



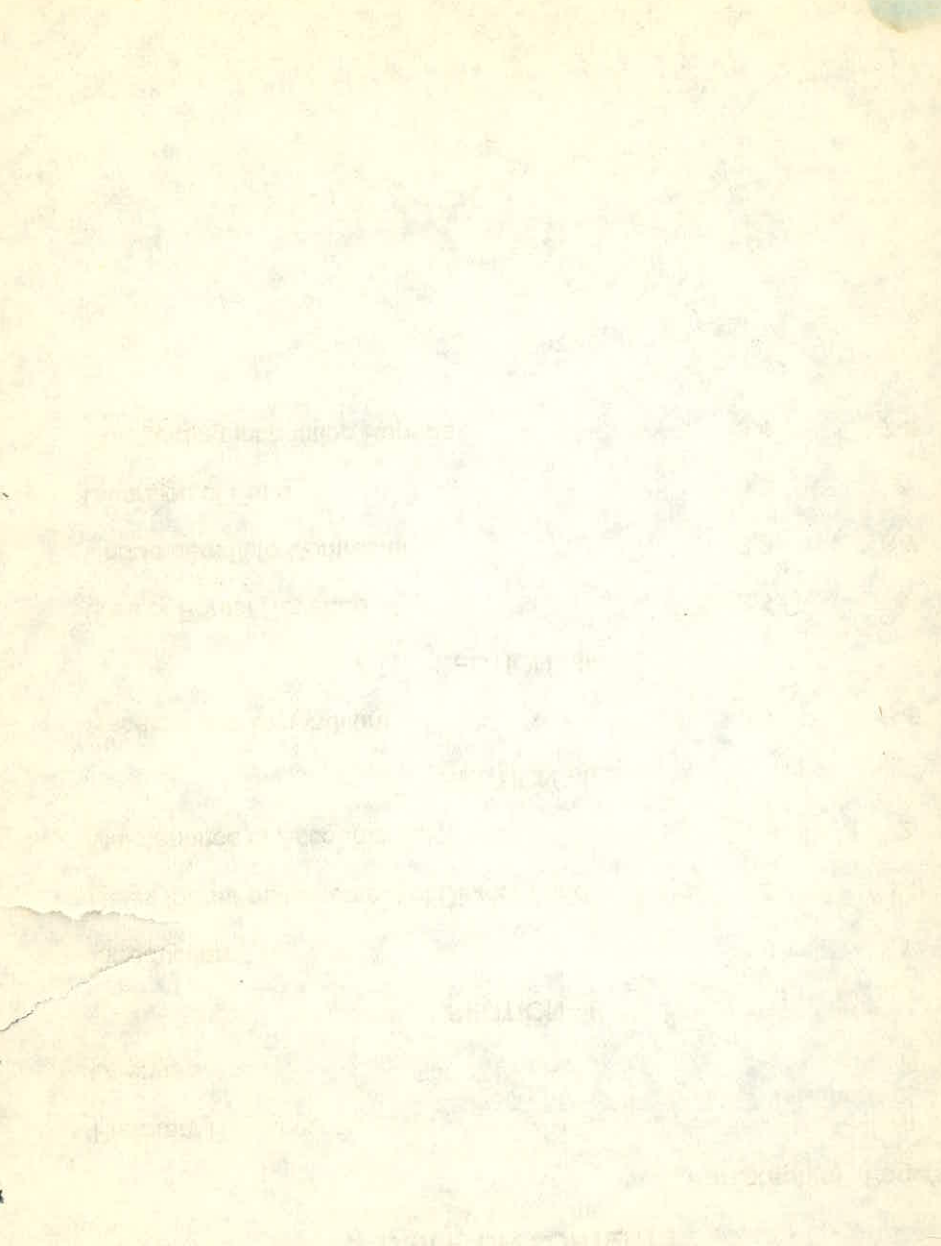
REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL  
OF INDIA

FOR THE YEARS  
1988-89 to 1989-90

KHASI HILLS AUTONOMOUS DISTRICT COUNCIL  
SHILLONG, MEGHALAYA

## TABLE OF CONTENTS

	Paragraph(s)	Page(s)
Prefatory Remarks	-	ii
Overview	-	iii
SECTION - I		
Introduction	1.1	1
Rules for the management of District Fund	1.2	1-2
Maintenance of Accounts	1.3	2
SECTION - II		
Receipts and Expenditure	2.1	3-5
SECTION - III		
Loss of Forest Revenue	3.1	6
Undue benefit to Contractor	3.2	6-7
Diversion of Fund	3.3	7
Outstanding Inspection Reports	3.4	7-8

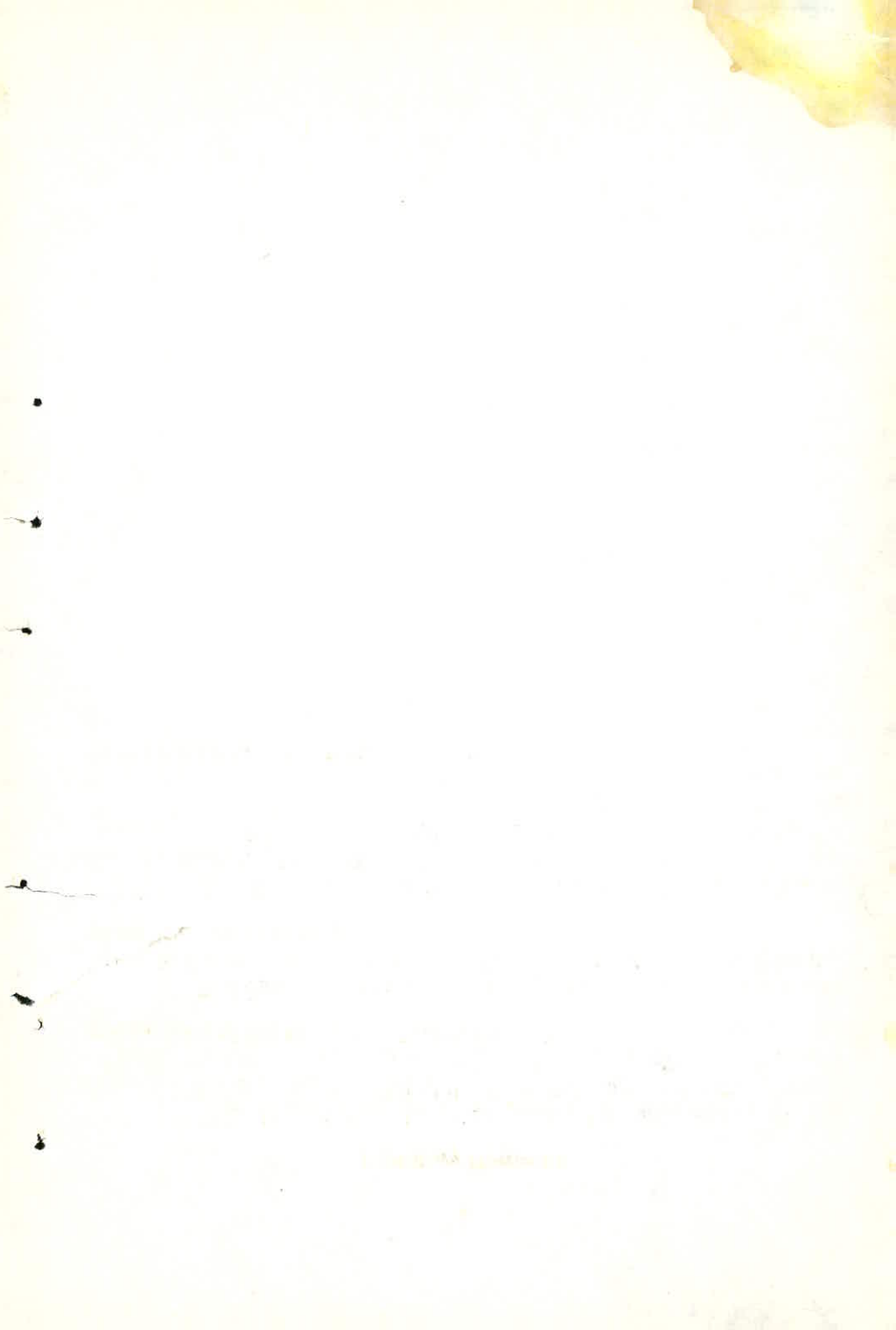


### **Prefatory Remarks**

1. 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 the course of test-check of the accounts of the council for the years 1988-89 to 1989-90.

3. This Report contains three sections, of which one deals with the constitution of the Khasi Hills District 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 the points noticed in audit of financial transactions for the period from 1988-89 to 1989-90.



### Overview

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

- Non realisation of forest revenue resulted in loss to the Council to the tune of Rs.2.47 lakhs.

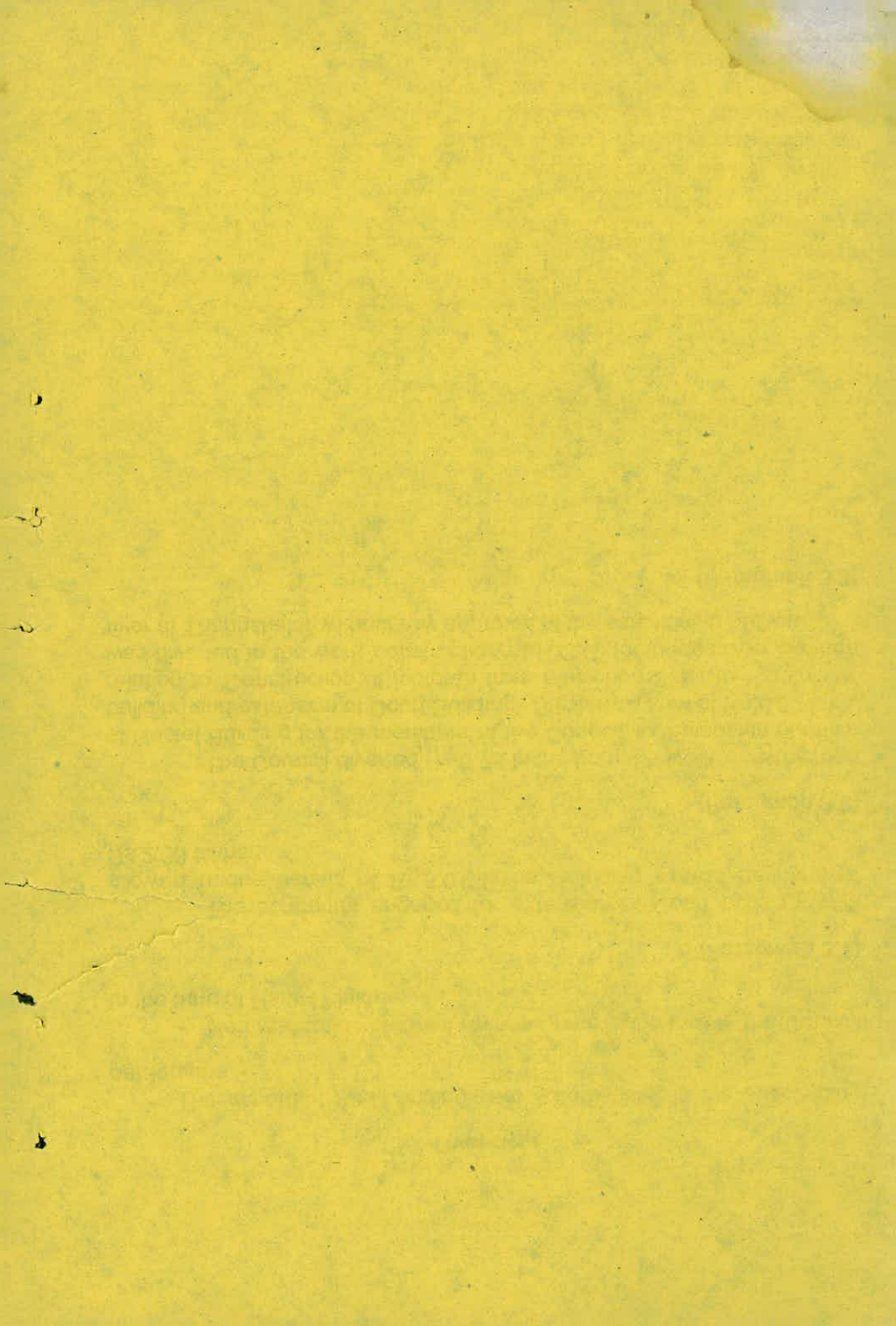
(Paragraph 3.1)

- The contractor engaged for extension of Court building, was allowed undue benefit of Rs.5.01 lakhs including excess payment of Rs.2.33 lakhs.

(Paragraph 3.2)

- The Council diverted Rs.6.75 lakhs from the work 'construction of Hostel Building for the members of the Council' to 'Extension of office building and extension of Court Building'. Similarly a sum of Rs.0.52 lakh, relating to 'Construction of footpath from Mawphon Sejour to Ransniwar' was diverted to the work 'construction of R.C.C. footbridge over Sohram river at Thangshala' without any approval of the sanctioning authority.

(Paragraph 3.3)



## 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 was renamed as the Khasi Hills District Council and Jaintia Hills District Council respectively, by a notification issued by Government on 14 June 1973.

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(i) of the Schedule mainly in respect of allotment, occupation, use etc. of land, management of forest other than reserved forest, use of any canal or water-course for agriculture, regulation of the practice of 'Jhum' or other form 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 (i) of the schedule, the Council 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 Council 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 Schedule.

### 1.2 Rules for the management of District Fund

The Sixth Schedule provides for the constitution of 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 laying down 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 have not been finalised so far (October 1995). 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 accordance with paragraph 7 (3) of the Sixth Schedule to the Constitution, the form in which the accounts of the District Councils 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 for the years 1988-89 and 1989-90 due for submission by 30th June 1989 and June 1990 were submitted only in July 1995 and September 1995 respectively.

Result of the test-check of the Annual Accounts of the Council for the years 1988-89 and 1989-90 are given in succeeding paragraphs.

## SECTION II

### 2.1 Receipts and Expenditure

According to the Annual Accounts furnished by the Council, the receipts and expenditure of the Council for the years 1988-89 and 1989-90 with resultant surplus/deficit were as follows :-

Receipts	1988-89	1989-90	Expenditure	1988-89	1989-90
	(Rupees in lakhs)			(Rupees in lakhs)	

#### Part - I District Fund

(a) Revenue Receipts			(a) Revenue Expenditure		
(i) Taxes on income and expenditure	19.63	24.21	(i) District Council	10.98	7.74
			(ii) Executive Member	5.70	4.93
(ii) Land Revenue	0.44	0.21	(iii) Land Revenue	4.36	5.11
(iii) Taxes on Vehicles	30.00*	13.90*	(iv) Secretariat General Services	67.33	67.10
(iv) Other General Economic Services	0.23	0.43	(v) Public Works	12.69	15.60
			(vi) Public Health Sanitation and Water Supply	0.14	
(v) Forest	123.46	127.61			
(vi) Mines and Minerals	13.03	12.62	(vii) Forest	35.27	38.14
(vii) Grants-in-aid from the State Government	15.30	40.60	(viii) Roads and Bridges	24.19	9.65**
			(ix) Education	6.86	6.67

\* The receipt of Rs. 30 lakhs in 1988-89 pertains to the share of taxes for two years 1986-87 and 1987-88 whereas Rs. 13.90 lakhs relates to the year 1988-89 received in 1989-90.

\*\* Variation in expenditure under this head was due to less release of funds for the purpose by the State Government.

Receipts	1988-89	1989-90	Expenditure	1988-89	1989-90
	(Rupees in lakhs)			(Rupees in lakhs)	
(viii) Other receipts heads	0.62	1.33	(x) Administration of Justice	9.79	11.42
			(xi) Other expenditure heads	7.31	5.24
Total Revenue Receipts (a)	202.71	220.91	Total revenue Expenditure (a)	184.62	171.60
Revenue Deficit			Revenue Surplus	18.09	
(b) Capital:			(b) Capital:		
(c) Debt:			(c) Debt:		
(i) Loans received from Government			(i) Repayment of loans received from the Government		
(ii) Loans received from other sources			(ii) Repayment of loans received from other sources		
Total of (c)			Total of (c)		
(d) Loans and Advances Recoveries of loans and advances	1.08	1.20	(d) Loans and Advances Disbursement of loans and advances	2.37	2.10
Total of Part - I District Fund	203.79	222.11	Total of Part - I District Fund	186.99	173.70

#### Part - II - Deposit Fund

Deposit Receipts	9.86	8.22	Deposit Payments	8.72	8.38
Total of Part - II	9.86	8.22	Total of Part - II	8.72	8.38
Total Receipts (I and II)	213.65	230.33	Total Disbursement (I and II)	195.71	182.08
Opening balance	108.08	126.02	Closing balance	126.02	174.27
Grand Total	321.73	356.35	Grand Total	321.73	356.35

2.1.1.1 According to Fund Rules, all moneys received on behalf of the Council and all the expenditure incurred in relation to the affairs of the Council are required to be exhibited in the Personal Ledger Account (PLA) opened in the Shillong Treasury. It was noticed that transaction

appearing in the Personal Ledger Account did not tally with those entered in the Registers of receipts and Fund register of the Council and the annual accounts furnished by the Council as shown below :-

	Receipts		Disbursements	
	1988-89	1989-90	1988-89	1989-90
	(Rupees in lakhs)			
Amount as per PLA	189.76	234.64	186.37	172.33
Amount as per register of receipts/Fund Register	205.31	221.36	187.32	173.16
Amount as shown in the Annual Accounts	213.65	230.33	195.71	182.08
Difference of figures between PLA and Fund Register	15.55	13.28	0.95	0.83
Difference of figures between PLA and annual Accounts	23.89	4.31	9.34	9.75

The above discrepancies had not been reconciled.

## SECTION III

### 3.1 Loss of Forest Revenue

The Council has 16 Forest Stations, Ranges and Beats under its jurisdiction. For extraction of forest produce these are given on lease to private parties from time to time at a settled amount. Test check of the records revealed (October 1995) that 4 forest beats were settled with 4 lessees for the year 1989-90 at a total amount of Rs.12.22 lakhs. Of this the lessees paid (during 1989-90) Rs.7.04 lakhs as of October, 1995.

Further, records viz. tenders, agreement etc. regarding settlement of all the 16 beats for the years 1988-89 and 1989-90 were made available to audit. In the absence of the same, correctness of the fixation of the lease money for the years 1988-89 and 1989-90 and realisation of the same could not be verified in audit.

The Council stated (November 1995) that the records relating to settlement of lease for the year 1988-89 and 1989-90 had been misplaced and are being traced out.

The Council further stated (February 1996) that these beats were settled at a total amount of Rs.10.40 lakhs of which Rs.7.95 lakhs were recovered as of February 1996 and the balance Rs.2.47 lakhs could not be recovered despite repeated reminders.

In the absence of relevant records of the settlement of beats, the exact amount of lease, the terms and conditions of the payment of the leased amount and the action taken by the department to realise the same could not be examined by audit. Based on the reply of the Council, an amount of Rs.2.47 lakhs was due for recovery as of February 1996.

### 3.2. Undue Benefit to Contractor

An estimate of Rs.8.65 lakhs for "extension of Court building of the Council" was prepared and approved by the Council in February 1990. The estimate was based on State PWD Schedule of rates 1985-86 plus Price escalation of 35 per cent. Without inviting any tender, work was awarded in March 1990 to a contractor at the estimated amount with the stipulation to complete it by 31 March 1990. The reason for not inviting any tender for the work was not on record nor could it be explained by the Council.

The work was, however, completed in January 1992 with a total payment of Rs.14.08 lakhs to the contractor. Scrutiny of the bills (1st running bill to 4th running final bills) revealed that the value of work done and paid to the contractor upto 2nd running bill was Rs.5.28 lakhs but the same was shown as Rs.2.95 lakhs and accordingly

deducted from gross value of the 3rd running bill. This has resulted in an excess payment of Rs.2.33 lakhs. The excess payment which could have been adjusted in the final bill paid in February 1992 was also not done.

Further, it was seen that 40 per cent escalation amounting to Rs.2.68 lakhs (on the value of work of Rs.6.71 lakhs out of the total value of work of Rs.9.07 lakhs) was also paid to the contractor. The reason for extending this undue benefit to the contractor amounting to Rs.2.68 lakhs which was not within the scope of agreement, was not stated.

The Council stated (February 1996) that the request of the Contractor for 40 per cent enhancement of rates on certain items of work due to law and order problem in the State and increase in the price of materials, and rates of labour was considered by the Council. The reply of the Council is not tenable because initially the contractor agreed to execute the work at the estimated rate and started the work accordingly. As regards the excess payment of Rs.2.33 lakhs the Council had not furnished any reply. Thus the contractor was given undue financial benefit of Rs.5.01 lakhs.

### 3.3. Diversion of Fund

The Government of Meghalaya sanctioned (February 1989) grant of Rs.6.75 lakhs for construction of Hostel building for the Members of the Council, to be utilised within one year of the sanction. The Council, however, diverted the entire amount during 1989-90 and 1990-91 for "extension of office building" (Rs.5.03 lakhs) and "extension of Court Building" (Rs.1.72 lakhs) without the approval of the sanctioning authority. The reason for the diversion of the fund was not stated.

Similarly, out of Rs.0.59 lakh sanctioned (March 1988) by the Government for construction of "footpath from Mawphan Sejour to Ransniwar an amount of Rs.0.52 lakh was diverted (during 1989-90) for construction of "RCC foot bridge over Sohram river at Thang-shalai". The reason for this diversion was attributed (June 1991) by the Council to the shortage of fund for the latter work. The council, however, had not obtained the approval of the sanctioning authority.

### 3.4. Outstanding Inspection Reports

Audit observations on financial irregularities and defects in maintenance of accounts noticed during local Audit and not settled on the spot are communicated to the head of office and to the next higher authorities through inspection reports.

The position of the outstanding paras relating to this council is given below:-

Sl. No.	Period of Accounts audited	Year of issue	No. of outstanding paras
1.	July 1971 to June 1972	1972	1
2.	November 1974 to October 1975	1975	2
3.	November 1975 to December 1976	1976	20
4.	January 1977 to March 1980	1981	15
5.	April 1980 to March 1983	1984	16
6.	April 1983 to March 1985	1986	23
7.	April 1985 to March 1986	1987	19
8.	April 1986 to March 1988	1989	

Replies to the outstanding paras are still awaited despite reminders.



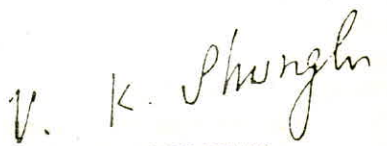
(SMT. A. L. GANAPATHI)

Principal accountant General (Audit)  
Assam, Meghalaya, Arunachal  
Pradesh and Mizoram

Place : Shillong

Date 15 Oct 1996

Countersigned



(V. K. SHUNGLU)

Comptroller and Auditor General of India

Place : New Delhi

Date : 23 Oct 1996