

## Chapter-III

### Audit of Annual Accounts

#### 3.1 Introduction to Accounts and Comments on Council Accounts

In terms of paragraph 7(3) of the Sixth Schedule to the Constitution, the form in which the accounts of the District Council are to be maintained is to be prescribed by the Comptroller and Auditor General of India (C&AG), which was done in 1977. The Form of Accounts prescribed by C&AG comprised of seven statements. A brief description of these seven statements is given in **Table-3.1**:

**Table-3.1: Statements in the C&AG prescribed Form of Accounts of Autonomous District Councils**

Sl. No.	Statement No.	Particulars of Statements
1.	Statement No.1	Summary of transactions showing summarised position of Receipts and Disbursement of District Fund and Deposit Fund, with break-up at the level of Revenue, Capital, and Debt.
2.	Statement No.2	Progressive Capital Outlay to the end of the Year showing Major Head-wise Capital expenditure for the current year, and cumulative expenditure till the end of the year.
3.	Statement No.3	Summarised position of the Debt taken by the Council, the receipts and repayments in the year, and balance outstanding. In addition, the Statement has a separate associated statement showing the monthly ways and means position of the Council.
4.	Statement No.4	Loans and Advances by the Council showing category wise summary of loans and advances given by the Council, the payments and receipts, and the balance outstanding at the end of the year.
5.	Statement No.5	Detailed account of revenue of the Council with Minor Heads-wise breakup.
6.	Statement No.6	Detailed account of expenditure of the Council with Minor Heads-wise break up.
7.	Statement No.7	Receipts, disbursements, and balances under heads relating to District Fund and Deposit Fund showing summarised position of Opening Balance, Receipts, Disbursements and Closing Balance.

#### 3.2 Comments on Form of Accounts

**3.2.1** The C&AG prescribed Form of Accounts requires the Council accounts to be kept in two parts, namely, District Fund and Deposit Fund, analogous to the Consolidated Fund and Public Account in State and Union Government Accounts. The explanatory notes to the form of Accounts state that the Deposit Fund would comprise of items like Deposits, Advances, Provident Fund, *etc.*

As per Rule 22(1) of BTC Fund Rules, 2012 revenue receipts from its own source including assistance by the State Government and corresponding expenditure therefrom are to be shown under Part-I District Fund. However, funds received from State budget for entrusted functions and expenditure incurred therefrom are being exhibited under Part-II Deposit Fund instead of C&AG's prescribed format which is Part I (District Fund) and also as per Rule 19 (1) of the BTC Fund Rules, 2012 leading to internal inconsistency within the same Rules.

**3.2.2** Rule 19 (7a) of BTC Fund Rules, 2012 provides that the classification of transactions shall be given following List of Major and Minor Heads of Account (LMMH) of Union and States issued by the Ministry of Finance, Government of India. However, this is not in keeping with the C&AG's Chart of Accounts (CoA) prescribed for ADCs, which 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 in India.

In persuasion to the decision taken (July 2021) with Principal Accountant General, Government of Assam constituted a Committee to review the existing BTC Fund Rules to address various internal inconsistencies and to recommend modifications to bring about transparency in Annual Accounts of BTC. However, report on the review is yet to be made available for compliance.

**3.2.3** The BTC prepared its Annual Accounts in the aforementioned seven statements appending one additional Annexure showing Head of Account and Grant Number against funds received from State budget for entrusted functions, expenditure incurred therefrom and balance as on 31 March 2018. Major deviations noticed in Audit with respect to the format prescribed by C&AG are highlighted below:

- a) Statement-1 has not disclosed transactions such as Contributory Provident Fund, Security Deposit, *etc.*, for which the Council incurs a liability to repay the monies received under Part II-Deposit Fund as prescribed by the C&AG.
- b) BTC is required to submit Monthly Accounts to Principal Accountant General (A&E) for funds transferred to it against Grant No. 78, based on which, the Appropriation Accounts is compiled and prepared by PAG (A&E). Detailed Appropriation Accounts of the said Grant indicated that during 2017-18, BTC had made a total expenditure of ₹ 432.48 crore towards Capital Outlay. However, BTC had stated Capital expenditure as Nil in Statement-2. Thus, Annual Accounts of BTC do not depict the complete position of current and cumulative expenditure towards creation of Capital assets as on 31 March 2018.
- c) Statement-5 showed details of revenue by Minor Heads for District Fund only, excluding Deposit Fund. The classification largely adopted is that of LMMH which is not in line with CoA prescribed by C&AG of India.
- d) Statement-6 showed details of expenditure for District Fund only, excluding Deposit Fund against a single Major Head 2225 without providing details up to the prescribed level of Minor Head.
- e) The treatment of display of receipts in Statement-5 and expenditure in Statement-6 are inconsistent with each other. In keeping with the prescribed Form of Accounts, Statement-5 and Statement-6 are required to provide Minor Head-wise details of receipts and expenditure respectively met from the District Fund which should include both fund generated from own sources as well as funds provided by

the State Government. Additional disclosures could be made in Annexures. BTC, however, disclosed in Statement 5 and Statement-6 pertaining to the District Fund only the receipts and expenditure generated from own source but not receipts and expenditure of funds provided by the State Government as required under Form of Accounts prescribed by C&AG.

f) Both Statement-5 and Statement-6 provide insufficient information *vis-à-vis* the prescribed form of accounts. Thus, the accounts of BTC lack completeness and comparability with the prescribed Forms of Account.

### **3.3 Comments on Accounts**

#### **3.3.1 District Fund**

##### **3.3.1.1 Understatement of receipts and expenditure (Transport Service)**

Rule 16(1)(i) of the BTC Fund Rules provide that all monies pertaining to BTC shall be held in the treasury and under no circumstances shall be held in the Bank, Post Office, or any other institution or person not provided for in the rules. Rule 25 of the Fund Rules provides that all receipts due to the Council collected by any employee of the Council authorised to collect such receipts shall pass through the Cashier, who shall enter them immediately into the receipts side of the relevant cash book. Further, Rule 26 of the BTC Fund Rules provides that all moneys received by the cashier on account of council shall be remitted to the treasury promptly for credit to the respective Personal Deposit Accounts and shall under no circumstances, be directly appropriated towards expenditure.

Audit scrutiny of records showed that Bodoland Transport Services (BTS) collected revenue of ₹ 2.58 crore, during the year 2017-18 as sale proceeds of 'way side bus tickets' which was neither deposited into the PDA nor entered in the Council's Cash Book. The amount was kept in a current bank account in State Bank of India (SBI), Kokrajhar in violation of the Rules.

Further, out of the said revenue, an expenditure of ₹ 2.55 crore was incurred during 2017-18 for repair and maintenance of buses, salary of staff by Officer on Special Duty, BTS. The expenditure of BTS was also not accounted for in the Cash Book or depicted in the Annual Accounts. This has resulted in understatement of receipts and expenditure in the Annual Accounts to the extent of ₹ 2.58 crore and ₹ 2.55 crore respectively, besides violating the provisions of its Fund Rules.

##### **3.3.1.2 Overstatement of receipts (Lottery)**

Statement-5 of the Annual Accounts exhibited a total receipts of ₹ 9.37 crore from Bodoland Lottery. However, the information furnished to audit showed that during the year 2017-18, the total receipts was ₹ 8.38 crore. This resulted in overstatement of receipts of Bodoland Lottery by ₹ 0.99 crore.

##### **3.3.1.3 Overstatement of disbursement (CPF)**

Statement-6 of the Annual Accounts exhibited CPF-Contribution of Employee Share of ₹ 41.28 lakh and Recovery of CPF Advance of ₹ 5.46 lakh as disbursement under

District Fund instead of receipts. This resulted in overstatement of disbursement by ₹ 46.74 lakh with corresponding understatement of receipts during 2017-18.

### **3.3.2 Deposit Fund**

Although, funds received from the State Government for subjects/departments entrusted to the Council, was to be accounted for under District Fund as per the format provided by the CAG, the Council accounted these funds under Deposit Fund. Audit comments on the Deposit Fund are discussed in the succeeding paragraphs.

#### **3.3.2.1 Understatement of total receipts**

Annual Accounts during 2017-18 exhibited total receipts of ₹ 3,335.84 crore as against actual total receipts of ₹ 3,336.32 crore as per the PDA maintained by the Kokrajhar Treasury. This resulted in understatement of total receipts by ₹ 0.48 crore.

#### **3.3.2.2 Understatement of receipts, expenditure and closing balance of funds received under Article 275 (1)**

Rule 16 of BTC Fund Rules, 2012 provides that all monies pertaining to Bodoland Territorial Council shall be held in Personal Deposit Account and in no circumstances shall the Bodoland Territorial Council Fund be held with any Bank, Post Office, any other Institution or person not provided for in these rules.

Audit noticed that BTC, during 2017-18, received ₹ 6.04 crore under Article 275 (1) through direct bank transfer in the ICICI savings Bank Account<sup>9</sup> operated by the Principal Secretary, BTC. Out of this, ₹ 4.16 crore was transferred during 2017-18 to Axis Bank savings account operated by the Additional Director cum Council Head of Department (CHD), WPT&BC who incurred expenditure of ₹ 3.97 crore towards implementation of 74 works like Construction and improvement of road, classroom, village road, etc.

The entire receipts and expenditure were however, not routed through the PDA in violation of the provisions of BTC Fund Rules *ibid* and also not accounted for in the Annual Accounts. This resulted in understatement of receipts by ₹ 6.04 crore and expenditures by ₹ 3.97 crore and closing balance by ₹ 2.07<sup>10</sup> crore. Thus, the Annual Accounts of BTC for the year 2017-18 do not represent the true and fair picture of the transactions of BTC during the year.

#### **3.3.2.3 Discrepancy in closing balance (Appended Annexure)**

During 2017-18, BTC appended along with its Annual Accounts an additional Annexure disclosing Grant wise Heads of Account wise fund received from the State Government, fund disbursed therefrom and the closing balance.

Audit scrutiny, however, revealed that BTC did not include the previous year's (2016-17) unutilised balance of ₹ 599.39 crore as opening balance in the Annexure of 2017-18. This resulted in discrepancy of closing balance as detailed in **Appendix-VII**. Further, as BTC does not maintain Heads of Account-wise balances and fund wise

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<sup>9</sup> ICICI Saving Bank Account No xxxxxxxx0526

<sup>10</sup> Receipts: ₹ 6.04 crore – Expenditure: ₹ 3.97 crore

ledger (District and Deposit Fund), Audit could not ascertain the Heads of Account where the discrepancies had actually occurred.

### 3.4 Reconciliation of Records

#### 3.4.1 Non reconciliation with Appropriation Accounts

The Government of Assam provides funds available as advance (Major Head 8550-Civil Advance) from Grant No. 78 of the State Government Budget for incurring expenditure on 39 subjects entrusted to BTC against 40 subjects specified in the Sixth Schedule. BTC was required to render Monthly detailed accounts to the Principal Accountant General (Accounts & Entitlements) (PAG (A&E)), Assam. From the monthly accounts submitted by BTC, Appropriation Accounts of the State Government is compiled by PAG (A&E).

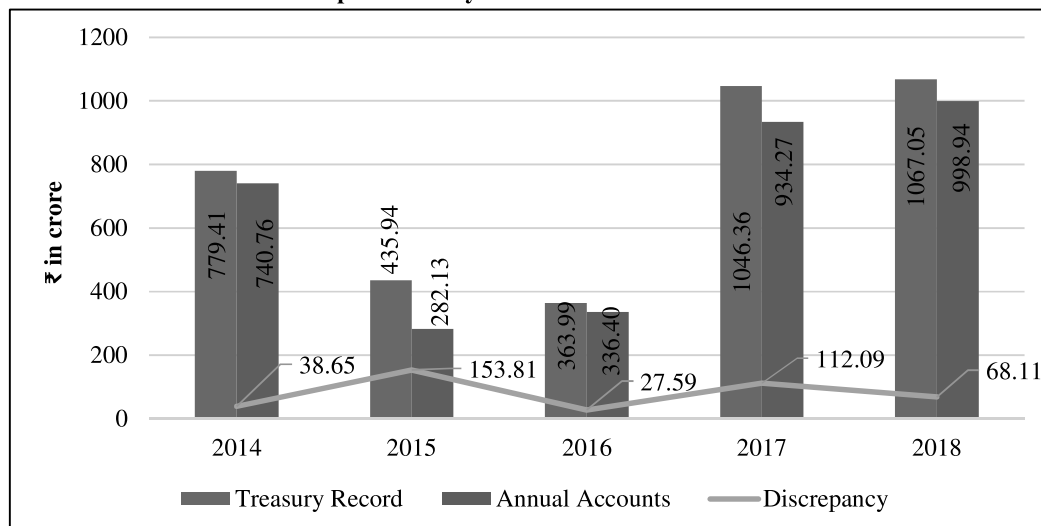
Audit noticed that the total expenditure of BTC included in the Appropriation accounts for the year 2017-18 under 50 Heads of Accounts pertaining to Grant No. 78 was ₹ 2,556.60 crore, whereas the Annual Accounts of BTC exhibited ₹ 2,255.14 crore against the same Heads as detailed in *Appendix-VIII*.

This indicates that prior to compiling of Annual Accounts for the year 2017-18, BTC did not carry out reconciliation of their figures with the figures booked by PAG (A&E). There is a need for monthly and annual reconciliation with figures booked by PAG (A&E) to ensure accuracy and completeness of disclosure in the Annual Accounts.

#### 3.4.2 Non-reconciliation with Personal Deposit Account

BTC maintains a Personal Deposit Account (PDA) with the Kokrajhar Treasury, into which all receipts of BTC are credited and from which withdrawals for all expenditure are made. The balance held in PDA as per the Cash Book as on 31 March of each financial year was required to be reconciled with the balance shown in the records of the Treasury and discrepancy, if any, between the two sets of records is required to be settled to ensure accuracy in financial reporting.

**Chart-3.1: Balances as per Treasury records and Annual Accounts as on 31 March**



As can be seen from **Chart-3.1**, the discrepancy between the Treasury record and the Annual Accounts of BTC had widened from ₹ 38.65 crore during 2013-14 to ₹ 153.81 crore during 2014-15 and then the discrepancy narrowed down to ₹ 68.11 crore in 2017-18. This discrepancy was not explained in the Annual Accounts as reconciliation of the figures between its records with that of the records of Treasury have not been conducted. Audit had highlighted non-reconciliation of the two sets of records in the previous Audit Reports. Despite being pointed out, these lapses continued to persist without any tangible improvement.

### **3.5 Conclusion**

Audit of the Annual Accounts of BTC for 2017-18 revealed a number of deficiencies which are summarised below:

- i. Form of Accounts followed by BTC for preparing its Annual Accounts was not in conformity with the Form of Accounts prescribed by C&AG for District Councils in 1977.
- ii. The Annual Accounts of BTC does not show any Capital expenditure while the Appropriation Account of Grant No. 78 shows BTC had incurred substantial expenditure under Capital Outlay.
- iii. Statement 5 and Statement-6 pertaining to the District Fund provide insufficient information *vis-à-vis* the prescribed form of accounts indicating lack completeness and comparability with the prescribed Form of Account.
- iv. Discrepancy in figures between three sets of records namely, Annual Accounts records of PAG (A&E) and the Treasury were noticed despite being pointed out in the previous Audit Reports.

### **3.6 Recommendations**

- *Council should compile its Annual Accounts following C&AGs prescribed guidelines for greater accountability and for proper disclosure.*
- *Council should periodically reconcile its expenditure figures with PAG (A&E) and the Treasury Officer, Kokrajhar to ensure complete disclosure in its Annual Accounts.*