

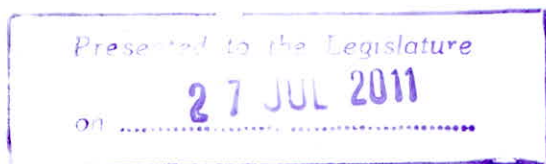


सत्यमेव जयते

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

For the year ended 31 March 2007

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



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PREFACE

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 issues arising from the audit of the financial transactions of the Garo Hills Autonomous District Council.

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 2006-07.

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 the audit of accounts for the year 2006-07.

OVERVIEW

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The significant audit findings are summarised in the following paragraphs:

Exhibition of the transactions between the 1st and 2nd PLAs 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 ₹ 90.74 lakh.

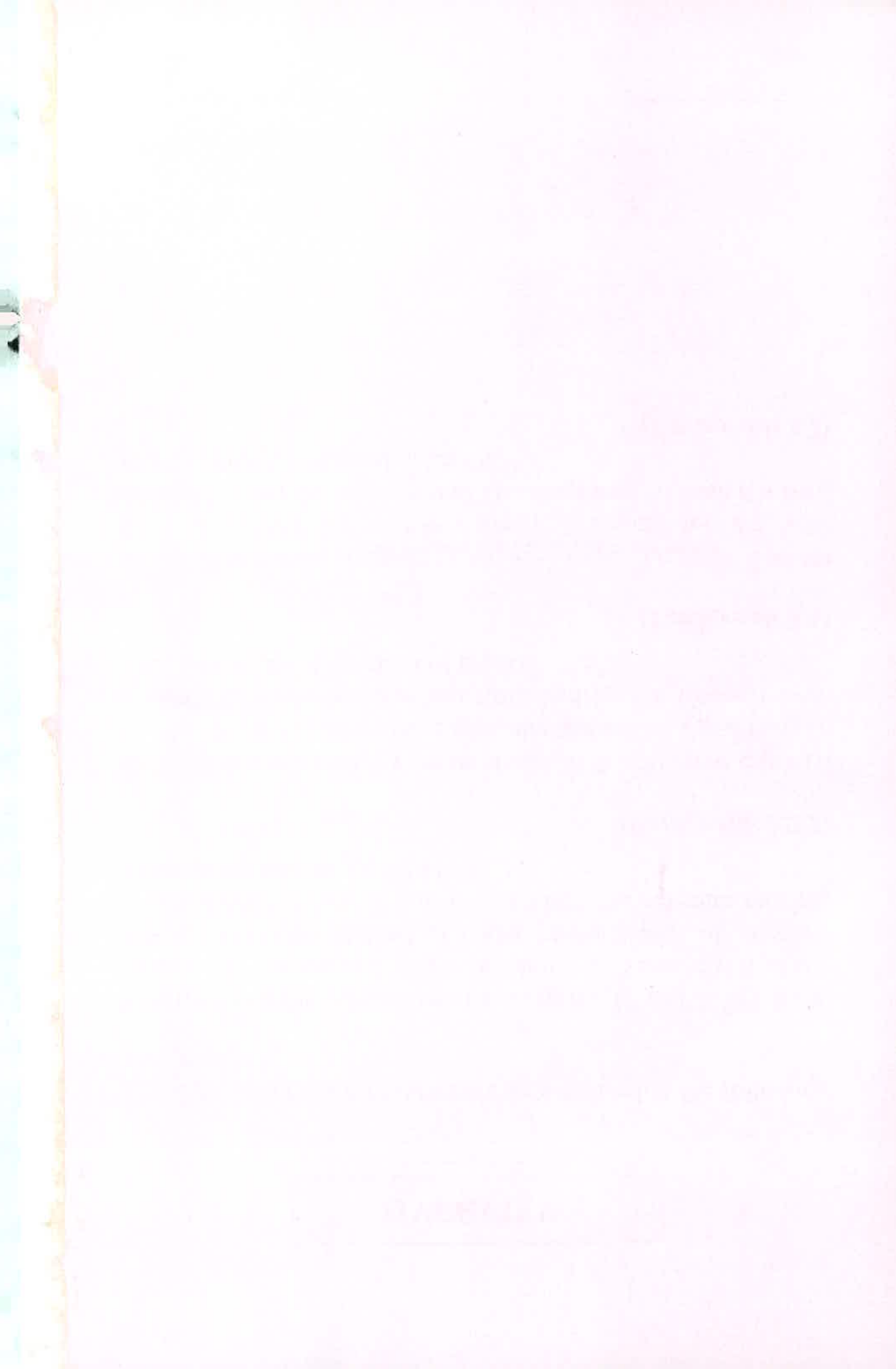
(Paragraph 2.2.2)

Utilisation certificate for grants-in-aid of ₹ 2.50 crore released by the State Government under the award of the Eleventh Finance Commission was not furnished by the Council even after five years of sanction of grants.

(Paragraph 3.1)

In the absence of supporting records, expenditure of ₹ 97.90 lakh accounted for in the Annual Accounts for the year 2006-07 under the head "Rural Development – Council's own plan scheme", remained doubtful.

(Paragraph 3.2)



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 (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*”¹ 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 Districts. 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 maintenance of schools, dispensaries or roads as listed in Paragraph 8 of the Schedule.

¹ A traditional form of crop cultivation practiced on hill slopes.

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 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 (August 2010). 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 2006-07 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

As per the revised Annual Accounts, the receipts and expenditure of the Council for the year 2006-07 and the resultant revenue deficit were as follows:

Table 2.1

(Rupees in lakh)

Receipts		Disbursement			
PART I – DISTRICT FUND					
1. Revenue Receipts		2006-07	1. Revenue Expenditure	2006-07	
(i)	Taxes on Income and Expenditure	106.21	(i)	District Council	61.27
(ii)	Land Revenue	136.26	(ii)	Executive Members	30.63
(iii)	Taxes on Vehicles	30.00	(iii)	Administration of Justice	5.96
(iv)	Interest Receipts	16.53	(iv)	Land Revenue	205.79
(v)	Administration of Justice	0.53	(v)	Secretariat General Services	311.70
(vi)	Public Health and Sanitation	3.85	(vi)	Stationery and Printing	27.17
(vii)	Other General Economic Services	24.37	(vii)	Public Works	178.43
			(viii)	Pension and other retirement benefits	31.74
(viii)	Forest	31.65	(ix)	Art and Culture	0.40
(ix)	Mines and Minerals	692.32	(x)	Rural Development	97.90
(x)	Grants-in-aid from State Government	453.93	(xi)	Other General Economic Services	60.78
(xi)	Transfer from 2 nd to 1 st PLA	90.00	(xii)	Forest	176.14
			(xiii)	Transfer and Reimbursement	119.74
Total Revenue Receipts		1585.65	Total Revenue Expenditure		1307.65
Revenue Deficit		-	Revenue Surplus		346.25
-		-	Less: Cheque issued encashed on 2 April 2007		68.25

Receipts		Disbursement	
2. Capital	-	2. Capital	...
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	
Recovery of Loans and Advances	17.11	Disbursement of Loans and Advances	24.45
Total Part – I District Fund	1602.76	Total Part – I District Fund	1263.85
PART II DEPOSIT FUND			
Deposit Receipts	-	Deposit Payments	...
Total of Part II Deposit Fund	-	Total of Part II Deposit Fund	...
Total Receipts (I + II)	1602.76	Total Disbursement (I + II)	1,263.85
Opening Balance	8.00	Closing Balance ²	346.91
Grand Total	1610.76	Grand Total	1610.76

Source: Annual Accounts of the Council.

2.2 Comments on Accounts

2.2.1 Opening and closing balances of ₹ 8 lakh and ₹ 346.91 lakh shown under the head “G-Cash Remittances–Remittances into Treasury–Personal Ledger Accounts (PLA)” in Statement 7 of the Annual Accounts 2006-07 included cash balance of ₹ 4.23 lakh and ₹ 4.14 lakh respectively. Since this head relates to PLA, inclusion of cash balance under this account is not correct.

2.2.2 As per Statement 5 of the Annual Accounts for the year 2006-07, ₹ 0.74 lakh and ₹ 90 lakh were transferred from 1st to 2nd PLA and from 2nd to 1st PLA respectively. These transactions were, however, booked in Statement 6 of Annual Accounts for the year 2006-07 as transfer from 1st to 2nd PLA (₹ 90 lakh) and from 2nd to

² Cash: ₹ 4.14 lakh; Personal Ledger Account (PLA): ₹ 342.77 lakh.

1st PLA (₹ 0.74 lakh). Since both the PLAs were maintained by the Council, exhibition of the transactions between the 1st and 2nd 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 balances did not reflect true and fair picture.

The Council stated (May 2010) that as an internal arrangement, funds were transferred as borrowings from 2nd PLA to 1st PLA for payment of staff salaries, *etc.* and the same were refunded to the 2nd PLA either fully or partially. The reply is not acceptable because exhibition of such transactions in the Annual Accounts inflated the revenue receipts and expenditure by ₹ 90.74 lakh.

2.3 Shortfall in collection of revenue

Compared to budget provision, there was shortfall in collection of revenue during 2006-07 under different heads of account. Significant cases of shortfall are given below:

Table 2.2

(Rupees in lakh)

Sl. No.	Head of Account	Budget provision	Actual as per Annual Accounts	Percentage of shortfall
1.	Land revenue	204.47	136.25	68
2.	Public Health, Sanitation & Water Supply	7.00	3.85	45
3.	Forest	50.00	31.65	18

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.

The Council stated (May 2010) that the anticipated receipts as reflected in the Budget provision are not always possible to be realised in full as the actual collection are not always certain or constant. The reply is not acceptable because huge shortfall in

collection of revenue, which ranged between 18 per cent and 68 per cent under the mentioned 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 (1st PLA) and the other for grants-in-aid received from the State Government (2nd PLA). Scrutiny (August 2009) of records in connection with the PLA of the Council revealed the following:

- (i) As on 31 March 2007, the balance in respect of the Council held in the 1st PLA as per Plus and Minus Memorandum of the Tura Treasury for the month of March 2007 was ₹ 115.64 lakh. But as per Annual Accounts of the Council for the year, the closing balance under 1st PLA was shown as ₹ 110.45 lakh. The discrepancy of ₹ 5.19 lakh remained unreconciled.
- (ii) Receipts and expenditure shown in the Treasury Pass Books and the Annual Accounts for the year 2006-07, which resulted in inaccurate depiction of receipts and expenditure in the Annual Accounts by ₹ 34 lakh, are given in the table below:

Table 2.3

(Rupees in crore)

Particulars	As per Treasury Pass Books	As per Annual Accounts	Overstatement
Receipts	15.69	16.03	0.34
Disbursements	12.30	12.64	0.34

Source: Treasury Pass Books and Annual Accounts-2006-07.

The discrepancies had not been reconciled (August 2010).

SECTION III

3.1 Non-submission of Utilisation Certificates

Under the award of the Eleventh Finance Commission, the State Government sanctioned (November 2004) grants-in-aid of ₹ 6.12 crore to the Council for implementation of three 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. Scheme-wise position of funds sanctioned by the State Government and expenditure thereagainst incurred by the Council are given below:

Table 3.1

(Rupees in lakh)

Scheme	Amount sanctioned	Expenditure incurred	Balance
Maintenance of accounts (posts)	250.05	-	250.05
Creation of data base	180.22	180.00	0.22
Maintenance of Civil Service	181.30	145.22	36.08
Total	611.57	325.22	286.35

As can be seen from the above table, though the amount was to be utilised within one year, the Council failed to utilise ₹ 2.86 crore even after four years of sanction (August 2009). Utilisation certificates of funds so far utilised were also not submitted by the Council to the Accountant General and the State Government till the date of audit.

The Council stated (May 2010) that out of ₹ 6.12 crore, ₹ 3.61 crore had been utilised for creation of data base and maintenance of civil services and utilisation certificates for the same had been submitted. The Council, however, neither furnished the copy of these utilisation certificates nor the reasons for non-utilisation of the balance amount of ₹ 2.50 crore even after five years of sanction. (August 2010).

3.2 Doubtful expenditure

Statement 6 of the Annual Accounts of the Council for the year 2006-07 showed expenditure of ₹ 97.90 lakh under the head “Rural Development – Council’s own plan scheme”. Records in support of this expenditure, though called for, had not been furnished. In the absence of supporting records, the veracity of expenditure of ₹ 97.90 lakh could not be ascertained in audit.

The Council stated (May 2010) that no expenditure was incurred during the year 2006-07 under the head “Council’s own Plan Schemes”. The reply is contradictory to the facts reflected in the Annual Accounts.

3.3 Non-realisation of revenue

Scrutiny (August 2009) of Demand and Collection Register maintained by the Revenue Branch of the Council revealed that lease money of ₹ 4.36 lakh in respect of 16 *hats* for the year 2006-07 required to be realised under regulation 3 of the Garo Hills Autonomous District Council Regulation No. 1 of 1971 had not been realised till the date of audit. Similarly, lease money of ₹ 2.36 lakh in respect of nine fishery *mahals* for the year 2006-07 was not realised from the lessees concerned.

The Council admitted the fact and stated (May 2010) that the lease money was under the process of realisation through Bakijai process.

3.4 Loss of revenue

Scrutiny (August 2009) of records revealed that the Jinary River Bamboo Mahal³ was settled by the Council for the year 2000-01 with a lessee for ₹ 6.02 lakh. Thereafter, no tender was invited by the Council for settlement of this *mahal* nor was the minimum value

³ Bamboo mahal means the area containing plantation of bamboos.

of the *mahal* assessed and the *mahal* was settled during 2006-07 for ₹ 3.20 lakh. Computed with reference to the rate of 2000-01, the Council, thus, sustained a loss of at least ₹ 4.60 lakh on settlement of the *mahal* without assessing the prevalent market value.

The matter was reported to the Council in October 2009, reply had not been received (August 2010).

3.5 Irregularities in maintenance of Cash Books

According to Rule 16 of the Garo Hills District Fund Rules, 1952, (a) all monetary transactions shall be entered in the cash book as soon as they occur and attested by the full signature of the Secretary with date in token of his check, (b) the cash book shall be closed daily and completely checked. The Secretary shall verify the totalling of the cash book and give his full signature against each item as correct, (c) at the end of each month, the Secretary shall verify the cash balance in the cash book and record a signed and dated certificate to that effect and (d) an erasure or over-writing of an entry once made in the cash book is strictly prohibited. If a mistake is discovered, it shall be corrected by drawing the pens through the incorrect one in red ink between the lines. The Secretary shall attest by his full signature with date against each such correction.

Scrutiny (August 2009) of cash book of the Council revealed that none of the above requirements was followed by the Council. The entries in the cash book were not attested by the Secretary, there was no indication of verification of the totalling by the Secretary, certificate in support of physical verification of cash balances was not recorded and in many cases, corrections were made in the cash book by overwriting. Improper maintenance of cash book was not only contrary to the Rule *ibid* but also fraught with the risk of misappropriation of Council's fund.

The Council stated (May 2010) that the irregularities in the maintenance of cash book had now been regularised. Reasons for failure to take such action earlier had not been furnished.

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

The matter was reported to the Council in October 2009; reply had not been received (August 2010).

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 June 2006 containing 155 paragraphs are yet to be settled (August 2010).

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

2005-06 had not been intimated by the Council even after one to two years of sending the reports despite repeated requests.

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)

Principal Accountant General (Audit)
Meghalaya

Shillong
The

11 FEB 2011

Countersigned



(VINOD RAI)

New Delhi
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21 FEB 2011

Comptroller and Auditor General of India



