

## **Chapter-II**

### **Autonomous District Council Fund**

#### **2.1 Introduction to District Fund**

Paragraph 7 of the Sixth Schedule to the Constitution of India 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 keeping with this requirement, the BTC Fund has been constituted for credit of all moneys received by BTC in the course of administration of BTAD in accordance with the provisions of the Constitution. The fund is maintained as a Deposit Account (8443-Civil deposit) in the Kokrajhar Treasury, and the Principal Secretary of BTC is the authorised officer who operates the fund.

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

##### **A. District Fund**

District Fund 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 includes grants and contributions received from the Government and also grants and contributions disbursed by the Council. The second division deals with expenditure of a Capital nature. It also comprises of loans raised and their repayments by the Council and loans & advances disbursed by the Council and their recoveries.

##### **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 moneys received or has a claim to recover the amount paid.

#### **2.2 Receipts and Disbursements**

**2.2.1** **Table-2.1** shows the summary of fiscal transactions of BTC during 2015-16, while **Chart-1A** and **1B** presents the trends of receipts and disbursement under District Fund (fund generated from its own sources) and Deposit Fund (funds provided by the State Government) over a period of five years (2011-16). **Appendix-II** provides details of receipts and disbursements of the current as well as the previous year as per Annual Accounts of BTC.

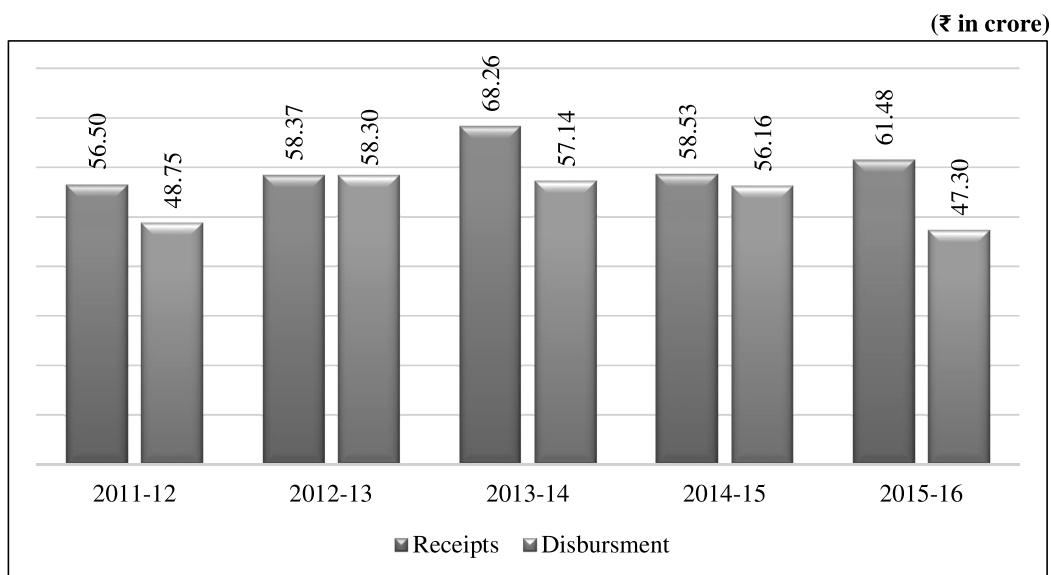
**Table-2.1: Fund position of BTC during 2015-16 (₹ in crore)**

Receipts	Particulars	Disbursement
61.48	District Fund	47.30
2,252.91	Deposit Fund	2,212.82
2,314.39	Total receipt and disbursement	2,260.12
282.13	Opening /Closing Balance	336.40
<b>2,596.52</b>	<b>Grand Total</b>	<b>2,596.52</b>

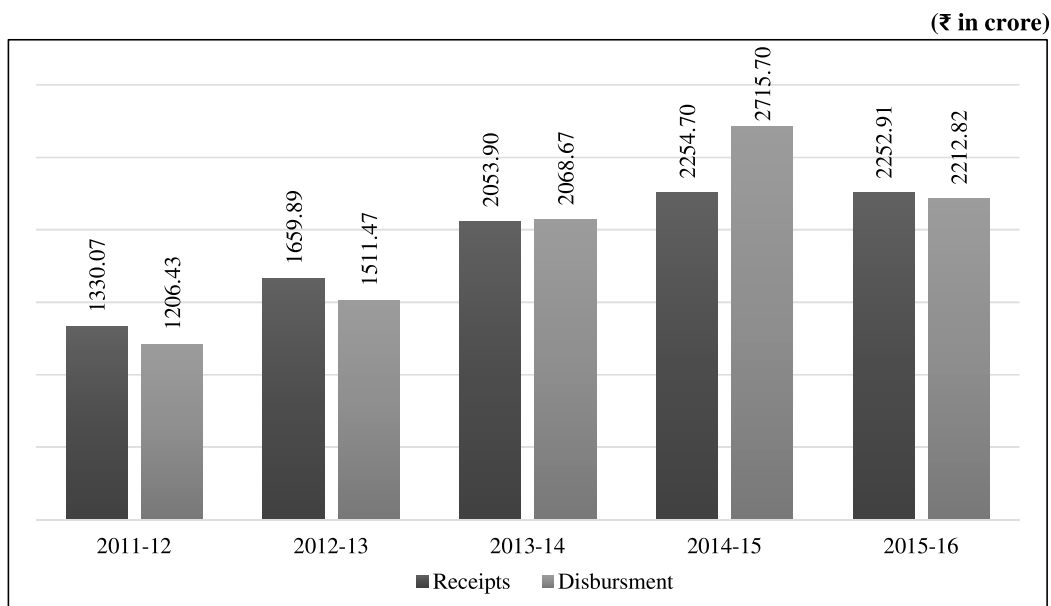
Source: Annual Account

As is evident from **Table 2.1**, bulk of the expenditure (approximately 98 *per cent*) incurred by BTC is from the funds provided by the State Government, which is being shown under Deposit Fund.

**Chart-1A: Trend of receipts and disbursement under District Fund during 2011-16**



**Chart-1B: Trend of receipts and disbursement under Deposit Fund during 2011-16**



**Charts IA and IB** show that the expenditure under District Fund was 23 per cent less than its receipts during 2015-16, while under Deposit Fund disbursement was less than receipts during 2011-16 except during 2013-14 and 2014-15.

Further, information furnished to audit showed that during the year there was an opening balance of ₹ 47.97 lakh under Article 275 (received during 2012-13) from which BTC had incurred an expenditure of ₹ 21.07 lakh for works like improvement of road, earth filling, construction of market shed, construction of dyke, repair and maintenance of bridge, etc., during 2015-16.

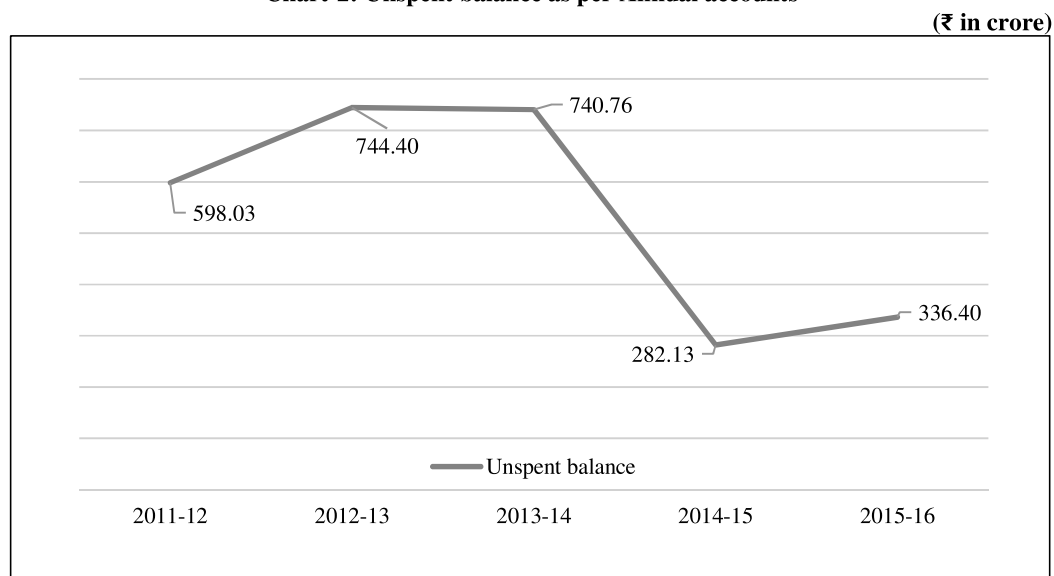
### 2.2.2 Surplus under District and Deposit Fund

Rule 3(3) of BTC Fund Rules, 2012 provides that the unspent balance at credit of the fund at the end of the financial year shall be carried over to the next financial year. Thus, as per the Fund Rules, there is no lapsing of funds at the end of the financial year. During 2015-16, a surplus of ₹ 14.18 crore<sup>4</sup> under District Fund and ₹ 40.09 crore<sup>5</sup> under Deposit Fund was recorded. Surplus of ₹ 14.18 crore included receipts of ₹ 6.24 crore from the National Highway Authority of India (NHAI) on account of land compensation and ₹ 7.94 crore revenue surplus.

BTC attributed (October 2017) the reasons for surplus of ₹ 40.09 crore under Deposit Fund to receipt of funds from the State Government towards the end of the financial year.

**Chart 2** presents the position of unspent balances of the last five years as per Annual Accounts which shows the increase in the unspent balance by ₹ 146.37 crore during 2011-12 to 2012-13, and by ₹ 54.27 crore during 2014-15 to 2015-16, while there was a sharp decline in closing balance by ₹ 458.63 crore during 2014-15.

**Chart-2: Unspent balance as per Annual accounts**



<sup>4</sup> Receipts ₹ 61.48 crore and disbursement ₹ 47.30 crore

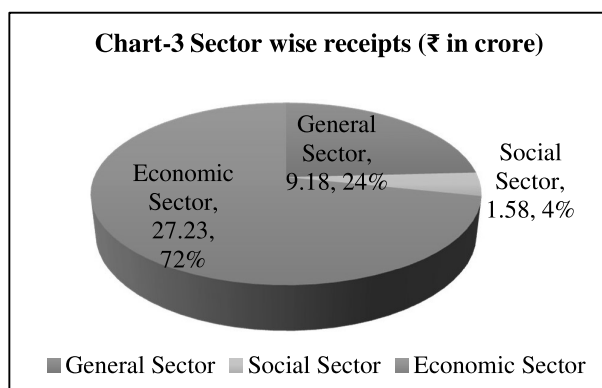
<sup>5</sup> Receipts ₹ 2252.91 crore and disbursement ₹ 2212.82 crore

As Annual Accounts of BTC did not disclose grant-wise and head-wise details of balances, the head of accounts under which disbursements were made beyond funds received also remained undisclosed.

Maintenance of consolidated opening and closing balances of District and Deposit Fund and without head/ grant-wise details in the Personal Ledger Account and non-disclosure in the Annual Accounts defeat the very purpose of control over public expenditure and is fraught with the risk of the funds released for various schemes/programmes being locked up or diverted.

#### 2.2.2.1 Sector-wise receipt and disbursement under District Fund

Total receipts and expenditure under the District Fund was ₹ 61.48 crore and ₹ 47.30 crore, respectively. **Chart 3** indicates sector-wise revenue receipts (excluding Grants-in-Aid of ₹ 23.49 crore received from the State Government) of BTC during 2015-16. Economic Sector accounted for 72 per cent of the total revenue realised. Head-wise details of revenue under the three sectors were detailed in *Appendix-III*.

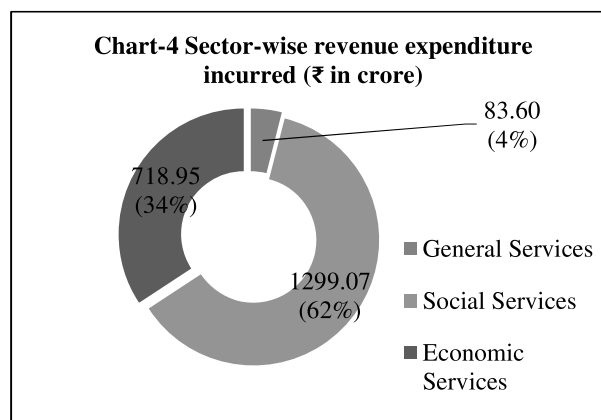


Further, as the entire expenditure of ₹ 47.30 crore under District Fund was accounted against the source of fund and not against the Head of Account as required, sectoral allocation of expenditure could not be ascertained.

In reply (September 2018), BTC assured that henceforth due attention would be given to reflect the sector-wise expenditure under District Fund.

#### 2.2.2.2 Sector-wise receipt and disbursement under Deposit Fund

Total receipts and expenditure under the Deposit Fund was ₹ 2,252.92 crore and ₹ 2,212.82 crore respectively. **Chart 4** indicates sector-wise expenditure (including refund of ₹ 111.20 crore during the year) incurred by BTC under Part-II Deposit Fund where Social Sector accounted for 62 per cent of the total expenditure. Head-wise details of expenditure under the three sectors are given in *Appendix-IV*.



Receipts under the Deposit Fund were not exhibited major head-wise in the Annual Accounts. As such, the head of account and sector-wise funds provided by the State Government could not be ascertained and remained undisclosed.

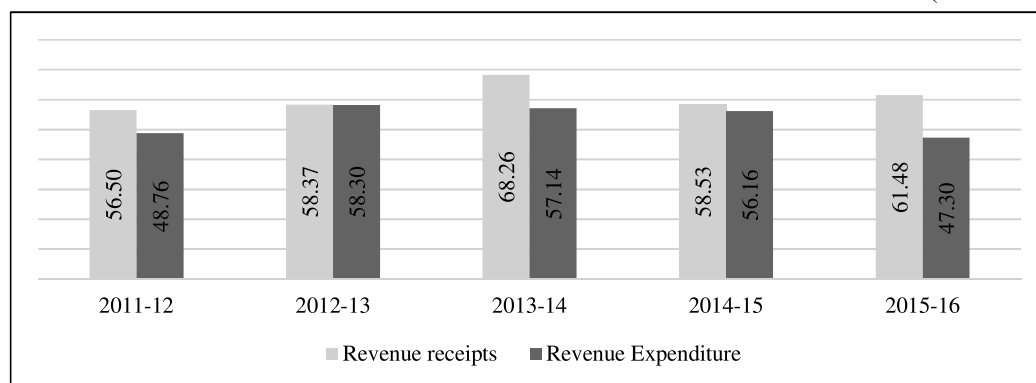
In reply (September 2018), BTC assured to keep the records of sector-wise receipts and expenditure and prepare Annual accounts accordingly.

### 2.2.2.3 Receipts of Own Fund compared with previous years

**Chart 5** presents the trend of revenue receipts and expenditure incurred by BTC from own fund during the last five years.

**Chart-5: Trends of revenue receipt and expenditure during 2011-16**

(₹ in crore)



As evident from the chart above, there was a steady growth of revenue during 2011-14 but during 2014-15, there was a decrease in revenue receipts by 14 *per cent* over the previous year. However, during 2015-16, BTC registered revenue growth of five *per cent*.

## 2.3 Comments on budgetary process

BTC prepare two sets of budgets as detailed below:

**2.3.1 Entrusted Budget:** BTC prepares its entrusted budget, which forms Grant 78, for subjects entrusted to it as per the Sixth Schedule. This budget is submitted to the State Government for appropriation by the State Legislature and release of funds.

In this budget, the Chart of Accounts (CoA) followed by BTC is that of LMMH<sup>6</sup> of the Union and States. Funds from this Grant are to be released to BTC in two instalments as advance. Ideally, the Budget and Annual Accounts of any organisation should follow the same Chart of Accounts. However, CoA followed by BTC in the budget document and Annual Accounts differ. The Annual Accounts of BTC report expenditure and receipts using heads of accounts which are neither based on LMMH, nor the CoA prescribed by C&AG.

<sup>6</sup> List of Major and Minor Heads of Account of Union and States

**Table-2.2: Use of Invalid Heads of Accounts<sup>7</sup>**

Heads of Accounts used in Statement	Statement of annual account
NHAI, Market, Guest House, Legal Metrology, ITI, CSB, Vehicle (GAD), Non-plan Administrative charge, Assistance to BTC, Assistance for Non-plan Salary, Assistance to BTC (Assembly House), Lottery (Printing charge)	Statement-5 (Receipt by Minor Head)
RKVY, Horticulture, Floriculture, Swachchh Bharat Abhiyan, DIET, PRI, PWD (BE), Unspent balance, CD, AIBP (CA), NLCPR ₹ 500 crore, NLCPR ₹ 250 crore, SIDF, etc.	Statement-6 (Expenditure by Minor Head)

*Source: Annual Accounts*

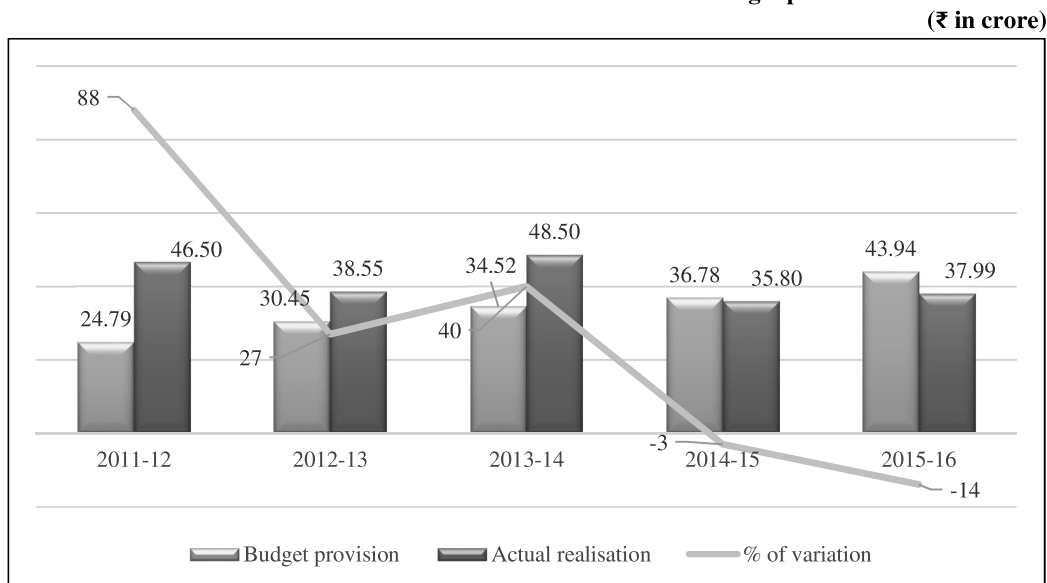
As the transactions disclosed in the Annual Accounts do not follow the same CoA as that of the budget, variation between budgeted and actual numbers with respect to both receipts and expenditure, if any, could not be ascertained.

**2.3.2 Council Budget:** BTC also prepares another budget in respect of estimated own revenue receipts, estimated Centrally Sponsored Schemes' receipt, and receipts relating to Grants other than Grant 78 received from the State Government and estimated expenditure therefrom.

This budget is termed as Normal budget in common parlance. CoA followed in the Council budget deviates from both C&AG's prescribed CoA as well as LMMH.

**Chart 6** shows that there was a considerable variation during the years 2011-16 between estimated provisions and actual revenue realisation. Variations ranging between (-) 14 and 88 *per cent* was observed during the period 2011-16.

**Chart 6: Variation of Revenue realisation with Budget provision**



*Source: Annual Accounts and Normal Budget*

<sup>7</sup> Statement-5 shows receipts for the District Fund, while Statement-6 shows the expenditure for the entrusted subject or Deposit fund.

During the year 2015-16, estimated receipts and actuals under District Fund<sup>8</sup> recorded wide variation. This indicates that BTC persistently prepared unrealistic budget which needs to be addressed.

## **2.4 Conclusion**

1. There was an accumulation of unspent balance over the years in the PD Account. There was no assurance that the expenditure incurred out of unspent balance of the previous years was actually incurred for the purpose for which it was sanctioned.
2. Fiscal management was inadequate which led to substantial surplus under District and Deposit-Fund, and wide variations between estimated and actual receipts and expenditure.
3. Budgetary assumptions of the Council were not realistic during 2015-16. Budgetary estimates were off the mark by a considerable margin.
4. BTC reported expenditure and receipts using heads of accounts which neither follow the LMMH, nor the CoA prescribed by C&AG.

## **2.5 Recommendations**

- i. *The Council may draw up an action plan to increase its income from own sources and spend prudently to ensure financial sustainability.*
- ii. *The Council may disclose grant-wise/head-wise break-up 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.*
- iii. *The Council may ensure following identical Chart of Accounts in its Annual Accounts and Budget, and strengthen its budgetary processes and financial controls.*
- iv. *BTC may move the State Government to ensure timely release of entrusted funds as per modalities of entrustment, at six monthly intervals in April and October of the financial year.*

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<sup>8</sup> Statement 5 of the Annual accounts