

Chapter-II

Fund Management and Budgetary Process

2.1 Introduction to District Fund

Sixth Schedule of 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. The BTC Fund 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 District Council in the course of the administration of the Autonomous District Council in accordance with the provisions of the Constitution. The fund is maintained as Deposit Account (8443-Civil Deposit) in Kokrajhar Treasury, and Principal Secretary, BTC is the authorised officer to operate the Fund.

The ADC fund comprises 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 had two divisions namely: (i) Revenue Section for Revenue Receipts and Expenditures and (ii) Capital Section for Capital Receipts and Expenditures, Public Debt, Loans and Advances. The first division shall deal with the proceeds of taxation and other receipts classified as revenue and expenditure met there from. **It shall also include the grants and contributions received from the Government and also grants and contributions by the Council.** The second division shall deal 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 and their recoveries 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 money received or has a claim to recover the amount paid.

2.2 Receipts and Disbursements

Table-2.1 shows the summary of fiscal transactions of BTC during 2014-15, while **Appendix-I** provides details of receipts and disbursements of the current as well as the previous year as per Annual Accounts of BTC. **Chart-2.1A and 2.1B** present the trends of receipts and disbursements under District Fund and Deposit Fund over a period of five years (2010-15).

Table-2.1: Fund position of BTC during 2014-15

		(₹ in crore)
Receipt		Disbursement
58.53	District Fund	56.16
2,254.70	Deposit Fund	2,715.70
2,313.23	Total receipt and disbursement	2,771.86
740.76	Opening /Closing Balance	282.13
3,053.99	Grand Total	3,053.99

Source: Annual Account

It can be seen from the table above, bulk of the activities (approximately 97 per cent) undertaken by BTC is from the funds provided by the State Government, which is currently being shown under Deposit Fund.

Chart-2.1A: Trend of receipts and disbursement under District Fund during 2010-15

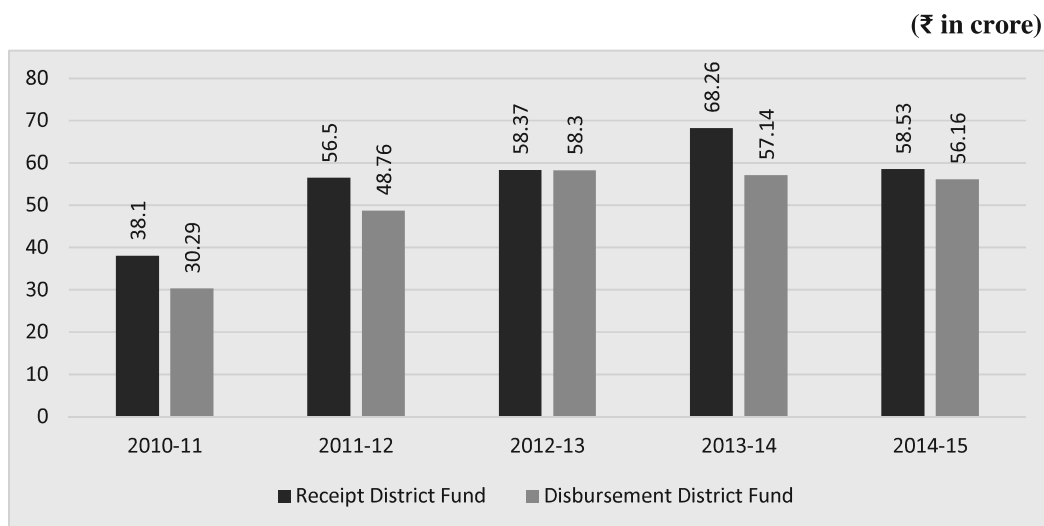
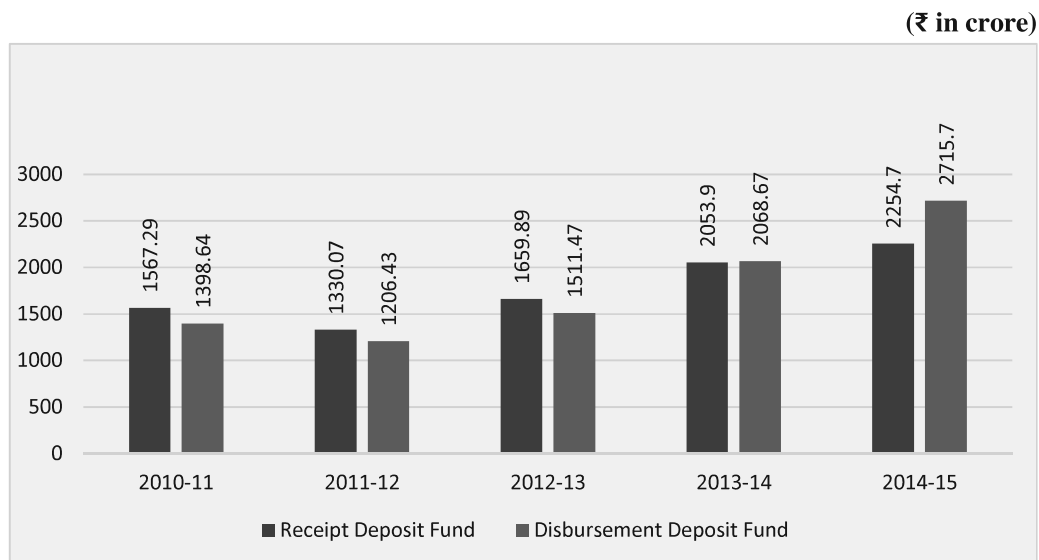


Chart-2.1B: Trend of receipts and disbursement under Deposit Fund during 2010-15



The total receipts of the Council increased by nine *per cent* from ₹2,122.16 crore in 2013-14 to ₹2,313.23 crore during 2014-15. Analysis revealed that the increase in receipts during 2014-15 was primarily due to receipts of funds from State Government for entrusted functions.

2.2.1 Non-disclosure of details in Annual Accounts

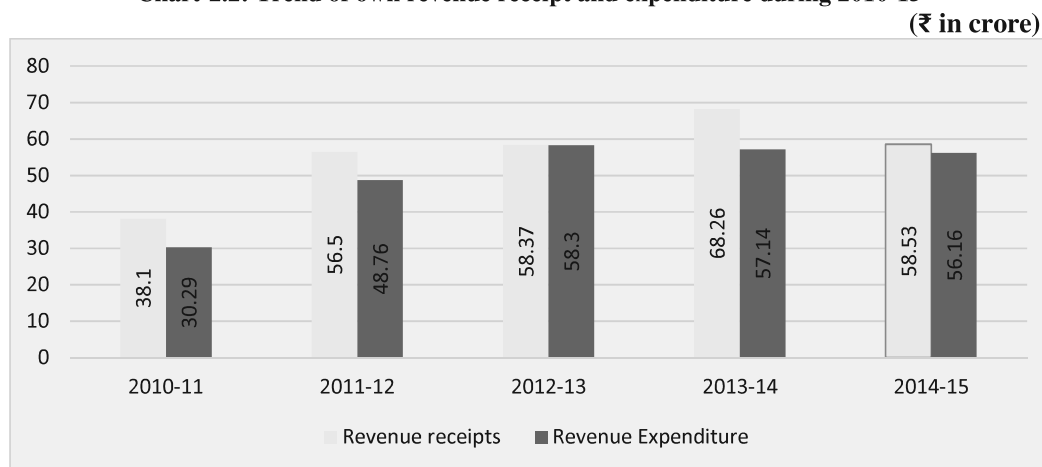
Annual Accounts comprise of seven statements representing annual receipts (own receipts, grants-in-aid, share of taxes *etc.*) and disbursements under various major heads. BTC did not disclose grant wise, head wise details of balances due to which the heads of accounts under which disbursements were made in excess of funds received, could not be ascertain.

Maintenance of consolidated opening and closing balances without head/ grant wise details in the Personal Deposit Account and non-disclosure in the Annual Accounts defeats the very purpose of control over the public expenditure and is fraught with the risk of the funds released for various schemes/ programmes being locked up or diverted and there was no assurance that the expenditure was incurred for the purpose for which it was sanctioned.

2.2.2 Receipts of Own Fund compared with previous years

Chart-2.2 presents the trend of own revenue receipts and expenditure incurred by BTC from own fund during last five years (2010-15).

Chart-2.2: Trend of own revenue receipt and expenditure during 2010-15



As evident from the chart, there was a steady growth of revenue during 2010-14 but during 2014-15, there was a decrease in revenue receipt by 14 *per cent* over previous year.

2.3 Variation between budget estimates and actuals with respect to own receipts

Scrutiny of budget estimates for the year 2014-15 *vis-à-vis* actual receipts revealed significant variations between budget estimates and actuals of receipts as detailed in **Table 2.2:**

Table 2.2: Heads of receipt under which significant variations occurred between the Actuals and the Budget Estimates

(₹ in crore)

Sl.	Major Heads	2014-15			
		Actuals 2013-14	Budget Estimate	Actual	Shortfall (-) /Excess (+) in actuals as compared to BE (per cent)
1.	Agriculture	1.51	0.95	0.45	-0.50(52.63)
2.	Forest	23.09	28.00	20.35	-7.65(27.32)
3.	Land & Land Revenue	3.94	1.85	4.87	+3.06(62.83)
4.	Lottery	4.13	0.00	5.43	+5.43(100)
5.	Public Works/ Roads & Bridges	0.30	0.42	1.33	+0.91(68.42)

Source: Annual Accounts and Normal Budget of BTC

It is evident from the above table that the BEs for the year 2014-15 were not realistic for the above mentioned heads wherein the variations ranged between 27 to 100 *per cent*. Budget Estimates should be a genuine estimation in the light of updated knowledge. Variations between the Budget Estimates and actual receipts during 2014-15 indicated that the Council had prepared the Budgeted Estimates without taking into account the actuals for the year 2013-14. As such, receipts under Agriculture and Forest fell short of BEs by 53 *per cent* and 27 *per cent* while receipts under Land Revenue, Lottery and Public works exceeded estimated figures ranged between 63 *per cent* and 100 *per cent*.

Council may channelize efforts to comprehensively map untapped, but eligible, revenue sources and put in place a plan for strict enforcement of revenue collections. The Council may need to undertake detailed budgetary analyses and reviews to identify and resolve challenges regarding financial sustainability.

2.4 Comments on budgetary process

BTC prepares two sets of budgets as detailed below:

- i) **Entrusted Budget:** BTC prepares its entrusted budget in respect of Grant No.78, for subjects entrusted to it as per the Sixth Schedule. This budget is submitted to the State Government for appropriation by the State Legislatures and release of funds. In this budget, BTC follows the Chart of Accounts (CoA) of List of Major and Minor Heads (LMMH) of the Union and States. Funds from this Grant are released to BTC in two instalments as advance.
- ii) **Council Budget:** BTC also prepares another budget in respect of estimated own revenue receipts, estimated CSS and receipts relating to grants other than Grant No. 78 received from the State Government and estimated expenditure to be incurred therefrom. This budget is termed as Normal budget in common parlance. BTC followed CoA prescribed by the C&AG which provides accounting for 17 receipt heads and 24 expenditure heads while BTC had

transactions pertaining to 39 subjects. During 2014-15, BTC has included the provisions made in Grant No. 78 too in its normal budget⁴.

BTC in its Annual Accounts has reported expenditure and receipt using Heads of Accounts which are not covered under CoA prescribed by C&AG neither covered under the LMMH as mentioned below:

Table-2.3: Use of Invalid Heads of Accounts

Heads of Accounts used in Statement	Statement of annual account
CSB, DICC, ITI, Printing charge under Misc. receipt, Administrative charge (Grant-in-aid), Non-plan Administrative charge	Statement-5 (Receipt by Minor Head)
BTC's share CSS Programme for 2013-14, Group of Ministers PRI, RPRS, PWD (BE), Unspent balance, Riot effected area, Plan salary, CD, AIBP(CA), NLCPR 500 CR, NLCPR 250 CR, SIDF	Statement-6 (Expenditure by Minor Head)

Source: Annual Account.

Ideally, the Budget and Annual Accounts of any organisation should follow the same Chart of Accounts. However, CoA followed by BTC in budget document and Annual Accounts differs. As the transactions disclosed in the Annual Accounts do not follow the same CoA with that of the budget, variation between budgeted and actual numbers with respect to both receipt and expenditure, if any could not be ascertained.

2.5 Inherent shortcomings in accounting process

Audit noticed the inherent shortcomings in accounting process being followed by BTC as below:

- i) Bulk of the activities (Approximately 97 *per cent*) undertaken by BTC is from the funds provided by the State Government, which is currently being shown under Deposit Fund. This leads to reduced transparency in accounts, as the Annual Accounts Statements are meant to primarily provide details of District Funds, which constitutes an insignificant portion of the total expenditure of BTC.
- ii) As per the Fund Rules, there is no lapsing of Funds at the end of the financial year, which leads to carry forward of Budgetary advances under Grant-78 to subsequent years. As Annual Accounts of BTC did not disclose grant wise head wise details of balances, the head of accounts under which disbursements were made beyond funds received also remained undisclosed, and there was no assurance that the expenditure was incurred for the purpose for which it was sanctioned.

2.6 Conclusion

The total revenue receipts of the Council increased by nine *per cent* from ₹2,122.16 crore in 2013-14 to ₹2,313.23 crore during 2014-15 while there was a decrease in own revenue receipts by 14 *per cent* over previous year.

⁴ After 2015-16, Council Budget does not show funds received from the State Government under Grant 78

The Council had prepared the Budgeted Estimates without taking into account the actual position. As such receipts under Agriculture and Forest fell short of BEs by 53 *per cent* and 27 *per cent* respectively.

Council did not disclose grant wise, head wise details of closing balances under the head of accounts during the year.

2.7 Recommendations

Council may disclose Head wise breakup of consolidated opening and closing balances in the Annual Accounts so as to provide assurance that the expenditures incurred was for the purpose it was sanctioned.

Council may prepare an additional annexure in the Annual Accounts depicting receipts and expenditure against the budgeted items.

Council may include unspent balance in entrusted budget of subsequent year and draw up an action plan for effective utilisation of the budgetary allocation during the year to avoid financial disparity between Councils and State Government Accounts.

State Government also needs to give the Council's share of entrusted funds in timely and regular manner as per modality of entrustment.