



सत्यमेव जयते

**Report of the
Comptroller and Auditor General
of India**

For the year ended 31 March 2005

**Garo Hills Autonomous District Council
Tura, Meghalaya**

**Report of the
Comptroller and Auditor General of
India**

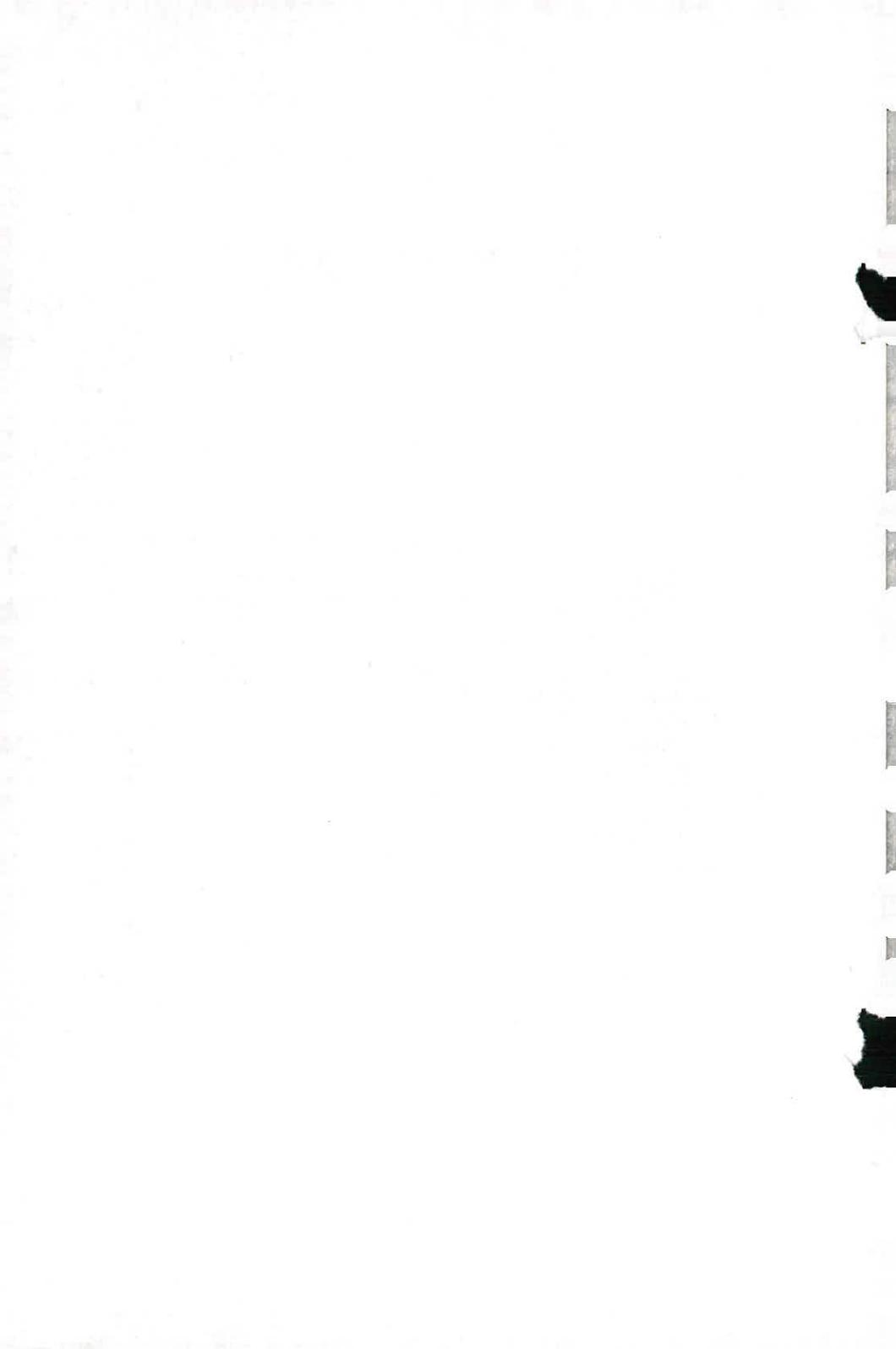
For the year ended 31 March 2005

**Garohills Autonomous District Council
Tura, Meghalaya**



TABLE OF CONTENTS

	Paragraph(s)	Page(s)
<i>Preface</i>		iii
<i>Overview</i>		v
SECTION I		
Introduction	1.1	1
Rules for the management of the District Fund	1.2	2
Maintenance of Accounts	1.3	2
SECTION II		
Receipts and Expenditure	2.1	3
Comments on Accounts	2.2	4
Personal Ledger Account	2.3	4
SECTION III		
Loss due to allotment of work on the basis of a faulty agreement	3.1	5
Diversion of Grants-in-Aid	3.2	6
Non-realisation of revenue	3.3	6
Loss of revenue	3.4	7
Undue financial benefit	3.5	7-8
Non-production of records	3.6	8
Internal control mechanism	3.7	8
Outstanding Inspection Reports	3.8	8-9

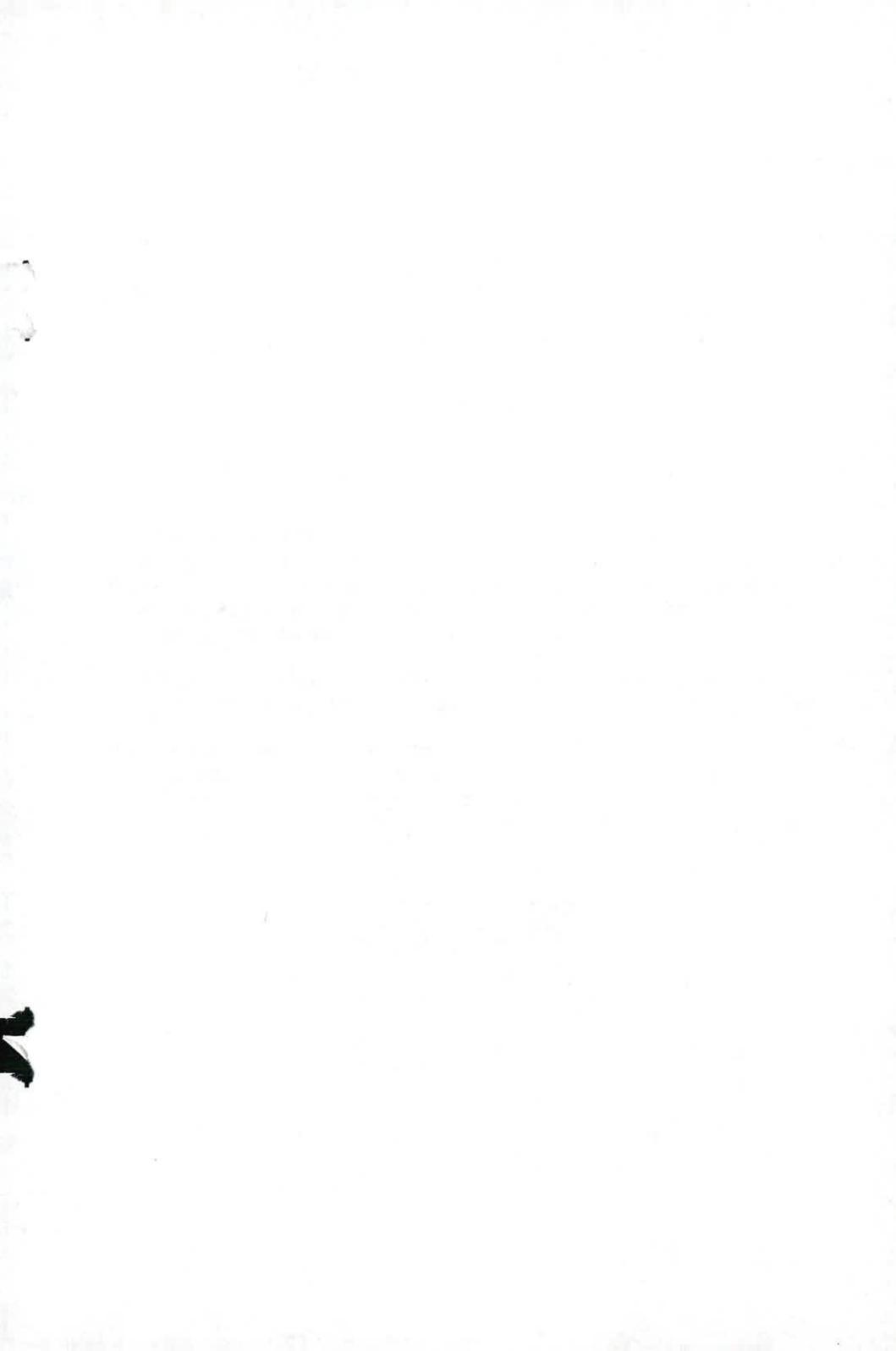


PREFACE

This report has been prepared for submission to the Governor under Paragraph 7(4) of the Sixth Schedule to the Constitution of India. It relates mainly to the points arising from the audit of the financial transactions of the Garo Hills Autonomous District Council.

2. The cases mentioned in this Report are those which came to notice in the course of test-check of the accounts of the Council for the year 2004-05.

3. This Report contains three sections, of which one section deals with the constitution of the Council, the rules for the management of the District Fund and maintenance of accounts by the District Council. The remaining two sections deal with the Council's financial position and irregularities noticed in the audit of accounts for the year 2004-05.



OVERVIEW



OVERVIEW

The significant audit findings are summarised in the following paragraphs:

The Council sustained a loss of Rs. 71.65 lakh due to allotment of work for computerisation of accounts on the basis of a faulty agreement.

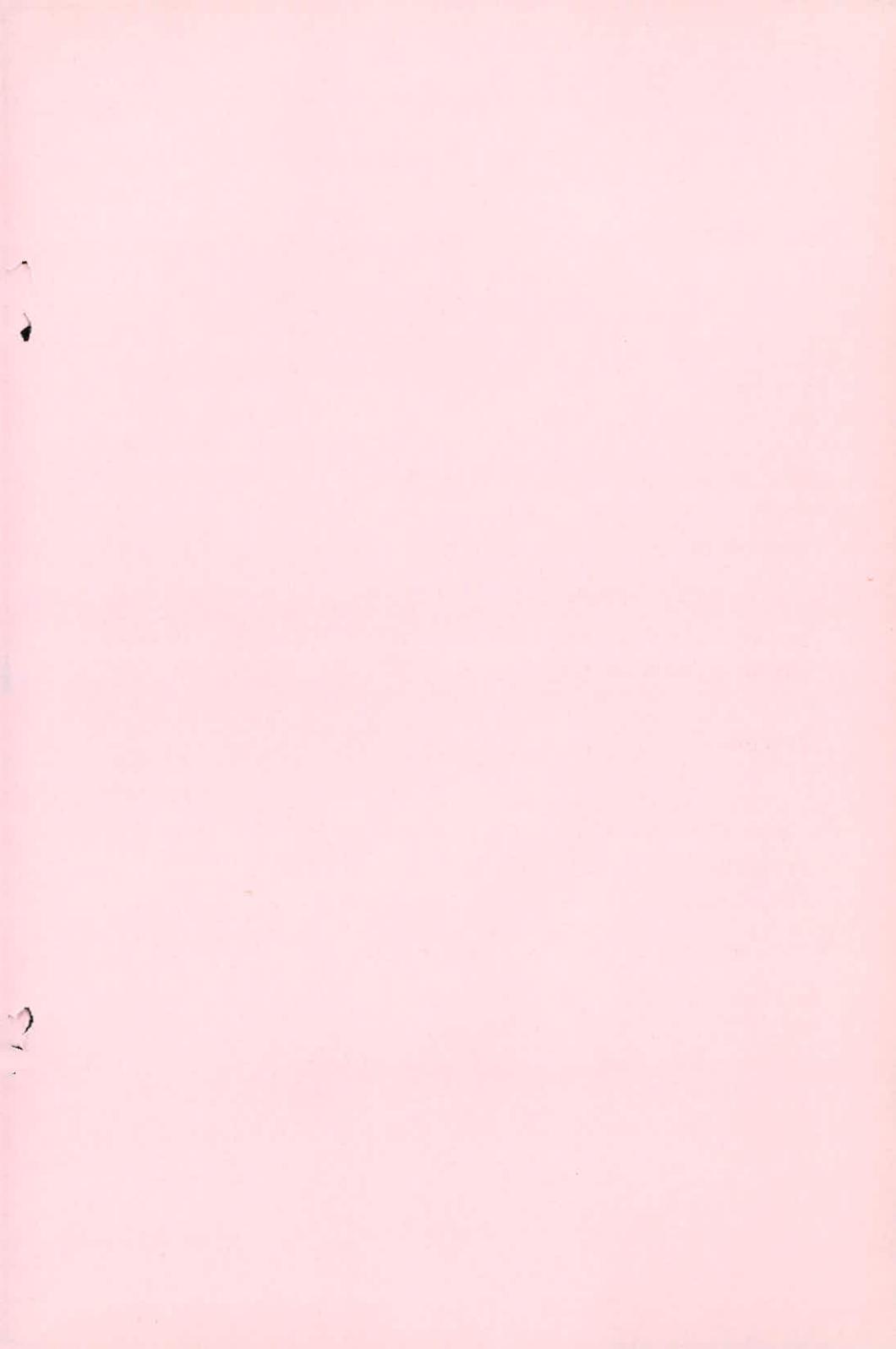
(Paragraph 3.1)

There was diversion of grant of Rs. 3 crore awarded by the Eleventh Finance Commission for upgradation of the standard of administration.

(Paragraph 3.2)

Rupees 11.79 lakh being the lease money for *hats* for the year 2004-05 remained unrealised.

(Paragraph 3.3)



SECTION I

1.1 Introduction

The Garo Hills Autonomous District Council was set up in June 1952 under the provisions of Article 244(2) read with the Sixth Schedule to the Constitution of India.

The Sixth Schedule (Schedule) to the Constitution of India provides for administration of specified tribal areas. For that purpose, it provides for the constitution of a District Council for each Autonomous District with powers to make laws on matters listed in Paragraph 3(1) of the Schedule mainly in respect of allotment, occupation, use, *etc.* of land, management of forests other than reserved forests, use of any canal or water courses for agriculture, regulation of the practice of "*Jhum*"¹ or other forms of shifting cultivation, establishment of village or town committees or councils and their powers, village or town administration including police, public health and sanitation and inheritance of property. Under Paragraph 6(1) of the Schedule, the Councils have powers to establish, construct or manage primary schools, dispensaries, markets, cattle pounds, ferries, roads, road transport and waterways in the respective Autonomous Districts. The Councils also have powers within the Autonomous District to assess, levy and collect, revenue in respect of lands and buildings, taxes on professions, trades, callings and employments, animals, vehicles and boats, tolls on passengers and goods carried in ferries and the maintenance of schools, dispensaries or roads as listed in Paragraph 8 of the Schedule.

¹ A traditional form of crop cultivation practiced on hill slopes.

1.2 Rules for the management of the District Fund

The Sixth Schedule provides for the constitution of a District Fund for each Autonomous District to which shall be credited all moneys received by the Council in the course of administration of the districts in accordance with the provisions of the Constitution. In terms of the provisions of Paragraph 7(2) of the Schedule, rules are to be framed by the Governor for the management of the District Fund and for the procedure to be followed in respect of the payment of money into the said Fund, the withdrawal of money therefrom, the custody of moneys therein and any other matter connected with or ancillary to these matters. These rules have not been finalised so far (November 2008). Meanwhile, the affairs of the District Council are being regulated in accordance with the Garo Hills District Fund Rules, 1952.

1.3 Maintenance of Accounts

In pursuance 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 was prescribed by the Comptroller and Auditor General of India, with the approval of the President in April 1977. The accounts of the Council for the year 2004-05 have been prepared in the prescribed format.

Results of the test check of the Annual Accounts are given in the succeeding paragraphs.

SECTION II

2.1 Receipts and Expenditure

As per the revised Annual Accounts, the receipts and expenditure of the Council for the year 2004-05 and the resultant revenue surplus were as follows:

Table 2.1

(Rupees in lakh)

Receipts		Disbursements	
PART I – DISTRICT FUND			
(i) Taxes on Income and Expenditure	105.63	(i) District Council	72.28
(ii) Land Revenue	140.35	(ii) Executive Members	29.20
(iii) Taxes on Vehicles	28.21	(iii) Administration of Justice	4.96
(iv) Interest Receipts	13.59	(iv) Land Revenue	212.25
(v) Public Health and Sanitation	5.01	(v) Secretariat General Services	348.80
(vi) Other General Economic Services	15.61	(vi) Stationery and Printing	23.61
(vii) Forests	13.74	(vii) Public Works	330.56
(viii) Mines and Minerals	564.73	(viii) Pension and other retirement benefits	45.59
(ix) Roads & Transport Services	0.09	(ix) Relief on account of Natural Calamities	1.28
(x) Grants-in-aid from State Government	856.10	(x) Other General Economic Services	59.90
(xi) Transfer from 2 nd PLA to 1 st PLA	365.00	(xi) Forests	206.73
(xii) Other heads of accounts	0.63	(xii) Public Health and Sanitation	23.80
		(xiii) Rural Development	82.74
		(xiv) Transfer and Reimbursement	440.78
		(xv) Other heads of accounts	0.15
Total Revenue receipts	2,108.60	Total Revenue expenditure	1,882.63
Revenue Deficit	...	Revenue Surplus	225.97
2. Capital	...	2. Capital	...
3. Debt	...	3. Debt	...
(i) Loans received from Government	...	(i) Repayment of loans received from Government	...
(ii) Loans received from other sources	...	(ii) Repayment of loans received from other sources	...
4. Loans and Advances	...	4. Loans and Advances	...
Recovery of Loans and Advances	8.51	Disbursement of Loans and Advances	12.55
Total Part – I District Fund	2,117.11	Total Part – I District Fund	1,895.18
PART II DEPOSIT FUND			
Deposit Receipts	...	Deposit Payments	...
Total of Part II Deposit Fund	...	Total of Part II Deposit Fund	...
Total Receipts (I + II)	2,117.11	Total Disbursement (I + II)	1,895.18
Opening balance	11.10	Closing balance ¹	246.17
Adjustment: Short accounted in the previous account	13.14		
GRAND TOTAL	2,141.35	GRAND TOTAL	2,141.35

Source: Annual Accounts of the Council.

¹ Cash: Rs. 4.24 lakh; Personal Ledger Account (PLA): Rs. 241.93

2.2 Comments on Accounts

2.2.1 Opening and closing balances of Rs. 11.10 lakh and Rs. 246.17 lakh shown under the head “G-Cash Remittances – Remittances into Treasury (Personal Ledger (PL) Accounts)” in Statement 7 of the Annual Accounts – 2004-05 included cash balance of Rs. 0.82 lakh and Rs. 4.24 lakh respectively. Since this head related to PL Accounts, inclusion of cash balance under this head is not correct.

2.2.2 Statements 5 and 6 of Annual Accounts for the year 2004-05 showed receipts and expenditure of Rs. 4.41 crore as transfer amount from 1st to 2nd PLA (Rs. 0.76 crore) and from 2nd to 1st PLA (Rs. 3.65 crore) instead of exhibiting under proper revenue and expenditure heads of accounts. As such, the actual position of receipts and expenditure of these amounts could not be ascertained in audit. Moreover, since both the PLAs were maintained by the Council, exhibition of the transactions between the 1st and 2nd PLAs as receipts in Statement 5 and expenditure in Statement 6 of the Annual Accounts inflated the revenue receipts and expenditure by Rs. 4.41 crore.

2.3 Personal Ledger Account

The District Council had two Personal Ledger Accounts (PLA) with the Tura Treasury, one for the Council’s own revenue (1st PLA) and the other for grants-in-aid received from the State Government (2nd PLA). Scrutiny of records revealed the following irregularities:

There was a variation in the receipts and expenditure shown in the Treasury Pass Books and the Annual Accounts for the year 2004-05, which resulted in overstatement of receipts and expenditure in the Annual Accounts by Rs. 24 lakh and Rs. 34 lakh respectively, as detailed below:

Table 2.3

Particulars	As per Treasury Pass Books	As per Annual Accounts-2004-05	(Rupees in crore)
			Overstatement
Receipts	20.93	21.17	0.24
Disbursements	18.61	18.95	0.34

Source: Treasury Pass Books and Annual Accounts-2004-05.

The Accounts Officer of the Council stated (August 2008) that the discrepancies were due to miscalculation and delay in accounting of figures by the Treasury. The figures in the records of both Treasury and Council should have been reconciled and rectified where necessary, before finalisation of annual accounts.

SECTION III

3.1 Loss due to allotment of work on the basis of a faulty agreement

For design, development, installation and implementation of the project for computerisation of accounts at a cost of Rs. 1.80 crore, the Council, without inviting tenders, entered (February 2005) into an agreement with a Delhi based firm¹, stipulating completion of the project by February 2006. The agreement *inter alia* provided for payment of Rs. 80 lakh as advance to the firm, but did not include any provision to safeguard the interest of the Council in case of delay in completion or failure of the firm to complete the project. As per agreement, the firm deposited (February 2005) earnest money of Rs. 3.60 lakh and the Council paid (March 2005) an advance of Rs. 80 lakh to the firm. However, no bank guarantee was obtained from the firm to secure the amount of advance paid.

Scrutiny (April 2008) of records of the Council revealed that as of the stipulated date of completion, the firm supplied only 10 computers valued at Rs. 4.75 lakh and no other items of the project were completed. Consequently, the Council cancelled (November 2006) the contract. Action taken by the Council to get the balance amount of Rs. 75.25 lakh refunded by the firm was not on record.

Thus, allotment of work on the basis of a faulty agreement and inaction of the Council to get the balance amount of advance refunded even after one year of cancellation of the contract, resulted in a loss of Rs. 71.65 lakh apart from non-achievement of the intended purpose of computerisation of accounts.

The matter was reported to the Council in May 2008; reply had not been received (November 2008).

¹ Accuris Data Technology Pvt. Ltd., New Delhi.

3.2 Diversion of Grants-in-Aid

Under the award of the Eleventh Finance Commission, the Council received (December 2004) grants-in-aid of Rs. 6.12 crore from the State Government for implementation of schemes for upgradation of standard of administration of the Council, with the condition to utilise the grant within one year. Of this, Rs. 3 crore was utilised by the Council for payment of salaries to its staff. Out of the balance amount of Rs. 3.12 crore, an expenditure of Rs. 2.71 crore was incurred on creation of data base and maintenance of civil services and the balance amount of Rs. 40.68 lakh was lying unutilised with the Council. Reasons for diversion of Rs. 3 crore for payment of salaries were not on record.

The matter was reported to the Council in May 2008; reply had not been received (November 2008).

3.3 Non-realisation of revenue

Scrutiny (April 2008) of Demand and Collection Register of the Council revealed that lease money of Rs. 11.79 lakh in respect of 29 *hats*² for the year 2004-05 required to be realised under Regulation 3 of the Garo Hills Autonomous District Council Regulation No. 1 of 1971, had not been realised till the date of audit (April 2008). Reason for non-realisation of the Council's revenue as well as action for its realisation was not on record.

The matter was reported to the Council in May 2008; reply had not been received (November 2008).

² Small village markets.

3.4 Loss of revenue

Scrutiny (April 2008) of records revealed that the Kalu River Bamboo Mahal³ was settled by the Council for the year 2000-01 with a lessee for Rs. 4.50 lakh. Thereafter, no tender was invited by the Council for settlement of this *mahal* nor was the minimum value of the *mahal* assessed and the *mahal* was settled during 2001-04 for Rs. 0.60 lakh to Rs. 0.85 lakh. For the year 2004-05, the *mahal* was settled at Rs. 0.47 lakh with a local lessee. Computed with reference to the rate of 2000-01, the Council, thus, sustained a loss of at least Rs. 4.03 lakh on settlement of *mahal* due to non-assessment of the prevalent market value.

The Secretary, Executive Committee of the Council stated (May 2008) that tender for settlement of the *mahal* for the years 2001-06 was not called for as per the directives of the Chief Executive Member. The reply is indicative of the fact that there was no effective mechanism to realise more revenue from the *mahal* by settlement after assessing the competitive rate.

3.5 Undue financial benefit

During 2004-05, 20 *hats* of the Council were leased out to 20 bidders at a bid amount of Rs. 37.62 lakh. Scrutiny (April 2008) of Demand and Collection Register revealed that out of the bid amount, the Council granted remission of Rs. 5.93 lakh to the bidders in respect of these *hats* thereby extending undue financial benefit of Rs. 5.93 lakh to the bidders. The Council stated that remission was granted on the ground of natural calamities. Evidence of declaration of natural calamities by the District administration could not, however, be made available to Audit.

³ Bamboo mahal means the area containing plantation of bamboos.

The matter was reported to the Council in May 2008; reply had not been received (November 2008).

3.6 Non-production of records

Receipt books for the year 2004-05 in respect of the Forest and Revenue Departments of the Council and *challans* through which the revenues were deposited by the collectors were not produced to Audit. Consequently, the actual revenue collected and deposited into the Council's Fund could not be verified in audit.

The matter was reported to the Council in May 2008; reply had not been received (November 2008).

3.7 Internal Control mechanism

Internal control system in an organisation ensures that proper checks and procedures are in place for efficient and effective discharge of its mandate, reliability of its financial reporting and compliance with applicable laws and regulations. The Council had not taken any steps to analyse or evaluate the efficacy of its internal control system.

Internal audit is an important component of an internal control system. The Council was yet to establish an internal audit wing.

The matter was reported to the Council in May 2008; reply had not been received (November 2008).

3.8 Outstanding Inspection Reports

Audit observations on financial irregularities and defects in the maintenance of accounts noticed during local audit and not settled

on the spot are communicated to the heads of the offices and to the next higher authorities through the Inspection Reports (IRs). Ten IRs relating to the Council issued between May 1994 and March 2005 containing 137 paragraphs are yet to be settled (January 2009).



(ONKAR NATH)
Accountant General (Audit)
Meghalaya

Shillong
The

8 MAY 2009

Countersigned



(VINOD RAI)
Comptroller and Auditor General of India

New Delhi
The

5 MAY 2009

