

Chapter-II

Autonomous District Council Fund

2.1 Introduction to District Fund

Paragraph 7 of 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 BTC Fund was constituted under the provisions of Sub-Paragraph (I) of Paragraph 7 of the Sixth Schedule to the Constitution to which shall be credited all moneys received by the BTC in the course of the administration of the Bodoland Territorial Area District (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 CAG'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 deals with the proceeds of taxation and other receipts classed as revenue receipts and revenue expenditure met therefrom. It also includes the grants and contributions received from the Government and also grants and contributions made by the Council. The second division deals with expenditure of Capital nature met from borrowed funds. It also comprises 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 of the

Constitution. Assistance to meet a part of the Council's 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 other⁵ Grants 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 to the Constitution. 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 CAG in 1977 with the approval of the President, under clause 7(3) of the Sixth Schedule to the Constitution. The CAG'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 CAG's prescribed CoA as well as LMMH. It may be pointed out 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 CAG'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 to the Constitution.

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 Pr. AG (A&E), Assam.

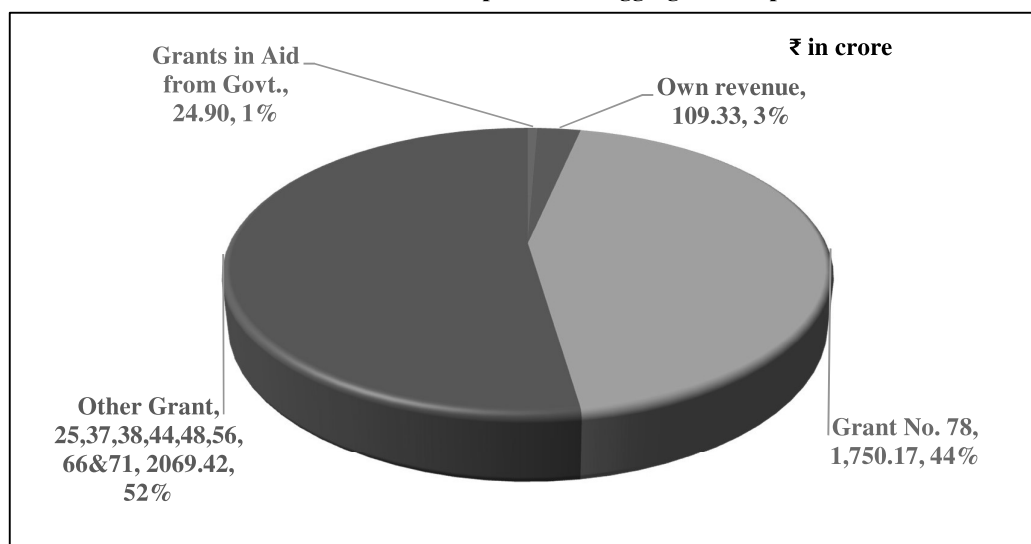
Besides this, there are also funds released from other than Grant No. 78 by the respective departments of the State Government through sanction/Fixation of Ceiling/ Bank draft, Advances, *etc.*, for which, BTC do not render monthly accounts to Pr. AG (A&E). After receipts of these funds by the BTC, the 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

During 2018-19, BTC raised only ₹ 109.33 crore from its own sources while ₹ 1,750.17 crore was released by the State government from BTC specific Grant No. 78. Besides, BTC also received ₹ 2,069.42 crore from other Grant of State Budget. The composition of resources of the Council during 2018-19 is shown in **Chart-2.1**.

Chart-2.1 Composition of Aggregate receipts



Source: Annual Accounts

The above chart indicates that only three *per cent* (₹ 109.75 crore⁷) of its fund was generated by BTC during 2018-19 while 97 *per cent* (₹ 3844.49 crore⁸) of the funds was provided by the State Government.

⁷ Excluding ₹ 24.90 received from GoA as Grants-in-Aid.

2.2.2 Summary of financial transactions

Summary of financial transactions of BTC during 2018-19 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 2018-19

		(₹ in crore)
Receipts		Disbursement
134.65	District Fund	117.15
-	Surplus under District Fund	17.50
3,819.59	Deposit Fund	3,565.19
--	Surplus Under Deposit Fund	254.40
3,954.24	Total receipts and disbursement	3,682.34
998.94	Opening /Closing Balance	1,270.84
4,953.18	Grand Total	4,953.18

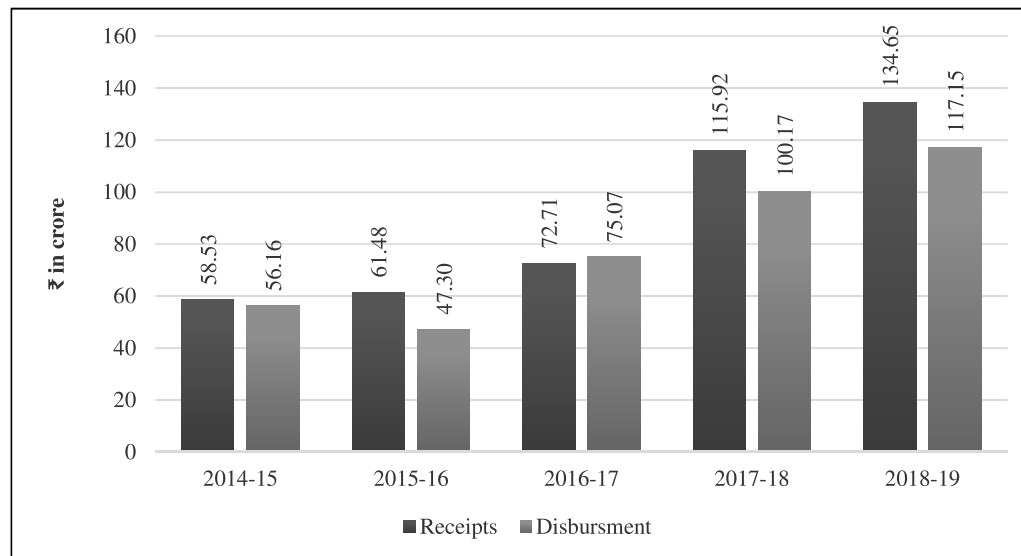
Source: Annual Account

As is evident from the above table, bulk of the activities (96 per cent⁹) undertaken by BTC are 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 (2014-19).

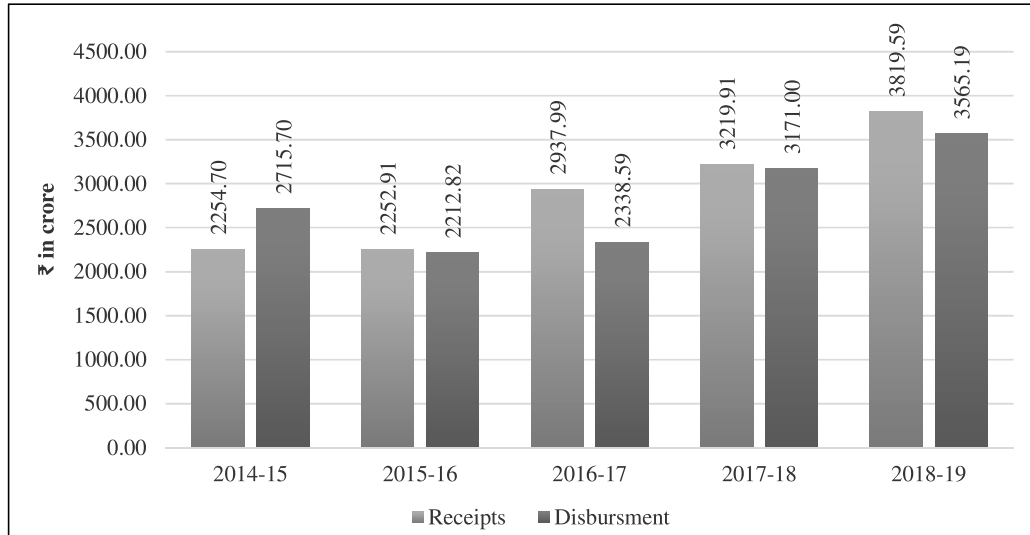
Chart-2.2: Trends of receipts and disbursement under District Fund during 2014-19



Source: Annual Accounts

⁸ Including ₹ 24.90 received from GoA as Grants-in-Aid accounted under District Fund.
⁹ ₹ 24.90 crore received from State Government was only accounted under District Fund.

Chart-2.3: Trends of receipts and disbursement under Deposit Fund during 2014-19

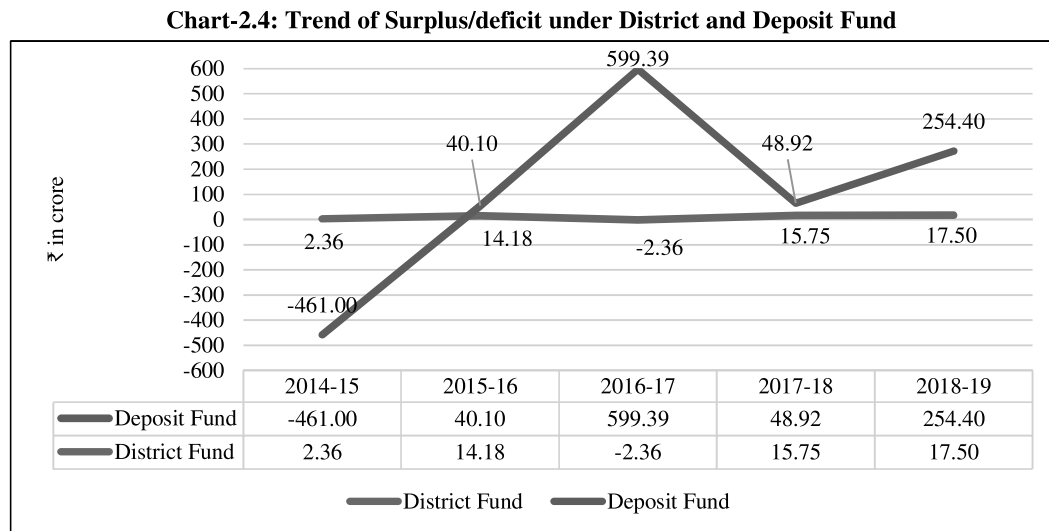


Source: Annual Accounts

As can be seen from Chart 2.2, during the periods 2014-16 and 2017-19, the expenditure under District Fund was within the receipts except for the year 2016-17 where BTC had incurred excess expenditure of ₹ 2.36 crore over its actual receipts. Similarly, as shown in Chart 2.3, the expenditure under Deposit Fund of BTC during the last five years (2014-19) was within the fund receipts except during 2014-15 where an excess expenditure of ₹ 461 crore was reported in its Annual Accounts. The head of accounts from which BTC incurred the excess expenditure over the receipts during the year could not be ascertained in audit as BTC maintained only consolidated balances for both District and Deposit Funds.

2.2.4 Surplus/deficit under District and Deposit Fund

The trend of fund wise surplus/deficit during 2014-19 is depicted in **Chart-2.4:**



Source: Annual Accounts

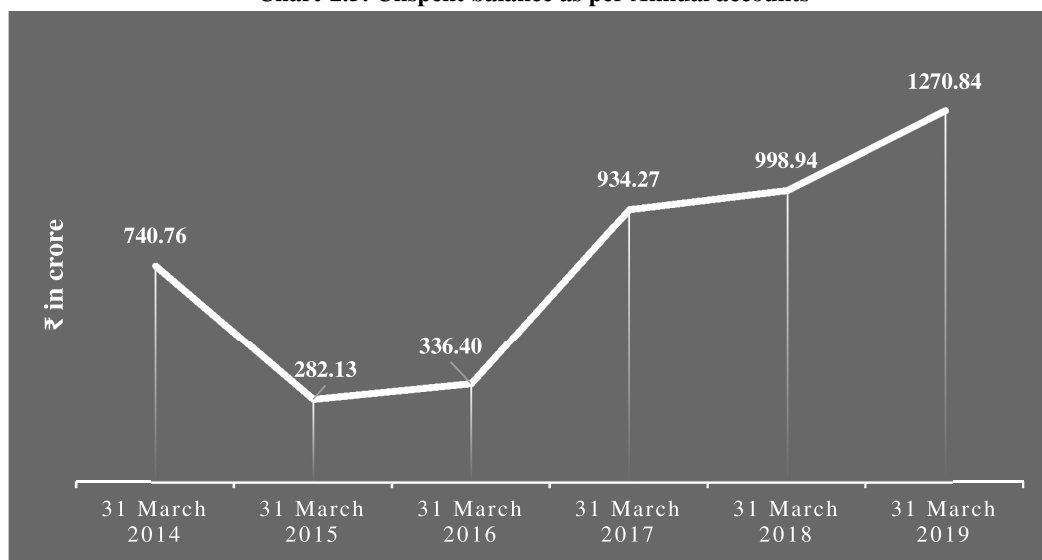
As can be seen from Chart 2.4, there was a deficit of ₹ 2.36 crore under District Fund during 2016-17. Surplus of ₹ 15.75 crore and ₹ 17.50 crore was noticed during 2017-18 and 2018-19 respectively.

The trend of surplus/deficit under **Deposit Fund** (funds provided by the State Government for entrusted functions) show fluctuating trend from deficit of ₹ 461 crore in 2014-15 to increase in surplus to ₹ 599.39 crore during 2016-17. The surplus, however, declined to ₹ 48.92 crore during 2017-18 and increased again to ₹ 254.40 crore during 2018-19. The Heads of Account which contributed to surplus/deficit could not be analysed in audit as BTC do not maintain Heads of Account Wise Closing balance or disclosed in 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



Source: Annual accounts

The Closing (unspent) balance of the Council as on 31 March showed a fluctuating trend during the last six years (2013-19). It fell from ₹ 740.76 crore in 31 March 2014 to ₹ 282.13 crore in 31 March 2015. Thereafter, there was a rising trend and it reached ₹ 1270.84 crore as on 31 March 2019. The increasing trend in closing balance indicated that the Council has not been able to utilise fully the funds for executions of the schemes and projects under implementation.

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

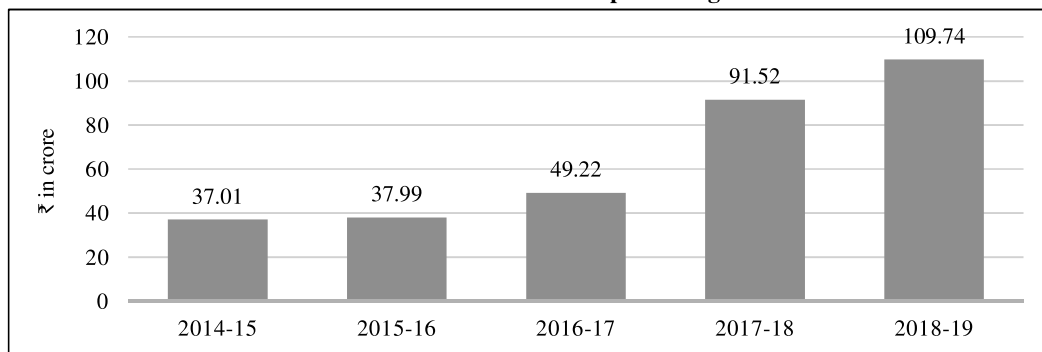
During the year 2018-19, the Annual Accounts disclosed that against 24 Heads of Accounts, BTC had incurred expenditure in excess (₹ 798.48 crore receipts; ₹ 1,304.94 crore expenditure) of the fund received under those Heads (as detailed in **Appendix-III**). However, due to non-disclosure of Head-wise 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 (2014-19).

Chart-2.6: Trend of revenue receipts during 2014-19



Source: Annual accounts

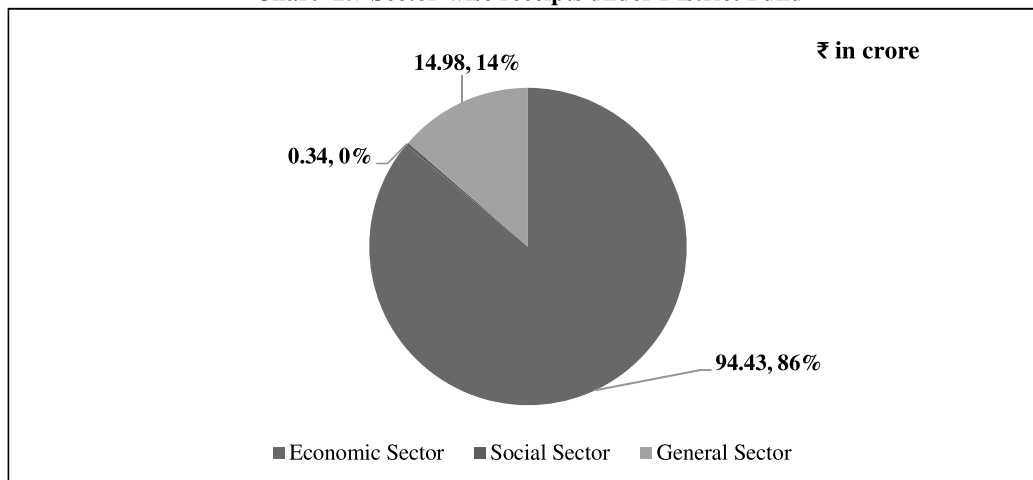
As evident from the chart, there was a steady growth of revenue collection from ₹ 37.01 crore during 2014-15 to ₹ 49.22 crore during 2016-17. Revenue collection increased sharply by 122 per cent (₹ 60.52 crore) during the year 2018-19 (revenue collected ₹ 109.74 crore) when compared with revenue collected during 2016-17 (₹ 49.22 crore).

Rise in revenue collection during 2018-19 over previous year (2017-18) was attributed mainly from Heads of Account, “Forest” (28 per cent) (₹ 19.79 crore) and ₹ 6.08 crore from 12 new Heads of Accounts as reported in the Annual Accounts.

2.2.7 Sector-wise receipts and disbursement under District Fund

Total receipts and expenditure under the District Fund was ₹ 134.65 crore and ₹ 117.15 crore respectively. **Chart-2.7** indicates sector-wise revenue receipts of ₹ 109.33 crore (excluding *Grants-in-Aid* of ₹ 24.90 crore received from the State Government and ₹ 0.42 crore being Misc. excess drawn recovery) raised by the BTC under Part I District Fund during 2017-18.

Chart -2.7 Sector-wise receipts under District Fund



Source: Annual Accounts

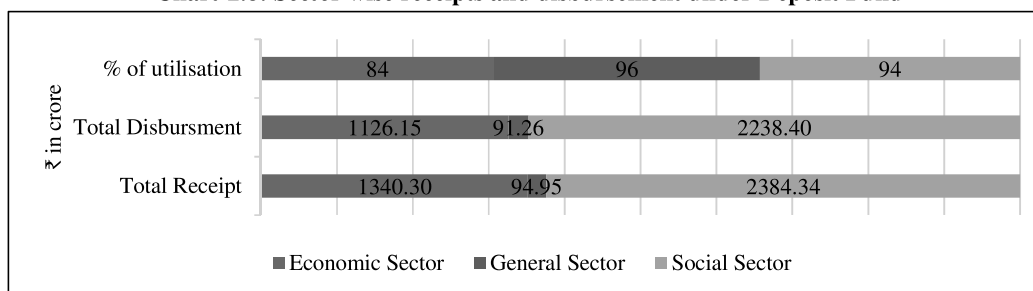
There was maximum receipts (86 per cent) during 2018-19 from Economic Sector followed by (14 per cent) from General Sector. Head-wise details of revenue generated under the three sectors were as detailed in **Appendix-IV**.

The entire expenditure of ₹ 117.15 crore of its District Fund was incurred under Social Sector which consisted of mainly payment of pay & allowances, travelling expenses, contribution towards CPF and not towards Economic Sector 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 ₹ 3,819.59 crore and ₹ 3,455.81 crore (excluding refund of excess salary amount of ₹ 109.38 crore) respectively. **Chart-2.8** indicates sector-wise receipts and disbursement accounted by the BTC under Part II Deposit Fund during 2018-19.

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



Source: Annual Accounts

It could be seen from above that during the year 2018-19, BTC could utilise approximately 90 per cent (₹ 3,455.81 crore) out of its total funds of ₹ 3,819.59 crore received from the State Government. Against the total disbursement of ₹ 3,171.01 crore during 2017-18, disbursement in Social Sector accounted for ₹ 1,893.34 crore (104 per cent) while in 2018-19 BTC disbursed ₹ 2,238.40 crore (94 per cent) vis-à-vis receipts of ₹ 2,384.34 crore. Against the total receipts of ₹ 1,314.45 crore from Economic Sector and ₹ 85.10 crore from General Sector during 2017-18, BTC

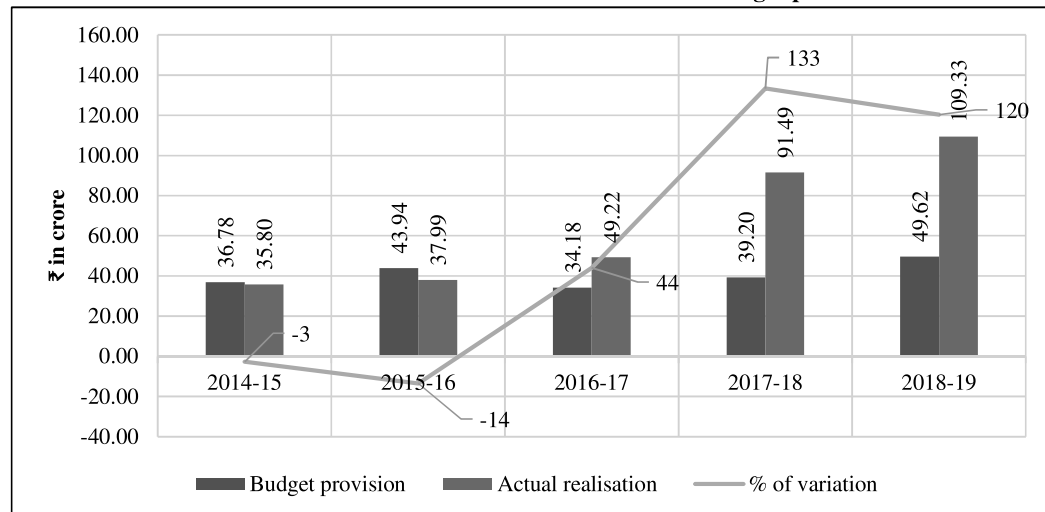
disbursed ₹ 1,195.19 crore (91 per cent) in Economic sector and ₹ 82.47 crore (97 per cent) in General Sector, while in 2018-19, BTC disbursed ₹ 1,126.15 crore (84 per cent) and ₹ 91.26 crore (96 per cent) against the receipts of ₹ 1,340.30 crore and ₹ 94.95 crore for Economic and General sector respectively. Head-wise details of expenditure under the three sectors are detailed in *Appendix-V*.

Thus, sector-wise percentage of utilisation of funds was not commensurate with receipts of funds from the State Government specifically under Economic Sector where utilisation of fund has declined to 84 per cent during 2018-19 as against the previous year utilisation of 91 per cent which may impact economic development of BTC and resources generation for the future.

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 2014-19.

Chart-2.9: Variation of revenue realisation with budget provision



Source: Normal Budget and Annual Accounts

Audit noticed constant variation on its revenue collection as 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, for the next three consecutive years from 2016-17 to 2018-19, revenue collection increased by 44 per cent (₹ 15.04 crore), 133 per cent (₹ 52.29 crore) and 120 per cent (₹ 59.71 crore) respectively over the budget estimates. Increase in revenue collection during 2018-19 over previous year (2017-18) was attributed mainly from Heads of Account, “Forest” (28 per cent) (₹ 19.79 crore.) and ₹ 6.08 crore from 12 new Heads of Accounts as reported in the Annual Accounts.

Details of Heads of Account-wise budget provisions *vis-à-vis* revenue actually collected during 2018-19 are given in *Appendix-VI* which showed variation ranging between *minus* 100 and 172 per cent.

This indicates that BTC’s Budget estimation on revenue collection need to be reviewed to set a more realistic target for better augmentation of own resources.

2.4 Conclusion

- i. BTC does not include the unspent balance of previous year in the current year entrusted budget as required under Assam Budget Manual.
- ii. 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.
- iii. 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.
- iv. Budgetary exercise of the Council was not realistic during 2018-19. There was a wide variation between the Budget estimates and actual receipts during 2018-19.

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 CAG's 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 for better disclosure and to provide assurance that the expenditure incurred was for the purpose it was sanctioned.*