

OVERVIEW

This Report contains four Chapters. Chapter-I provides 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 transaction audit of the Council and contains 11 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 90 *per cent*) undertaken by NCHAC 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, NCHAC received ₹ 521.07 crore for entrusted functions from the State Government, whereas the Council disbursed ₹ 469.96 crore to the Drawing and Disbursing Officers, for performing entrusted functions resulting in surplus of ₹ 51.11 crore under Deposit fund.

(Paragraph 2.2.2)

➤ Variation between budgeted (Entrusted) and actual numbers with respect to both receipts and expenditure, if any remained unascertained as NCHAC 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 expenditures indicated preparation of unrealistic budget during the year 2016-17.

(Paragraphs 2.3.1 and 2.3.2)

Recommendations

- Council may disclose Head-wise breakup of consolidated opening and closing balances in the Annual Accounts so as to provide assurance that the expenditures incurred was for the purpose it was sanctioned.
- The Council may review the process of preparation of its budget and undertake steps towards preparation of realistic budget.

3. Comments on Accounts

➤ Revenue Receipts in respect of 'Stamp and Registration fees' were understated by ₹ 0.03 crore during 2016-17 in the Annual Accounts of the Council.

(Paragraphs 3.1.1.1)

➤ Expenditure under the head of account 'Land Revenue' was understated by ₹ 0.20 crore and expenditure under 'Art and Culture' was overstated by ₹ 0.12 crore during 2016-17 in the Annual Accounts of the Council.

(Paragraph 3.1.1.2 and 3.1.1.3)

➤ Receipts and disbursements against NITI AYOJ and Fifth ASFC were not accounted for in the Annual Accounts for the year 2016-17 leading to understatement of both receipts and expenditure by the Council.

(Paragraphs 3.1.2.1)

➤ During 2016-17, NCHAC 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 3.2)

Recommendations

- Council may prepare its Annual Accounts in complete consistency 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 so as to assist greater accountability and transparency.
- Council needs to maintain ledger account, which should be the basis of compiling the Annual Accounts.
- Council should ensure control over budgetary allocation and expenditure, and to avoid fund being locked up or diverted.

- 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.

4. Compliance Audit Observations

- NCHAC failed to generate revenue to the tune of ₹ 14.85 lakh during 2016-17 despite having potential extractable broom.

Non-allotment of balance 1,10,000 Kg of broom sticks during 2015-17 from the mahal without any valid reasons needs to be investigated.

(Paragraph 4.1)

- Divisional Forest Officer, West Division failed to take any action against the Mahaldar for extra extraction of 1,37,820 kgs of broom resulting in a loss of ₹ 18.61 lakh.

The matter needs to be investigated and necessary action should be taken against the Range Officer, if found involved in the aforesaid leakage.

(Paragraph 4.2)

- Due to settlement of two Markets, two Vehicle Gates and two Areas below the official value, the Council sustained a loss of revenue of ₹ 54.31 lakh.

Council should take measures to revamp the revenue earning departments, so as to explore all the possibilities to increase its revenue earning and to eliminate the instances of loss of revenue.

(Paragraph 4.3)

- Revenue receipts of ₹ 4.81 lakh realised during the year were not deposited into the PDA by Range Officer, Garampani Range and the Taxation Department of the Council.

(Paragraph 4.4)

- Revenue receipts of ₹ 22.92 lakh were irregularly utilised by the Transport Department and General Administration Department of the NCHAC for departmental expenditure.

Council should evolve a system of checks so that revenues collected by various departments are deposited to PDA expeditiously as per the Fund Rules.

(Paragraph 4.6)

- Executive Engineer cum Estate Officer incurred an expenditure of ₹ 3.56 lakh on works which were not actually executed.

(Paragraph 4.7)

➤ Due to failure on the part of Assistant Dairy Development Officer, Umrangso to point out deficiencies in the estimate to its higher authority prior execution of the work, expenditure of ₹ 43.52 lakh incurred towards construction of Milk Processing Units remained idle for over five years.

(Paragraph 4.9)