

## 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 Autonomous District Councils**

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 Head-wise break-up.
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 form of Accounts prescribed by C&AG requires that the Council accounts 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 sources including assistance by the State Government, and corresponding expenditure therefrom to be shown under Part-I District Fund, while funds received from the State budget for entrusted functions and expenditure incurred therefrom are exhibited under Part-II Deposit Fund. The Annual Accounts of BTC for the year 2015-16 were prepared largely in keeping with Rule 22(1) above. The Council needs to initiate steps to resolve this inconsistency. In this regard, it may be mentioned that Government of Assam, following the decision taken (July 2021) in consultation

with the Principal Accountant General, constituted a committee to review the existing BTC Fund Rules to address the internal inconsistencies and recommend modifications to bring about transparency in annual accounts.

**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 the 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, and 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** BTC prepared its Annual Accounts in the aforementioned seven statements appending some additional Annexures<sup>9</sup>. Audit found deviations with respect to the format prescribed by C&AG, which are enumerated below:

- a. **Statements 1 & 3** have not disclosed transactions such as Contributory Provident Fund, Security Deposit, *etc.*, for which the Council incurs a liability to repay the monies received, under Part II-Deposit Fund, as prescribed by the C&AG. During 2015-16, the total amount credited to BTC's Contributory Provident Fund was ₹ 129.30 lakh and BTC disbursed ₹ 7.49 lakh therefrom as final payment. These transactions were also not shown in Statement-5 or Statement-6. The District Fund of the Annual Accounts did not reflect the status of expenditure of BTC towards employer's contribution and recovery of employees' contribution from salaries of the employees and transfer of the same to Deposit Fund.
- b. BTC is required to submit Monthly Accounts to Pr. Accountant General (A&E) for funds transferred to it against Grant 78, based on which the Appropriation Accounts are compiled and prepared. Detailed Appropriation Accounts of the said Grant indicated that during 2015-16, BTC had incurred a total expenditure of ₹ 246.92 crore towards Capital Outlay. However, BTC had exhibited Capital expenditure as Nil in Statement 2. Thus, Annual Accounts of BTC do not provide correct a picture of current and cumulative expenditure towards creation of capital assets as on March 2016.
- c. **Statement 5** showed details of revenue against major heads like Forest, Education, Fisheries, ITI, CSB, *etc.*, for District Fund only, excluding Deposit Fund, the details of which is given in Annexure II in the form of programme-wise break-up 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.

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<sup>9</sup> Annexure I shows source of fund-wise expenditure under District Fund; Annexure-II shows fund received from State Government and Annexure-III shows head-wise details of receipts and disbursement of salary fund which was received from State Government for staff of entrusted departments.

- 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 receipts 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 receipts and expenditure respectively, met from the District Fund. Additional disclosures could be made in Annexures. However, BTC has shown the Deposit Fund Receipts in the 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 comparability.

## 3.2 Comments on Accounts

### 3.2.1 District Fund

#### 3.2.1.1 Understatement of receipts and expenditure (Transport Service)

As per treasury rules, all moneys 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 account. 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 PDA<sup>10</sup>.

Audit scrutiny showed that Bodoland Transport Services (BTS) collected revenue of ₹ 2.87 crore during the year 2015-16 as sale proceeds of 'way side bus tickets', which was neither deposited into the PDA nor entered in the Council's Cash Book. Instead, the amount was kept in a current bank account. Further, out of the said revenue, an expenditure of ₹ 2.46 crore was incurred for running the buses. This was neither accounted for in the Cash Book nor in the Annual Accounts. This resulted in understatement of Receipts and Expenditure in the Annual Accounts to the extent of ₹ 2.87 crore and ₹ 2.46 crore respectively. The above irregularity persisted despite being pointed out in previous Audit Reports.

### 3.2.2 Deposit Fund

#### 3.2.2.1 Discrepancy between Ledger and Annual accounts

Cross check of ledger (Plan expenditure) with that of the figures exhibited in **Statement 6** of the Annual accounts disclosed understatement of expenditure by

<sup>10</sup> Personal Deposit Account (PDA) maintained in the treasury.

₹ 1.15 lakh under one head of account and overstatement of Plan expenditure by ₹ 694.94 lakh in four heads as shown in **Table 3.2**.

**Table- 3.2: Discrepancy of figures between two sets of records**

Head of expenditure	Amount as per ledger of Plan expenditure	Plan expenditure as per Annual accounts (Statement 6)	Overstated (+) Understated (-)
	(₹ in lakh)		
Forest	2,501.15	2,500.00	(-) 1.15
Irrigation	450.16	451.42	(+) 1.26
Education	3,086.51	3,575.20	(+) 488.69
Disaster Management	4,740.78	4,745.77	(+) 4.99
Animal Husbandry and Veterinary	480.00	680.00	(+) 200.00
<b>Total</b>	<b>11,258.60</b>	<b>11,952.39</b>	

Source: Annual Accounts and Departmental Records.

Thus, the two sets of records are required to be reconciled for rectification of accounting errors.

### 3.2.2.2 Understatement of overall receipts

As per Annual Accounts of BTC, an amount of ₹ 2,314.40 crore was accounted as total receipts during the year 2015-16. However, information furnished by the Treasury Officer, Kokrajhar Treasury where PDA of the Council is maintained showed that the total receipts during the year was ₹ 2,318.07 crore. Thus, the total receipts was understated by ₹ 3.67 crore in the Annual Accounts of BTC for the year 2015-16.

## 3.3 Conclusion

In this Chapter, audit focussed on the classification and accounting treatment of transactions in Annual Accounts, internal control and record keeping, etc. The following deficiencies were noticed during the course of audit:

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 the 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.

### **3.4 Recommendations**

- i. *The Council may review its Fund Rules to exclude all internal inconsistencies, and consider adopting good accounting practices of the State Government and other autonomous councils created under the Sixth Schedule of the Constitution.*
- ii. *Receipts and Expenditure need to be correctly classified under Capital and Revenue categories as per Format of Accounts;*
- iii. *Annual Accounts need to be prepared disclosing minor head-wise receipts and disbursements so as to assist in greater accountability and transparency.*
- iv. *The Council needs to ensure that all transactions are reflected in its accounts.*
- v. *The Council may devise a system of periodical reconciliation of collateral accounting records to identify mistakes within the accounting period so that corrective action is taken timely.*