REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR
1995-96

JAINTIA HILLS AUTONOMOUS DISTRICT COUNCIL
JOWAI, (MEGHALAYA)

TABLE OF CONTENTS

PREFATORY REMARKS

This Report has been prepared for submission to the Governor under paragraph 7 (4) of the Sixth Schedule to the Constitution of India. It relates mainly to points arising from the audit of the financial transactions of the Jaintia Hills Autonomous District Council, Jowai.

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 1995-96.

3. This Report contains three sections, of which one deals with constitution of the Jaintia Hills Autonomous District Council, 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 various irregularities noticed in audit relating to the year 1995-96.

OVERVIEW

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

The Council invested Rs. 70 lakh in term deposit without the approval of the Governor in contravention of Rule 99 of the Jowai Autonomous District Fund Rules, 1967.

(Paragraph 2.1.2)

- Unutilised balance of Rs.38.55 lakh lying in the Savings Bank Accounts maintained with the United Bank of India, Jowai at the end of 1995-96 was shown as expenditure in the annual accounts for the year 1995-96 resulting in overstatement of expenditure and understatement of closing balance in the accounts to that extent.

(Paragraph 2.2)

- The Council sustained loss of Rs.10.89 lakh under Social Forestry Scheme due to damage of seedlings planted.

(Paragraph 3.1)

SECTION I

1.1 Introduction

The United Khasi and Jaintia Hills District Council was set up in June 1952 under the provisions of the 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 to the Constitution provides for administration of specified tribal areas. For that purpose, it provides for the constitution of a District Council for each autonomous district with powers to make laws on matters listed in paragraph 3(1) of the Schedule mainly in respect of allotment,occupation, use, etc. of land; management of forests other than reserve forests; use of any canal or watercourse for agriculture; regulation of the practice of 'Jhum' or other forms of shifting cultivation; establishment of village or town committees or councils and their powers; village or town administration including police, public health and sanitation and inheritance of property. Under paragraph 6(1) of the Sixth Schedule, the Councils have the powers to establish, construct or manage primary schools, dispensaries, markets, cattle pounds, ferries, fisheries, roads,road transport and water-ways in respective autonomous districts.

The Councils also have the powers to assess, levy and collect within the autonomous districts, revenue in respect of land and buildings, taxes on professions, trades, callings and employments, animals, vehicles and boats, tolls on passengers and goods carried in ferries and for the maintenance of schools, dispensaries or roads as listed in paragraph 8 of the Schedule.

1.2 Rules for the management of District Fund

The Sixth Schedule provides for the constitution of a District Fund for each autonomous district to which shall be

credited all moneys received by the Council in the course of administration of the District in accordance with the provisions of the Constitution. In exercise of the powers conferred under paragraph 7(2) 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 Jowai Autonomous District Fund Rules, 1967, as approved by the Governor, which came into force from 5 June 1968. In view of amendment of paragraph 7(2) of the Schedule (made with effect from 2 April 1970) which provides for rules 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 therefrom, the custody of moneys therein and any other matters connected with or ancillary to these matters, the State Government of Meghalaya prepared in 1971 draft District Council Fund Rules, common to all the District Councils in the State which were yet to be finalised by the State Government.

1.3 Maintenance of accounts

In pursuance of paragraph 7(3) of the Sixth Schedule, *ibid*, 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 Meghalaya (June 1977) for submission of accounts by the District Council. The annual accounts for the year 1995-96, due for submission by 30 June 1996, were submitted after a delay of over 7 months in February 1997 and contained some discrepancies. The discrepancies were, however, reconciled by the Council at the instance of Audit and the revised annual accounts were submitted in August 1997.

Results of test-check of annual accounts of the Council for the year 1995-96 are given in the succeeding paragraphs.

SECTION II

2.1 Receipts and expenditure

2.1.1 According to the annual accounts furnished by the Council, the receipts and expenditure of the Council for the year 1995-96 and the resultant revenue surplus were as follows :-

Receipts		(Rupees in lakh)	Disbursements		(Rupees in lakh)
			PART I DISTRICT FUND		
(1)	**Revenue receipts**		(1)	**Revenue expenditure**	
(i)	Taxes on Income and expenditure	17.83	(i)	District Council	7.15
(ii)	Land revenue	6.96	(ii)	Executive Members	11.24
(iii)	Stamps and Registration fees	1.32	(iii)	Administration of justice	11.78
(iv)	Taxes on vehicles	28.77	(iv)	Land revenue	39.73
(v)	Interest receipts	5.03	(v)	Secretariat General Services	81.45
(vi)	Stationery and Printing	3.20	(vi)	Stationery and Printing	13.05
(vii)	Other General Economic Services	7.68	(vii)	Public Works	110.34
(viii)	Fisheries	1.81	(viii)	Pension and other retirement benefits	10.86
(ix)	Forest	26.15	(ix)	Education	18.02
(x)	Mines and Minerals	259.37	(x)	Urban Development	9.78
(xi)	Grants-in-aid from State Government	89.94	(xi)	Information and Publicity	2.77

Receipts	(Rupees in lakh)	Disbursements	(Rupees in lakh)
		(xii) Relief on account of natural calamities	1.00
		(xiii) Other General Economic Services	16.66
		xiv) Agriculture	16.37
		(xv) Forest	77.32
Total Revenue Receipts	448.06	Total Revenue Expenditure	427.52
		Revenue Surplus	20.54
(2) Capital	Nil	(2) Capital	Nil
(3) Debt	Nil	(3) Debt	Nil
(4) Loans and Advances	Nil	(4) Loans and Advances	Nil
Total of Part I District Fund	448.06	Total of Part I District Fund.	427.52
	PART II-DEPOSIT FUND		
Deposit receipts	Nil	Expenditure on deposit account	Nil
Total of Part II Deposit Fund	Nil	Total of Part II Deposit Fund	Nil
Total Receipts (I + II)	448.06	Total Disbursements(I + II)	427.52
Opening balance	75.20(a)	Closing balance	95.74
Grand Total	523.26	Grand Total	523.26

* (a) included Rs. 12.09 lakh being accumulated interest on fixed deposit kept in the Savings Bank Account, which was not included in the closing balance for the year 1994-95 by the Council through oversight.

2.1.2 According to Rule 99 of the Jowai Autonomous District Fund Rules, 1967, the District Council may on the recommendation of the Executive Committee and with the approval of the Governor authorise investment of surplus funds in the manner profitable to the Council. Test-check (August 1997) revealed that provision of the said Rule was not adhered to by the Council in respect of the following :-

(i) During the period from December 1984 to March 1993, the Council invested Rs. 70 lakh in term deposits without the approval of the Governor in contravention of the aforesaid Rule. The said amount of Rs. 70 lakh was accounted for in Statement 7 of the annual accounts for the year 1995-96 as opening and closing balances under the head "Deposit bearing interest - Security Deposit" instead of as closing bank balance resulting in understatement of opening and closing bank balances in the said accounts to that extent.

The Council stated (February 1998) that the bank account was operated as per decision of the Executive Committee with a view to keep watch on proper expenditure of Government grants. The fact, however, remained that provision of Rule 99 of the Fund Rules, 1967 was not adhered to by the Council.

(ii) In accordance with the Council's decision for utilisation of the interest earned on the aforesaid term deposit of Rs. 70 lakh towards expenditure, a Savings Bank Account was opened by the Council with the United Bank of India, Jowai for crediting the said interest instead of arranging depositing in Personal Ledger Account, reasons for which were not stated. Of Rs. 70 lakh, Rs. 5 lakh was invested in a term deposit on 25 March 1993 for a period of 5 years with the Bank-Nongkyndong. Further interest of Rs. 0.55 lakh earned on the said term deposit for the period from 26 March 1994 to 25 March 1995 was paid by the Bank in cash on 7 July 1995. The said amount was, however, not deposited into Savings Bank Account by the Cashier responsible for depositing the same till July 1997, which indicated that the same was temporarily misappropriated by him. But no action against the delinquent official was taken by the Council. The amount was, however, deposited by the Cashier in the Savings Bank Account on 13 August 1997 at the instance of Audit.

The Council stated (February 1998) that it was not a case of misappropriation and that only the fact of non-deposit of the amount remained unnoticed. When it was pointed out by Audit, the amount was deposited forthwith. Reply is not tenable in view of the fact that as per Rule 16 (iv) of the Jowai Autonomous District Fund Rules, 1967 the cash balance in the Cash Book was required to be verified by the Secretary, Executive Committee of the Council at the end of each month. Had the amount been lying in the chest, it should have come to the notice of the Secretary at the time of monthly verification.

2.1.3 Statement 3 of the annual accounts for the year 1995-96 showed opening and closing balances as Rs. 6.66 lakh under the head "Loans and Advances from the State Government". The said outstanding balance of loan was being exhibited in Statement 3 of the annual accounts since 1985-86. The Council stated (February 1998) that this was not the outstanding loan and it might be a case of misclassification and that the correct position would be reflected in the next years accounts. Reasons for such continued misclassification and also for not taking appropriate action for rectification of error during last 11 years had not been furnished (February 1998).

2.1.4 Revenue receipts (excluding grants-in-aid) and expenditure compared to budget provision of the Council for the year 1995-96 were as follows:-

	Estimates	Actuals	Variation	Percentage of variation
		(Rupees in lakh)		
Receipts	493.13	358.12	135.01	27
Expenditure	620.24	427.52	192.72	31

Reasons for shortfall in revenue receipts were stated (December 1997) by the Council to be due to non-receipt of estimated Government grants, Council's share on minerals and less realisation of forest revenue due to prevailing ban on movement of timber. Reduction in expenditure was stated to be due to postponement of recruitment, reduction in

contingent expenditure and other developmental activities due to shortage of adequate fund.

2.1.5 Large variations in receipts and expenditure under different heads of account between the current year and the previous year were noticed. The variations ranged between 28 and 222 *per cent*. A few instances of such cases with reasons are given in Appendix.

2.2 District Fund

According to Rule 14(1) of the Jowai Autonomous District Fund Rules, 1967, all moneys pertaining to the District Fund of the Council shall be held in the Treasury.

Test-check (August 1997) of records revealed that during the year 1995-96 funds totalling Rs.58.39 lakh pertaining to the heads Forest (Rs.4.39 lakh) and Public Works (Rs.54 lakh) were withdrawn from the Treasury by the Council and deposited into a Savings Bank Account maintained with the United Bank of India, Jowai. Out of Rs.58.39 lakh, expenditure of Rs.19.84 lakh was incurred during 1995-96 under Public Works and the balance of Rs.38.55 lakh remained unutilised till the end of the year 1995-96. But the entire amount of Rs.58.39 lakh was shown as expenditure in the annual accounts for the year 1995-96, thereby overstating the expenditure (Forest : Rs.4.39 lakh; Public Works : Rs.34.16 lakh) and understating the closing balance by Rs.38.55 lakh.

The Council stated (February 1998) that the Bank accounts were operated as per decision of the Executive Committee of the Council. The fact, however, remained that provision of the aforesaid Fund Rules was not adhered to by the Council. Reasons for overstatement of expenditure and understatement of closing balance in the annual accounts had not been stated (February 1998).

SECTION III

3.1 Loss due to damage of plants

Under the Social Forestry Scheme, the State Government sanctioned to the Council grants totalling Rs.16.53 lakh during January 1991 (Rs.5 lakh), January 1993 (Rs. 7 lakh) and March 1994 (Rs.4.53 lakh) for plantation work in 361 hectares of land as detailed below:-

Name of work	Grant sanctioned
	(Rupees in lakh)
Survey, land preparation, planting, weeding out, etc.	9.00
Fencing including cost of barbed wire, fitting, fixing, etc.	3.87
Fire protection	3.15
Maintenance of inspection path and repair of fencing	0.51
	16.53

Test-check (August 1997) of records revealed that out of Rs.16.53 lakh, the Council incurred expenditure of Rs.13.33 lakh up to October 1994 on execution of the scheme in 361 hectares of land and the balance of Rs.3.20 lakh remained unutilised (May 1995).

Out of 361 hectares, 27.5 hectares of land on which expenditure of Rs.0.46 lakh was incurred by the Council for advance and

preliminary works were, stated by the Council, to have been encroached by Government of Assam.

The Council did not maintain any plantation journal showing the area-wise plantation, number of seedlings planted and their survival position. As such, actual position of survival of seedlings planted in 333.5 hectares of land (361 hectares - 27.5 hectares) could not be ascertained in audit. However, according to the report of the Assistant Forest Officer (AFO) submitted to the Divisional Forest Officer in April 1995, the average survival percentage of plants in 248.5 hectares (8 centres) was 20.63 and all the plants in the remaining 85 hectares (8 centres) were damaged. The damage to plants was, as attributed by the AFO, mainly due to fire and want of fencing. Thus, due to damage of 79.37 *per cent* of the plants in 248.5 hectares and all the plants in 85 hectares, the Council sustained a loss of Rs.10.89 lakh*; besides frustrating the purpose for which the grants were sanctioned. Reasons

---

*

i) Expenditure incurred in 333.5 hectares till submission of Report in April 1995 : Rs.13.33 lakh
-Rs. 0. 46 lakh
Rs.12.87 lakh

ii) Pro-rata expenditure in 248.5 hectares : $\frac{\text{Rs. 12.87 lakh} \times 248.5}{333.5}$
= Rs. 9.59 lakh

iii) Pro-rata expenditure in 85 hectares : $\frac{12.87 \text{ lakh} \times 85}{333.5}$
= Rs. 3.28 lakh

iv) Loss : 79.37 *per cent* of Rs.9.59 lakh
= Rs. 7.61 lakh + Rs.3.28 lakh =Rs. 10.89 lakh

for such huge damage to plants due to fire and non-availability of fencing in spite of release of grants of Rs.7.53 lakh by the State Government for fire protection (Rs.3.15 lakh), fencing (Rs.3.87 lakh) and maintenance and repair (Rs.0.51 lakh) had not been furnished.

Further, out of the balance amount of Rs.3.20 lakh, advance payments for Rs.2.10 lakh was made to the Senior Forest Officer (SFO) in June (Rs. 1. 08 lakh) and October 1995 (Rs.1.02 lakh) for weeding out (Rs.1.08 lakh), fire protection (Rs.0.83 lakh) and maintenance and repair (Rs.0.19 lakh) and the balance of Rs.1.10 lakh remained unutilised till the date of audit (August 1997). The amount of Rs. 2.10 lakh was, however, actually utilised during September and November 1995 for weeding out and fire protection work. The unutilised amount of Rs. 1.10 lakh had not been refunded to Government.

The matter was referred to the Council in December 1997, who stated (February 1998) that though the plantation was damaged by fire, the same was recovered by subsequent restocking out of maintenance fund with the approval of the competent authority and with cent *per cent* success. However, measures taken by the Council to prevent fire hazard and for construction of fencing out of the funds of Rs. 7.02 lakh sanctioned for the purpose as well as the adequacy of such measures to minimise damage of plants had not been spelt out. Expenditure incurred for restocking of the damaged plantation had also not been furnished (February 1998).

3.2 Outstanding Inspection Reports

Audit observations on financial irregularities and defects in the maintenance of accounts noticed during local audit and not settled on the spot are communicated to the heads of the offices and to the next higher authorities through the Audit Inspection Reports.

At the end of 1996-97, 12 Inspection Reports relating to the Council issued between 1969 and 1996 still contained 178 unsettled paragraphs. Even first replies to 147 paragraphs of 8 Inspection Re-

ports pertaining to the period from October 1975 to March 1992 had not been received (February 1998).

Shillong
The 14 Jul 1998

(SWORD VASHUM)
Accountant General (Audit)
Meghalaya, Arunachal Pradesh
and Mizoram

Countersigned

New Delhi
The 27 Jul 1998

(V.K. SHUNGLU)
Comptroller and Auditor General of India

APPENDIX

APPENDIX

(Reference : Paragraph 2.1.5; Page 7)

Statement showing details of variations in receipts and expenditure between the current year and previous year

Serial number	Head of accounts	1994-95	1995-96	Variation Increase +/ Decrease -and percentage of variation in brackets	Reasons for variation
		(Rupees in lakh)			
		Receipts			
1.	Taxes on Income and Expenditure	25.71	17.83	-7.88 (31)	Shortfall in realisation of taxes was stated (December 1997) by the Council to be due to non-payment of professional taxes by certain Government departments.
2.	Land Revenue	5.32	6.96	+1.64 (31)	Increase in revenue receipts was stated (December 1997) to be due to increase in realisation of certain fees.
3.	Interest receipts	11.93	5.03	-6.90 (58)	Shortfall was stated (December 1997) to be due to drawal from Bank.
4.	Taxes on Vehicles	-	28.77	+28.77 (100)	Reasons for non-receipt of taxes on vehicles during 1994-95 had not been furnished (February 1998).
5.	Other General Economic Services	10.62	7.68	-2.94 (28)	Reasons for variation had not been furnished (February 1998).

Serial number	Head of accounts	1994-95	1995-96	Variation Increase +/ Decrease -and percentage of variation in brackets	Reasons for variation
		(Rupees in lakh)			
6.	Forest	42.31	26.15	-16.16 (38)	Shortfall was stated (December 1997) to be due to prevailing ban on movement of timber.
7.	Mines and minerals	146.91	259.37	+112.46 (77)	Increase in revenue receipts was stated (December 1997) to be mainly due to increase in realisation of royalty on coal.
8.	Grants-in aid from State Government	55.53	89.94	+ 34.41 (62)	Variation was stated (December 1997) to be due to receipt of more grants.
		Expenditure			
1.	Administration of justice	8.35	11.78	+ 3.43 (41)	Variation was stated (December 1997) to be due to increase in establishment expenditure.
2.	Agriculture	12.36	16.37	+ 4.01 (32)	- do -
3.	Public Works	34.24	110.34	+ 76.10 (222)	Variation was stated (December 1997) to be due to increase in Government grants as well as Council's own fund for civil works.

Serial number	Head of accounts	1994-95	1995-96	Variation Increase +/ Decrease -and percentage of variation in brackets	Reasons for variation
		(Rupees in lakh)			
4.	Other General Economic Services	6.08	16.66	+ 10.58 (174)	Increase in expenditure was stated (December 1997) to be due to improvement of market etc.
5.	Urban Development	17.75	9.78	- 7.97 (45)	Reduction in expenditure was stated (December 1997) to be due to less receipt of Government grants.
6.	Forest	57.12	77.32	+ 20.20 (36)	Increase in expenditure was stated (December 1997) to be due to allocation of more fund by the Council as well as increase in Government grants. Purpose for allocation of more funds/grants had not been furnished (February 1998)
7.	Stationery and Printing	5.62	13.05	+ 7.43 (132)	Variation was stated (December 1997) by the Council to be due to increase in prices of stationery articles as well as contingent expenditure.