

Presented to the

24 JUL 2012

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

**For the year ended 31 March 2008**

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



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## **PREFACE**

This Report has been prepared for submission to the Governor of Meghalaya 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, Tura, Meghalaya.

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 2007-08.

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 transactions relating to the year 2007-08.



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# OVERVIEW

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## OVERVIEW

The significant audit findings are given below:

- Exhibition of the transactions between the 1<sup>st</sup> and 2<sup>nd</sup> Personal Ledger Accounts 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 ₹ 7.74 crore.

**(Paragraph 2.2)**

- Allotment of work without executing any agreement and release of advance without bank guarantee resulted in loss of ₹ 20 lakh.

**(Paragraph 3.1)**

- The Council sustained loss of revenue of ₹ 38.42 lakh due to delay in allotment of shopping complex (₹ 8.96 lakh), settlement of hats at reduced rates (₹ 11.27 lakh), remission of lease amount (₹ 14.29 lakh) and settlement of bamboo mahal without inviting tenders (₹ 3.90 lakh).

**(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 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*” 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 District. 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.

## **1.2 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 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 (December 2011). 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 2007-08 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

According to the Annual Accounts furnished by the Council the receipt and expenditure of the Council for the year 2007-08 with resultant revenue deficit were as under:

**Table 2.1**

(₹ in lakh)

Receipts	2007-08	Disbursement	2007-08
<b>PART I DISTRICT FUND</b>			
<b>Revenue Receipts</b>		<b>Disbursements</b>	
(i) Taxes on Income and Expenditure	156.79	(i) District Council	59.53
(ii) Land Revenue	124.79	(ii) Executive Members	24.56
		(iii) Administration of Justice	6.72
(iii) Taxes on Vehicles	35.00	(iv) Land Revenue	231.74
(iv) Interest Receipts	8.69	(v) Secretariat General Services	313.56
(v) Administration of Justice	0.86	(vi) Stationery and Printing	34.95
		(vii) Public Works	362.16
(vi) Public Health, Sanitation and Water Supply	3.23	(viii) Pension and Retirement Benefits	37.39
(vii) Other General Economic Services	22.44		
(viii) Forest	19.61	(ix) Art and Culture	1.20
(ix) Mines & Minerals	589.29	(x) Rural Development	192.37
(x) Transfer from 2 <sup>nd</sup> to 1 <sup>st</sup> PLA	316.11		
(xi) Government Grant reimbursed	86.35	(xi) General Economic Services	63.63
(xii) Grants-in-aid received from State Government	852.50	(xii) Forest	186.85
		(xiii) Transfer from 1 <sup>st</sup> PLA to 2 <sup>nd</sup> PLA and 2 <sup>nd</sup> to 1 <sup>st</sup> PLA	688.11
		(xiv) Government Grant reimbursed	86.35
<b>Total Revenue Receipt</b>	<b>2215.66</b>	<b>Total Revenue Expenditure</b>	<b>2289.12</b>
<i>Revenue deficit</i>	<i>73.46</i>	<i>Revenue Surplus</i>	<i>-</i>

Receipts	2007-08	Disbursement	2007-08
<b>2. Capital Receipts</b>	-	<b>2. Capital expenditure</b>	-
<b>3. Debt</b>	-	<b>3. Debt</b>	-
(i) Loan received from Government	-	(i) Repayment of loans received from Government	-
(ii) Loan received from other sources	-	(ii) Repayment of loans received from other sources	-
<b>4. Loans and Advances</b>		<b>4. Loans and Advances</b>	
(i) Recovery of loan and advances	19.64	Disbursement of loan and advances	16.05
<b>Total Part I District Fund</b>	<b>2235.30</b>	<b>Total Part I District Fund</b>	<b>2305.17</b>
<b>PART II DEPOSIT FUND</b>			
Deposit	--	Deposit – Security Deposit	2.00
<b>Total Part II Deposit Fund</b>	-	<b>Total Part II Deposit Fund</b>	-
<b>Total Receipt (Part I &amp; Part II)</b>	<b>2235.30</b>	<b>Total Disbursement (Part I &amp; Part II)</b>	<b>2307.17</b>
Opening Balance	346.91	Closing Balance <sup>2</sup>	275.04
<b>GRAND TOTAL</b>	<b>2582.21</b>	<b>GRAND TOTAL</b>	<b>2582.21</b>

Source: Annual Accounts of the Council.

## 2.2 Comments on Accounts

2.2.1 Opening and closing balances of ₹ 346.91 lakh and ₹ 275.04 lakh shown under the head “G-Cash Remittances–Remittances into Treasury–Personal Ledger Account (PLA)” in Statement 7 of the Annual Accounts 2007-08 included cash balance of ₹ 4.14 lakh and ₹ 3.44 lakh respectively. Since this head relates to PLA, inclusion of cash balance under this account is not correct.

2.2.2 Despite repeated Audit observations in the Reports of the Comptroller and Auditor General of India in respect of the Council, the Council continued to exhibit the amount transferred from its 1<sup>st</sup> PLA to 2<sup>nd</sup> PLA and *vice versa* in the Annual Accounts. As per Statement 5 of the Annual Accounts for the

<sup>2</sup> Cash: ₹ 3.44 lakh; Personal Ledger Account (PLA): ₹ 271.60 lakh.

year 2007-08, ₹ 3.72 crore and ₹ 4.02 crore were transferred from 1<sup>st</sup> to 2<sup>nd</sup> PLA and from 2<sup>nd</sup> to 1<sup>st</sup> PLA respectively. These transactions were, however, booked in Statement 6 of Annual Accounts for the year 2007-08 as transfer from 1<sup>st</sup> to 2<sup>nd</sup> PLA (₹ 4.02 crore) and from 2<sup>nd</sup> to 1<sup>st</sup> PLA (₹ 3.72 crore). Since both the PLAs were maintained by the Council, exhibition of the transactions between the 1<sup>st</sup> and 2<sup>nd</sup> PLAs as receipts in Statement 5 and expenditure in Statement 6 of the Annual Accounts instead of under proper heads of account was not a correct depiction. Therefore, to this extent, the figures of opening and closing balance did not reflect true and fair picture.

## 2.3 Shortfall in collection of revenue

Compared to budget provision, there was shortfall in collection of revenue during 2007-08 under different heads of account. Significant cases of shortfall are given below:

Table 2.2

(₹ in lakh)

Sl. No.	Head of account	Budget provision	Actual as per annual accounts	Shortfall	Percentage of Shortfall
1.	Land Revenue	205.09	124.79	80.30	39
2.	Forests – Forest receipt from forest produces	50.00	19.61	30.39	61
3.	Public Health, Sanitation and Water Supply – Water Tax	8.00	3.23	4.77	60
4.	Stamps and Registration	0.40	Nil	0.40	100
5.	Other Administrative Services A. Administration of Justice	1.24	0.86	0.38	31

Source: Budget and Statement 5 of Annual Accounts



The wide variations between budget provision and actual collection of revenue indicated flaws in the budgeting process.

The Council stated (August 2010) that the anticipated receipts as reflected in the Budget provision are not always possible to be realised in full. The reply is not acceptable because huge shortfall in collection of revenue, which ranged between 39 *per cent* and 100 *per cent* under the heads mentioned above, was indicative of the fact that the budget provisions were not realistic.

## **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 (1<sup>st</sup> PLA) and the other for grants-in-aid received from the State Government (2<sup>nd</sup> PLA).

Scrutiny (July 2010) of records in connection with the PLAs of the Council revealed that as on 31 March 2008, the balances in respect of the Council held in the 1<sup>st</sup> and 2<sup>nd</sup> PLAs as per Plus and Minus Memorandum of the Tura Treasury for the month of March 2008 were ₹ 42.78 lakh and ₹ 233.47 lakh respectively. But as per Annual Accounts of the Council for the year, the closing balances under 1<sup>st</sup> and 2<sup>nd</sup> PLAs were shown as ₹ 37.58 lakh and ₹ 234.02 lakh respectively. The discrepancies of ₹ 5.20 lakh and ₹ 0.55 lakh remained un-reconciled (December 2011).

## SECTION III

### 3.1 Loss on allotment of work

The work for computerisation of accounts of the Council was awarded (May 2007) by the Council to a local firm (M/S Blue Jay Dealer, Tura) on turnkey basis at a cost of ₹ 1 crore with the stipulation to complete the work within 12 months. In June 2007, ₹ 20 lakh was paid to the firm as advance. Agreement executed with the firm, deposit of earnest money and bank guarantee, though called for, were not furnished by the Council.

Scrutiny (July 2010) of records revealed that the work scheduled to be completed by April 2008, was not completed till September 2008. In October 2008, the Council cancelled the work order on the ground of unsatisfactory execution of work. The cancellation order was silent about refund of advance payment released to the firm by the Council. Information about refund/adjustment of advance payment was also not furnished by the Council, though called for during audit.

Thus, allotment of work without executing any agreement and release of advance without Bank Guarantee had resulted in a loss of ₹ 20 lakh.

The matter was reported to the Council in October 2010; reply had not been received (December 2011).

### 3.2 Non-deposit of Council's revenue

Rule 17 of the Garo Hills District Fund Rules, 1952 provides that all receipts due to the Council collected by any employee of the Council authorised to collect such receipts shall pass through the cashier, who shall enter them in his Cash Book and that the cashier should furnished a receipt to the employee in *challan* prepared by him. Further, Rule 18 *ibid* provides that all money received by the Cashier on account of the Council shall be remitted intact to treasury promptly and shall on no account be appropriated towards expenditure.

Scrutiny (July 2010) of records of the Council revealed that during October 2002 to May 2010, eleven receipt books containing 100 leaves/receipt in each book were issued (one book at a time) to one Lower Division Clerk (LDC) (subsequently promoted as Upper Division Clerk) of the Revenue Branch of the Council. Between October 2002 and October 2008, the LDC collected rents totalling ₹ 17.73 lakh from tenants occupying the Council's shops, rooms and houses in and around Tura by issuing 800 receipts from eight receipt books. But in absence of Remittance Register, the amount deposited by the LDC to the cashier could not be verified in audit. The Cashier of the Council also stated (July 2010) that the amount of ₹ 17.73 lakh was not deposited by the concerned LDC. The Council could not produce any record showing the rent collected through different receipt books, including three out of 11 receipt books issued to the LDC, which were not produced to Audit.

While forwarding a Statement of House Rent Receipt Books (signed by the Assistant Settlement Officer, Revenue Branch of the Council), the Secretary, Executive Committee of the Council



stated (August 2010) that the photocopies of the *challan* in support of deposit of the amount of ₹ 16.14 lakh by the concerned official were enclosed and the tenants would be informed to deposit the balance amount (₹ 1.59 lakh). But the *challan* was neither found enclosed with the reply nor furnished subsequently despite request (October 2010) and thus, veracity of deposit of ₹ 16.14 lakh could not be assessed by Audit.

Thus, weak internal control mechanism with the Council resulted in non-deposit of Council's revenue of ₹ 1.59 lakh. Besides, deposit of ₹ 16.14 lakh also remained doubtful.

The matter was reported to the Council in October 2010; reply had not been received (December 2011).

### **3.3 Loss of revenue**

Scrutiny (July 2010) of records of the Council revealed that the Council sustained loss of revenue of ₹ 38.42 lakh for reasons given below:

- The shopping complex at Tura Bazar consisting of 20 shops, constructed at a cost of ₹ 30 lakh, was allotted in November 2008 after three years of completion of construction (August 2005) resulting in loss of revenue of ₹ 8.96 lakh<sup>2</sup>.
- For the year 2007-08, the Council allotted (January 2007) 53 hats on lease to 53 lessees for a total amount of ₹ 97.57 lakh. Of this, 20 hats were re-settled at reduced amount on different dates between February and July 2007 with the

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<sup>2</sup> Rent of 20 shops: ₹ 24,900 per month x 36 months = ₹ 8,96,400/-

same lessees for a total amount of ₹ 30.76 lakh against the original settled amount of ₹ 42.03 lakh, resulting in loss of ₹ 11.27 lakh.

- The Council granted (August 2008) remission for ₹ 14.29 lakh to the above 53 lessees due to non-payment of agreed amount by them, thereby resulting in a loss of revenue to that extent.
- Kalu River Bamboo *Mahal* was settled by the Council for the year 2000-01 with a lessee for ₹ 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 2007-08 for ₹ 0.60 lakh only. Computed with reference to the rate of 2000-01, the Council sustained loss of at least ₹ 3.90 lakh on settlement of the mahal without assessing market rate.

Regarding loss of revenue on settlement of 53 hats, the Secretary, Executive Committee of the Council stated (August 2010) that steps would be taken to check such occurrence in future to avoid loss of revenue and matter would be brought to the notice of the authority to take steps to assess the probable loss of revenue before granting remission to the lessees so as to avoid undue benefit to the bidders. Reasons for loss in respect of other cases had not been furnished (December 2011).

### **3.4 Temporary misappropriation of Council money**

Rule 17 of the Garo Hills Autonomous District Council Fund Rule 1952 provides that all revenue due to the Council collected by any employee of the Council shall be deposited to the Cashier promptly for onward remittance to the treasury. The cashier while

receiving the money should furnish a receipt to the employee in *challan* prepared by him.

Scrutiny of records (receipt books, collection register, remittance register and *challans*) revealed that revenue from non-tribal traders amounting to ₹ 21.98 lakh collected during 2007-08 by the Assistants/Collectors of the Council was deposited to the Cashier after delays ranging between 34 days and 913 days with consequential delay in remittance of the same in to the PLA of the Council. Further, in another case, ₹ 36,390 collected during June 1996 was deposited after 12 years on 01 April 2008.

Similarly, land revenues amounting to ₹ 8.23 lakh collected by the Assistants/Collectors of the Council were deposited to the cashier after delays ranging from 39 days to 766 days.

Retention of revenue outside the PLA was not only contrary to the Rule 17 *ibid* but also tantamount to temporary misappropriation of funds. In the circumstances, responsibility needs to be fixed against the delinquent official(s) for the lapses.

The Secretary, Executive Committee of the Council stated (August 2010) that the concerned assistants/ collectors would be instructed to deposit the revenue collection in time. The reply is indicative of the casual approach of the Council to safeguard its financial interest.



### 3.5 Non production of records

The Forest Branch of the Council did not produce records relating to the leasing out of different *Mahals*<sup>3</sup> by the Council during 2007-08, though called for during audit. Consequently, the revenue realisable, actually collected and deposited into the Council's fund during 2007-08 could not be verified in audit.

Further, the Engineering Department of the Council could not furnish supporting bills/vouchers, measurement books against expenditure of ₹ 3.70 crore incurred during 2007-08 and booked under Grant No. 8 - Civil Works-B (a) Government contribution and loan.

The Council stated (August 2010) that the concerned departments would be asked to give reasons as to why the necessary records were not produced to Audit.

### 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 step to analyse or evaluate the efficacy of its internal control system.

The matter was reported to the Council in October 2010; reply had not been received (December 2011).

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<sup>3</sup> Except two files regarding settlement of Kalu and Jinary rivers bamboo mahals.

### **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). Eleven IRs relating to the Council issued between May 1994 and March 2008 containing 155 paragraphs are yet to be settled (December 2011).

### **3.8 Follow up action on Audit Reports**

According to the Garo Hills District Fund Rules, 1952 (Rules, 1952), the Member in-charge of Financial Affairs shall place the Audit Report before the Council and shall send a copy of the proceedings of discussion held by the Council thereon to the Governor of the State for information.

Review of the position of placing and discussion of Audit Reports in respect of the Council for the last 10 years from 1996-97 to 2005-06 revealed that the Audit Reports for the years from 1996-97 to 2001-02 were placed before the Council after one to 11 months of sending the same by Audit. Though, these reports were discussed by the Council, action taken on the audit observations included in these reports had not been furnished. The dates of placing of the Audit Reports for the years from 2002-03 to 2006-07 had not been intimated by the Council even after four months to 24 months of sending the reports despite repeated requests. (as of July 2011).

As such, it is recommended that the Council should look into this matter and ensure timely placing of Audit Reports and also



proper action on the audit observations pointed out in the Audit Reports in a time bound manner, which would help in facilitating reduction in financial irregularities and lapses of various types leading to good governance.



(A.W.K. LANGSTIEH)

Shillong

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23 FEB 2012

Principal Accountant General (Audit)  
Meghalaya

Countersigned



(VINOD RAI)

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27 FEB 2012

Comptroller and Auditor General of India

