



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

**FOR THE YEARS
1970-71 TO 1986-87**

**JAINTIA HILLS DISTRICT COUNCIL, JOWAI
MEGHALAYA**



**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA
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**JAINTIA HILLS DISTRICT COUNCIL, JOWAI
(MEGHALAYA)**

ERRATA

Errata to Report of the Comptroller and Auditor General
of India for the year 1990-91 in respect of the
Jaintia Hills District Council, Jowai (Meghalaya)

S1 No.	Page No.	Line	For	Read
1	2	3	4	5
1.	Front Cover	last line	MM Meghalaya	(Meghalaya)
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7.	- Do -	13th from top	realized	realised
8.	- Do -	-	ii	(ii)
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10.	8	-	DISBURSEMENTS	Disbursements
11.	10	-	- Do -	- Do -
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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 the financial transactions of the Jaintia Hills District Council, Jowai.

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 years 1970-71 to 1986-87.



OVERVIEW

This report contains three sections of which one deals with the constitution of the Jaintia Hills District 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 various irregularities noticed in audit relating to the period from 1970-71 to 1986-87.

The important Audit findings are summarized in the succeeding paragraphs :

- Revenue/funds to the extent of Rs. 2.78 lakhs was misappropriated. This took place due to defective and inadequate accounting.

(Paragraph 3.1)

- Revenue to the extent of Rs. 7.56 lakhs was not realized.

(Paragraph 3.2)

- Destruction of plants due to fire resulted in loss of Rs. 0.44 lakh.

(Paragraph 3.3)

- Sales tax aggregating to Rs. 16.14 lakhs in respect of sale of timber/coal was not recovered at source.

(Paragraph 3.4)

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to be treated as a partnership for purposes of the Code.

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SECTION I

1.1 Introduction

The United Khasi and Jaintia Hills District Council was set up in June 1952 under the provisions of Article 244(2) read with the Sixth Schedule of 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 re-named as the 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 reserved forests, use of any canal or water-course 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 powers to establish, construct or manage primary schools, dispensaries, markets, cattle ponds, 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 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 terms of the provisions of paragraph 7(2) of the Schedule, rules were 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 matter connected with or ancillary to these matters. To have uniformity, the Government of Meghalaya is now preparing rules for the management of the District Fund in respect of all the District Councils in Meghalaya; the rules are under finalisation (January 1993). Meanwhile, for management of the District Fund, the Council had followed the United Khasi and Jaintia Hills District Council Fund Rules 1952 upto 5 June 1968 and the Jowai Autonomous District Fund Rules from 5 June 1968.

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 years 1970-71 to 1986-87 due for submission in 30 June every year were submitted in May 1992.

Results of test-check of the Annual Accounts of the Council for the years 1970-71 to 1986-87 are given in the succeeding paragraphs.

SECTION II

2.1 Annual Accounts

According to the Annual Accounts furnished by the Council, 1986-87 were as follows :-

		PART - I					
		(Rupees)					
Receipts		1970-71	1971-72	1972-73	1973-74	1974-75	1975-76 1976-77
(1) Revenue Receipts							
(i) Taxes on income and expenditure		-	-	0.41	0.25	0.31	0.37 0.64
(ii) Land Revenue		-	0.10	0.22	0.21	0.16	1.01 0.36
(iii) Taxes on Vehicles		-	-	-	-	-	-
(iv) Forest		-	4.66	5.69	4.71	3.61	5.26 8.39
(v) Mines & Minerals		-	-	-	-	-	-
(vi) Grants-in-aid from the State Government		35.53	18.71	27.31	29.61	27.90	24.58 28.98
(vii) Others		7.39	1.50	1.58	1.75	1.80	1.83 1.39
Total Revenue Receipts		42.92	24.97	35.21	36.53	33.78	33.05 39.76
Revenue Deficit		-	12.27	3.99	2.31	4.34	3.89 0.27
(2) Capital							
(3) Debt							
(i) Loans received from the State Government		-	-	-	2.00	1.00	- -
(ii) Loans received from other sources		-	-	-	-	-	- -
Total of (3)		-	-	-	<u>2.00</u>	<u>1.00</u>	- -
(4) Loans and Advances							
Recoveries of loans and advances		-	-	-	-	-	- -
Total of Part I District Fund		42.92	24.97	35.21	38.53	34.78	33.05 39.76

the receipts and expenditure of the Council for the years 1970-71 to

DISTRICT FUND
in lakhs)

1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
0.47	0.25	0.51	0.49	0.70	0.53	1.69	2.36	4.28	4.00
0.48	0.27	0.30	1.28	0.45	0.30	0.16	0.21	3.19	3.60
-	-	-	-	-	-	-	-	1.15	0.25
10.30	14.41	15.28	21.11	38.42	41.06	65.64	76.05	11.09	16.04
-	-	-	-	-	-	-	-	88.78	112.84
47.73	47.13	46.89	52.40	76.62	16.61	3.57	6.93	11.23	16.19
1.59	2.30	1.31	5.08	4.80	3.20	3.72	4.32	3.20	3.64
60.57	64.36	64.29	80.36	120.99	61.70	74.78	89.87	122.92	156.56
-	3.15	-	-	-	16.55	-	-	-	-
-	3.65	-	1.00	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	3.65	-	1.00	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
60.57	68.01	64.29	81.36	120.99	61.70	74.78	89.87	122.92	156.56

PART II

Receipts	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
Deposit Receipts	-	-	-	-	-	-	-
Total of Part II	-	-	-	-	-	-	-
Total Receipts (I + II)	42.92	24.97	35.21	38.53	34.78	33.05	39.76
Opening balance	14.20	28.80	16.46	12.38	11.99	8.60	4.63
Grand Total	57.12	53.77	51.67	50.91	46.77	41.65	44.39

DEPOSIT FUND

1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
60.57	68.01	64.29	81.36	120.99	61.70	74.78	89.87	122.92	156.56
4.36	4.63	5.09	5.09	10.88	28.59	12.04	15.01	26.47	59.94
64.93	72.64	69.38	86.45	131.87	90.29	86.82	104.88	149.39	216.50

PART I
(Rupees)

DISBURSEMENTS	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
Revenue Expenditure							
(i) District Council and executive members	-	1.52	1.77	1.65	1.56	1.90	1.86
(ii) Administration of Justice	-	0.56	0.57	0.47	0.51	0.47	0.67
(iii) Land Revenue	-	1.45	1.55	2.02	2.24	2.10	2.50
(iv) Public Works	-	14.46	3.01	6.90	7.72	6.66	8.63
(v) Education	-	12.70	16.96	20.54	19.05	20.07	20.35
(vi) Public Health Sanitation and Water Supply	-	0.16	0.46	0.25	-	-	-
(vii) Urban development	-	-	-	-	-	-	-
(viii) Forest	-	3.86	11.56	2.28	3.16	3.54	3.50
(ix) Road Transport Services	-	1.40	1.72	3.04	1.89	-	-
(x) Others	-	1.13	1.60	1.69	1.99	2.20	2.52
Total Revenue Expenditure	28.30*	37.24	39.20	38.84	38.12	36.94	40.03
Revenue Surplus	14.62	-	-	-	-	-	-
(2) Capital Capital Expenditure	-	-	-	-	-	-	-
(3) Debt							
(i) Repayment of loans received from the Government	0.02	0.07	0.09	0.08	0.05	0.08	-
(ii) Repayment of loans received from other sources	-	-	-	-	-	-	-
Total of (3)	0.02	0.07	0.09	0.08	0.05	0.08	-
(4) Loans and Advances							
Disbursement of loans and advances	-	-	-	-	-	-	-
Total of Part I District Fund	28.32	37.31	39.29	38.92	38.17	37.02	40.03

* Break-up is not available.

DISTRICT FUND
in lakhs)

1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
2.55	7.02	3.75	4.42	5.75	8.00	13.00	15.08	7.85	7.91
0.79	1.01	0.77	0.88	1.42	1.56	1.71	2.07	2.19	2.37
3.90	4.95	4.03	5.00	8.07	7.18	6.77	6.14	1.00	1.13
9.18	5.73	5.82	5.22	7.80	5.84	9.63	12.67	5.57	6.72
35.45	39.14	41.01	47.04	62.97	38.03	15.93	5.86	9.28	32.66
-	-	-	-	-	-	-	-	10.64	24.66
-	-	-	-	-	-	-	-	3.93	6.83
4.80	5.31	4.56	7.34	8.07	8.61	9.39	15.77	12.31	18.60
-	-	-	-	-	-	-	-	-	-
3.60	4.35	4.35	5.66	9.20	9.03	15.35	20.72	36.57	41.80
60.27	67.51	64.29	75.56	103.28	78.25	71.78	78.31	89.34	142.68
0.30	-	-	4.80	17.71	-	3.00	11.56	33.58	13.88
-	-	-	-	-	-	-	-	-	-
0.03	0.04	-	0.01	-	-	0.03	0.10	0.11	-
-	-	-	-	-	-	-	-	-	-
0.03	0.04	-	0.01	-	-	0.03	0.10	0.11	-
-	-	-	-	-	-	-	-	-	-
60.30	67.55	64.29	75.57	103.28	78.25	71.81	78.41	89.45	142.68

PART II
(Rupees)

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
Deposit (Fixed deposits with Bank)	-	-	-	-	-	-	-
Total of Part II	-	-	-	-	-	-	-
Total Disbursement (I + II)	28.32	37.31	39.29	38.92	38.17	37.02	40.03
Closing balance	28.80	16.46	12.38	11.99	8.60	4.63	4.36
Grand Total	57.12	53.77	51.67	50.91	46.77	41.65	44.39

DEPOSIT FUND
in lakhs)

1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
-	-	-	-	-	-	-	-	-	15.00
-	-	-	-	-	-	-	-	-	15.00
60.30	67.55	64.29	75.57	103.28	78.25	71.81	78.41	89.45	157.68
4.63	5.09	5.09	10.88	28.59	12.04	15.01	26.47	59.94	58.82
64.93	72.64	69.38	86.45	131.87	90.29	86.82	104.88	149.39	216.50

2.2 Treasury Personal Ledger Account (PLA) reconciliation

According to the Fund Rules, all moneys received on behalf of the Council and all the expenditure incurred in relation to the affairs of the Council are required to be exhibited in the Personal Ledger Account (PLA) opened in the treasury.

It was seen that the closing balance as on 31st March 1987 in the cash book was Rs. 153.45 lakhs whereas the balance in the treasury ledger was shown as Rs. 153.01 lakhs.

The discrepancy of Rs. 0.44 lakh which related to the period 1981-81 had not been reconciled so far (January 1993).

SECTION III

3.1 Misappropriation of revenue/fund

Test-check of the records of the Council (August 1974 and December 1984) disclosed cases of non-accounting etc. of money/fund totalling Rs. 2.78 lakhs as detailed below :-

- (a) It was seen (August 1974) that wrong totalling of both the receipt and the payment sides of the cash book, excess payment, less receipt, excess deposit/non-deposit of revenue etc. during the period from May 1972 to March 1974 resulted in understating of cash balance by Rs. 1.49 lakhs. Physical verification of cash was never conducted. No action was taken by the Council to investigate the matter though it was brought to the notice of the Council in September 1974 followed by reminders in August 1986, October 1987, November 1990 and October 1991.
- (b) An amount of Rs. 0.09 lakh being sale proceeds of "Forms" received by the Council during 1977-78 to 1983-84 was neither entered in the cash book nor deposited into the treasury. The matter was reported in June 1985. Action for recovery of the amount is awaited (January 1993).
- (c) While handing over charge on 11 February 1980, the outgoing "Nazir" handed over cash of Rs. 0.27 lakh against actual cash balance of Rs. 0.56 lakh on that day to the relieving "Nazir" resulting in a shortage of cash of Rs. 0.29 lakh. The matter was neither reported to the Accountant General nor any action against the incumbent taken as required under the Fund Rules. The incumbent was, however, allowed by the Council (April 1980) to make good the shortage of cash by disposing off landed property belonging to him. Till the date of audit (April 1981) an amount of Rs. 0.08 lakh only had been recovered. Report regarding recovery of the balance amount of Rs. 0.21 lakh has not been received (January 1993) despite the Council being reminded in July 1984, June 1985, August 1986, October 1990 and August 1991.

- (d) Revenue receipts totalling Rs. 0.35 lakh were received by the Council on 30 March 1984 and entered in the cash book on the same day, but the amount was omitted while totalling the days receipts. The days actual grand total of receipts was Rs. 5.97 lakhs (including opening balance) against which Rs. 5.62 lakhs (including opening balance) was shown in the cash book. The difference of Rs. 0.35 lakh was not accounted for and no action was taken to investigate the matter. The matter was brought to the notice of the Council in June 1985. Action taken had not been intimated so far (January 1993).
- (e) In the cash book, the actual grand total of receipts on 7 February 1987 was Rs. 11.83 lakhs and not Rs. 11.27 lakhs as shown, resulting in understating of cash balance by Rs. 0.56 lakh. The matter was reported to the Council in January 1988. Action taken in the matter has not been communicated so far (January 1993).

It was also noticed that the cash balance at the end of each month was not physically verified after February 1987 and a certificate to that effect recorded at the end of each month in the cash book by the Secretary of the Council as required under the Jowai Autonomous District Fund Rules 1967.

3.2 Outstanding revenue

- (a) Scrutiny of the demand and collection register of land revenue, taxes on employment, fisheries and markets etc, revealed that an amount of Rs. 7.02 lakhs was outstanding as detailed below :-

<u>Particulars</u>	<u>Period of Demand</u>	<u>Amount</u> (Rs. in lakhs)
1. Fishery revenue	1975-76	0.11
2. Land revenue	1979-80	6.29
3. Professional tax	1979-80	0.62
	Total	7.02

The matter was reported to the Council in May 1978 and February 1982. Action taken in the matter has not been intimated so far (January 1993).

(b) Five numbers of fish ponds during 1980-81 and 1981-82 and 3 numbers of market stalls at Jawpynsin during 1980-81 and 1982-83 were leased out by the Council for amounts of Rs. 0.56 lakh and Rs. 0.52 lakh respectively. The lessees were required to pay the entire amount of bid within 9 months (50 **per cent** at the time of auction, 25 **per cent** after 6 months and the balance after 9 months). However, an amount of Rs. 0.28 lakh only against fish ponds and Rs. 0.26 lakh only against the market stalls were paid by the lessees leaving an outstanding balance of Rs. 0.28 lakh (November 1982) and Rs. 0.26 lakh (December 1984) respectively. Thus, a total amount of Rs. 0.54 lakh remained outstanding. The Council did not take any action against the lessees in terms of Rule 23(5) of the Jaintia Hills Autonomous District Management and Control of Markets Regulations 1975 for their failure to pay the subsequent instalments.

The matter was reported to the Council in March 1983 and June 1985 but progress of further recovery has not been intimated (January 1993) despite reminders issued in August 1986, December 1986, October 1990 and August 1991.

3.3 Loss due to fire

An amount of Rs. 0.44 lakh was spent by the Council on plantation and maintenance of quick growing species of potato, ginger etc. during 1981-82 and 1982-83. The entire area of plantation was destroyed in a fire on 23 March 1984 resulting in loss of Rs. 0.44 lakh. The matter was neither reported to the police nor was any action taken to fix responsibility for the loss. On this being pointed out in audit, the matter was reported to the police in June 1985; the results of police investigation have not been intimated (January 1993).

3.4 Non realization of sales tax at source

- (a) The District Councils in Meghalaya are registered dealers under the Meghalaya Sales Tax Act, as amended from time to time,

and are liable to collect Sales Tax at 7 **per cent** on the sale of the forest produce in their jurisdiction on behalf of Government.

During 1977-78 to 1981-82, an amount of Rs. 38.18 lakhs on account of royalty on the sale of timber was realized by the Council, but sales tax amounting to Rs. 2.67 lakhs (7 **per cent** on Rs. 38.18 lakhs) was not recovered from the contractors at source as required. The matter was reported to the Council in March 1983; its reply is awaited (January 1993).

- (b) Coal is included in the list of declared goods under the Meghalaya Sales Tax Act and is liable to assessment of tax at 4 **per cent** which is to be collected by the Councils on behalf of Government in respect of sales of coal in their jurisdiction.

During 1982-83 to 1986-87, an amount of Rs. 336.75 lakhs was collected towards royalty on coal from the different purchasers. The tax effect on royalties realized was Rs. 13.47 lakhs (4 **per cent** of Rs. 336.75 lakhs) which was not recovered from the different purchasers at source as required. The reasons for non-recovery were not on record. The matter was referred to the Council in June 1985, January 1988, August 1988, October 1990 and August 1991; replies have not been received (January 1993).

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 the local Audit Inspection Reports.

The position of the outstanding audit paragraphs relating to the Jaintia Hills District Council is given below :-

Sl. No.	Period of Accounts Audited	Year of issue of inspection Reports	Number of outstanding paragraphs
1.	February 1967 to April 1968	1969	12
2.	May 1968 to December 1968	1970	11
3.	January 1969 to March 1971	1972	19
4.	April 1971 to April 1972	1974	9
5.	May 1972 to March 1974	1974	11
6.	April 1974 to September 1975	1976	18
7.	October 1975 to March 1977	1978	14
8.	December 1977 to November 1978	1981	12
9.	December 1978 to March 1980	1982	26
10.	April 1980 to March 1982	1983	22
11.	April 1982 to March 1984	1985	27
12.	April 1984 to March 1987	1988	14

Even first replies to the above paragraphs had not been furnished by the Council despite reminders.



(ROCHILA SAIAWI)

Accountant General (Audit)

Assam, Meghalaya, Arunachal Pradesh and Mizoram

Place: Shillong

Date: 18 JAN 1994

Countersigned



(C.G. SOMIAH)

Comptroller and Auditor General of India

Place: New Delhi

Date: 27 JAN 1994

