



**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

**FOR THE YEAR
1985-86**

**KHASI HILLS DISTRICT COUNCIL, SHILLONG
MEGHALAYA**

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PREFATORY REMARKS

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 points arising from the audit of the financial transactions of the Khasi Hills 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 1985-86.

OVERVIEW

This Report contains three sections, of which one deals with the constitution of the Khasi Hills District Council, the rules for the management of the District Fund and maintenance of accounts by the District Council. The remaining two sections contain comments on the Council's financial position and irregularities relating to the year 1985-86.

The important Audit findings are summarised in the succeeding paragraphs :—

—Irregular extension of periods of lease resulted in loss of forest revenue of Rs. 5.69 lakhs.

(Paragraph 3.1)

—Rupees 2.11 lakhs of lease money was not paid but the leases were not cancelled in time.

(Paragraph 3.2)

—The expenditure on Self-help programme was to be met from State Government grants, Council's own resources and public contribution in the *ratio* of 50 : 25 : 25. Contrary to the provisions of the programme, the Council met the entire expenditure of Rs. 23.51 lakhs on 43 schemes from out of the grants received from the State Government.

(Paragraph 3.3 (a)—(b))

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SECTION I

1.1 Introduction

The United Khasi and Jaintia Hills District Council was set up in June 1952 under the provisions of Article 244 (2) read with the Sixth Schedule of the Constitution of India. The Council was bifurcated in 1967 and the Jowai District Council was carved out of it. In 1973, the United Khasi and Jaintia Hills District Council and the Jowai District Council were re-named as the Khasi Hills District Council and Jaintia Hills District Council respectively.

The Sixth 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-course for agriculture; regulation of the practice of 'jhum' 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 Sixth Schedule, the Councils have powers to establish, construct or manage primary schools, dispensaries, markets, cattle ponds, ferries, fisheries, roads, road transport and waterways in the respective autonomous districts. The Councils also have the powers to assess, levy and collect within the autonomous districts, revenue in respect of land and buildings, taxes on professions, trades, callings and employments, animals, vehicles and boats, tolls on passengers and goods carried in ferries and for the maintenance of schools, dispensaries or roads as listed in paragraph 8 of the Sixth Schedule.

1.2 Rules for the management of 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 district 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 payment of money into the said Fund, withdrawal of moneys therefrom, custody of moneys therein and any other matter connected with or ancillary to these matters. These rules had not been finalised so far (September 1992). Meanwhile, the United Khasi and Jaintia Hills District Council Fund Rules, 1952 (which had been framed by the erstwhile United Khasi and Jaintia Hills District Council for management of the District Fund) are being followed by the Council.

1.3 Maintenance of accounts

In pursuance of paragraph 7 (3) of the Sixth Schedule to the Constitution of India, 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 and communicated to the Khasi Hills District Council in June 1977. The annual accounts (in the prescribed form) for the year 1985-86 due for submission by 30 June 1986 were submitted in January 1992, after a delay of more than 5 years.

Results of the test-check of Annual Accounts of the Council for the year 1985-86 are given in the succeeding paragraphs.

SECTION II

2.1 Annual Accounts

According to the Annual Accounts furnished by the Council, the receipts and expenditure of the Council for the year 1985-86 with resultant surplus/deficit were as follows:—

Part—I District

Receipts

(Rupees in lakhs)

(a) Revenue Receipts

(i) Taxes on income and expenditure	...	...	...	5.01
(ii) Taxes on Vehicles	...	...	...	14.35
(iii) Forest	...	...	...	80.26
(iv) Mines and Minerals	...	...	...	26.71
(v) Grants-in-aid from the State Government	42.03
(vi) Others	1.00

Total Revenue Receipts	<u>169.36</u>
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(b) Capital				Nil
(c) Debt :				
(i) Loans received from Government	Nil
(ii) Loans received from other sources	Nil
Total of (c)	...	...	...	<u>Nil</u>
(d) Loans and advances				
Recoveries of loans and advances	...	...	...	0.99
Total of Part—I District Fund	...	...	...	<u>170.35</u>

Part—II Deposit

Deposit receipts	...	...	...	<u>2.44</u>
Total of Part—II	...	...	...	<u>2.44</u>
Total Receipts (I+II)	...	...	...	<u>172.79</u>
Opening balance :	...	...	...	<u>33.79</u>
Grand Total :	...	...	...	<u>206.58</u>

Fund**Disbursements**

(Rupees in lakhs)

Revenue Expenditure

(i) District Council and executive members	6.51
(ii) Secretariat General Services	35.85
(iii) Public Works	5.87
(iv) Pension and other retirement benefits	3.36
(v) Education	5.64
(vi) Forest	20.64
(vii) Roads and Bridges	7.04
(viii) Others	11.66
Total Revenue Expenditure	96.57
Revenue Surplus	72.79
	Nil
(i) Repayment of loans received from Government ...	Nil
(ii) Repayment of loans received from other sources ...	Nil
Total of (c)	Nil
Disbursement of loans and advances	2.06
Total of Part—I District Fund	98.63

Fund

Deposit Payments	2.18
Total of Part—II	2.18
Total Disbursements (I+II)	100.81
Closing balance	105.77
Grand Total	206.58

2.2 Treasury Personal Ledger Account (PLA) reconciliation

According to the Fund Rules of the Council, all moneys received on behalf of the Council and all the expenditure incurred in relation to the affairs of the Council are required to be exhibited in the Personal Ledger Account (PLA) to be opened in the Shillong Treasury. It was seen that the closing balance as on 31st March 1986 in the Cash Book and the PLA did not agree as shown below:

Balance according to Cash Book	Rs. 105.77 lakhs
Balance according to Treasury PLA	Rs. 105.35 lakhs
Difference	Rs. 0.42 lakh

The discrepancy of Rs. 0.42 lakh which related to the period prior to 1985-86 had not been reconciled so far (September 1992).

2.3 Loans and Advances

The District Council had furnished the statement of loans and advances showing the transactions for the year 1985-86 only as it could not work out the closing balance up to 1984-85. As such, the actual position of total outstanding loans and advances could not be ascertained.

2.4 Budget and Financial Control

The budget estimates and actual expenditure for the year 1985-86 alongwith the corresponding figures for the year 1984-85 are as shown below:—

	Budget estimates		Actual	
	1984-85	1985-86	1984-85	1985-86
(Rupees in lakhs)				
*Receipt	199.35	221.67	100.77	169.36
Expenditure	206.32	222.56	88.07	96.57

The actual receipts and expenditure for the year 1985-86 were 76 *per cent* and 43 *per cent* respectively of the budget estimates. The budget estimates of receipts and expenditure for 1985-86 were higher than the actuals of the year 1984-85 by 120 *per cent* and 153 *per cent* respectively. Thus, the budget estimates for 1985-86 did not show any relation to the actuals of the previous year. The reasons for making excessive provisions in the budget estimates over actuals of the previous year were not given in any explanatory note as required. The reasons for variation between the actuals and budget estimates had not been analysed and brought on record. Observations, if any, made by the Council while passing the budget estimates for 1985-86 were also not made available to Audit.

The District Council had not been able to establish its planning organisation including the monitoring cell (December 1986) though large amounts were being provided in the budget every year. Thus, there was no machinery to watch the progress of development activities undertaken by the District Council.

*Receipts and expenditure figures relate to Revenue Heads only and do not include Capital, Debt, Loans and Advances and Deposits.

SECTION III

3.1 Loss of revenue due to extension of lease

Nine forest beat ranges were leased out for a total amount of Rs.68.33 lakhs for the period from December 1985 to November 1986. The agreements entered into with the lessees did not provide for extension beyond the period of original lease. However, after the expiry of the lease period, the Council granted extension of one month in December 1986 to the lessees without any recorded agreement and without payment of any extra amount. Irregular extension of the period of lease resulted in loss of forest revenue to the extent of Rs.5.69 lakhs. Reasons for grant of the irregular extension had not been furnished (May 1992).

3.2 Non-realisation of forest revenue

Three forest beats were leased out for the period from December 1985 to November 1986 for a total amount of Rs.5.41 lakhs. According to the terms and conditions of the lease, the lessees were required to deposit the lease money in two instalments on 29 November 1985 (first instalment) and in the last week of January 1986 (second instalment). The agreement also provided that if the lessee failed to deposit the first instalment in time, the lease would be cancelled, and if he failed to deposit the second instalment within the last week of January 1986, his lease would be cancelled and the amount of first instalment deposited by him would also be forfeited. Against the total amount of Rs.5.41 lakhs, the lessees deposited an amount of Rs.3.30 lakhs only in December 1986 and the remaining amount of Rs. 2.11 lakhs was not deposited (January 1992). The leases were cancelled on 15th November 1986 though they should have been cancelled in February 1986. Thus, undue benefit was allowed to the lessees to collect the forest revenues for about 10 months for which reasons were not on record. This was referred to the District Council in January 1987; reply has not been received (September 1992).

3.3 Utilisation of Government grants in excess of the amounts admissible

(a) Forty-two schemes of civil and development works under the 'Self-help Programme' were undertaken by the District Council in 1980-81 at an estimated cost of Rs. 42.12 lakhs. According to the programme, 50 per cent of the estimated cost of the schemes was to be borne by the

State Government and of the balance 50 *per cent*, the Council was to meet 25 *per cent* from its own resources and the remaining 25 *per cent* by way of public contribution. The State Government, in March 1981, released Rs. 21.06 lakhs i.e., 50 *per cent* of the estimated cost of the schemes. The works on the schemes estimated to cost Rs. 21.06 lakhs were executed through contractors for the same amount. Thus an amount of Rs. 10.53 lakhs only was to be borne by the Government in terms of the programme and the balance amount of Rs. 10.53 lakhs was to be borne by the Council (Rs. 5.27 lakhs) and the public (Rs. 5.26 lakhs). The excess grant of Rs. 10.53 lakhs had not been refunded (May 1992).

(b) Similarly for the work of construction of a road (7 km. long) which was to be completed at an estimated cost of Rs.4.90 lakhs, Government grant of Rs.2.45 lakhs (being 50 *per cent* shareable by the State) was released in January 1985. The work was completed during 1984-85 at a total cost of Rs.2.45 lakhs only. Since Government liability was only 50 *per cent* of the cost of construction i. e. Rs.1.22 lakhs, the balance of Rs.1.23 lakhs received from Government was refundable but had not been refunded (May 1992).

This was reported to the District Council (January 1987); reply has not been received (September 1992).

3.4 Outstanding Inspection Reports

Audit observations on financial irregularities and defects in maintenance of accounts noticed during local audit and not settled on the spot are communicated to the head of office and to the next higher authorities through the Audit Inspection Reports

The position of the outstanding paras relating to the Khasi Hills District Council, Shillong is given below:—

Sl. No.	Period of accounts audited	Year of issue	Number of outstanding paras
1.	October 1970 to June 1971	1971	31
2.	July 1971 to June 1972	1972	19
3.	July 1972 to September 1973	1974	8
4.	October 1973 to October 1974	1975	8
5.	November 1974 to October 1975	1975	13
6.	November 1975 to December 1976	1979	20
7.	January 1977 to March 1980	1981	15
8.	April 1980 to March 1983	1984	16
9.	April 1983 to March 1985	1986	23
10.	April 1985 to March 1986	1987	19

Even first replies to the paras mentioned at Sl. Nos.1 to 8 above had not been furnished by the Council despite reminders.



(ROCHILA SAIWI)
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Assam, Meghalaya, Arunachal
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Place : Shillong

Date : 26 APR 1994

Countersigned



(C. G. SOMIAH)
Comptroller and Auditor General
of India

Place : New Delhi

Date : 05 MAY 1994