

Chapter-III- Audit of Annual Accounts

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 ADCs

Sl. No.	Statement No.	Particulars of Statements
1.	Statement No. 1	Summary of transactions showing summarised position of Receipt 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 Heads 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.

3.1 Comments on Form of Accounts

3.1.1 The C&AG prescribed Form of Accounts requires that the Council accounts are to be kept in two parts-the 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 say that the Deposit Fund would comprise of items like Deposits, Advances, Provident Fund, *etc.* Rule 19 of BTC Fund Rules, 2012 also provides the format and divisions as prescribed by C&AG in 1977. However, an internal inconsistency is noted in the BTC Fund Rules, whereby Rule 22(1) requires revenue receipts from its own source including assistance by the State Government, and corresponding expenditure therefrom to be shown under Part-I 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 2014-15 are prepared largely in keeping with Rule 22(1) above.

3.1.2 Another inconsistency noted in the BTC Fund Rules is that of Rule 19 (7a) which 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. This is not in keeping with the C&AG'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, 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 Governments.

3.1.3 The BTC prepared its Annual Accounts in the aforementioned seven statements appending some additional Annexures. Audit found some deviations with respect to the format prescribed by C&AG, as detailed below:

- a. Statement-1 has not disclosed transactions such as Contributory Provident Fund, Security Deposit, *etc.* for which, the Council is liable 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 2014-15, BTC had made a total expenditure of ₹471.89 crore towards Capital Outlay. However, BTC had stated Capital expenditure as Nil in Statement-2. Thus, Annual Accounts of BTC does not provide correct picture of current and cumulative expenditure towards creation of capital assets as of March 2015.
- c. Statement-5 showed details of revenue by Major Heads for District Fund only, excluding Deposit Fund, the details of which is given in **Annexure II** in the form of programme wise breakup of funds received. However, neither the Statement nor the Annexure provides details up to the level of Minor Head, which is the level prescribed in the form of accounts.
- d. Statement-6 showed details of expenditure for Deposit Fund only, excluding District Fund. **Annexure I** has been given in support of District Fund expenditure. However, neither the statement nor the Annexure provides 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 out of the District Fund. Additional disclosures could be made in Annexures. However, BTC has shown the Deposit Fund Receipts in Annexure to Statement-5, while showing

the Deposit Fund Expenditure in Statement-6, relegating the District Fund expenditure to the Annexure to Statement-6.

- f. Since both Statement-5 and Statement-6 provide insufficient information *vis-à-vis* the prescribed form of accounts, the accounts lack completeness and comparability⁵.

3.2 Comments on Accounts

3.2.1 District Fund

3.2.1.1 Inconsistency/ deficiency in accounting procedure

Annual Accounts exhibited expenditure of ₹56.16 crore against the head of account “WPT&BC⁶ (including BTC establishment)”⁷ under District Fund-Revenue Account. Further, an additional expenditure of ₹97.43 crore against the same head of account was also included under Deposit Fund-disbursement⁸ of the Annual Accounts. Justification/ accounting policy explaining the reason for such bifurcation of expenditure of the head of account WPT&BC (including BTC establishment) between District Fund and Deposit Fund was not provided by way of explanatory notes.

3.2.1.2 Understatement of receipt and expenditure (Transport Service)

As per treasury rules, 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 PDA⁹.

Scrutiny of records showed that Bodoland Transport Services (BTS) collected revenue of ₹33.96 lakh during the year 2014-15 as sale proceeds of ‘way side bus tickets’, which was neither deposited into the PDA nor entered in the Council’s Cash Book. Rather, 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 (₹7.05 lakh), an expenditure of ₹29.29 lakh was incurred. This was neither accounted for in the Cash Book nor in the Annual Accounts. This resulted in understatement of Receipt and Expenditure in the Annual Accounts to the extent of ₹33.96 lakh and ₹29.29 lakh respectively.

BTC accepted the audit observation and assured (October 2017) to take corrective measures.

⁵ In later years from 2016-17, at the behest of AG, BTC accounts provides an annexure showing Grant-wise Major Head of account wise receipt, expenditure and balances

⁶ Welfare of Plain Tribes and Backward Classes

⁷ Annexure-I of Annual Accounts.

⁸ Serial 16 of Statement-6.

⁹ Personal Deposit Account (PDA) maintained in the treasury.

3.2.2 Deposit Fund

3.2.2.1 Overstatement of Deposit fund

Statement-I of the Annual Accounts disclosed ₹2,254.70¹⁰ crore as receipt from State Government, the details of which was disclosed in Annexure-II appended additionally with the Annual Accounts. Totalling of figures in Annexure-II, showed that BTC actually received ₹2,258.70 crore during 2014-15, which included an amount of ₹22.72 crore book-transferred to District Fund. This resulted in overstatement of Deposit Fund to the extent of ₹18.72 crore¹¹ as actual amount should have been ₹2,235.98 crore.

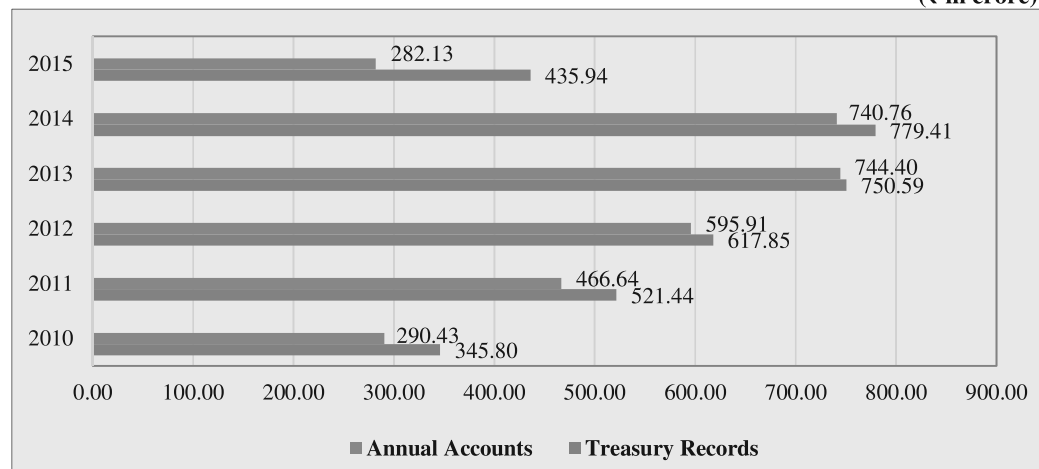
3.3 Personal Deposit Account

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 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 for identifying the accounting errors.

Chart-3.1 shows the differences that exist between the balances in PDA as per BTC Accounts, and Treasury, indicating that the Annual Accounts of the BTC were compiled without proper reconciliation of its records with that of records of the Treasury.

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

(₹ in crore)



Further scrutiny of the closing balances as on 31 March 2015 as per Annual Accounts (₹28,212.52 lakh) and as per PDA maintained by the Treasury (₹43,593.83 lakh) showed that the closing balance as per treasury included un-cashed cheques amounting to ₹15,382.01 lakh.

As the Treasury cheques issued by BTC have a validity of only one month, cheques remaining unpaid after the validity period were to be written back into the Cash Book.

¹⁰ After deducting amount transferred to District fund

¹¹ ₹2254.70 crore – ₹(2258.70 - 22.72) crore

Accordingly, the value of the uncashed cheques should have been included in the closing balance of the Annual Accounts. Thus, closing balance of Annual Account was understated and expenditure was overstated to that extent.

The above deficiency persists despite being pointed out in previous Audit Reports and BTC need to take appropriate steps for correct accounting. Adequate steps are needed to settle the discrepancy, so that financial irregularity, if any, is brought to light, and suitably addressed.

3.4 Conclusion

The audit of accounts of BTC for 2014-15 disclosed that:

1. 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.
2. Annual Accounts do not follow the same CoA as was used for preparation of budget. Instances have been noticed where BTC neither adopted CoA prescribed by C&AG nor followed LMMH.
3. Non-disclosure of head wise details of balances in the Annual Accounts indicate lack of transparency.
4. Book-keeping (accounting) was weak and required further strengthening. Many cases of discrepancies and lack of reconciliation with collateral records and under/ over statement of receipt/ expenditure in Annual Accounts were noticed.
5. Transactions classified in the Annual Accounts were not in conformity with the approved heads of account. Further, these figures are not comparable with expenditure reported in the State Appropriation Accounts under Grant-78, which is compiled from monthly accounts submitted by BTC to Accountant General (A&E).
6. The figures booked in the PLA cash book were not reconciled with that of figures of the Treasury, reflecting poorly managed internal control system of BTC and raises concerns relating to accuracy of accounts.

3.5 Recommendations

- ✓ *Council may review its Fund Rules to exclude all internal inconsistencies and also to ensure that its Annual Accounts are in conformity with the prescribed format of accounts of the C&AG.*
- ✓ *Council needs to ensure that all transactions are routed through PDA, in keeping with their own Rules.*
- ✓ *Council is advised to devise a system of periodical review of accounting records to identify coexisting mistakes within the accounting period so that corrective action is taken.*