



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

For the year ended 31 March 2003

**Jaintia Hills Autonomous District Council
Jowai, 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 issues arising from the audit of the financial transactions of the Jaintia Hills Autonomous District Council, Jowai, 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 2002-03.

3. This Report contains three sections, of which section 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 deal with the Council's financial position and irregularities noticed in audit relating to the year 2002-03.

OVERVIEW

OVERVIEW

The significant audit findings are summarised in the following paragraphs:

- As of 31 March 2003, ₹ 2.04 crore pertaining to the Council was lying in the bank accounts with different banks in contravention of Rule 14(1) of the Jowai Autonomous District Fund Rules, 1967, which provides for retention of all money in the Treasury.

(Paragraph 2.4)

- The Council had retained heavy cash balance at the end of each year since 1987-88 in contravention of Rules. As of 31 March 2003, there was cash balance of ₹ 4.53 crore with the Council.

(Paragraph 3.1)

- The Council extended undue financial benefit of ₹ 42.69 lakh to the bidders due to remission of bid amounts of entry tax of vehicles.

(Paragraph 3.2)

- The Council furnished fictitious utilisation certificates to the State Government for ₹ 1.06 crore released by the State Government as grants for upgradation of the standard of administration and construction of hostel building for the members of the Council, as the amount was lying unutilised till the date of submission of such certificates.

(Paragraph 3.3)

SECTION I

1.1 Introduction

The United Khasi and Jaintia Hills Autonomous District Council was set up in June 1952 under 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 (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 course 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. Paragraph 6(1) of the Schedule empowers the Councils to establish, construct or manage primary schools, dispensaries, markets, cattle pounds, ferries, roads, road transport and water ways in the respective Autonomous Districts. Paragraph 8 of the Schedule further empowers the Councils to assess, levy and collect within the Autonomous District, 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 the maintenance of schools, dispensaries or roads.

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 districts in accordance with the provisions of the Constitution. In terms 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 (August 2010). Meanwhile, the affairs of the Jaintia Hills Autonomous District Council are being regulated in accordance with the Jowai Autonomous District Fund Rules, 1967.

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 annual accounts of the Council for the year 2002-03 were prepared in the prescribed format. Results of the test check of accounts are given in the succeeding sections.

SECTION II

2.1 Receipts and expenditure

According to the revised Annual Accounts of the Council, the receipts and expenditure of the Council for the year 2002-03 and the resultant revenue surplus were as follows:

Table 2.1

(Rupees in lakh)

(Rupees in lakhs)

Receipts		Disbursements	
PART I – DISTRICT FUND			
1. Revenue Receipts	2002-03	1. Revenue Expenditure	2002-03
(i) Taxes on Income and Expenditure	71.39	(i) District Council	38.42
(ii) Land Revenue	13.87	(ii) Executive Members	31.03
(iii) Stamps and Registration	1.61	(iii) Administration of Justice	20.42
(iv) Taxes on Vehicles	86.49	(iv) Land Revenue	119.09
(v) Interest Receipts	9.99	(v) Secretariat General Services	309.10
(vi) Other Administrative Services	1.94	(vi) Stationery and Printing	18.85
(vii) Other General Economic Services	23.33	(vii) Public works	405.82
(viii) Fisheries	3.50	(viii) Pensions and other retirement benefits	43.31
		(ix) Education	87.78
(ix) Forests	74.05	(x) Urban Development	22.81
(x) Mines and Minerals	1087.25	(xi) Information and Publicity	5.96
(xi) Grants-in-aid from State Government	87.57	(xii) Agriculture	63.78
		(xiii) Forest	242.53
Total Revenue Receipts	1460.99	Total Revenue Expenditure	1408.90
<i>Revenue Deficit</i>	...	<i>Revenue Surplus</i>	<i>52.09</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	...	Disbursement of Loans and advances	...
Total Part – I District Fund	1460.99	Total Part – I District Fund	1408.90
PART II – DEPOSIT FUND			
Deposit Receipts	...	Deposit Payments	...
Total Part II Deposit Fund	...	Total Part II Deposit Fund	...
Total Receipts (I + II)	1460.99	Total Disbursements (I + II)	
Opening Balance	623.81	Closing Balance	675.90 ⁽¹⁾
GRAND TOTAL	2084.80	GRAND TOTAL	2084.80

2.2 Discrepancy in the accounts

Revenue surplus (₹ 51.80 lakh) shown in the Annual Accounts for the year 2002-03 was less than the actual surplus (₹ 52.08 lakh) by ₹ 0.28 lakh.

The Council admitted the fact and stated (May 2010) that corrected copy of the statement was under submission. However, corrected statement had not been submitted till date (August 2010).

2.3 Shortfall in collection of revenue

Compared to budget provision, there was shortfall in collection of revenue during 2002-03 under different heads of account. Significant cases of shortfall are given below:

⁽¹⁾ Cash: ₹ 453.38 lakh; Bank Account: ₹ 101.69 lakh; Personal Ledger Account: ₹ 120.83 lakh.

Table 2.2

(Rupees in lakh)

Sl. No.	Head of Account	Budget provision	Actual as per Annual Accounts	Percentage of shortfall
1.	Stamps and Registration	2.50	1.61	36
2.	Royalty on Minerals	1380.00	1087.25	21
3.	Forest	125.32	74.05	41
4.	Trading by non-tribal	9.70	Nil	100

Source: Budget and Statement 5 of Annual Accounts.

Wide variations between the budget provision and actual collection of revenue indicated flaws in the budgeting process, particularly under trading by non-tribal and forest.

The Council stated (May 2010) that the estimation was done by guess work and approximation and collection under 'Trading by non-tribal' during 2002-03 was ₹ 14.65 lakh which was not credited to Council's Fund. Reasons for not crediting the Council's revenue in its Fund during the year, which resulted in understatement of receipts by ₹ 14.65 lakh in the Annual Accounts for the year 2002-03, had not been furnished.

2.4 Personal Ledger Account

The Council maintained a Personal Ledger Account (PLA) with the Jowai Treasury for crediting its receipts and meeting its expenditure. Scrutiny (August-September 2009) of records relating to PLA disclosed the following:

2.4.1 Rule 19 of the Jowai Autonomous District Fund (JADF) Rules, 1967 provides that all moneys paid into the Treasury to the credit of the District Council shall be accompanied by the Pass

Book supplied by the Treasury. However, no such Pass Book was available with the Council.

The Council stated (May 2010) that the passbook was not supplied by the Treasury. However, action taken by the Council to obtain the passbook from the Treasury had not been stated.

2.4.2 According to Rule 14(1) of the JADF Rules, 1967, all money pertaining to the Council shall be held in the Treasury. Contrary to this, ₹ 1.69 lakh was kept in a Savings Bank account with the United Bank of India (UBI), Jowai Branch in the name of the Finance and Accounts Officer.

Scrutiny of records further revealed that as on 31 March 2003, ₹ 2.02 crore was lying in three other Savings Bank accounts with the UBI and State Bank of India in favour of Civil Works (₹ 2.01 crore) and Forest (₹ 1.10 lakh) Departments of the Council. The amounts were, however, accounted for as expenditure in the Annual Accounts instead of as closing balance resulting in incorrect depiction of expenditure and closing balance.

The Council stated (May 2010) that the amounts would be accounted for in the annual accounts as closing balance.

SECTION III

3.1 Retention of heavy cash balance and short/delay in remittance of revenue

Despite audit Paragraph 3.1 of the Report of the Comptroller and Auditor General of India for the years ended 31 March 2002 regarding retention of heavy cash balance at the end of each year during 1987-2002 in contravention of the Rules governing the District Fund, the position had not improved. Instead of reducing the cash balance, the Council continued to retain heavy cash balance which stood at ₹ 4.53 crore as of 31 March 2003 against ₹ 3.30 crore during the preceding year.

Retention of huge cash in hand instead of in the PLA had not only reduced the Government's balance with the Reserve Bank of India, but also increased the possibility of misappropriation of the Council's funds. The cash in hand needs to be remitted to the PLA immediately.

Scrutiny (August-September 2009) of records of the Council, viz., Daily Receipt Register, Cash Book, *Challan*, etc., for the year 2002-03 further revealed that against realisation of ₹ 91.42 lakh during 2002-03 as revenue on weigh bridge (₹ 69.97 lakh), land revenue (₹ 13.87 lakh), royalty on other forest produce (₹ 4.08 lakh) and rent on fishery (₹ 3.50 lakh), only ₹ 10.39 lakh was deposited in the PLA maintained with the Treasury, leaving a balance of ₹ 81.03 lakh with the Council. Besides, revenue amounting to ₹ 19.49 lakh realised by the Nazir of the Council from various sources was remitted in the Treasury after delays ranging from five months to 17 months. The details are given below:

Table 3.1

Sl. No.	Particulars	Amount of revenue realised (Rupees)	Month of receipt	Month of Deposit	Period of delay (Months)
1.	Taxes on vehicle	4,08,500	May 2002	September 2003	15
2.	Fishery rent	1,42,750	August 2002	September 2003	12
		1,72,000	October 2002	-Do-	10
		1,77,000	-Do-	-Do-	10
3.	Council's market	79,000	April 2002	September 2003	16
		2,51,275	March 2003	-Do-	5
		41,423	July 2002	-Do-	13
		60,425	December 2002	-Do-	8
		86,700	February 2003	-Do-	6
		9,800	October 2002	-Do-	10
		11,000	March 2003	August 2004	16
		5,09,450	March 2003	-Do-	17
Total		19,49,323			

Source: Daily Receipt Register, Cash Book, Challan, etc.

Retention of revenue outside the PLA was contrary to the Rule 18 of the Jowai Autonomous District Fund Rules, 1967, which provides that all moneys received by the Cashier on account of the Council shall be promptly remitted in the Treasury and shall on no account be appropriated towards expenditure. There appears to be temporary misappropriation of funds.

The Council admitted (May 2010) the fact but did not offer any comment.

3.2 Undue financial benefit to the bidders and loss of revenue

For collection of entry tax of vehicles for the period from June 2002 to May 2003, check posts located at (i) Mookyndur, Amlaren, Dawki, Garampani and Khanduli and (ii) Ratacherra were leased out (May 2002) to two bidders at the bid amount of ₹ 57.17 lakh and ₹ 55.52 lakh respectively. As per notice inviting tenders issued in April 2002 for settlement of these check gates, remission of the bid amount was not envisaged.

Scrutiny (August-September 2009) of records of the Council revealed that both the bidders prayed (October 2002) for reduction of bid amount on the ground that they suffered losses because the Deputy Commissioner did not allow them to put into operation the check gate. Though, the Deputy Secretary of the Council on spot enquiry (November 2002) found that the collection of entry tax was in operation as usual despite removal of check gates for about a month, he recommended reduction of bid amount as prayed for by the bidders. Accordingly, the Executive Committee of the Council granted (January 2003) remission of ₹ 42.69 lakh to the bidders in respect of Mookyndur, *etc.* (₹ 30.52 lakh) and Ratacherra (₹ 12.17 lakh) check posts.

Thus, the reduction of the bid amount despite operation of check gates without any hindrance was not justified. Such action of the Council not only resulted in undue financial benefit of ₹ 42.69 lakh to the bidders but also led to loss of revenue of Council to that extent. Even considering that the entry tax was not at all collected during a particular month, the remission of bid amount of these gates should have been restricted to a maximum of ₹ 9.39 lakh¹.

The Council stated (May 2010) that the reduction/remission of the bid money/revenue was the decision of the Executive Committee and the observation had noted for guidance. The fact remains that the decision of the Executive Committee was against the financial interest of the Council.

3.3 Non-utilisation of grants and submission of fictitious utilisation certificates

Under the award of the Eleventh Finance Commission, the State Government released (March and July 2002) grants-in-aid of

¹ Mookyndur, *etc.*: ₹ 57.17 lakh ÷ 12 x one month = ₹ 4.76 lakh
 Ratacherra: ₹ 55.52 lakh ÷ 12 x one month = ₹ 4.63 lakh
 ₹ 9.39 lakh

₹ 94.20 lakh to the Council for implementation of the schemes relating to upgradation of the standard of administration, with the condition to utilise the grant within one year and submit certificate to the Accountant General with a copy to the State Government.

Scrutiny (August-September 2009) of records of the Council revealed that though the amount of grants was not utilised by the Council, certificate in support of utilisation of the entire grants was furnished to the Accountant General and the State Government in February 2003. Similarly, despite non-utilisation of grants of ₹ 12.03 lakh, out of ₹ 23.25 lakh released (2000-03) by the State Government for construction of hostel building for the members of the Council, the Council furnished (between February 2002 and March 2003) utilisation certificate for the entire amount. Thus, the reports on utilisation of ₹ 1.06 crore furnished by the Council did not exhibit the actual state of affairs.

The Council stated (May 2010) that the utilisation certificates were submitted within the stipulated time as required by the Government considering the work orders were issued and the works were in progress and the amount were for the committed expenditure. The fact remains that fictitious utilisation certificates were furnished by the Council thereby giving wrong information to the State Government about the funds released for upgradation of the standard of administration.

3.4 Non-maintenance of record

According to Rule 84 of the Jowai Autonomous District Council Fund Rules, 1967, unless otherwise directed by the District Council, payment for all works done (other than by daily labourer) shall be made on the basis of measurements recorded in Measurement Books.

During 2002-03, the Council incurred expenditure of ₹ 1.61 crore on execution of various works like construction of roads, footpaths,

play grounds, school buildings, *etc.* under Normal Development Schemes (₹ 1.01 crore) and Members of District Council Scheme (₹ 0.60 crore). Though, these works were susceptible to measurement, the Council did not maintain any Measurement Books for recording detailed measurement of works done. Inspection of works and their completion were also not certified by the Engineer in-charge. Bills were prepared by the Assistant Engineer showing quantity of work done, which were passed for payment by the Civil Engineer after obtaining approval by the Executive Member in-charge of Finance. In the absence of recorded measurement of works, actual execution of works as per required specification could not be ascertained in audit.

The Council stated (May 2010) that no measurement book had been maintained as the Executive Committee of the Council felt it not necessary. The reply is not acceptable because the Council did not furnish any reason for such decision of the Executive Committee particularly when all the works in question were susceptible to measurement.

3.5 Idle expenditure on purchase of spare parts

Mention was made in Paragraph 3.4 of the Report of the Comptroller and Auditor General of India for the years ended 31 March 1999 & 2000 in respect of the Council regarding non-utilisation of the weigh bridge at Dawki which was installed in January 2002 at the cost of ₹ 33.11 lakh. Though, the weigh bridge was not utilised till the end of the year 2002-03, the Council incurred expenditure of ₹ 0.96 lakh on procurement of spares.

The Council stated (May 2010) that the spare parts would be utilized when needed. The reply is indicative of the fact that the spare parts were purchased by the Council without any assessment of their proper utilisation, which was not justified.

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. It was noticed that the Council had not taken any step to analyse or evaluate the efficacy of its internal control system.

Internal audit is an important component of any internal control system. The Council had neither introduced any internal audit manual nor established internal audit wing.

The Council admitted the fact and stated (May 2010) that the Internal Audit Manual was under preparation for establishment of an Internal audit wing and for this purpose post of Auditors had been provided in the current financial year budget.

3.7 Outstanding Inspection Reports

Audit observations on financial irregularities and deficiencies 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).

Two IRs relating to the Council issued between November 1997 and March 2003 containing five paragraphs are yet to be settled (March 2010).

The Council stated (May 2010) that the steps had been taken for early disposal of the outstanding Inspection Reports.

3.8 Follow up action on Audit Reports

According to the Jowai Autonomous District Council Fund Rules, 1967, 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. Though, the Audit Reports for the years up to 2001-02 in respect of the Jaintia Hills Autonomous District Council were placed before the Council, no action on the audit paragraphs included in these reports was taken by the Council.

As such, it is recommended that the Council should look into this matter and ensure 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)

Principal Accountant General (Audit)
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Shillong

The

11 FEB 2011

Countersigned



(VINOD RAI)

New Delhi

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21 FEB 2011

Comptroller and Auditor General of India

