

## OVERVIEW

This Report contains four Chapters. Chapter-I provide a background on the formation of the Autonomous District Council, rules for the 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 2016-17. Chapter-IV of the Report deals with the audit findings pertaining to compliance audit of the Council and contains nine paragraphs.

### Internal Control

An evaluation of internal control system in the Council revealed that internal control mechanism was weak which is evident from persistent irregularities like large variations between the budget and the actual expenditure, inaccuracy of figures of Annual Accounts, *ad hoc* management of revenue earning resources and environmentally sensitive issues in absence of proper policy, absence of effective mechanism for timely deposit of revenue earned by the different organs of the Council, absence of Internal Audit wing, *etc.* 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. Above failure in internal controls under Financial Management is fraught with risks of fraud, misappropriation and financial irregularities, which might remain undetected.

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

### 2. Fund Management and Budgetary Process

- Funds received from the State Government for subjects/departments entrusted to the Council during 2016-17 were accounted for in Part-II Deposit in contradiction to the form of accounts prescribed by C&AG.

*(Paragraph 2.1)*

- Bulk of the activities (Approximately 80 *per cent*) undertaken by KAAC during 2016-17 was from the funds provided by the State Government, which is currently being shown under Deposit Fund.

*(Paragraph 2.2.1)*

- During 2016-17, KAAC received ₹ 1,027.40 crore for entrusted functions from the State Government, whereas 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.

*(Paragraph 2.2.3)*

- Variation between budgeted (Entrusted) and actual numbers with respect to both receipts and expenditure, if any remained unascertained as KAAC did not disclose the details of receipts and expenditure in respect of funds received from the State Government in its Annual Accounts.

*(Paragraph 2.3)*

- Wide variations between budget estimates and actual receipts as well as expenditure indicated preparation of unrealistic budget during the year 2016-17.

**(Paragraphs 2.3.1 & 2.3.2)**

### **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.*

### **3. Comments on Accounts**

- Revenue receipts under Part-I District Fund as well as Closing balance were overstated by ₹ 0.08 crore during 2016-17 in the Annual Accounts of the Council.

**(Paragraphs 3.2.1.1)**

- There was overstatement of Capital expenditure by ₹ 2.17 crore with corresponding understatement of revenue expenditure by ₹ 1.43 crore during 2016-17 under Capital Outlay on Road Transport Service.

**(Paragraphs 3.2.1.3)**

- Bank interest of ₹ 40.21 lakh earned was neither accounted for in the PDA Cash Book nor reflected in the Annual Accounts, which resulted in understatement of receipts to that extent in the Annual Accounts of 2016-17.

**(Paragraphs 3.2.1.6)**

- During 2016-17, KAAC diverted salary funds of ₹ 11.98 crore provided by GoA towards non-salary expenditure to seven DDOs based on the proposals submitted by them. Another ₹ 1.21 crore was diverted from salary to non-salary component by the Additional Director of Industries and Commerce, Diphu and the Deputy Director, Food and Civil Supplies, Diphu during the year.

**(Paragraph 3.2.2.2, 3.2.2.3 and 3.2.2.4)**

- During 2016-17, KAAC did not reconcile the discrepancies in opening and closing balances between two sets of records viz., Treasury records and Annual Accounts despite these having been pointed out in previous Audit Reports.

**(Paragraph 3.3)**

### **Recommendations**

*Council may prepare its Annual Accounts consistent with the Form of Accounts prescribed by C&AG incorporating all transactions appropriately under District Fund and Deposit Fund.*

*Annual Accounts may show the details of funds received from State Government within the District Fund as against the current practice of showing the same within Deposit Fund. The Funds received from State Government should also be disclosed*

*minor head wise in Statement-5 and Statement-6 for greater accountability and transparency.*

*Council needs to maintain ledger account, which should be the basis of compiling the Annual Accounts.*

*Council should maintain opening and closing balance not only fund wise but also head of account wise to ensure control over budgetary allocation and expenditure, and to avoid diversion of funds.*

*Council may devise a system of periodical reconciliation with Treasury Officer to identify mistakes within the accounting period for completeness of Accounts and proper accounting of transactions.*

#### **4. Compliance Audit Observations**

- KAAC failed to realise outstanding lease money of ₹ 80.20 lakh from the lessee of Lahorijan NH 36 Entry Tax Gate (ETG) and another amount of ₹ 20.63 lakh remained to be recovered from the lessees of various ETGs, Markets, Ghats and Fisheries during 2016-17.

*(Paragraph 4.1.1.1 and 4.1.1.2)*

- Revenue receipts of ₹ 1.47 lakh realised during the year by the Mouzaders of West Ronghang and Duar Bagori was not deposited into PDA.

*(Paragraph 4.1.3)*

- Transport Department of KAAC irregularly utilised departmental receipts of ₹ 78.47 lakh towards revenue expenditure without depositing the same into PDA in violation of Fund Rules.

*(Paragraph 4.1.4)*

- Expenditure of ₹ 15.50 crore incurred towards purchase of teaching and non-teaching materials by the District Primary Education Officer, Diphu could not be vouchsafed in audit due to absence of records and documents relating to actual requirement, distribution of materials, acknowledgement of receipt by the end users and procurement of the materials without following the applicable financial rules.

*(Paragraph 4.2.1)*

- The Chairman, Hamren Town Committee misappropriated ₹ 4.00 lakh from the funds of ₹ 4.00 lakh released by KAAC for payment of electricity bill, staff salary, improvement of office building, sand gravel at Hamren Town and construction of roads.

*(Paragraph 4.5)*

#### **Recommendations**

*Council should take measures to strengthen the revenue earning departments, so as to mitigate the instances of loss of revenue.*

*Council should evolve a system of checks so that revenues collected by various departments are deposited to PDA within a time frame.*

*Council may issue clear instructions prescribing the role and responsibilities of the Executives to avoid extra, irregular and unauthorised expenditure.*

*Council should ensure adherence to provisions of its Fund Rules in all cases of the financial transactions to ensure financial discipline.*

*Council should file First Information Report for suspected misappropriation of funds.*