



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

**FOR THE YEARS  
1986-87  
AND  
1987-88**

**KHASI HILLS AUTONOMOUS 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 for the years 1986-87 to 1987-88.





## OVERVIEW

This Report contains three sections, of which one deals with the constitution of the Khasi Hills Autonomous District Council, the rules for the management of District Fund and maintenance of accounts by the District Council. The remaining two sections relate to the Council's financial position and the points noticed in audit of financial transactions for the period from 1986-87 to 1987-88.

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

-- Rs.0.35 lakh deposited into Treasury was not recorded in Treasury Pass Book of P. L. Account.

(Paragraph 2.3)

-- Unintended benefit of Rs.99.65 lakhs was given to lessees by extending lease period for one and half months beyond the scope of the lease agreement.

(Paragraph 3.1)

-- Fixed T. A. amounting to Rs.1.11 lakhs to Sub Inspectors and Assistant Sub Inspectors of schools was paid irregularly from March 1984 though the administration of primary education of the District Council was taken over by the State Government from 29 February 1984 and they were posted as PAs to the Executive members and were not required to go on inspection to Schools.

(Paragraph 3.2)





## 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 the Jaintia Hills District Council respectively, by a notification issued by Government on 14 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 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, 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 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 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 laying down 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 (June 1995). 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 accordance with 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 District Council in June 1977.

The annual accounts for the years 1986-87 and 1987-88 due for submission by 30 June 1987 and 1988 were submitted only in October and November 1994 respectively.

Results of the test-check of the Annual Accounts of the Council for the years 1986-87 and 1987-88 are given in the succeeding paragraphs.

## SECTION II

### 2.1 Revenue Receipts and Expenditure

According to the Annual Accounts furnished by the Council, the receipts and expenditure of the Council for the years 1986-87 and 1987-88 with resultant surplus/deficit were as follows :-

Receipts	1986-87 (Rupees in lakhs)	1987-88 (Rupees in lakhs)	Expenditure	1986-87 (Rupees in lakhs)	1987-88 (Rupees in lakhs)
<b>Part I District Fund</b>					
<b>(a) Revenue Receipts :</b>			<b>(a) Revenue Expenditure :</b>		
(i) Taxes on income and expenditure	3.30	7.45	(i) District Council	3.82	3.82
(ii) Land Revenue	0.49	2.74	(ii) Executive Members	4.45	5.36
(iii) Taxes on Vehicles	10.00	16.95	(iii) Land Revenue	4.60	5.39
(iv) Public Works	0.12	0.09	(iv) Secretariat General Services	54.76	53.15
(v) Other General Economic Services	0.13	0.11	(v) Public Works	9.23	14.86
(vi) Forest	75.55	57.87	(vi) Public Health, Sanitation and water supply	0.46	0.02
(vii) Mines and Minerals	24.34	8.80	(vii) Other General Economic Services	1.15	...
(viii) Grants-in-aid from the State Government	43.91	44.13	(viii) Forest	26.22	32.00
(ix) Other receipts	0.29	0.30	(ix) Roads and Bridges	17.61	24.78
			(x) Education	6.19	6.17
			(xi) Administration of Justice	7.05	9.34
			(xii) Others	3.49	9.38
<b>Total Revenue Receipts (a)</b>	<b>158.13</b>	<b>138.44</b>	<b>Total Revenue Expenditure (a)</b>	<b>139.03</b>	<b>164.27</b>
Revenue deficit		25.83	Revenue Surplus	19.10	
(b) Capital :	...	...	(b) Capital :	...	...
(c) Debt :			(c) 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	...	...
Total of (c)	...	...	Total of (c)	...	...
(d) Loans and Advances :			(d) Loans and Advances :		
Recoveries of loans and advances	1.58	*2.29	Disbursement of loans and advances	0.86	1.82
Total of Part-I District fund	159.71	140.73	Total of Part-I District Fund	139.89	166.09

#### Part - II Deposit Fund

Deposit Receipts	14.47	12.01	Deposit Payments	6.15	12.49
Total of Part-II	14.47	12.01	Total of Part-II	6.15	12.49
Total Receipts (I & II)	174.18	152.74	Total Disbursement (I & II)	146.04	178.58
Opening balance :	105.77	133.91	Closing balance :	133.91	108.07
Grand Total :	279.95	286.65	Grand Total :	279.95	286.65

## 2.2 Discrepancies between Fund Register and Personal Ledger Account

According to Fund rules, 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) opened in the Shillong Treasury. It was noticed that transactions appearing in the Personal Ledger Account did not tally with those entered in the Fund register of the Council as shown below :-

☛ The minus balance of Rs. 0.13 lakh under Loans and advances to District Council Employees - Festival Advances in the statement No. 4 of Annual Accounts (1987-88) was due to misclassification of Festival Advances of Rs. 1.18 lakhs drawn during 1986-87 under the respective service head instead of 'Loans and advances to District Council etc'. The minus balance is being rectified by the Council in the next year's Annual Accounts (1988-89).



Receipts				Expenditure		
Year	Amount according to PLA	Amount according to Fund Register	Difference	Amount according to PLA	Amount according to Fund Register	Difference
(in lakhs of rupees)						
1986-87	168.73	169.67	0.94	141.61	141.55	0.06
1987-88	161.46	144.22	17.24	169.11	170.12	1.01

The above discrepancies had not been reconciled. The Council stated (June 1995) that the matter was under reconciliation and the final position would be intimated on completion of reconciliation.

### 2.3 Non-remittance of revenues

A test-check of Receipt Register for the months of December 1986 to March 1987 and November 1987 to March 1988 revealed that an amount of Rs.0.35 lakh (1986-87 : Rs. 0.09 lakh and 1987-88 : Rs. 0.26 lakh) was remitted into Treasury through treasury challans but not found recorded in the PLA Pass Book.

The Council stated (April 1995) that the discrepancies between the figures as per records of District Council and Treasury (PLA) are under reconciliation.

## SECTION III

### 3.1. Unintended benefit to the lessees

The Khasi Hills Autonomous District Council (KHADC) had leased out (December 1986) 3 (three) forest ranges\* and beats\*\* (Shillong Range - Rs.40.12 lakhs, G.S. Road Range - Rs.16.85 lakhs and Aradonga Beat - Rs.2.50 lakhs) for a period of twelve months from 1st January 1987 to 31st December 1987 to the highest bidder at a royalty of Rs.59.47 lakhs.

According to the agreement (clause 3) the lessees would realise the forest revenue/royalties from the forest traders, buyers or forest contractors at the scheduled rates of royalties in force. There was however no provision in the agreement for extension of lease period.

During lease period the total revenue/royalties collected by the lessees of these Ranges and Beats were Rs.166.65 lakhs (Shillong Range - Rs.120.58 lakhs, G. S. Road - Rs. 40.32 lakhs and Araadonga Range - Rs. 5.75 lakhs) against the leased amount of Rs. 59.47 lakhs.

It was noticed that the Executive Committee of the KHADC by its order dated 4 December 1987 extended the lease period for one month from 1 January to 31 January 1988 and for a further period for 15 days from 1 February to 15 February 1988 under order dated 29 January 1988 on the ground that the lessees suffered financial loss due to blockade in Assam, implementation of Meghalaya Removal of

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\* A forest Division is sub-divided into Ranges of executive charges which are normally held by Rangers or Deputy Rangers. Their designation is Range Officer.

\*\* A forest range is further sub-divided into beats of protective charges which are held by Forest Guards, who are called Beat Officers.

Timber Regulation 1981 by the Government of Meghalaya and other disturbances. The lessees availed themselves of the extension period and earned further revenue of Rs.88.65 lakhs, without payment of any royalty, which could be earned by the District Council had the Ranges/Beats were settled afresh.

Thus, although lessees earned substantial profit of Rs.107.18 lakhs (Rs.166.65 - Rs.59.47 lakhs) over the leased amount during the lease period from January to December 1987, the extension of the lease was granted by the Executive Committee. This resulted in unintended benefit to the lessees to the tune of Rs.88.65 lakhs as there was no financial loss to the lessees during the lease period from 1 January 1987 to 31 December 1987 and extension of lease period was beyond the scope of agreement.

In reply the Council stated (April 1995) that though the revenue / royalty worth Rs.88.65 lakhs was collected by the lessees during the extension period from January 1988 to 15 February 1988 but the cost of idle labour force of the lessees during bandhs, road-blockade and high cost of extraction of timber had not been taken into consideration by the Audit.

The reply is not tenable as there was no provision in the agreement for extension on any ground and the expenditure of the lessees on idle labour etc. was also not a part of the agreement.

### **3.2 Irregular payment of fixed travelling allowance**

The administration of primary education including primary schools of the District Council and all functions and powers vested in or exercisable by the Council had been taken over by the State Government from 29 February 1984. Before taking over of the administration of primary education of the Council by the Government, there were five Sub-Inspectors of Schools (S.Is) and five of Assistant



Sub-Inspectors of Schools (A.S.Is) in the Council who enjoyed the benefit of fixed T.A. at Rs.125 and Rs.100 p.m. respectively in addition to their usual pay and allowances in consideration of their duties to travel extensively. After taking over of primary schools by the Government from March 1984, all the five S.Is and 5 A.S.Is. were working as P.As to the Executive members without change in their designation/post but continued to be paid the fixed TA even though they were no longer required to go on inspection of schools. On this being pointed out in Audit (May 1989), the Council stated (December 1994) that payment of fixed TA to S.Is and A.S.Is were discontinued from 1 June 1992. But it was noticed (December 1994) that during the period from 1 March 1984 to 31 May 1992, the total amount on account of fixed TA amounting to Rs.1.11 lakhs were paid to these 5 S.Is. and 5 A.S.Is and the irregular payment was not regularised by the Government (January 1995). Reasons for continued payment of fixed TA upto May 1992 even after the taking over of the function by the State Government had not been stated (January 1995).

### 3.3 Outstanding Inspection Reports

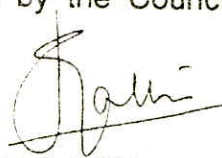
Audit observations on financial irregularities and defects in maintenance of accounts noticed during local audit and not settled on the spot are communicated to the head of office and to the next higher authorities through the Inspection Reports.

The position of the outstanding paras relating to this Council 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 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.



(J. S. MATHUR)

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

Place : Shillong

Date : 4 DEC 1995

Countersigned



(C. G. SOMIAH)

Comptroller and Auditor General of India

Place : New Delhi

Date : 22 DEC 1995

