

Chapter-II

Autonomous District Council Funds

2.1 Introduction to District Fund

The Sixth Schedule provides for a District Fund for each autonomous region and a Regional Fund 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 the administration of such district or region respectively in accordance with the provisions of the Constitution. The District Fund of KAAC has been constituted under the provisions of Sub-Paragraph (I) of Paragraph 7 of the Sixth Schedule to the Constitution. This fund is maintained as Deposit Account (8443 – Civil Deposit) in the Diphu Treasury and the Principal Secretary, KAAC is the authorised officer who operates 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 as 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 classed as revenue and expenditure met therefrom. It shall also include the grants and contributions received from the Government and also grants and contributions by the Council. The second division deals with expenditure of Capital nature met from borrowed funds. It also comprised of loans received and their repayments by the Council and loans and advances and their recoveries 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, as per the extant practise, funds received from the State Government for subjects/departments entrusted to the Council during 2016-17 were accounted for in Part-II Deposit fund while own resources of the Council were accounted for in the District Fund. This has been discussed in Chapter-III of this Report.

During exit meeting (July 2023), the Council stated that all efforts would be made to compile the Annual Accounts from 2018-19 onwards as per format and guidelines prescribed by CAG and submitted to Audit on priority.

2.2 Sources and Application of Funds

2.2.1 Receipts and Disbursements

Details of receipts and disbursements of the current as well as previous year as per Annual Accounts of KAAC is provided in **Appendix-I**, while **Table-2.1** shows the summary of financial transactions of KAAC during 2016-17.

Table-2.1: Summary of financial transactions of KAAC during 2016-17

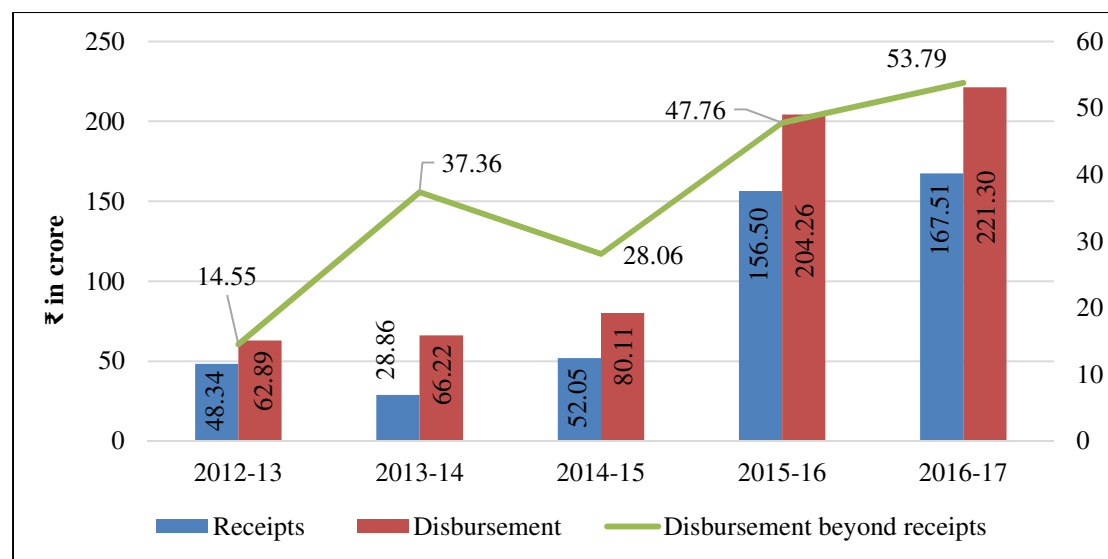
(₹ in crore)			
Receipt		Disbursement	
167.50	District Fund	221.30	
1,027.40	Deposit Fund	840.82	
1,194.90	Total Receipts	1,062.12	Total Disbursements
361.05	Opening Balance	493.83	Closing Balance
1,555.95	Grand Total	1,555.95	

Source: Annual Accounts

It can be seen from the table above that bulk of the expenditure for activities (Approximately 80 per cent) undertaken by KAAC was met from the funds provided by the State Government, accounted under Deposit Fund.

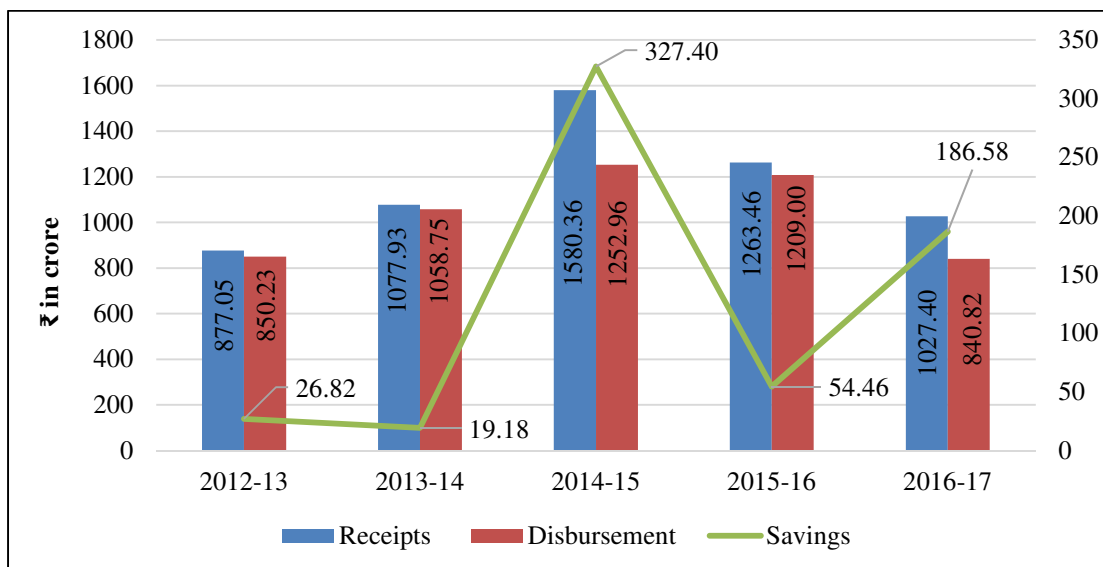
Charts-2.1(A) and 2.1(B) present the trends of receipts and disbursements under District Fund (fund generated from its own sources) and Deposit Fund over a period of five years (2012-17).

Chart-2.1(A): Trend of receipts and disbursement under District Fund during 2012-17



Source: Annual Accounts

As can be seen from the Chart above, during all the years from 2012-13 to 2016-17 expenditure from District Fund exceeded the receipts under District Fund (Own receipts). During 2016-17, the expenditure exceeded the receipts by ₹ 53.79 crore. The excess expenditure was met out of the balances available with the Council.

Chart-2.1(B): Trend of receipts and disbursement under Deposit Fund during 2012-17

Source: Annual Accounts

It is apparent from above that the Council failed to fully utilise the fund received from the State Government as disbursements were always less than its receipts during the last five years. During 2016-17, the disbursement was less than its receipts by ₹ 186.58 crore. KAAC should, therefore, initiate steps so as to ensure that the funds released by the State Government is utilised for the purpose it was transferred.

During exit meeting (July 2023), the Council accepted the audit observations and stated that no disbursement beyond fund receipts had been made from the year 2018-19 onwards.

2.2.2 Revenue Deficit under District Fund

The position of revenue receipts and revenue expenditure as well as excess of revenue expenditure over revenue receipts (revenue deficit) during 2016-17 is given in Table-2.2.

Table-2.2: Position of revenue receipts and revenue expenditure and revenue deficit

(₹ in crore)				
Total Revenue Receipts	Council's own Revenue	Percentage of own Revenue to total Revenue	Revenue expenditure	Excess of revenue expenditure over receipts during the year (per cent)
1	2	3	4	5 (4-1)
166.95 ²	34.87	21	217.70	50.75 (30)

Source: Annual Accounts

It may be seen from the above table that the Council's revenue expenditure exceeded its total revenue receipts under District Fund during the year. The revenue expenditure exceeded the revenue receipt by ₹ 50.75 crore (30 per cent) during 2016-17. This was mainly due to lack of proper control over expenditure on inherent functions (Council Sector) and inadequate revenue generation which was only ₹ 34.87 crore (21 per cent) of the total Revenue Receipts (₹ 166.95 crore) during 2016-17. Grants-in-aid from the

² Excluding recoveries of loans and advances of ₹ 0.56 crore.

State Government (₹ 132.09 crore) formed 79 *per cent* of the total Revenue Receipts during the year. The excess expenditure was evidently met by diverting funds to the extent of revenue deficit (₹ 50.75 crore) from the funds received from the State Government including unutilised balances of funds received in earlier years for discharging entrusted functions (State Sector). As Heads of Account wise fund receipts and disbursement was not disclosed in the Annual accounts and the Council do not maintain Heads of Account wise/Grant wise balances, the specific Heads of Account from which funds were diverted could not be ascertained in audit.

In absence of Fund-wise/Heads of Account-wise balances, Audit could not ascertain whether the funds released for by the State Government for entrusted functions were utilised for the intended purposes.

During exit meeting (July 2023), the Council accepted the audit observations and stated that no disbursement beyond fund receipts had been made from the year 2018-19 onwards.

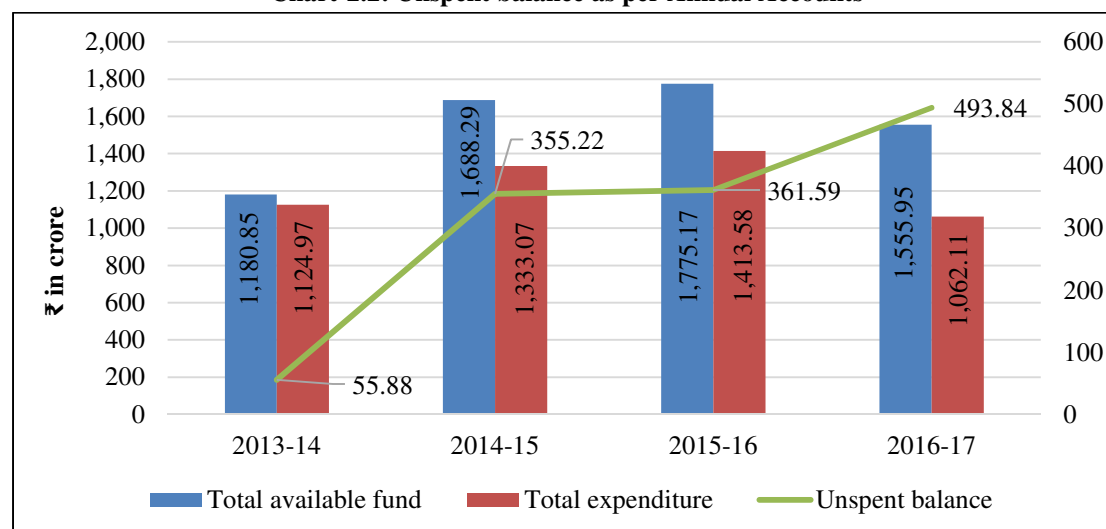
2.2.3 Unspent balances

Unspent balances 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 2016-17, KAAC received ₹ 1,027.40 crore for entrusted functions from the State Government. The Council disbursed ₹ 840.82 crore to the Drawing and Disbursing Officers for performing entrusted functions leaving an unspent balance of ₹ 186.58 crore as of March 2017.

Chart-2.2 presents the position of unspent balances of KAAC during the last four years (2013-17) as per the Annual Accounts.

Chart-2.2: Unspent balance as per Annual Accounts



Source: Annual Accounts

It can be seen from the chart above that unspent balance of the Council increased by 784 *per cent* during the last four years from ₹ 55.88 crore at the end of 2013-14 to

₹ 493.84 crore as of March 2017. This indicated that expenditure was not commensurate with the fund receipts from the State Government.

Audit observed that the Annual Accounts of KAAC did not disclose grant-wise/head-wise details of balances under which the unspent balances were kept. Maintenance of consolidated opening and closing balances without head/grant wise details in the Personal Deposit Account with proper disclosure in the Annual Accounts made the Accounts opaque. This will weaken control over the public expenditure for various schemes/programmes and misutilisation of funds will go undetected. No assurance that the expenditure was incurred for the purpose for which it was sanctioned can be given.

During exit meeting (July 2023), the Council assured compliance to the audit observation for maintaining Head-wise/Grant-wise balances.

2.3 Comments on budgetary process

KAAC prepares two sets of budgets as detailed below:

- i) **Entrusted Budget:** KAAC prepares its entrusted budget in respect of Grant No. 76, for subjects entrusted to it as per 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 KAAC 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 KAAC in two instalments as advance.
- ii) **Council Budget:** KAAC 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, KAAC follows the CoA prescribed by C&AG.

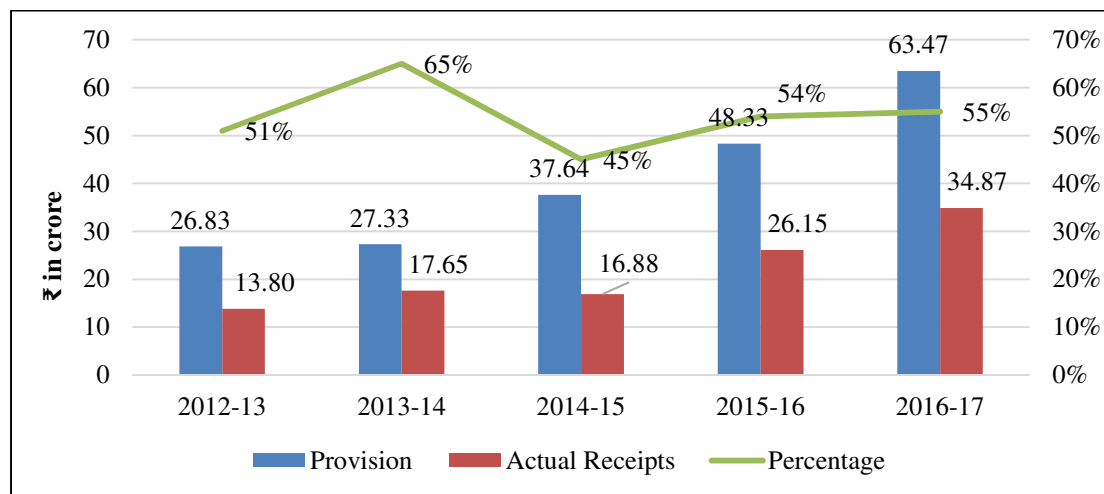
As KAAC did not disclose the details of receipts and expenditure in respect of funds received from the State Government in its Annual Accounts, variation between budgeted (Entrusted) and actual figures with respect to both receipts and expenditure could not be ascertained. There was also no assurance that the expenditure was actually incurred for the purpose for which it was sanctioned. Instances of variation between Revenue receipts/ Revenue expenditure and Council Budget are discussed in the succeeding paragraphs.

During exit meeting (July 2023), the Council stated that the audit observation had been noted for guidance and all efforts would be made to disclose Heads of Account wise/ Grant wise fund received and disbursed in the Annual Accounts from 2018-19 onwards.

2.3.1 Revenue receipts compared with budget estimates

The position of variation between budgetary provision and actual revenue receipts during the last five years is depicted in Chart-2.3:

Chart-2.3: Variation between estimated (budget) receipts and actual receipts during 2012-13 to 2016-17



Source: Council Budget and Annual Accounts

During the last five years, the actual revenue receipts of KAAC was only between 45 to 65 per cent of its estimated (budget) receipts. Head-wise position of variation between estimated receipts and actual receipts during 2016-17 showed that the shortfall ranging from 8 to 100 per cent³ occurred in 12 Heads of Account while excess receipts over budget estimates, occurred in three Heads of Account. These are detailed in **Appendix-II**.

The wide variation between estimated and actual receipts including the shortfall against the budget estimates was indicative of deficiencies in the budgeting exercise. It also indicated that the Council had not been able to make its revenue collection mechanism effective. There is a need for improvement in budget preparation and strengthening of revenue collection mechanism of the Council.

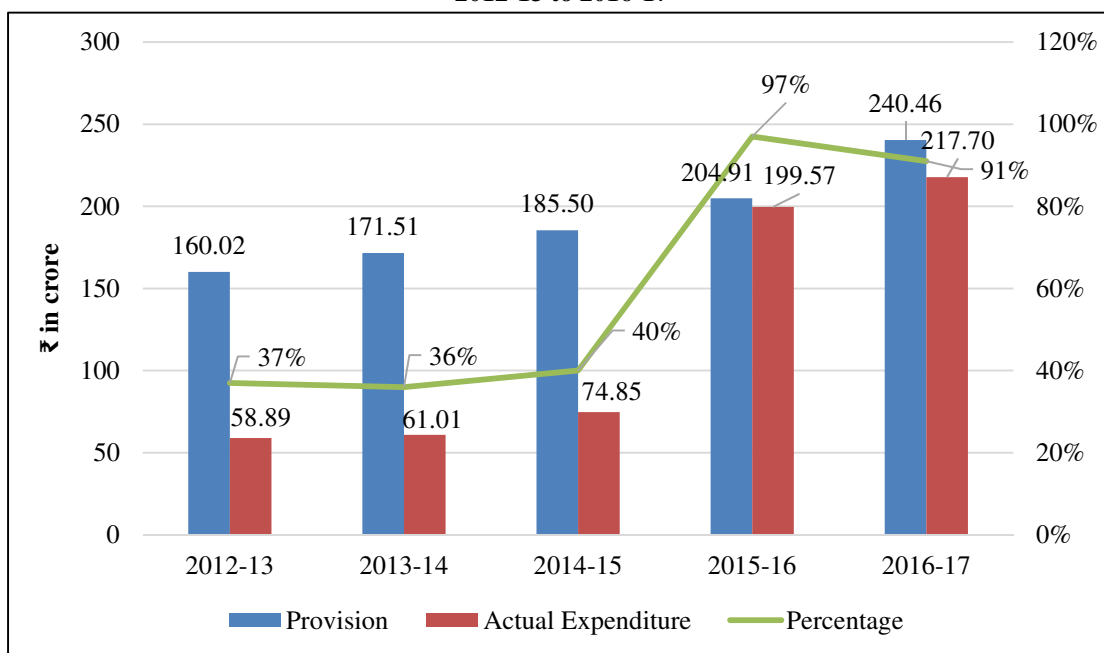
During exit meeting (July 2023), the Council stated that the audit observation had been noted for guidance and all efforts would be made to prepare realistic budget from the year 2024-25.

2.3.2 Revenue expenditure compared with budget estimates

The position of revenue expenditure of KAAC *vis-à-vis* the budgetary provision during the last five years (2012-17) is depicted in Chart-2.4:

³

Shortfall of 100 per cent	Shortfall of 60 per cent to 100 per cent	Shortfall of 50 per cent to 60 per cent	Shortfall of below 50 per cent
1 Head of Account	8 Heads of Account	Nil	3 Heads of Account

Chart-2.4: Variation between estimated provision and actual revenue expenditure during 2012-13 to 2016-17

Source: Council Budget and Annual Accounts

As can be seen from above, the actual revenue expenditure of KAAC during the last five years ranged from 36 to 97 *per cent* of budgetary provision.

During 2016-17, against the estimated revenue expenditure of ₹ 240.46 crore under 26 Heads of Accounts, the actual expenditure was ₹ 217.70 crore resulting in overall shortfall of ₹ 22.76 crore *i.e.*, nine *per cent* of the total projection. On further examination of budget and expenditure, it was noticed that the actual shortfall of ₹ 31.19 crore (15 *per cent*) occurred against 19 Heads of Account, which was offset by excess of ₹ 8.43 crore (30 *per cent*) against three Heads of Account. The details are given in **Appendix-III**.

The above savings and excess expenditure against estimated provision indicated the need for improvement in the budgetary process each year. To improve generation and collection of revenue, and expenditure position, the Council has to initiate steps to strengthen the existing administrative machinery.

During exit meeting (July 2023), the Council stated that the audit observation had been noted for guidance and all efforts would be made to prepare realistic budget from the year 2024-25.

2.4 Conclusion

- The Council did not disclose the details of balances grant-wise/head-wise under which the unspent balances were kept. No assurance that the expenditure incurred out of unspent balance of previous years was actually incurred for the purpose for which it was sanctioned could be ensured.
- Fiscal management was weak which led to substantial deficit/surplus under District and Deposit Fund.

- iii. Budgetary exercise of the Council needs improvement to reduce the gaps in saving and excess expenditure for better financial discipline.

2.5 Recommendations

- *Council may disclose head-wise breakup of consolidated opening and closing balances in the Annual Accounts so that assurance that the expenditures incurred was for the purpose it was sanctioned could be drawn.*
- *The Council may undertake budgetary reviews to identify the Head of Accounts for better estimate of revenue receipts & expenditure and to improve financial management of the Council.*