



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

FOR THE YEAR 1996-97

**KHASI HILLS AUTONOMOUS DISTRICT COUNCIL
SHILLONG (MEGHALAYA)**



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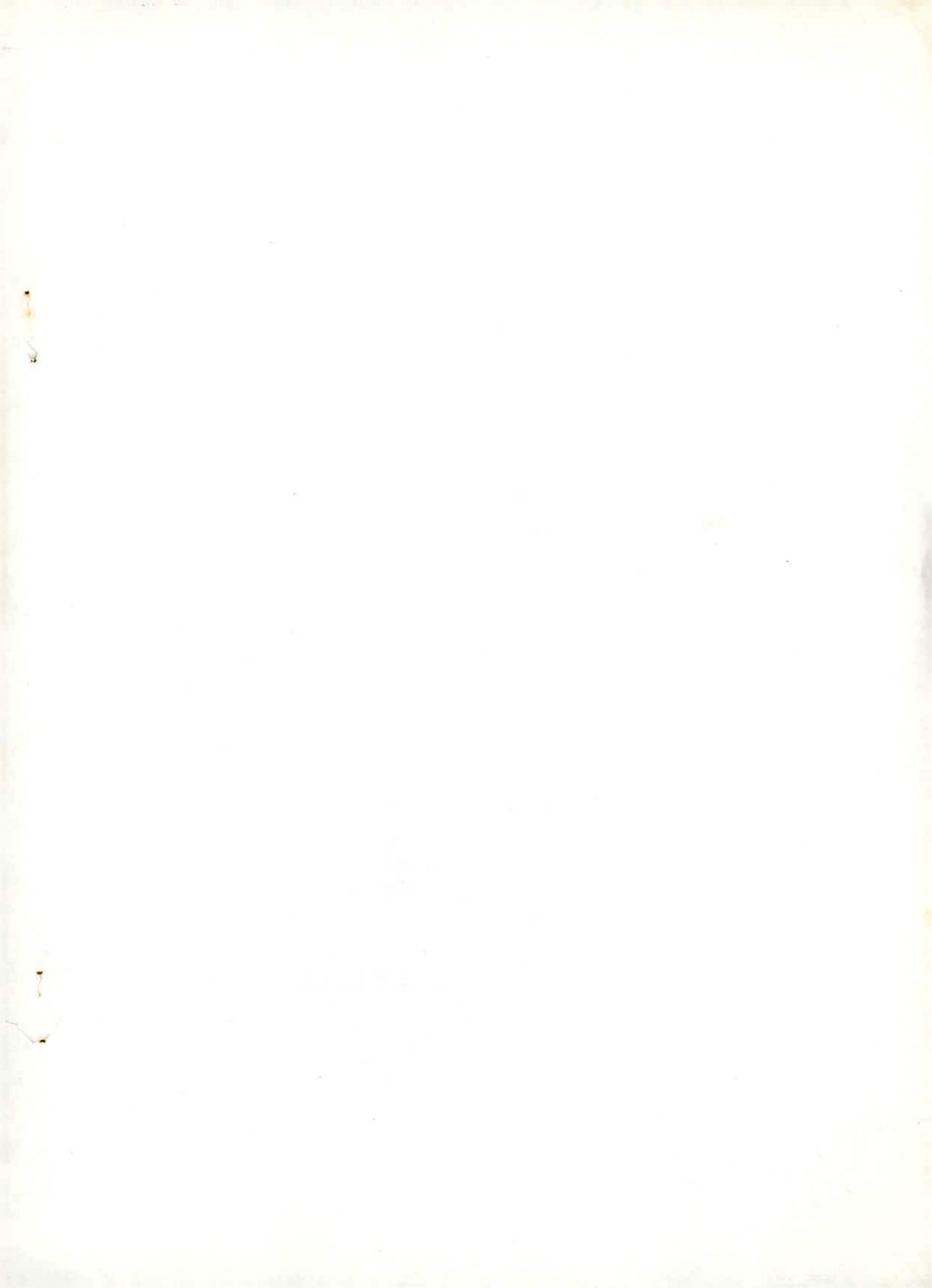


PREFATORY REMARKS

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 course of test-check of the accounts of the Council for the year 1996-97.

3 . This Report contains three sections, of which one 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 contain comments on the Council's financial position and irregularities relating to the year 1996-97.



OVERVIEW

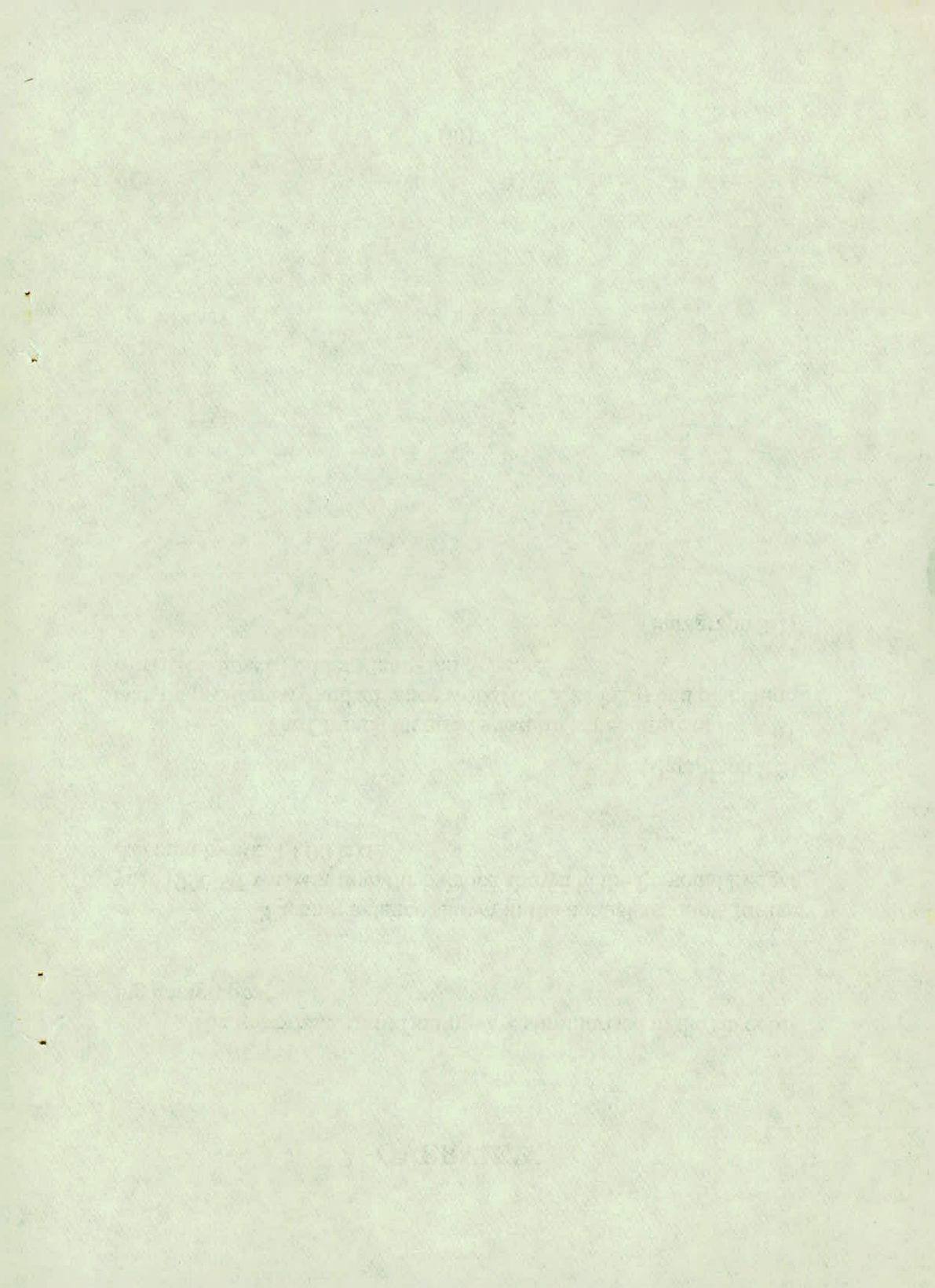
The important Audit findings are summarised in the succeeding paragraphs :-

- Closing balance shown in the annual accounts for the year 1996-97 was less than the balance shown in the Personal Ledger Account by Rs. 14.06 lakh.

(Paragraph 2.2)

- The Council incurred wasteful expenditure of Rs. 8.21 lakh on preliminary and advance work (Rs. 3.21 lakh) and plantation work (Rs. 5 lakh) under Plantation Scheme.

(Paragraph 3.1)



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. 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 the 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 forests other than reserve 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 Sixth Schedule, the Councils have powers to establish, construct or manage primary schools, dispensaries, markets, cattle pounds, ferries, fisheries, roads, road transport and water ways 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 Sixth 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 for 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 (March 1998). 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 pursuance of paragraph 7(3) of the Sixth Schedule to the Constitution of India, 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 (in the prescribed form) for the year 1996-97 were submitted to Audit by the Council in November 1997.

Results of the test-check of Annual Accounts of the Council for the year 1996-97 are given in the succeeding paragraphs.

SECTION II

2.1 Receipts and expenditure

2.1.1 According to the Annual Accounts furnished by the Council, the receipts and expenditure of the Council for the year 1996-97 with resultant revenue deficit were as follows :-

Receipts	(Rupees in lakh)	Disbursements	(Rupees in lakh)
PART I- DISTRICT FUND			
(1) Revenue receipts		(1) Revenue expenditure	
(i) Taxes on income and expenditure	31.93	(i) District Council and Executive Members	40.19
(ii) Land revenue	2.27	(ii) Administration of Justice	28.94
(iii) Taxes on vehicles	33.26	(iii) Land revenue	11.01
(iv) Other General Economic Services	8.83	(iv) Secretariat General Services	201.02
(v) Forest	65.94	(v) Public Works	59.86
(vi) Mines and Minerals	65.95	(vi) Pension and other retirement benefits	27.40
(vii) Grants-in-aid from State Government	160.19	(vii) Education	5.21
(viii) Other heads of accounts	1.10	(viii) Forest	78.37
		(ix) Roads and Bridges	93.90
		(x) Other heads of accounts	5.22
Total Revenue receipts	369.47	Total Revenue expenditure	551.12
Revenue deficit	181.65		
(2) Capital	Nil	(2) Capital	Nil
(3) Debt	Nil	(3) Debt	Nil
(4) Loans and Advances		(4) Loans and Advances	
Recoveries of loans and advances	3.58	Disbursement of loans and advances	3.04
Total Part I District Fund	373.05	Total Part I District Fund	554.16

Receipts	(Rupees in lakh)	Disbursements	(Rupees in lakh)
PART II - DEPOSIT FUND			
(i) Deposit not bearing interest - security deposit	1.08	(i) Deposit not bearing interest-security deposit	0.31
(ii) Civil Advance-Depart- mental advance	1.40	(ii) Civil Advance- Departmental advance	1.40
Total Part II Deposit Fund	2.48	Total Part II Deposit Fund	1.71
Total Receipts (I+II)	375.53	Total Disbursements (I+II)	555.87
Opening balance	487.37	Closing balance	307.03
Grand Total	862.90	Grand Total	862.90

2.1.2 Transactions relating to payment of LIC premium and recovery thereof were accounted for in Statement 4 of annual accounts for the year 1996-97 under the head "Loans and Advances - Amount paid and recovery effected in connection with LIC premium". The list of Major and Minor Heads of Account of the Council, however, did not provide for accounting of such transactions in the accounts of the Council. Since the payments of premium were made by the Council in advance on behalf of the policy holders, the transactions pertaining to the same should have been accounted for under the head 'Loans and Advances-Other advances'. The Council stated (March 1998) that initially the LIC premium was financed by it which was recovered from the pay bills of the concerned policy holder.

The reply is not tenable as the depiction of the transactions under the head "Loans and Advances - Amount paid and recovery effected in connection with LIC premium" was not in order due to non-existence of such head of account in the approved list of major and minor heads.

2.1.3 Large variations in receipts and expenditure under different heads of account between the current and the preceding year were noticed. A few significant cases are given below :-

Serial Number	Head of accounts	1995-96	1996-97	Variation Increase +/ Decrease - and percentage of variation in brackets	Reasons for variations
(Rupees in lakh)					
Receipts					
1.	Taxes on income and expenditure	136.15	31.93	-104.22 (77)	1. Less release of Council's share on "Taxes on income and expenditure " during 1996-97 by the State Government.
2.	Other General Economic Services	20.72	8.83	-11.89 (57)	2. Supreme Court's ban on removal of timber resulted in slashing down of collection of revenue from toll gates which prompted the Council to fix the lease amount of toll gates at a lower rate. Hence the shortfall.
3.	Forest	147.92	65.94	-81.98 (55)	3. Due to ban on removal of timber.
4.	Mines and Minerals	128.92	65.95	-62.97 (49)	4. Less release of Council's share by the State Government.
Expenditure					
1.	District Council and Executive Members	31.28	40.19	+8.91 (28)	1. Due to revision of pay and allowances of Executive Members.

Serial Number	Head of accounts	1995-96	1996-97	Variation Increase +/ Decrease - and percentage of variation in brackets	Reasons for variations
(Rupees in lakh)					
Expenditure					
2.	Public Works	46.01	59.86	+13.85 (30)	2. Due to revision of pay and petty repairs and construction works.
3.	Pension and other retirement benefits	21.60	27.40	+5.80 (27)	3. Due to more retirements.
4.	Education	7.18	5.21	-1.97 (27)	4. Due to more release of funds to rural areas primary schools.
5.	Social Security and Welfare	5.06	1.77	-3.29 (65)	5. Less release of funds by the State Government.
6.	Other General Economic Services	0.36	3.29	+2.93 (814)	6. More release of funds by the State Government.

2.2 Personal Ledger Account

Closing balance as on 31 March 1997 shown in the annual accounts for the year 1996-97 (Rs. 307.03 lakh) was less than the figure shown in Personal Ledger Account maintained with the Treasury (Rs. 321.09 lakh) by Rs. 14.06 lakh. The discrepancy had not been reconciled (March 1998). This was irregular, as the possibility of fraud or misappropriation escaping the notice of the authority due to such delays in reconciliation could not be ruled out.

SECTION III

3.1 Wasteful expenditure

Under the Plantation Scheme, the Council incurred expenditure of Rs. 3.21 lakh during the year 1996-97 for preliminary and advance work on 249 hectares of land.

Test-check (January-February 1998) of records revealed that in April 1997, the Divisional Forest Officer (DFO) of the Council informed the Secretary, Executive Committee of the Council that there was no achievement on the aforesaid preliminary and advance work, without ascribing any reasons therefor. The DFO further informed (April 1997) the Secretary that the plantation work on another 200 hectares of land, on which expenditure of Rs. 5 lakh was incurred during 1993 and 1994 on weeding, fire protection and vacancy filling, was left to the nature for last few years and that the fate of the same could not be ascertained for want of vehicle. He, therefore, recommended (April 1997) for writing off the entire sum of Rs. 8.21 lakh spent on the said plantation works. Thus, the entire outlay of Rs. 8.21 lakh proved wasteful.

The matter was referred to the Council in April 1998; reply had not been received (June 1998).

3.2 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 Audit Inspection Reports.

At the end of 1996-97, 9 Inspection Reports relating to the Council issued between 1972 and 1996 still contained 35 unsettled paragraphs.

V. Kward.

(SWORD VASHUM)

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Shillong

The 25 NOV 1998.

Countersigned

V. K. Shunglu.

(V. K. SHUNGLU)

Comptroller and Auditor General of India

New Delhi

The 9 DEC 1998