

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 CAG 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 I District Fund and funds received from State Budget for entrusted functions and expenditure incurred therefrom are to be 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 Governments 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 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 2020. 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 PAG (A&E). Detailed Appropriation Accounts of the said Grant indicated that during 2019-20, BTC had made a total expenditure of ₹ 887.75 crore towards Capital Outlay. BTC has however, shown the Capital expenditure as 'Nil' in Statement-2 of its Annual Accounts. Thus, Annual Accounts of BTC do not depict the complete position of current and cumulative expenditure towards creation of capital assets as on 31 March 2020.
- 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 CAG 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 receipt 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 receipt 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 receipt 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 ₹ 2.74 crore during the year 2019-20 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 in State Bank of India (SBI), Kokrajhar.

Further, out of total receipts of ₹ 2.74 crore, an expenditure of ₹ 2.68 crore was incurred towards repair and maintenance of buses, salary of staffs of BTS leaving a closing balance of ₹ 0.06 crore. This expenditure was neither accounted for in the Cash Book nor Annual Accounts. This has resulted in understatement of receipts by ₹ 2.74 crore and Expenditure by ₹ 2.68 crore in the Annual Accounts, besides violating the provision of its Fund Rules.

3.3.1.2 Understatement of receipts (Statement-5)

Statement-6 of the Annual Accounts exhibited CPF-Contribution of Employee Share of ₹ 51.60 lakh. Equal amounts were also shown paid as BTC's share towards CPF contribution during the year. BTC though had deducted employee's share from their salary but the same had not been shown as receipts in Statement-5. This has resulted in understatement of receipts with corresponding overstatement of disbursement by ₹ 51.60 lakh towards CPF-Contribution in the Annual Accounts, besides violating the provision of its Fund Rules.

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.

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 Principal 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).

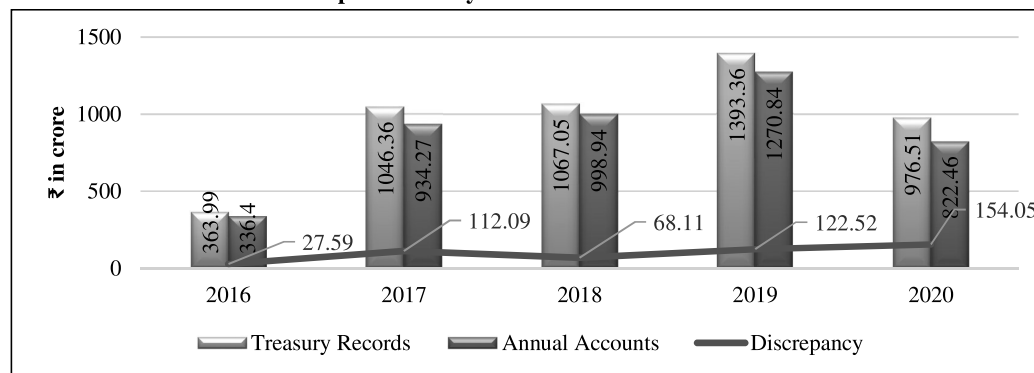
Audit noticed that the total expenditure of BTC included in the Appropriation Accounts for the year 2019-20 under Grant No-78 was ₹ 3,904.87 crore, while the Annual Accounts of BTC exhibited ₹ 2,086.56 crore as detailed in **Appendix-VI**.

This indicates that prior to compiling of Annual Accounts for the year 2019-20, 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 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 widening from ₹ 27.59 crore during 2015-16 to

₹ 154.05 crore in 2019-20 except in the year 2017-18, which is ₹ 68.11 crore. This discrepancy was not explained in the Annual Accounts as reconciliation of the figures between its records with that of the records of Treasury have not been carried out. Although Audit had highlighted non-reconciliation of the two sets of records in previous Audit Reports, these lapses continued to persist without any tangible improvement.

3.5 Conclusion

Audit of the Annual Accounts of BTC for 2019-20 revealed a number of deficiencies as summarised below:

- i. Form of Accounts followed by BTC for preparing its Annual Accounts was not in conformity with the Form of Accounts prescribed by CAG for District Councils in 1977.
- ii. 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.
- iii. 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.
- iv. Instances of financial transaction neither accounted in the Annual Accounts nor routed through the PDA in violation of the provisions of BTC Fund Rules were noticed.

3.6 Recommendations

- *Council should compile its Annual Accounts following CAG's prescribed guidelines for greater accountability and transparency.*
- *Council should ensure that all transactions are reflected in its accounts for better disclosure.*
- *Council may device a system of periodical reconciliation with PAG (A&E) and the Treasury Officer, Kokrajhar*