

Chapter-II

Autonomous District Council Fund

2.1 Introduction to District Fund

Paragraph 7 of Sixth Schedule to the Constitution of India 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 BTC Fund was constituted under the provisions of Sub-Paragraph (I) of Paragraph 7 of the Sixth Schedule to which shall be credited all moneys received by the BTC in the course of the administration of BTAD in accordance with the provisions of the Constitution. The fund is maintained as Deposit Account (8443-Civil Deposit) in the Kokrajhar Treasury, and Principal Secretary of BTC is the authorised officer who operates the fund.

The ADC fund comprises of receipts from its own resources, shared revenue and grants/ Loans & 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 has 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 shall deal with the proceeds of taxation and other receipts classed as revenue receipts and revenue expenditure met therefrom. It shall also include the grants and contributions received from the Government and also grants and contributions made by the Council. The second division shall deal 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 disbursed and their recoveries made 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, 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.

2.1.1 BTC Resources

Resources of BTC are mainly from the Revenue receipts of own sources, like Forest, Land Revenue, Market and Fair, *etc.*, as envisaged in the Sixth Schedule. Assistance

to meet a part of the Councils own expenditure is also provided by the State Government. For implementation of various developmental schemes/programmes for 39 entrusted departments to BTC, the State Government provides funds from the State budget (BTC specific Grant No. 78). In addition, BTC is also in receipts of funds from other Grants⁵ through the State Budget for various purposes.

2.1.2 Budgetary process

BTC prepares two sets of budgets as detailed below:

Entrusted Budget: BTC prepares its entrusted budget, which forms Grant No. 78 of the State Budget, for subjects entrusted to it as per the Sixth Schedule. This budget is submitted to the State Government for appropriation by the State Legislature and release of funds. In this budget, the Chart of Accounts (CoA)⁶ followed by BTC is that of List of Major and Minor Heads (LMMH) of the Union and States. Funds from this Grant are released by the State Government to BTC in two instalments as advances. In this budget, BTC do not include the unspent balances of previous year.

Council Budget/Normal Budget: BTC also prepares another budget in respect of estimated own revenue receipts, estimated Central Sector Schemes (CSS), and receipts relating to grants other than Grant No. 78 received from the State Government and the estimated expenditure to be incurred therefrom. The Form of Accounts as well as the heads of account (Chart of Accounts) for use by the Autonomous District/Regional Councils were prescribed by the C&AG in 1977 with the approval of the President, under clause 7(3) of the Sixth Schedule to the Constitution. The C&AG's Chart of Accounts (CoA) prescribed for ADCs 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 Government.

Audit however, noticed that CoA followed in Council Budget deviates from both C&AG's prescribed CoA as well as LMMH. An example of such deviation is that, while the Controller General of Accounts prescribed the Account code '*2225-03-001-Welfare of Scheduled Castes, Scheduled Tribes Other Backward Classes and Minorities-Welfare of Backward Classes-Direction and Administration*' to book expenditure on salary and the C&AG's had prescribed a simplified code '*1-District Council- District Council-Pay and Allowances of Chairman, Dy. Chairman and members of District Council*', the Council assigned Account code '*2225-01-a*' to book the expenditure on '*Salary and Allowances of Speaker Dy. Speaker*' in deviation from the prescribed CoA which needs rectification.

⁵ For illustration: Grant No. 25-Misc General Service, Grant No. 38-Welfare of SC/ST&OBC, Grant No. 39: Social Security Welfare and Nutrition, Grant No. 44 NEC, Grant No. 66-Compensation & Assignment of Local Bodies and PRI, etc.

⁶ A numbering system where each account head on the financial statements is assigned a number.

2.1.3 Release of funds by State Government

Upon appropriation of the Entrusted budget of BTC (Grant No. 78) by the State Legislature, fund is released by GoA as Advance under the Head of Account “K-Deposit and Advances (C) 8550 Civil Advances not bearing interest-103- Other Departmental Advances” and placed at the disposal of BTC as per Paragraph 6(2) of the Sixth Schedule.

Under such provision, BTC is responsible to the State legislature for the funds transferred to it by the State. The BTC is also liable to render detailed monthly accounts to AG (A&E), Assam.

Besides this, there are also funds released from other than Grant No. 78 by the respective departments of the State Government through sanction/Fixation of Ceiling⁷/ Bank draft, Advances, *etc.*, for which, BTC do not render monthly accounts to PAG (A&E). After receipts of these funds by BTC, the details of transactions are maintained in the treasury under the Public Deposit Account-Head of Account “8443– Civil Deposits.”

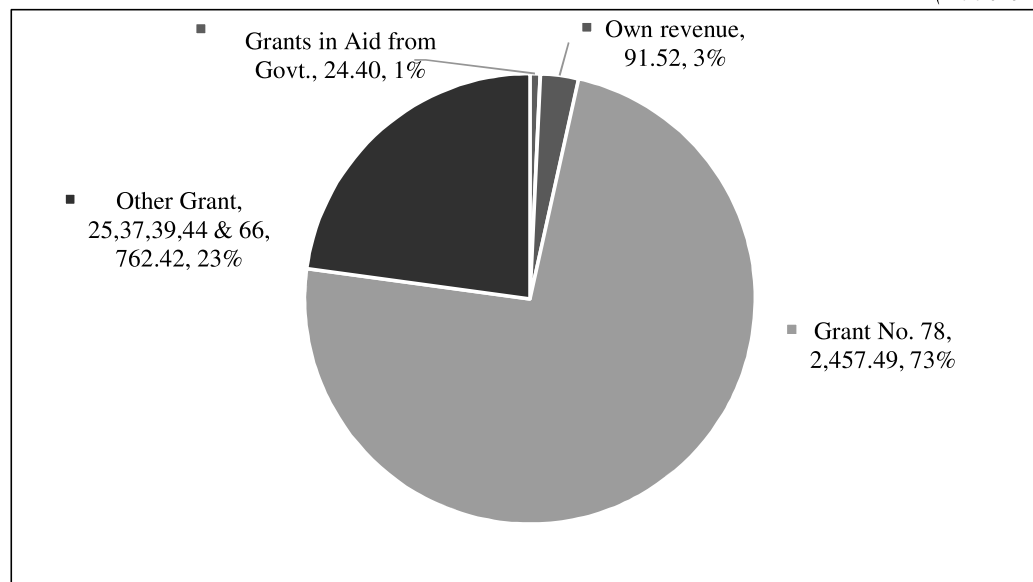
2.2 Receipts and Disbursements

2.2.1 Composition of receipts

Composition of resources of the Council during 2017-18 is shown in **Chart-2.1**.

Chart-2.1: Composition of Aggregate receipts

(₹ in crore)



Source: Annual Account

The above chart indicates that only three *per cent* (₹ 91.52 crore) of its fund was generated by BTC during 2017-18 while 97 *per cent* (₹ 3,244.31 crore) of the funds was provided by the State Government

⁷ Fixation of Ceiling (FoC) earlier named as Letter of credit (LoC). This system ensures that the Government expenditure at any time of the year do not exceed the inflow of receipts as far as practicable and departments do not incur expenditure in excess of authorised provision.

2.2.2 Summary of financial transactions

Summary of financial transactions of BTC during 2017-18 is shown in **Table-2.1**, while **Appendix-II** provides details of receipts and disbursements of the current as well as the previous year as per Annual Accounts of BTC.

Table-2.1: Fund position of BTC during 2017-18

(₹ in crore)		
Receipts		Disbursement
115.92	District Fund	100.17
3,219.92	Deposit Fund	3,171.00
3,335.84	Total receipts and disbursement	3,271.17
934.27	Opening /Closing Balance	998.94
4,270.11	Grand Total	4,270.11

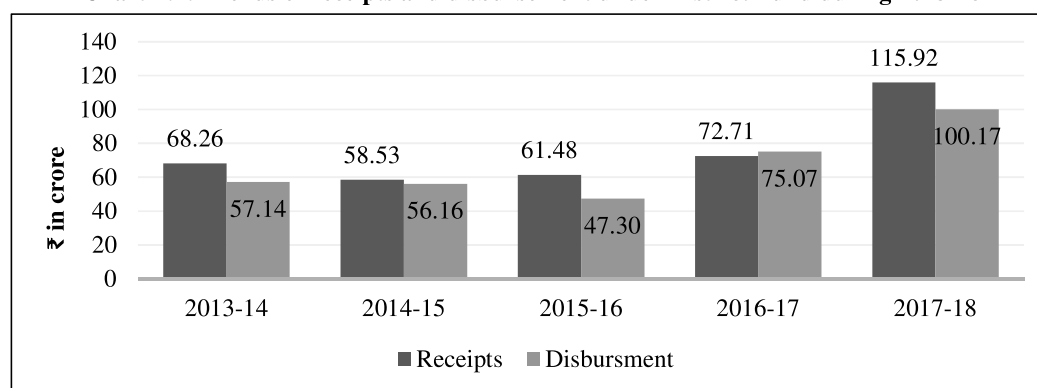
Source: Annual Accounts

As is evident from the above table, bulk of the activities (97⁸ per cent) undertaken by BTC are financed from the funds provided by the State Government, which is currently being shown under Deposit Fund.

2.2.3 Trend of receipts and disbursement

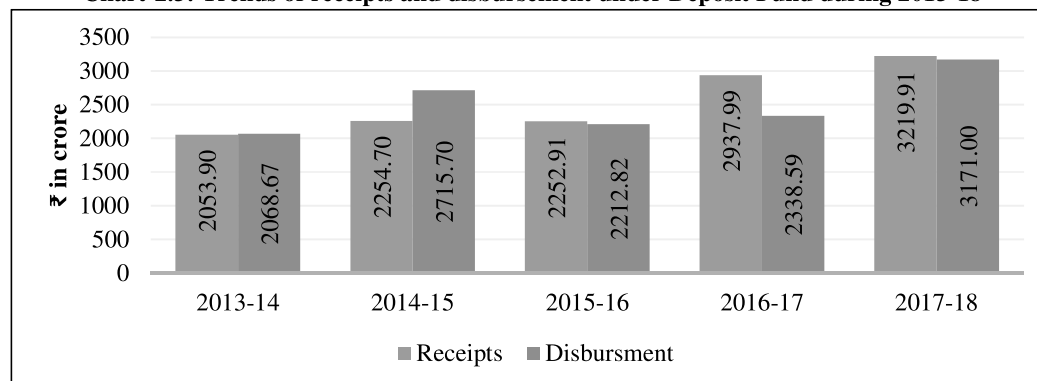
Charts-2.2 and **2.3** present the trends of receipts and disbursement under District Fund (fund generated from its own sources) and Deposit Fund (funds provided by the State Government) over a period of five years (2013-18).

Chart-2.2: Trends of receipts and disbursement under District Fund during 2013-18



Source: Annual Accounts

Chart-2.3: Trends of receipts and disbursement under Deposit Fund during 2013-18



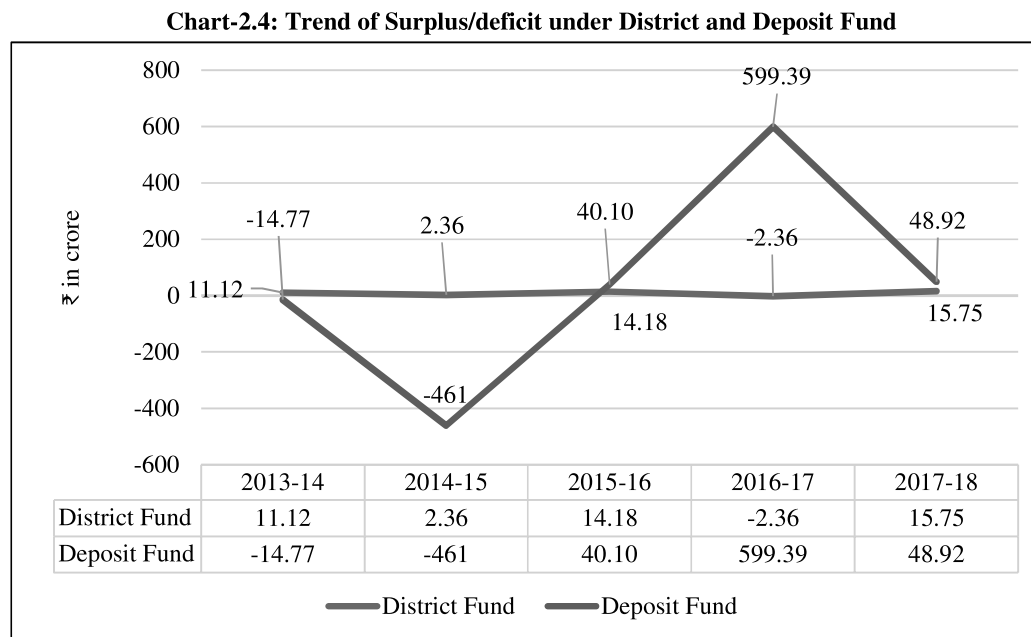
Source: Annual Accounts

⁸ ₹ 24.40 crore received from State Government was only accounted under District Fund

As can be seen from Chart 2.2, during the period 2013-18, the expenditure under District Fund was within the receipts except for the year 2016-17. Similarly, as shown in Chart 2.3, the expenditure under the Deposit Fund during the last five years (2013-18) was within receipts except during 2014-15.

2.2.4 Surplus/deficit under District and Deposit Fund

The trends of fund-wise surplus/deficit during 2013-18 is depicted in **Chart-2.4**.



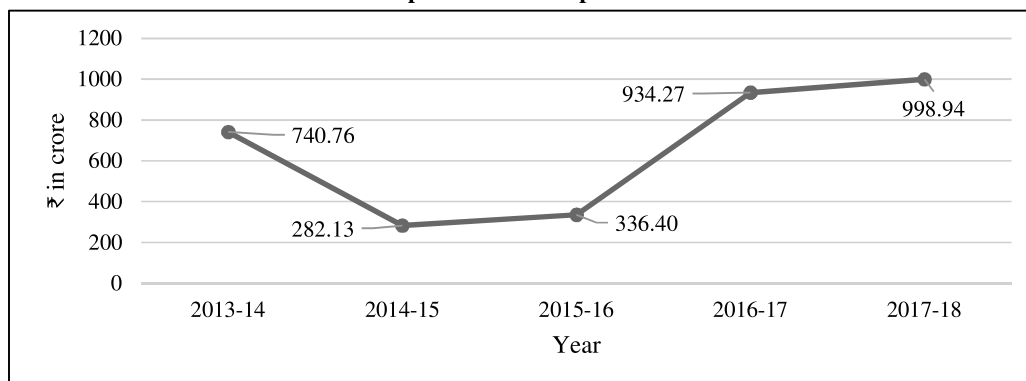
As can be seen from Chart 2.4, during the current year (2017-18), there was a surplus of ₹ 15.75 crore under the District Fund mainly due to increase in generation of its own revenue by approximately 86 *per cent* from ₹ 72.71 crore in 2016-17 to ₹ 115.92 crore in 2017-18.

The trends of surplus/deficit under **Deposit Fund** (where the Council deposited the funds provided by the State Government for entrusted functions) showed a fluctuating trend from a deficit of ₹ 461 crore in 2014-15, there was a surplus of ₹ 599.39 crore during 2016-17. The surplus, however, declined to ₹ 48.92 crore in 2017-18. The Head of Accounts which contributed to this decline could not be analysed as these details were not disclosed in the Annual Accounts.

2.2.5 Unspent balance

Rule 3(3) of BTC Fund Rules, 2012 provides that the unspent balance at credit of the fund at the end of the financial year shall be carried over to the next financial year. Thus, there is no lapsing of funds at the end of the financial year. **Chart-2.5** presents the position of unspent balances of last five years as per Annual Accounts.

Chart-2.5: Unspent balance as per Annual accounts



The closing (unspent) balances as on 31 March of the Council also showed a fluctuating trend during the last five years (2013-18). It fell from ₹ 740.76 crore in 2013-14 to ₹ 282.13 crore in 2014-15. Thereafter, it reached to ₹ 336.40 crore in 2015-16 and further increased sharply to ₹ 934.27 crore in 2016-17 and to ₹ 998.94 crore in 2017-18.

Further, BTC maintains only consolidated opening and closing balances without Head/ Grant-wise details in the Personal Deposit Account (PDA). Non-disclosure of balances Head/Grant-wise details makes the Annual Accounts opaque and weakens the basis for the control over the expenditure and posed serious risk of mis-utilisation of funds released for various schemes/programmes.

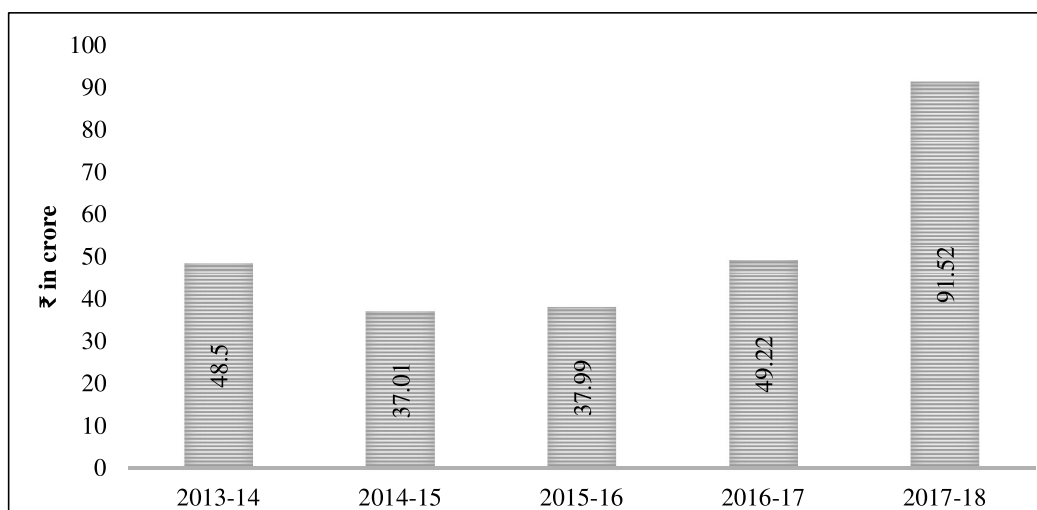
During the year 2017-18, the Annual Accounts disclosed that against 19 Heads of Accounts, BTC had incurred expenditure in excess (₹ 239.15 crore receipts; ₹ 588.20 crore expenditure) of the funds received under those Heads (as detailed in **Appendix-III**). However, due to non-disclosure of Head-wise balances in the Annual Accounts, Audit could neither ascertain whether there were balances available in those Heads to meet the expenditure in excess of receipts nor was it clear whether funds available in other Heads were utilised for such excesses. Further, depiction of Head/ Grant-wise details will clearly indicate the departments and the DDOs responsible for such deviation from the rules and also help in ensuring better budgeting control and discipline in its financial management in future.

Thus, due to absence of head-wise balances details in PDA, no assurance can be obtained that the expenditure was incurred for the purpose for which it was sanctioned.

2.2.6 Receipts of Own Fund compared with previous years

Chart-2.6 presents the trend of revenue receipts of BTC from own sources during the last five years (2013-18).

Chart-2.6: Trend of revenue receipts and expenditure during 2013-18

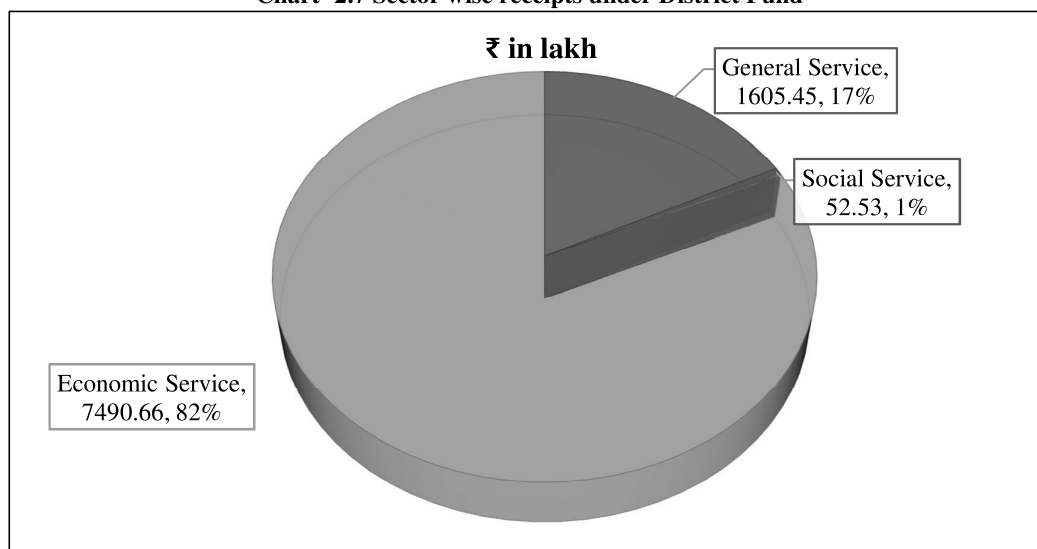


As evident from the chart, the growth of revenue during 2013-18 showed a fluctuating trend. The collection of revenue decreased from ₹ 48.50 crore in 2013-14 to ₹ 37.01 crore in 2014-15 but again rose to ₹ 91.52 crore during 2017-18. Overall increase of revenue by 46 *per cent* (₹ 42.30 crore) during 2017-18 over the previous year (2016-17) was attributed mainly to two Heads of Accounts, *vis-à-vis* “Forest” (104 *per cent*) (₹ 70.26 crore) and “Lottery” 40 *per cent* (₹ 9.37 crore) as against ₹ 34.44 crore and ₹ 6.67 crore collected during 2016-17 respectively under the said heads.

2.2.7 Sector wise receipts and disbursement under District Fund

Total receipts and expenditure under the District Fund was ₹ 115.92 crore (excluding Grants-in-Aid (GIA) of ₹ 24.44 crore received from the State Government) and ₹ 100.17 crore respectively. **Chart-2.7** indicates sector-wise revenue receipts of ₹ 91.48 crore (excluding GIA of ₹ 24.44 crore *ibid*) raised by the BTC under Part-I District Fund during 2017-18.

Chart -2.7 Sector wise receipts under District Fund



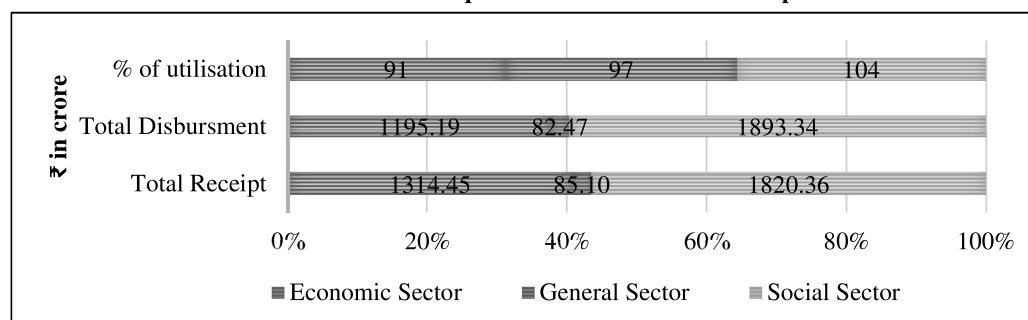
There was maximum receipts (82 *per cent*) during 2017-18 from Economic Sector followed by 17 *per cent* from General Sector to one *per cent* from Social Sector. Head-wise details of revenue generated under the three sectors were as detailed in **Appendix-IV**.

In comparison, the entire expenditure of ₹ 100.17 crore of its District Fund was incurred under Social Sector which consisted of mainly payment of pay and allowances, travelling expenses, contribution towards CPF and not towards economic sector which can help to generate more economic development and resources for the future.

2.2.8 Sector wise receipts and disbursement under Deposit Fund

Total receipts and expenditure under the Deposit Fund as per Annual Accounts was ₹ 3,219.92 crore and ₹ 3,171.00 crore respectively. **Chart-2.8** indicates sector-wise receipts and disbursement accounted by the BTC under Part-II Deposit Fund during 2017-18.

Chart-2.8: Sector wise receipts & disbursement under Deposit Fund



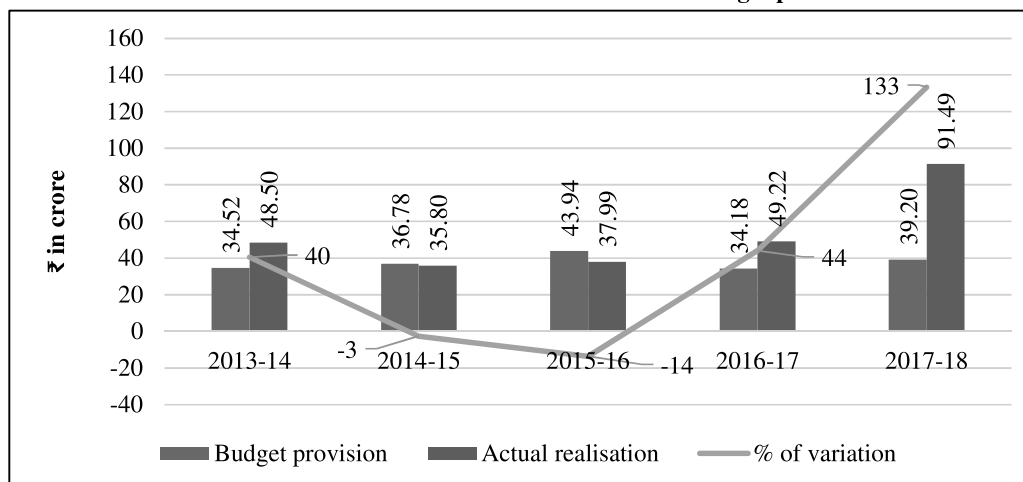
It could be seen from above that during the year 2017-18, BTC could utilise approximately 98 *per cent* (₹ 3,171.00 crore) out of its total funds of ₹ 3,219.92 crore received from the State Government. Against the total disbursement of ₹ 2,338.59 crore during 2016-17, disbursement in Social Sector accounted for ₹ 1,379.40 crore (59 *per cent*), ₹ 911.24 crore (39 *per cent*) for Economic sector and ₹ 47.95 crore (two *per cent*) was for General Sector. As compared to its Sectoral receipts, disbursement on Social Sector was ₹ 1,893.34 crore (104 *per cent*) during 2017-18 as against the total receipts of ₹ 1,820.36 crore. Disbursement for Economic Sector accounted for ₹ 1,195.19 crore (91 *per cent*) and ₹ 82.47 crore (97 *per cent*) was against General Sector *vis-à-vis* total receipts of ₹ 1,314.45 crore and ₹ 85.10 crore respectively. Head-wise details of expenditure under the three sectors are detailed in **Appendix-V**.

Excess disbursement on Social Sector during 2017-18 over the fund receipts was met either from the unspent balances or through diversion from other Heads of Account. This could not be analysed in Audit as BTC did not maintain Grant wise/Head of Account wise balances.

2.3 Receipts Compared to Budget Provision

Chart-2.9 shows considerable variation between estimated provisions (Normal budget) and actual revenue realisation during the years 2013-18.

Chart-2.9: Variation of revenue realisation with budget provision



Source: Normal Budget and Annual Accounts

Audit noticed high fluctuation in its revenue collection when compared with budget estimates. During 2014-15 and 2015-16, the revenue collection declined by ₹ 0.98 crore and ₹ 5.95 crore over the budget estimates respectively. Thereafter, it increased by 44 *per cent* (₹ 15.04 crore) during 2016-17 against the budget estimates. It again increased by 133 *per cent* (₹ 52.29 crore) over budget estimates during 2017-18. The increase in revenue was primarily due to substantial increase in receipts from Forest (₹ 70.26 crore), other Rural Development Programme (₹ 2.73 crore), Land Revenue (₹ 5.88 crore), *etc.*

Details of Heads of Account-wise budget provisions *vis-à-vis* revenue actually collected during 2017-18 is detailed in **Appendix-VI**. The variation ranged between minus 96 and 1,100 *per cent*.

This indicates that BTC's Budget estimation on revenue collection needs review to set a more realistic target.

2.4 Conclusion

- BTC does not include the unspent balance of previous year in the current year entrusted budget as required under Assam Budget Manual.
- Annual Accounts did not follow the same CoA as was used for preparation of budget. BTC neither adopted CoA prescribed by C&AG nor followed LMMH.
- BTC maintains only consolidated opening and closing balances without Head/Grant wise details. Thus, there was no assurance that the expenditure was incurred for the purpose for which it was sanctioned.
- Budgetary exercise of the Council was not realistic during 2017-18. There was a wide variation between the Budget estimates and actual receipts during 2017-18.

2.5 Recommendations

- *Council should include anticipated unspent balances in the entrusted budget document of the succeeding financial year as envisaged in the Assam Budget Manual.*
- *Council may ensure adoption of C&AGs prescribed Chart of Accounts in its Normal Budget for better depiction/disclosure in its Annual Accounts.*
- *Council may disclose Grant-wise Head-wise breakup of consolidated opening and closing balances in the Annual Accounts to provide assurance that the expenditure incurred was for the purpose it was sanctioned.*