

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 (CAG), which was done in 1977. The Form of Accounts prescribed by CAG 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 breakup 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 for heads under District and Deposit Fund.

3.2 Comments on Form of Accounts

3.2.1 The CAG 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-II Deposit Fund. Audit observed that funds received from State Budget for entrusted functions and expenditure incurred therefrom are being exhibited under Part-II Deposit Fund instead of CAG's prescribed format

which is in Part-I (District Fund) and as required under 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 CAG'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 of the BTC.

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 2019. Major deviations noticed in Audit with respect to the format prescribed by CAG are highlighted below:

- i. 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 CAG.
- ii. BTC is required to submit Monthly Accounts to Pr. Accountant General (A&E) for funds transferred to it against Grant No. 78, based on which, the Appropriation Accounts is compiled and prepared by Pr. AG (A&E). Detailed Appropriation Account of the said Grant indicated that during 2018-19, BTC had made a total expenditure of ₹ 804.97 crore towards Capital Outlay. BTC has however, shown the Capital expenditure as Nil in Statement- 2 of its Annual Accounts. Thus, the Annual Accounts of BTC do not depict the complete position of current and cumulative expenditure towards creation of capital assets as on 31 March 2019.
- iii. 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.
- iv. 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.
- v. 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 source as well as funds provided by the State Government. Additional disclosures could be made in Annexures.

BTC, however, disclosed details in Statement 5 and Statement-6 pertaining to the District Fund only *i.e.*, receipts and expenditure generated from own source but not the receipts and expenditure of funds provided by the State Government as required under Form of Accounts prescribed by CAG.

- vi. Both Statement-5 and Statement-6, as prepared by the Council, 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. 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 revealed that Bodoland Transport Services (BTS) collected revenue of ₹ 2.43 crore during the year 2018-19 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 of State Bank of India (SBI), Kokrajhar.

Further, entire amount of ₹ 2.43 crore and the unspent balance of previous year of ₹ 0.03 crore was spent for repair and maintenance of buses, salary of staff of BTS. This expenditure was not accounted for either in the Cash Book nor in the Annual Accounts. This has resulted in understatement of receipts by ₹ 2.43 crore and expenditure by ₹ 2.46 crore (₹ 2.43 crore *plus* ₹ 0.03 crore) in the Annual Accounts respectively, besides violation of the provision of its Fund Rules.

3.3.1.2 Overstatement of disbursement (CPF)

Statement-6 of the Annual Accounts exhibited CPF-Contribution of Employee Share of ₹ 49.21 lakh and Recovery of CPF Advance of ₹ 7.50 lakh as disbursement under District Fund instead of receipts. This resulted in overstatement of disbursement by ₹ 56.71 lakh with corresponding understatement of receipts during 2018-19.

3.3.1.3 Overstatement of receipts

An amount of ₹ 42.31 lakh during the year 2018-19 was returned to BTC by the DDOs of the Entrusted departments as the amount were disbursed in excess of the required amount. The entire amount was shown as own receipts in the Statement-5 of Annual Accounts under Head of Account 'Miscellaneous Excess Drawn Recovery' instead of disclosing as reduction of expenditure against the respective Heads of Accounts it pertained to. This resulted in overstatement of receipts under District Funds as well as disbursement under Deposit Fund.

Further, the Head of Account 'Miscellaneous Excess Drawn Recovery' is neither in conformity with the Heads of Accounts as per LLMH nor in conformity with C&AG's prescribed Chart of Accounts.

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 expenditure and closing balance

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

Mention was made vide Para No 3.3.2.2 of the C&AG's Audit Report of BTC for the year 2017-18 that BTC received ₹ 6.04 crore under Article 275 (1) from the State Government through direct bank transfer in the ICICI Savings Bank Account¹⁰ being operated by the Principal Secretary, BTC. Out of above receipts, ₹ 4.16 crore was electronically transferred to Axis Bank Savings Account¹¹ being operated by the Additional Director-cum-Council Head of Department (CHD), WPT&BC retaining balance of ₹ 1.88 crore in ICICI Savings Bank Account.

Audit noticed that during 2018-19, out of the balance amount of ₹ 1.88 crore, Principal Secretary, BTC electronically transferred ₹ 1.60 crore to Axis Bank savings account operated by the CHD, WPT&BC.

The total available fund of ₹ 1.79 crore (₹ 1.60 crore *plus* previous year balance of ₹ 0.19 crore kept in Axis Bank Account) was spent by the CHD, WPT&BC on 30 numbers of works such as construction and improvement of road, weaving centre, market shed, village road, *etc.*

However, the entire financial transaction was neither accounted for in the Annual Accounts nor routed through the PDA in violation of the provisions of BTC Fund

¹⁰ ICICI Savings Bank Account No xxxxxxxx0526

¹¹ Axis Bank savings Account No xxxxxxxx8512

Rules *ibid*. This resulted in understatement of expenditure by ₹ 1.79 crore and closing balance by ₹ 0.28 crore¹².

3.3.2.2 Discrepancy in closing balance (Appended Annexure)

During 2018-19, BTC appended along with its Annual Accounts, an additional Annexure disclosing Grant-wise /Heads of Account-wise funds received from the State Government, fund disbursed therefrom and the closing balances. The opening balance was, however, not disclosed Grant wise /Heads of Account wise.

Audit scrutiny, however, revealed that BTC did not include the previous year's (2017-18) unutilised balance of ₹ 648.30 crore as opening balance in the Annexure of the Annual Accounts of BTC, 2018-19.

This resulted in discrepancy in closing balance between the figures disclosed in Statement-I of the Annual Accounts and the figures as calculated by Audit based on the figures pointed out in the Annexure appended to the Annual Accounts. Details are given in **Appendix-VII**.

As BTC does not maintain Heads of Account wise balances and fund wise ledger figures (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

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 Pr. Accountant General (Accounts & Entitlements) (PAG (A&E)), Assam. From the monthly accounts submitted by BTC, Appropriation Account 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 2018-19 under Grant No-78 was ₹ 3,701.25 crore, while the Annual Accounts of BTC exhibited ₹ 3,250.28 crore against the same Grant No. as detailed in **Appendix-VIII**.

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

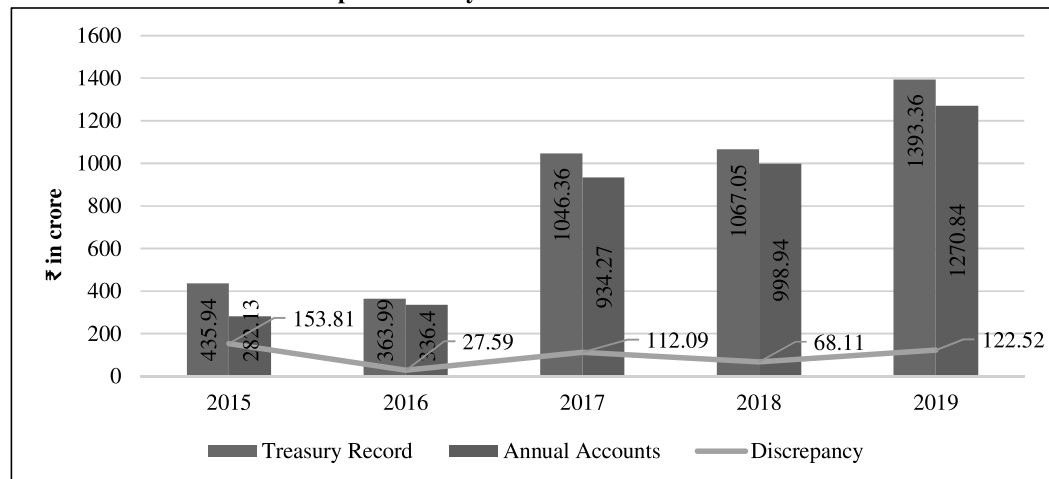
3.4.2 Non reconciliation with Personal Deposit Account

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

¹² Opening balance ₹ 1.88 crore– Expenditure ₹ 1.60 crore

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



Source: Treasury Records and Annual Accounts

As can be seen from **Chart-3.1**, the discrepancy between the Treasury record and the Annual Accounts of BTC has been narrowing from ₹ 153.81 crore during 2014-15 to ₹ 68.11 crore during 2017-18. This was widened to ₹ 122.52 crore in 2018-19. This discrepancy was not explained in the Annual Accounts as reconciliation of the figures between continued to persist without any tangible improvement. 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 2018-19 revealed a number of deficiencies which are summarised below:

- 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.
- 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.
- 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.
- Instances of financial transaction neither accounted for in the Annual Accounts nor routed through the PDA was noticed in violation of the provisions of BTC Fund Rules.

- v. 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&AG's prescribed guidelines for greater accountability and transparency.*
- *Council should ensure that all transactions are reflected in its accounts for better disclosure.*
- *Council may carry out a periodical reconciliation of its accounts with PAG (A&E) and the Treasury Officer, Kokrajhar.*