

Chapter-II

Autonomous District Council Fund

2.1 Introduction to District Fund

Paragraph 7 of Sixth Schedule to the Constitution of India 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 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 C&AG'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 shall also include 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 comprised 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. Assistance to meet a part of the Councils 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 receipt of funds from other Grants⁵ 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. 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. 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 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*' for booking of expenditure on salary and the CAG 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. 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, funds are 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.

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 PAG (A&E), Assam.

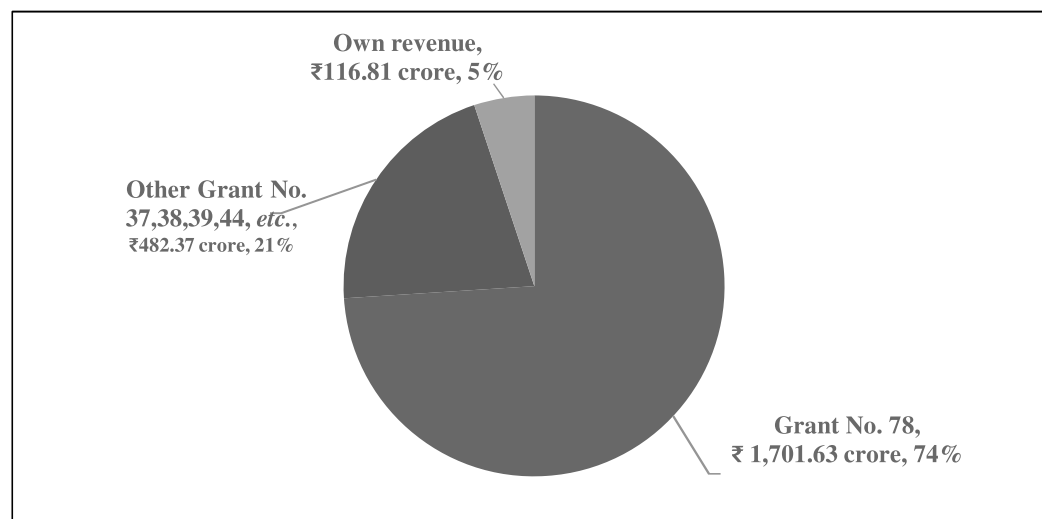
Besides this, there are also funds released from other than Grant No. 78 by the respective departments of the State Government through sanction/Fixation of Ceiling/ Bank draft, Advances, *etc.*, for which, BTC do not render monthly accounts to PAG (A&E). After receipt of these funds by the BTC, the details 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 2019-20, BTC raised only ₹ 116.81 crore from its own sources while ₹ 1,701.63 crore was released by the State government from BTC specific Grant No. 78. Besides, BTC also received ₹ 482.37 crore from other Grant of State Budget. The composition of resources of the Council during 2019-20 is shown in **Chart-2.1**.

Chart-2.1: Composition of Aggregate Receipts



Source: Annual Accounts

As can be seen from the chart above, only five *per cent* (₹ 116.81 crore) of its fund was generated by BTC during 2019-20 while 95 *per cent* (₹ 2,184 crore⁷) of the funds was provided by the State Government.

⁷ (₹ 1,701.63 + ₹ 482.37) crore

2.2.2 Summary of financial transactions

The summary of financial transactions of BTC during 2019-20 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: Funds position of BTC during 2019-20

| | | (₹ in crore) |
|-----------------|--------------------------------|-----------------|
| Receipts | | Disbursement |
| 116.81 | District Fund | 111.91 |
| 4.90 | Surplus under District Fund | -- |
| 2,184.01 | Deposit Fund | 2,637.29 |
| -- | Deficit under Deposit Fund | 453.28 |
| 2,300.82 | Total receipt and disbursement | 2,749.20 |
| 1,270.84 | Opening /Closing Balance | 822.46 |
| 3,571.66 | Grand Total | 3,571.66 |

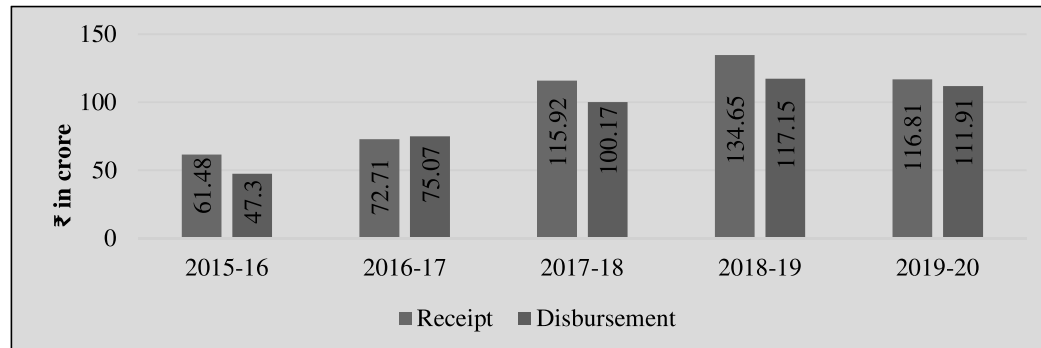
Source: Annual Accounts

As is evident from the above table, bulk of the activities (96 per cent⁸) undertaken by BTC was from the funds provided by the State Government, which is currently being shown under “Deposit Fund.”

2.2.3 Trend of receipts and disbursement

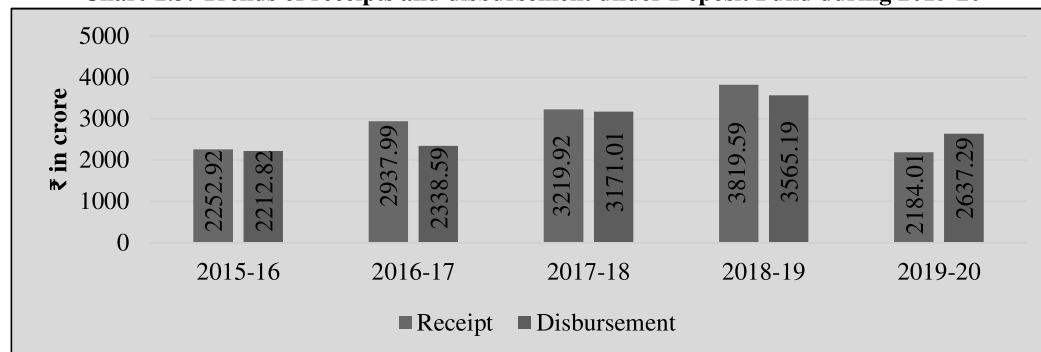
Charts 2.2 and **2.3** present the trends of receipts and disbursement under District Fund (fund generated from its own sources) and Deposit Fund (funds provided by the State Government) over a period of five years (2015-20).

Chart-2.2: Trends of receipts and disbursement under District Fund during 2015-20



Source: Annual Accounts

Chart-2.3: Trends of receipts and disbursement under Deposit Fund during 2015-20



Source: Annual Accounts

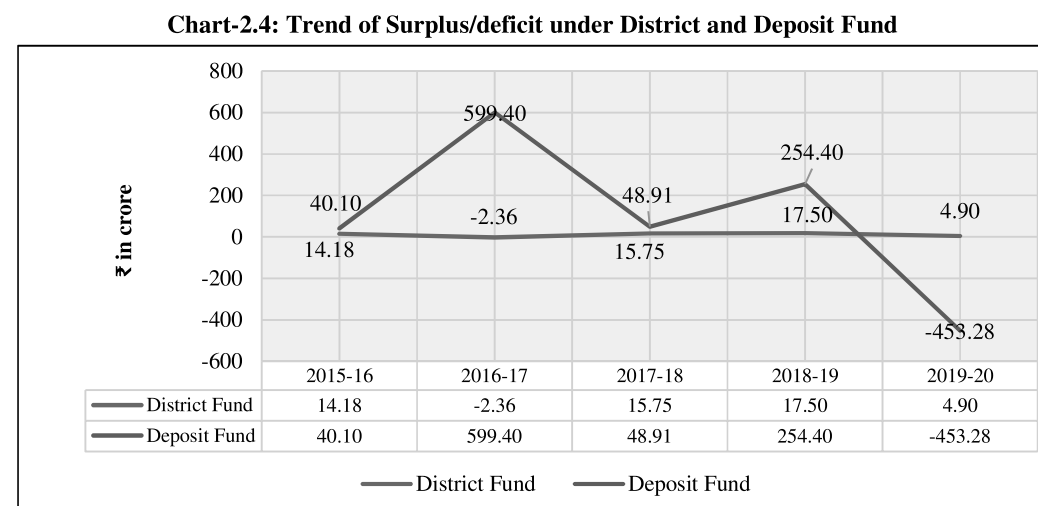
⁸ ₹ 2,637.29 crore*100/₹ 2,749.20 crore

As can be seen from **Chart 2.2**, during the period 2015-20, expenditure under District Fund was within the receipts except for the year 2016-17. Similarly, as shown in **Chart 2.3**, the expenditure under the Deposit Fund during the last five years (2015-20) except 2019-20 was within the fund receipts. Excess expenditure of ₹ 453.28 crore was met from the unspent balance of previous years.

The head of accounts from which BTC incurred the excess expenditure over the receipts during the year was, however, not disclosed in the Annual Accounts as BTC maintained only consolidated balances for both District and Deposit Funds.

2.2.4 Surplus/deficit under District and Deposit Fund

The trends of fund wise surplus/deficit during 2015-20 is depicted in **Chart-2.4**:



Source: Annual Accounts

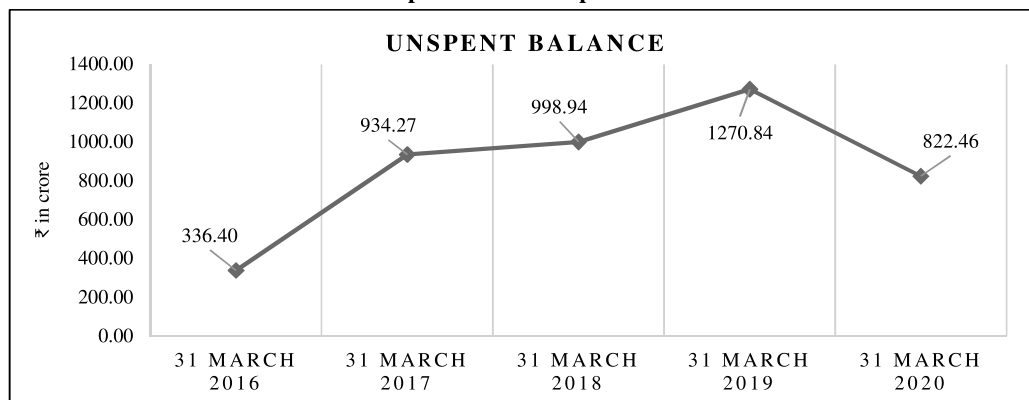
As can be seen from **Chart 2.4** during the period of five years (2015-20) there was surplus under District fund except during the year 2016-17. The surplus has however declined from ₹ 14.18 crore in 2015-16 to ₹ 4.90 crore in 2019-20.

The trend of surplus/deficit under **Deposit Fund** (funds provided by the State Government for entrusted functions) show fluctuating trend from surplus of ₹ 599.40 crore during 2016-17 to deficit of ₹ 453.28 crore in 2019-20. 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 balances as on 31 March of the Council showed a rising trend during the last five years (2015-20) except for a minor dip during 2019-20. The unspent balance rose from ₹ 336.40 crore (31 March 2016) to ₹ 1,270.84 crore as on 31 March 2019 but it declined to ₹ 822.46 crore as on 31 March 2020.

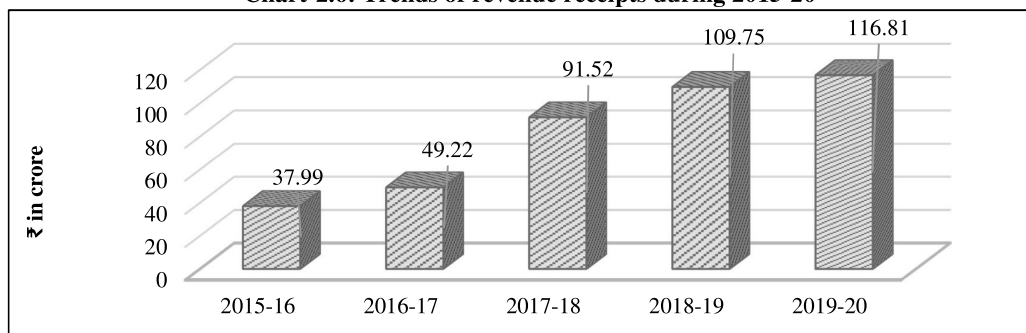
BTC maintains only consolidated opening and closing balances without Head/Grant-wise details in the Personal Deposit Account. Non-disclosure of balances Head/Grant-wise details makes the Annual Accounts opaque and weakens the basis for control over expenditure and posed serious risk of mis-utilisation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

During the year 2019-20, the Annual Accounts disclosed that against 12 Heads of Accounts, BTC had incurred expenditure in excess (₹ 319.92 crore receipts; ₹ 907.13 crore expenditure) of the funds 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, with such large excess over budgetary allocation, and the absence of Head wise balances details in Public Ledger Account, no assurance can be obtained that the expenditure was incurred for the purpose for which it was sanctioned.

2.2.6 Trends of own receipts

Chart-2.6 presents the trends of receipts of BTC from own sources during the last five years (2015-20).

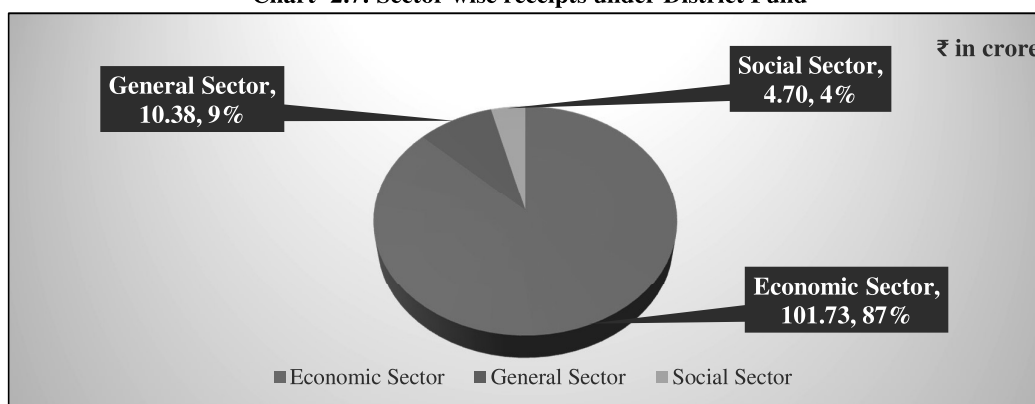
Chart-2.6: Trends of revenue receipts during 2015-20

Source: Annual Accounts

As evident from the chart, the growth of revenue during 2015-20 showed an increasing trend. The collection of revenue gradually increased from ₹ 37.99 crore in 2015-16 to ₹ 116.81 crore in 2019-20.

2.2.7 Sector wise receipts and disbursement under District Fund

Total receipts and disbursement under the District Fund during 2019-20 was ₹ 116.80 crore and ₹ 111.91 crore respectively. **Chart-2.7** indicates sector-wise revenue receipts during 2019-20.

Chart -2.7: Sector wise receipts under District Fund

Source: Annual Accounts

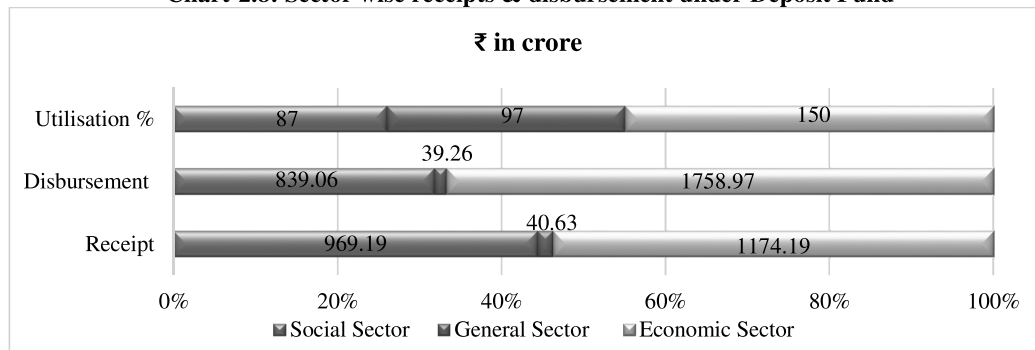
There was maximum receipts of 87 *per cent* (₹ 101.73 crore) during 2019-20 from Economic Sector followed by nine *per cent* (₹ 10.38 crore) from General Sector and only four *per cent* (₹ 4.70 crore) from Social Sector. Head-wise details of revenue generated under the three sectors were as detailed in **Appendix-IV**.

The entire expenditure of ₹ 111.91 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 disbursement under the Deposit Fund as per Annual Accounts was ₹ 2,184.01 crore and ₹ 2,637.29 crore respectively. **Chart-2.8** indicates sector-wise receipts and disbursement accounted by BTC under Deposit Fund during 2019-20.

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



Source: Annual Accounts

It could be seen from above that during the year 2019-20, BTC utilise 87 per cent (₹ 839.06 crore) and 97 per cent (₹ 39.26 crore) for Social and General Sectors respectively out of ₹ 969.19 crore received for Social Sector and ₹ 40.63 crore received for General Sector from State Government. Against the above mentioned two Sectors, BTC disbursed ₹ 2,238.40 crore (94 per cent) vis-à-vis receipts of ₹ 2,384.34 crore for Social Sector and ₹ 91.26 crore (96 per cent) vis-à-vis receipts of ₹ 94.95 crore for General Sector during 2018-19.

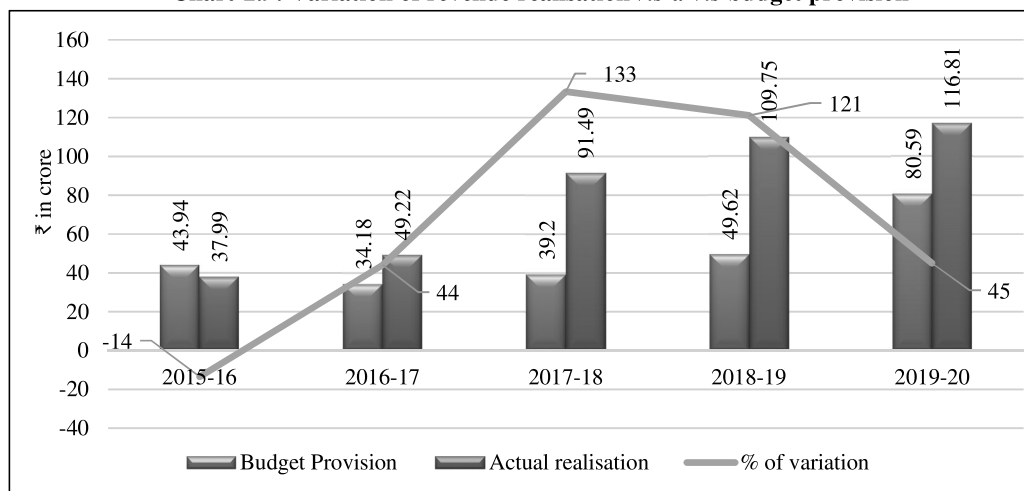
As against receipts of funds of ₹ 1,340.30 crore for Economic Sector during 2018-19, BTC disbursed ₹ 1,126.15 crore (84 per cent) while it disbursed 150 per cent (₹ 1,758.97 crore) vis-à-vis receipts of ₹ 1,174.19 crore from the State Government during 2019-20. Head-wise details of expenditure under the three sectors are detailed in **Appendix-V**.

BTC needs to augment its resources for higher utilisation of funds in Social Sector to improve socio-economic condition of its people.

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 2015-20.

Chart-2.9: Variation of revenue realisation vis-à-vis budget provision



Source: Annual Accounts

Audit noticed huge variation on its revenue collection as compared with budget estimates. Although, there is short collection of revenue by ₹ 5.95 crore (14 *per cent*) during 2015-16, but revenue collected exceed the budget estimate for the next four years (2016-20). Revenue collection exceed by ₹ 15.04 crore (44 *per cent*) during 2016-17 to 36.22 crore (45 *per cent*) during 2019-20 over the budget estimates which is the highest variation during last four years (2016-20). Reasons for increase in revenue realisation by 45 *per cent* during 2019-20 was due to the following reasons:

2.3.1 Revenue of ₹ 14.92 crore was realised against 10 heads of Account without any budget provisions as detailed in **Table-2.2**.

Table-2.2: Revenue realised without budget provision

(₹ in lakh)

| Sl. No. | Heads of Account | Actual realisation |
|---------|--------------------------------|--------------------|
| 1 | 0103 Handloom & Textile | 13.34 |
| 2 | 225 Market & Fair | 220.88 |
| 3 | 0711 Water Resources | 20.46 |
| 4 | 800 Other Receipts | 819.27 |
| 5 | 0281 Sericulture | 3.51 |
| 6 | 0215 Water Supply & Sanitation | 8.16 |
| 7 | 0217 Urban Development | 117.40 |
| 8 | 0225 Museum & Archaeology | 0.40 |
| 9 | 0210 Medical & Public Health | 288.85 |
| 10 | 0205 Culture | 0.23 |
| | Total | 1,492.51 |

Source: Annual Accounts and Normal budget

2.3.2 In 10 heads of Account, against the budget provision of ₹ 4.53 crore, BTC during 2019-20 realised revenue of ₹ 71.70 crore as detailed in **Table-2.3**.

Table-2.3: Showing excess revenue realisation over budget provision

(₹ in lakh)

| Sl. No. | Heads of Account | Budget | Actual realisation | Percentage of Variation |
|---------|--|---------------|--------------------|-------------------------|
| 1 | 1054 PWD Roads & Bridges | 56.00 | 3,952.25 | 6,958 |
| 2 | 1475 Other General Economic Service (202 Metrology) | 29.00 | 35.20 | 21 |
| 3 | 0401 Crops Husbandry | 30.00 | 49.76 | 66 |
| 4 | 0403 A H & Vety | 2.50 | 11.55 | 362 |
| 5 | 0702 Minor Irrigation | 14.00 | 1,873.65 | 13,283 |
| 6 | 0435 Other Agricultural Programme, 104 Soil & Water Conservation | 0.50 | 50.26 | 9,952 |
| 7 | 1452 Tourism | 1.00 | 8.24 | 724 |
| 8 | 0515 Other Rural Development Programme | 275.00 | 870.97 | 217 |
| 9 | 0059 PWD Building (General Service) | 10.00 | 276.54 | 2,665 |
| 10 | 0230 Labour & Employment | 35.00 | 42.07 | 20 |
| | Total | 453.00 | 7,170.47 | 1,483 |

Source: Annual Accounts and Normal budget

2.3.3 Audit also noticed that against the total budget provision of ₹ 76.06 crore in seven heads of Accounts, BTC during 2019-20 had realised only ₹ 30.18 crore as detailed in **Table-2.4**.

Table-2.4: Showing less revenue realisation over budgeted provisions

(₹ in lakh)

| Sl. No. | Heads of Account | Budget | Actual realisation | Percentage of Variation |
|---------|---|-----------------|--------------------|-------------------------|
| 1 | 0406 Forest | 6,000.00 | 2,228.71 | -63 |
| 2 | 0405 Fishery | 12.00 | 4.07 | -66 |
| 3 | 0851 Village & Small Industries- | 10.00 | 9.52 | -5 |
| 4 | 0425 Co-Op | 4.00 | 1.51 | -62 |
| 5 | 0029 Land & Revenue | 500.00 | 386.86 | -23 |
| 6 | Misc General Service | 1,062.00 | 374.78 | -65 |
| 7 | Education Sports Art & Culture 04 Art & Culture | 18.00 | 12.51 | -31 |
| | Total | 7,606.00 | 3,017.96 | |

Source: Annual Accounts and Normal budget

Thus, the above indicates that BTC persistently prepared unrealistic Budget estimation on revenue collection. Thus, there is need for a review of the budget estimates 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 2019-20. There were huge fluctuations/variations between Budget estimates and actual receipts and expenditure during 2019-20.

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 C&AG'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.