

Overview

This Report contains four Chapters. Chapter-I provides a background on the formation of the Autonomous District Council, rules for the management of the District Fund and relevant Constitutional provisions on maintenance of Accounts. Chapter II gives an overview on the financial position of the Council and budgetary process during the year. Chapter-III deals with audit comments on annual accounts of the Council for the year 2014-15. Chapter-IV of the Report deals with the audit findings pertaining to transaction audit of the Council and contains eight paragraphs.

Internal Control

Internal control is a process designed to provide reasonable assurance regarding the achievement of the objectives of an organisation, with regard to efficiency and effectiveness of operations, compliance with applicable rules and regulations, fulfilling accountability, executive functions in an orderly, ethical, efficient and effective manner, safeguarding against loss and sound financial reporting. Some of the shortcomings in maintenance of records and procedure noticed in audit are as follows:

- i. Voucher numbers, bill numbers and dates were not recorded in the Cash Book and on the bill itself and *vice versa*.
- ii. Analysis of closing balances showing year wise breakup of 'Plan', 'Non Plan', 'Grants-in-aid' etc., was not recorded in the Cash Book.
- iii. There was no effective monitoring mechanism to ensure efficiency in implementation of the schemes/ projects and to safeguard against the occurrence of cases of fraud and misappropriation.

A synopsis of the important findings contained in the Report is presented below:

2 BTC Fund Management and Budgetary Process

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 while there was a decrease in own receipts by 14 *per cent* over previous year.

Paragraph 2.2

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

Paragraph 2.2.1

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.

Paragraph 2.3

Recommendations

- ✓ *Council may disclose Head wise breakup of consolidated opening and closing balances in the Annual Accounts so as to provide assurance that the expenditure 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*

3 Audit of Annual Accounts

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.
- During the year 2014-15, BTC collected revenue of ₹33.96 lakh as sale proceeds of way side bus tickets and kept it in a current bank account instead of depositing into Personal Deposit Account (PDA), as done in case of other receipts. An expenditure of ₹29.29 lakh was made out of the said bank account without routing through PDA cash

book. This led to non-accountal of transactions in Cash Book and understatement of receipts and expenditure in the annual account to that extent.

Paragraph 3.2.1.2

- BTC compiled its Annual Accounts for the year 2014-15 without proper reconciliation of its records with that of Treasury records. This resulted in understatement of Closing balance by ₹153.82 crore.

Paragraph 3.3

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.*

4. Compliance Audit Observations

- BTC procured tent house sets worth ₹12.54 crore without inviting tender and at a rate approved two years ago.

Paragraph 4.1.1

- Lack of co-ordination on procurement between departments of BTC resulted in extra expenditure of ₹31.69 crore in procurement of Long Lasting Insecticide Nets and blankets.

Paragraph 4.2.1

- Central Purchase Board of BTC allowed the supplier undue financial benefit to the extent of ₹61.75 lakh by approving higher rate towards procurement of tarpaulin ignoring available market rate collected by the Handloom & Textile department of BTC.

Paragraph 4.2.4

- The BTC, DHS, incurred extra expenditure of ₹49.16 lakh on procurement of surgical items.

Paragraph 4.2.5

- BTC irregularly retained unspent balance of ₹2.82 crore relating to different schemes/ programme since 2012-13 without refunding the same to the State Government

Paragraph 4.3.1

Recommendations

- ✓ *Council may clearly define objectives and activities to be taken up under various schemes /programme including Chief Discretionary grants and ensure proper documentation of all relevant records.*
- ✓ *Council may ensure that procurement of materials is made as per Annual Action Plan of the Council following all the codal provisions for procurement.*
- ✓ *Council may devise a system for purchase of items of common requirement through a Central Purchase Committee. A charter that clearly prescribes the Central Purchase Committee's role and responsibilities, composition, structure, authority, processes and procedures for finalising such purchases may be drawn up.*
- ✓ *Council is advised that before implementation of beneficiary oriented programmes, prior selection of beneficiaries is made ensuring proper documentation and then necessary tenders/ supply orders are issued. Beneficiary wise proper distribution records should also be maintained and be available for verification. Council may review all unspent balances of State Government Grants for Schemes/ Programmes and take action to refund them/ intimate the State Government Departments.*
- ✓ *Systems for strengthening internal controls and checks in the Council Departments and Subordinate offices may be put in place on priority.*
- ✓ *Council needs to take necessary steps to establish Internal Audit wing and also adopt internal control policies so that deficiencies in internal control system as pointed out in this Report are addressed.*