



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

**FOR THE YEAR  
2002-03**

**KARBI ANGLONG AUTONOMOUS COUNCIL  
DIPHU, ASSAM**

*Consented 6/7*



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## TABLE OF CONTENTS

	Paragraph (s)	Pages
Preface		(v)
Overview		(vi-vii)

### SECTION—I

Introduction	1	1-2
Rules for the management of District Fund	1.2	3
Maintenance of Accounts	1.3	4-5

### SECTION—II

Receipts and Expenditure	2.1	6
Revenue and other receipts and expenditure	2.1.1	6-8
Revenue deficit	2.1.2	9
Receipts and expenditure compared with the actuals of previous year	2.1.3	9-11
Receipts and expenditure compared to budget		
Provisions	2.1.4	11-13
Comments on accounts	2.2	13
Overstatement of Capital expenditure	2.2.1	13
Overstatement of Revenue expenditure	2.2.2	14
Trusted Functions	2.3	14
Understatement of receipt and expenditure	2.3.1	14-15
Regular retention and diversion of Plan funds	2.3.2	15-16
Unauthorised diversion of funds	2.3.3	16-17
Personal Ledger Account	2.4	17-18

## SECTION—III

	Paragraph (s)	Page
<b>Loss of revenue</b>	3.1	19
Loss of forest revenue due to non-enforcement of contractual agreement	3.1.1	19-20
Loss due to granting of remission in entry tax	3.1.2	21
Loss of Council revenue due to non-realisation of Kist money	3.1.3	22-23
Revenue expenditure	3.2	
Retention of Central sector scheme fund outside Council fund	3.2.1	23-24
Diversion of fund	3.2.2	24-25
<b>Other points</b>	3.3	25
Unauthorised deposit of State revenue into Council's fund	3.3.1	25-26
Irregular utilisation of departmental receipts towards departmental expenditure	3.3.2	26-27
Irregular submission of utilisation certificates	3.3.3	27-28
Avoidable excess expenditure	3.3.4	28-30
Non production of records	3.3.5	30-31
<b>Appendix</b>		32-33



## **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 financial transactions of the Karbi Anglong Autonomous Council, Diphu.

The cases mentioned in the Report are those which came to notice in the course of test-check of the accounts for the year 2002-03.

This Report contains three sections of which one section deals with constitution of the 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 2002-03.

(vi)

## **Overview**

A synopsis of the significant audit findings contained in the Report is given below:

The Council met its net revenue deficit of Rs.2.78 crore under normal functions by irregular diversion of funds advanced by the State Government for discharging entrusted functions.

(Paragraph 2.1.2)

Compared to the receipts and expenditure of the previous year, the Council's receipts declined by 58 to 100 *per cent* under six heads of account, while the expenditure under seven heads of account showed an increase ranging from 19 to 221 *per cent*,

(Paragraph 2.1.3)

Compared to the budget estimates, the actual revenue collection excluding Grants-in-aid showed a huge shortfall of Rs.32.24 crore (84 *per cent*),

(Paragraph 2.1.4)

Under normal functions, capital expenditure was overstated by Rs.35 lakh with consequential understatement of revenue expenditure to that extent due to incorrect booking of revenue expenditure as capital expenditure.

(Paragraph 2.2.2)

Under entrusted function<sup>s</sup> of the Council, there was understatement of receipts and expenditure by Rs.28.20 crore and Rs.30.49 crore respectively.

(Paragraph 2.3.1)

- The Council diverted Rs.7.23 crore relating to entrusted functions to its own functions without obtaining approval from the Government.

(Paragraph 2.3.2)

- The Council did not reconcile the discrepancies of closing balance appearing in three different sets of records, viz., Treasury, cash book and annual accounts, persisting over the years, despite these having been pointed out in successive Audit Reports

(Paragraph 2.4)

- The Council sustained loss of revenue of Rs.1.50 crore due to non-enforcement of a contractual agreement

(Paragraph 3.1)

- The Council submitted utilisation certificates for Rs.159.33 lakh without actual utilisation of the amount.

(Paragraph 3.3.2)

- Audit could not establish veracity of the expenditure of Rs.1.03 crore due to non-production of relevant records by the Council.

(Paragraph 3.3.5)

## SECTION-I

### Introduction

The Karbi Anglong District Council in Assam was set up on 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 forests), 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, forests (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 forests) 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 discharges 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 budgets as the Council collects revenue and incurs normal expenditure relating to the management of forests.

## **.2 Rules for the management of the 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 money 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 1 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 moneys 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 the 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

he 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 2002-03 have been prepared in the prescribed format. The accounts which were due for submission by June 2003 were submitted to Audit in September 2004.

Results of test check of the Annual Accounts submitted by the Council for the year 2002-03 are given in the succeeding paragraphs.



## SECTION-II

### 2.1 Receipts and expenditure

#### 2.1.1 Revenue and other receipts and expenditure

According to the Annual Accounts furnished by the Council, the receipts and expenditure of the Council for the year 2002-03 and the resultant revenue and capital deficits are shown in Table-1:

**Table-1**

*(Rupees in lakh)*

A	Revenue receipts	Part I District Fund Revenue Receipts and Disbursements	Revenue expenditure
i	229.84	Taxes on Income and expenditure	
ii	13.33	Land revenue	263.71
iii	7.94	Stamps and Registration fees	0.13
iv		Public Health Sanitation & Water Supply	2.37
v	0.13	Stationery and Printing	102.66
vi	0.71	Public Works	145.02
vii		Education	2501.65
viii	73.35	Other General Economic Services	29.88
ix	2.18	Fisheries	

	Revenue receipt		Revenue expenditure
x	206.20	Forest	319.14
xi	61.98	Mines and Minerals	
xii	4.07	Roads and Bridges	
xiii	2891.19	Grants-in-aid	
xiv		District Council Secretariat	59.41
xv		Executive Member	15.58
xvi		Administration of Justice	2.55
xvii		Secretariat General Services	183.36
xviii		Pension and Other Retirement Benefits	82.15
xix		Art and Culture	10.20
xx	...	Urban Development	18.50
xxi	...	Information and Publicity	0.02
xxii	...	Social Security & Welfare	0.65
xxiii	...	Roads and Transport Services	32.40
	3490.92	Total-A: Revenue receipts and expenditure	3769.38
	Capital receipts and disbursements		
xiv	278.46	Revenue deficit	
xv	...	Capital account	45.64
xvi	...	Debt	
		Loans and Advances	
xvii	1.79	Recoveries of Loans and Advances	

	Revenue receipt		Revenue expenditure
xxviii	...	Disbursement of Loans and advances	0.5
	1.79	Total-B: Capital receipts and disbursements	46.1
	44.40	Deficit under Capital and Loans and advances	
	3492.71	Total Receipts and Payments under Part I District Fund	3815.5
	3815.57	Total Part-1 District Fund	3815.5
<b>C Part II Deposit Fund</b>			
	Receipts and Disbursements for transferred functions of the State Government.		
Receipts			Expenditure
18,81,4.51	Funds received from the State Government		
	Expenditure incurred out of deposit fund		17,248.9
	Surplus/ Savings on deposit fund		1,565.5
18,814.51	Total of C Part II Deposit Fund		18,814.5
22,307.22	Total Receipts and Disbursement under Part I & II		21,064.5
D.	←Opening balance	Closing balance →	
31.33	Cash		42.6
(-)6,582.98	Treasury (PLA)		(-) 5,351.6
15,755.57	Grand Total ( A+B+C+D)		15,755.5

### 2.1.2 Revenue Deficit

Revenue receipts (including grants-in-aid from the State Government) of the Council for the year 2002-03 pertaining to the functions as specified in the Sixth Schedule to the Constitution were Rs.34.91 crore. Against this, the Council spent Rs.37.69 crore resulting in revenue deficit of Rs.2.78 crore. This deficit as a result of excess expenditure was met by irregular diversion of funds earmarked for discharging entrusted functions as advanced by the State Government. Compared to the revenue deficit of Rs.24.92 crore in 2001-02, the revenue deficit during 2002-03 showed significant decrease of Rs.22.14 crore (89 per cent) [during 2002-03] .

### 2.1.3 Receipts and expenditure compared with the actuals of previous year

Large variation in receipts and expenditure under different heads of account between current and previous year were noticed. A few instances of such cases are given in Table-2 below:



**Table-2****A-Receipts***(Rupees in lakhs)*

Sl. No.	Heads of Account	Actual receipt during 2000-01	Actual receipt during 2001-02	Variation Decrease (-) during the year	Percentage (Decrease)
1.	Interest Receipts	11.96	Nil	11.96	100
2.	Stationery & Printing	1.51	0.13	1.38	91
3.	Public Works	1.68	0.71	0.97	58
4.	Other Administrative Services	50.39	@	50.39	100
5.	Education	2.61	Nil	2.61	100
6.	Roads & Bridges	34.91	4.07	30.84	88

@ Rs.24 only

**B- Expenditure***(Rupees in Lakhs)*

Sl. No.	Heads of account	Expenditure in 2001-02	Expenditure in 2002-03	Variation Increase	Percentage of variation
1.	District Council Secretariat	36.61	59.41	22.80	62
2.	Executive Member	4.85	15.58	10.73	221
3.	Administration of Justice	1.59	2.55	0.96	60
4.	Pension and Other Retirement Benefits	69.13	82.15	13.02	19
5.	Art and Culture	3.33	10.20	6.87	206
6.	Public Health Sanitation and Water Supply	Nil	2.37	2.37	100
7.	Urban Development	6.28	18.50	12.22	195

Reason for decrease in revenue receipts and increase in expenditure between current and previous year had not been estimated by the Council (April 2006).

#### 1.4 Receipts and expenditure compared to budget provisions

##### Receipts

Revenue receipts (excluding grants-in-aid of Rs.28.91 crore) in the year 2002-03 were Rs.6 crore against the estimated amount of Rs.38.24 crore which resulted in shortfall of revenue collection by Rs.32.24 crore (84 *per cent*) when compared to the budget estimates. Shortfalls ranging from 4 to 100 *per cent* were noticed under 14 heads of account as shown in Table-3 below:

**Table-3**

(Rupees in lakh)

Heads of Account	Estimated amount as per budget	Revenue receipt as per annual a/c	Shortfall	Percentage of shortfall
Taxes on Income and Expenditure	350.00	229.84	120.16	34
Land Revenue	330.10	13.33	316.77	96
Stamps and Registration	45.00	7.94	37.06	82
Taxes on vehicle	190.00	—	190.00	100

Sl. No.	Heads of Account	Estimated amount as per budget	Revenue receipt as per annual a/c <i>accounts</i>	Shortfall	Percentage of shortfall
	Interest Receipts	10.00	—	10.00	100
	Stationery and Printing	46.00	0.13	45.87	100 <sup>1</sup>
	Public Works	45.00	0.71	44.29	98
	Other Administrative Services	11.00	—	11.00	100
	Education	3.50	—	3.50	100
10.	Public Health Sanitation and Water Supply	70.00	—	70.00	100
11.	Other General Economic Services	745.30	73.35	671.95	90
12.	Forest	1310.00	206.20	1103.80	84
13.	Mines and Minerals	559.71	61.98	497.73	89
14.	Roads & Transport Services	145.00	—	145.00	100

The above shortfall in collection of revenue against estimate provision indicated ineffectiveness of the control mechanism of the Council in resource mobilisation from its own sources.

### Expenditure

There was excess expenditure over the budget estimates under one head of account during 2002-03 as shown in Table- below.

<sup>1</sup> Rounded to 100

**Table-4***(Rupees in lakh)*

Heads of Account	Actual expenditure as per annual accounts	Estimated amount as per budget	Excess	Percentage of excess
42-Capital Outlay on Road Transport Services	45.64	40.00	5.64	14

Reasons for shortfall in revenue receipts and excess expenditure over the budget estimates had not been intimated by the Council (April 2006). This also indicated that the budget estimates were not prepared on a realistic basis.

## **2.2 Comments on Accounts**

### **2.2.1 Advance payment booked as expenditure**

An advance of Rs.15 lakh paid (October 2002) to an agency for construction of Karbi House at Khanapara, Guwahati was booked as final expenditure under the head of account 'Public Works' (non-Plan).

This resulted in overstatement of revenue expenditure as well as revenue deficit under Part-I: District Fund in annual accounts for the year 2002-03 by Rs.15 lakh.



### **2.2.2 Overstatement of capital expenditure**

Test-check of records of the Transport Department of the Council revealed that out of the capital expenditure of Rs.45.64 lakh exhibited in the annual accounts under the head of account "Capital outlay on Road Transport Service", Rs.10.64 lakh was actually spent for acquisition of vehicle and the balance expenditure of Rs.35 lakh was incurred as revenue expenditure towards repairing of vehicle and purchase of spare parts.

This resulted in overstatement of capital expenditure by Rs.35 lakh.

### **2.3 Entrusted functions**

#### **2.3.1 Understatement of receipts and expenditure**

According to the Annual Accounts for 2002-03, the Council accounted for receipts (from the State Government) and expenditure of Rs.188.15 crore and Rs.172.49 crore respectively against entrusted functions.

rutiny of grant sanctioning orders, ledgers and vouchers of the Council revealed that during 2002-03, the Council actually received Rs.216.35 crore<sup>2</sup> for discharging entrusted functions, against which the Council spent Rs.202.98 crore<sup>3</sup>.

us, there was understatement of receipts and expenditure by Rs.28.20 crore<sup>4</sup> and Rs.30.49 crore<sup>5</sup> respectively.

## 3.2 Irregular retention and diversion of Plan funds

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According to terms of entrustment embodied in the Memorandum of Understanding (MoU) dated 31 December 1996 signed between the Government of Assam and the Council, any Plan funds left unutilised at the close of the financial year is to be refunded into the treasury by 15 March every year under intimation to the State Finance Department and no part of the unutilised Plan funds should be carried over to the next financial year. During the year 2002-03, the Council received Plan funds of Rs.124.67 crore against which it had incurred

Plan: Rs.124.67 crore and non-Plan: Rs.91.68 crore = Rs.216.35 crore.

Plan: Rs.117.44 crore and non-Plan: Rs.85.54 crore = Rs.202.98 crore.

Rs.216.35 crore - Rs.188.15 crore = Rs.28.20 crore.

Rs.202.98 crore - Rs.172.49 crore = Rs.30.49 crore.

expenditure of Rs.117.44 crore leaving unutilised balance Rs.7.23 crore. The Council, in violation of the terms of MoU, did not refund the unutilised balance of Rs.7.23 crore to the State Government but, utilised the same towards expenditure pertaining to its own functions.

The irregularity has persisted over the years despite having been pointed out in successive Audit Reports.

### **2.3.3            Unauthorised diversion of funds**

According to the MoU of 31 December 1996 signed between the Government of Assam and the Council, the Council is not empowered to re-appropriate funds from one Major Head account to another in case of entrusted functions and is required to restrict expenditure within the budget provision of fund released by the State Government.

Scrutiny of records revealed that the Council incurred expenditure of Rs.0.81 crore in excess of funds released by the State Government by irregular diversion from other heads without obtaining approval of the Government under six heads of account as shown in Table-5 below:

**Table-5***(Rupees in Crore)*

Heads of Account	Plan/ non-Plan	Fund released	Expenditure incurred	Excess
2217-Urban Development	Plan	0.33	0.38	0.05
2701-Major and Medium Irrigation	Non-Plan	0.77	0.97	0.20
2404-Dairy Development	Plan	0.53	0.55	0.02
2215-Public Health Engineering	Plan	9.81	9.89	0.08
2406-Forest	Non-Plan	1.42	1.44	0.02
2202-Primary Education	Plan	5.69	6.13	0.44
<b>Total</b>		<b>18.55</b>	<b>19.36</b>	<b>0.81</b>

The irregularity has persisted over the years despite having been pointed out in successive Audit Reports. Reasons for the excess expenditure and irregular diversion had not been stated by the Council (April 2006).

#### 4. 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 are credited and from which all expenditure on both the functions are met. However, according to the annual accounts for the year 2002-03, the



PLA of the Council had depicted an adverse closing balance *minus* Rs.53.52 crore against that of Rs.5.22 crore reflected in the accounts of the treasury. Besides, there were also discrepancies between the closing balance of the cash book and that shown in the annual accounts as shown in Table-6 below

**Table-6**

(Rupees in crore)

Opening balance (OB) & closing balance (CB)	As per treasury records	As per PLA cash book	As per annual A/c 2002-03 <i>accounts</i>
OB as on 01/04/02	2.07	(-) 2.07*	(-) 65.83
CB as on 31/03/03	5.22	(-) 10.51	(-) 53.52

The above discrepancies, persisting since 1985-86, had not been reconciled by the Council with the figures reflected in the accounts, cash book and treasury records despite this having been pointed out in successive Audit Reports.

Reasons for non-reconciliation of discrepancies with the treasury records and the other two sets of records were not on record (December 2004).

\*Closing balance of (-) Rs.50.72 crore as on 31/03/02 was wrongly shown as opening balance of (-) Rs.2.07 crore on 01/04/02 without any reconciliation with the treasury records

### SECTION III

**1.1. Loss of revenue to the Council**

**1.1.1 Loss of revenue due to non-enforcement of a contractual agreement**

In November 1990, the Council had entered into an agreement with M/s Hindustan Paper Corporation (HPC) Ltd for 10 years. According to the terms and conditions of the agreement, HPC Ltd was required to pay royalty on the allotted quantity of forest produce at rates fixed by the Council. In the event of extraction of forest produce in excess of allotted quantity, the HPC Ltd. would be required to pay royalty at three times the normal rate.

During 2002-03, the Council allotted 1,50,000 MT bamboos to M/s HPC Ltd at the revised rate of royalty of Rs.131 per MT. According to terms and conditions of the allotment order, M/s HPC Ltd. was also required to pay an additional amount of Rs.8 lakh towards administrative charges.

A check of records revealed that against the allotted quantity of 1,50,000 MT of bamboos, M/s HPC Ltd extracted

1,63,741.94 MT bamboos during the year resulting in excess extraction of 13,741.94 MT. Therefore, total amount of royalty payable by M/s HPC Ltd worked out to Rs.2.51 crore<sup>6</sup>. Against this, M/s HPC Ltd. paid Rs.1.09 crore only between November 2002 and June 2003 resulting in short payment of Rs.1.42 crore. The firm also did not pay administrative charges of Rs.8 lakh, as of December 2004. Thus, the Council suffered loss of revenue of Rs.1.50 crore<sup>7</sup>.

The Council had neither raised any demand for Rs.2.59 crore (Rs.2.51 crore + Rs.0.08 crore) nor did it initiate any action to realise the balance royalty and administrative charges, as on December 2004 but allowed them to continue extraction of bamboos during the subsequent years.

The Council had not furnished any reply (April 2006).

<sup>6</sup> (1,50,000 MT X Rs.131)=Rs.196.50 lakh+(13741.94 MT X Rs.131 X times)=Rs.54.01 lakh =Rs.250.51 lakh=Rs.2.51 crore.

<sup>7</sup> (Rs.250.51 lakh-Rs.108.86 lakh=Rs.141.65 lakh + Administrative charges of Rs.8 lakh)=Rs. 149.65 lakh=Rs.1.50 crore(rounded)

### 3.1.2 Loss due to granting of remission in entry tax

According to clause 8 of the terms and conditions for lease of entry check gate in public auction for the year 2002-03, no remission or any exemption under any circumstances was to be entertained. Any application seeking remission would disqualify the lessee and the lease agreement should be terminated immediately.

Test-check of records of the Taxation Department of the Council revealed that the Council after inviting tenders settled (August 2002) the right for collection of entry tax at Garampani and Lahorijan check gates for the year 2002-03 with two lessees<sup>8</sup> 'A' and 'B' on lease rent of Rs.26 lakh and Rs.16 lakh respectively. It was revealed further that the Council in violation of the agreed terms and conditions of the lease agreement granted (August 2002) remission of Rs.13 lakh and Rs.5 lakh to the lessees A and B respectively for the reasons not on record.

This resulted in loss of revenue of Rs.18 lakh to the Council.

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<sup>8</sup> A= Sri Mangal Rongpi and B= Sri Joy Singh Terang



### 3.1.3 Loss of Council revenue due to non-realisation of Kist (installment) money

During 2001-02 and 2002-03, the Council settled five sand mahals (quarries) and ten stone mahals (quarries) with fifteen purchasers on payment of lease rent (in the form of sale value) in quarterly installments (kist) ranging from four to eight installments. The terms and conditions of the settlement of the mahals inter alia provided that:

In the event of the purchaser's failure to pay on or before due dates as given in the agreement, the lease is liable to be terminated and security money would be forfeited.

For breach of agreement, the Divisional Forest Officer (DFO) may impose a fine of Rs.5,000 and/or order for payment of three times the sale value of the mahal.

Test-check of records of the DFO, East Division, Diphu revealed that as of December 2004, all the purchasers failed to clear their kist money of Rs.7.50 lakh. For non-payment of dues, the DFO had neither imposed any penalty nor taken any action as per terms and conditions of the agreement to stop

operation of mahals by the defaulting purchasers. This resulted in loss of revenue of Rs.7.50 lakh as detailed in Appendix-1

Reasons for non-realisation of kist money were neither on record nor stated (April 2006).

## 2.2 Revenue expenditure

### 2.2.1 Retention of Central Sector Scheme fund outside Council fund account

According to Rule 31 of the Karbi Anglong District Fund Rules, 1952 no money should be withdrawn from the Council fund and unless it is required for immediate disbursement. It is not permissible to draw advances from the Council fund either for the execution of works the completion of which would take a considerable time or to prevent lapse of budget grant.

A post-audit check of records of the Education Department of the Council revealed that the Government of Assam Education (Planning) Department released (February 2003) Rs.75.91 lakh for implementation of the Central sector

scheme "Prime Minister's Gramodaya Yojana (PMGY)". The Council drew and deposited (March 2003) the entire fund into the Council fund account (PLA) maintained at the District treasury.

It was also noticed that the Council withdrew the entire amount from the treasury in March 2003 itself and kept it in the form of deposit-at-call receipts (DCR) in the bank and these remained unutilised as of April 2003.

Drawal of money in advance of requirement and retention thereof outside the Council fund account was in violation of the District Fund Rule.

### **3.2.2 Diversion of fund**

The Government of Assam, Revenue (Settlement) Department released an amount of Rs.85 lakh during 2002-03 for discharging entrusted functions under the Head of account "2029 Land Revenue-II Other State Plan Scheme." Of this, the Council diverted Rs.31.29 lakh irregularly to meet shortfall in the Council's budget.

Further, the Council received grants-in-aid of Rs.26.99 crore<sup>9</sup> during 2002-03 from Government of Assam for management of primary education under the Council. Against this, the Council utilised Rs.25.02 crore for management of primary education and the balance amount of Rs.1.97 crore was diverted irregularly to meet the shortfall in the Council's budget.

The Council also did not furnish utilisation certificates for the entire amount to Government of Assam, as of December 2004.

### **5.3 Other points**

#### **5.3.1 Unauthorised deposit of State revenue into Council fund**

Revenue earned from entrusted departments was to be deposited into State Government Account.

Contrary to this, revenue of Rs.58.20 lakh earned from entrusted departments (being sale proceeds and other revenue receipts etc.) during 2002-03 was unauthorisedly deposited into the

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<sup>9</sup>May 2002: Rs.14.01 crore and October 2002: Rs.12.98 crore).



Council's fund and treated as Part-II: Deposit Fund of the Council instead of depositing the same into treasury, despite being pointed out in earlier Audit Report.

Reason for treating State revenue as Council fund was neither on record nor stated (April 2006).

### **3.3.2 Irregular utilisation of departmental receipts towards departmental expenditure**

According to Rule 18 of the Karbi Anglong District Fund Rules, 1952 all moneys received by the Council shall be remitted into the treasury promptly and shall on no account be appropriated towards Council's expenditure. Rule 17 of the said fund further provides that all receipts due to the Council collected by any employee of the Council authorised to collect such receipts, should be deposited with the cashier who shall enter them in the Council cashbook.

Test-check of records of the Transport Department of the Council revealed that during the year 2002-03, the Council collected revenue of Rs.28.22 lakh as sale proceeds of passenger tickets under Road Transport Services. Out of

is, the Council spent Rs.25.63 lakh towards purchase of fuel and lubricants without obtaining approval from the competent authority. Further, out of the balance amount of Rs.2.59 lakh, Rs.1.21 lakh was not deposited with the Cashier, as of December 2004.

The Council did not furnish any reply to the above observation (April 2006).

### **3.3 Irregular submission of Utilisation Certificates**

The Council submitted (March 2003) utilisation certificate (UC) to Government of Assam for onward transmission to the Government of India showing full utilisation of Rs.90 lakh released to it for implementation of "Watershed Development Project in Shifting Cultivation Areas"(WDPSCA), a centrally sponsored scheme. Scrutiny revealed that the Council submitted the UC three days before actual drawal of fund.

Further, the Council submitted two more UCs for Rs.75 lakh and Rs.67 lakh in July 2002 and July 2003 respectively indicating full utilisation of the funds under "Integrated Jhumia Development

Project” when there were balances of Rs.69.33 lakh and Rs.19.40 lakh respectively, remaining unspent on the date of submission of UCs.

The Council while admitting (December 2004) the irregularities attributed the reasons for submission of incorrect UCs for Rs.178.73 lakh (Rs.90 lakh+ Rs.69.33 lakh + Rs.19.40 lakh)

(i) delay in release of Central fund by the State Government and (ii) to facilitate the subsequent flow of funds from the Central Government.

The reply of the Council is not tenable since this was against the financial regularity and propriety.

### **3.3.4 Avoidable excess expenditure**

The work order for construction of four semi-deluxe type bus bodies fitted with deluxe seat and glass on Tata Chassis was awarded (June 2000) to a local firm at the Council's approved rate of Rs.4.25 lakh per bus body excluding taxes. Accordingly, a deed of agreement was executed in June 2000.

Scrutiny of records of the Council revealed that the Council paid Rs.21.28 lakh including sales tax to the firms between

August 2001 and August 2002 against Rs.19.04 lakh<sup>10</sup> payable to the firm being the cost of construction of four bus bodies. Thus, excess payment of Rs.2.24 lakh (Rs.21.28 lakh – Rs.19.04 lakh) was made to the firm.

Further, as required under the Assam General Sales Tax Act and the Rules, the Council did not deduct sales tax of Rs.2.04 lakh<sup>11</sup> at source from the firm, which resulted in further excess payment of Rs.2.04 lakh.

The Council stated (December 2004) that as per deed of agreement, though the rate was exclusive of the cost of deluxe seats and glass, this was allowed as an extra item and the Council had approved the revised rate of Rs.4.81 lakh per bus body. The Council further stated that sales tax was not deducted at source as the firm had submitted all the tax clearance certificates at the time of execution of the deed of agreement.

The reply of the Council is not tenable since according to the work order the rate approved initially was inclusive of cost of deluxe seat and glass. Submission of tax clearance certificate

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Rs.4.25 lakh x 4 =17+Rs.2.04 lakh being 12 per cent sales tax=Rs.19.04 lakh

@ 12% on 19.04 lakh= Rs.2.04 lakh

at the time of tendering and signing deed of agreement did not entitle the firm to non-deduction of taxes on jobs and supplies done in terms of the current work order and the agreement.

Thus, by allowing enhanced rate for construction of bus bodies and non-deduction of sales tax at source, the Council has incurred avoidable excess expenditure of Rs.4.28 lakh (Rs.2.2 lakh + Rs.2.04 lakh).

### 3.3.5 Non-production of records

During 2002-03, the Council spent Rs.17.22 lakh (Public Works Department: Rs.11.23 lakh and Transport Department: Rs.5.99 lakh) on execution of various works/payment of travelling expenses. In addition, the Council also released Rs.12.75 lakh<sup>12</sup> to the Divisional Forest Officer/District Soil Conservation Officer for implementation of centrally sponsored scheme of Integrated Jhumia Development Project.

Further, the Council received Rs.73.49 lakh (March 2002 and March 2003) for payment of salary, TA, office expenses etc.

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<sup>7</sup> DFO, Hamren: Rs.3.40 lakh, DFO, West: Rs.1.03 lakh and the Divisional Officer, Soil Conservation, Hamren: Rs.8.32 lakh.



Despite requisitions and reminders, the Council did not produce records in support of the expenditure of Rs. 1.03 crore<sup>13</sup>. Thus, the veracity of the expenditure of Rs. 1.03 crore could not be established in audit.



**(SWORD VASHUM)**

**Principal Accountant General (Audit)  
Assam**

**Countersigned**



**(VIJAYENDRA N. KAUL)**

**Comptroller and Auditor General of India**

## Appendix-1

**Statement showing non-realisation of outstanding k  
(installment) money  
(Reference Para 3.1.3; Page. 22)**

Sl No	Name of sand mahal/Stone quarry	Sale value  Rs.	Mode of payment & No. of Kist	Rate of Kist (installment)  Rs.	Amount paid & (No. of kist)  Rs.	Outstanding Kist m	
						Amount not paid (& No of Kist)  Rs.	No. of installments from
1	2	3	4	5	6	7	8
1.	Howrahghat Sand Mahal	1,74,999	Quarterly X8	21,874	21881 (1)	1,53,118 (7)	19.03.02 19.09
2.	Laijam Sand Mahal	1,30,000	-do-	16,250	81,250 (5)	48,750 (3)	20.03.02 20.09
3.	Jamuna River Sand Manal No.-9	1,55,000	-do-	19,375	77,500 (4)	77,500 (4)	1.03.02 01.12
4.	Deopani River Sand Mahal No.-5	95,000	-do-	11,875	59375 (5)	35,625 (3)	21.06.02 21.12
5.	Harkanthi River Sand Mahal	36,000	-do-	4,500	4500 (1)	31,500 (7)	28.04.03 28.10
6.	Panimora Stone Quarry	38,000	-do-	4,750	19,000 (4)	19,000 (4)	07.04.02 07.01
7.	Budhisunga Mesang Aji Aroi Stone Quarry	85,000	-do-	10,625	63,750 (6)	21,250 (2)	12.05.03 12.08
8.	Dillai River Stone Quarry	69,400	Quarterly X 4	17,350	52,050 (3)	17,350 (1)	29.09
9	Barbasti Stone Quarry	39,000	Quarterly X 8	4875	14,625 (3)	24,375 (5)	05.04.02 05.04

Name of sand mahal/Stone quarry	Sale value  Rs.	Mode of payment & No. of Kist	Rate of Kist (install ment)  Rs.	Amount paid & (No. of kist)  Rs.	Outstanding Kist money	
					Amount not paid (& No of Kist) Rs.	No. of install ments from
2	3	4	5	6	7	8
Akutoli Stone Quarry	62,000	Quarterly X 4	15,500	15,500 (1)	46,500 (3)	12.02.02 to 12.08.03
Geleki Stone Quarry	2,61,111	Quarterly X 8	32,639	1,95,833 (6)	65,278 (2)	07.02.04 to 07.05.04
Kawabir Adong Stone Quarry	1,01,001	Quarterly X 8	12,625	63,126 (5)	37,875 (3)	19.01.04 to 19.07.04
Chaklangso Stone Quarry	91,795	-do-	11,474	11,474 (1)	80,318 (7)	04.03.02 to 04.12.03
Ronglikbuk Stone Quarry	74,101	-do-	9,263	9,263 (1)	64,841 (7)	29.01.03 to 29.04..04
Binilangso Stone Quarry	35,300	Quarterly X4	8,825	8825 (1)	26,475 (3)	02.04.03. to 02.10.03
<b>Total</b>	<b>14,47,707</b>			<b>6,97,952</b>	<b>7,49,755</b>	