

Presented to the Legislature

on **29 JUL 2009**

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

For the year ended 31 March 2006

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

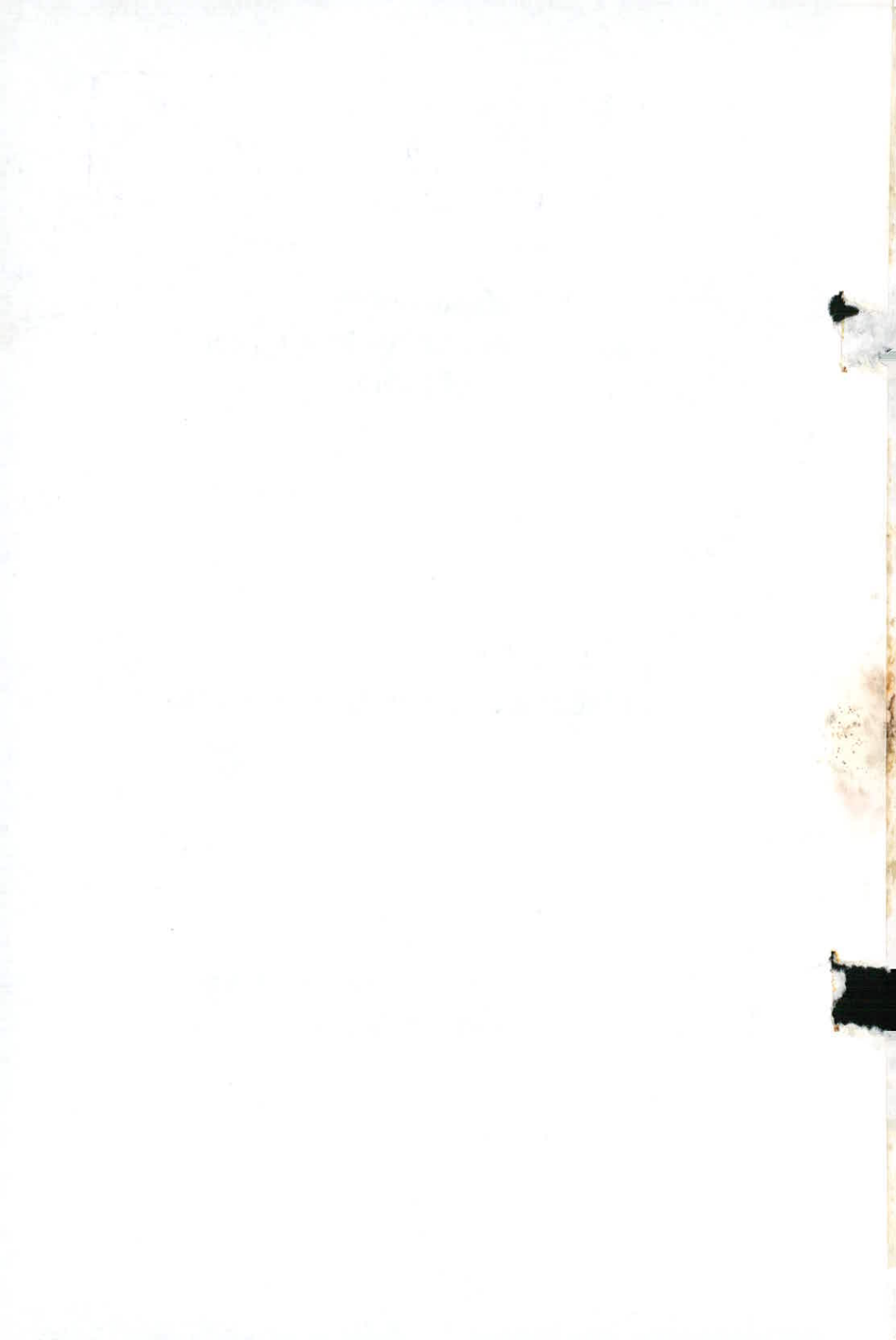


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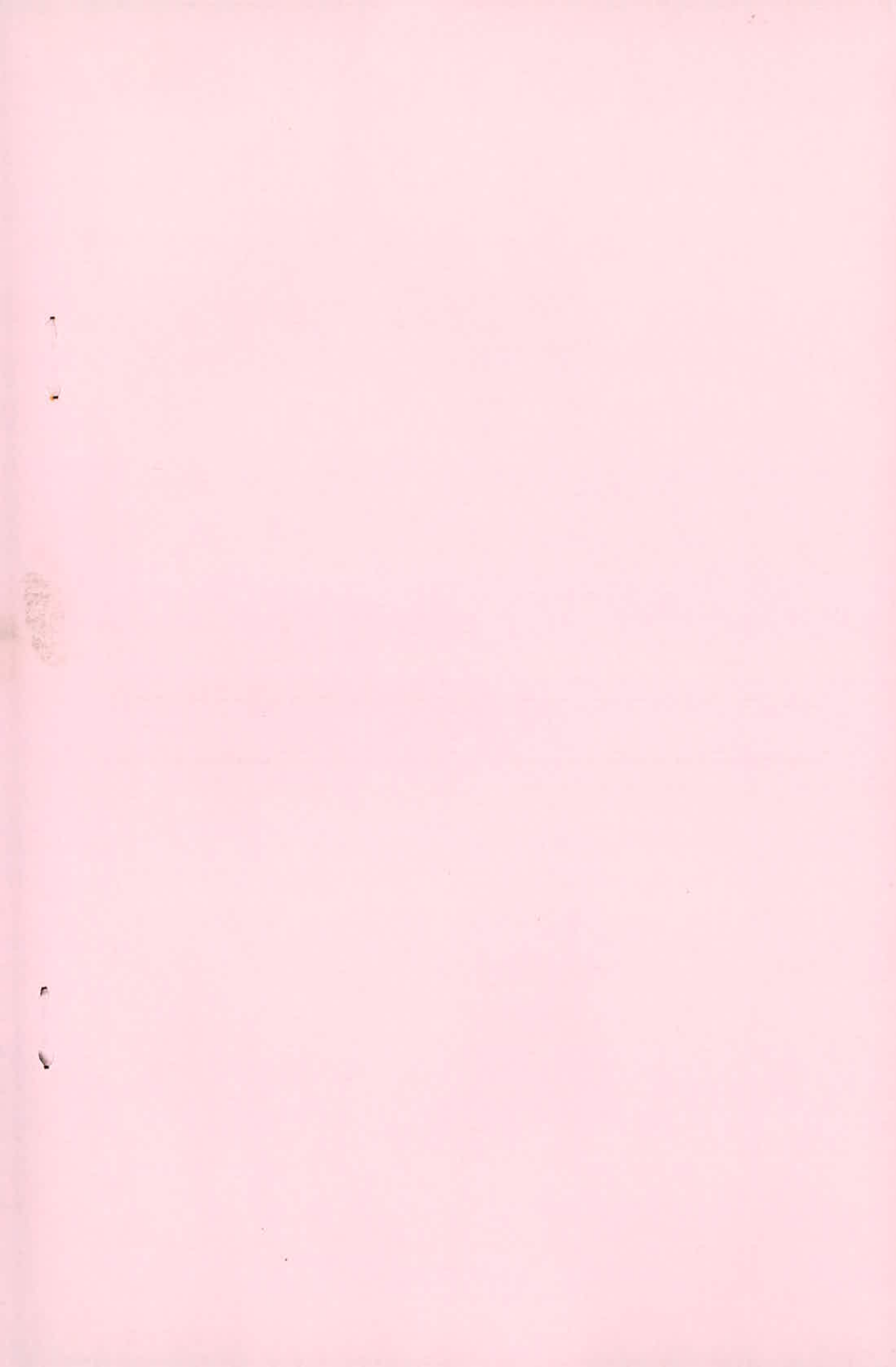
PREFACE

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 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 2005-06.
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 2005-06.



OVERVIEW



OVERVIEW

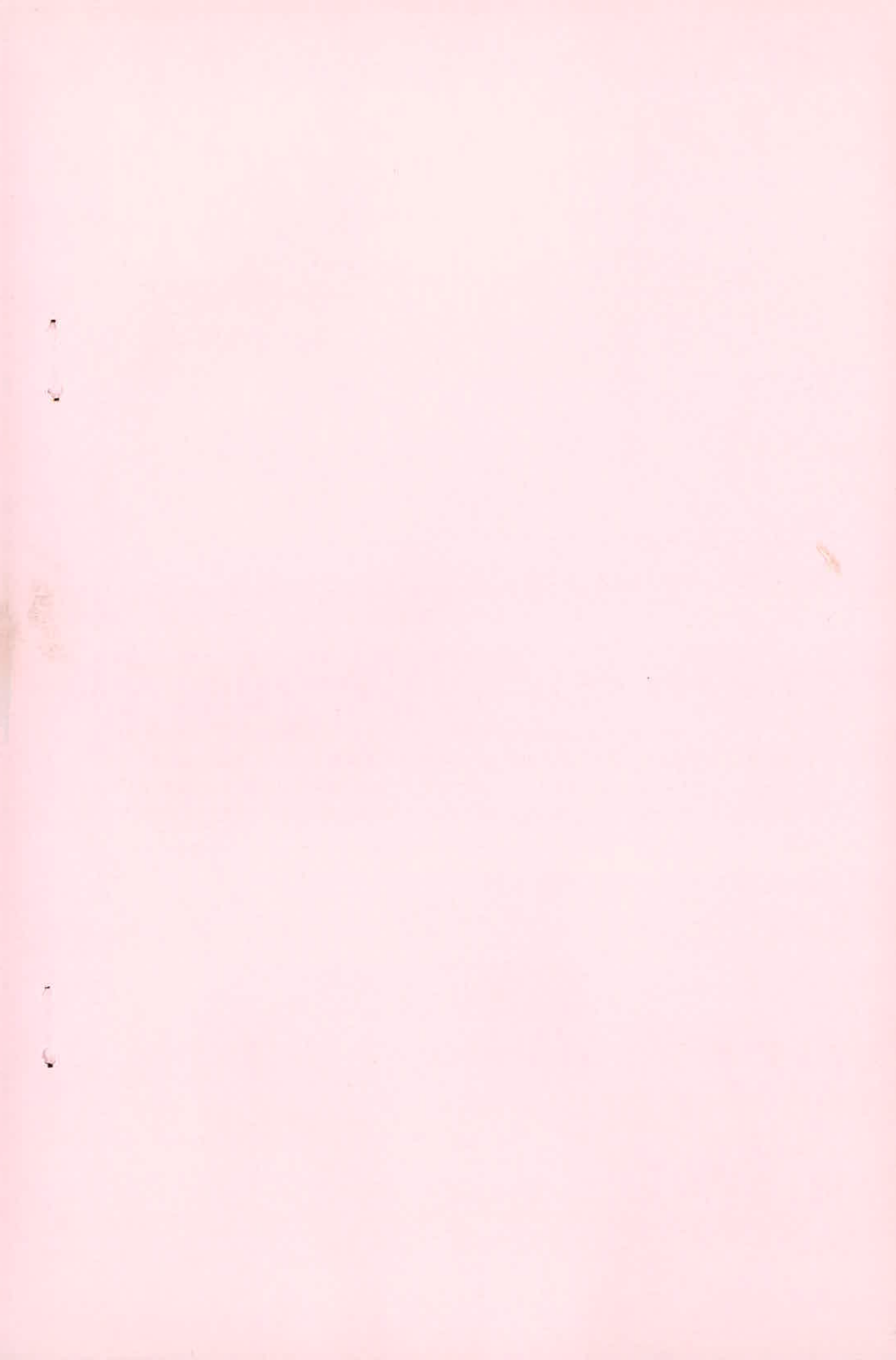
The significant audit findings are summarised in the following paragraphs:

Exhibition of the transactions between the 1st and 2nd PLAs as receipts in Statement 5 and expenditure in Statement 6 of the Annual Accounts instead of under proper heads of account was not only incorrect but also inflated the revenue receipts and expenditure by Rs. 4.73 crore.

(Paragraph 2.3)

Irregular grant of remission of lease money in respect of 51 *hats* resulted in undue financial benefit of Rs. 11.86 lakh to the bidders.

(Paragraph 3.2)



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 maintenance of schools, dispensaries or roads as listed in Paragraph 8 of the Schedule.

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

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

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 2005-06 have been prepared in the prescribed format.

Results of the test check of the 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 2005-06 and the resultant revenue deficit were as follows:

Table 2.1

Receipts		Disbursement	
PART I – DISTRICT FUND			
1. Revenue Receipts		1. Revenue Expenditure	
(i) Taxes on Income and Expenditure	86.85	(i) District Council	54.01
(ii) Land Revenue	123.36	(ii) Executive Members	26.48
(iii) Taxes on Vehicles	28.00	(iii) Administration of Justice	4.15
(iv) Interest Receipts	0.12	(iv) Land Revenue	180.01
(v) Administration of Justice	1.12	(v) Secretariat General Services	290.82
(vi) Public Health and Sanitation	3.25	(vi) Stationery and Printing	22.72
(vii) Other General Economic Services (Extra ordinary miscellaneous receipts)	14.66	(vii) Public Works	323.57
		(viii) Pension and other retirement benefits	45.04
(viii) Forest	18.72	(ix) Relief on account of Natural Calamities	1.13
(ix) Mines and Minerals	710.88	(x) Art and Culture	1.42
(x) Grants-in-aid from State Government	437.15	(xi) Forest	172.90
(xi) Transfer from 2 nd to 1 st PLA	172.35	(xii) Taxation	47.02
(xii) Other heads of accounts	16.60	(xiii) Rural Development	186.41
		(xiv) Transfer and Reimbursement	472.85
Total Revenue receipts	1,613.06	Total Revenue expenditure	1,828.83
Revenue Deficit	215.77	Revenue Surplus	...
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	10.16	Disbursement of Loans and Advances	36.15
Total Part – I District Fund	1,623.22	Total Part – I District Fund	1,864.98
PART II DEPOSIT FUND			
Deposit Receipts	3.60	Deposit Payments	...
Total of Part II Deposit Fund	3.60	Total of Part II Deposit Fund	...
Total Receipts (I + II)	1,626.82	Total Disbursement (I + II)	1,864.98
Opening Balance	246.17	Closing Balance ¹	8.00
GRAND TOTAL	1,872.99	GRAND TOTAL	1,872.98

Source: Annual Accounts of the Council.

¹ Cash: Rs. 4.23 lakh; Personal Ledger Account (PLA): Rs. 3.77 lakh.

2.2 Non-reconciliation of discrepancy in the accounts

Summary of transactions of 2005-06 (Statement 1 of Annual Accounts) shows a discrepancy of Rs. 1,000 between the total receipts and disbursements despite revision of accounts. The Council failed to reconcile the difference (November 2008) even after its being pointed out in audit.

2.3 Comments on Accounts

2.3.1 Opening and closing balances of Rs. 246.17 lakh and Rs. 8 lakh shown under the head “G-Cash Remittances – Remittances into Treasury (Personal Ledger (PL) Accounts)” in Statement 7 of the Annual Accounts 2005-06 included cash balance of Rs. 4.24 lakh and Rs. 4.23 lakh respectively. Since this head relates to PL Accounts, inclusion of cash balance under this account is not correct.

2.3.2 As per Treasury Pass Book and Statement 5 of the Annual Accounts for the year 2005-06, Rs. 3.01 crore and Rs. 1.72 crore were transferred from 1st to 2nd PLA and from 2nd to 1st PLA respectively. These transactions were, however, wrongly booked in Statement 6 of Annual Accounts for the year 2005-06 as transfer from 1st to 2nd PLA (Rs. 1.72 crore) and from 2nd to 1st PLA (Rs. 3.01 crore). 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 instead of under proper heads of account was not only incorrect but also inflated the revenue receipts and expenditure by Rs. 4.73 crore.

2.3.3 Grants-in-aid of Rs. 3.65 crore received during 2005-06 by the Council from the State Government for meeting pay and

allowances of the District Forest Officer deputed to the Council was not accounted for in Statement 5 of the Annual Accounts for the year 2005-06 resulting in understatement of grants-in-aid by Rs. 3.65 crore.

2.3.4 Receipts of Rs. 14.66 lakh were accounted for in Statement 5 of the Annual Accounts for the year 2005-06 under the head 'Extraordinary miscellaneous receipts' which was not provided for in the list of Major and Minor Heads of Account of the Council.

2.4 Personal Ledger Account

The District Council has 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 variation in the receipts and expenditure shown in the Treasury Pass Books and the Annual Accounts for the year 2005-06 which resulted in overstatement of receipts and expenditure in the Annual Accounts by Rs. 24 lakh as detailed in following table:

Table 2.3

(Rupees in crore)

Particulars	As per Treasury Pass Books	As per Annual Accounts	Overstatement
Receipts	16.03	16.27	0.24
Disbursements	18.41	18.65	0.24

Source: Treasury Pass Books and Annual Accounts-2005-06.

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 the annual accounts.

SECTION III

3.1 Lack of supporting documents for expenditure incurred

Scrutiny (April 2008) of records revealed that the Council had drawn Rs. 61.28 lakh from the Treasury during January 2005 to March 2006. Out of this amount, an expenditure of Rs. 47.34 lakh was incurred up to March 2006. Payment vouchers in support of utilisation of the balance amount of Rs. 13.94 lakh could not be made available to Audit. Closing cash balance of Rs. 4.23 lakh with the Council as of 31 March 2006 also confirms that the amount was not lying in the chest of the Council. Evidently, the amount was either not properly utilised or lying unutilised outside the account of the Council. The action of the Council is fraught with the risk of misappropriation.

3.2 Undue financial benefit

During 2005-06, 51 *hats*¹ of the Council were leased out to 51 bidders at the bid amount of Rs. 79.11 lakh. According to the notice inviting tenders (NIT) issued in November 2004 for settlement of these hats, remission of the kist (instalment) money was not envisaged. Scrutiny (April 2008) of Demand and Collection Register, however, revealed that out of the bid amount, the Council granted (2005-06) remission of Rs. 11.86 lakh to the bidders in respect of these *hats* thereby extending undue financial benefit to them. Reason for grant of undue remission was not on record.

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

¹ Small village markets.

3.3 Non-realisation of revenue

Scrutiny (April 2008) of Demand and Collection Register maintained by the Revenue Branch of the Council revealed that lease money of Rs. 0.91 lakh in respect of eight *hats* for the year 2005-06 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. 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).

3.4 Loss of revenue

Scrutiny (April 2008) of records revealed that the Kalu River Bamboo Mahal² 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 2001-05 for Rs. 0.47 lakh to Rs. 0.85 lakh. For the year 2005-06, the *mahal* was settled at Rs. 0.55 lakh with a local lessee. Computed with reference to the rate of 2000-01, the Council, thus, sustained a loss of at least Rs. 3.95 lakh on settlement of the *mahal* without assessing 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

² Bamboo mahal means the area containing plantation of bamboos.

effective mechanism to realise more revenue from the *mahal* by settlement after assessing competitive rate.

3.5 Non-production of records

Receipt books for the year 2005-06 in respect of the Forest and Revenue Departments of the Council and *challans* through which the revenue was 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).

3.6 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).

3.7 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 2006 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

15 MAY 2009

