



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
For the yearended 31 March 2018**



SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest



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

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

for the year ended 31 March 2018

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Shillong, Meghalaya**

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PREFACE

This Report has been prepared for submission to the Governor of Meghalaya under Paragraph 7(4) of the Sixth Schedule to the Constitution of India. It relates mainly to the issues arising from the audit of the Annual Accounts as also of the transactions of the Khasi Hills Autonomous District Council, Shillong, Meghalaya for the year 2017-18.

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 2017-18.

3. This Report contains four Chapters, the first of which deals with the Constitution of the Khasi Hills Autonomous District Council, the rules for the management of the District Fund and maintenance of accounts by the District Council. Chapter-II depicts ADC funds position. Chapter-III contains the comments on Accounts and Chapter-IV deals with compliance issues noticed during test-audit of the transactions of the Council for the year 2017-18.

OVERVIEW

OVERVIEW

This Report contains four Chapters. Chapter-I provides a background on the formation of the Autonomous District Council, rules for the management of the District Fund and relevant constitutional provisions on maintenance of Accounts. Chapter-II gives an overview on the financial position of the Council and budgetary process during the year. Chapter-III deals with the audit comments on annual accounts of the Council for the year 2017-18. Chapter-IV of the Report deals with the audit findings pertaining to compliance audit of the Council and contains four paragraphs.

Internal Control

An evaluation of internal control system in the Council revealed persistent irregularities like discrepancy in cash balances as per annual accounts, retention of heavy cash balances, delay in depositing the Council's revenue and improper upkeep of accounting records including the Cash Book. These instances reflected that the Council's internal control mechanism was not equipped to guard against these lapses. Further, these lapses also posed a constraint in examination of the Council's annual accounts and transactions.

A synopsis of the important findings contained in the Report is presented below:

2. Autonomous District Council Funds

Revenue Receipts of KHADC decreased by 26 *per cent* from ₹ 171.66 crore in 2016-17 to ₹ 127.85 crore during 2017-18. The fall in Revenue Receipts during 2017-18 was primarily due to 74 *per cent* (₹ 93.41 crore) decrease in Grants-in-aid from ₹ 125.82 crore in 2016-17 to ₹ 32.41 crore in 2017-18.

During 2017-18, the share of Grants-in-aid (₹ 32.41 crore), royalty on Mines & Minerals (₹ 71.84 crore) and share of taxes on vehicles (₹ 6.71 crore) constituted 87 *per cent* of the total revenue receipts (₹ 127.85 crore) of KHADC, indicating high dependence of KHADC on revenue from share of royalty/ taxes and Grants-in-aid from the Government.

Against revenue expenditure of ₹ 45.95 crore, Secretariat General Services, Public Works and Forest together accounted for 64 *per cent* leaving marginal expenses for other important heads such as Land Revenue, Education, Arts and Culture and Public Health Sanitation and Water Supply.

(Paragraph 2.2)

As against BE of ₹ 201.59 crore in 2017-18, KHADC incurred actual expenditure of ₹ 96.42 crore. Substantial variation between the Budget Estimates (BE) and actuals was noted, the variance being 37 *per cent* in receipts and 52 *per cent* in expenditure with respect to Budget Estimates of the Council, during 2017-18.

(Paragraph 2.3)

Recommendations

- *The Council may take steps to increase its own revenue receipts so that they are able to improve spending on programmes and schemes of the Council.*
- *The Council needs to plan utilisation of available funds adequately.*
- *The Council may undertake detailed budgetary analysis and reviews to identify untapped eligible revenue resources and for estimating revenue receipts more accurately.*

3. Comments on Accounts

Cash Book of the Council was merely restricted to disbursement of salaries to Staff and was not closed and authenticated by the Secretary daily as required under Rule 16 (ii) & (iii) of the United Khasi and Jaintia District Council Fund Rules, 1952.

(Paragraph 3.2)

There were discrepancies in the Closing Balances of PLA at Treasury with that of the Annual Accounts for which the reconciliation was carried out by the Council in excess of the difference amount. The differences have not been reconciled by the Council.

(Paragraph 3.4)

The Council deposited revenue receipts into treasury in the next following month. As a result, the revenue receipts for the month of March were accounted for in next financial year in violation of Council Rules. This resulted in understatement of revenue receipts to the tune of ₹ 2.42 lakh and needed systemic correction.

(Paragraph 3.5)

Recommendations

- *The Council may ensure proper maintenance of Cash Book to ensure accountability for public money.*
- *The Council may reconcile the differences with Treasury before finalising annual accounts.*
- *The Council may ensure prompt credit of revenue receipts to treasury and account for receipts pertaining to a financial year in the same accounting year.*
- *The Council may adhere to prescribed format of accounts for ensuring transparency and completeness of accounts.*

4. Compliance Audit Observations

There were delays in remittance of revenue amounting to ₹ 31.23 lakh into Treasury ranging from one to 152 days.

Recommendation: *The Council may put in place systems to ensure timely remittances of receipts to the treasury to prevent risk of temporary misappropriation of Council funds due to delayed remittances/non-deposit of the collected revenue.*

(Paragraph 4.1)

Despite framing guidelines for implementation of Special Town and Rural Welfare Programme, KHADC did not ensure submission of vouchers or utilisation certificates by the Members in support of their claims for ₹ 68.00 lakh out of ₹ 72.00 lakh released as Grants to the Members.

(Paragraph 4.2)

KHADC did not ensure submission of vouchers or utilisation certificates by the Members in support of their claims for ₹ 108.00 lakh released as Grants to the Members under ‘promotion of sports activities’ and ‘conservation and promotion of traditional culture’.

Recommendation: *The Council should maintain proper accounts alongwith relevant supporting documents to ensure utilisation of the programme fund for bonafide purposes. Further, the Council may frame appropriate Rules for regulating the discretionary grants being provided to the MDCs for various welfare schemes, and for proper accountal of expenditure out of these funds.*

(Paragraph 4.3)

The Council unauthorisedly retained Meghalaya Value Added Tax amounting to ₹ 26.50 lakh deducted from the contractors’ bills and it was not deposited into Government Account.

Recommendation: *The Council needs to deposit the statutory deductions made from the contractors/suppliers into the Government Account without any delay and ensure that refunds, if any, is made as per the Rules, only on the basis of returns filed by the contractor concerned.*

(Paragraph 4.4)

CHAPTER-I

Constitution, Rules and Maintenance of Accounts

CHAPTER - I

Constitution, Rules and Maintenance of Accounts

1.1 Profile of Khasi Hills Autonomous District Council

The United Khasi and Jaintia Hills District Council was set up in June 1952 under 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.

The Sixth Schedule to the Constitution of India (Schedule) 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 reserve forests, use of any canal or water courses for agriculture, regulation of the practice of '*Jhum*' or other forms of shifting cultivation, establishment of village or town committees or Councils and their powers, village or town administration including police, public health and sanitation and inheritance of property.

Paragraph 6 (1) of the Schedule empowers the Councils to establish, construct or manage primary schools, dispensaries, markets, cattle pounds, ferries, fisheries, roads, road transport and water ways in the respective autonomous districts. Paragraph 8 of the Schedule further empowers the Councils 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 taxes for the maintenance of schools, dispensaries or roads.

Khasi Hills Autonomous District Council¹ (KHADC) consists of 30 Members including 29 elected Members and one Member nominated by the Governor on the recommendation of the Chief Executive Member (CEM). The Council is headed by a Chief Executive Member. KHADC is headquartered at Shillong, Meghalaya. During 2017-18, there were full complement of members in the Council.

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 all moneys received by the Council in the course of administration of the district is to be credited, in accordance with the provisions of the Constitution.

In terms of Paragraph 7(2) of the Sixth Schedule, Rules are to be framed by the Governor for the management of the District Fund and for the procedure to be

¹ 2,725 villages under the jurisdiction of KHADC (2011 census).

followed in respect of payment of money into the said Fund, withdrawal of moneys therefrom, custody of moneys therein and any other matter connected with or ancillary to these matters. The United Khasi and Jaintia Hills District Council Fund Rules, 1952 (which had been framed by the erstwhile United Khasi and Jaintia Hills District Council for management of the District Fund) are being followed by the Council.

1.3 Maintenance of Accounts and Audit Arrangements

In pursuance of Paragraph 7(3) of the Sixth Schedule to the Constitution of India, 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 of India in April 1977.

In terms of Paragraph 7 (4) of the Sixth Schedule of the Constitution, the Comptroller and Auditor General of India shall cause the accounts of the District Council to be audited in such manner as he may think fit, and the reports of the Comptroller and Auditor General relating to such accounts shall be submitted to the Governor who shall cause them to be laid before the Council.

The Fund Rules of the Jaintia Hills Autonomous District Council and Garo Hills Autonomous District Council stipulate that the Annual Financial Statements shall be prepared by the member in charge of financial affairs and forwarded to the Principal Accountant General/ Accountant General (PAG/AG) by 30th June each year. The Fund Rules of the KHADC, however, did not mention any prescribed date for submission of the Annual Accounts to the PAG/AG. The accounts of the Council for the year 2017-18 were submitted to the Accountant General in August 2020 with a delay of more than two years.

The Council was managing its various functions and activities with 616 persons-in-position (90.06 *per cent*) against a total sanctioned strength of 684 persons, as mentioned in **Table 1.1**.

Table 1.1: Manpower position of KHADC during 2017-18

Sl. No.	Name of the Department/Branch	Sanctioned Strength	Persons in Position
1	Judicial	67	51
2	Legislative Secretariat	56	55
3	General Administration	167	148
4	Law	7	6
5	Revenue, Budget and Finance	106	97
6	Forest Administration	144	125
7	Education	2	2
8	Civil Works and Development	56	54
9	Enforcement Scheme for Protection of Tribal Land and Interest	79	78
Total		684	616

Audit noticed that the Council had in position 19 accounts staff including two staff deployed for internal audit functions (**Appendix-I**). There was no vacancy in Finance and Accounts Department of the Council, and all the staff deployed for Accounts and Audit were trained for their respective work. Despite availability of trained staff as per sanctioned strength, Audit has seen persistent shortcomings in maintenance of accounts such as non-maintenance of relevant records and deficiencies in cash management by the Autonomous District Council (ADC).

Financial statements are a structured representation of the financial position and financial performance of an entity. The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to stakeholders in making and evaluating decisions about the allocation of resources. Due to delay in preparation of accounts coupled with deficiencies in Financial Statements, the appropriateness of utilisation of resources could not be assessed.

The Council may take appropriate steps to prepare up-to date Financial Statements in future. In addition, if needed, the available manpower can be further upskilled by using the available State training facilities in co-ordination with the District Council Affairs Department.

Results of audit are discussed in the succeeding Chapters.

1.4 Administrative set-up of the Council

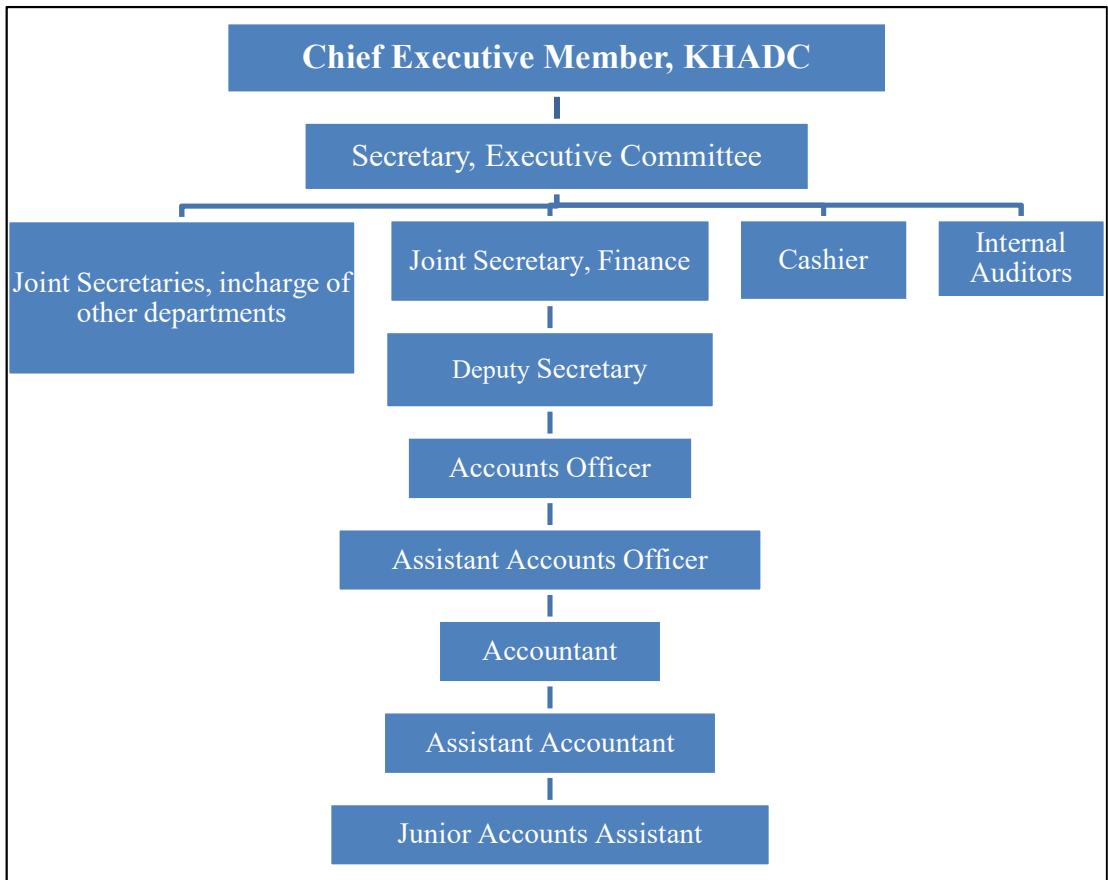
There is an Executive Committee of the District Council with the Chief Executive Member at the head, and one or more but not exceeding ten other Members to exercise the functions hereinafter specified in ADC Rules. The Chief Executive Member is elected by the District Council and the other Executive Members are appointed by the Governor on the advice of the Chief Executive Member from amongst the members of the District Council. There is a Secretary to the Executive Committee appointed by the Chief Executive Member.

The functions of the Council are administered through nine Departments listed as below:

- (i) Judicial
- (ii) Legislative Secretariat
- (iii) General Administration
- (iv) Law
- (v) Revenue, Budget and Finance
- (vi) Forest Administration
- (vii) Education
- (viii) Civil Works and Development
- (ix) Enforcement Scheme for Protection of Tribal

The flow chart of the administrative hierarchy of the Council is depicted in **Chart 1.1:**

Chart 1.1: Administrative set-up of KHADC



Source: KHADC records.

In addition, there is a Secretary to the Legislative Council who heads the Legislative Wing and a Judge who heads the District Council Court.

1.5 Internal Control

Internal control system in an organisation ensures that proper checks and procedures are in place for efficient and effective discharge of its mandate, reliability of its financial reporting and compliance with applicable laws and regulations.

An evaluation of internal control system in the Council revealed that internal control mechanism for financial management was inadequate, which is evidenced from persistent irregularities like discrepancy in cash balances as per annual accounts, retention of heavy cash balances, delay in depositing the Council’s revenue, *etc.*, as discussed in the succeeding Chapters.

Besides, it was also seen that there were instances of:

- Improper maintenance of Cash Book;
- Discrepancies in closing balance in Personal Ledger Account;

Thus, weak internal controls and improper upkeep of records posed constraints in examination of the Council’s annual accounts and transactions.

The Secretary to the Executive Council, KHADC stated (August 2022) that Internal Control System is being strengthened.

The Council may establish a strong internal control system for good governance.

1.6 Summary of Recommendations

- *The Council may take appropriate steps to prepare up-to date Financial Statements in future. In addition, if needed, the available manpower can be further upskilled by using the available State training facilities in co-ordination with the District Council Affairs Department.*
- *The Council may establish a strong internal control system for good governance.*

CHAPTER-II

Autonomous District Council Funds

CHAPTER - II

Autonomous District Council Funds

2.1 Introduction

The Sixth Schedule provides for a District Fund for each autonomous district and a Regional Fund for each autonomous region to which shall be credited all moneys received by the District Council for that district and the Regional Council for that region in the course of administration of such district or region respectively in accordance with the provisions of the Constitution. The District Fund of the Autonomous District Council is constituted under the provisions of sub-paragraph (I) of Paragraph 7 of the Sixth Schedule to the Constitution of India, to which shall be credited all moneys received by the District Council in the course of administration of the Autonomous District Council in accordance with the provisions of the Constitution.

The ADC fund comprises receipts from its own sources and shared revenue and grants/ loans & advances from the State/Central governments. Broad classification is as discussed below:

A. District Fund

The District Fund is maintained in two parts namely: (i) Revenue Section for Revenue Receipts and Expenditures and (ii) Capital Section for Capital Receipts and Expenditures, Public Debt, Loans and Advances. Revenue Section comprises of proceeds of taxation and other receipts classed as revenue and expenditure met therefrom. It also includes grants and contributions received from the Government of India (GoI)/Government of Meghalaya (GoM) and grants and contribution by the Council. Capital Section comprises of expenditure of Capital nature² met from borrowed funds. Loans received and their repayments by the Council and loans and advances and their recoveries by the Council are also a part of this division.

B. Deposit Fund

Deposit Fund covers transactions relating to Deposits, General Provident Fund (GPF), other funds and advances such as Cess, Income Tax, Sales Tax and Security Deposits, *etc.*, where the Council incurs a liability to repay the moneys received or has a claim to recover the amount paid.

2.2 Receipts and Disbursement

The receipts and expenditure of KHADC for the year 2017-18 were as depicted in Table 2.1.

² Expenditure incurred for acquiring fixed assets that can be used for a longer duration.

Table 2.1: Summarised position of Accounts for the year 2017-18

(₹ in crore)

2016-17	Receipts	2017-18	2016-17	Disbursement	2017-18
PART –I DISTRICT FUND³					
Revenue Section					
1. Revenue Receipts			1. Revenue Expenditure		
9.57	(i) Taxes on Income and Expenditure	9.90	1.24	(i) District Council	1.50
			1.14	(ii) Executive members	1.26
0.25	(ii) Land revenue	0.44	0.57	(iii) Land Revenue	0.64
19.81	(iii) Taxes on vehicles ⁴	6.71	2.41	(iv) Administration of Justice	2.53
0.31	(iv) Other Administrative Services	0.35	3.38	(v) Pension & Retirement benefit	5.16
0.59	(v) Other General Economic Services	0.15	0.11	(vi) Relief on account of natural Calamities	0.20
1.69	(vi) Forests ⁵	1.91	4.68	(vii) Forest	4.83
12.23	(vii) Mines & Minerals ⁶	71.84	16.33	(viii) Secretariat General Services	18.39
0.01	(viii) Stationery and Printing	0.01	0.21	(ix) Education	0.89
0.00	(ix) Public works	0.08	3.25	(x) Public works	5.97
	(x) Grants-in-aid received from:		0.00	(xi) Public Health Sanitation & Water Supply	0.69
123.45	i. Gol ⁷	32.25	0.92	(xii) Arts & Culture	0.69
2.37	ii. State Government	0.16	0.00	(xiii) Information & Publicity	2.13
1.38	(xi) Interest Receipts	4.05	0.00	(xiv) Social Security & Welfare	1.07
171.66	Total Revenue Receipts	127.85	34.24	Total Revenue Expenditure	45.95
-	Revenue Deficit	-	137.38	Revenue Surplus	81.90
2. Capital			2. Capital Outlay		
			2.71	(i) Public Works	5.55
			0.00	(ii) Arts & Culture	0.86
			0.50	(iii) Public Health & Sanitation	6.61
			1.48	(iv) Social Security and Welfare	21.52
			0.55	(v) Other General Economic Services	1.11
			0.00	(vi) Fisheries	0.08
			0.00	(vii) Minor Irrigation	0.02
			1.09	(viii) Roads and Bridges	14.62
0.00	Total Capital	-	6.33	Total Capital Outlay	50.37
NIL	3. Debt	NIL	NIL	3. Debt	NIL
0.48	4. Recoveries of loans and advances	0.12	0.12	4. Disbursement of loans and advances	0.10
172.14	Total of Part – I	127.97	40.72	Total of Part – I	96.42
PART – II DEPOSIT FUND⁶					
0.10	A. Deposits not bearing interest- (a) Security Deposit	0.62	0.03	A. Deposits not bearing interest- (a) Security Deposit	0.05

³ To which shall be credited all money received by KHADC in the course of administration of the District in accordance with the provisions of the Constitution.

⁴ Amount received during the year from the State Government as KHADC's share of taxes.

⁵ Amount received during the year from the State Government as KHADC's share of royalty.

⁶ Amount received during the year from the State Government as KHADC's share of royalty.

⁷ Through State Government.

⁸ Where security deposits, departmental advances and terms deposits are usually kept.

2016-17	Receipts	2017-18	2016-17	Disbursement	2017-18
0.00	B. Civil Advances/ Departmental Advances	0.00	0.00	B. Civil Advances/ Departmental Advances	0.00
0.75	C. Deposit bearing interest- (a) Term Deposit	2.47	0.00	C. Deposit bearing interest – (a) Term Deposit	0.00
0.85	Total of Part-II Deposit Fund	3.09	0.03	Total of Part-II Deposit Fund	0.04
172.99	Total Receipts (Part I+II)	131.06	40.72	Total Disbursement (Part I+II)	96.47
28.54	Opening Balance	160.81	160.81	Closing Balance	195.40
201.53	Grand Total	291.87	201.53	Grand Total	291.87

Source: Annual Accounts of KHADC.

The increase in collection of revenue from mines and minerals by KHADC in the form of royalty from ₹ 12.23 crore (2016-17) to ₹ 71.84 crore (2017-18) was due to receipt of its share of royalty amounting to ₹ 33.13 crore for the previous year (2016-17) during 2017-18, while the decrease in receipt of revenue from Taxes on Vehicles was due to non-receipt of its share for the current year. During 2017-18, GIA from GoI decreased by ₹ 91.20 crore (74 *per cent*) from ₹ 123.45 crore in 2016-17 to ₹ 32.25 crore in 2017-18, due to less receipt of grants under excluded areas/Part-IX & IX A of the Constitution of India.

Further, there was an increase in expenditure under Social Security and Welfare during 2017-18. It was mainly due to expenditure incurred for implementation of various schemes⁹ from the fund received under Special Assistance of Central plan scheme during 2016-17.

Audit noticed a difference of ₹ 61,000 between the closing balance as on 31 March 2017 with that of the opening balance as on 01 April 2017 which needs reconciliation as this would have a cascading effect on the balances of the succeeding years.

2.2.1 Sources and application of funds

A comparative statement of sources and application of fund of the Council during 2017-18 with 2016-17 is given in Table 2.2.

Table 2.2: Sources and application of fund during 2016-18

		(₹ in crore)		
Particulars		2016-17	2017-18	Increase/decrease (per cent)
Opening Cash Balance		28.54	160.81	463.45
Sources	<i>Own Revenue Receipts</i>	45.84	95.44	108.20
	<i>Grants-in-aid (GoI)</i>	123.45	32.25	(-) 73.88
	<i>Grants-in-aid (GoM)</i>	2.37	0.16	(-) 93.25
	Total Revenue Receipts	171.66	127.85	(-) 25.52
	Capital Receipts	--	--	--
	<i>Recoveries of Loans and Advances</i>	0.48	0.12	(-) 75.00
	<i>Receipts under Deposit Fund</i>	0.85	3.09	263.53
	Total	172.99	131.06	-24.24

⁹ Construction of football, basketball ground, community hall, waiting shed, graveyard, school building, retaining wall and protection wall, etc.

Particulars		2016-17	2017-18	Increase/decrease (per cent)
Application	Revenue Expenditure	34.24	45.95	27.49
	Capital Expenditure	6.33	50.37	695.73
	Disbursement of loans and advances	0.12	0.10	(-) 16.66
	Disbursement under Deposit Fund	0.03	0.05	66.66
	Total (Disbursement)	40.72	96.47	136.91
Closing Cash Balance		160.81	195.40	21.51

Source: Annual Accounts of KHADC.

It can be seen from **Table 2.2** that:

- Total receipts of the Council decreased by ₹ 41.94 crore (24 per cent) from ₹ 172.99 crore in 2016-17 to ₹ 131.06 crore in 2017-18. The reason for decrease was mainly due to decrease in receipts under GIA from GoI by ₹ 91.20 crore.
- Own revenue receipts of the Council increased by ₹ 49.60 crore (108 per cent) from ₹ 45.84 crore in 2016-17 to ₹ 95.44 crore in 2017-18.

During 2017-18, out of the total fund available of ₹ 291.87 crore, including OB, the Council utilised ₹ 96.47 crore (33 per cent).

2.2.1.1 Resources

KHADC collected its revenue through:

- Taxes on Profession, Trades & Employments, Other Administrative Services, Other Economic General Services, etc.;
- Share of taxes placed by the State Government on Taxes on Vehicles, Forest and Mines & Minerals; and,
- Resources made available by the State Government through the State Plan.

During 2017-18, KHADC generated ₹ 16.89 crore (13 per cent) from its own sources and taxes¹⁰, ₹ 78.55 crore as share of taxes from the State Government¹¹ (62 per cent), ₹ 32.41 crore (25 per cent) as Grants-in-Aid from GoI/GoM and ₹ 0.12 crore as recovery of loans and advances. As such, KHADC is primarily dependent on external sources of funds (87 per cent) as against its own sources of funds (13 per cent).

¹⁰ Revenue from own source:

Head of Account	₹ in crore
(i) Taxes on income and expenditure	9.90
(ii) Forest	1.91
(iii) Interest receipts	4.05
(iv) Land revenue	0.44
(v) Other Administrative Services	0.35
(vi) Other General Economic Services	0.15
(vii) Public Works	0.08
(viii) Stationery and Printing	0.01
Total	16.89

¹¹ Share of taxes:

Head of Account	₹ in crore
(i) Mines & Minerals	71.84
(ii) Taxes on vehicles	6.71
Total	78.55

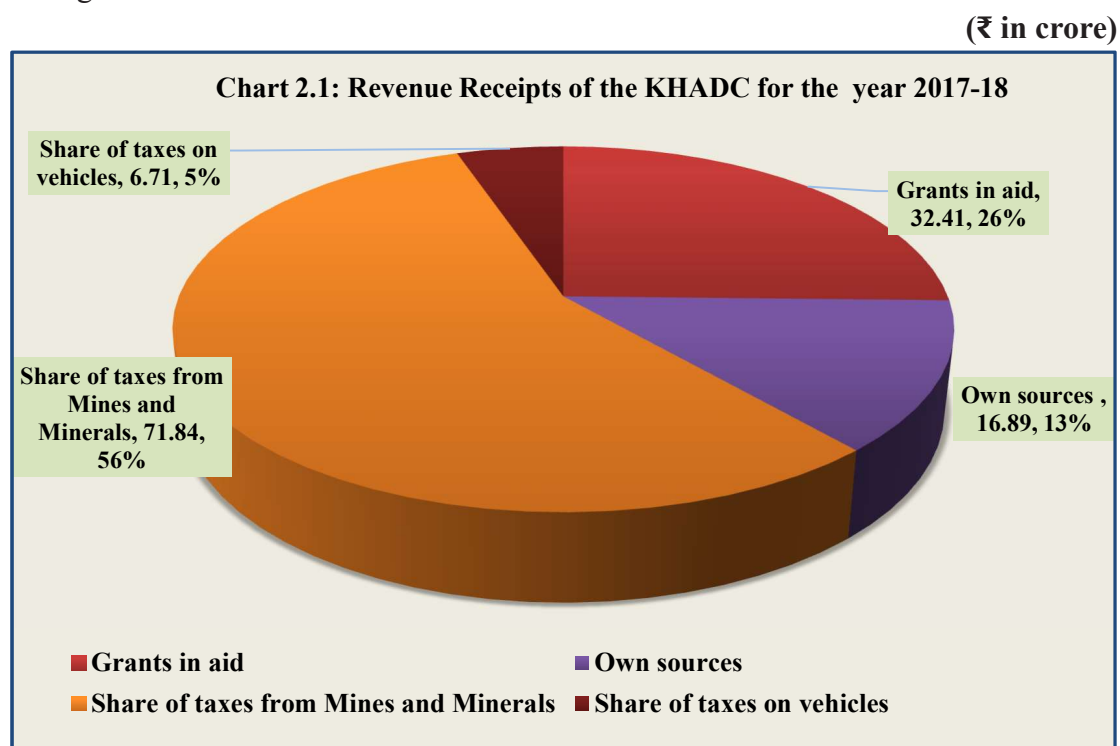
The Council may take steps to increase its own revenue receipts so that they are able to improve spending on programmes and schemes of the Council.

2.2.1.2 Availability of funds and expenditure

Revenue receipts and revenue expenditure of KHADC during 2017-18 is analysed in Table 2.3.

❖ Revenue receipts

Table 2.3, Chart 2.1 and Chart 2.2 below summarise the revenue receipts of KHADC during 2017-18.



Source: Annual Accounts of KHADC.

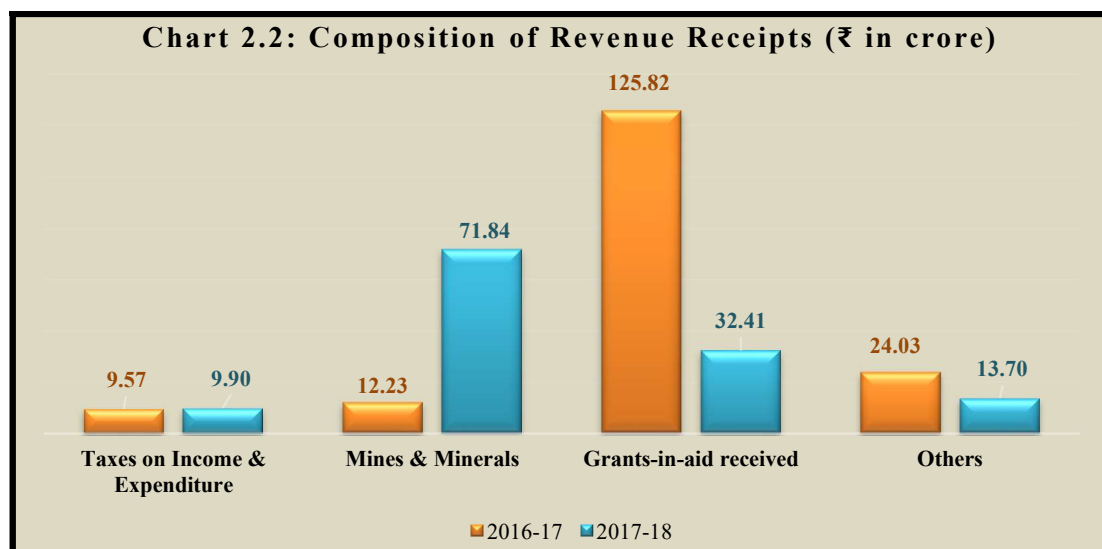
Table 2.3: Summarised position of revenue receipts during 2016-18

(₹ in crore)

Head	2016-17	2017-18 (Percentage of revenue)
Taxes on Income and Expenditure	9.57	9.90 (8)
Mines & Minerals	12.23	71.84 (56)
Grants-in-aid received	125.82	32.41 ¹² (25)
Others	24.03	13.70 (11)
Total	171.65	127.85 (100)

Source: Annual Accounts of KHADC.

¹² GoM: ₹ 0.16 crore + GoI (Areas not included under Part IX and IX A of Constitution): ₹ 32.25 crore.



Source: Annual Accounts of KHADC.

- As evident from **Table 2.2**, the total revenue receipts of KHADC decreased by 26 per cent from ₹ 171.66 crore in 2016-17 to ₹ 127.85 crore during 2017-18. The fall in revenue receipts during 2017-18 was primarily due to 74 per cent (₹ 93.41 crore) decrease in Grants-in-aid from ₹ 125.82 crore in 2016-17 to ₹ 32.41 crore in 2017-18.
- During 2017-18, the share of Grants-in-aid (₹ 32.41 crore), royalty on Mines & Minerals (₹ 71.84 crore) and share of taxes on vehicles (₹ 6.71 crore) constituted 87 per cent of the total revenue receipts (₹ 127.85 crore) of the KHADC, indicating high dependence of KHADC on revenue from share of royalty/ taxes and Grants-in-aid from the Government.

❖ Revenue expenditure

Table 2.4 and **Chart 2.3** below summarise the revenue expenditure of KHADC during 2016-17 and 2017-18.

Table 2.4: Summarised position of revenue expenditure during 2016-18

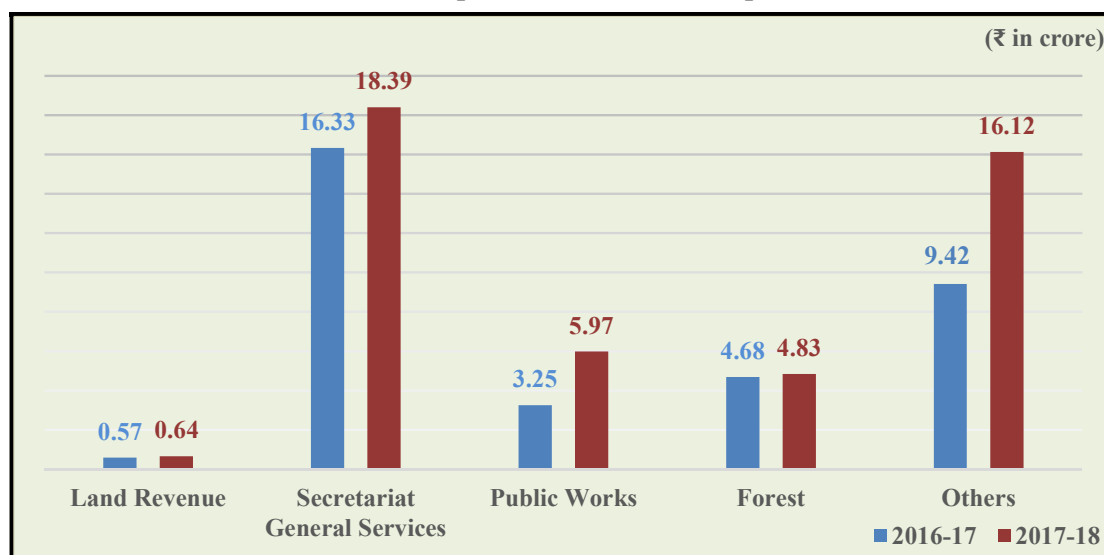
(₹ in crore)

Head	2016-17	2017-18 (percentage)
Land Revenue	0.57	0.64 (01)
Secretariat General Services	16.33	18.39 (40)
Public Works	3.25	5.97 (13)
Forest	4.68	4.83 (11)
Others ¹³	9.42	16.12 (35)
Total	34.25	45.95 (100)

Source: Annual Accounts of KHADC.

¹³ 2016-17: District Council = ₹ 1.24 crore, Executive Members = ₹ 1.14 crore, Administration of Justice = ₹ 2.41 crore, Pension & Retirement benefits = ₹ 3.39 crore, Relief on account of Natural Calamities = ₹ 0.11 crore, Education = ₹ 0.21 crore and Arts & Culture = ₹ 0.92 crore.
 2017-18: District Council = ₹ 1.50 crore, Executive Members = ₹ 1.26 crore, Administration of Justice = ₹ 2.53 crore, Pension & Retirement benefits = ₹ 5.16 crore, Relief on account of Natural Calamities = ₹ 0.20 crore, Education = ₹ 0.89 crore, Public Health Sanitation & Water Supply = ₹ 0.69 crore, Arts & Culture = ₹ 0.69 crore, Information & Publicity: ₹ 2.13 crore and Social Security & Welfare = ₹ 1.07 crore.

Chart 2.3: Composition of Revenue Expenditure



Source: Annual Accounts of KHADC.

- Revenue expenditure of KHADC increased by 34 per cent from ₹ 34.25 crore in 2016-17 to ₹ 45.95 crore in 2017-18. The increase in revenue expenditure during 2017-18 was primarily due to increase in expenditure under Public Works from ₹ 3.25 crore in 2016-17 to ₹ 5.97 crore in 2017-18 (84 per cent), and Pension and Retirement Benefits from ₹ 3.39 crore in 2016-17 to ₹ 5.16 crore in 2017-18 (52 per cent).
- During 2017-18, Secretariat General Services (40 per cent), Public Works (13 per cent) and Forest (11 per cent) together accounted for 64 per cent of the revenue expenditure leaving small percentage for other heads of expenditure including important heads such as Land Revenue, Education, Arts and Culture, Public Health Sanitation and Water Supply.

The Council needs to plan utilisation of available funds adequately.

2.3 Substantial variation between Budget Estimates and Actuals

Scrutiny of budget estimates for the year 2017-18 *vis-à-vis* actual receipt and expenditure revealed significant variations between budget estimates and actual figures of receipts and expenditure as detailed in **Table 2.5**.

Table 2.5: Budget estimates and actual for the year 2017-18

(₹ in crore)

Particulars	Budget Estimate	Actual	Excess (+) / Shortfall (-)	Percentage of Excess (+) / Shortfall (-) w.r.t. BE
Receipt	201.59	127.97	(-) 73.62	(-) 37
Expenditure	201.59	96.42	(-) 105.17	(-) 52

Source: Budget estimates of Receipts and Expenditure and Statement 5 & 6 of Annual Accounts.

During 2017-18, the actual receipts and expenditure of KHADC fell short of the BE by 37 and 52 per cent respectively.

Audit observed that the actual figures for the year 2017-18 shown in the budget documents of 2019-20 were not conforming to the Annual Accounts as detailed in **Table 2.6**.

Table 2.6: Discrepancy between actual figures as per Budget Estimates and Annual Accounts for the year 2017-18

(₹ in crore)

Particulars	Actuals as per Budget Estimate	Actuals as per Annual Accounts	Excess (+) / Shortfall (-)	Percentage of Excess (+) / Shortfall (-) w.r.t. BE
Receipt	129.06	127.97	(-) 1.09	(-) 0.84
Expenditure	96.65	96.42	(-) 0.23	(-) 0.24

Source: Budget Estimates of Receipts and Expenditure and Statement 5 & 6 of Annual Accounts.

Audit further observed that the Council was unable to utilise the budget provision in full in respect of the following Heads under General Administration Department (D)-Contingency during 2017-18 as detailed in **Table 2.7**.

Table 2.7: Non-utilisation of budget provision for the year 2017-18

(₹ in crore)

Scheme	Budget Estimate	Actuals as per Annual Accounts	Excess (+) / Shortfall (-)	Percentage of Excess (+) / Shortfall (-) w.r.t. BE
Arts and Culture	2.21	0.69	(-) 1.52	(-) 68.78
Youth Affairs	1.45	0.62	(-) 0.83	(-) 57.24
Special Town and Rural Welfare Programme	3.50	0.72	(-) 2.78	(-) 79.43

Source: Budget Estimates and Statement 6 of Annual Accounts.

The details of some of the Heads under which significant variations were noticed between the actual and budget estimate figures of receipts and expenditure during 2017-18 are as detailed in **Table 2.8**.

Table 2.8: Heads of receipt/expenditure under which significant variations occurred between the Actuals and the Budget Estimates

(₹ in crore)

Sl. No.	Major Heads	2017-18		
		Budget Estimate	Actual	Shortfall (-) /Excess (+) as compared to Estimate (per cent to BE)
Receipts				
1.	Grants-in-aid	138.44	32.41	-106.03 (77)
2.	Mines and minerals	42.42	71.84	+29.42 (69)
Expenditure				
1.	Arts and Culture	2.21	0.69	-1.52 (69)
2.	Forest	5.87	4.83	-1.04 (18)

Source: Annual Accounts of KHADC.

The shortfall between the BE and actual collection of revenue for the year 2017-18 as discussed above indicated that KHADC had not been able to make its revenue collection mechanism effective to the extent of the projections made under the BE.

However, Audit observed that Council had utilised only 33 *per cent* of total available funds (₹ 291.87 crore) during the year 2017-18, out of which 16 *per cent* was spent on revenue expenditure (₹ 45.95 crore) while 17 *per cent* spent on capital projects (₹ 50.37 crore) of the Council.

The Secretary to the Executive Council, KHADC stated (August 2022/October 2023) that steps are being taken to improve budgetary estimation to present a more accurate budget.

The Council may undertake detailed budgetary analysis and review to identify untapped eligible revenue resources and for estimating revenue receipts more accurately.

2.4 Conclusion

Revenue receipts of KHADC decreased by 26 *per cent* from ₹ 171.66 crore in 2016-17 to ₹ 127.85 crore during 2017-18. The fall in revenue receipts during 2017-18 was primarily due to 74 *per cent* (₹ 93.41 crore) decrease in Grants-in-aid from ₹ 125.82 crore in 2016-17 to ₹ 32.41 crore in 2017-18.

During 2017-18, the share of Grants-in-aid (₹ 32.41 crore), royalty on Mines & Minerals (₹ 71.84 crore) and share of taxes on vehicles (₹ 6.71 crore) constituted 87 *per cent* of the total revenue receipts (₹ 127.85 crore) of KHADC, indicating high dependence of KHADC on revenue from share of royalty/ taxes and Grants-in-aid from the Government.

Against revenue expenditure of ₹ 45.95 crore, Secretariat General Services, Public Works and Forest together accounted for 64 *per cent* leaving small percentage for other heads of expenditure including important heads such as Land Revenue, Education, Arts and Culture, Public Health Sanitation and Water Supply.

Variations between the BEs and actual receipts and expenditure during 2017-18 indicated that KHADC had prepared the BEs without taking into account the actual position.

Budgetary estimates were off the mark by a considerable margin, and control over the execution and monitoring of the budget was inadequate.

The Council had utilised only 33 *per cent* of total available funds (₹ 291.87 crore) during the year 2017-18, out of which 16 *per cent* was spent on revenue expenditure (₹ 45.95 crore) while 17 *per cent* spent on capital projects (₹ 50.37 crore) of the Council.

2.5 Summary of Recommendations

- *The Council may take steps to increase its own revenue receipts so that they are able to improve spending on programmes and schemes of the Council.*
- *The Council needs to plan utilisation of available funds adequately.*
- *The Council may undertake detailed budgetary analysis and review to identify untapped eligible revenue resources and for estimating revenue receipts more accurately.*

CHAPTER-III

Comments on Accounts

CHAPTER - III

Comments on Accounts

3.1 Introduction to Accounts and Comments on Council Accounts

The annual accounts of the District Council shall record all transactions, which take place during a financial year commencing from 01 April to 31 March. The annual accounts of the District Council shall be maintained in such forms as prescribed by the Comptroller and Auditor General of India.

KHADC prepares its annual accounts in the prescribed format containing the following seven statements, which detail the receipts and disbursements of KHADC for the year with bifurcation of the expenditure under revenue and capital.

Table 3.1

Sl. No.	Statement No.	Particulars of statements
1.	Statement No. 1	Summary of Transactions
2.	Statement No. 2	Capital Outlay- Progressive Capital Outlay to the end of March 2018
3.	Statement No. 3	Debt Position
4.	Statement No. 4	Loans and Advances by the Council
5.	Statement No. 5	Detailed Account of Revenue by Minor Heads
6.	Statement No. 6	Detailed Account of Expenditure by Minor Heads
7.	Statement No. 7	Statement of receipts, disbursements and balances under Heads relating to District Fund and Deposit Fund

3.2 Irregularities in maintenance of Cash Book

The United Khasi and Jaintia Hills District Council Fund Rules, 1952 (hereafter referred to as 'Fund Rules'), prescribe rules and forms for maintenance of Cash Book.

Examination (October 2021) of records relating to compliance to the rules for maintenance of Cash Book by KHADC during 2017-18 revealed the following irregularities:

- As per Rule 16 (ii) of the Fund Rules, all monetary transactions shall be entered in the Cash Book as soon as they occur. Examination of records of KHADC, however, revealed that the entries recorded in the Cash Book of KHADC during 2017-18 were merely restricted to disbursement of salaries to staff. Improper recording of monetary transactions as stated above, raises doubts on the authenticity and correctness of the Cash Book of KHADC for the period concerned.
- Rules 16 (iii) of the Fund Rules states that the Cash Book should be closed daily, duly authenticated by the Secretary in token of acceptance of its correctness. Rule 16 (iv) further provides that the Secretary should verify the cash balance at the end of each month and record a certificate to that effect in the Cash Book. It was observed that these requirements were not adhered to during 2017-18.

Absence of verification of cash balance as well as not recording of cash transactions in the Cash Book was not only irregular but also fraught with the risk of misappropriation and fraud. In view of the above glaring irregularities, audit is unable to provide any

assurance that the accounts and transactions of the Council would be free from material irregularities.

The Secretary to the Executive Council, KHADC stated (August 2022) that two distinct accounts for the collection of revenue are being maintained separately (i) all transactions occurred in Treasury and (ii) all transactions occurred in Bank. Regarding withdrawal, payments, *etc.* which is permitted through Treasury only, are being regulated through Fund Register. Thus, there is no irregularity in maintaining Cash Book in the current scenario.

The reply is not tenable as it is in contravention of the District Fund Rules *ibid* wherein it is mandatory for the Council to record all monetary transactions in the Cash Book as soon as they occur and conduct monthly reconciliation including daily authentication by the Secretary in token of acceptance of its correctness.

The Council may ensure proper maintenance of Cash Book to ensure accountability for public money.

3.3 Discrepancies of closing and opening balances

During 2017-18, audit observed that the closing balance of annual accounts for the year 2016-17 was ₹ 160,81,45,768.21. However, the opening balance for the year 2017-18 was ₹ 160,80,84,768.21. Thus, there was a difference of ₹ 61,000 resulting in understatement of receipts head during the year to that extent.

While accepting the audit observation, the Joint Secretary stated (May 2023) that the difference was on account of wrong credit of ₹ 62,000 in the account of KHADC by the bank on 19 April 2012, which was rectified later. It was further stated that KHADC had opened a savings bank account with Meghalaya Rural Bank for ₹1,000, which was shown as opening balance. Thus, as per the statement submitted by the KHADC, the difference in opening balance as of 01 April 2017 was on account of rectification of an earlier wrong credit of ₹ 62,000 and opening of new saving bank account of ₹ 1,000 in April 2017. No supporting documents like bank reconciliation, statement were provided by KHADC in support of their statement.

The reply given by KHADC reflects poor accounting practices as any transaction which has an impact on the closing balance or opening balance should be reflected clearly through proper entry in the Accounts. There was no provision to directly modify the opening balance without entering the relevant accounting entries.

Thus, the reply of KHADC is not acceptable. The Council is advised to reconcile the differences in the closing balance of 2016-17 and the opening balance of 2017-18 through proper accounting entries, under intimation to Audit. Copies of bank reconciliation statements may be provided to support the accounting entries.

3.4 Discrepancy in Personal Ledger Account

According to 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) maintained with the Shillong Treasury.

Cross examination of the closing balance of the PLA maintained by Shillong District Treasury with that of Annual Accounts of the Council for the year revealed the differences as detailed in **Table 3.2**.

Table 3.2: Difference in Closing Balance and reconciliation amount of PLA

(₹ in crore)

Year	Closing Balance of PLA at the Treasury	Closing Balance of PLA as per Annual Accounts	Difference Understatement (-)	Reconciliation Done	Excess Amount
2017-18	43.93	39.69	(-) 4.24	(-) 4.26	0.02

Audit further observed that though KHADC had prepared reconciliation statement for the financial year for reconciling the above difference, reconciliation was done in excess of the difference amount.

As such, the difference in the closing balance of the PLA as per Shillong District Treasury and Annual Accounts of the Council has not been reconciled till date of audit (October 2021).

While accepting the audit observation, the Secretary to the Executive Council, KHADC stated (August 2022) that the Shillong District Treasury was not in a position to maintain and update the PLA Passbook of KHADC, Shillong for the last few years till October 2009. Monthly Passbook from November 2009 onwards was made available regularly, hence reconciliation could be carried out *w.e.f.* financial year 2010-11. As such there remains a possibility of there being a negligible difference between PLA *vis-a-vis* Council Accounts after carrying out regular reconciliation henceforth.

The reply is not acceptable since the Council had not provided the reason as to why the Shillong District Treasury had not maintained and updated its PLA Passbook and moreover, it is the duty of the Council to maintain its accounts updated with the Treasury.

The Council may reconcile the differences with Treasury before finalising annual accounts.

3.5 Understatement of Revenue Receipts

Discrepancy in Revenue Receipts due to delay in depositing the revenue

Rule 18 of the United Khasi-Jaintia Hills Autonomous District Council Fund Rules, 1952 states that ‘all moneys received by the Cashier on account of the KHADC shall be remitted intact to the Treasury promptly’.

Cross check of the Receipt Registers of ‘Other Administrative Services’ and the Annual Accounts for the year 2017-18 revealed that instead of promptly depositing the revenue collected through sale of Court stamps, fees, *etc.*, the Department deposited the same in the subsequent month. As a result, the revenue receipts under the head ‘Other Administrative Services’ as depicted in the Annual Accounts of KHADC for 2017-18 (Statement No 5) actually pertained to the period from 1 March 2017 to 28 February

2018 instead of 1 April 2017 to 31 March 2018. This has resulted in under statement of revenue receipts by ₹ 2.42 lakh during 2017-18 as summarised in **Table 3.3**.

Table 3.3: Discrepancy in revenue receipts in the Annual Accounts

(₹ in lakh)

Year	Amounts shown as receipts under 'Other Administrative Services' in the Annual Accounts	Amount actually collected during the year	Difference
2017-18	35.11	32.69	(-) 2.42

Source: Annual Accounts and other documents of KHADC.

While accepting the audit observation, the Secretary to the Executive Council, KHADC stated (August 2022) that with effect from May 2022 monthly collections are being credited into the saving bank accounts of the Council within the last working day of the same month in which it occurs.

The Council may ensure prompt credit of revenue receipts to treasury and account for receipts pertaining to a financial year in the same accounting year.

3.6 Deviation from prescribed format of Annual Accounts

The Annual Accounts of KHADC are to be prepared in conformity with the Forms of Accounts for the Autonomous District Councils prescribed by the Comptroller & Auditor General with the approval of the President of India under clause 7(3) of the Sixth Schedule to the Constitution.

The Council did not prepare the annual accounts in full conformity with the prescribed format as discussed below:

Statement No. 2: It shall contain progressive expenditure on Capital Outlay. However, the Council depicted expenditure during the year only. Progressive expenditure on Capital outlay was not reflected in the Annual Accounts for the year 2017-18.

The Council may adhere to prescribed format of accounts for ensuring transparency and completeness of accounts.

3.7 Conclusion

In this Chapter, audit emphasis was on the classification and accounting treatment of transactions in Annual Accounts, internal control and record keeping, etc. As such following deficiencies were noticed during the course of audit:

- Absence of verification of cash balance as well as not recording of cash transactions in the Cash Book was observed.
- Inconsistencies in closing balance at Treasury and in Annual Accounts.
- Non-deposit of receipts promptly to the Treasury resulted in understatement of revenue receipts by ₹ 2.42 lakh for the year.
- Deviation from the prescribed format with respect to Statement No.2.

3.8 Summary of Recommendations

- *The Council may ensure proper maintenance of Cash Book to ensure accountability for public money.*
- *The Council may reconcile the differences with Treasury before finalising annual accounts.*
- *The Council may ensure prompt credit of revenue receipts to treasury and account for receipts pertaining to a financial year in the same accounting year.*
- *The Council may adhere to prescribed format of accounts for ensuring transparency and completeness of accounts.*

CHAPTER-IV

Compliance Audit Observations

CHAPTER - IV

Compliance Audit Observations

4.1 Temporary misappropriation of Council's Revenues

Rule 18 of District Fund Rules, 1952 of the Khasi Hills Autonomous District Council stipulates that 'all moneys received by the Cashier on account of the Council shall be remitted intact to the treasury promptly and shall on no account be appropriated towards expenditure.'

Contrary to the Rule *ibid*, cross-verification of the receipt books/registers with the Treasury remittance challans/bank deposit receipts revealed that there were persistent delays in remittance of revenues collected by various Departments of the Council during the year 2017-18 in respect of No Objection Certificates, Land Record, Application Fee, Renewal Fee, Sale of stamp paper, affidavit, *etc.* as detailed in **Table 4.1**.

Table 4.1: Details of delay in deposit of revenue collected.

Sl. No.	Date of collection		Amount (₹)	Date of Deposit	Delay ¹⁴ (days)
	From	To			
1.	03.04.2017	28.04.2017	3,34,745	04.05.2017	3-29
2.	01.05.2017	31.05.2017	2,86,345	05.06.2017	2-33
3.	01.06.2017	30.06.2017	2,11,115	04.07.2017	2-31
4.	12.04.2017	03.07.2017	18,090	02.08.2017	28-110
5.	01.07.2017	31.07.2017	3,26,885	02.08.2017	1-30
6.	01.08.2017	31.08.2017	2,35,525	04.09.2017	2-32
7.	01.09.2017	28.09.2017	2,90,465	05.10.2017	4-32
8.	03.07.2017	01.09.2017	7,086	25.10.2017	62-112
9.	01.10.2017	31.10.2017	2,81,580	09.11.2017	7-37
10.	01.09.2017	18.10.2017	24,509	20.11.2017	31-78
11.	01.11.2017	30.11.2017	2,88,200	08.12.2017	6-35
12.	01.12.2017	22.12.2017	2,68,695	09.01.2018	16-37
13.	02.01.2018	31.01.2018	36,430	02.02.2018	1-29
14.	18.10.2017	05.02.2018	10,980	21.03.2018	42-152
15.	01.02.2018	28.02.2018	2,57,260	03.03.2018	2-28
16.	01.03.2018	29.03.2018	2,45,335	05.04.2018	3-33
Total			31,23,245		

Source: Receipt books and Revenue Collection Registers.

¹⁴ Delay has been calculated after giving two days' time from the date of receipt.

From the above, it is seen that the Council's revenue of ₹ 31.23 lakh collected during 2017-18 were deposited in the Council's treasury after a delay ranged up to 152 days. The delay in deposit of the Council's revenue was not only in contravention of the Fund Rules but retention of the Council's money also leads to temporary misappropriation of the Council's revenue.

Details of officials responsible for delay in remittances of revenues collected, though called for, were not made available to Audit. The Council may take appropriate action to fix responsibility for the delays in depositing ₹ 31.23 lakh of the Council's revenues into the treasury.

While accepting the audit observation, the Secretary to the Executive Council, KHADC stated (August 2022) that with effect from April 2022 monthly collections are being credited into the savings bank accounts of the Council within the last working day of the same month in which it occurs.

The Council may put in place systems to ensure timely remittances of receipts to the treasury to prevent risk of temporary misappropriation of Council funds due to delayed remittances of the collected revenue.

4.2 Unverified expenditure under 'Special Town and Rural Welfare Programme'

KHADC is implementing a scheme called 'Council Scheme on Special Town and Rural Welfare Programme'. The objective of the scheme is to provide assistance to the families of below poverty line facing acute difficulties, so as to enable them to cope with the situation and at the same time to encourage them to take up meaningful and sustainable self-employment. The scheme guidelines stipulated that (i) the scheme shall be implemented through the Members of District Councils (MDCs) for maximum and wide coverage of areas, (ii) funds shall be released to the MDCs directly and it shall be the responsibility of the MDC to ensure that the funds are utilised in right earnest and in a transparent manner, and (iii) it shall be the duty of MDCs to submit Utilisation Certificate (UC) within six months from the date of release of the fund alongwith supporting vouchers.

During 2017-18, KHADC, with the approval of the Executive Committee, sanctioned (March 2018) ₹ 72.00 lakh as grants to its Members (@ ₹ 4.00 lakh to 18 MDCs) with the objective to provide assistance to the families of below poverty line facing acute difficulties, so as to enable them to cope with the situation and at the same time to encourage them to take up meaningful and sustainable self-employment.

Scrutiny revealed that the Secretary, Executive Committee, KHADC made payment (31.03.2018) of ₹ 72.00 lakh to 18 MDCs as grants under the programme. Against the grants, only one MDC¹⁵ had submitted the supporting vouchers and utilisation

¹⁵ Shri M. Nongrem.

certificates for ₹ 4.00 lakh. As seen from the vouchers and UCs, the MDC had extended financial assistance to three individuals for purchase of two Aqua Guards and a UV Sanitiser and ₹ 3.65 lakh was disbursed as financial help to 47 individuals @ ranging from ₹ 5,000 to ₹ 10,000.

In respect of remaining 17 MDCs to whom an amount of ₹ 68.00 lakh was released, KHADC could neither produce the UCs nor the vouchers to support utilisation of the grants for the purpose for which the grant was released. Thus, in the absence of necessary vouchers evidencing proper utilisation of grants, the veracity of expenditure of ₹ 68.00 lakh incurred out of the Council's fund could not be ascertained.

While accepting the audit observation, the Secretary to the Executive Council, KHADC stated (August 2022) that two more MDCs have since submitted utilisation certificates. Despite issue of several reminders, the other (15) defaulter MDCs failed to submit the necessary utilisation certificates. KHADC however, did not furnish copy of the vouchers to Audit.

4.3 Unverified expenditure under 'promotion of sports activities' and 'conservation & promotion of traditional culture'

Rule 59 of the United Khasi-Jaintia District Fund Rules, 1952 prescribes that 'a council employee entrusted with payment of money shall obtain for every payment he makes, including repayment of sums previously lodged with the council, a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts'.

During 2017-18, the Council, on the approval of the Executive Committee, sanctioned (28.03.2018) a total amount of ₹ 108.00 lakh as Grants-in-aid for promotion of sports activities (₹ 54.00 lakh @ ₹3.00 lakh each for 18 MDCs) and conservation & promotion of traditional culture (₹ 54.00 lakh @ ₹ 3.00 lakh each for 18 MDCs).

Scrutiny of records (October 2021) revealed that the Council had neither prescribed guidelines for implementation of the schemes/programmes nor were any directions/conditions for the proper utilisation of the Grants-in-aid specified in the sanction orders. Further scrutiny revealed that the amount of ₹ 108.00 lakh was drawn (31 March 2018) by the Secretary, Executive Committee on behalf of the 18 MDCs through 'self-cheque'. However, KHADC could neither produce records like actual payee receipts duly signed by the MDCs proving that the grants were actually disbursed to them, nor vouchers and utilisation certificates (if any) being submitted by MDCs, after the sums disbursed to them.

The Council did not furnish any reply.

In view of above, the expenditure of ₹ 108.00 lakh incurred by the KHADC towards implementation of the two schemes during 2017-18 could not be vouchsafed in Audit.

The Council should maintain proper accounts along with relevant supporting documents to ensure utilisation of the programme fund for bonafide purposes. Further, the Council may frame appropriate Rules for regulating the discretionary grants being provided to the MDCs for various welfare schemes, and for proper accountal of expenditure out of these funds.

4.4 Unauthorised retention of Meghalaya Value Added Tax

As per Clause 39 (Chapter-V) of the Meghalaya VAT Rules, 2005, the tax deducted shall be deposited into the account of the State Government within ten days from the expiry of each English calendar month and deposit into a State Bank of India or any other banks authorised by the State Government by appropriate challan in Form-4.

Test-check (October 2021) of payment vouchers for the period 2017-18 revealed that Meghalaya Value Added Tax amounting to ₹ 26.50 lakh deducted from the contractors' bills was not deposited into Government Account as detailed in **Table 4.2**.

Table 4.2: Retention of MVAT deducted from the contractors without depositing it into Government Account

(Amount in ₹)

Sl. No.	Particulars of work	Date of issue of Work Order	Contractor	Value of work done	75% of the work value	MVAT deducted @14.5%	Date of payment
1.	Construction of Foot bridge at Kyllapanti	11 May 2017	Shri B. Lyngdoh	2,99,928	2,24,946	32,617	06.10.2017
2.	Construction of Guest House on top of MDC hostel building at KHADC Campus	17 April 2017	M/s Kharsyntiew Industries	82,56,423	61,92,317	8,97,886	12.10.2017
3.	Construction of rooms for Additional Judge, Magistrate and lawyers on top of District Council Court building	17 April 2017	M/s Kharsyntiew Industries	1,58,14,434	1,18,60,825	17,19,820	12.10.2017
Total						26,50,323	

Source: Contractor's bills.

The Secretary to the Executive Council, KHADC stated (August 2022) that M/S Kharsyntiew Industries has since preferred a claim for the refund of ₹ 26,17,706 in view of implementation of Central/Meghalaya Goods and Services Tax Act, 2017 w.e.f 01 July 2017¹⁶. Further, the Council stated (October 2023) that the said amount was refunded¹⁷ to M/S Kharsyntiew Industries after obtaining clearance from the Superintendent of Taxes, Circle III, Government of Meghalaya. However, the reply was silent on Shri B. Lyngdoh.

The reply of the Council is not tenable as these works were awarded under MVAT Rules, 2005 and the Council was to deposit the TDS so deducted, to the Government Accounts without any delay as per Rules *ibid*. Further, the refund was to be done, if any, based on the returns filed by the deductee.

The Council needs to deposit the statutory deductions made from the contractors/suppliers into the Government Account without any delay and ensure that refunds, if any, is made as per the Rules, only on the basis of returns filed by the contractor concerned.

4.5 Outstanding Inspection Reports

As per Comptroller & Auditor General's Regulations on Audit and Accounts No. 197, the officer in-charge of the auditable entity shall send the reply to an Inspection Report (IR) within four weeks of its receipts. 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 higher authorities through the IRs.

Till the date of audit (October 2021), 55 paragraphs in respect of five IRs issued between June 2012 and September 2019 were still outstanding.

4.6 Follow up action on Audit Reports

The Reports of the Comptroller and Auditor General of India in respect of the District Council are prepared under Paragraph 7(4) of the Sixth Schedule to the Constitution of India for submission to the Governor, who shall cause them to be laid before KHADC. Though the Audit Reports in respect of KHADC for the years 1970-71 to 2012-13 had been placed before the KHADC, action taken on the observations made in these Audit Reports had not been intimated (June 2022).

It is recommended that KHADC may constitute a Public Accounts Committee to take time-bound action on the audit observations pointed out in the Audit Reports to ensure financial discipline and good governance in the conduct of the affairs of KHADC.

¹⁶ Vide ERT&S Department Circular No ERTS (T) 70/2017/10 dated 22 August 2017.

¹⁷ Through cheque no. 150338 dated 16 February 2023.

The Secretary to the Executive Council, KHADC stated (August 2022) that the Council constituted (January 2017) a Committee to examine the CAG Report for the year ended 31 March 2010 to make recommendations thereon to facilitate the disposal of the Audit observations. A report of the said Committee was forwarded to the Accountant General (Audit), Meghalaya, Shillong *vide* letter No. DC.XXI/Acctts/310/2017/53 dated 31 July 2017. No further committee was constituted to examine the CAG Reports for the year ended 31 March 2011 to 31 March 2013.

KHADC may constitute a Public Accounts Committee to take time-bound action on the audit observations pointed out in the Audit Reports to ensure financial discipline and good governance in the conduct of the affairs of KHADC.

4.7 Conclusion

Compliance audit of revenue and expenditure of the Council revealed that:

- Revenue collected were unauthorisedly retained instead of promptly depositing it in bank/treasury in violation of Council's Fund Rules.
- The Council failed to ensure submission of supporting vouchers/ UCs in support of the expenditure of ₹ 68.00 lakh against the grant for special town and rural welfare programme despite having the guidelines for implementation of the scheme.
- The Council did not ensure submission of vouchers or utilisation certificates by the Members in support of their claims for ₹ 108.00 lakh released as Grants to the Members under 'promotion of sports activities' and 'conservation and promotion of traditional culture'.

4.8 Summary of Recommendations

- *The Council may put in place systems to ensure timely remittances of receipts to the treasury to prevent risk of temporary misappropriation of Council funds due to delayed remittances of the collected revenue.*
- *The Council should maintain proper accounts alongwith relevant supporting documents to ensure utilisation of the programme fund for bonafide purposes. Further, the Council may frame appropriate Rules for regulating the discretionary grants being provided to the MDCs for various welfare schemes, and for proper accountal of expenditure out of these funds.*
- *The Council needs to deposit the statutory deductions made from the contractors/ suppliers into the Government Account without any delay and ensure that refunds, if any, is made as per the Rules, only on the basis of returns filed by the contractor concerned.*

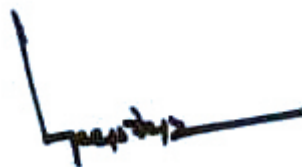
- *KHADC may constitute a Public Accounts Committee to take time-bound action on the audit observations pointed out in the Audit Reports to ensure financial discipline and good governance in the conduct of the affairs of KHADC.*



Shillong
The: 02 February 2024

(John K. Sellate)
Principal Accountant General (Audit), Meghalaya

Countersigned



New Delhi
The: 09 February 2024

(Girish Chandra Murmu)
Comptroller and Auditor General of India

APPENDICES

Appendix – I

**Statement showing the details of sanctioned strength and men-in-position of
Finance and Accounts Department of KHADC for the year 2017-18**

(Reference: Paragraph 1.3)

Sl. No.	Post/ Designation	Sanctioned strength	Men-in-position
1.	Accounts Officer	1	1
2.	Assistant Accounts Officer	2	2
3.	Accountant	4	4
4.	Assistant Accountant	4	4
5.	Junior Accounts Assistant	6	6
6.	Internal Auditor	2	2
	Total	19	19

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