

Chapter-II

Autonomous District Council Funds

2.1 Introduction to District Fund

The Sixth Schedule to the Constitution 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 District Fund of NCHAC has been constituted under the provisions of Sub-Paragraph (1) of Paragraph 7 of the Sixth Schedule to the Constitution. This fund is maintained as Deposit Account (8443 – Civil Deposit) in the Haflong Treasury and the Principal Secretary (Transfer), NCHAC is the authorised officer who operates the fund.

The ADC fund comprises receipts from its own resources, shared revenue and grants/ Loans and 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 had 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 deals with the proceeds of taxation and other receipts classed as revenue and expenditure met therefrom. It also includes the grants and contributions received from the Government and also grants and contributions by the Council. The second division deals 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 and their recoveries 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, GPF, 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, funds received from the State Government for subjects/departments entrusted to the Council during 2018-19 were accounted for in Part-II Deposit Fund. This has been discussed in Chapter-III of this Report.

2.2 Sources and Application of Funds

2.2.1 Receipts and Disbursements

Details of receipts and disbursements of the current as well as previous year as per Annual Accounts of NCHAC is provided in **Appendix-I**, while **Table-2.1** shows the summary of financial transactions of NCHAC during 2018-19.

Table-2.1: Summary of financial transactions of NCHAC during 2018-19

(₹ in crore)

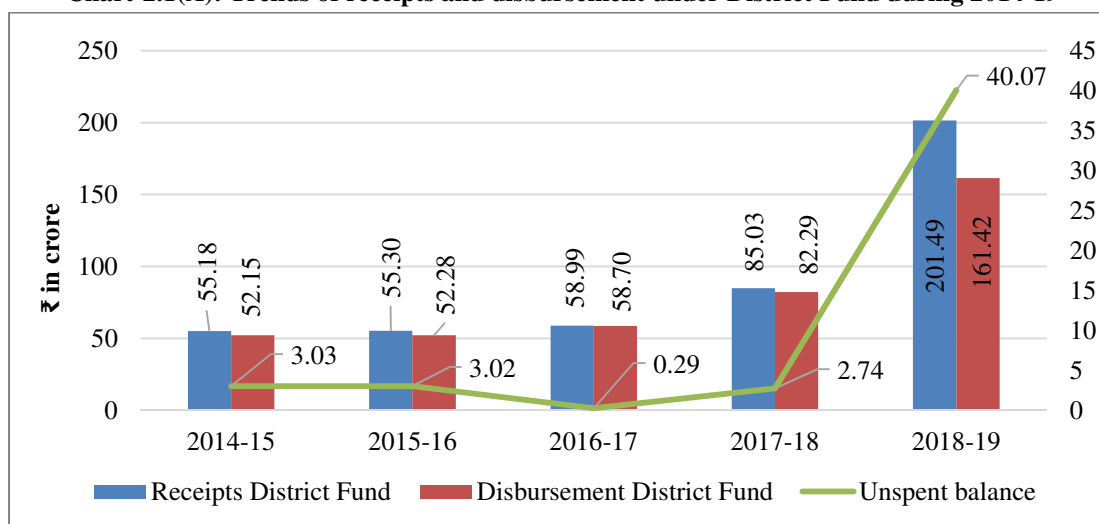
Receipts		Disbursement
201.49	District Fund	161.42
676.84	Deposit Fund	744.05
878.33	Total receipts and disbursement	905.47
244.91	Opening /Closing Balance	217.77
1,123.24	Grand Total	1,123.24

Source: Annual Accounts.

It can be seen from the table above that approximately 82 *per cent* of the expenditure for activities undertaken by NCHAC was met from the funds provided by the State Government.

Charts-2.1(A) and 2.1(B) present the trends of receipts and disbursements under District Fund (fund generated from its own sources) and Deposit Fund over a period of five years (2014-19).

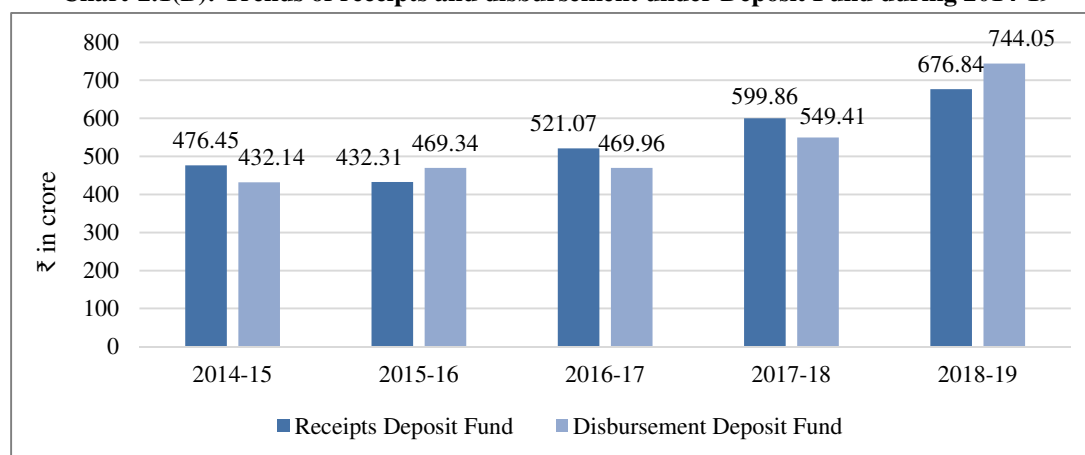
Chart-2.1(A): Trends of receipts and disbursement under District Fund during 2014-19



Source: Annual Accounts.

It is evident from the above chart, expenditure from District Fund was minimal and within own receipts during the last five years. During 2018-19, the expenditure was lesser than the receipts by ₹ 40.07 crore.

Chart-2.1(B): Trends of receipts and disbursement under Deposit Fund during 2014-19



Source: Annual Accounts.

It is apparent from above that the Council failed to fully utilise the fund received from the State Government as disbursements was always less than its receipts during the previous years except during 2015-16. During 2018-19, disbursement exceeded its receipts by ₹ 67.21 crore, which was met from unspent balance of previous years. NCHAC should, therefore, initiate steps so as to ensure that the funds released by the State Government is utilised for the purpose it was transferred.

2.2.1.1 Non-receipts of Council's share of Motor Vehicle Tax

As per Government of Assam (GoA) directive vide No.HAD.61/82/216 dated 22 March 1991, the Deputy Commissioner of NC Hills District (erstwhile) was to release 90 *per cent* of gross collection of Motor Vehicle Tax on quarterly basis to the Council.

Audit noticed that MV Tax of ₹ 1.32 crore was collected during April 2018 to March 2019 by the District Transport Authority, Haflong. The share of MV Tax till March 2019 due to the Council was ₹ 1.19 crore (being 90 *per cent* share on gross collection), but the District Transport Officer (DTO) released ₹ 0.89 crore only to the Council, leaving a balance of ₹ 0.30 crore yet to be released.

The amounts were released by the DTO with a delay ranging from 122 to 526 days as shown in **Table-2.2**:

Table-2.2: Delay in release of MV Tax

Year	Total MV Tax Collected by the DTO (₹)	Council Share @ 90% (₹)	Instal-ment	Amount released to the Council (₹)	Due date of release	Actual date of release	Delay in days
2018-19	1,31,83,941	1,18,65,546	1 st	35,19,811	30.06.2018	30.10.2018	122
			2 nd	23,07,627	30.09.2018	08.08.2019	312
			3 rd	30,45,656	31.12.2018	09.06.2020	526
			4 th	29,92,452	31.03.2019	Not released	
			Total	1,18,65,546			

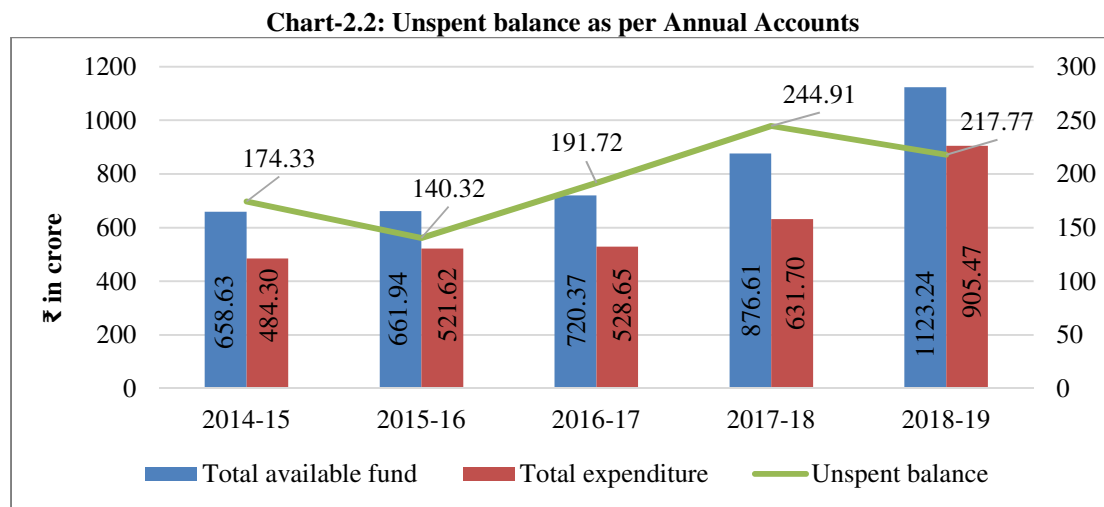
Thus, the Council was deprived of revenue to the extent of ₹ 0.30 crore during 2018-19 though the matter was taken up with the District authority/State regularly by the Council.

2.2.2 Unspent balance

Unspent balance at the end of the financial year against funds received from GoA neither lapse automatically nor are surrendered by the Council. The savings accumulated in PDA of the Council are utilised in subsequent years.

During 2018-19, NCHAC received ₹ 676.84 crore for entrusted functions from the State Government. The Council disbursed ₹ 744.05 crore to the Drawing and Disbursing Officers for the entrusted functions. This has resulted in deficit of ₹ 67.21 crore under Deposit Fund, which was met from closing balance of the previous years.

Chart-2.2 presents the position of unspent balances of NCHAC during the last five years as per Annual Accounts.



Source: Annual Accounts.

It can be seen from the chart above that unspent balance of the Council increased by 25 per cent during the last six years from ₹ 174.33 crore at the end of 2014-15 to ₹ 217.77 crore as of March 2019. This indicated that expenditure was not commensurate with the fund receipts from the State Government.

Audit observed that the Annual Accounts of NCHAC did not disclose grant-wise/head-wise details of balances, under which the unspent balances were kept. Maintenance of consolidated opening and closing balances without head/grant wise details in the Personal Deposit Account with proper disclosure in the Annual Accounts made the Accounts opaque. This will weaken control over the public expenditure for various schemes/programmes and mis-utilisation of funds will go undetected. In view of that assurance that the expenditure was incurred for the purpose for which it was sanctioned cannot be given.

2.3 Comments on budgetary process

NCHAC prepares two sets of budgets as detailed below:

- i) **Entrusted Budget:** NCHAC prepares its entrusted budget in respect of Grant No. 77, for subjects entrusted to it by the State Government as per Paragraph 6 (2) of 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) followed by NCHAC is that of List of Major and Minor Head (LMMH) of the Union and States. Funds from this Grant are released to NCHAC in two instalments as advance.
- ii) **Council Budget:** NCHAC also prepares another budget in respect of estimated own revenue receipts and estimated expenditure incurred therefrom. This budget is termed as Normal budget in common parlance. In this budget NCHAC follows the CoA prescribed by CAG.

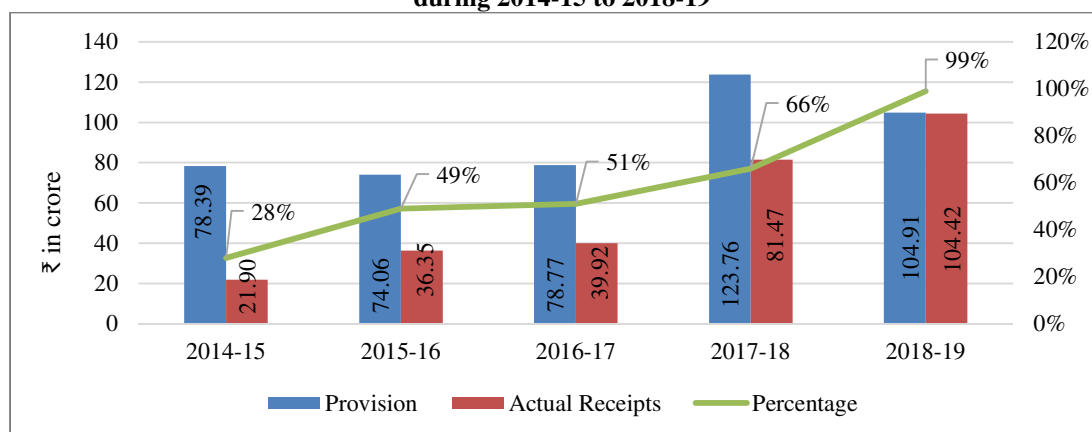
As NCHAC did not disclose the details of receipts and expenditure in respect of funds received from the State Government in its Annual Accounts, variation between

budgeted (Entrusted) and actual figure with respect to both receipts and expenditure could not be ascertained. There was also no assurance that the expenditure was actually incurred for the purpose for which it was sanctioned. Instances of variation between Revenue receipts/ Revenue expenditure and Council Budget are discussed in the succeeding paragraphs.

2.3.1 Revenue receipts compared with budget estimates

Position of variation between budgetary provision and actual revenue receipts during the last five years is depicted in **Chart-2.3**:

Chart-2.3: Variation between estimated (budget) receipts and actual receipts during 2014-15 to 2018-19



Source: Normal Budget and Annual Accounts.

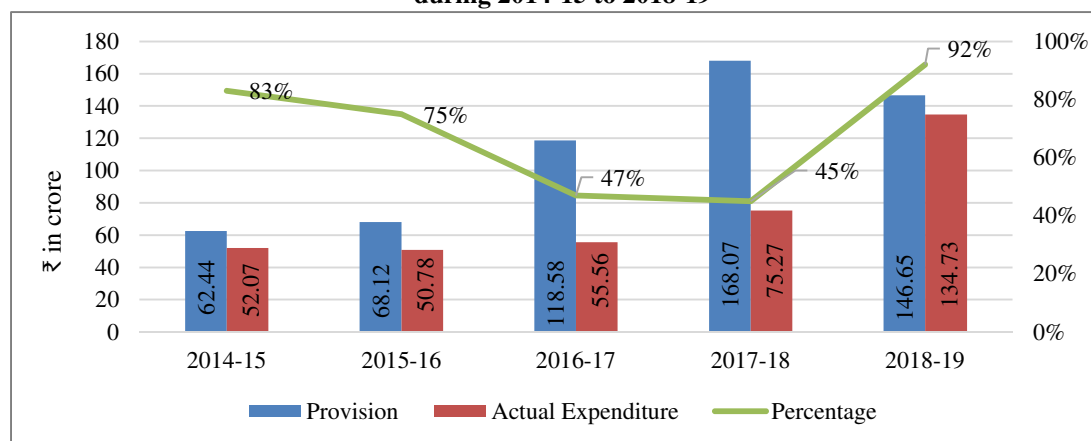
During the last five years, the actual revenue receipts of NCHAC ranged from only 28 per cent to 99 per cent of estimated (budget) receipts. Head-wise position of variation between estimates of receipts and actual receipts during 2018-19 showed that the shortfall ranged from 54 to 100 per cent that occurred in five Heads of Account. While excess receipts over budget estimates occurred in six Heads of Account, the total revenue collection was at par with the total projection. These are detailed in **Appendix-II**.

The wide variation between estimated and actual receipts including the shortfall against the budget estimates was indicative of deficiencies in the budgeting exercise. It also indicated that the Council had not been able to make its revenue collection mechanism effective. There is a need for improvement in budget preparation and strengthening of revenue collection mechanism of the Council.

2.3.2 Revenue expenditure compared with budget estimates

Position of revenue expenditure of NCHAC vis-à-vis the budgetary provision during the last five years (2014-19) is depicted in **Chart-2.4**:

Chart-2.4: Variation between estimated provision and actual revenue expenditure during 2014-15 to 2018-19



Source: Normal Budget and Annual Accounts.

As can be seen from above, the actual revenue expenditure of NCHAC during the last five years ranged from 45 to 92 per cent of budgetary provision.

During 2018-19, against the estimated revenue expenditure of ₹ 146.65 crore under all the 16 Heads of Account, the actual expenditure was ₹ 134.73 crore resulting in overall shortfall of ₹ 11.92 crore i.e., 8 per cent of the total expenditure projection. The details are given in **Appendix-III**.

The above savings against estimated provision indicated the need for improvement in the budgetary process. To improve generation and collection of revenue, and expenditure position, the Council should initiate steps to strengthen the existing administrative machinery.

2.4 Conclusion

- The Council did not disclose the details of balances grant-wise/head-wise under which the unspent balances were kept. No assurance that the expenditure incurred out of unspent balance of previous years was actually incurred for the purpose for which it was sanctioned could be ensured.
- Fiscal management was weak which led to substantial deficit/surplus under District and Deposit Fund.
- Budgetary exercise of the Council needs improvement to reduce the gaps in saving and excess expenditure for better financial discipline.

2.5 Recommendations

- *The 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.*