



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

FOR THE YEAR 2001-02

**NORTH CACHAR HILLS AUTONOMOUS COUNCIL
HAFLONG, ASSAM**







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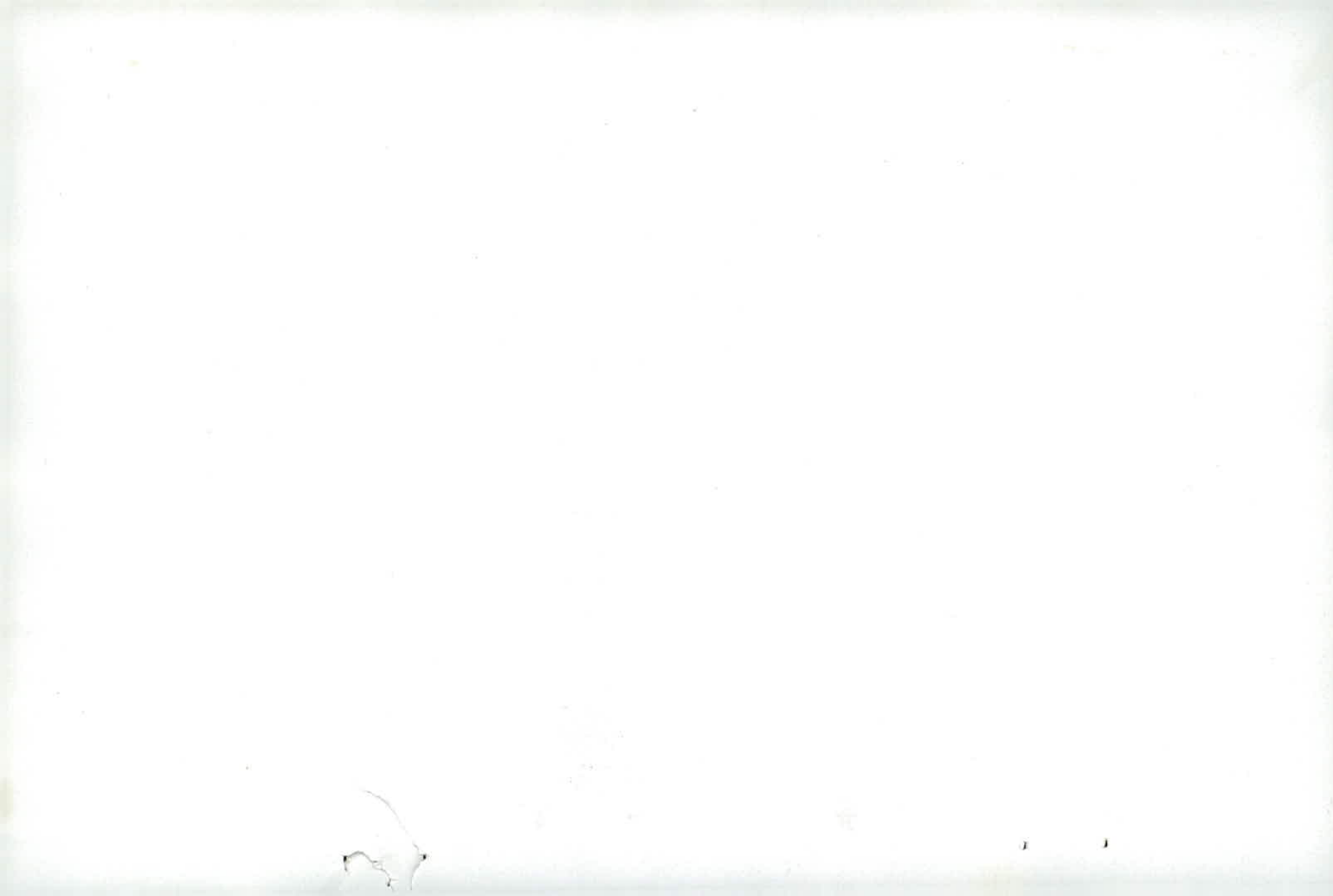
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Prefatory Remarks

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 financial transactions of the North Cachar Hills Autonomous Council, Haflong, Assam.

The cases mentioned in the Report are those which came to notice in the course of test-check of the accounts for the year 2001-02.

The Report contains three sections of which one section deals with the constitution of the North Cachar Hills Autonomous Council, the rules for the management of the 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 year 2001-02.



Overview

A synopsis of the findings contained in the important paragraphs is presented in the overview.

- ❑ Net revenue deficit during 2001-02 was Rs.8.54 crore. The excess expenditure was met by irregular diversion of fund advanced by the State Government for entrusted functions.

(Paragraph 2.1.2)

- ❑ Plan expenditure was understated by Rs. 2.42 crore with corresponding overstatement of non-plan expenditure.

(Paragraph 2.2.1)

- ❑ Part-I District fund was understated by Rs.62.73 lakh, with corresponding overstatement of Part-II Deposit Fund by Rs 2.16 lakh.

(Paragraph 2.2.2)

- ❑ The annual accounts does not depict the complete position of Capital Outlay due to non-exhibition of Progressive Capital Outlay

(Paragraph 2.2.6)

- ❑ The unspent balance of Rs.4.62 crore (Plan funds) was irregularly utilised on inherent function instead of being refunded.

(Paragraph 2.3.2)



SECTION - I

1.1 Introduction

The North Cachar Hills Autonomous Council was set up 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 Sixth Schedule, read with paragraph 6 (1) and 6 (2) of the Schedule *ibid*.

1.2 Rules for the management of District Fund

Under Sub-para (2) of Para-7 of the Sixth Schedule (as it stood originally) the financial affairs of this District Council is being regulated under the North Cachar Hills District Fund Rules, 1953, as approved by the Governor. In view of the amendment of paragraph 7(2) of the Schedule (made with effect from 2 April 1970) the State Government of Assam prepared in 1972, draft District Fund Rules, common to both the District Councils in Assam State. The draft Fund Rules was last revised in 1995 but could not be finalized due to non-amendment of para 7(4) of Sixth Schedule to the Constitution of India, as proposed by Government of Assam.

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 of India. The Annual Accounts for the year 2001-02 prepared in the prescribed form were submitted by the Council in December 2003, which contained some discrepancies.

The discrepancies noticed during audit were reconciled by the Council and revised accounts submitted to audit in March 2004.

Results of test-check of the annual accounts of the Council for the year 2001-02 are given in succeeding paragraphs.

SECTION - II

2.1 Receipts and Expenditure

2.1.1 The receipts and expenditure of the Council for the year 2001-02 and resultant revenue deficit were as under:

(Rupees in lakh)

Receipts			Disbursement		
Part - I District Fund			Part - I District Fund		
1.	Revenue receipts		1.	Revenue expenditure	
	2000-01	2001-02		2000-01	2001-02
(i) Taxes on Income and expenditure	93.51	111.71	(i) District council	17.67	19.34
(ii) Land revenue	4.14	46.27	(ii) Executive Members	12.85	10.59
(iii) Stamps and Registration fees	0.25	0.98	(iii) Administration of Justice	8.89	10.90
(iv) Taxes on vehicles	—	16.45	(iv) Land Revenue	78.82	87.75
(v) Interest receipts	0.30	0.31	(v) Secretariat General Services	229.03	236.99
(vi) Stationary and Printing	0.05	0.04	(vi) Stationary and Printing	3.54	4.68
(vii) Public works	1.02	1.41	(vii) Public Works	181.23	192.42
(viii) Other Administrative Services	0.19	—	(viii) Pension & Other Retirement Benefits	53.31	68.18
(ix) Other General Economic Services	51.14	160.94	(ix) Education	1400.61	1979.01
(x) Fisheries	0.33	0.69	(x) Art and Culture	19.14	28.20
(xi) Forest	134.66	138.73	(xi) Urban Development	10.37	4.24
(xii) Mines and Minerals	72.22	73.66	(xii) Social Security and Welfare	7.72	3.45
(xiii) Roads and Transport Services	2.33	3.45	(xiii) Relief on account of natural calamities	0.64	0.10
(xiv) Grants-in-aid from State Government	1414.70	1783.61	(xiv) Information and Publicity	5.09	1.75
			(xv) Other General Economic Services	64.99	61.45
			(xvi) Forest	423.44	458.83
			(xvii) Road Transport Services	18.41	24.21
Total Revenue receipts	1774.84	2338.25	Total Revenue expenditure	2535.75	3192.09
Revenue deficit	760.91	853.84			
2. Capital Deficit under Capital	29.40	38.53	2. Capital	29.40	38.53
3. Debt			3. Debt		
(i) Loan received from the State Government			(i) Repayment of loans received from the State Government	--	--
(ii) Loans received from other sources			(ii) Repayment of loans received from other sources	--	--
4. Loans and Advances Recoveries of Loans and advances	1.34	1.25	4. Loans and Advances	--	--
			Disbursement of loans and advances	0.75	0.25
			Surplus under Loans and advances	0.59	1.00
Total of Part-I District Fund	2566.49	3231.87	Total of Part-I District Fund	2566.49	3231.87
Part-II Deposit Fund					
(i) Deposit receipts	--	--	(i) Expenditure in deposit account	--	--
(ii) Fund received from the State Government for Transferred functions	8617.80	8229.97	(ii) Expenditure on transferred functions	7828.48	7337.23
			Surplus under transferred functions	789.32	892.74
Total of Part-II Deposit Fund	8617.80	8229.97	Total of Part-II Deposit Fund	8617.80	8229.97
Total Receipts (Part I + II)	10393.98	10569.47	Total Disbursements	10394.38	10568.09
Opening balance	1.60	1.20	Closing balance	1.20	2.57
Grand Total	10395.58	10570.67	Grand Total	10395.58	10570.67

2.1.2 Revenue Deficit

There was a net revenue deficit of Rs.8.54 crore as expenditure of Rs.31.92 crore was incurred against the revenue receipts of Rs.23.38 crore* pertaining to inherent functions.

The excess expenditure was met by irregular diversion of fund advanced by the State Government for discharging entrusted functions.

2.1.3 Variations in expenditure between current year and previous year

There was an increase in expenditure as compared to the previous year ranging between 3 and 45 *per cent* under the following heads of accounts:

(Rupees in lakh)

Sl. No.	Head of accounts	Expenditure during 2000-01	Expenditure during 2001-02	Increase	Percentage of Increase
1.	District Council Secretariate	17.67	19.34	1.67	9
2.	Administration of Justice	8.89	10.90	2.01	23
3.	Land Revenue	78.82	87.75	8.93	11
4.	Secretariate General Services	229.03	236.99	7.96	3
5.	Stationery and Printings	3.54	4.68	1.14	32
6.	Public Works	181.23	192.42	11.19	6
7.	Education	1400.61	1979.01	578.40	41
8.	Art and Culture	19.14	28.20	8.79	45
9.	Forest	423.44	458.83	35.99	9
10.	Road Transport Services	18.41	24.21	5.80	32

Reasons for variations were not explained by the Council.

2.1.4 Variation in Receipts and Expenditure compared to budget provisions

(i) **Receipts:** Against the revised budget estimate of Rs.8.01 crore actual revenue receipts (excluding Grants-in-aid) was Rs.5.54 crore,

* including grants-in-aid of Rs.17.84 crore

indicating that budget estimates were not prepared on realistic basis; shortfall in revenue receipts ranging from 8 *per cent* to 100 *per cent* in the following (eight) heads of accounts.

(Rupees in lakh)

Sl. No.	Heads of accounts	Revised estimated amount	Revenue Receipts	Shortfall	Percentage of Shortfall
1.	Stamp and Registration	3.50	0.98	2.52	72
2.	Interest	1.00	0.30	0.70	70
3.	Public Works	15.41	1.41	14.00	91
4.	Other Administrative Service	54.03	Nil	54.03	100
5.	Other General Economic Service	244.30	160.94	83.36	34
6.	Fisheries	1.00	0.69	0.31	31
7.	Forest	287.65	138.73	148.92	52
8.	Mines and Minerals	80.50	73.66	6.84	8

Like earlier years, the Council had stated (March 2004) that the shortfall was due to deterioration of law and order situation in the district.

The contention of the Council which was offered in previous years also is not tenable as the situation was well known to the Council and as such it should have been taken into consideration while framing budget estimates or even at the revised estimate stage.

(ii) **Expenditure:** There was excess expenditure over (Revised) budget provision for expenditure for the year 2001-02 ranging from 20 *per cent* to 38 *per cent* in the following (two) heads of accounts :

(Rupees in lakh)

Sl. No.	Heads of accounts	Total Budget provision	Actual expenditure	Excess expenditure	Percentage of excess expenditure
1.	Land Revenue	63.55	87.75	24.20	38
2.	Urban Development expenditure from grants-in-aid	1.54	1.85	0.31	20

The Council had not furnished reasons for excess expenditure over budget provision (April 2005).

2.2 Comments on accounts

2.2.1 According to Statement-6 appended to in the annual accounts of the Council for the year 2001-02 an expenditure of Rs.14.58 crore was shown under non-plan which included Rs.2.42 crore meant for plan head of Primary Education Department. Non-exhibition of plan and non-plan expenditure distinctly in the annual accounts, the non-plan expenditure was overstated by Rs.2.42 crore with corresponding understatement of plan expenditure to that extent.

The Council (March 2004) had accepted the mistake and assured to exhibit such break-up from next year.

2.2.2 The district Council receives grants from the Government of Assam for both normal and entrusted functions. The funds so received for normal functions is required to be accounted for in Part-I District Fund while amount received for entrusted functions is to be accounted for in Part-II Deposit Fund.

In the instant case, Rs.62.73 lakh was accounted for in Part-II Deposit Fund instead of Part-I District Fund (Grants-in-aid) and Rs.2.16 lakh was accounted for in Part-I District Fund in lieu of Part-II Deposit Fund.

Thus, Part-I District Fund was understated by Rs.62.73 lakh and Part-II Deposit Fund was overstated by Rs.2.16 lakh.

The Council while admitting the fact had stated (March 2004) that these were due to non-receipt of information from the Transfer Wing of the Council.

2.2.3 All moneys received by the Council on account of regular functions as well as entrusted functions are to be credited to Personal Ledger Account (PLA) and all expenditure on both functions are to be met there from.

Test-check of records of Education Department of the Council revealed that the department received Rs.0.36 lakh as Grants-in-aid from the State Government in January 2002 for imparting training to the primary teachers. The amount instead of being credited to PLA, was kept separately in bank account (3/130, SBI, Haflong) operated by the Primary Education Officer of the Council. This led to understatement of Grants-in-aid under Part-I District Fund (Education) to the extent of Rs.0.36 lakh.

2.2.4 The revenue receipts of 2001-02 was overstated to the extent of Rs.22.18 lakh under two heads of accounts due to accountal of revenue receipts pertaining to previous years 1997-98 to 2000-01 deposited through treasury challans as detailed in tabular form below :

(In Rupees)

Year	No. of challans	Heads of accounts		Total
		Taxes on Income and Expenditure Forest	Forest	
1997-98	6	2172.00	—	2172.00
1998-99	25	13123.00	—	13123.00
1999-2000	59	46653.00	—	46653.00
2000-01	221	962326.00	1193466.00	2155792.00
Total	311	10,24,274.00	11,93,466.00	22,17,740.00

In reply (March 2004) the Council had stated that the omission in giving entry in PLA cash book was due to non-receipt of receipted copy of challans from the concerned department in time for accountal in PLA cash book.

2.2.5 Despite being pointed out in earlier Audit Reports, Capital Expenditure under two heads of accounts viz., “40-Capital Outlay on Public Works” and “42-Capital Outlay on Road Transport Services acquisition of fleet” was overstated by Rs.15.47 lakh and Rs.14.79 lakh respectively as the expenditure was revenue in nature.

The Council admitted mis-classification between capital and revenue expenditure (March 2004).

2.2.6 Despite being mentioned in earlier Audit Reports¹, instead of exhibiting Progressive Capital Outlay, the Council exhibited the position of last two years only as on 31 March 2002.

Thus, Statement No.2 of annual accounts did not depict the complete position of capital outlay.

The Council in reply (March 2004) stated that due to non-availability of relevant old records actual progressive capital outlay since inception could not be worked out.

2.2.7 Revenue expenditure under the head 14-A “Urban Development” was overstated by Rs.0.50 lakh as the said amount was to be exhibited separately as disbursement of loans and advances under Statement No.7 of annual account.

The mistake was accepted by the Council (March 2004).

2.3 Entrusted functions

2.3.1 Against the actual receipt of Rs.82.09 crore as per records, the Council exhibited Rs.82.30 crore in the annual account. Further scrutiny revealed that receipt of Rs.0.27 crore being refund of unutilised

¹ Paragraph 2.2.8 of Audit Report for the year 1999-2000

Paragraph 2.2.6 of Audit Report for the year 2000-01.

fund was wrongly shown as grant received from Government of Assam instead of showing separately as receipts under Part-II Deposit Fund disclosing the facts in explanatory note below Statement No.1. Thus, Part-II Deposit fund was understated by Rs.0.06 crore².

Similarly, against the actual expenditure of Rs.73.55 crore, the Council exhibited Rs.73.37 crore in the annual account resulting understatement of expenditure by Rs.0.18 crore.

2.3.2 According to terms of entrustment, any plan fund left unutilised at the close of the financial year is to be refunded into Treasury under intimation to the State Finance Department and should not be carried over to next financial year. The Council not only retained the unspent balance of plan fund of Rs.4.62 crore but also utilised the same towards expenditure pertaining to its inherent functions which was highly irregular.

2.3.3 According to the Memorandum of Understanding (MOU) dated 31 December 1996, the Council is not empowered to re-appropriate funds from one major head to another in case of entrusted function and is required to restrict expenditure within the budget provision/fund released by the State Government. In contravention the Council incurred total expenditure of Rs.1.75 crore in excess over funds released by the State Government.

Reasons for the excess expenditure were not stated by the Council (April 2005).

² Grants received during the year as per records	Rs. 82.09 crore
Add: Unutilised fund of previous years	<u>Rs. 0.27 crore</u>
	Rs. 82.36 crore
Less: Shown in accounts	<u>Rs. 82.30 crore</u>
Understatement:	Rs. 0.06 crore

2.4 Personal Ledger Account

The balances held in the Personal Ledger Accounts (PLA) as per Council's records were not reconciled up to 31 March 2002 with the balances shown in the records of the Haflong Treasury resulting in huge discrepancies in the balances as shown below:

(Rupees in crore)

Sl. No.	As per Treasury records	As per annual account and PLA	Cash Book	Discrepancy
1.	Opening balance as on 01/04/2001	4.80	0.01	4.79
2.	Closing balance as on 31/03/2002	0.92	0.03	0.89

The Council in reply (March 2004) had stated that reconciliation upto May 2000 was carried out in July 2002 and reconciliation from June 2000 onwards was under process. The reply is not tenable as there was no tangible progress in this regard (December 2004).

SECTION -III

3.1 Revenue expenditure

3.1.1 Excess payment towards pay and allowances of teachers due to extension of regular time scale

Mention was made in paragraph 3.2.1 of Audit Report of the Council for the year 2000-01 regarding excess payment towards pay and allowances of teachers due to extension of regular time scale. Further scrutiny of records revealed that 177 teachers appointed in August 1997 on fixed pay basis (Rs.900 per month enhanced to Rs.1800 per month from March 1999) were continued to draw regular time scale pay during 2001-02 although they did not pass pre-requisite Basic Training Examination (BTE) till December 2004. This resulted in excess payment of Rs.88.15 lakh* between April 2001 and March 2002.

The Council had neither made any attempt for recovery nor furnished any reply for the excess payment (April 2005).

3.1.2 Extra expenditure due to irrational engagement of temporary teachers.

As per existing norms of primary schools in SC/ST areas of the Council, the student teacher ratio is 15:1.

During test-check, it was noticed that though 342 excess teachers were on roll in urban areas of the Council, 112 teachers were appointed during 2001-02 in the rural areas against leave vacancies without utilising the services of excess teachers of urban areas to rural areas, the Council incurred an expenditure of Rs.4.87 lakh⁺ towards pay and allowances for teachers appointed against leave vacancies.

The Council had not furnished any reply (April 2005).

* Amount paid during 2001-02 in the regular time scale : Rs.126.38 lakh

Less: Amount admissible @ Rs.1800 per month for 177

Teachers during the above period : Rs. 38.23 lakh

Excess payment : Rs. 88.15 lakh

+ Details furnished by the Council.

3.2 Other points

3.2.1 Diversion of funds

Grants-in-aid received by the Council from Government of Assam for different departments/schemes, were either partially utilised or not utilised for the purpose for which grants were released. Entire or part of the grant was irregularly diverted and spent for other functions as detailed below:

(Rupees in crore)

Grants-in-aid received under department/scheme	Amount received during 2001-02	Amount spent	Balance amount during 2001-02	Balance amount diverted to
1. Chief Minister Swa Niyojan Yojaona	1.28	—	1.28	Administration of Inherent function
2. Primary Education Department	17.69	14.58	3.11	-do-
3. Transport Department	0.15	—	0.15	-do-
4. Rural Development Department	0.30	0.01	0.29	5054 CO PWD Roads
Total	19.42	14.59	4.83	

The Council did not furnish utilisation certificates for the grants received (April 2005).

Guwahati
The

(SWORD VASHUM)
Principal Accountant General (Audit)
Assam

Countersigned

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The

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India



