

OVERVIEW

This Report contains four Chapters. Chapter–I provides a background on the formation of the Autonomous District Council, rules for 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 2015-16 and Chapter–IV of the Report deals with audit findings pertaining to compliance audit of the Council.

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

Internal Control

An evaluation of the internal control system in the Bodoland Territorial Council (BTC) revealed that the internal control mechanism was weak which is evident from persistent irregularities like discrepancy in cash balances as per annual accounts, Treasury records, non-depositing the Council's revenue, procurement of materials at higher rates, non-maintenance of records, *etc.* There was no system for verification, monitoring and evaluation of expenditure incurred towards implementation of different schemes, *etc.*, so as to ensure effective delivery mechanisms, efficiency in implementation of the schemes/projects and safeguards against the occurrence of cases of fraud and misappropriation. Due to weak internal controls, the attempt on the part of Audit to examine the annual accounts and transactions of the Council was constrained to that extent. The failure in internal controls under financial management is fraught with the risk of fraud, misappropriation and financial irregularities, which might remain undetected.

Recommendation

- *BTC needs to strengthen its internal control mechanism and take prompt action on deficiencies in financial management.*

2. Autonomous District Council Fund

➤ The Annual Accounts do not provide head-wise breakup of receipt for funds transferred by the State Government. As a result, sector-wise allocation of funds could not be ascertained in audit. Further, expenditure beyond funds provided could not be ruled out.

Paragraph 2.2.2.2

➤ The Annual Accounts of BTC reported expenditure and receipts using heads of accounts which neither follow the List of Major and Minor Heads (LMMH), nor the Chart of Accounts (CoA) prescribed by C&AG.

Paragraph 2.3.1

Recommendations

- *The Council may draw up an action plan to increase its income from own sources and spend wisely to ensure financial sustainability;*

- *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.*
- *The Council may ensure following identical Chart of Accounts in its Annual Accounts and Budget, and strengthen its budgetary processes and financial controls.*
- *BTC may move the State Government to ensure timely release of entrusted function funds as per modalities of entrustment, in six monthly intervals in April and October of the financial year.*

3. Audit of Annual Accounts

➤ Rule 19 of BTC Fund Rules, 2012 provides the same 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 expenditures therefrom to be shown under Part-I District Fund, while funds received from State budget for entrusted functions and expenditure incurred therefrom are to be shown under Part-II Deposit Fund. The Annual Accounts of BTC for the year 2015-16 are prepared largely in keeping with Rule 22(1) above.

Paragraph 3.1.1

➤ Appropriation Account of the Grant No. 78, which is BTC specific Grant indicates that during 2015-16, BTC had made a total expenditure of ₹ 246.92 crore towards Capital Outlay. However, BTC exhibited Nil expenditure under Capital Outlay 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 2016.

Paragraph 3.1.3 (b)

➤ BTC collected revenue of ₹ 2.87 crore 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 ₹ 2.46 crore was made out of the said bank account without routing through PDA cash book. This led to understatement of receipts and expenditure in the Annual Accounts to that extent.

Paragraph 3.2.1.1

Recommendations

- *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.*
- *Receipts and Expenditure need to be correctly classified under Capital and Revenue categories as per Format of Accounts;*
- *Annual Accounts need to be prepared disclosing minor head-wise receipts and disbursements so as to assist in greater accountability and transparency;*
- *The Council needs to ensure that all transactions are reflected in its accounts;*

- *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.*

4. Compliance Audit Observations

- BTC failed to realise ₹ 1.19 crore worth of lease rent from 177 lessees before allotting markets/ferries/parking lots to the lessees.

Paragraph 4.1.1

- BTC operated lottery without obtaining consent of the Governor and was thus irregular. Further, the proceeds of lottery was not deposited into the PDA nor did the BTC maintain any records showing actual number of draws conducted, prize money distributed, commission paid to the vendors, other incidental expenses incurred, etc.

Paragraph 4.1.2

- Bodoland Territorial Council procured medicated mosquito nets at exorbitant rates without assessing the available market rate which resulted in avoidable extra expenditure of ₹ 50.31 lakh.

Paragraph 4.2.1

- BTC failed to ensure supply of fire extinguisher as per the supply order leading to extra expenditure of ₹ 1.83 crore. Further, procurement of extinguishers without assessing the requirement led to blocking of funds amounting to ₹ 25.41 lakh.

Paragraph 4.2.2

- BTC incurred extra expenditure of ₹ 63.83 lakh on procurement of rain coats at a rate (₹ 2,440) more than the Maximum Retail Price (₹ 856) of the product.

Paragraph 4.2.3

Recommendation

- *The Council should ensure effective checks and controls with proper documentation in the process of procurement of materials, works, distributions, etc.*