

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 2017-18. Chapter-IV of the Report deals with the audit findings pertaining to transaction audit of the Council and contains three 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. Autonomous District Council Funds

- Funds received from the State Government for subjects/departments entrusted to the Council during 2017-18 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 87 *per cent*) undertaken by NCHAC during 2017-18 was from the funds provided by the State Government, which is currently being shown under Deposit Fund.

(Paragraph 2.2.1)

- Unspent balance increased by 93 *per cent* during the last five years from ₹ 127 crore at the end of 2013-14 to ₹ 244.91 crore as on March 2018 indicating that the expenditure was not commensurate with the fund receipts from State Government.

(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 (Normal) and actual receipts as well as expenditures indicated preparation of unrealistic budget during the year 2017-18.

(Paragraphs 2.3.1 and 2.3.2)

Recommendations

The 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 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 in respect of 'Road and Transport Services' were understated by ₹ 0.07 crore during 2017-18 in the Annual Accounts of the Council.

(Paragraphs 3.2.1.1)

- Under the head of account "Road Transport Services" revenue expenditure was understated by ₹ 0.93 crore and Capital expenditure overstated by ₹ 1.20 crore during 2017-18 in the Annual Accounts of the Council.

(Paragraph 3.2.1.2)

- During 2017-18, in contrary to the provision of the NCHAC Fund Rules, 1953, a total fund of ₹ 27.62 crore received from the State Government for various development projects/ schemes, were directly credited in bank accounts with different banks instead of depositing into the Council's PDA.

(Paragraphs 3.2.2.1)

- Discrepancy of figures (opening and closing balances) between its own records and Treasury was noticed despite these having been pointed out in previous Audit Reports.

(Paragraph 3.3)

Recommendations

The 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 so as to assist greater accountability and transparency.

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

The 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.

The 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

- Due to settlement of the markets and areas without following tendering process and fixing the rates below the official rate, Council sustained a loss of revenue to the extent of ₹ 19.17 lakh.

The 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 4.1)

- Revenue Department of the Council failed to realise Land Revenue amounting to ₹ 11.29 lakh.

The Council should issue strict instruction for maintenance of vital records of revenue collection to prevent any possible mis-utilisation, misappropriation of revenue, etc.

(Paragraph 4.2)

- Revenue receipts of ₹ 26.42 lakh were irregularly utilised by the Transport Department and General Administration Department of the NCHAC towards departmental expenditure in violation of the provisions of its Fund Rules.

The 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 4.3)