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Signature
23 JUL 2013

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

For the year ended 31 March 2009

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

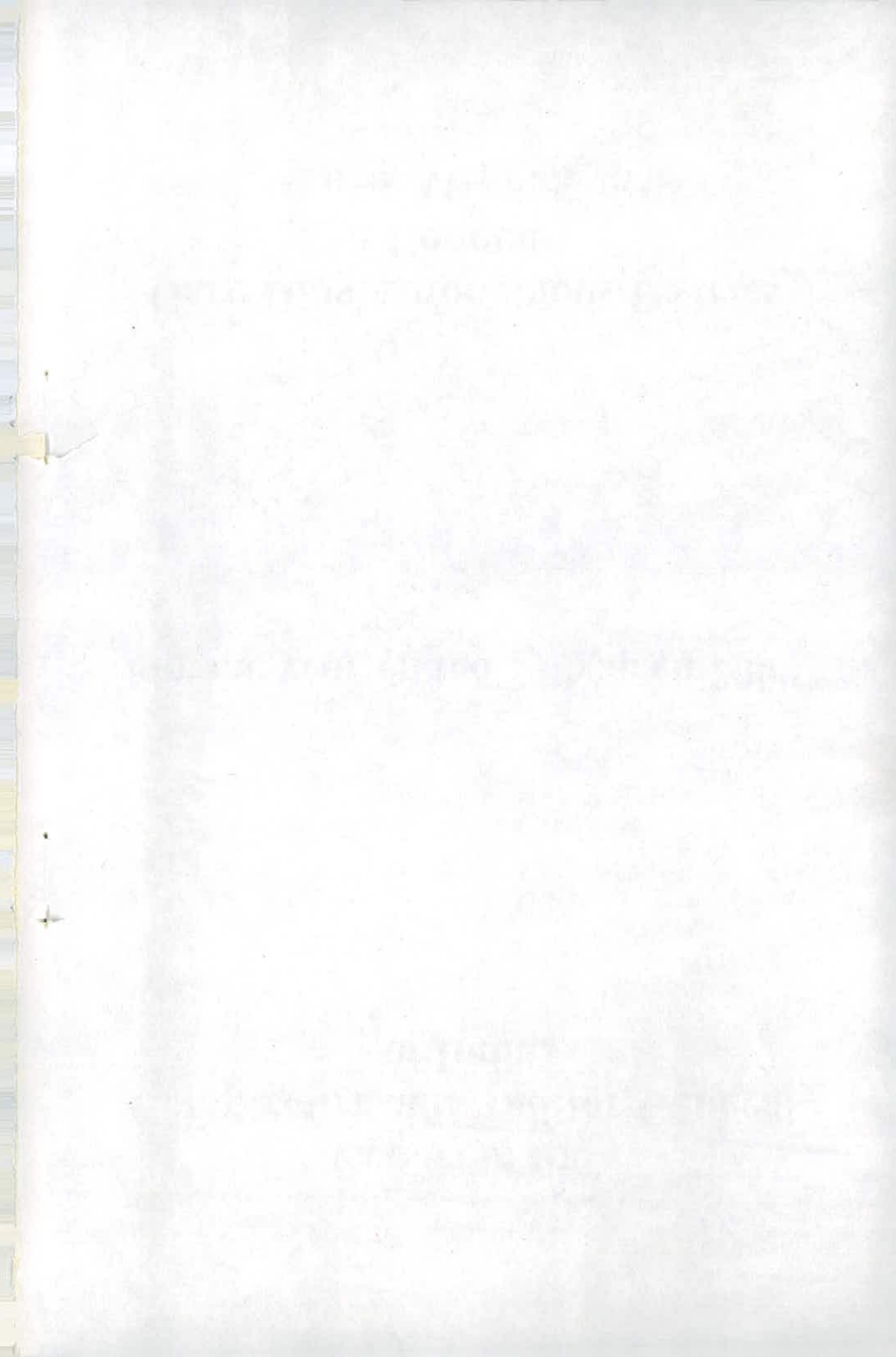
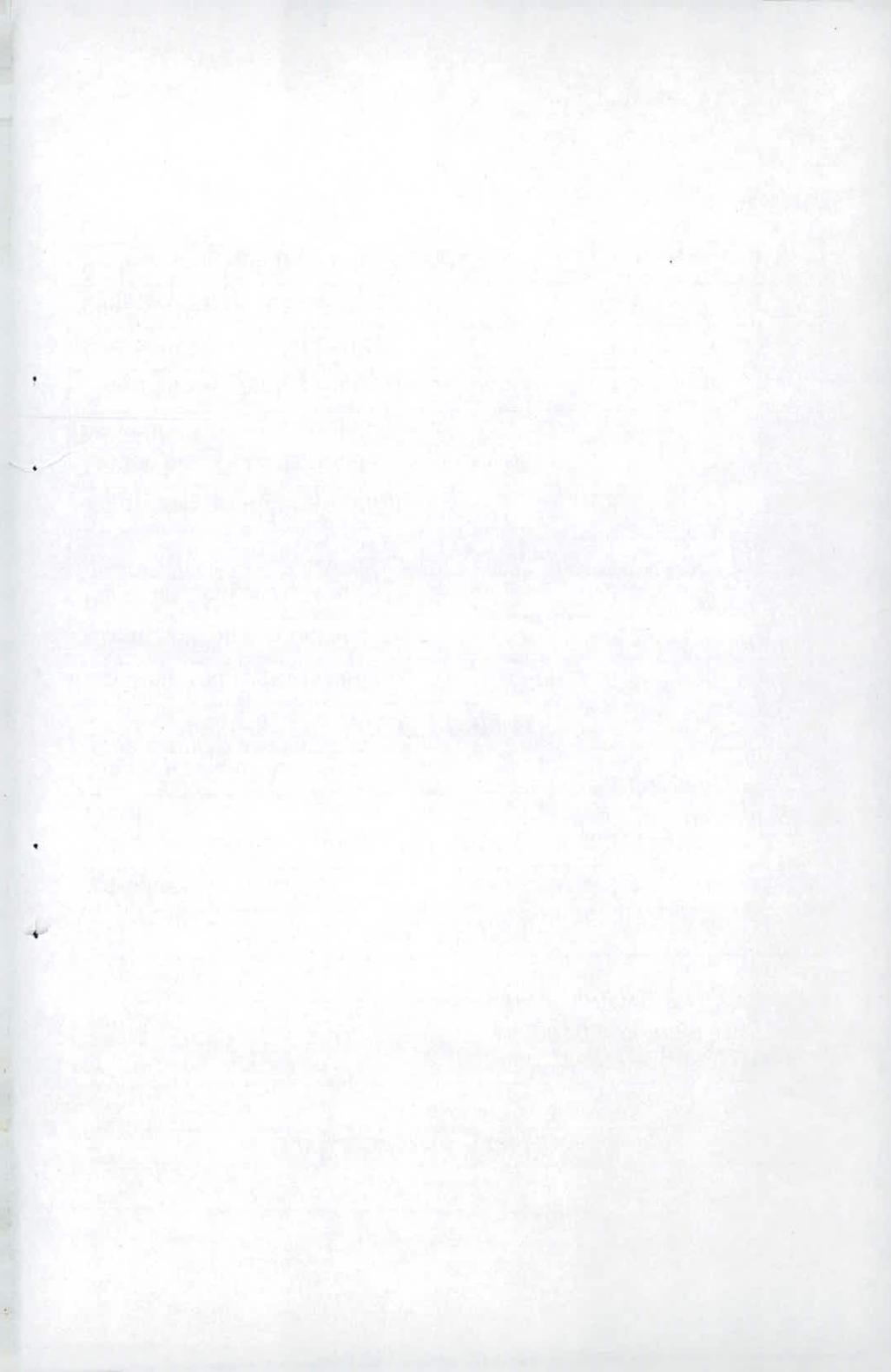


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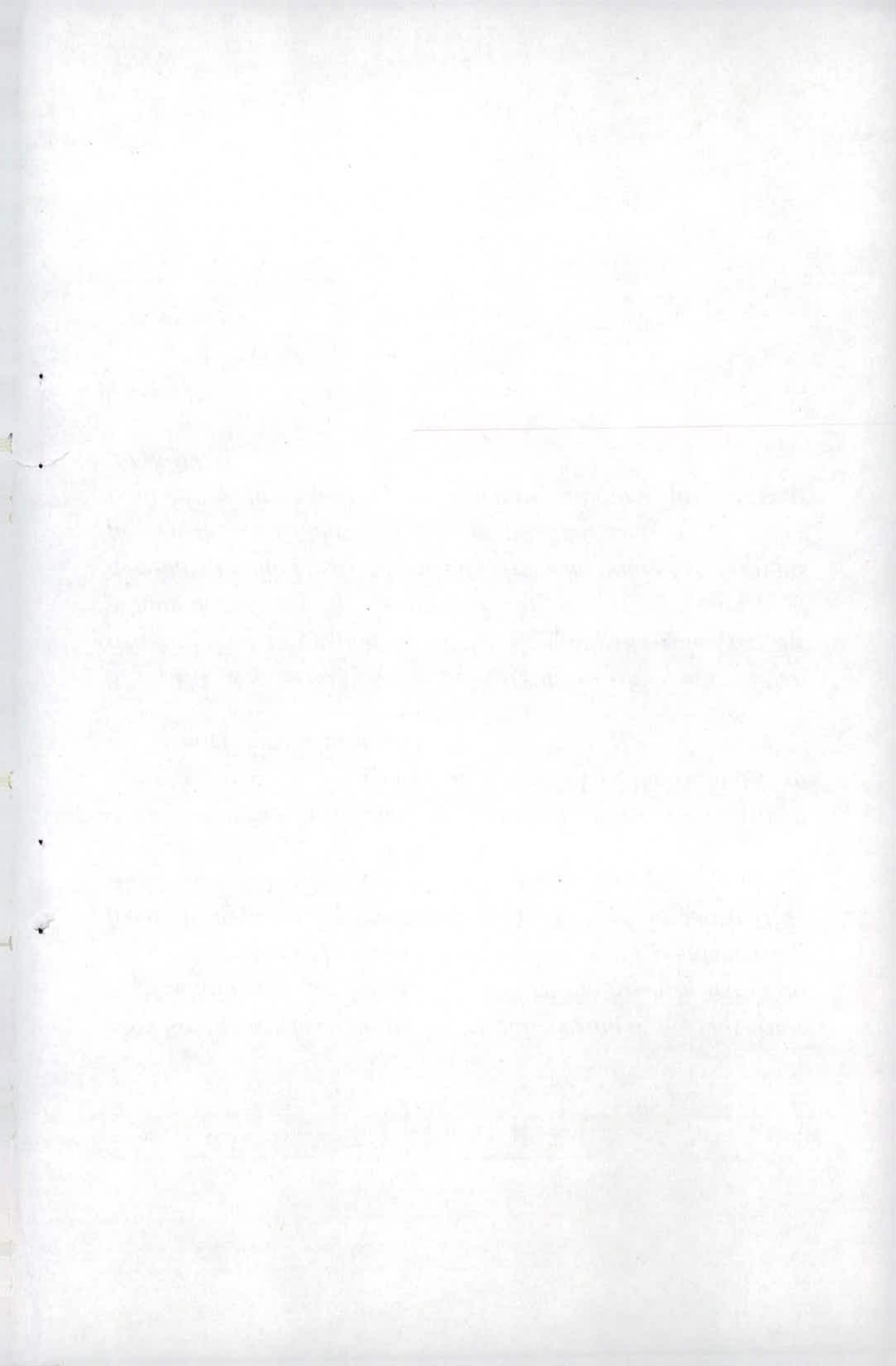


PREFACE

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

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 2008-09.*

3. *This Report contains three sections, of which one section deals with the constitution of the Council, the rules for the management of the District Fund and maintenance of accounts by the District Council. The remaining two sections deal with the Council's financial position and irregularities noticed in the audit of transactions relating to the year 2008-09.*



OVERVIEW



OVERVIEW

The significant audit findings are given below:

- Council's revenue of ₹ 5.11 lakh collected during 2008-09 by the mouza assistants was not deposited to the cashier. Further, there was delay ranging from 26 days to 943 days in remittance of professional tax (₹ 74.17 lakh) and land revenue (₹ 21.49 lakh) to the cashier of the Council with consequential delay in remittance of the same to the Personal Ledger Account of the Council.

(Paragraph 3.1)

- The Council extended undue financial benefit of ₹ 33.24 lakh to the bidders due to remission of lease money of *hats* and bamboo mahals.

(Paragraph 3.2)

SECTION I

1.1 Introduction

The Garo Hills Autonomous District Council was set up in June 1952 under the provisions of Article 244(2) read with the Sixth Schedule to the Constitution of India.

The Sixth Schedule (Schedule) to the Constitution of India provides for administration of specified tribal areas. For that purpose, it provides for the constitution of a District Council for each Autonomous District with powers to make laws on matters listed in Paragraph 3(1) of the Schedule mainly in respect of allotment, occupation, use *etc.* of land, management of forests other than reserved forests, use of any canal or water courses for agriculture, regulation of the practice of "**Jhum**" or other forms of Shifting cultivation, establishment of village or town committees or councils and their powers, village or town administration including police, public health and sanitation and inheritance of property. Under Paragraph 6(1) of the Schedule, the Councils have powers to establish, construct or manage primary schools, dispensaries, markets, cattle pounds, ferries, roads, road transport and waterways in the respective Autonomous District. The Councils also have powers within the Autonomous District to assess, levy and collect, revenue in respect of lands and buildings, taxes on professions, trades, callings and employments, animals,

vehicles and boats, tolls on passengers and goods carried in ferries and the maintenance of schools, dispensaries or roads as listed in Paragraph 8 of the Schedule.

1.2 Rules for the management of the District Fund

The Sixth Schedule provides for the constitution of a District Fund for each Autonomous District to which shall be credited all moneys received by the Council in the course of administration of the districts in accordance with the provisions of the Constitution. In terms of the provisions of Paragraph 7(2) of the Schedule, rules are to be framed by the Governor for the management of the District Fund and for the procedure to be followed in respect of the payment of money into the said Fund, the withdrawal of money therefrom, the custody of moneys therein and any other matter connected with or ancillary to these matters. These rules have not been finalised so far (October 2012). Meanwhile, the affairs of the District Council are being regulated in accordance with the Garo Hills District Fund Rules, 1952.

1.3 Maintenance of Accounts

In pursuance of Paragraph 7(3) of the Sixth Schedule to the Constitution, the form in which the accounts of the District Council are to be maintained was prescribed by the Comptroller and Auditor General of India, with the approval

of the President in April 1977. The accounts of the Council for the year 2008-09 have been prepared in the prescribed format.

Results of the test check of the accounts are given in the succeeding paragraphs.

SECTION-II

2.1 Receipts and Expenditure

According to the Annual Accounts furnished by the Council, the receipt and expenditure of the Council for the year 2008-09 with resultant revenue deficit were as under:

Table 2.1

(₹ in lakh)

Receipts		Disbursement	
Part I District Fund			
I. Revenue Receipts		I. Revenue Expenditures	
(i) Taxes on income and expenditure	148.39	(i) District Council	74.89
(ii) Land revenue	245.56	(ii) Executive Member	36.58
(iii) Taxes on vehicle	185.69	(iii) Administration of Justice	7.61
(iv) Interest receipts	14.98	(iv) Land Revenue	295.66
(v) Public works	0.11	(v) Secretariat General Services	426.55
(vi) Administration of Justice	0.78	(vi) Stationery and Printing	33.11
(vii) Public Health, Sanitation and Water Supply	4.72	(vii) Public Works	581.24
(viii) Other General Economic Services	28.82	(viii) Pension and other retirement benefits	109.41
(ix) Forest	29.61	(ix) Art & Culture	1.10
(x) Mines & Minerals	1107.70	(x) Rural Development	287.32
(xi) Transfer from 2 nd to 1 st PLA	309.50	(xi) Relief on account of natural calamities	0.40
(xii) Government grant reimbursed from 2 nd PLA to 1 st PLA	3.85	(xii) General Economic Services	76.94
(xiii) Grant-in-aid received from State Government	824.60	(xiii) Forest	278.76
		(xiv) Transfer from 1 st PLA to 2 nd PLA and 2 nd to 1 st PLA	856.40
		(xv) Government grant reimbursed	3.85
Total Revenue Receipt	2904.31	Total Revenue Expenditure	3069.82

Receipts		Disbursement	
<i>Revenue Deficit</i>	165.51	<i>Revenue Surplus</i>	...
2. Capital	...	2. Capital	...
3. Debt	...	3. Debt	...
(i) Loan received from Government	...	(i) Repayment of loan received from Government	...
(ii) Loan received from other sources	...	(ii) Repayment of loan received from other sources	...
4. Loans and Advances		4. Loans and Advances	
(i) Recovery of loan and advances	21.63	Disbursement of loan and advances	60.00
Total Part I District Fund	2925.94	Total Part I District Fund	3129.82
Part II Deposit Fund			
Deposit Receipts	-	Deposit Payment	-
Total Part II Deposit Fund	-	Total Part II Deposit Fund	-
Total Receipt (I+II)	2925.94	Total Disbursement (I+II)	3129.82
Opening Balance	275.04	Closing Balance ¹	71.16
GRAND TOTAL	3200.98	GRAND TOTAL	3200.98

Source: Annual Accounts of the Council

2.2 Comments on Accounts

2.2.1 Opening and closing balances of ₹ 275.04 lakh and ₹ 71.16 lakh shown under the head “G-Cash Remittances–Remittances into Treasury–Personal Ledger (PLA)” in Statement 7 of the Annual Accounts 2008-09 included cash balance of ₹ 3.44 lakh and ₹ 3.55 lakh respectively. Since this head relates to PLA, inclusion of cash balance under this account is not correct.

¹ Cash: ₹ 3.55 lakh; Personal Ledger Account (PLA): ₹ 67.61 lakh

2.3 Personal Ledger Account

The District Council has two Personal Ledger Accounts (PLA) with the Tura Treasury – one for the Council's own revenue (1st PLA) and the other for grants-in-aid received from the State Government (2nd PLA).

Scrutiny of records in connection with the PLAs of the Council revealed that as on 31 March 2009, the balances in respect of the Council held in the 1st and 2nd PLAs as per Plus and Minus Memorandum of the Tura Treasury for the month of March 2009 were ₹ 14.47 lakh and ₹ 57.85 lakh respectively. But as per Annual Accounts of the Council for the year, the closing balances under 1st and 2nd PLAs were shown as ₹ 9.21 lakh and ₹ 58.40 lakh respectively. The discrepancies of ₹ 5.26 lakh and ₹ 0.55 lakh remained unreconciled (October 2012).

SECTION-III

3.1 Temporary misappropriation

Rule 17 of the Garo Hills Autonomous District Council Fund Rules, 1952 provides that all receipts due to the Council collected by any employee of the Council authorised to collect such receipts shall pass through the cashier, who shall enter them in the cash book. Further, Rule 18 *ibid* provides that all money received by the cashier shall be remitted intact to treasury promptly and shall on no account be appropriated towards expenditure.

Scrutiny (September 2011) of records (receipt books, collection register and remittance register) in respect of land revenue and professional tax revealed the following irregularities:

- During 2008-09, an amount of ₹ 5.11 lakh collected by the mouza assistants of six Mouzas through 26 receipt books was retained by these assistants instead of depositing to the cashier.
- Professional tax of ₹ 74.17 lakh collected by the collectors of the Council during 2008-09 was deposited to the cashier after delays ranging from 26 days to 486 days with consequential delay in remittance of the same to the PLA of the Council.

- Land revenue of ₹ 21.49 lakh collected during the year 2008-09 by the assistants of the Council was deposited to the cashier after delays ranging from 35 days to 943 days.

Retention of revenues outside the PLA was not only contrary to the Rule 17 *ibid* but also tantamounts to temporary misappropriation of funds. In the circumstances, responsibility needs to be fixed against the delinquent official(s) for such lapses.

The Council stated (June 2012) that due to non-payment of salary regularly for three to six months, a portion of the collected revenue was utilised by the collectors to meet day to day expenditure and the same were recouped as and when the salaries disbursed. The reply is not acceptable because the Fund Rules do not permit utilisation of Council's revenue for expenditure.

3.2 Undue benefit to the bidders and loss of revenue

For the year 2008-09, the Council settled 164 *hats* and two bamboo mahals (by river) with the lessees at their offered bid amount of ₹ 1.65 crore. Scrutiny of Demand and Collection Register, Remittance Register of *Hats*, Receipt Books, *etc.* revealed that subsequently the Council granted remission of ₹ 33.24 lakh to 72 lessees. Consequently, the Council besides

extending undue financial benefit to the bidders, also sustained a loss of revenue of ₹ 33.24 lakh.

The Council stated (June 2012) that the remission was granted on lenient grounds and after examination of the reasons for the same. The reply is not tenable as the Council did not assess the loss suffered by them prior to grant of remission.

3.3 Non-realisation of revenue

Scrutiny (September 2011) of demand, collection and remittance registers of the Council revealed that lease money of ₹ 6.35 lakh in respect of 15 *hats* (₹ 5.52 lakh) and nine *ferry ghats* (₹ 0.83 lakh) for the year 2008-09 was not realised till the date of audit.

The Council stated (October 2011) that the lease money of *hats* was under process of realisation through Bakijai² process. Action taken to realise the lease money of *ferry ghats* had not been stated.

3.4 Internal Control Mechanism

Internal Control Mechanism in an organisation ensures that proper checks and procedures are in place for efficient and effective discharge of its mandate, reliability of its financial

² Bakijai means a branch of the Council which deals with delay of payments and other irregularities.

reporting and compliance with applicable laws and regulations. The Council had not taken any step to analyse or evaluate the efficiency of its internal control system despite existence of an internal audit wing with the Council, the mandate of which is to check and verify or evaluate the functioning of various departments and submit the reports to the Secretary, Executive Committee of the Council.

3.5 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 Inspection Reports (IRs). 14 IRs relating to the Council issued between May 1994 and March 2009 containing 158 paragraphs are yet to be settled (October 2012).

3.6 Follow up action on Audit Reports

According to the Garo Hills District Fund Rules, 1952 (Rules, 1952), the Member in-charge of Financial Affairs shall place the Audit Report before the Council and shall send a copy of the proceedings of discussion held by the Council thereon to the Governor of the State for information. Though the Audit Reports for the years up to 2006-07 in respect of the Garo Hills Autonomous District were placed before the Council and

also discussed by the Council, action taken on the audit observations had not been furnished.

As such, it is recommended that the Council should look into this matter and ensure time bound action on the audit observations pointed out in the Audit Reports which would in turn, facilitate financial discipline and good governance in the conduct of the affairs of the Council.



Shillong
The

(A.W.K. LANGSTIEH)

Principal Accountant General (Audit)
Meghalaya

02 JAN 2013

Countersigned



New Delhi
The

(VINOD RAI)

Comptroller and Auditor General of India

18 JAN 2013

