



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

**For the year ended 31 March 1999**

**Khasi Hills Autonomous District Council  
Shillong, Meghalaya**





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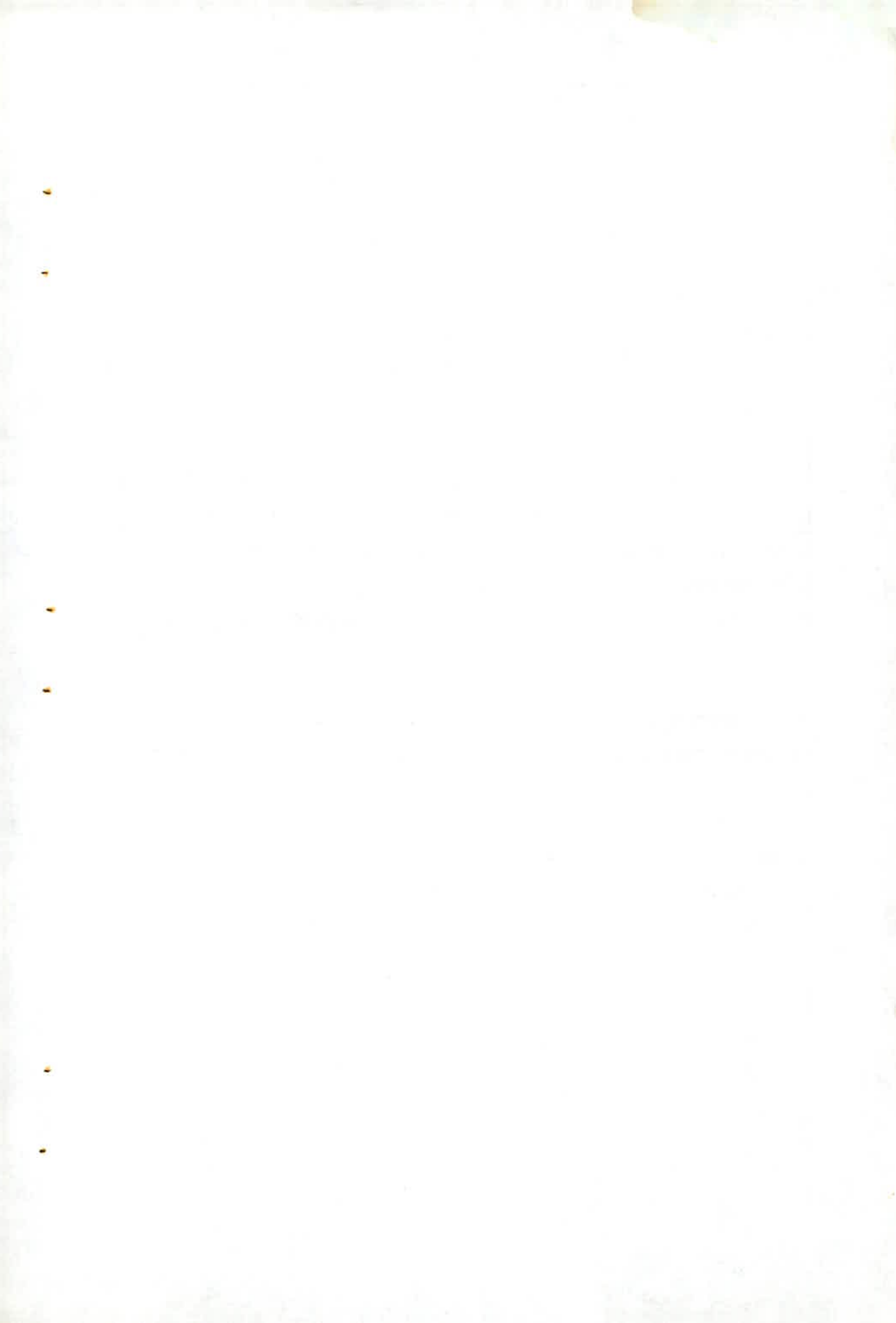


## PREFACE

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 Autonomous 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 year 1998-99.
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 audit relating to the year 1998-99.





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The purpose of this document and report contained in this Report is to provide the following information:

1. A summary of the results of the 1987 Annual Report (RAR) with respect to the performance of the 1987-88 period by the 1987-88 Annual Report of the Council for the 1987-88 period.

(Paragraph 1.1)

The Council of the 1987-88 period is the 1987-88 Annual Report of the Council for the 1987-88 period.

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## OVERVIEW

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(Paragraph 1.2)

The Council of the 1987-88 period is the 1987-88 Annual Report of the Council for the 1987-88 period. The Council of the 1987-88 period is the 1987-88 Annual Report of the Council for the 1987-88 period.

(Paragraph 1.3)

(Paragraph 35)

various forest biotopes  
without accounting sufficiently to the size and the diversity and value of  
their forestland and the need for expansion of minor forest biotopes.  
The Council estimated loss of forest revenue to the extent of Rs 23.81

(Paragraph 36)

Nine District Forest Offices, 1983

of advances in continuation of Para 101 of the United Karnataka  
contract for widening of concessional of forest funding due to reduction.  
The Council allowed under financial benefit of Rs 13.22 lakh to a

(Paragraph 37)

1988-89

Rs 8.88 lakh in the Annual Accounts of the Council for the year  
with Treasury led to overstatement of closing FFA balance by  
non-reconciliation of figures under Personal Ledger Account (PLA)

presented in the overview.

A synopsis of the important findings contained in the Report is

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## SECTION I

### 1.1 Introduction

1.1.1 The United Khasi and Jaintia 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 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.

1.1.2 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 Schedule mainly in respect of allotment, occupation, use etc. of land, management of forest other than reserved forest, 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 water ways in the respective Autonomous Districts. The Councils also have the powers to assess, levy and collect within the Autonomous District, revenue in respect of land and buildings,

taxes on profession, 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 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 United Khasi and Jaintia Hills District Council Fund Rules, 1952, as approved by the Governor. In view of amendment to paragraph 7(2) of the Schedule (made with effect from 2<sup>nd</sup> 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 which had prepared in 1971 the draft District Council Fund Rules, common for all the District Councils in the State, has not finalised these Rules till date despite this matter having been pursued by the Accountant General constantly. No reasons were available on record as to why the Government has not finalised these Rules even after a lapse of 30 years.

### **1.3 Maintenance of Accounts**

1.3.1 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 Khasi Hills Autonomous District Council in June 1977.

1.3.2 The Annual Accounts for the year 1998-99, due for submission by 30 June 1999, were submitted in February 2000 after a delay of over seven months and no reasons were ascribed by the Council for this delay.

1.3.3 Results of the test check of the Annual Accounts of the Council for the year 1998-99 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 1998-99 with resultant revenue surplus were as follows :-

**Table 2.1**

Receipts (Rupees in lakh)		Disbursements (Rupees in lakh)	
PART I – DISTRICT FUND			
1. Revenue Receipts		1. Revenue Expenditure	
(i) Taxes on Income and Expenditure, etc.	138.17	(i) District Council	25.78
(ii) Land revenue	4.04	(ii) Executive Members	18.39
(iii) Taxes on Vehicles	6.00	(iii) Administration of Justice	38.91
(iv) Other Administrative Services	1.13	(iv) Land revenue	15.23
(v) Other General Economic Services	19.40	(v) Secretariat General Services	257.89
(vi) Forest	15.38	(vi) Public Works	59.90
(vii) Mines and Minerals	177.39	(vii) Pension and other Retirement Benefits	31.53
(viii) Grants-in-aid from State Government	529.50	(viii) Education	6.18
		(ix) Social Security and Welfare	5.81
		(x) Other General Economic Services	4.20
		(xi) Forest	108.22
		(xii) Roads and Bridges	50.18
<b>Total Revenue receipts</b>	<b>891.01</b>	<b>Total Revenue expenditure</b>	<b>622.22</b>
<b>Revenue Deficit</b>	<b>—</b>	<b>Revenue Surplus</b>	<b>268.79</b>

Receipts (Rupees in lakh)		Disbursements (Rupees in lakh)	
2. Capital	Nil	2. Capital	Nil
3. Debt	Nil	3. Debt	Nil
4. Loans and Advances - Recoveries of Loans and advances	3.74	4. Loans and Advances - Disbursement of loans and advances	6.11
5. Deficit under Loans and Advances	2.37	5. Surplus under Loans and Advances	Nil
<b>Total Part - I District Fund</b>	<b>897.12</b>	<b>Total Part - I District Fund</b>	<b>897.12</b>
PART II - DEPOSIT FUND			
Deposit not bearing interest - Security Deposit	2.66	Deposit not bearing interest - Security Deposit	0.26
Civil advance - Departmental advance	6.14	Civil advance - Departmental advance	6.15
<b>Total of Part II Deposit Fund</b>	<b>8.80</b>	<b>Total of Part II Deposit Fund</b>	<b>6.41</b>
<b>Total Receipts (I + II) <sup>(a)</sup></b>	<b>903.55</b>	<b>Total Disbursement (I + II) <sup>(b)</sup></b>	<b>634.74</b>
Opening Balance	130.14	Closing Balance <sup>(c)</sup>	398.95
<b>GRAND TOTAL</b>	<b>1033.69</b>	<b>GRAND TOTAL</b>	<b>1033.69</b>

2.1.2 Expenditure totalling Rs.71.26 lakh incurred on construction of buildings and roads and bridges was accounted for under the revenue head "Public Works" (Rs.21.08 lakh) and Roads and Bridges (Rs.50.18 lakh) instead of capital heads resulting in understatement of capital expenditure and overstatement of revenue expenditure by Rs.71.26 lakh.

(a) Excluding Deficit under Loans and Advances.

(b) Excluding Revenue Surplus.

(c) Cash: Rs.0.53 lakh; Security Deposit: Rs.2.66 lakh; Current Account (PLA): Rs.395.76 lakh.



2.1.3 The Council stated (August 2001) that as there was no Capital head in the Budget of the Council, the expenditure was booked under Revenue head. This is not tenable as expenditure either of increasing assets of material and permanent character or of reducing recurring liabilities have to be classified under Capital head making necessary provision in the Budget.

## **2.2 Variations between Budget provisions and actuals**

Large variations in receipts under different heads of accounts between the Budget provisions and actuals were noticed. Significant cases of variations with reasons are given in Appendix I. The variations ranged between 25 and 82 **per cent**. The huge variation was under Taxes on Vehicles and Land Revenue.

## **2.3 Variations in receipts and expenditure between current year and previous year**

Significant cases of variations in receipts and expenditure between current year (1998-99) and previous year (1997-98) with reasons are indicated in Appendix II. The variations ranged between 19 and 81 **per cent** in respect of receipts and 27 and 37 **per cent** in respect of expenditure.

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## **2.4 Personal Ledger Account**

Test-check (August-September 2000) of records in connection with the Personal Ledger Account of the Council revealed that as on 31 March 1999, the balances in respect of the Council held in the PLA as per Plus and Minus Memorandum for the month of March 1999 were Rs.385.77 lakh, whereas the closing Bank balance of Rs.398.95 lakh exhibited in the Annual Accounts of the Council for the year 1998-99 included closing PLA balance of Rs.395.76 lakh. This resulted in overstatement of closing balance by Rs.9.99 lakh in the Annual Accounts of the Council. The Council stated (August 2001) that the balances in respect of the Council as per records of the Treasury were Rs.442.81 lakh. Thus, PLA balances in respect of the Council need reconciliation to ascertain the actual position.

## **2.5 Subscription to Provident Fund**

2.5.1 According to Rule 8 of the United Khasi – Jaintia Hills Autonomous District Council Service Rules, 1961, the Executive Committee of the Council may compel a Council servant to subscribe to a provident fund. The Annual Accounts of the Council did not reflect any subscription by the Council employees to provident fund.

2.5.2 The Council stated (April and August 2001) that due to paucity of fund, subscription to provident fund by its employees could not be enforced and that the General Provident Fund or Contributory Provident Fund would be introduced as and when the financial position of the Council improved. Non-introduction of provident fund was inconsistent with the Service Rules.

## SECTION III

### 3.1 Undue financial benefit to the contractor

3.1.1 Mention was made in Paragraph 3.1.1 of the Report of the Comptroller and Auditor General of India in respect of the Khasi Hills Autonomous District Council for the years 1992-93 to 1995-96 regarding avoidable extra expenditure of Rs.6.07 lakh on construction of the hostel building for its members in phased manner and delay in completion of the first phase of the work. Discussion of the paragraph by the Council Committee was awaited (November 2001).

3.1.2 Test check (August – September 2000) of records of the Council disclosed that the works of the building remained incomplete (September 2000) even after 4 years of the stipulated date of completion (December 1996). Till July 1999, payments totalling Rs.50.50 lakh were made to the contractor on 16 Running Account (RA) Bills for Phase I (5 RA Bills : Rs.23.88 lakh) and Phases II and III (11 RA Bills : Rs.26.62 lakh). Records in support of extension of time sought for by the contractor and granted by the Council were not made available to Audit. Between February 1992 and July 1999, advance payments totalling Rs.32.25 lakh were made to the contractor, against which Rs.25.20 lakh was recovered till payment of 11<sup>th</sup> RA Bill of Phases II and III in July 1999 leaving Rs.7.05 lakh outstanding. Despite outstanding advance of Rs.7.05 lakh, further advance payment totalling Rs.6.50 lakh were made to the contractor on the same day of payment of 11<sup>th</sup> RA Bill (Rs.2.50 lakh) and in May 2000 (Rs.4 lakh) in contravention of Rule 101 of the United Khasi-Jaintia Hills District Fund Rules, 1952 which prohibits advance payment to contractor except for work actually

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done. Such advance payment thus constituted undue financial benefit to the contractor to the tune of Rs.13.55 lakh.

3.1.3 The Council stated (February 2001) that after payment of 11<sup>th</sup> RA Bill the contractor executed some work which could not be measured due to non-availability of a qualified engineer. The Council further stated (August 2001) that advance payment was made to the contractor against some building materials brought to site by him. Quantity and value of such materials had, however, not been specified to justify the advance payments.

3.1.4 The Council also stated (August 2001) that the works could not be completed in time due to paucity of fund and suffering of the contractor from cancer, who subsequently died and his wife was allowed (January 2001) by the Council to complete the work. The fact, however, remains that due to non-completion of the building in time, expenditure of Rs.64.05 lakh (including advance payment of Rs.13.55 lakh) remained unproductive so far, besides depriving the members of the Council from the benefit of hostel facilities.

## **3.2 Loss on settlement of the right for extraction of forest produce**

3.2.1 The rights for extraction of minor forest produce of 10 forest beats under the Council during 1998-99 were settled with 10 lessees at Rs.14.04 lakh. The Council had neither fixed any reserve price and quantity of forest produce to be extracted by the lessees nor invited any quotation to assess the competitive rates, but leased out the forest beats on negotiation.

3.2.2 Test check (August – September 2000) of records of the Council revealed that the lessees removed different minor forest produce from the forests during 1998-99, the value of which worked out to Rs.51.95 lakh. The details are as under:-

**Table 3.1**

Sl. No.	Name of minor forest produce removed by the lessees during 1998-99	Quantity removed (in quintals)	Rate of royalty effective from December 1984 <sup>(a)</sup> (Rupees per quintal)	Value of forest produce (Rupees in lakh)
1.	Wood Charcoal	65,246	18.80	12.27
2.	CP Bark	16,730	18.80	3.15
3.	Tezpata	60,933	10.00	6.09
4.	Broom stick	1,69,131	18.00	30.44
	<b>Total</b>			<b>51.95</b>

3.2.3 Against Rs.51.95 lakh, the Council earned revenue of Rs.14.04 lakh only (27 per cent of the value of forest produce removed by the lessees) thereby sustaining loss of revenue to the extent of Rs.37.91 lakh.

3.2.4 The Council stated (February and August 2001) that :-

<sup>(a)</sup> As per Khasi Hills Autonomous District (Management and Control of Forest Revised Rates of Royalty) Rules, 1984.

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- (i) The lease amount was settled on negotiation taking into consideration the previous year's collection of revenue;
- (ii) **Ninety percent** of forest land in Meghalaya are owned by the Syiems, Sirdars, Law-Ri-Sumar or private individuals and as per Section 11 of the Khasi-Jaintia Hills Autonomous District (Management and Control of Forests Act, 1958, all the forest produce removed from these forest land shall be liable to payment of half the full rates of royalty;
- (iii) Considering the high cost of extraction and transportation of forest produce borne by the lessees and the welfare of the people, the rates of royalty were not enhanced. Whereas the extraction cost of forest produce belonging to the State Government was very nominal because of availability of the same at road side; and
- (iv) It was not possible to ascertain the value of minor forest produce before leasing out the forests due to dearth of man power in the Council and also inaccessibility of the forests.

3.2.5 Replies of the Council are not tenable in view of the fact that :-

- revenue earned on leasing out the 10 forest beats during 1997-98 (Rs.15.18 lakh) was more than that of 1998-99 (Rs.14.04 lakh) by Rs.1.14 lakh;
- even considering that the entire forest produce mentioned above belonged to Syiems, Sirdars, etc., the Council earned less revenue of Rs.11.93 lakh<sup>(a)</sup>;

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<sup>(a)</sup> (Rs.51.95 lakh ÷ 2) - Rs.14.04 lakh = Rs.11.93 lakh.

- the value of royalty of Rs.51.95 lakh has been worked out by Audit on the basis of rates of royalty fixed by the Council as early as in 1984. Taking into account the rates of royalty fixed for two forest produce by State Government in March 1994 viz., broom sticks and charcoal, the value of these produce removed by the lessees during 1998-99 from the forest beats under the Council worked out to Rs.269.36 lakh (Charcoal: 65,246 quintals @ Rs.24 per quintal; Broom stick: 1,69,131 quintals @ Rs.1.50 per kilogram). Reason at serial (iii) above for non-revision of the rates of royalty is not convincing as the rates of forest produce which remained unchanged for 15 years lost consistency with the market rates; and
  
- Council's reply for inability to ascertain the value of minor forest produce is indicative of the fact that the Council was not aware of the forest resources available with it and because of this, sustained substantial loss of revenue.

### **3.3 Outstanding Inspection Reports**

3.3.1 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 Inspection Reports.

3.3.2 At the end of 1999-2000, 5 Inspection Reports (IR) relating to the Council issued between December 1995 and December 1999 still contained 48 unsettled paragraphs. Even first

replies to 43 paragraphs of 3 IRs issued between July 1997 and December 1999 had not been furnished by the Council (November 2001).



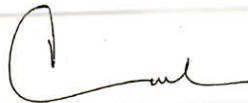
(N.R. RAYALU)

Principal Accountant General (Audit)  
Meghalaya, Arunachal Pradesh  
and Mizoram

Shillong

The 20 JUN 2002

Countersigned



(V.N. KAUL)

New Delhi

The 27 JUN 2002  
Comptroller and Auditor General of India





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# APPENDICES

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## APPENDIX - I

Statement showing substantial variations between budget and actuals

(Reference: Paragraph 2.2; Page 6)

Sl. No.	Major Head of Account	Budget estimate	Actual as per Annual Accounts	Shortfall and percentage of shortfall in brackets	Reasons for shortfall as stated by the Council in February and August 2001
RECEIPT HEADS					
1.	Taxes on Income and Expenditure	219.43	138.17	81.26 (37)	Less release of Council's share by State Government.
2.	Land Revenue	8.60	4.04	4.56 (53)	Less land transfer.
3.	Taxes on Vehicles	33.00	6.00	27.00 (82)	Non-release of share of taxes on vehicles by State Government pending finalisation of accounts.
4.	Forest	26.69	15.38	11.31 (42)	Ban on removal of timber imposed by Supreme Court which was expected by the Council to be relaxed during 1998-99, but not came into reality.
5.	Mines and Minerals	235.00	177.39	57.61 (25)	Non-release of Council's share of revenue by State Government.

**APPENDIX - II**

**Details showing significant cases of variations of receipts and expenditure between current year and previous year**

**(Reference: Paragraph 2.3; Page 6)**

Sl. No.	Head of Accounts	Actuals		Variation Increase (+) / Decrease (-) and percentage of variations in brackets	Reasons for variations as stated by the Council in February and August 2001
		1997-98	1998-99		
(Rupees in lakh)					
<b>RECEIPTS</b>					
1.	Taxes on Vehicles	32.01	6.00	(-) 26.01 (81)	Non-release of share of collection of taxes on vehicles by the State Government.
2.	Other General Economic Services	24.06	19.40	(-) 4.66 (19)	Receipt of lease money of toll gates pertaining to 1998-99 in advance during 1997-98.
3.	Forests	41.57	15.38	(-) 26.19 (63)	Imposition of ban by the Apex Court in removal of timber from one State to others.
<b>EXPENDITURE</b>					
1.	Administration of Justice	28.30	38.91	(+) 10.61 (37)	Payment of arrear pay and allowances for adoption of new pay scales.
2.	Land Revenue	11.97	15.23	(+) 3.26 (27)	-Do-
3.	Secretariat General Services	201.86	257.88	(+) 56.02 (28)	-Do-



