescribed by C&AG in 1977.

Audit noticed internal inconsistency in the BTC Fund Rules, 2012. Rule 22 (1) requires revenue receipts from its own source including assistance by the State Government and corresponding expenditure therefrom to be shown under District Fund. While funds received from State budget for entrusted functions and expenditure

incurred therefrom are exhibited under Part-II Deposit Fund. The Annual Accounts of BTC for the year 2016-17 was prepared largely in keeping with Rule 22(1) above.

**3.2.2** Rule 19 (7a) of BTC Fund Rules, 2012 provides that the classification of transactions shall be given following List of Major and Minor Heads of Account (LMMH) of Union and States issued by the Ministry of Finance, Government of India. However, this is not in keeping with the CAG's Chart of Accounts (CoA) prescribed for ADCs, which 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 in India.

In persuasion to the decision taken (July 2021) with Principal Accountant General, the Government of Assam constituted a Committee to review the existing BTC Fund Rules to address various internal inconsistencies and to recommend modifications to bring about transparency in Annual Accounts of BTC. However, report on the review is yet to be made available for compliance.

**3.2.3** The BTC prepared its Annual Accounts in the aforementioned seven statements appending one additional Annexure showing Head of Account and Grant Number against funds received from State budget for entrusted functions, expenditure incurred therefrom and balance as on 31 March 2017. Major deviations noticed in Audit with respect to the format prescribed by CAG are highlighted below:

- a. Statement-1 has not disclosed transactions such as Contributory Provident Fund, Security Deposit *etc.*, for which the Council incurs a liability to repay the monies received under Part II-Deposit Fund as prescribed by the C&AG.
- b. BTC is required to submit Monthly Accounts to Accountant General (A&E) for funds transferred to it against Grant No. 78, based on which, the Appropriation Accounts is compiled and prepared by AG (A&E). Detailed Appropriation Account of the said Grant indicated that during 2016-17, BTC had made a total expenditure of ₹ 192.99 crore towards Capital Outlay. However, BTC had stated Capital expenditure as Nil in Statement-2. Thus, Annual Accounts of BTC does not depict the complete position of current and cumulative expenditure towards creation of capital assets as on 31 March 2017.
- c. Statement-5 showed details of revenue by Minor Heads for District Fund only, excluding Deposit Fund. The classification largely adopted is that of LMMH which is not in line with CoA prescribed by C&AG of India.
- d. Statement-6 showed details of expenditure for District Fund only, excluding Deposit Fund against a single Major Head 2225 without providing details up to the prescribed level of Minor Head.

- e. The treatment of display of receipt in Statement-5 and expenditure in Statement-6 are inconsistent with each other. In keeping with the prescribed Form of Accounts, Statement-5 and Statement-6 are required to provide Minor Head wise details of receipt and expenditure respectively met from the District Fund which should include both fund generated from own source as well as funds provided by the State Government. Additional disclosures could be made in Annexures. BTC, however, disclosed in Statement 5 and Statement-6 pertaining to the District Fund only the receipts and expenditure generated from own source but not receipt and expenditure of funds provided by the State Government as required under Form of Accounts prescribed by C&AG.
- f. Both Statement-5 and Statement-6 provide insufficient information *vis-à-vis* the prescribed form of accounts. Thus, the accounts of BTC lack completeness and comparability with the prescribed Forms of Account.

### 3.3 Comments on Accounts

#### 3.3.1 District Fund

##### 3.3.1.1 Understatement of receipts and expenditure (Transport Service)

As per Treasury Rules of Assam, all money received by, or tendered to Government servants on account of the revenues, shall without undue delay, be paid in full into the treasury and shall be included in the Public Accounts. Money, thus, received, shall not be appropriated to meet departmental expenditure nor should otherwise be kept apart from the Public Account. The principle of accounting of revenue as per Fund Rules of BTC also provided that all revenues should be accounted for in the Council's Cash Book and deposited into the PDA<sup>13</sup>.

Audit scrutiny of records showed that Bodoland Transport Services (BTS) collected revenue of ₹ 274.61 lakh, during the year 2016-17 as sale proceeds of 'way side bus tickets' which was neither deposited into the PDA nor entered in the Council's Cash Book. The amount was kept in a current bank account in State Bank of India (SBI), Kokrajhar. Further, out of the said revenue together with the unspent balance of previous year (₹ 5.32 lakh), an expenditure of ₹ 274.69 lakh was incurred during 2016-17 which was neither accounted for in the Cash Book nor in the Annual Accounts. This has resulted in understatement of receipt and expenditure in the Annual Accounts to the extent of ₹ 274.61 lakh and ₹ 274.69 lakh respectively.

##### 3.3.1.2 Overstatement of receipts (Lottery)

Statement-5 of the Annual Accounts exhibited a total receipt of ₹ 6.67 crore from Bodoland Lottery. However, the information furnished to audit showed that the total receipt was ₹ 6.19 crore. This resulted in overstatement of receipts of Bodoland Lottery by ₹ 0.48 crore.

<sup>13</sup> Personal Deposit Account (PDA) maintained in the treasury.

### **3.3.1.3 Overstatement of disbursement**

Statement-6 of the Annual Accounts exhibited CPF-Contribution of Employee Share of ₹ 62.36 lakh and Recovery of CPF Advance of ₹ 12.68 lakh as disbursement under District Fund instead of receipt. This resulted in overstatement of disbursement by ₹ 75.04 lakh with corresponding understatement of receipt during 2016-17.

### **3.3.2 Deposit Fund**

Although, funds received from the State Government for subjects/departments entrusted to the Council, was to be accounted for under District Fund as per the format provided by the CAG, the Council accounted these funds under Deposit Fund. Audit comments on the Deposit Fund are discussed in the succeeding paragraphs.

#### **3.3.2.1 Understatement of total receipts**

Annual Accounts during 2016-17 exhibited total receipts of ₹ 3,010.69 crore as against actual total receipts of ₹ 3,012.17 crore as per the PDA maintained by the Kokrajhar Treasury. This resulted in understatement of total receipts by ₹ 1.48 crore.

While accepting the audit observation, BTC (November 2020), stated that the mistake occurred due to oversight which will be corrected.

### **3.4 Reconciliation of Records**

#### **3.4.1 Non-reconciliation with Appropriation Accounts**

The Government of Assam provides funds available as advance (Major Head 8550-Civil Advance) from Grant No 78 of the State Government Budget for incurring expenditure on 39 subjects entrusted to BTC against 40 subjects specified in the Sixth Schedule. BTC was required to render Monthly detailed accounts to the Principal Accountant General (Accounts & Entitlements) (PAG (A&E)), Assam. From the monthly accounts submitted by BTC, Appropriation Accounts of the State Government is compiled by PAG (A&E).

Audit noticed that the total expenditure of BTC included in the Appropriation Accounts for the year 2016-17 under Grant No-78 was ₹ 2,009.75 crore, while the Annual Accounts of BTC exhibited ₹ 1,859.86 crore against the same Grant as detailed in *Appendix-VI*.

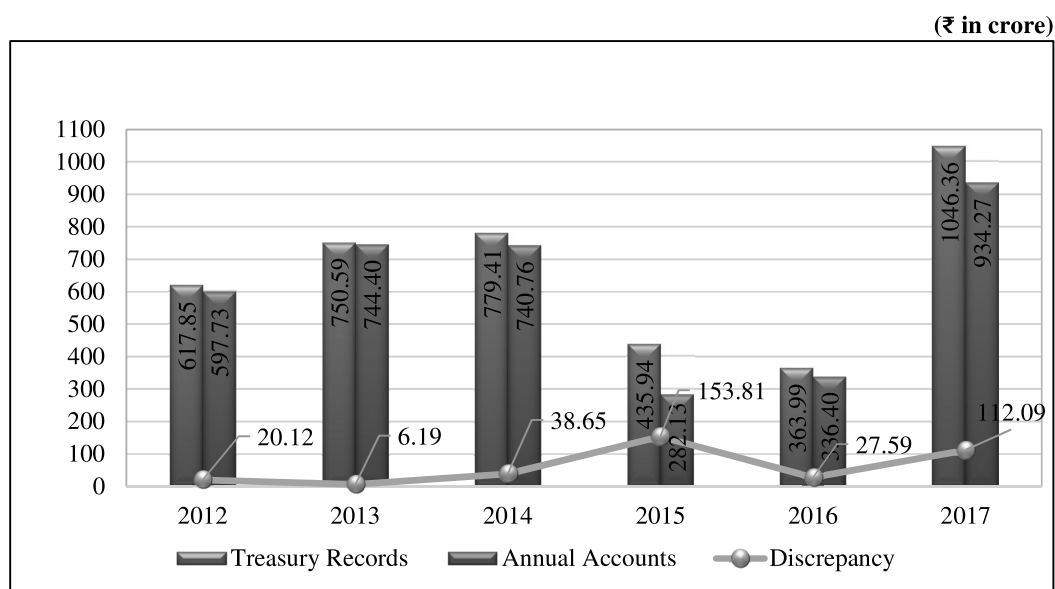
This indicates that prior to compiling of Annual Accounts for the year 2016-17, BTC did not carry out reconciliation with the figures booked by PAG (A&E). There is a need for monthly and annual reconciliation with figures booked by Accountant General to ensure accuracy and transparency.

#### **3.4.2 Non-reconciliation with Personal Deposit Account**

BTC maintains a Personal Deposit Account (PDA) with the Kokrajhar Treasury, into which all receipts of BTC are credited and from which withdrawals for all expenditure are made. The balance held in PDA as per the Cash Book as on 31 March of each financial year was required to be reconciled with the balance shown in the

records of the Treasury and discrepancy, if any, between the two sets of records is required to be settled to ensure accuracy in financial reporting.

**Chart-3.1 Balances as per Treasury records and Annual Accounts as on 31 March**



As can be seen from **Chart-3.1**, the discrepancy between the Treasury record and the Annual Accounts of BTC has been widening from ₹ 27.59 crore during 2015-16 to ₹ 112.09 crore in 2016-17. This discrepancy was not explained in the Annual Accounts as reconciliation of its records with that of records of the Treasury was not carried out. Audit had highlighted non-reconciliation of the two sets of records in previous Audit Reports. Despite being pointed out, these lapses continued to persist without any tangible improvement.

### 3.5 Conclusion

Audit of the Annual Accounts of BTC for 2016-17 revealed a number of deficiencies which are summarised below:

- i. Form of Accounts followed by BTC for preparing its Annual Accounts was not in conformity with the Form of Accounts prescribed by C&AG for District Councils in 1977.
- ii. The Annual Accounts of BTC does not show any Capital expenditure while the Appropriation Account of Grant No 78 shows BTC had incurred substantial expenditure under Capital Outlay.
- iii. Statement 5 and Statement-6 pertaining to the District Fund provide insufficient information *vis-à-vis* the prescribed form of accounts indicating lack of completeness and comparability with the prescribed Form of Account.
- iv. BTC did not compile its Annual Accounts after proper reconciliation of its records with that of records of PAG (A&E) and the Treasury despite being pointed out in the previous Audit Reports.

### **3.6 Recommendations**

- *Council should compile its Annual Accounts following C&AGs prescribed guidelines for greater accountability and transparency.*
- *Council may device a system of periodical reconciliation with PAG (A&E) and the Treasury Officer, Kokrajhar.*