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

FOR THE YEAR 1999-2000

**KARBI ANGLONG AUTONOMOUS COUNCIL
DIPHU, ASSAM**



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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 Karbi Anglong Autonomous Council, Diphu.

2. 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.
3. This Report contains three sections of which one section deals with constitution of Karbi Anglong Autonomous Council, the rules for the management of the District Fund and maintenance of accounts by the Autonomous Council. The remaining two sections include comments on the Council's financial position and various irregularities relating to the period 1999-2000.

Overview

A synopsis of the findings contained in the important paragraphs is presented in the overview.

□ Net revenue deficit during 1999-2000 was Rs.8.65 crore (22 per cent) Part of the deficit was met by irregular diversion of accumulated fund advanced by the State Government for entrusted functions.

(Para 2.1.2)

□ Discrepancy in receipts of Grants-in-aid by Rs.1.03 crore remained unreconciled.

(Para 2.1.6)

□ Overstatement of revenue expenditure was to the tune of Rs.3.76 crore.

(Para 2.2.1)

□ Capital Expenditure was understated by Rs.93.52 lakh with corresponding overstatement of revenue expenditure to that extent.

(Para 2.3.1)

□ Expenditure under entrusted function was overstated to the extent of Rs.16.43 crore.

(Para 2.4.3)

□ Rupees 1.92 crore was irregularly diverted and spent under 22 other head of expenditure out of the grants-in-aid received from Government of Assam for maintenance of primary education.

(Para 3.2.2)

□ The Council did not produce records relating to the expenditure of Rs.3.54 crore.

(Para 3.2.4)

SECTION-I

1 Introduction

The Karbi Anglong District Council in Assam was set up on 23 June 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 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 Sixth Schedule, mainly in respect of allotment, occupation, use of land; management of forests (other than reserve forest); 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 waterways in the 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 the maintenance of schools, dispensaries or roads as listed in paragraph 8 of the Sixth Schedule.

In addition, under paragraph 6(2) of the Sixth Schedule, *ibid*, the State Government has entrusted to the District Council additional functions in relation to agriculture, animal husbandry, cottage industries, soil conservation, social

welfare, fisheries, forest (including reserve forests), etc. since June 1970 (as revised in November 1979 and November 1992). According to the terms of entrustment, the District Council is to receive grants from the State Government for the management of the entrusted functions, and is 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 forest) is made in the State Budget, and the Council remains 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 forests, no provision (expenditure or revenue) is made in the State budget as the Council collects revenue and incurs 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 Karbi Anglong District Fund Rules, 1952 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 money therefrom the custody of monies 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, the Autonomous

District Fund Rules, 1989, 1992 and 1995. The revised Rules, 1995 are yet to be finalised due to non-amendment of Sixth Schedule to the Constitution of India.

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 has been prepared in the prescribed form. The accounts which were due for submission by 30 June 2000, were submitted to Audit in June 2003.

Results of the test-check of Annual Accounts submitted by the Council for the year 1999-2000 are given in the succeeding paragraphs.

SECTION-II

2.1 Receipts and Expenditure

2.1.1 Revenue Receipt

According to the Annual Accounts furnished by the Council, the revenue receipts and expenditure of the Council for the year 1999-2000 and the resultant revenue deficit were as follows:

Part-I DISTRICT FUND		<i>(Rupees in lakh)</i>	
Receipts		Disbursements	
Revenue Receipts		Revenue Expenditure	
I. Taxes on Income & Expenditure	123.41	I. District Council Secretariat	34.59
ii. Land Revenue	6.73	ii. Executive Member	79.10
iii. Stamp and Registration Fees	3.22	iii. Administration of Justice	6.52
iv. Taxes on vehicle	—	iv. Land Revenue	155.44
v. Other Administrative Services	4.56	v. Stamp and Registration	0.35
vi. Other General Economic Service	67.35	vi. Secretariat General Service	139.44
vii. Fisheries	1.97	vii. Stationery and Printing	198.74
viii. Forests	255.95	viii. Public Works	354.20
ix. Stationery and Printing	0.02	ix. Pension and other retirement benefits	52.27
x. Mines and Minerals	38.20	x. Education	2243.81
xi. Education	10.81	xi. Art and Culture	20.06
xii. Roads and Bridges	2.74	xii. Urban Development	49.06
xiii. Public Works	2.08	xiii. Public Health, Sanitation and Water Supply	—
xiv. Misc. Receipts	0.01	xiv. Information and Publicity	0.71
xv. Grants-in-aid from State Government	2474.94	xv. Social Security and Welfare	2.18
		xvi. Relief on account of Natural Calamities	1.75
		xvii. Minor Irrigation	38.22
		xviii. Other General Economic Service	11.61
		xix. Forest	251.71
		xx. Road Transport Services	22.92
		xxi. Agriculture	111.70
		xxii. Roads and Bridges	3.75
		xxiii. Fisheries	78.71
Total Revenue Receipts	2991.99	Total Revenue Expenditure	3856.84

Revenue deficit	864.85	Revenue Surplus	—
2. Capital	—	2. Capital	34.27
3. Debt	—	3. Debt	—
4. Loans and Advance Recoveries of Loans and Advances	1.34	4. Loans and Advance Disbursement of Loans and Advances	3.73
5. Deficit under Capital and Loans and Advances	36.66		
Total of Part-I-District Fund	3894.84	Total of Part-I-District Fund	3894.84

Part-II DEPOSIT FUND

(i) Fund received from the State Government for transferred functions	14653.86	(i) Expenditure on transferred functions	14680.55
Total of Part-II-Deposit Fund	14653.86	Total of Part-II Deposit Fund	14680.55
Total Receipts-Part-I&II	17647.19	Total Disbursement Part I & II	18575.39
Opening Balance			
Closing Balance			
(i) Cash	2.14	(i) Cash	15.62
(ii) Treasury (PLA)	(-) 1509.40	(ii) Treasury (PLA)	(-) 2451.08
Grand Total	16139.93	Grand Total	16139.93

2.1.2 Revenue Deficit

Revenue receipts (including Grants-in-aid received from the State Government) of the Council for the year 1999-2000 pertaining to inherent functions as specified in the Sixth Schedule to the Constitution were Rs.29.92 crore. Against this, Council spent Rs.38.57 crore resulting in net revenue deficit of Rs.8.65 crore (22 per cent). A part of the excess expenditure was met by irregular diversion of accumulated fund advanced by the State Government for discharging entrusted functions.

2.1.3 Receipts and expenditure compared with the actuals of previous year

Large variation in receipts and expenditure under different head of accounts between current and previous year were noticed. A few instances of such cases are given below:

(Rupees in lakh)

Sl. No.	Head of Accounts	Actual receipt in 1998-1999	Actual receipt in 1999-2000	Variation Decrease (-) Increase (+)	Percentage Decrease /Increase
Receipts					
1.	Land Revenue	8.37	6.73	(-) 1.64	20
2.	Public Works	4.36	2.08	(-) 2.28	52
3.	Roads and Bridges	87.49	2.74	(-) 84.75	97
4.	Taxes on Vehicle	0.23	—	0.23	100
Expenditure					
1.	Executive Members	43.71	79.10	(+) 35.39	81
2.	Administration of Justice	3.99	6.52	(+) 2.53	63
3.	Stationery and Printing	117.37	198.74	(+) 81.37	69
4.	Roads and Bridges	—	3.75	(+) 3.75	100
5.	Fisheries	—	78.71	(+) 78.71	100
6.	Agriculture	—	111.70	(+) 111.70	100
7.	Stamp and Registration	0.08	0.35	(+) 0.27	338

Reasons for variations in receipts and expenditure between current and previous year were attributed (September 2003) by the Council mainly to (i) deteriorating law and order situation in the district, (ii) non-receipt of taxes from Government motor vehicle department within the financial year and (iii) expenditure was incurred in excess considering the extreme necessity.

2.1.4 Receipt and Expenditure compared to Budget Provisions

(i) Receipts: Under the following eight major Heads of account, revenue receipts (excluding Grants-in-aid) were Rs.3.91 crore for the year

1999-2000 against the budget estimate of Rs.7.05 crore which resulted in shortfall of Rs.3.14 crore (44 *per cent*) compared to budget estimate. The shortfall varied between 18 to 100 *per cent* in the following cases.

(Rupees in lakh)

Sl. No.	Head of Accounts	Estimated amount as per Budget	Revenue Receipts as per annual accounts	Shortfall	Percentage of shortfall
1.	Taxes on Income and Expenditure	150.00	123.41	26.59	18
2.	Land Revenue	20.00	6.73	13.27	66
3.	Stamp and Registration	10.00	3.22	6.78	68
4.	Taxes on Vehicles	30.00	—	30.00	100
5.	Stationery and Printing	5.00	0.02	4.98	100
6.	Public Works	5.00	2.08	2.92	58
7.	Forest	475.00	255.95	219.05	46
8.	Roads Transport Services	10.00	—	10.00	100

In reply (September 2003) the Council cited insurgency problems as the reason for shortfall in revenue receipts under the above heads of accounts.

Reply of the Council is not tenable as the huge variations between budget estimates and actual estimates implied that the factors attributed by the Council and previous year's actual receipts were not taken into account while preparing the budget.

(ii) Expenditure: There was excess expenditure ranging from 82 to 687 *per cent* over the budget estimates under following three heads as exhibited in annual accounts for the year 1999-2000:

(Rupees in lakh)

Sl. No.	Head of Accounts	Actual expenditure	Budget provision	Excess	Percentage of excess
1.	Public Works	354.20	195.00	159.20	82
2.	Education	2243.81	475.00	1768.81	372
3.	Fisheries	78.71	10.00	68.71	687

The Council stated (September 2003) in reply that the excess expenditure were incurred considering extreme need and demand of the district.

The reply is not tenable as the Council neither revised the budget estimates in time as required under financial rules nor proposed the manner in which excess expenditure is to be regularised in the absence of specific provision in the District Council Fund Rules in this regard.

2.1.5 Understatement of Revenue Receipts

The major head of account "Roads Transport Service (RTS)" was omitted in the annual accounts for the year 1999-2000 despite the fact that revenue receipts under RTS of Rs.7.29 lakh was deposited into Treasury during the year. This resulted in understatement of revenue receipts under RTS to that extent.

In reply (September 2003) the Council accepted the facts, figures and audit observation.

2.1.6 Records of the Council (Ledger account) indicated that the Council had received Rs.25.78 crore as Grants-in-aid from the State Government. Statement No.5 of the Annual Accounts for the year 1999-2000, however, showed receipt of Rs.24.75 crore as Grants-in-aid from the State Government resulting in discrepancy of Rs.1.03 crore.

Reasons for the discrepancy of Rs.1.03 crore was neither found on record nor stated and this resulted in understatement of receipts under Part-I District Fund to that extent.

- The Council admitted (September 2003) the facts and figures of audit observation. The discrepancies remained unreconciled (July 2004).

2.2 Revenue expenditure

2.2.1 According to annual accounts, disbursement made out of District Fund (Part-I) during the year 1999-2000 was Rs.38.57 crore which included payment of Rs.3.76 crore made by 16 cheques which were subsequently cancelled but not re-issued up to 31.03.2000. This resulted in overstatement of revenue expenditure to the extent of Rs.3.76 crore.

The Council in reply (September 2003) stated that due to non-receipt of information regarding the cancellation of cheques from the different DDOs within the financial year such irregularity occurred.

2.2.2 The Council booked Rs.78.71 lakh under the head of account "Fisheries" during the year 1999-2000 as shown in annual accounts. Test-check of records of concerned branches of the Council however, revealed that the Works department received and spent Rs.61.71 lakh for execution of various works and the Council also released Grants-in-aid of Rs.17.00 lakh to Town Committee, Diphu under head of account "Urban Development". Thus, there was overstatement of revenue expenditure under "Fisheries" by Rs.78.71 lakh and corresponding understatement of revenue expenditure against "Works and Urban Development" to that extent.

The Council in reply (September 2003) accepted the facts and stated that due to misclassification of revenue expenditure such irregularity occurred which would be avoided in future.

2.3 Capital Outlay

2.3.1 Test-check of records revealed that an amount of Rs.93.52 lakh was incurred in February 2003 for purchase of a plot of land at Kolkata for construction of Karbi Bhawan. The expenditure was wrongly booked as revenue expenditure under the head of accounts "Printing and Stationery". This resulted in understatement of capital expenditure to that extent under 'Public Works'.

The Council in reply (September 2003) admitted the audit observation.

2.3.2 Records (Transport Department) of the Council revealed that the department incurred capital expenditure of Rs.42.74 lakh* towards acquisition of fleet under 42 Capital Outlay on Road Transport Services against budget provision of Rs.83.93 lakh. But, annual accounts for the year 1999-2000 indicated that the capital expenditure during the year under the above head of account was Rs.34.27 lakh. The discrepancy of Rs.8.47 lakh was mainly due to wrong booking of Rs.2.16 lakh towards cost of repairing of bus as capital expenditure and Rs.10.63 lakh for purchase of bus bodies was shown as revenue expenditure under head "Public Works" which resulted in net understatement of 42 Capital Outlay on RTS by Rs.8.47 lakh.

In reply (September 2003), the Council admitted the facts and stated that due to mis-classification of revenue and capital expenditure such understatement occurred.

2.4 Entrusted function

2.4.1 Annual accounts of the Council revealed that the Council received Rs.146.54 crore during the year 1999-2000 from the State Government for discharging entrusted functions from which Rs.146.81 crore was spent by the Council.

*Cost of chassis: Rs.25.52 lakh and cost of body building: Rs 17.22 lakh.

Scrutiny of records of the Council revealed that the Council actually received Rs.145.50 crore¹ from the State Government during 1999-2000. Against this, Rs.146.74 crore² was spent by the Council during the period. Thus, there was savings of Rs.0.34 crore³ under plan fund and the excess expenditure of Rs.1.58 crore⁴ under non-plan i.e., net excess of Rs.1.24 crore was met from earlier year's unspent balance.

Further scrutiny revealed that the Council realised Rs.0.60 crore being Government revenue (sale proceed, refund, etc.) from entrusted departments under the Council during 1999-2000 which was wrongly shown in accounts as received from the State Government for discharging its entrusted function. Thus, there was a net overstatement of both receipt and expenditure by Rs.0.44 crore⁵ and Rs.0.07 crore⁶ respectively.

The Council in reply (September 2003) stated that effective steps had already been taken to minimize the discrepancies in accounts for the year 2001-02 onwards.

2.4.2 According to terms of entrustment, any plan fund left unutilised at the close of the financial year is to be refunded into treasury by 15 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 fund of Rs.33.62 lakh but also utilised the same towards expenditure pertaining to its inherent function which was irregular.

2.4.3 As per annual accounts, disbursement made out of Deposit Fund during the year 1999-2000 was Rs.146.81 crore which included payment of Rs.16.43 crore by 410 cheques issued to various entrusted departments

1 Plan: Rs.98.11 crore and Non-plan: Rs.47.39 crore.

2 Plan: Rs.97.77 crore and Non-plan: Rs.48.97 crore.

3 Receipt Plan: Rs.98.11 crore ÷ Expenditure Plan: Rs.97.77 crore = Rs.0.34 crore

4 Expenditure Non-Plan: Rs.48.97 crore ÷ Receipt Non-Plan: Rs.47.39 crore = Rs.1.58 crore.

5 Rs.146.54 crore Rs.0.60 crore being sale proceeds = Rs.145.94 crore ÷ Rs.145.50 crore = Rs.0.44 crore.

6 Rs.146.81 crore ÷ Rs.146.74 crore = Rs.0.07 crore.

under the Council. These cheques were cancelled due to shortage of funds in PLA and not re-issued till 31.03.2000. This led to overstatement of expenditure under entrusted function by Rs.16.43 crore.

The reason for the overstatement as stated (September 2003) by the Council was non-receipt of information regarding the cancellation of cheques from the different DDOs within the financial year.

2.5 Personal Ledger Account

The Council maintained a Personal Ledger Account (PLA) with the Diphu Treasury into which all receipts on account of regular functions and entrusted functions were credited and out of which all expenditure on both functions were met. The balance held under PLA as per Cash Book were not reconciled with the balance shown in the records of Diphu treasury upto September 2003 resulting in huge discrepancies in balances as shown below:

Particulars	<i>(Rupees in crore)</i>		
	As per Treasury records	As per PLA Cash Book	As per annual accounts 1999-2000
Opening balance as on 01.04.1999	21.78	(-) 13.07	(-) 15.09
Closing balance as on 31.03.2000	1.33	(-) 22.49	(-) 24.51

Such discrepancies which were pointed out in the earlier Reports still persists. It was stated (September 2003) that the reconciliation of discrepancies had already been taken up with the Treasury and the result of the same would be intimated to audit in due course. The reply furnished by the Council is not acceptable as there is no tangible progress in this regard.

SECTION-III

3.1 Loss of Revenue to the Council

3.1.1 Loss of forest revenue due to non-operation of Mahal

-Mahals/Quarries are settled for a fixed working period. Any loss of working period due to non-settlement and non-operation of Mahals/Quarries entail loss of forest revenue for the years of settlement.

Test-check of records of Forest East Division revealed that in response to notice inviting tender (September 1998) for settlement of 'Upper Dillai' stone quarry for the years 1998-2000, eight valid tenderers offered their rates, of which Rs.15.96 lakh was the highest bid and Rs.9.76 lakh the second highest bid. The Council did not settle the quarry with the highest bidder considering it an exceptionally high bid and nor was any action taken by the Council to settle the quarry either with the second highest bidder or by inviting fresh tenders. Thus, the quarry remained unsettled for two years ending March 2000.

By not operating the quarry for the years 1998-2000, the Council sustained loss of forest revenue of Rs.9.76 lakh which could have been avoided had the quarry been settled with the second highest bidder.

3.2 Other points

3.2.1 Locking up of Council's fund

In October 1999, the Council authority decided to purchase a plot of land measuring 27 cottahs (19,500 sq. ft.) for construction of Karbi Bhawan at Kolkata at a fixed rate of Rs.6.50 lakh per cottah (720 sq.ft) from the Director, Alcove Construction Pvt. Ltd., the co-owner of the land. Before

finalisation of the deal in order to ascertain legal title/ownership of the land, the matter was discussed with the Council's Standing Counsel of Gauhati High Court, Guwahati who suggested obtaining certain additional information. Scrutiny revealed that before initiating the enquiry as suggested by the Standing Counsel, the Hon'ble Chief Executive Member (CEM) directed (January 2000) the Principal Secretary of the Council to process the financial sanction for the first installment amounting to Rs.93.52 lakh. To comply with the Hon'ble CEM's desire, Rs.93.52 lakh was re-appropriated out of savings from other heads of accounts and sanction accorded to the expenditure on January 2000.

The amount was drawn in February 2000 and paid to Liaison Officer, Karbi Bhawan, Guwahati for making payment to the seller by opening a bank Account in State Bank of India, Panbazar, Guwahati.

The Payment made to the Liaison Officer was treated as revenue expenditure under head 'Printing and Stationery' instead of capital expenditure under heads of account 40-CO-Public Works. There was no follow up action taken up by the Council for ascertaining legal title/status of land and the entire money remained locked up with the Liaison Officer for 4 years.

The Council in reply stated (September 2003) that they were also in the dark about the matter even though effective steps had already been taken with the Liaison Officer. It was assured that on receipt of information/records from the Liaison Officer these would be sent directly to audit.

3.2.2 Diversion of fund

During 1999-2000, the Council received Grants-in-aid of Rs.21.20 crore from the Government of Assam for maintenance of primary education under the Council.

- Test-check (September 2003) of records of Education Department of the Council revealed that out of the above funds, the department utilised Rs.19.28 crore for management of Primary Education and the balance Rs.1.92 crore was irregularly diverted and spent by the Council under 22 other heads of expenditure.

The department had not furnished utilisation certificate till September 2003. The reason for non-submission of the same was also not stated.

3.2.3 Non-submission of utilisation records

Test-check of records of Works Department of the Council revealed that against sanction accorded in July 1999, the Council released grants-in-aid of Rs.49.15 lakh during 1999-2000 to 12 Constituency Development Committees (CDCs) for execution of development works relating to Minor Irrigation, Rural Water and Sanitation and Rural Road Construction without stipulating any condition for submission of utilisation certificate and records in support of actual utilisation of grants by the CDC concerned. The CDCs had not furnished any records for utilisation of Rs.49.13 lakh to audit as of December 2003.

Similarly, the Education Department of the Council released Rs.12 lakh to six CDCs @ Rs.2.00 lakh to each CDC between May and August 1999 for purchase of school furniture (Rs.1.50 lakh) and for improvement of school building (Rs.0.50 lakh). But these CDCs also did not furnish any records for utilisation of said fund to audit till December 2003. Meanwhile, the CDCs were dissolved by the Council w.e.f. June 2001 on the event of expiry of term of earlier Executive Committee of KAAC.

3.2.4 Non-production of records

According to Annual Accounts for the year 1999-2000, the Council spent Rs.3.54 crore under Grant No.9 "Public Works". Records relating to this expenditure had not been forwarded by the Public Works Wing of the Council despite repeated reminders for production of the same to audit. As a result, audit could not study these transactions.

3.2.5 Unauthorised deposit of State revenue into Council's fund

Revenue earned from entrusted departments is to be deposited into Government account. Contrary to this, revenue earned from entrusted departments amounting to Rs.59.55 lakh during the year 1999-2000 was unauthorisedly deposited in Council's fund and treated as PART-II Deposit Fund of the Council instead of depositing the same into Treasury.

Reason for treating State revenue as Council funds had not been stated (July 2004).



(SWORD VASHUM)
Principal Accountant General (Audit)
Assam

Guwahati
The

14 OCT 2004

Countersigned



(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

New Delhi
The

25 OCT 2004

