

Presented to the Hon. Justice

on 24 JUL 2003

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

For the year ended 31 March 1998

**Jaintia Hills Autonomous District Council
Jowai, Meghalaya**

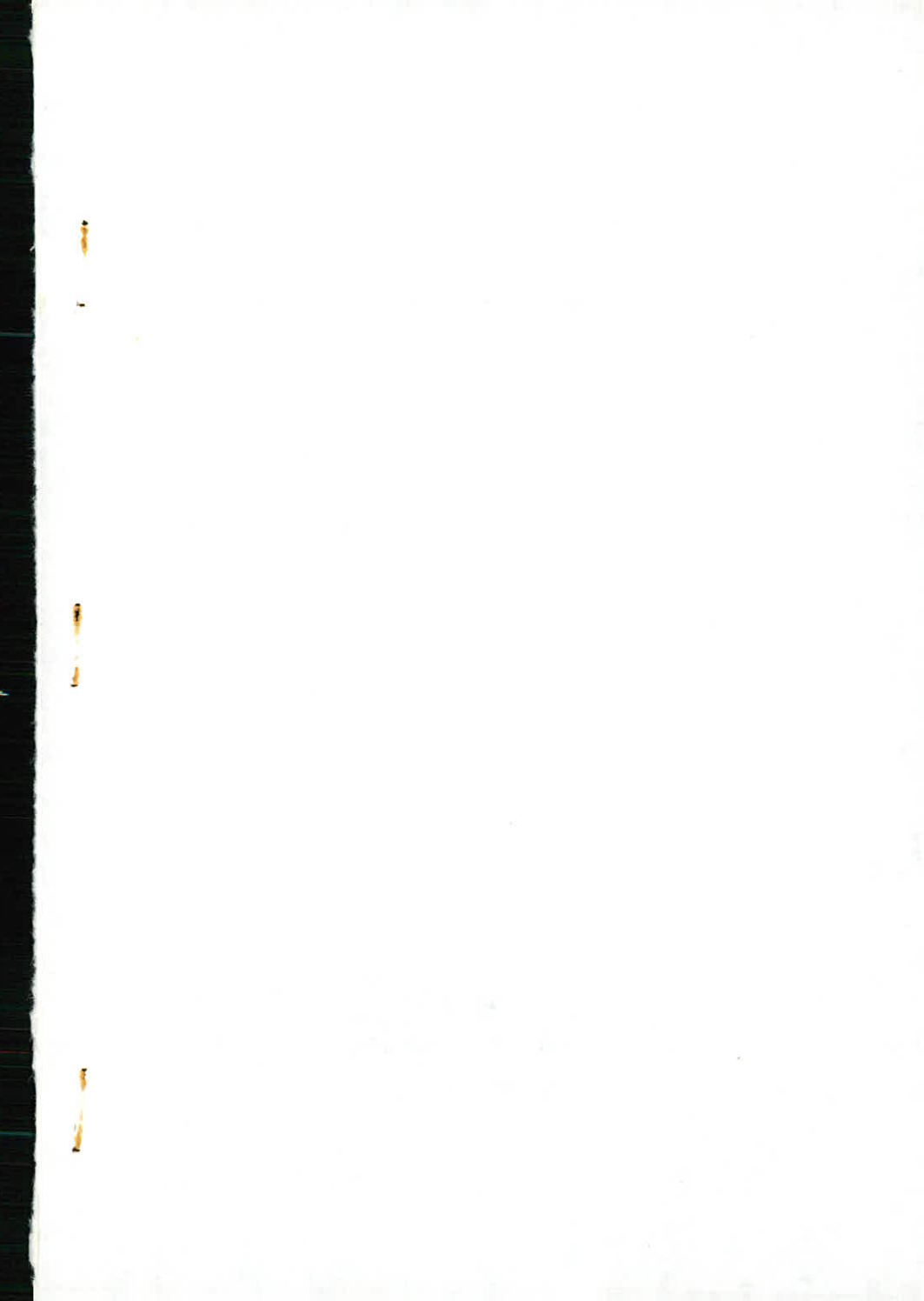


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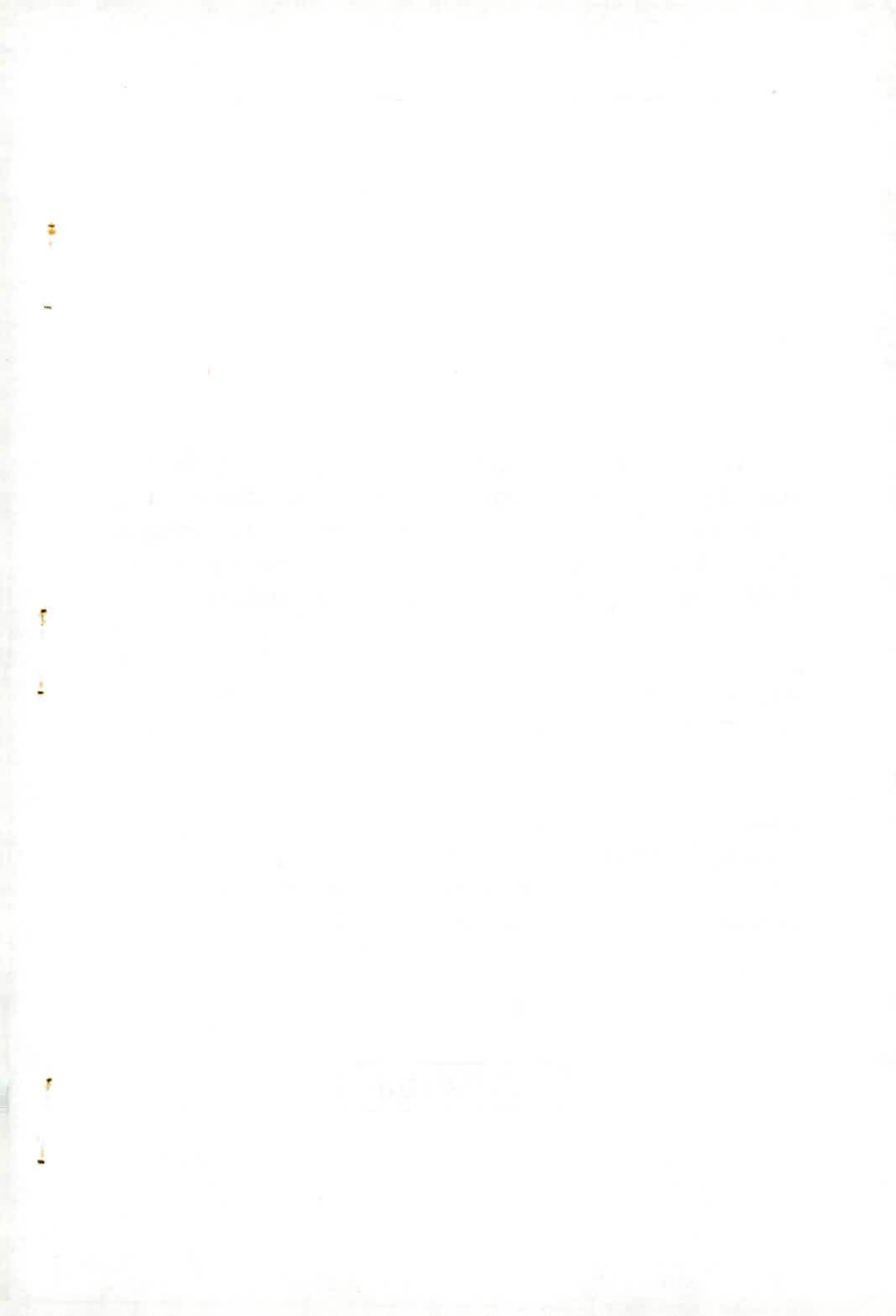
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PREFACE

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 points arising from the audit of the financial transactions of the Jaintia Hills Autonomous District Council, Jowai, 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 1997-98.
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 1997-98.



OVERVIEW

ΟΛΕΚΑΙΕΝ

OVERVIEW

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

Receipts of the Council in the Annual Accounts for the year 1997-98 were understated by Rs.8.48 lakh.

(Paragraph 2.1.2)

In the Annual Accounts the PLA balance was understated by Rs.53.50 lakh.

(Paragraph 2.4.2)

An amount of Rs.39.47 lakh lying in two Savings Bank Accounts with the United Bank of India in favour of Civil Works and Forest Departments of the Council were shown as expenditure in the Annual Accounts resulting in overstatement of expenditure by the amount.

(Paragraph 2.4.6)

The Council had been retaining heavy cash balance at the end of each month during 1997-98 in contravention of Rules. As of 31 March 1998, there was cash balance of Rs.1.16 crore with the Council.

(Paragraph 3.1.2)

Pine timber worth Rs.4.96 lakh converted out of illegally fell trees incurring an expenditure of Rs.2.31 lakh had been lying undisposed for over 4 years.

(Paragraph 3.2.2)

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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

1.2.1 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. In view of amendment of paragraph 7(2) of the Schedule (made with effect from 2nd 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

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 Jaintia Hills Autonomous District Council in June 1977.

1.3.2 Though Rule 16(iv) of the Jowai Autonomous District Fund Rules 1967, lays down that monthly accounts are to be submitted to the Accountant General, the same has never been followed by the District Council. The Annual Accounts for the year 1997-98, due for submission by 30 June 1998, were submitted in July 2000 after a delay of over two years 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 1997-98 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 1997-98 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.	19.99	(i) District Council	13.17
(ii) Land revenue	4.80	(ii) Executive Members	15.18
(iii) Taxes on Vehicles	23.40	(iii) Administration of Justice	13.47
(iv) Forest	37.63	(iv) Land revenue	52.67
(v) Other General Economic Services	17.51	(v) Secretariat General Services	152.91
(vi) Fisheries	0.36	(vi) Stationery and Printing	10.93
(vii) Mines and Minerals	327.48	(vii) Public Works	74.60
(viii) Interest Receipts	9.71	(viii) Pension and other Retirement Benefits	11.88
(ix) Other Administrative Services	0.90	(ix) Education	25.20
(x) Grants-in-aid from State Government	140.27	(x) Urban Development	10.53

Receipts (Rupees in lakh)		Disbursements (Rupees in lakh)	
(xi) Other heads of account	0.57	(xi) Information and Publicity	2.89
		(xii) Other General Economic Services	50.00
		(xiii) Agriculture	22.11
		(xiv) Forest	90.83
Total Revenue receipts	582.62	Total Revenue expenditure	546.37
Revenue Deficit	...	Revenue Surplus	36.25
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	582.62	Total of Part – I District Fund	582.62
PART II DEPOSIT FUND			
Deposit receipts	Nil	Deposit payments	Nil
Total of Part II Deposit Fund	Nil	Total of Part II Deposit Fund	Nil
Total Receipts (I + II)	582.62	Total Disbursement (I + II)^(a)	546.37
Opening Balance	165.09	Closing Balance ^(b)	201.34
GRAND TOTAL	747.71	GRAND TOTAL	747.71

2.1.2 Compared to the initial record, viz., Revenue Collection Register, receipts of the Council for the year 1997-98 were understated by Rs.8.48 lakh in the Annual Accounts for the year 1997-98, the details of which are as under:-

^(a) Excluding Revenue Surplus.

^(b) Cash: Rs.116.24 lakh; Bank Account: Rs.72.96 lakh; Personal Ledger Account with the Treasury: Rs.12.14 lakh.

Table 2.2

Sl. No.	Head of accounts	Revenue realised as per Collection Register	Revenue as accounted for in Statement 5 of Annual Accounts	Understatement (-)/ Overstatement (+) of receipts
		(Rupees in lakh)		
1.	Taxes on Income and Expenditure, etc.	29.18	19.99	(-) 9.19
2.	Forest – Other receipts	35.10	25.31	(-) 9.79
3.	Forest – Sale of timber	0.05	9.38	(+) 9.33
4.	Forest – Other forest produce	1.77	2.94	(+) 1.17
				(-) 8.48

2.1.3 The Secretary, Executive Committee (SEC) of the Council stated (October 2001) that the receipts which remained undeposited to the Treasury were not reflected in the Annual Accounts though the same were accounted for in the Cash Book and closing balance of Personal Ledger Account. Reasons for non-deposit of the receipts into the Treasury in contravention of Rule 18 of the Jowai Autonomous District Fund Rules, 1967, which provides for prompt remittance of all moneys of the Council to Treasury and excess exhibition of receipts of Rs.10.50 lakh as sale of timber and other forest produce (Serial 3 & 4 of table above) in the Annual Accounts had not been stated. Thus, the Annual Accounts of the Council for the year 1997-98 did not exhibit the correct picture of the financial transactions of the Council.

2.2 Variations between Budget provisions and actuals

2.2.1 Large variation in receipts under different heads of accounts between the Budget provisions and actuals were noticed. The details are given below:-

Table 2.3

Sl. No.	Head of Account	Budget estimates	Actual collection	Shortfall (Percentage of shortfall)	Reasons for variations as stated by the SEC of the Council in October 2001
1.	Land Revenue	8.43	4.80	3.63 (43)	Land revenue could not be estimated accurately.
2.	Stamps and Registration	2.00	0.56	1.44 (72)	Less transactions under stamps and forms
3.	Forests	88.20	37.63	50.57 (57)	Ban on operation of timber imposed by Supreme Court.
4.	Mines and Minerals	630.00	327.48	302.52 (48)	Non-receipt of Council's share of royalty from State Government.

2.3 Variations in receipts and expenditure between current and previous year

2.3.1 Significant cases of variations in receipts and expenditure between current year (1997-98) and previous year (1996-97) are given below:-

Table 2.4

Sl. No.	Head of Accounts	Actuals		Variation Increase(+) Decrease(-) (Percentage of variation)	Reasons for variations as stated by the SEC of the Council in October 2001
		1996-97	1997-98		
		(Rupees in lakh)			
R E V E N U E H E A D S					
1.	Taxes on Vehicles	37.91	23.40	(-) 14.51 (38)	Less collection of revenue on toll and taxes on vehicles as well as share from Government.
2.	Other Administrative Services	11.00	0.90	(-) 10.10 (92)	Specific reply is awaited (December 2001).
3.	Fisheries	1.87	0.36	(-) 1.51 (81)	Non-availability of fish.
4.	Forest	65.10	37.63	(-) 27.47 (42)	Ban on operation of timber imposed by Supreme Court.
E X P E N D I T U R E H E A D S					
1.	Other General Economic Services	15.00	50.00	(+) 35.00 (233)	Shifting of lawmusing market, increase in contingent expenditure, release of arrear Dearness Allowance, etc.
2.	Land Revenue	46.52	52.67	(+) 6.15 (13)	

2.3.2 While in respect of receipt heads the decrease ranged between 42 and 92 **per cent**, the percentage increase in respect of expenditure heads varied between 13 and 233.

2.4 Personal Ledger Account

2.4.1 The District Council Authorities maintained a Personal Ledger Account (PLA) with the Jowai Treasury for crediting its receipts and meeting various expenditure. Test check (December 2000) of records relating to PLA disclosed the following:-

2.4.2 As on 31 March 1998, the balances held in the PLA as per records of the Treasury were Rs.65.64 lakh. Against this, Rs.12.14 lakh only was accounted for in the Annual Accounts of the Council for the year 1997-98 as closing PLA balance. This resulted in understatement of closing balance by Rs.53.50 lakh. The discrepancy had not been reconciled (October 2001). The possibility of fraud or misappropriation escaping the notice of the authority due to such delays in reconciliation could not be ruled out. The matter was made worse by the fact that the Treasury Officer, Jowai over the years had never rendered to the office of the Accountant General its monthly plus/minus Memoranda of the PLA he was maintaining.

2.4.3 The SEC stated (October 2001) that the relevant records for reconciliation were not made available by the Treasury despite repeated requests.

2.4.4 Rule 19 of the Fund Rules *ibid* provides that all money paid into the Treasury to the credit of the District Fund shall be accompanied by the Pass Book. But no such Pass Book was available with the Council.

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

Rule, Rs.72.96 lakh was kept in the Bank account and accounted for as closing balance in the Annual Accounts for the year 1997-98.

2.4.6 Test-check (December 2000) of records further revealed that in addition to Rs.72.96 lakh, as on 31 March 1998, Rs.39.47 lakh was lying in two Savings Bank accounts with the United Bank of India in favour of Civil Works (Rs.28.85 lakh) and Forest (Rs.10.62 lakh) Departments of the Council. But the same was not accounted for as closing balance in the Annual Accounts of the Council for the year 1997-98, on the ground that at the time of transfer of money to Civil Works and Forest from the Treasury account the amounts were already booked as expenditure in the accounts of the relevant year(s) against Public Works and Forests. Such withdrawal was irregular inasmuch as it has the effect of overstating the expenditure as well as understating the closing balance of the Council.

2.4.7 The SEC stated (October and December 2001) that the amounts were kept in Savings Bank Account as per decision of the Executive Committee to avoid delay in execution of the schemes and for early withdrawal. Reply is not tenable as the retention of money outside Treasury was not permissible as per Fund Rules, 1967.

2.5 Subscription to Provident Fund

2.5.1 Condition of service of the Council employees are to be regulated by such rules as laid down by the District Council. According to Rule 46 of the United Jaintia Hills Autonomous District Council Service Rules, 1981, 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 (June 2001) that due to financial crisis faced by the Council, subscription to provident fund by its employees could not be adopted but added that 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 Retention of heavy cash balance

3.1.1 According to Rules 18 and 31 of the Jowai Autonomous District Fund Rules, 1967, all moneys received on account of the Council shall be remitted intact to the Treasury promptly and no money shall be withdrawn from the District Fund of the Council unless it is required for immediate disbursement.

3.1.2 Test check (December 2000) of cash book of the Council revealed that the Council had been retaining heavy cash balance at the end of each month. As of 31 March 1998, there was cash balance of Rs.1.16 crore. Scrutiny of Annual Accounts of the Council further revealed that retention of heavy cash in hand was a regular practice of the Council. During the 11 years' period ending March 1998, the cash balance at the end of each year ranged between Rs.16.70 lakh and Rs.116.24 lakh. Year-wise position is given below:-

Table 3.1

Year	Cash in hand at the end of the year
	(Rupees in lakh)
1987-88	16.70
1988-89	22.41
1989-90	23.43
1990-91	27.43
1991-92	42.43
1992-93	96.34
1993-94	32.49
1994-95	46.11
1995-96	64.26
1996-97	88.21
1997-98	116.24

3.1.3 The table above showed that though the cash balance was reduced to Rs.32.49 lakh as of March 1994, it continued to increase since 1994-95 and accumulated to Rs.116.24 lakh as of March 1998.

3.1.4 The SEC of the Council stated (August and October 2001) that revenue realised/money drawn from the Treasury at the last part of a month could not be deposited/dispensed immediately which resulted in heavy cash balance and that action was being initiated to reduce the cash balance. Reply is not tenable as the action of the Council was in contravention of the provisions of Fund Rules which resulted in accumulation of cash balance. Retention of cash in hand had not only impeded Government's balance with the Reserve Bank of India, the possibility of misappropriation of Council's fund could also not be ruled out. The cash in hand needs to be remitted to the Personal Ledger Account immediately.

3.2 Idle outlay due to non-disposal of pine timber

3.2.1 Test check (December 2000) of records and further information collected (April 2001) from the Council revealed that the Council spent Rs.2.31 lakh during February – March 1998 for dragging, sectioning, loading and unloading of illegally fallen (January 1998) pine trees at Moodymai Protected Forest. The quantity of timber available with the Council after incurring an expenditure of Rs.2.31 lakh for sectioning, etc. of pine trees were 213.335 cum, price of which was Rs.4.96 lakh*. The entire quantity of timber were lying in open space at Mookyndur Beat Office since February 1998. As stated (April 2001) by the Council, the condition of pine timber deteriorates normally after 3 years. Since the pine trees

* As per information furnished (August 2001) by the Council.

were illegally felled in January 1998, the normal life span of the same have been expired in December 2000.

3.2.2 The SEC of the Council stated (August 2001) that the expenditure of Rs.2.31 lakh was incurred in order to safeguard its revenue interest after following normal procedure. The fact remained that non-disposal caused idling of timber worth Rs.4.96 lakh for over 4 years. The possibility of loss due to deterioration of the quality of timber for prolonged storage, therefore, could not be ruled out rendering the expenditure of Rs.2.31 lakh on sectioning etc. unproductive.

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, 2 Inspection Reports (IR) relating to the Council issued during 1997 and 1999 still contained 12 unsettled paragraphs.



(N.R. RAYALU)

Shillong

The 20 JUN 2002

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

Countersigned



(V.N. KAUL)

New Delhi

The

17 JUL 2002

Comptroller and Auditor General of India

