

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 2018-19. Chapter-IV of the Report deals with the audit findings pertaining to transaction audit of the Council and contains eight 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. Fund Management and Budgetary Process

➤ Funds received from the State Government for subjects/departments entrusted to the Council during 2018-19 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 82 *per cent*) undertaken by NCHAC during 2018-19 was from the funds provided by the State Government, which is currently being shown under Deposit Fund.

(Paragraph 2.2.1)

➤ During 2018-19, NCHAC received ₹ 676.84 crore for entrusted functions from the State Government, whereas the Council disbursed ₹ 744.05 crore to the Drawing and Disbursing Officers, for performing entrusted functions resulting in deficit of ₹ 67.21 crore under Deposit fund.

(Paragraph 2.2.2)

➤ Variation between budgeted (Entrusted) and actual figures with respect to both receipts and expenditure 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 and actual receipts as well as expenditure indicated preparation of unrealistic budget during the year 2018-19.

(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 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.

3. Comments on Accounts

➤ Revenue Receipts in respect of 'Road and Transport Services' were understated by ₹ 0.07 crore during 2018-19 in the Annual Accounts of the Council.

(Paragraphs 3.2.1.1)

➤ Revenue and Capital expenditure was overstated by ₹ 0.75 crore and ₹ 0.53 crore respectively during 2018-19 in the Annual Accounts of the Council.

(Paragraph 3.2.1.2)

➤ Progressive Capital Outlay remained understated by ₹ 0.28 crore in the Annual Accounts of 2018-19.

(Paragraphs 3.2.1.3)

➤ During 2018-19, NCHAC did not reconcile the discrepancies in opening and closing balances between two sets of records viz., Treasury records and Annual Accounts despite these having been pointed out in previous Audit Reports.

(Paragraph 3.3)

➤ Overall receipts were overstated in the Annual Accounts by ₹ 5.16 crore during 2018-19.

(Paragraph 3.3.1)

Recommendations

The Council may prepare its Annual Accounts in complete consistency 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

➤ NCHAC settled the markets and areas without following tendering process and fixing the rates below the official rate resulting in loss of revenue to the Council to the extent of ₹ 22.40 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 ₹ 18.76 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 ₹ 34.48 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)

➤ Due to failure of NCHAC to pay the land premium on time, the Council had to pay an additional amount of ₹ 1.19 crore of interest for delayed payment of land premium.

(Paragraph 4.4)

- NCHAC incurred an extra expenditure of ₹ 1.14 crore towards procurement of 6,900 Aluminium Kettle.

(Paragraph 4.5)

- Payment of ₹ 25.50 lakh to the supplier without supply of materials amounted to fraudulent payment and suspected to have been misappropriated by the Assistant Executive Engineer, Public Works Department.

The matter should be investigated and action to be taken to recover the amount from the official involved.

(Paragraph 4.6)

- Expenditure of ₹ 21.00 lakh was incurred irregularly from BRGF funds beyond the scope of the guidelines even after closure of the Scheme, which was irregular.

Council may issue clear instructions prescribing the role and responsibilities of the Executives to avoid irregular and unfruitful expenditure.

(Paragraph 4.8)