

Chapter-II

Autonomous District Council Funds

2.1 Introduction to District Fund

Sixth Schedule provides for a District Fund for each autonomous district and a Regional Fund for each autonomous region 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 administration of such district or region respectively in accordance with the provisions of the Constitution. District Fund is maintained as Deposit Account (8443-Civil Deposit) in Haflong Treasury and the Principal Secretary (Transfer), NCHAC is the authorised officer to operate the Fund.

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

A. District Fund

District Fund further had 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 classified as revenue and expenditure met therefrom. It also includes grants and contributions received from the Government. The second division deals with expenditure of a Capital nature met from borrowed funds. It also comprises of loans and their repayments by the Council and also loans and advances to staff and others and recoveries thereof 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, GPF, 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, funds received from the State Government for subjects/departments entrusted to the Council during 2014-15 were accounted for in Part-II Deposit Fund. This has been discussed in Chapter-III of this Report.

2.2 Sources and Application of Funds

2.2.1 Receipts and Disbursements

Table-2.1 shows the summary of fiscal transactions of NCHAC 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 NCHAC.

Table-2.1: Summary of financial transactions of NCHAC during 2014-2015

(₹ in crore)

Receipts	Particulars		Disbursement
55.18	District Fund		52.15
476.45	Deposit Fund		432.15
531.63	Total Receipts	Total Disbursement	484.30
127.00	Opening Balance	Closing Balance	174.33
658.63	Grand Total		658.63

Source: Annual Accounts

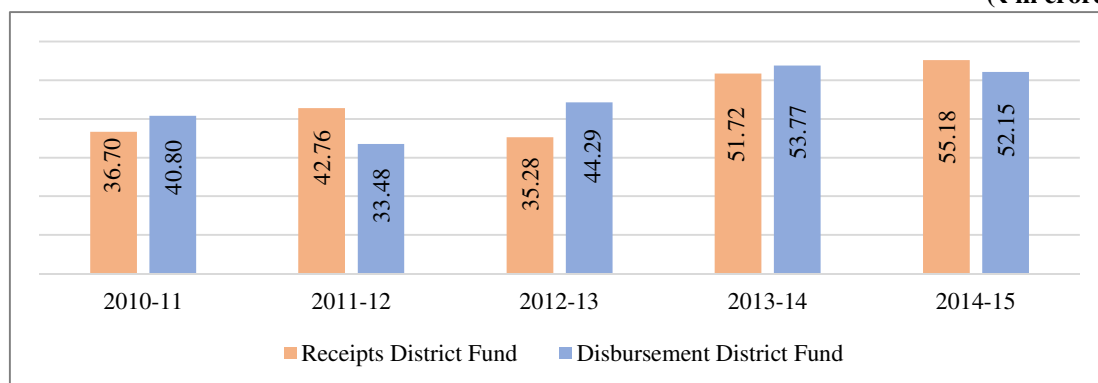
It can be seen from Table-2.1 that bulk of the activities (Approximately 90 per cent) undertaken by NCHAC is from the funds provided by the State Government, which is currently being shown under Deposit Fund.

Further, as per Annual Accounts for the year 2014-15, total receipts and disbursements were ₹ 531.63 crore and ₹ 484.30 crore respectively, but as per Treasury records, the figures were ₹ 531.68 crore and ₹ 474.81 crore respectively.

Chart 2.1(A) and 2.1(B) present the trends of receipts and disbursement under the District Fund (fund generated from its own sources) and Deposit Fund (funds provided by the State Government) over a period of five years (2010-15).

Chart 2.1(A): Trends of receipts and disbursement under District Fund during 2010-2015

(₹ in crore)

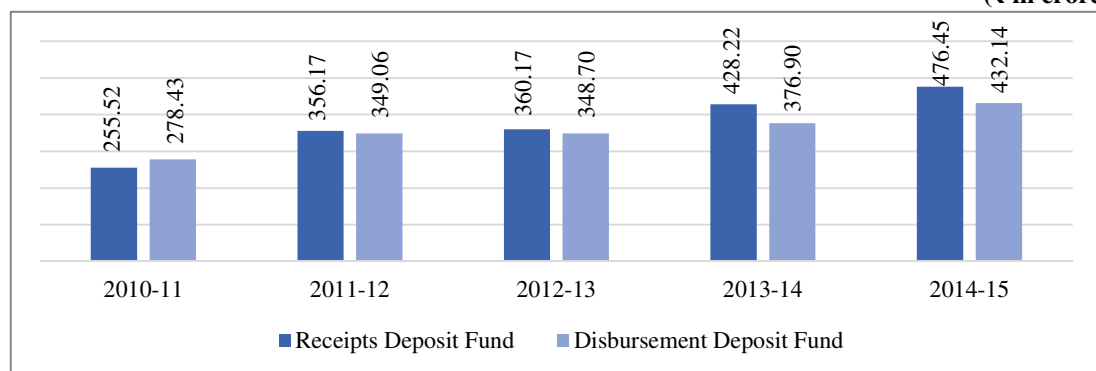


Source: Annual Accounts

It is evident from Chart-2.1(A) that expenditure from District Fund exceeded the annual receipts during 2010-11, 2012-13 and 2013-14 and the same was met out of the balances available with the Council, as the funds are non-lapsable.

Chart 2.1(B): Trends of receipts and disbursement under Deposit Fund during 2010-15

(₹ in crore)



Source: Annual Accounts

It is apparent from Chart-2.1(B) that the disbursements under deposit fund did not exceed its receipts in last four years.

Further, NCHAC has not received any funds under Article 275 (1) from Government of India during 2014-15.

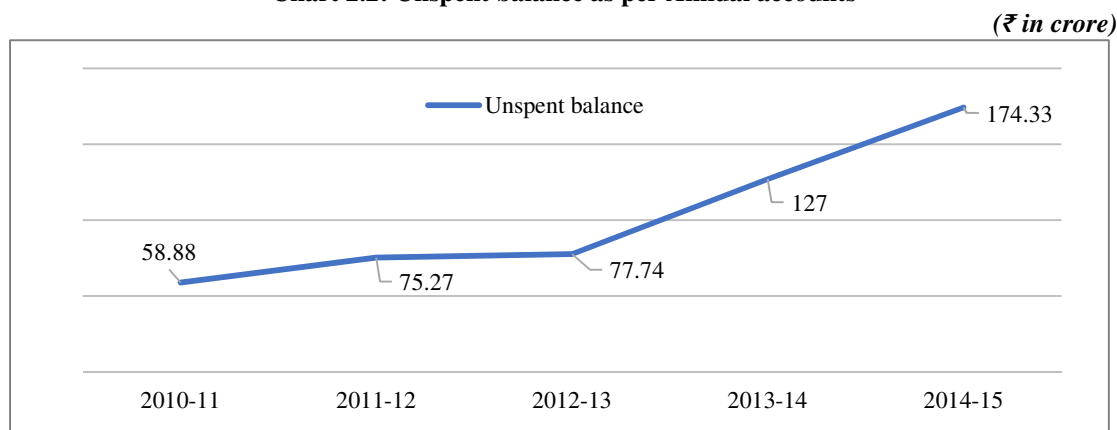
2.2.2 Unspent balance

Unspent balance at the end of the financial year against funds received from GoA neither lapse automatically nor are surrendered by the Council. The savings accumulated in PDA of the Council are utilised in subsequent years.

During 2014-15, NCHAC received ₹ 476.45 crore for entrusted functions from the State Government including funds for Central and State Sector Schemes received through Grants³ other than Grant-77⁴. Against the receipts of ₹ 476.45 crore during the year, the Council disbursed ₹ 432.14 crore to the Drawing and Disbursing Officers for performing entrusted functions. This resulted in surplus of ₹ 44.31 crore under Deposit Fund.

The trends of retaining unspent balance was persistent during the years 2011-15, which was evident from the rising unspent balance in the Annual Accounts of the Council as shown in **Chart 2.2**.

Chart 2.2: Unspent balance as per Annual accounts



Source: Annual Accounts

As Annual Accounts of NCHAC did not disclose grant-wise head-wise details of balances, the head of accounts under which disbursements were made less than or more than the funds received during the year also remained undisclosed.

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.

Further, accounts for Grant 77 are based on Monthly Accounts rendered by NCHAC to office of the Principal Accountant General (A&E), Assam for expenditure met on

³ Grant 29-₹ 95,00,000; Grant 39-₹ 1,44,69,656; Grant 44-₹ 1,52,16,000; Grant 70-₹ 30,00,000.

⁴ Grant 77-₹ 4,72,22,83,400.

entrusted subjects. In the absence of head wise balances in Personal Deposit Account, there was no assurance that the expenditure was incurred for the purpose for which it was sanctioned.

2.3 Comments on budgetary process

NCHAC prepares two sets of budgets as detailed below:

i) **Entrusted Budget:** NCHAC prepares its entrusted budget in respect of Grant No. 77, for subjects entrusted to it by the State Government as per Paragraph 6(2) of the Sixth Schedule. This budget is submitted to the State Government for appropriation by the State Legislatures and release of funds. In this budget, the Chart of Accounts (CoA) followed by NCHAC is that followed by GoA, which is in line with List of Major and Minor Head (LMMH) of the Union and States. Funds from this Grant are released to NCHAC in two instalments as advance.

ii) **Council Budget:** NCHAC also prepares another budget in respect of estimated own revenue receipts and estimated expenditure to be incurred therefrom. This budget is termed as Normal budget in common parlance. In this budget, NCHAC follows the CoA prescribed by C&AG.

As NCHAC did not disclose the details of receipts and expenditure in respect of funds received from State Government in its Annual Accounts, variation between budgeted (Entrusted) and actual figures with respect to both receipts and expenditure, if any could not be ascertained.

Instances of variation between Revenue Receipts/ Revenue Expenditure and Council Budget are discussed in the succeeding paragraphs.

2.3.1 Revenue Receipts compared with budget estimates

Revenue Receipts of NCHAC from own sources during 2014-15 was ₹ 21.90 crore⁵ against the total estimated (budgeted) receipts of ₹78.39 crore, leading to net shortfall of ₹ 56.49 crore (72 *per cent*).

Head-wise position of variation between estimates of receipts and actual receipts showed that shortfall ranging from 65 to 100 *per cent* occurred in eight heads of account. Excess receipts over budget estimates were noticed in three heads of account during 2014-15, as detailed in **Appendix-II**. Similar variations were also noticed in earlier years also and pointed out in previous Audit Reports.

The wide variations between estimated and actual receipts were indicative of unrealistic budget projections. As such, streamlining of the process of preparation of budget was needed to be ensured by the Council.

⁵ Total receipts: ₹ 55.18 crore minus (GIA: ₹ 32.84 crore + Misc. receipts: ₹ 0.44 crore) = ₹ 21.90 crore

2.3.2 Revenue expenditure compared with budget estimates

Total revenue expenditure of NCHAC under Council Sector during 2014-15 was ₹ 52.07 crore against the total estimated (budget) provision of ₹ 62.44 crore.

Head-wise position of variation between estimated and actual expenditure showed that savings ranging from 16 to 100 *per cent* had occurred in 13 heads of account. Excess expenditure over budget estimates had also occurred during 2014-15 in four heads of account, as detailed in *Appendix-III*.

The above savings and excess expenditure against estimated provision underlined the need for a rational estimation process based on a critical review of necessity. Further, planning of expenditure and strengthening the monitoring mechanism at all levels needs to be emphasised by the Council.

2.4 Conclusion

1. There was no assurance that the expenditure incurred out of unspent balance of previous years was actually incurred for the purpose for which it was sanctioned.
2. Fiscal management was inadequate which led to substantial surplus/ deficit under District and Deposit Fund, wide variations between estimated and actual receipts and expenditure.
3. Budgetary assumptions of the Council were not realistic during 2014-15, and budgetary estimates were off the mark by a considerable margin.

2.5 Recommendations

- i. *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;*
- ii. *Council may draw up action plan to increase its income from own sources and spend wisely to ensure financial sustainability; and*
- iii. *Council may undertake detailed budgetary analysis and review to identify and increase productive expenditure on activities and schemes.*