

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

For the year ended 31 March 2001

**Khasi Hills Autonomous District Council
Shillong, 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 Khasi 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 2000-01.

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 audit relating to the year 2000-01.

OVERVIEW

OVERVIEW

The significant audit findings are summarised in the following paragraphs:

- The Council incurred expenditure of Rs.8.75 lakh on repair and maintenance of vehicles in excess of the Budget provision.

(Paragraph 2.3)

- The total expenditure on salaries, contingencies, *etc.* constituted around 70 *per cent* of the total revenue expenditure leaving only 30 *per cent* for developmental activities.

(Paragraph 3.2)

SECTION – I

1.1 Introduction

The United Khasi and Jaintia 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 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 renamed as 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 forest other than reserved forest, use of any canal or water courses 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 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 the powers to assess, levy and collect within the Autonomous District, revenue in respect of lands and buildings, taxes on profession,

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

1.2 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 money 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 the moneys 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 (October 2005). Meanwhile, the affairs of the District Council are being regulated in accordance with the United Khasi and Jaintia Hills District Council 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 and communicated to the Khasi Hills Autonomous District Council in June 1977.

The Annual Accounts for the year 2000-01, due for submission by June 2001, were submitted in December 2003 after a delay of two years. No reasons were indicated by the Council for this delay.

Results of the test check of the Annual Accounts of the Council for the year 2000-01 are given in the succeeding paragraphs.

SECTION – II

2.1 Receipts and expenditure

According to the Annual Accounts of the Council, the receipts and expenditure of the Council for the year 2000-01 with resultant revenue deficit were as follows:

Table 2.1

(Rupees in lakh)

Receipts		Disbursements	
PART I – DISTRICT FUND			
1. Revenue Receipts		1. Revenue Expenditure	
(i) Taxes on Professions, Trades, Callings and Employment	278.65	(i) District Council	32.41
(ii) Land Revenue	4.30	(ii) Executive Members	23.81
(iii) Taxes on Vehicle	27.13	(iii) Administration of Justice	44.94
(iv) Other Administrative Services	1.33	(iv) Land Revenue	16.52
(v) Other General Economic Services	38.05	(v) Secretariat General Services	270.17
(vi) Forests	20.54	(vi) Public Works	64.59
(vii) Mines and Minerals	159.60	(vii) Pension and other retirement benefits	50.69
(viii) Loans and Advances	34.77	(viii) Education	5.62
(ix) Other heads of accounts	1.22	(ix) Social Security and Welfare	28.08
		(x) Other General Economic Services	22.40
		(xi) Forest	113.07
		(xii) Roads and Bridges	124.76
Total Revenue receipts	565.59	Total Revenue expenditure	797.06
<i>Revenue Deficit</i>	<i>231.47</i>	<i>Revenue Surplus</i>	...
2. Capital	...	2. Capital	...

Receipts		Disbursements	
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	
Recoveries of Loans and Advances	6.20	Disbursement of Loans and Advances	6.29
Total Part – I District Fund	571.79	Total Part – I District Fund	803.35
PART II – DEPOSIT FUND			
Deposit Receipts	6.65	Deposit Payments	4.09
Total of Part II Deposit Fund	6.65	Total of Part II Deposit Fund	4.09
Total Receipts (I + II)	578.44	Total Disbursement (I + II)	807.44
Opening Balance	261.67	Closing Balance	32.67 ^(a)
GRAND TOTAL	840.11	GRAND TOTAL	840.11

Source: Annual Accounts of the Council.

2.2 Variations between budget provisions and actuals

Compared to budget estimates, the actual revenue receipts (excluding grants-in-aid from State Government) of the Council during 2000-01 fell short by about 28 per cent, as detailed below:

Table 2.2

(Rupees in crore)

	Budget provision	Actual	Shortfall (Percentage)
Receipts	7.34	5.31	2.03 (28)

Source: Budget and Statement 5 of Annual Accounts – 2000-01.

^(a) Cash: Rs.0.14 lakh; Personal Ledger Account: Rs.32.53 lakh.

Significant cases of shortfall under different heads of accounts with reasons are given in Appendix I. The large variations were under forest and taxes on vehicles.

2.3 Expenditure in excess of budget provision

Budget estimate of the Council for the year 2000-01 provided Rs.16 lakh for repair and purchase of spare parts of vehicles. Against this, expenditure of Rs.24.75 lakh was incurred by the Council during the year on repair and maintenance of 16 vehicles. Reasons for expenditure of Rs.8.75 lakh in excess of budget provision were not on record.

The Secretary, Executive Committee of the Council stated (January 2006) that the excess expenditure was due to payment of previous years' outstanding claims (received during 2000-01).

2.4 Variations in receipts and expenditure between current and previous year

Significant cases of variations in receipts and expenditure between current year and previous year with reasons are indicated in Appendix II. The variations ranged between 33 and 199 *per cent* in respect of receipts and 27 and 253 *per cent* in respect of expenditure.

2.5 Personal Ledger Account

Test-check (May 2004) of records in connection with the Personal Ledger Account (PLA) of the Council and further information received from the Council in September 2005 revealed the following:

(i) As on 31 March 2001, the balance in respect of the Council held in the PLA as per Plus and Minus Memorandum of the Shillong Treasury for the month of March 2001 was Rs.3.85 lakh, whereas the closing balance (Rs.32.67 lakh) exhibited in the Annual Accounts of the Council for the year 2000-01 included closing PLA balance of Rs.32.53 lakh.

The Secretary, Executive Committee (SEC) of the Council stated in January 2006 that the discrepancy was due to (i) non-exhibition of Rs.37.93 lakh deposited by the Council in March 2001 by the Treasury in the Plus and Minus Memorandum, (ii) non-encashment of cheques issued at the end of the year and (iii) non-appearance of Council's share of royalty, *etc.* released by the State Government at the end of the year in the PLA due to delay in bank clearance. However, the fact remains that the closing balance was not reconciled with the balance of the PLA before finalisation of Annual Accounts.

(ii) Rule 19 of the United Khasi-Jaintia Hills District Fund Rules, 1952 provides that all money paid into the Treasury to the credit of the District Fund shall be accompanied by the Pass Book. No such Pass Book was available with the Council.

The Secretary, Executive Committee of the Council stated (January 2006) that Pass Book was not issued by the Treasury despite repeated requests.

SECTION – III

3.1 Non-realisation of revenue

Test-check (May 2004) of records relating to settlement of toll gates located at different revenue stations under the jurisdiction of the Council revealed that against the total lease amount of Rs.3.10 lakh for the year 2000-01, Rs.1.20 lakh only was realised leaving a balance of Rs.1.90 lakh. Details are as under:

Table 3.1

(Rupees in lakh)

Sl. No	Revenue station	Lease amount	Amount realised	Non-realisation of revenue
1.	Khanapara Pathar Paham	0.95	0.20	0.75
2.	Maikhuli, Barapathar, etc.	0.90	0.40	0.50
3.	Ranijiang	0.25	0.10	0.15
4.	Borsora and Cherragaon	1.00	0.50	0.50
	Total	3.10	1.20	1.90

Source : Records relating to settlement of toll gates.

Reasons for non-realisation of lease money and action taken for realisation of the same were not on record.

The Secretary, Executive Committee of the Council stated (January 2006) that efforts were being made to realise the outstanding dues.

3.2 Entertainment of a large staff without norms

Scrutiny (May 2004) of records revealed that the Council had been keeping a large number of officers and staff (600 in 2000-01) without any norms. During 2000-01, Rs.4.35 crore was spent by the Council on payment of salaries of officers and staff. In addition, expenditure of Rs.1.22 crore was incurred by the Council during the year on contingency (Rs.47.42 lakh), travelling expenses (Rs.23.50 lakh) and pension (Rs.50.69 lakh). The total expenditure on salaries, contingencies, *etc.* constituted around 70 *per cent* of the total revenue expenditure during the year leaving only 30 *per cent* for developmental activities.

Thus, entertainment of a large staff without any norm and expenditure on contingency, *etc.* adversely affected the developmental activities of the Council.

The Secretary, Executive Committee of the Council stated (January 2006) that huge field staff were required by the Council for protection of forest land and plantation, checking of trading licence, collection of professional tax, *etc.* Though no norms had yet been framed, expenditure was incurred strictly as per requirement. The fact remains that major share of expenditure of the Council was on non-plan recurring expenditure, which adversely affected the developmental activities of the Council.

3.3 Internal Control Mechanism

Internal control system is an integral process by which an organisation governs its activities to effectively achieve its objectives. A built-in internal control system and strict adherence to Statutes, Codes and Manuals minimise the

risk of errors and irregularities and helps to protect resources against loss due to waste, abuse and mismanagement. Internal audit, as an independent entity, examines and evaluates the level of compliance to the rules and procedures and provides an independent assurance to management on the adequacy or otherwise of the existing internal controls.

An evaluation of the internal control system in the Council revealed that the internal control mechanism in the Council was not adequate. The Council had not analysed the deployment of manpower *vis-à-vis* branch-wise requirement. Internal audit wing to evaluate the adequacy of the accounting system was yet to be established in the Council.

The Secretary, Executive Committee of the Council stated (January 2006) that an internal control mechanism was being introduced in the Council.

3.4 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.

Four Inspection Reports (IRs) relating to the Council containing 53 paragraphs issued between December 1999 and September 2004 still contained nine unsettled paragraphs.



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Shillong

The **21 JUN 2006**

Countersigned



(Vijayendra N. Kaul)

Comptroller and Auditor General of India

New Delhi

The **20 JUN 2006**

APPENDICES

APPENDIX – I
Significant cases of variations under different revenue
heads of accounts during 2000-01
(Reference: Paragraph 2.2; Page 6)

(Rupees in lakh)

Sl. No.	Major Head of Account	Budget estimate	Actual as per Annual Accounts	Shortfall (Percentage)	Reasons for variations as stated by the SEC of the Council in January 2006
1.	Land Revenue	10.60	4.30	6.30 (59)	Less number of mortgage and registration of land during 2000-01 and less collection of industrial fees.
2.	Forest	51.53	20.54	30.99 (60)	Non-release of due share of the Council by the State Government.
3.	Mines and Minerals	200.00	159.60	40.40 (20)	
4.	Taxes on Vehicles	85.00	27.13	57.87 (68)	

Source: Budget and Statement 5 of Annual Accounts – 2000-01.

APPENDIX - II

Variations in receipts and expenditure between current and previous year (20 per cent or more)

(Reference: Paragraph 2.4; Page 6)

(Rupees in lakh)

Sl. No.	Head of Accounts	Actuals		Variations Increase (+)/ Decrease (-) and percentage of variations in brackets	Reasons for variations as stated by the SEC of the Council in January 2006
		1999-2000	2000-01		
RECEIPTS					
1.	Taxes on Professions, Trades, Callings and Employment	210.18	278.65	(+) 68.47 (33)	Concerted collection drives.
2.	Taxes on Vehicles	...	27.13	(+) 27.13 (100)	Release of final payment for the year 1997-98 and ad hoc advance payment for the collection year 1998-99 by the State Government
3.	Other General Economic Services	12.71	38.05	(+) 25.34 (199)	Not furnished.
4.	Forest	40.06	20.54	(-) 19.52 (49)	Deposit of minor forest produce for the year 2000-01 in advance during 1999-2000.
5.	Mines and Minerals	80.98	159.60	(+) 78.62 (97)	Release of arrear share by State Government.
EXPENDITURE					
1.	District Council	23.56	32.41	(+) 8.85 (38)	Partial implementation of the Third Pay Commission Report of the State Government.
2.	Executive Members	18.54	23.81	(+) 5.27 (28)	Enhancement of pay and allowances.

Sl. No.	Head of Accounts	Actuals		Variations Increase (+)/ Decrease (-) and percentage of variations in brackets	Reasons for variations as stated by the SEC of the Council in January 2006
		1999-2000	2000-01		
3.	Public Works	50.80	64.59	(+) 13.79 (27)	Adoption of Third Pay Commission Report of the State Government.
4.	Other General Economic Services	6.34	22.40	(+) 16.06 (253)	Adoption of Third Pay Commission Report and construction of shops, foot path, etc.

Source : Statements 5 and 6 of concerned Annual Accounts.