



REPORT
of the
Comptroller and Auditor General
of India

FOR THE YEARS
1970-71 to 1984-85

KHASI HILLS DISTRICT COUNCIL
MEGHALAYA



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

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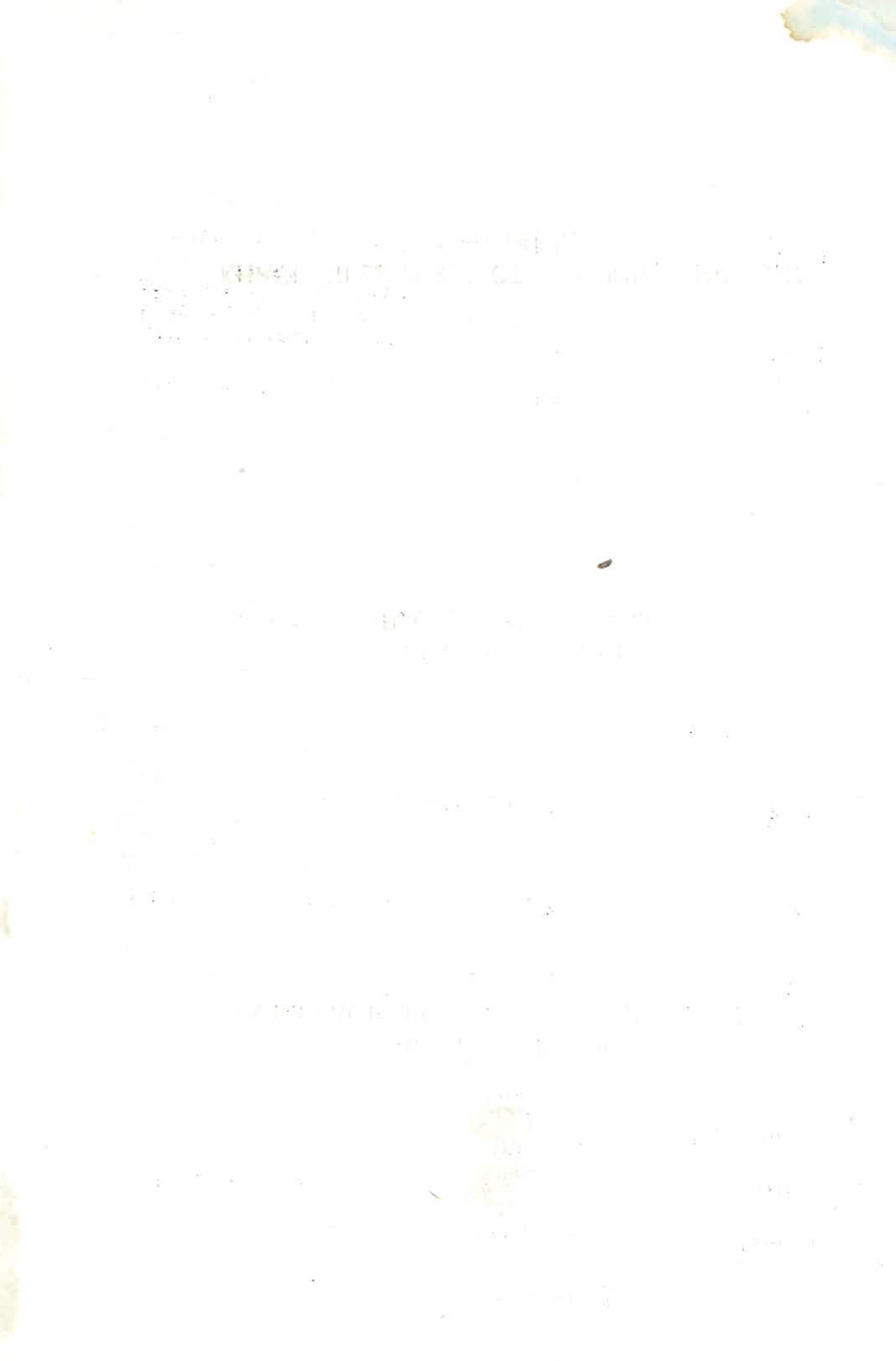


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PREFATORY REMARKS

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 for the years 1970-71 to 1984-85.

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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 District Fund and maintenance of accounts by the District Council. The remaining two sections include comments on the Council's financial position and various irregularities relating to the period from 1970-71 to 1984-85.

The important Audit findings are summarised in the succeeding paragraphs:

— Departmental proceedings for fixation of responsibility for misappropriation of Council's money amounting to Rs.0.82 lakh were not carried out.

(Paragraph 3.1)

— Rupees 0.90 lakh sanctioned by the Government as loan in March 1973 had not been repaid by the Council. Loan together with interest amounted to Rs.2.09 lakhs upto January 1992.

(Paragraph 3.2)

— Discrepancies between Fund register and Personal Ledger Account—Rs.89.04 lakhs (receipt side) and Rs.0.26 lakh (payment side) had been noticed.

(Paragraph 3.3-a)

— Rupees 2.68 lakhs stated to have been deposited by the Council was not traceable in the Treasury Personal Ledger Account.

(Paragraph 3.4)

— Rupees 10.01 lakhs had been diverted to meet other expenditures from the amount sanctioned for arrear of pay and allowances (Rs.61.60 lakhs).

(Paragraph 3.5)

— Rupees 1.05 lakhs invested in the Kyriang plantation were wasted due to fire though part of the expenditure incurred was on fire line which was not in existence.

(Paragraph 3.6)

— Loss of Rs. 4.43 lakhs due to irregular extension of leased period.

(Paragraph 3.7-a)

— Loss of Rs. 3.92 lakhs due to non-acceptance of tenders for lease of forest beats and non-acceptance of tender of the highest bidder.

(Paragraph 3.7-b)

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 to the Constitution of India. It was bifurcated and the Jowai District Council was carved out in 1967. The United Khasi and Jaintia Hills District Council and the Jowai District Council were re-named in 1973 as the Khasi Hills District Council and Jaintia Hills District Council respectively, by a notification issued by Government on 14th June 1973.

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 Sixth Schedule mainly in respect of allotment, occupation, use etc of land; management of forests other than reserve 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 pounds, 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 district, 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

In terms of the provisions of paragraph 7 (2) of the Sixth Schedule to the Constitution of India, rules are to be framed by the Governor for the management of a 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 money therein and any other matter connected with or ancillary to these matters. These rules are yet to be finalised (January 1992).

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 for the years 1970-71 to 1984-85 were rendered only in June 1991. Thus, there has been great delay in rendition of the accounts.

Under paragraph 7 (4) of the Sixth Schedule, the Reports of the Comptroller and Auditor General of India relating to the accounts of the Council are to be submitted to the Governor for laying before the Council.

Results of the test-check of Annual accounts of the Council for the years 1970-71 to 1984-85 are given in the succeeding paragraphs.

SECTION II

SECTION

2. Revenue Receipts

According to the Annual Financial Statements furnished for the years 1970-71 to 1984-85 were as follows:—

Year	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76
(Rupees)						
Opening balance	14.37	27.20	23.22	20.50	13.00	16.35
Revenue receipts	6.50	15.66	6.99	7.73	6.62	22.70
Grants-in-aid from State Government	46.38	33.34	42.99	49.76	49.56	43.53
Receipts during the year	52.88	49.00	49.98	57.49	56.18	66.28
Total receipts	67.25	76.20	73.20	77.99	69.18	76.58
Total expenditure	40.05	52.98	52.70	64.99	58.83	68.58
Closing balance	27.20	23.22	20.50	13.00	10.35	8.00

II

and Expenditure

by the Council, the receipts and expenditure of the Council

1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
in lakhs)								
8*00	20*13	47*80	61*01	74*98	70*46	33*67	51*85	21*09
24*13	15*17	21*71	32*37	30*28	49*18	33*04	70*09	80*88
63*31	95*36	103*79	94*35	104*45	95*27	161*77	61*15	19*89
87*44	110*53	125*50	126*72	134*73	144*45	194*81	131*24	100*77
95*44	130*66	173*30	187*73	209*71	214*91	228*48	183*09	121*86
75*31	82*86	112*29	112*75	139*25	181*24	176*63	162*00	88*07
20*13	47*80	61*01	74*98	70*46	33*67	51*85	21*09	33*79

Reasons for variation in collection of revenues from year to year were not stated (January 1991). During the period from 1970-71 to 1974-75 and 1977-78 to 1980-81, the collection represented only a very small percentage ranging from 13 to 34 of the grants received from Government. The Council had a closing balance of Rs.33.79 lakhs on 31st March 1985.

SECTION III

3.1 Misappropriation of Council's money

On 3rd February 1970, the Secretary to the Executive Committee of the District Council instructed the Nazir-cum-cashier to deposit Rs. 0.60 lakh to the account of the Council maintained in the State Bank of India. On verification of records by the Council authorities with the bank on 19th February 1970, it was found that the amount had not been deposited though the same was shown as such in the Cash Book of the Council. The case was reported to the police on the same date and the Nazir-cum-cashier was arrested by the police. The cash book from 1st April 1969 to 3rd February 1970 and other relevant records were seized (20th February 1970) by the police. After investigation, the police filed a case (March 1970) in the Court of law against the cashier for misappropriation of Rs. 0.82 lakh instead of Rs. 0.60 lakh as worked out by the Council. In July 1978 the cashier was exonerated as the prosecution could not prove beyond all reasonable doubts that the Cashier had committed the offence. Departmental proceedings for fixation of responsibility in terms of the Court's judgement (July 1978) were not carried out nor responsibility for the misappropriation fixed. Further development of the case has not been intimated (January 1992).

3.2 Non-refund of loan

In March 1973, Government sanctioned a loan of Rs. 0.90 lakh to the Council for implementation of a scheme for improvement of six border markets. The loan carried interest at the rate of 7 per cent per annum and was repayable in 20 equal instalments. Out of this, expenditure of Rs. 0.53 lakh was incurred upto August 1975 on four markets. In February 1975, the Council approached Government for treating the

loan as grants-in-aid. Government did not accept the proposal and asked the Council (September 1975) to deposit the full amount of loan with interest immediately. The loan had not been repaid by the Council (December 1990). The loan together with interest at 7 per cent per annum amounted to Rs.2.09 lakhs on 31st January 1992.

3.3 Discrepancies between Fund Register and PLA

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. To facilitate such transactions a Pass Book is also required to be maintained. It was seen that the transactions appearing in the Treasury Pass Book maintained in support of the entries in the PLA of the Khasi Hills District Council were found not tallying with those entered in the basic records of the Council. Besides, there were basic defects in the maintenance of initial records which were test-checked by Audit during September 1983. A few major irregularities noticed are as below:—

(a) Discrepancies between Fund Register and PLA

Receipts		Expenditure		
Year	Amount according to PLA	Amount according to Fund register	Amount according to PLA	Amount according to Fund register
(in lakhs of Rupees)				
1981-82	203.24	157.26	176.64	176.30
1982-83	195.75	152.69	213.89	214.49
	<u>398.99</u>	<u>309.95</u>	<u>390.53</u>	<u>390.79</u>

No action was taken to reconcile the discrepancies (January 1992).

(b) Short accountal of Rs. 0.10 lakh

During August 1980 only a part of the amounts drawn from Treasury were entered in the Receipts side of the Cash book resulting in short accountal of Rs. 10,000 as indicated below:—

Voucher No. and date	Amount drawn from P.L.A.	Amount entered in the General Cash Book
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1569 dated 1. 8. 1980	Rs. 10,567.88	
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		Rs. 567.88
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Reasons for such short accountal were not furnished (January 1991).

3.4 Non-remittances of revenue

A scrutiny of the records of the District Council with that of PLA revealed that an amount of Rs. 2.68 lakhs, being forest revenue, stated to have been deposited by the Council during April 1981 to February 1983 in the PLA of the District Council, through Treasury Challans were not actually traced in the PLA (Pass Book). Period to which the forest revenue relates was not available on records. The matter was reported to the District Council during October 1984 followed by five reminders issued between October 1985 and August 1991. The reply had not been received (February 1992).

3.5 Diversion of Fund

During the period from 1980-81 to 1982-83, a total amount of Rs.61.60 lakhs was released by Government to the District Council for payment of arrears of pay and allowances to the teachers on account of revision of pay scales. Out of this, the Council paid Rs.19.80 lakhs as advance pay for

two months to the teachers. An amount of Rs.10.01 lakhs was utilised for meeting other expenditures of the Council and the balance amount of Rs.31.79 lakhs was kept in the PLA and remained unutilised (August 1991).

Reasons for non-payment of salary to the teachers and utilisation of the fund for other expenditure were not furnished by the Council (January 1992) despite repeated reminders issued between September 1985 and August 1991.

3.6 Loss due to fire

During the period from 1980-81 to 1983-84, the Council incurred an expenditure of Rs.1.05 lakhs towards Preliminary works (Rs.0.40 lakh) and maintenance of fire lines in Kyniong Forest Plantation under the quick growing species plantation scheme (Rs.0.65 lakh). But the existence of fire lines was in doubt as was evident from the observation made by the Chief Forest Officer of the Khasi Hills District Council who, on a spot verification on 24th May 1985 of the (Kyniong) Forest Plantation, observed that the condition of the plantation was deplorable in the absence of fire lines and that a fire that had crossed into the plantation area had destroyed all the grown up young trees. The Chief Forest Officer further observed that fire had been burning the standing trees occasionally during the last two years. The entire expenditure of Rs.1.05 lakhs thus proved wasteful. The matter was reported to the Council in July 1986 ; reply had not been received (February 1992).

3.7 Loss of revenue

(a) Due to extension of lease

During October 1984, 11 forest beats were leased out for the period from 1st November 1984 to 31st October 1985 for a total amount of Rs.53.15 lakhs. After the expiry of the lease period, extension for one month i. e. from 1st November 1985 to 30th

November 1985 was granted in favour of the lessees of the above 11 forest beats without any recorded reasons. As a result of extension of the period of lease without any further payment, there was a loss of forest revenue to the extent of Rs.4.43 lakhs.

This was reported to the Council (April 1987) ; their reply had not been received (February 1992).

(b) Due to non-lease of forest beats

(i) For the lease of two forest beats *i. e.* Paham and Rani Jirang for the period from 1st November 1984 to 31st October 1985, the Council, in October 1984, invited tenders and in response, five tenders for one beat (Paham) and two for the other (Rani Jirang) beat were received. The highest offers in respect of Paham and Rani Jirang beats were Rs.2.65 lakhs and Rs.1 lakh respectively. But the Council did not lease out these two beats; instead operated the beats and collected the revenue directly. During the period from November 1984 to October 1985, the Council realised revenue of Rs.1 lakh (Paham-Rs.0.84 lakh and Rani-Jirang- Rs. 0.16 lakh) resulting in loss of revenue of Rs.2.65 lakhs for the above mentioned period. This could have been avoided, had the Council leased the beats at the highest offer received. The reason for not leasing out the two beats was not furnished.

The matter was reported to the Council in July 1986, reply is still awaited, despite three reminders issued between July 1989 and August 1991.

(ii) Similarly for lease of three (Umsiang, Marmain and Khanapara) forest beats for the period from 1st November 1984 to 31st October 1985 the Council invited

tenders (October 1984) and in response only one tender was received. In order to make the offer more competitive, the Council decided to re-invite tenders without opening the single tender received earlier. Accordingly, notice inviting tenders was issued on 20th October 1984 and in response, 13 tenders for Umsiang, 9 for Marmain and 11 for Khanapara were received. Total amount of highest bids in respect of the aforesaid three beats was Rs.2.75 lakhs (Umsiang—Rs 0.80 lakh, Marmain-Rs.1 lakh and Khanapara-Rs.0.95 lakh). But the Council leased out three beats at a lower rate of Rs.1.48 lakhs (Umsiang—Rs.0.45 lakh, Marmain-Rs.0.48 lakh and Khanapara-Rs.0.55 lakh) without considering the rates offered by the highest bidders. No record indicating the reasons for non-acceptance of the offers of the highest bidders could be made available to Audit. Due to non-acceptance of the highest bid, the Council suffered a loss of revenue of Rs.1.27 lakhs.

The matter was taken up with the Council in July 1986, July 1989, October 1990 and August 1991; their reply had not been received (February 1992).

3.8 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 head of office and to the next higher authorities through the audit inspection reports.

A review of the outstanding audit paragraphs included in the inspection reports pertaining to Khasi Hills District Council, Shillong shows the position of unsettled ones as detailed below:—

Outstanding inspection reports/paras

Sl. No.	Period of accounts	Year of issue of Inspection Reports	No. of outstanding I.R/Paras
1.	10/70 to 6/71	1971	1 31
2.	7/71 to 6/72	1971	1 19
3.	7/72 to 9/73	1974	1 8
4.	10/73 to 10/74	1975	1 8
5.	11/74 to 10/75	1975	1 13
6.	11/75 to 12/76	1979	1 20
7.	1/77 to 3/80	1981	1 15
8.	4/80 to 3/83	1984	1 16
9.	4/83 to 3/85	1986	1 23



(ROCHILA SAIAWI)
Accountant General (Audit)
Assam, Meghalaya,
Arunachal Pradesh and Mizoram

Place: Shillong

Date:

28 APR 1993

Countersigned



Place: New Delhi

Date

07 MAY 1993

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

2000

1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 2680, 26