

6

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

FOR THE YEAR 1999-2000

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

(iii)

TABLE OF CONTENTS

Sl. No	Paragraph(s)	Page(s)	
1.	Prefatory Remarks		v
2.	Overview		vii
SECTION-I			
3.	Introduction	1.1	1
4.	Rules for the management of District Fund	1.2	2
5.	Maintenance of Accounts	1.3	3
SECTION-II			
6.	Receipt and Expenditures	2.1	4
7.	Comments on Accounts	2.2	9
8.	Entrusted Functions	2.3	13
9.	Personal Ledger Accounts	2.4	16
10.	Outstanding loans	2.5	16
SECTION-III			
11.	Loss of revenue to the Council	3.1	18
12.	Loss of forest revenue due to non-extraction of allotted bamboo	3.1.1	18
13.	Loss of revenue due to irregular granting of concession of on royalty of timber	3.1.2	19
14.	Loss of revenue in settlement of stone mahal	3.1.3	20
15.	Loss of revenue due to irregular settlement and remission of entry tax	3.1.4	22
16.	Extra expenditure in purchase of "Syntex" water tanks without inviting tender	3.2.1	24
17.	Extra expenditure due to irrational engagements of temporary teachers	3.2.2	25
18.	Unauthorised deposit of state revenue in council's fund	3.3.1	26
19.	Irregular utilisation of departmental receipts towards departmental expenditure	3.3.2	26
20.	Non-submission of utilisation certificate	3.3.3	26
21.	Submission of irregular utilisation certificate	3.3.4	27
22.	Outstanding Inspection Reports	3.3.5	28
APPENDIX-1			
23.	Pay and Allowance to temporary teachers appointed on leave vacancy		31



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 1999-2000.

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 1999-2000.

OVERVIEW

Revenue Deficit during 1999-2000 was Rs. 6.50 crore. The expenditure in excess of budget provision was incurred by irregular diversion of accumulated unspent funds advanced by State Government for entrusted functions.

(Paragraph 2.1.2(i))

The excess expenditure over previous year for inherent functions under different heads of accounts ranged between 22.99 per cent to 737.78 per cent.

(Paragraph 2.1.3(ii))

The percentage of variation between budget provision and actual receipts ranged between 31.60 and 89.

(Paragraph 2.1.4(i))

Plan fund of Rs. 1.70 crore relating to entrusted functions was not refunded but spent irregularly for inherent functions.

(Paragraph 2.3.2)

Loan of Rs. 5.00 lakh from Government of Assam was not repaid even after 29 years.

(Paragraph 2.5)

Loss of revenue to the Council amounted to Rs. 79.81 lakh

(Paragraph 3.1.1. to 3.1.4)

There was avoidable expenditure of Rs. 15.78 lakh under primary education sector of the Council and purchase of water tanks.

(Paragraph 3.2.1. and 3.2.2)

SECTION - I

1.1 Introduction

The North Cachar Hills District Council in Assam, renamed as the North Cachar Hills Autonomous Council (with effect from 13 September 1995), was set up in April 1952 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 specific 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, mainly in respect of allotment, occupation, use etc., of land, management of forest (other than reserve 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.

Under paragraph 6(1) of the Sixth Schedule, the Council have the 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 Council also have the powers to assess, levy and collect within the autonomous districts, revenue in respect of land and building, taxes on professions, trades, callings and employments, animals, vehicles and tolls on passengers and goods carried in ferries.

In addition, under paragraph 6(2) of the Sixth Schedule, *ibid*, the State Government has entrusted additional functions in relation to agriculture, animal husbandry, cottage industries, soil conservation, social welfare, fisheries, forest, (including reserve forests) etc. to the District Council since

September 1970 (as revised in November 1979 and November 1992). According to the terms of entrustment, the District Council is also to receive grants from the State Government for the management of the entrusted functions and to render monthly accounts in the prescribed form to the Accountant General with supporting vouchers. Budget provision for these functions (excepting for management of reserve forests) is made in the State budget and the Council remain responsible to the State Legislature in respect of all matters relating to such funds provided for discharge of functions transferred to it. The State Government is to pay administrative charges to the Council for implementing these functions. In respect of reserve forest, no provision (expenditure or revenue) is made in the State budget as the Council collect revenue and incur normal expenditure relating to the management of forests.

1.2 Rules for the management of District Fund

The Sixth Schedule to the Constitution of India 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 exercise of the powers conferred under Sub-para (2) of para 7 of the Schedule (as it stood originally) the affairs of the District Councils are being regulated under the respective District Council Fund Rules. In respect of this District Council, these are 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) which provides that 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, the withdrawal of moneys there-from, the custody of moneys therein and any other matter connected with or ancillary to these matters, the State Government of Assam prepared in 1972 draft District Fund Rules, common to both the District Councils in Assam State. These draft rules were subsequently revised as the District Fund Rules, 1978 and the Autonomous

District Fund Rules, 1989, 1992 and 1995. The revised Rules, 1995 are yet to be finalized by the State Government (December 2000).

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 and communicated to the Government of Assam in June 1977. The State Government forwarded this form of accounts to the Council in March 1978. The Annual Accounts for the year 1999-2000 prepared in the prescribed form were submitted by Council in October 2000, which contained some discrepancies. The discrepancies were reconciled by the Council at the instance of audit and revised accounts submitted to Audit in July 2001. Due date for submission of annual accounts was not prescribed under the North Cachar Hills District Fund Rules, 1953.

Results of test-check of the annual accounts of the Council for the year 1999-2000 are given in 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 1999-2000 and resultant revenue deficit were as under:

(Rupees in lakh)

Receipts		Disbursement	
Part - I District Fund			
1. Revenue receipts		1. Revenue expenditure	
(i) Taxes on Income and expenditure	89.96	(i) District council Secretariat	14.98
(ii) Land revenue	7.07	(ii) Executive Members	15.80
(iii) Stamps and Registration fees	0.75	(iii) Administration of justice	8.71
(iv) Taxes on vehicles	12.88	(iv) Land revenue	75.96
(v) Interest receipts	0.34	(v) Secretariat General Services	207.17
(vi) Stationary and printing	0.05	(vi) Stationary and printing	7.92
(vii) Public works	2.29	(vii) Public Works	192.64
(viii) Other Administrative Service	0.11	(viii) Pension & other retirement benefits	47.27
(ix) Other General Economics	92.19	(ix) Education	1359.57
(x) Fisheries	0.32	(x) Art and Culture	34.09
(xi) Forest	197.34	(xi) Urban Development	4.17
(xii) Mines and Minerals	62.23	(xii) Social Security and Welfare	14.47
(xiii) Roads and Transport Services	2.77	(xiii) Relief on account of natural calamities	3.32
(xiv) Grants-in-aid from State Government	1352.89	(xiv) Information and publicity	3.77
		(xv) Other General Economic Services	68.50
		(xvi) Forest	390.68
		(xvii) Road Transport Services	22.03
Total revenue receipts	1821.19	Total Revenue expenditure	2471.05
Revenue deficit	649.86		

2. Capital	2. Capital	82.92
Deficit under Capital	82.92		
3. Debt		3. Debt	
(i) Loan received from the State Government	—	(i) Repayment of loan 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	1.48	4. Loans and Advances Disbursement of loans and advances	—
		Surplus under Loans and advances	1.48
Total of Part-I District Fund	2555.45	Total of Part-I District Fund	2555.45
Part-II Deposit Fund			
(i) Deposit receipts	—	(i) Expenditure in deposit account	—
(ii) Fund received from the State Government for Transferred functions	7549.46	(ii) Expenditure on transferred functions	6841.90
		Surplus under transferred functions	707.56
Total of Part-II Deposit Fund	7549.46	Total of Part-II Deposit Fund	7549.46
Total Receipts (Part I + II)	9372.13	Total Disbursements	9395.87
Opening balance	25.34	Closing balance	1.60
Grand Total	9397.47	Grand Total	9397.47

2.1.2 Revenue Deficit

Revenue receipts (including grants-in-aid receipts) of the Council for the year 1999-2000 pertaining to inherent functions as specified in Sixth Schedule of the Constitution were Rs.1821.19 lakh. Against this, the council spent Rs.2471.05 lakh resulting in net revenue deficit of Rs.649.86 lakh (35.68 per cent). Compared to the revenue deficit of Rs.376.64 lakh during the previous year 1998-99, the increase in 1999-2000 was 72.54 per cent.

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

2.1.3 Variations in Receipts and Expenditure between current year and previous year

(i) Receipts : There was shortfall in revenue receipts ranging between 4.81 per cent and 77.27 per cent during the current year (1999-2000) under the following heads of accounts compared to previous year (1998-99).

(Rupees in lakh)

Sl. No.	No. head of accounts	Actual earning in 1998-99	Actual earning in 1999-2000	Shortfall	Percentage of shortfall	Reasons as stated in December 2000
1.	Land Revenue	7.77	7.07	0.70	9.00	Due to law and order situation in the District Due to non recovery of earlier advances and non-raising of loans and advances during 1999-2000
2.	Interest receipts	0.47	0.34	0.13	27.65	
3.	Stationery and Printing	0.22	0.05	0.17	77.27	Due to less demand
4.	Fisheries	0.60	0.32	0.28	46.66	Due to law and order situation in the District
5.	Mines and minerals	65.38	62.23	3.15	4.81	-do-

(ii) Expenditure : There was excess expenditure in current year compared to expenditure incurred during previous year in the following heads of accounts:

(Rupees in lakh)

Sl. No.	Head of accounts	Expenditure during 1998-99	Expenditure during 1999-2000	Excess expenditure	Percentage of excess expenditure
1.	Executive Members	10.02	15.80	5.78	57.68
2.	Administration of Justice	5.98	8.71 ✓	2.73	45.65
3.	Land Revenue	53.43	75.96 ✓	22.53	42.17
4.	Secretariat General Service	167.69	207.17 ✓	39.48	23.54
5.	Public Works	142.11	192.64	50.53	35.56
6.	Pension and other retirement benefit	12.58	47.27 ✓	34.69	275.76
7.	Education	951.89	1359.57 ✓	407.68	42.83
8.	Art and Culture	14.20	34.09	19.89	140.07
9.	Social Security & Welfare	6.47	14.47	8.00	123.65
10.	Information & Publicity	0.45	3.77 ✓	3.32	737.78
11.	Other General Economic Service	52.18	68.50	16.32	31.28
12.	Forest	317.63	390.68 ✓	73.05	22.99

Source: Statement No. 6 appended to Annual Accounts of the Council for 1998-99 and 1999-2000.

The reasons for excess expenditure ranging from 22.99 per cent to 737.78 per cent over actual of previous year had not been furnished (December 2000).

2.1.4 Variation in Receipts and Expenditure compared to Budget provisions

(i) Receipts : Revenue Receipts (excluding grants-in-aid) were shown as Rs.468.30 lakh in the annual accounts (Statement No.5) for the year 1999-2000 against the revised estimated amount of Rs.873.58 lakh which resulted in shortfall of revenue collection by Rs.405.28 lakh (46.39%) compared to budget estimate.

The above shortfall ranging from 31.60 to 89 per cent was noticed in the following 8 (eight) heads of account.

(Rupees in lakh)

Sl. No.	No. head of accounts	Estimated amount (RE)	Revenue Receipts	Shortfall	Percentage of shortfall	Stated reasons for shortfall
1.	Land Revenue	13.72	7.07	6.65	48.47	Irregular collection drive due to law and order situation in the District
2.	Stamp and Registration	3.50	0.75	2.75	78.57	Less purchase of stamp by the people
3.	Interest Receipt	1.00	0.34	0.66	66.00	Due to non-recovery of earlier advances and non-raising of loans and advances during 1999-2000
4.	Public Works	4.44	2.29	2.15	48.42	Due to short execution of public works

5.	Other Administrative Services	1.00	0.11	0.89	89.00	Due to non-receipt of award of Finance Commission
6.	Other Economic Services	543.24	92.19	451.05	83.03	Due to non-receipt of due administrative charges from Government
7.	Fisheries	0.95	0.32	0.63	66.32	Due to law and order situation in the District
8.	Road Transport Services	4.05	2.77	1.28	31.60	Not stated

(ii) Expenditure : Against budget provision (RE) of Rs.1.00 lakh under head of account '24 Road Transport Services - Working Expenses' the Council spent Rs.5.80 lakh during the year 1999-2000. This led to an excess expenditure of Rs.4.80 lakh (480%) over budget provision. The Council in reply had stated (December 2000) that due to maintenance of old fleet of vehicles such expenditure was incurred which could not be anticipated while preparing the budget. In view of such wide variation the reply was not tenable.

2.2 Comments on Accounts

2.2.1 As per annual accounts (Statement No.6) revenue expenditure on Forests (22 Forests) during the year 1999-2000 was Rs.390.68 lakh which include payment of Rs.2.49 lakh made by cheque (6869/2 dated 31.03.2000) but cancelled and not re-issued till 31 March 2000. This resulted in overstatement of revenue expenditure to that extent.

Further, scrutiny showed that 2 (two) cancelled cheques for Rs.3.52 lakh of previous year (under head of accounts 4-Land Revenue:

Rs.3.30 lakh and 8-Printing and Stationery: Rs.0.22 lakh) were re-issued during 1999-2000 as the same were accounted for in the previous year 1998-99. As a result, actual revenue expenditure remained understated to the extent of Rs.1.03 lakh (Rs.3.52 lakh - Rs.2.49 lakh).

2.2.2 All moneys received by the Council on account of regular functions and entrusted functions are to be credited into Personal Ledger Account (PLA) and all expenditure on both functions are to be met therefrom. Annual accounts are prepared on the basis of transactions reflected in PLA Cash Book.

Test check (November -December 2000) of records of Education Department of the Council revealed that under the award of 10th Finance Commission, Grant in aid of Rs.20.65 lakh was placed by the Director of Elementary Education, Assam on 10 January 2000 with the Council through Bank Draft (dated 15 December 1999) meant for Middle School (Rs.4.75 lakh) under entrusted functions and Primary Education (Rs.15.90 lakh) under regular functions of the Council. The amount, instead of being deposited into PLA, was kept separately in a Bank account (No.3/130 SBI, Haflong) operated by Primary Education Officer of the Council in January 2000 and remained unspent till 31 March 2000.

This led to understatement of Grant-in-aid (Rs.15.90 lakh) from State Government for Education Department of the Council and understatement of funds (Rs. 4.75 lakh) received from the State Government for entrusted functions (Statement No.5 and 7 respectively). Consequently, closing balance of PLA as on 31 March 2000 also remained understated by Rs.20.65 lakh.

The Council did not furnish any reply (December 2000).

2.2.3 Again, receipt of Grants-in-aid of Rs.30.95 lakh from State Government meant for Rural Development (Rs.27.65 lakh) and Land Revenue (Rs.3.30 lakh) departments of the Council were wrongly exhibited

under Part-II Deposit Fund “Funds received from State Government for entrusted functions” instead of “Grants-in-aid from State Government” under Part-I District Fund in Statement No.5 of annual accounts for the year 1999-2000. This resulted in understatement of Grants-in-aid in Part-I District Fund and overstatement in Part-II Deposit Fund to the extent of Rs.30.95 lakh.

2.2.4 During the year 1999-2000 the Council released loan of Rs.11.70 lakh to three Town Committees (Haflong : Rs.5.00 lakh; Maibong : Rs.3.70 lakh and Mahur : Rs.3.00 lakh) and wrongly charged the same as revenue expenditure under head of account ‘Other General Economic Services’ instead of showing the same separately as disbursement of loans and advances under Statement No.7 of annual accounts. As a result, there was overstatement of revenue expenditure and understatement of Loans and Advances to the extent of Rs.11.70 lakh.

The Council admitted the facts and stated (December 2000) that correct position of loan raised and recovery thereof would be shown in annual accounts of 2000-2001.

2.2.5 As against total ‘Bus fare’ of Rs.2.87 lakh deposited to PLA through Treasury challan by the Transport Wing of the Council, Rs.2.77 lakh was accounted for in the annual accounts (Statement No.5) leaving a balance of Rs.0.10 lakh unaccounted for, which resulted in understatement of revenue under Road Transport Services to that extent.

In reply (December 2000) the Council stated that after verification the left out challan would be accounted for and shown in annual accounts of 2000-2001.

2.2.6 Test check (November-December 2000) of records of the Public Works Department of the Council revealed that against capital expenditure of Rs.42.86 lakh exhibited in annual accounts statement No.6

under head of account '40 Capital Outlay on Public Works', the department incurred the following expenditure during the year 1999-2000.

Sl. No.	Purpose	Amount (Rupees in lakh)	Nature of expenditure
1.	Construction of buildings	12.79	Capital
2.	Purchase of land and buildings	26.00	-do-
3.	Repair and maintenance	0.07	Revenue
4.	Expenditure towards celebration of 48th inauguration day of Autonomous Council	4.00	-do-

Source: Information furnished by the Council.

Thus, due to wrong classification, revenue expenditure was treated as capital expenditure and thereby capital expenditure under 40 Public Works was overstated by Rs.4.07 lakh.

The Council admitted the fact and stated (December 2000) that due to misclassification of expenditure capital expenditure was overstated.

2.2.7 Similarly, out of Rs.40.05 lakh shown as capital expenditure under head of account '42- Capital outlay on Road Transport Services (RTS) acquisition of fleet' in Statement No.6, the records of Road Transport department of the Council showed that Rs.21.42 lakh only was spent for acquisition of light vehicle and balance Rs.18.63 lakh incurred as revenue expenditure towards Insurance and Road taxes (Rs.0.601 lakh), purchase of tools (0.61 lakh), printing of ticket books (Rs.0.400 lakh) and repairing of vehicles (Rs.17.02 lakh). This led to another overstatement of capital expenditure by Rs.18.63 lakh.

2.2.8 As per prescribed format for preparation of annual accounts, progressive capital outlay at the end of 1999-2000 of the Council was required to be exhibited in Statement No.2. Instead of showing total

progressive capital outlay as on 31 March 2000 the Council, however, exhibited the position of last two years i.e 1998-99 and 1999-2000.

As a result, annual accounts (Statement No.2) for the year 1999-2000 did not depict the total position of capital outlay of the Council at the end of 1999-2000.

The Council in reply (December 2000) stated that the correct progressive Capital Outlay would be shown in annual accounts of 2000-2001.

2.3 Entrusted functions

2.3.1 According to the records of the Council for the year 1999-2000, the Council received Rs.7535.84 lakh (Rs.4571.78 lakh for plan and Rs.2964.06 lakh for non-plan) during the year from the State Government for discharging entrusted functions. Against this Rs.6829.52 lakh (Rs.4401.33 lakh for plan and Rs.2428.19 lakh for non-plan) was spent by the Council during the year and balance Rs.170.45 lakh under plan funds and Rs. 535.87 lakh under non-plan funds remained unutilised. However, annual accounts of the Council (Statement No.7) showed that total receipt and expenditure for the year 1999-2000 were Rs.7549.46 lakh and Rs.6841.90 lakh respectively. This resulted in difference of Rs. 13.62 lakh and Rs. 12.38 lakh under Receipts and Expenditure respectively. The difference was due to the figures booked in the Cash Book during the year which included undisbursed grants of previous year(s).

Despite discrepancy being pointed out in earlier Audit Reports, the Council had not taken any measure to rectify its accounts.

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 by 15th March every year under intimation to the State Finance Department and should not be carried over to the next financial year. The Council, in contrary, not only

retained the unspent balance of plan funds (Rs.170.45 lakh) but also utilised the same towards expenditure pertaining to its inherent functions which was irregular.

2.3.3 As per Memorandum of Understanding dated 31 December 1996 between Government of Assam and Autonomous Council, the Council is not empowered to re-appropriate funds from one Major head of account to another in case of entrusted functions and is required to restrict expenditure within the budget provision/ funds released by the State Government.

Under the following heads the Council incurred expenditure of Rs.202.90 lakh in excess of funds released by the State Government by irregular diversion from other heads without obtaining approval from the Government.

Sl. No.	Head of accounts	Fund released by Government	Expenditure incurred by the Council	Excess expenditure over fund released
1.	2202 Education Plan	556.80	710.54	153.74
2.	2205 Art & Culture (Plan)	9.15	9.49	0.34
3.	2235 Social Welfare Plan	30.00	30.91	0.91
4.	2403 Veterinary Plan	109.91	117.30	7.39
5.	2211 Family Welfare (Medical Plan)	5.67	8.22	2.55
6.	2211 Family Welfare Plan	66.01	66.34	0.33
7.	2851 V & S.I (Sericulture) Plan	48.00	51.48	3.48
8.	2851 V & S.I (Industries) Plan	45.86	49.31	3.45
9.	2216 PWD Building Non-Plan	18.90	26.08	7.18
10.	2210 Medical Non-plan	174.79	187.45	12.66
11.	2204 Sports Non-plan	5.00	7.25	2.25
12.	2515 Panchayat Non-plan	21.23	29.85	8.62
Total :		1091.32	1294.22	202.90

Reasons for the excess expenditure and irregular diversion were not stated by the Council (December 2000).

2.3.4 As per annual accounts (Statement No.7) disbursement made out of Deposit Fund during the year 1999-2000 was Rs.6841.90 lakh which includes payment of Rs.2.37 lakh made by Cheque (6869/23 dated 31.03.2000) but cancelled and not re-issued till 31 March 2000. This resulted in overstatement of expenditure under entrusted functions by Rs.2.37 lakh.

Further, it was also noticed that 13 (thirteen) cheques for Rs.219.43 lakh were issued during the previous year 1998-99 but subsequently cancelled and re-issued during 1999-2000. Though actual expenditure was incurred during the year 1999-2000 the same had not been taken into account as these were already accounted for in previous year 1998-99.

Head of account-wise re-issue of cheques during 1999-2000 are as under :

Head of accounts	Number of cheques	Amount (Rupees in lakh)
2225	3	128.84
2425	3	52.24
2851	2	7.47
2215	1	3.41
2205	1	0.53
2406	1	7.44
2416	1	3.00
5452	1	16.50
Total :	13	219.43

Thus, there was a net understatement of expenditure under entrusted functions amounting to Rs.217.06 lakh (Rs.219.43 lakh - Rs.2.37 lakh) and as such actual disbursement during the year did not depict correct view of affairs.

2.4 Personal Ledger Account

The Council Authorities maintained a Personal Ledger Account (PLA) with Haflong Treasury, into which all receipts on account of regular functions and entrusted functions were credited and from which all expenditure on both accounts were met. The balances held in the PLA as per Council records were not reconciled with the balances shown in the records of Haflong Treasury for the period covered under audit resulting in huge discrepancies in the balances as shown below :

(Rupees in lakh)

Sl. No.		As per Treasury records	As per annual accounts & PLA Cash Book	Discrepancy
1.	Opening balance as on 1.04.1999	590.88	25.34	565.54
2.	Closing balance as on 31.03.2000	217.53	1.60	215.93 ✓

The Council in reply (December 2000) stated that the reconciliation was under process and the result of reconciliation would be intimated in due course.

2.5 Outstanding loan

In statement No. 3 and 7 of annual accounts for the year 1999-2000, Rs.5.00 lakh was shown under “Loans and Advances” as outstanding. Scrutiny of available records revealed that Government of Assam had sanctioned and placed a non interest bearing loan of Rs.5.00 lakh in January 1971 for expansion of Council’s activities, repayable by 10 equal installments after 3 years from the date of sanction. The loan has not been refunded as yet (May 2001) and has been exhibited in annual accounts every

year as outstanding loan. Non-refund of loan was stated (May 2001) to have been due to non-receipt of year-wise administrative charges* due and receivable from the Government of Assam. However, the Council had not furnished detailed particulars of due/receivable administrative charges from Government since 1971. From the position furnished for two years for 1998-99 and 1999-2000 it appeared that against due administrative charges of Rs. 303.84 lakh and Rs.342.88 lakh payable by the Government, the Council received only Rs. 38.60 lakh and Rs. 50.00 lakh respectively. The Council Authority stated (May 2001) that necessary action would be initiated to settle the issue.

* @ 7.5 % on plan fund placed by the Government of Assam for discharging entrusted functions.

Section - III

3.1 Loss of Revenue to the Council

3.1.1 Loss of forest revenue due to non-extraction of allotted bamboo

The average life span of a bamboo is 8 (eight) years. As per Silviculture norms bamboos are to be extracted in the 5th year of creation. If extraction of bamboo is not done in the 5th year from any forest coup all the un-operated bamboos will dry up and cause loss of forest revenue.

In March 1993, the Council had entered into an agreement for 20 years with a Guwahati based firm (M/s. Hill Trade Agency) and according to terms and conditions of the agreement the Council were to allot 33,333.33 MTAD* bamboo in a year to the firm.

Test check of records (November-December 2000) revealed that during 1999-2000 against allotted quantity of 33,333.33 MTAD bamboo to be extracted by 30 June 2000, the firm extracted only 10,526.785 MTAD which resulted in short operation/harvesting of 22,806.545 MTAD of bamboo by the purchaser. Due to such non-extraction of bamboo the Council sustained loss of forest revenue to the extent of Rs.32.61 lakh (@ Royalty Rs.143.00 per MTAD).

The loss could have been avoided had there been provision of penal clause in the agreement for appropriation of loss sustained by the Council due to failure on the part of the purchaser in extracting allotted quantity of bamboo in a particular year or had there been any stipulation made in the allotment order for payment of royalty on quantity allotted to the firm.

The Council had not taken any action to safeguard such recurring loss despite mention being made in the last Audit Report.

* Metric Tonne Air Dried

3.1.2 Loss of revenue due to irregular granting of concession on royalty of timber

The Assam Forest Manual or Schedule of Royalty on Forest Produces does not provide for granting concession on royalty of timber.

Test check of records (November-December 2000) revealed that 6 (six) land owners applied for granting 50 per cent concession on royalty for selling trees belonging to their own land on the ground that the timbers standing on their land had to be transported at their own arrangements. The Council authority between June 1999 and July 2000, allowed concession ranging from 15 to 30 per cent of due royalty to them. Due to granting of concession, the Council sustained loss of revenue Rs.1.77 lakh in the form of royalty (at various rates on the basis of species of timber) and monopoly fee (25 per cent) as shown below:

Sl. No.	Name of land owner	Volume of timber	Royalty payable	Rate of concession	Amount of concession		
					Royalty	Monopoly	Total
1.	Malurani Dibragadi of Hathikali	407.600	1.53	20%	0.31	0.08	0.39
2.	Dekanon Hakmousa of Diblong III	123.647	0.96	20%	0.19	0.05	0.24
3.	Ashadan Kamprai	207.842	1.20	20%	0.24	0.06	0.30
4.	Datta Sengyung of N.Diblong	413.466	1.94	15%	0.29	0.07	0.36
5.	Bindon Hakmousa of Hathikali	88.261	0.99	30%	0.30	0.08	0.38
6.	Dimalal Sengyung	77.143	0.55	15%	0.08	0.02	0.10
Total :		1317.959	7.17		1.41	0.36	1.77

No reply had yet been furnished by the Council (December 2000).

3.1.3 Loss of revenue in settlement of stone mahal

(i) Loss due to non-operation of Mahal

As per clause 3 of the agreement entered into between Mahalders and the Council on payment of royalty, the Mahalders were allowed to remove stipulated quantity of stone annually. Clause 17(b) of the said agreement also provides that if the Mahalders failed to take permit for the minimum quantity stipulated in the agreement he/she should be liable to pay royalty and monopoly fee etc. for that quantity. In the event of failure to make payment towards short extraction of stone materials, the amount would be recovered as arrear land revenue from the Mahalders.

Test check of records (November - December 2000) revealed that Mahalders of 2 (two) stone mahals had neither extracted the annual stipulated quantity of stone nor paid the due royalty and monopoly fee etc. for short collection pertaining to mahal periods ended on 3 December 2000 to the Council. Due to failure of the Forest department of the Council to collect forest royalty @ Rs.70.00 per cu.m. with 25 per cent monopoly fee and 8 per cent AGST (Assam General Sales Tax) on royalty, the Council sustained loss of forest revenue to the extent of Rs.13.33 lakh in two settlement periods in respect of two stone mahals as shown below :

(Rupees in lakh)

Sl. No.	Name of stone mahals	Period of settlement as per agreement	Minimum annual stipulated quantity (CUM)	Total quantity to be collected during settled period (CUM)	Quantity collected on payment of royalty (CUM)	Short fall in collection	Amount payable by the Mahaldas for short collection
1.	Stone Mahal along Diyung River from Robi Nalla Meeting point to Abong Nalla	04.12.1997 to 03.12.2000 (3 years)	3000	9000	375	8725	8.12
2.	Stone Mahal along Kapili River from Panimar to Longku under Diyungbra Range	06.09.1997 to 05.09.2000 (3 years)	2000	6000	400	5600	5.21
Total :							13.33

(ii) Loss due to injudicious settlement of stone mahals

On the basis of availability of stone in a Mahal, extractable quantity of stone per year is settled and stipulated in agreement. Settlement of a Mahal for a quantity less than the availability of stone in a Mahal tantamount to under-operation of the Mahal and entail loss of forest revenue for the year(s) of settlement.

Test check of records, however, revealed that due to settlement for extraction of lesser quantity of stone than actually available in three settlement periods in respect of two mahals, the Council sustained further loss of forest revenue to the extent of Rs.14.43 lakh (Royalty @ Rs.70.00 per cu.m. with 25 per cent monopoly fee and 8 per cent AGST on royalty) as depicted below:

(Rupees in lakh)

Sl. No.	Name of stone mahals	Period of settlement	Availability of stone per year (CUM)	Settled annual quantity of stone per year (CUM)	Total shortfall in settlement period (CUM)	Value of under operation
1.	Stone mahal along Kapili River between Panimar and Langku	05.06.1995 to 05.09.1997 (2 years)	5000	3000	4000	3.72
	-do-	06.09.1997 to 05.09.2000 (3 year)	5000	2000	9000	8.38
2.	Stone mahal along Diyung hanging bridge to Rabi Nalla	11.02.1999 to 10.02.2000 (1 year)	3000 (Upto 10.02.2000)	500	2500	2.33
Total						14.43

3.1.4 Loss of revenue due to irregular settlement and remission of entry tax

(i) The right of collection of entry tax from Bazar area and vehicle gates for the year 1999-2000 was settled by executing agreement during March-April 1999 with almost all the lessees of previous years commencing from 1995-96 at 10 to 15 per cent above the settled value of previous year (1998-99) without inviting tender as required under section 37 of N.C. Hills District (Taxes on entry of goods in markets) Regulation (1st amendment) Act 1976. Besides, 7 (seven) of the lessees were granted remission ranging from 10 to 35 per cent on settled value although there was no provision for granting remission in the agreement. Due to granting of remission, the Council sustained loss of tax revenue of Rs.14.53 lakh during 1999-2000 as detailed below:

(Rupees in lakh)

Sl. No.	Name of market gate	Settled value	Percentage of remission	Amount of remission	Stated reasons for remission
1.	ET lease on Gunny bags of Umrangshu area	25.30	35	8.86	Non-availability of electricity (20 per cent) Mechanical break down of a major transformer of NEPCO (15 per cent)
2.	ET lease of Maibong Bazar	2.30	10	0.23	Law and order problem
3.	ET lease of Haflong Bazar	6.03	15	0.90	-do-
4.	ET lease of Garmpani and Umrangshu Bazar	6.93	30	2.08	Law and order problem and closure of cement factory
5.	ET lease of Umrangshu area on petrol and IMFL etc.	2.88	30	0.86	Law and order problem
6.	ET lease on Diyungbra vehicle gate	4.32	30	1.30	-do-
7.	ET lease of Garampani vehicle gate	1.00	30	0.30	-do-
Total				14.53	

The reasons for granting remission as attributed are not acceptable keeping in view that all lessees had entered into agreement aware of the prevailing situation of the district and the reason had been reiterated for the last few years without any supporting documents/records.

(ii) Test check further disclosed that due to settlement of right of

collection of entry tax without inviting tender or by public auction at much below the minimum assessed value of 1997-98, the Council sustained further loss of Rs.3.14 lakh in respect of 3 bazars and 1 (one) vehicle gate for the year 1999-2000 as shown below :

(Rupees in lakh)

Sl. No.	Name of Bazar Gate	Assessed value of 1997-98	Settled value of 1999-2000	Amount of loss
1.	Maibong Bazar	3.50	2.30	1.20
2.	Haflong Bazar	6.65	6.03	0.62
3.	Diyungbra Vehicle gate	5.24	4.32	0.92
4.	Longting Bazar	0.61	0.21	0.40
Total				3.14

3.2 Avoidable expenditure

3.2.1 Extra expenditure in purchase of 'Syntex' water tanks without inviting tender

In February 1999, the Primary Education Officer (PEO) of the Council placed 2 (two) supply orders for supply of 38 'Syntex' water tanks with a capacity of 1500 litres each to two local suppliers @ Rs. 8.00 per litre (on the basis of their application for supply) without inviting tender. Accordingly both the suppliers supplied 38 water tanks at Rs. 4.56 lakh (38 X 8 X 1500) in April 1999.

Cross checking of prevailing market rate showed that dealer's price of such tanks at the time of procurement till December 2000 was Rs.4.80 per litre. Thus, due to procurement of 'Syntex' water tanks without inviting tender and ascertaining prevailing market price, the Council incurred an extra expenditure of Rs.1.82 lakh in purchase of 38 'Syntex' water tanks.

In reply, the PEO stated (December 2000) that there was no local dealer and hence rates were allowed on the basis of application submitted by two suppliers. The reply was not tenable as the economy aspect

remained unascertained due to non-invitation of tender/quotation through wide publicity.

3.2.2 Extra expenditure due to irrational engagement of temporary teachers

As per existing norms prescribed for granting permission/recognition to Primary schools by the Council, the maximum enrolment in a section of a class should be 40 and minimum 20, which has been relaxed to 15 in areas inhabited by SC/ST population and hill areas.

Scrutiny of records relating to entertainment of teachers in urban areas however showed that in 29 schools under Haflong Circle 'A' and 'B' against requirement of 178 teachers as per student teacher ratio 15: 1 the Council entertained 426 teachers during 1999-2000 which resulted in entertainment of 248 excess teachers over requirement in these schools as shown below :

Circle	No. of school	Enrolment of students	Teachers in position	Requirement of teachers as per norms 15:1	Excess teachers
A	12	897	187	60	127
B	17	1774	239	118	121
Total :	29	2671	426	178	248

Thus, while there were 248 excess teachers only in 29 schools of urban areas the Council between April 1999 and February 2000 appointed new temporary teachers ranging from 7 to 62 teachers every month in schools located in rural areas against leave vacancy arisen from time to time. The Council spent Rs. 13.96 lakh (Appendix-I) towards pay and allowances of these temporary teachers which could have been saved had the services of excess teachers been utilised instead of appointing new teachers as temporary measure.

The reply of the Council had not been received (December 2000).

3.3 Other points

3.3.1 Unauthorised deposit of State revenue in Council's fund Revenue earned from entrusted departments is to be deposited into Government account. Contrary to this revenue earned from entrusted departments Rs.3.56 lakh during the year 1999-2000 was unauthorisedly deposited into Council's fund and treated as revenue receipts from other Economic Services (head of account 11 OES) of the Council instead of depositing the same into Treasury.

Reason for treating State revenue as Council's revenue had not been stated (December 2000).

3.3.2 Irregular utilisation of departmental receipts towards departmental expenditure

As per Rule 18 of the North Cachar Hills District Fund Rules, 1953 all moneys received by the cashier on account of Council shall be remitted into the Treasury promptly and no money shall be appropriated towards expenditure.

Test check of records of Transport department of the Council revealed that during the year 1999-2000, out of RTS revenue of Rs.7.04 lakh being sale proceed of passenger tickets and hiring charge of buses, Rs.3.64 lakh was spent towards departmental expenditure on fuel and lubricant in contravention of the said rule despite the matter being pointed out in Paragraph 3.2.1. of Audit Report of the Council for the year 1998-99.

3.3.3 Non-submission of utilisation certificate

(i) During 1999-2000 the Council received Grants-in-aid of

Rs.1317.89 lakh from Government of Assam for maintenance of Primary Education under the Council.

Test check (November-December 2000) of records of education department of the Council revealed that out of the said funds (Rs.1317.89 lakh) the department utilised Rs.984.63 lakh for management of Primary Education and the balance Rs.333.26 lakh was irregularly diverted and spent by the Council under 16 (sixteen) other heads of expenditure as shown in annual accounts (Statement No.6 and 5).

Due to non-utilisation of total funds for the purpose for which it was sanctioned by the Government, the department could not furnish utilisation certificate till December 2000.

(ii) In January 2000, Government of Assam, Revenue (Reforms) Department placed Grants-in-aid of Rs.3.30 lakh for implementation of Minimum Needs Programme (house site for rural landless agricultural workers) by Revenue department of the Council. The Council, however, did not release the fund to the department till 30 November 2000 for utilisation. As a result, utilisation certificate was yet to be furnished by the department (December 2000).

Further, scrutiny revealed that while the Government of Assam insisted upon submission of utilisation certificate by 30 October 2000, the Council, despite receiving the fund in January 2000, informed (November 2000) the Government that no such fund was received by them.

3.3.4 Submission of irregular utilisation certificate

Government of Assam placed Rs.15.00 lakh with the Council as grants-in-aid for the purpose of improvement of transport fleet. The amount was deposited into Council's fund (PLA) on 15 March 2000.

Test check of records of the Transport department of the Council revealed that out of Rs.15.00 lakh, the department received and utilised Rs.5.39 lakh between July and November 2000 and the balance Rs.9.61 lakh was not released by the Council till December 2000. The Council, however, without refunding the unspent balance, furnished utilisation certificate for the entire amount on 30 September 2000 which was highly irregular.

3.3.5 Outstanding Inspection Reports

Audit observations on financial irregularities and defects in the maintenance of account 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 Report.

At the end of December 2000, twenty three Inspection Reports relating to the Council issued between 1972 and December 2000 containing 385 paragraphs remained unsettled. Even first replies to 285 paragraphs in sixteen Inspection Reports as shown below had not been received (December 2000).

Sl. No.	Period of Inspection Reports	No. of I/R	No. of Paragraph
1.	Marach 1971 to February 1972	1	1
2.	May 1973 to October 1974	1	4
3.	October 1976 to June 1977	1	17
4.	October 1978 to March 1986	7	126
5.	April 1988 to March 1991	3	60
6.	April 1996 to March 1997	1	20
7.	April 1997 to March 1998	1	28
8	April 1998 to March 1999	1	29
Total		16	285

3.4 Observations in preceding paragraphs were referred to the council on 3 October 2001, who however had not furnished any reply (December 2001).

(**RAJIB SHARMA**)

Accountant General (Audit)
Assam

Place: Guwahati

Date : 11 MAR 2002

Countersigned

(**V. K. SHUNGLU**)

Comptroller and Auditor General of India

Place: New Delhi

Date : 14 MAR 2002

Appendix-I
(Reference: Para 3.3.2)

1) Pay and allowance to temporary teachers appointed on leave vacancy

Month	No. of teacher appointed and entertained during the month	Pay and allowances allowed during the month
April 1999	18	86,922
May 1999	10	48,290
June 1999	07	33,803
July 1999	41	1,97,989
August 1999	35	1,69,015
October 1999	39	1,88,331
November 1999	22	1,06,238
December 1999	55	2,65,595
February 2000	62	2,99,398
Total :		13,95,581

