

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

**For the year ended 31 March 2009**



**लोकहितार्थ सत्यनिष्ठा**  
**Dedicated to Truth in Public Interest**

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



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

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Jowai, Meghalaya**



## TABLE OF CONTENTS

<i>Particulars</i>	<i>Paragraph</i>	<i>Page(s)</i>
Preface		iii
Overview		v
<b>Chapter-I: Constitution, Rules and Maintenance of Accounts</b>		
Profile of Jaintia Hills Autonomous District Council	1.1	1
Rules for the management of the District Fund	1.2	1
Maintenance of Accounts and Audit arrangements	1.3	2
Administrative Set-up of the Council	1.4	2
Delay in submission of Annual Accounts	1.5	3
Internal Control	1.6	3
Recommendations	1.7	4
<b>Chapter II: Autonomous District Council Funds</b>		
Introduction to District Fund	2.1	5
Sources and Application of Funds	2.2	5
Resources, availability of Funds and Expenditure	2.3	6
Substantial variation between revised estimates and actuals	2.4	9
Conclusion	2.5	11
Recommendations	2.6	11
<b>Chapter-III: Comments on Accounts</b>		
Introduction to Accounts and Comments on Council Accounts	3	13
Discrepancy in the opening and closing cash balance	3.1	13
Discrepancy in cash balance	3.2	14
Understatement of Capital Expenditure	3.3	15
Conclusion	3.4	15
Recommendations	3.5	16
<b>Chapter-IV: Compliance Audit Observations</b>		
Retention of heavy cash balances and delay in remittances of revenue	4.1	17
Irregular appointment of staff in the JHADC	4.2	17
Execution of works under the award of Twelfth Finance Commission	4.3	18
Non deduction of VAT	4.4	19
Unverifiable expenditure on salary / honorarium	4.5	21
Injudicious deployment of teachers in Non-District Council Lower Primary (DCLP) schools	4.6	21
Discretionary Grant and Gratuitous Relief: Observations thereof	4.7	22
Outstanding Inspection Reports	4.8	23
Follow up action on Audit Reports	4.9	23
Conclusion	4.10	24
Recommendations	4.11	24

<i>Particulars</i>	<i>Paragraph</i>	<i>Page(s)</i>
<b>Appendices</b>		
Statement showing delay in depositing the revenue into the Treasury during the year 2008-09	Appendix I	27
Statement showing the details of constitution of various Committees and expenditure incurred on them during 2008-09	Appendix II	28
Statement showing Discretionary Grant (DG) to MDCs during the year 2008-09	Appendix III	29
Statement showing Gratuitous Relief (GR) to MDC during the year 2008-09	Appendix IV	30

## 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 Jaintia Hills Autonomous District Council, Jowai, Meghalaya for the year 2008-09.*

2. *This Report contains four Chapters, the first of which deals with the Constitution of the Jaintia Hills Autonomous District Council, the rules for the management of the District Fund and maintenance of accounts by the District Council. Chapter-II depicts Autonomous District Council Fund position. Chapter-III deals with the Comments on Accounts and Chapter IV deals with compliance issues during test-audit of the transactions of the Council for the year 2008-09.*





# 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 audit comments on annual accounts of the Council for the year 2008-09. Chapter-IV of the Report deals with the audit findings pertaining to compliance audit of the Council and contains seven paragraphs.

### Internal Control

An evaluation of internal control system in the Council revealed that internal control mechanism was weak which is evident from persistent irregularities like discrepancy in cash balances as per annual accounts, retention of heavy cash balances, delay in depositing the Council's revenue, incurring of unfruitful expenditure, non-maintenance of records, *etc.* Due to weak internal controls, the attempt on the part of Audit to examine the annual accounts and compliance of the Council was constrained to that extent. Above failure in internal controls under Financial Management is fraught with risks of fraud, misappropriation and financial irregularities, which might remain undetected.

### Recommendations

*The JHADC needs to strengthen its internal control mechanism, make internal Audit wing functional including imparting training to its staff and take action on deficiencies in record keeping.*

*JHADC may seek the help of State Government and utilise its training facilities for training and capacity building at all levels in the administrative hierarchy of the Council ensuring proper book keeping, record maintenance, supervision, control and monitoring.*

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

### 2. Autonomous District Council Funds

The receipts of the Council were ₹ 30.16 crore and fell short of the BE by 46 *per cent* during 2008-09.

**(Paragraph 2.4)**

The expenditure of the Council was ₹ 39.26 crore and fell short of the BE during the year 2008-09 by 30 *per cent*.

**(Paragraph 2.4)**

### **Recommendations**

*Council may draw up action plan to increase its income from own sources and spend wisely on revenue generation activities for financial sustainability;*

*The Council may undertake detailed budgetary analysis and reviews to identify and increase productive expenditure on activities and schemes; and*

*State Government also needs to release the Council's share of taxes and grants in timely and regular manner.*

### **3. Comments on Accounts**

The opening balance of cash in hand as on 01 April 2005 was understated to the tune of ₹ 5.49 crore and remained unreconciled till 31 March 2009.

**(Paragraph 3.1)**

There was an un-reconciled difference of ₹ 2.84 crore between Closing balance as per Cash book and Closing balance as per Annual Accounts.

**(Paragraph 3.2)**

During the year expenditure on construction works/ projects was booked as revenue expenditure. This resulted in overstatement of revenue expenditure by ₹ 4.01 crore, and understatement of capital expenditure by ₹ 4.01 crore during 2008-09.

**(Paragraph 3.3)**

### **Recommendations**

*The Cash Book needs to be recast expeditiously to reflect correct Cash Balance.*

*Council may ensure timely submission of Annual Accounts to the Accountant General to adhere with prescribed timeline;*

*Council may regularise its arrears in accounts in a definite period of time so that persisting errors could be eliminated;*

*Receipts and Expenditure to be correctly classified under Capital and Revenue categories as per Format of Accounts; and*

*Council is advised to device a system of periodical review of accounting records to identify coexisting mistakes within the accounting period so that corrective action is taken.*

### **4. Compliance Audit Observations**

During 2008-09, revenue receipts were belatedly deposited into the Treasury after delays ranging from 44 days to 73 days in contravention of Council's Fund Rules.

**(Paragraph 4.1)**

During 2008-09 Council made 60 direct appointments at the Grade-III posts without any advertisements and competitive examinations but merely on the basis of personal interview in contravention of the recruitment rules of the Council.

**(Paragraph 4.2)**

Incomplete works relating to construction of sanitary latrines out of 12<sup>th</sup> Finance Commission grants were noticed even after expiry of nine years from the date of sanction resulting in blockade of funds to the tune of ₹ 2.76 lakh. Further, the utilisation certificates for the grants received were irregularly submitted by the Council without actual utilisation of the funds

**(Paragraph 4.3)**

Full amount was paid to Contractors without deducting VAT amounting to ₹ 6.02 lakh resulting in revenue loss to the Government and undue favour to the contractors.

**(Paragraph 4.4)**

An expenditure of ₹ 21.26 lakh incurred on various Committees without any activity could not be verified.

**(Paragraph 4.5)**

The Council deployed teachers to Non- District Council Lower Primary schools without approvals of the State Government nor any guidelines in place.

**(Paragraph 4.6)**

The Council granted the Discretionary Grant and Gratuitous Relief to the Members District Council in an ad hoc and haphazard manner without any rules and regulations resulting in huge financial liability on the Council.

**(Paragraph 4.7)**

***Recommendations***

*Council may develop adequate monitoring system to ensure timely completion of works for which grants are received.*

*Council may streamline and fix responsibility for issue of correct utilisation certificates to State Government / grantees.*

*Council may frame proper guidelines with the approval of State Government for deputing teachers to Non-District Council Lower Primary Schools.*

*Council may ensure that all recruitments to the Council are made by following due process.*

*Council may devise a charter that should clearly prescribe the Committee's role and responsibilities, composition, structure and membership requirements, authority, processes and procedures for reporting recommendations.*

*Council may clearly define objectives and activities to be taken up under Members Discretionary grants. They may also ensure proper documentation and accounts of the grants given to members.*

*Systems for strengthening internal controls and checks in the Council Departments and Subordinate offices may be put in place on priority; and*

*Council may impress upon Audit Committee to discuss audit reports and ensure action on audit observations.*

# **CHAPTER-I**

## **CONSTITUTION, RULES AND MAINTENANCE OF ACCOUNTS**





## Chapter-I

### Constitution, Rules and Maintenance of Accounts

#### 1.1 Profile of Jaintia Hills Autonomous District Council

The United Khasi and Jaintia Hills Autonomous District Council was set up in June 1952 under the provisions of Article 244 (2) read with the Sixth Schedule to the Constitution of India. The Council was bifurcated in 1967 and the Jowai District Council was carved out of it. In 1973, the United Khasi and Jaintia Hills District Councils were renamed as Khasi Hills Autonomous District Council and Jaintia Hills Autonomous District Council respectively.

The Sixth Schedule to the Constitution provides for administration of specified tribal areas by constituting 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 of land, management of forests other than reserved forests, use of any canal or water courses for irrigation purposes, regulation of the practice of “Jhum”<sup>1</sup> 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 Council has the powers to establish, construct or manage primary schools, dispensaries, markets, ferries, fisheries, roads, roads transport and waterways in the Autonomous District. Paragraph 8 of the Schedule further empowers the Council to assess, levy and collect within the Autonomous district, revenue in respect of land and building, taxes on professions, trades, calling and employment, animals, vehicles and boats, tolls on passengers and goods carried in ferries and the maintenance of schools, dispensaries or roads.

#### 1.2 Rules for the management of the District Fund

The Sixth Schedule provides for the constitution of a District Fund for each Autonomous District, to which shall be credited all moneys received by the Council in the course of administration of the districts in accordance with the provisions of the Constitution. In terms of paragraph 7(2) of the Schedule, Rules are to be framed by the Governor for management of the District Fund and the procedure to be followed in respect of payment for money into the said fund, the withdrawal of money therefrom, the custody of money therein and any other matter connected with or ancillary to these matters. However, these Rules had not been finalised (June 2020).

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<sup>1</sup> “Jhum” cultivation is a local name for slash and burn agriculture practiced by the tribal groups in the north-eastern states of India. Crops are grown in this cultivation by clearing the trees and other vegetation and then burning the fields. Land burning allows the addition of potash to the soil, which in effect increases soil fertility and nutrient content.

Meanwhile, the affairs of the Jaintia Hills Autonomous District Council were being regulated in accordance with the Jowai Autonomous District Fund Rules, 1967.

### **1.3 Maintenance of Accounts and Audit Arrangements**

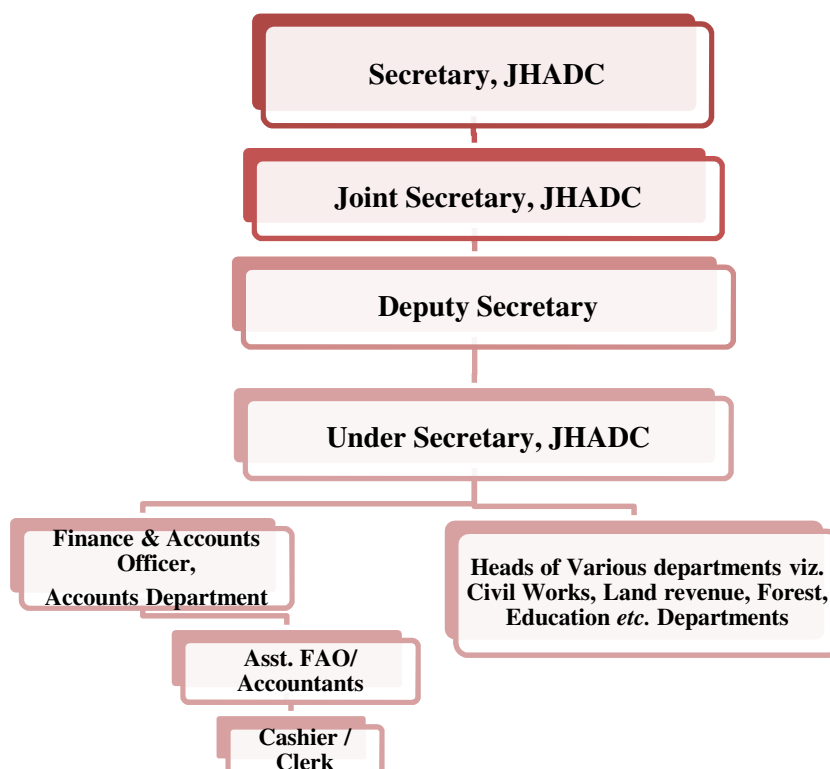
In pursuance of Paragraph 7 (3) of the Sixth Schedule to the Constitution, the form in which the accounts of the District Council are to be maintained, was prescribed by the Comptroller and Auditor General of India, with the approval of the President in April 1977.

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.

### **1.4 Administrative Set-up of the Council**

The Council is administered by the Secretary to the Executive Committee and have departments such as the General Administration Department, Finance & Accounts, Land Revenue, Forest *etc.* Finance & Accounts Department is manned with Finance & Accounts Officer, Assistant Finance & Accounts Officer, Accountant, Assistant Accountant, U.D.A, L.D.A *etc.* to conduct day-to-day business of the council. Administrative hierarchy of the Council is depicted in **Chart 1.1**:

**Chart 1.1: Administrative set-up of JHADC**



*Source: JHADC records.*

### **1.5 Delay in submission of Annual Accounts**

Rule 97 of the Jowai Autonomous District Fund Rules, 1967 stipulates that the annual accounts of the Council should be prepared as per the prescribed forms and forwarded to the Accountant General by 30 June each year. The annual accounts of the Council for the year 2008-09 was however, submitted to the Accountant General (Audit), Meghalaya after a delay of more than eight years.

This led to delay in conduct of audit of annual accounts of the Council with consequential delay in finalising the Audit Reports.

The Secretary, Executive Committee, JHADC stated (November 2020) that Annual Accounts remained pending due to non-availability of experienced staff in dealing with accounts and financial matters. However, consequent upon appointment of a Consultant, Finance & Accounts in the Council, the position has improved, it is expected that the Council would be able to submit Accounts in arrears during 2020-21.

Proper and accurate compilation of financial information of Council and its disclosure, in a manner that is standardised and understood by stakeholders, is central to the credibility of those charged with governance. Council may regulate the preparation of financial information and its audit, as envisaged in Fund Rules.

### **1.6 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 was weak 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, incurring of unfruitful expenditure, *etc.* as discussed in the succeeding Chapters.

Besides it was also seen that there was:

- absence of office procedure, Accounting, Budget and Internal Audit Manuals;
- deficiencies in Cash management- Irregular and unauthorised retention of heavy cash balance and delayed deposit of revenue realised;
- non-establishment of Internal Audit Wing;
- non-maintenance of Asset Register and absence of physical verification of assets;
- physical verification of stores and stock not conducted;
- non-reconciliation of cash balance with treasury and bank accounts;
- non-maintenance of ledger accounts.

Due to weak internal controls, the attempt on the part of Audit to examine the annual accounts and transactions of the Council was constrained to that extent. Above failure in internal controls under Financial Management is fraught with risks of fraud, misappropriation and financial irregularities, which might remain undetected.

Council in its reply (November 2020) accepted the audit observation and stated that efforts are being made to establish Internal Audit Wing.

Effective internal control reduces the risk of asset loss, and helps to ensure that information is complete and accurate, financial statements are reliable, and day-to-day operations are conducted in accordance with the provisions of applicable laws and regulations. Council may establish a strong internal control system for good governance.

### **1.7 Recommendation**

- *The JHADC needs to strengthen its internal control mechanism, make internal Audit wing functional including imparting training to its staff and take action on deficiencies in record keeping.*
- *JHADC may seek the help of State Government and utilise its training facilities for training and capacity building at all levels in the administrative hierarchy of the Council ensuring proper book keeping, record maintenance, supervision, control and monitoring.*

## **CHAPTER-II**

# **AUTONOMOUS DISTRICT COUNCIL FUNDS**



## **Chapter-II**

### **Autonomous District Council Funds**

#### **2.1 Introduction to District Fund**

Sixth Schedule provides for a District Fund for each autonomous region and a Regional Fund 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 the administration of such district or region respectively in accordance with the provisions of the Constitution. The District Fund of the Autonomous District Council 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 the administration of the Autonomous District Council in accordance with the provisions of the Constitution.

The ADC fund comprises receipts from its own resources, Shared revenue and grants/ Loans & Advances from State / Central governments. Broad classification is as discussed below:

##### **A. District Fund**

District Fund further had two divisions namely: (i) Revenue Section for Revenue Receipts and Expenditures and (ii) Capital Section for Capital Receipts and Expenditures, Public Debt, Loans and Advances. The first division shall deal with the proceeds of taxation and other receipts classed as revenue and expenditure met there from. It shall also include the grants and contributions received from the Government and also grants and contributions by the Council. The second division shall deal with expenditure of Capital nature met from borrowed funds. It also comprised of loans received and their repayments by the Council and loans and advances and their recoveries by the Council.

##### **B. Deposit Fund**

Deposit Fund covers transactions relating to Deposits, General Provident Fund(GPF), other funds and advances such as Cess, Income Tax, GPF, 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 Sources and Application of Funds**

##### **2.2.1 Receipts and Disbursement**

The receipts and expenditure of JHADDC for the year 2008-09 were as given in **Table 2.1.**

**Table 2.1: Summarised position of Accounts for the year 2008-09**

(₹ in crore)

<b>PART –I DISTRICT FUND<sup>2</sup></b>					
<b>Receipts</b>			<b>Disbursement</b>		
<b>2007-08</b>	<b>Revenue Receipt</b>	<b>2008-09</b>	<b>2007-08</b>	<b>Revenue Expenditure</b>	<b>2008-09</b>
1.21	(i) Taxes on Income and expenditure	1.42	0.60	(i) District Council	0.68
0.15	(ii) Land Revenue	0.26	2.26	(ii) Land Revenue	2.73
0.22	(iii) Other Administrative Services	0.33	0.33	(iii) Other Administrative Services	0.39
0.06	(iv) Stamps and Registration	0.12	1.01	(iv) Executive Members	6.22
0.52	(v) Taxes on Vehicles	0.62	5.04	(v) Secretariat General Services	5.27
0.14	(vi) Interest Receipts	0.29	0.24	(vi) Stationery and Printing	0.18
0.29	(vii) Other General Economic Services	0.35	7.81	(vii) Public Works	6.01
0.02	(viii) Fisheries	0.02	0.41	(viii) Fisheries	0.25
0.21	(ix) Forest	0.30	5.74	(ix) Forest	8.52
18.41	(x) Mines & Minerals	25.30	0.73	(x) Pensions and other retirement benefits	0.86
1.10	(xi) Grants-in-aid from State Government	0.38	0.57	(xi) Urban Development	0.34
0.75	(xii) 12th Finance Commission	0.75	2.43	(xii) Education	2.86
-	(xiii) 13th Finance Commission	0.00	0.15	(xiii) Information and Publicity	0.18
-	(xiv) Stationery and Printing	0.02	1.60	(xiv) Relief on account of natural calamities	3.50
			0.74	(xv) Agriculture	1.02
			0.25	(xvi) Minor Irrigation	0.25
<b>23.08</b>	<b>Total Revenue Receipt</b>	<b>30.16</b>	<b>29.92</b>	<b>Total Revenue Expenditure</b>	<b>39.26</b>
<b>6.83</b>	<b>Revenue Deficit (39.26-30.16)= 9.10</b>	<b>9.10</b>	<b>-</b>	<b>Revenue surplus</b>	<b>-</b>
-	<b>2. Capital</b>	-		<b>2. Capital</b>	
-	<b>3. Debt</b>	-		<b>3. Debt</b>	
-	<b>4. Loans and Advances</b>	-	-	<b>4. Loans and Advances</b>	
<b>23.08</b>	<b>Total Part-I District Fund</b>	<b>30.16</b>	<b>29.92</b>	<b>Total Part –I District Fund</b>	<b>39.26</b>
<b>PART II- DEPOSIT FUND</b>					
-	Deposit receipts	-	-	Deposits Payments	-
-	<b>Total of part II Deposit fund</b>	-		<b>Total of Part II Deposit fund</b>	-
<b>23.08</b>	<b>Total receipts ( I + II)</b>	<b>30.16</b>	<b>29.92</b>	<b>Total Disbursements ( I +II)</b>	<b>39.26</b>
31.12	Opening balance	24.29	24.29	Closing balance <sup>3</sup>	15.19
<b>54.20</b>	<b>Grand total</b>	<b>54.45</b>	<b>54.20</b>	<b>Grand total</b>	<b>54.45</b>

Source: Annual Accounts of the Council.

## 2.3 Resources, availability of funds and expenditure

### Resources

JHADC's revenue receipts comprised of:

- Trade licenses, market auction, bank interest, fisheries and Public Works Department (PWD) levy/ fee, etc.;
- Share of taxes collected by the State Government on agricultural income, land revenue, taxes on vehicles, forest, mines & minerals and taxes on profession.

<sup>2</sup> 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.

<sup>3</sup> 2008-09: Cash - ₹ 3.72 crore; PLA - ₹ 1.21 crore; Investment - ₹ 10.26 crore.



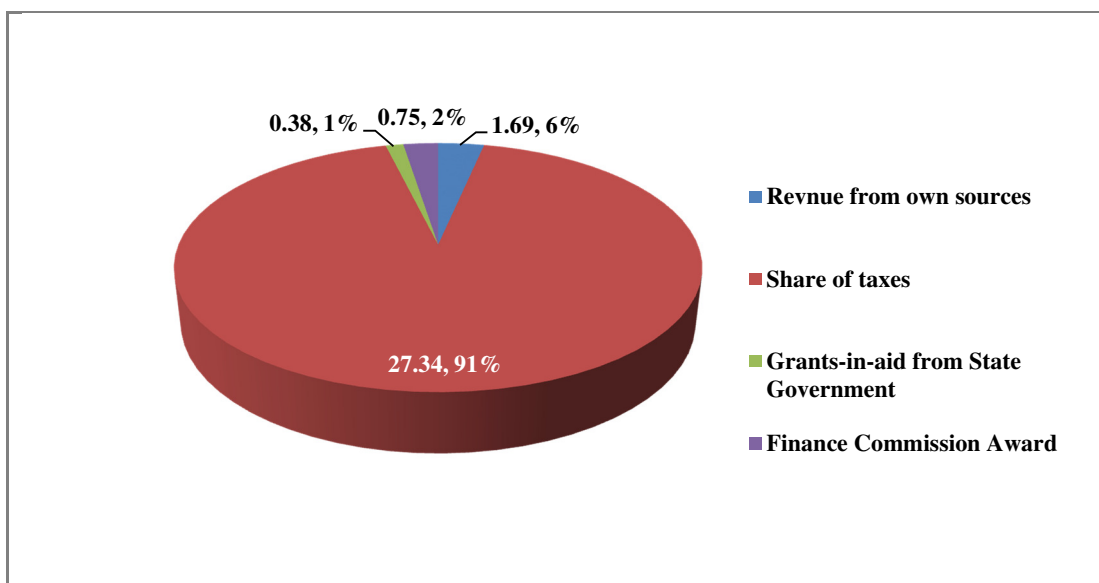
- Resources made available by the State Government through the State Plan and 12<sup>th</sup> Finance Commission Award.

During 2008-09, JHADC generated ₹ 1.69 crore<sup>4</sup> from its own sources, received ₹ 27.34 crore<sup>5</sup> as share of taxes, ₹ 0.38 crore<sup>6</sup> as Grant-in-aid from the State Government and ₹ 0.75 crore as grants from the 12<sup>th</sup> Finance Commission.

### Availability of funds and expenditure

Chart 2.1 depicts the aggregate/total composition of resources of JHADC during 2008-09.

**Chart 2.1: Composition of Aggregate Receipts (2008-09) (₹ in crore)**



Finances of the Council for the year 2008-09 is analysed below:

<sup>4</sup> Revenue from Own Sources:

Sl. No.	Head	₹ in crore
1	Land Revenue	0.26
2	Stamps & Registration	0.12
3	Interest Receipts	0.29
4	Fisheries	0.02
5	Forest	0.30
6	Other Service Fees	0.70
<b>Total</b>		<b>1.69</b>

<sup>5</sup> Share of taxes:

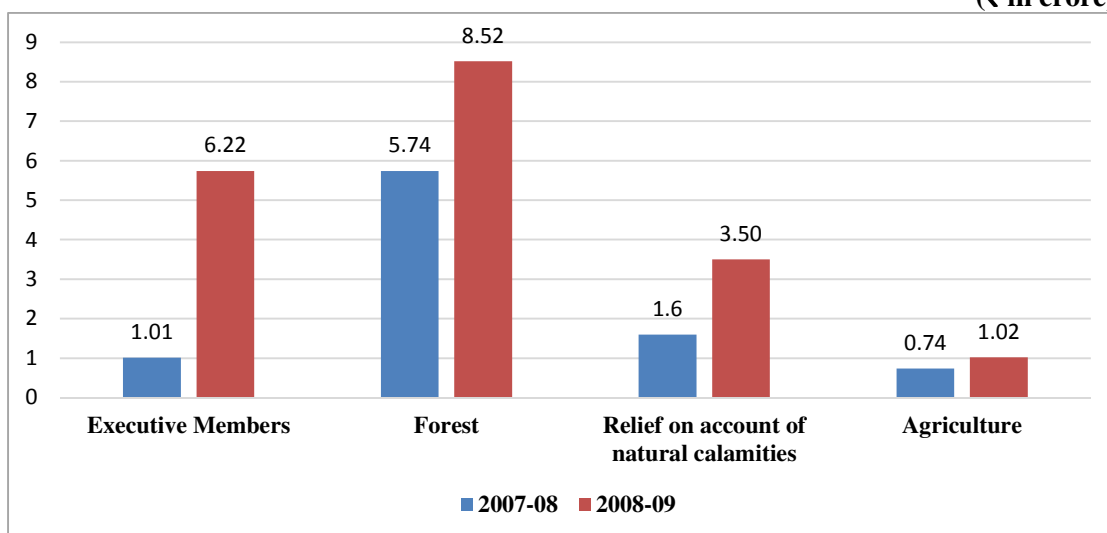
Sl. No.	Head	₹ in crore
1	Taxes on income & expenditure	1.42
2	Taxes on vehicle	0.62
3	Mines & Minerals	25.30
<b>Total</b>		<b>27.34</b>

<sup>6</sup> Grants in aid from State Government: ₹ 0.38 crore (Land Survey & Reform: ₹ 0.03 crore + Forests: ₹ 0.35 crore).

- Total revenue receipts of the Council increased by more than 31 *per cent* from ₹ 23.08 crore in 2007-08 to ₹ 30.16 crore in 2008-09. Analysis revealed that this increase was primarily due to increase in the share of royalty on minerals received from the State Government from ₹ 18.41 crore in 2007-08 to ₹ 25.30 crore in 2008-09.
- Total revenue expenditure of the Council increased by more than 31 *per cent* from ₹ 29.92 crore in 2007-08 to ₹ 39.26 crore in 2008-09. This increase was primarily due to increase in expenditure under Executive Members (516 *per cent*) and Forest (48 *per cent*).
- Details of increase in expenditure during 2008-09 compared to previous years *i.e.*, 2007-08 is shown in **Chart 2.2**:

**Chart 2.2: Departments which spent more funds compared to 2007-08**

(₹ in crore)

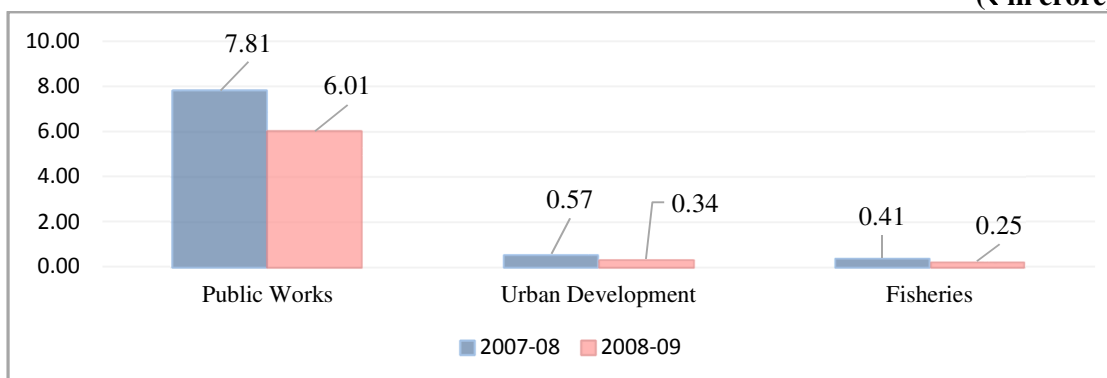


Source: Annual Accounts of JHADC.

Details of decrease in expenditure during 2008-09 compared to previous year *i.e.* 2007-08 are shown in **Chart 2.3**:

**Chart 2.3: Departments which spent less funds compared to 2007-08**

(₹ in crore)



Source: Annual Accounts of JHADC.

It is evident from above that expenditure on development activities was less during the year 2008-09 as compared to 2007-08.

#### 2.4 Substantial variation between revised estimates and actuals

Scrutiny of budget estimates for the year 2008-09 *vis-à-vis* actual receipt and expenditure revealed that there were variations between budget estimates (BE) as compared to receipts and expenditure as detailed below:

**Table 2.2: Budget estimates and actual for the year 2008-09**

(₹ in crore)				
Particulars	Budget estimate	Actual	Excess (+) / Shortfall (-)	Percentage of Excess (+) / Shortfall (-)
<b>2008-09</b>				
Receipt	55.48	30.16	(-) 25.32	(-) 46
Expenditure	56.07	39.26	(-) 16.81	(-) 30

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

As compared to the BE, the receipts of the Council showed decreasing trend and fell short of the BE by 46 *per cent* during 2008-09 as detailed in **Table 2.3**:

**Table 2.3: Heads under which receipts were significantly less than the BE in last three years.**

(₹ in lakh)										
Sl. No.	Major Head	2006-07			2007-08			2008-09		
		BE	Actual	Shortfall/ (%)	BE	Actual	Shortfall/ (%)	BE	Actual	Shortfall (%)
1	Land revenue	34.63	17.19	17.44 (50)	40.60	15.42	25.18(62)	46.00	26.00	20 (43)
2	Taxes on vehicles	150.00	127.47	22.53 (15)	150.00	52.40	97.60 (65)	160.00	62.00	98 (61)
3	Mines & Minerals	-	-	-	-	-	-	3600.00	2530.00	1070 (30)
4	Trading by Non Tribals (TNT)	24.38	14.31	10.07 (41)	-	-	-	46.00	0.00	46 (100)
6	Interest on investments	-	-	-	70.36	13.67	56.69 (81)	74.00	29.00	45 (61)

Source: Budget estimates of Receipts and Expenditure and Statement No.5 of Annual Accounts.

The expenditure of the Council also fell short of the BE during the year 2008-09 by 30 *per cent*. Scrutiny of some of the Major heads under which the actual receipts and expenditure were significantly less than the estimated budget provisions during 2008-09 were as under:

The shortfall between the budget provision and actual collection of revenue under Land revenue (43 *per cent*), Taxes on vehicles (61 *per cent*), Mines & Minerals (30 *per cent*), TNT (100 *per cent*) and interest on investments (61 *per cent*) indicated that the Council had not been able to make its revenue collection mechanism effective to the extent it had planned for.

**Table 2.4: Heads under which expenditure were significantly less than the BE during the year 2008-09**

(₹ in crore)

Sl. No.	Major Head	2008-09		
		Budget Estimate	Actual	Shortfall
1	Public works	23.09	6.01	17.08 (74)
2	Pension	1.02	0.86	0.15 (15)
3	Education	3.49	2.86	0.63 (18)
4	Information and Publicity	0.29	0.18	0.11 (38)
5	Stationery & Printing Department	0.46	0.18	0.28 (61)

Source: Budget estimates of the Council and Statement 6 of Annual Accounts.

The shortfall between the budget provision and actual expenditure under Public Works (74 *per cent*), Pension (15 *per cent*), Education (18 *per cent*), Information & Publicity (38 *per cent*) and Stationery & Printing Departments (61 *per cent*) indicated poor planning for execution of schemes by the Council. Specifically, wide variation in expenditure on Public Works projects would have adversely affected taking up development works in roads and bridges, water supply and sanitation projects in the area.

The Secretary, Executive Committee, JHADC stated (November 2020) that budget provisions for revenue receipts were made in anticipation of collection of revenues with reference to earlier years. Further, some of the revenue heads like Taxes on vehicles, share of royalty on mines and minerals, grants-in-aid were under the control of the Government and JHADC had no hand on it. Budget provision for revenue expenditure for a particular year was made keeping in view the anticipated availability of funds in that year.

The fact however, remained that the overall revenue receipts of JHADC during 2008-09 declined by 46 *per cent* with reference to budgeted estimates. Further, shortfall cannot be attributed to government receipts as receipts from Government increased by 37 *per cent* during the year. This indicated that JHADC had not been able to make its revenue collection mechanism effective to the extent it had planned for, resulting in curtailment of its revenue and expenditure as per actual collections and they continued to rely on State transfers for their resources.

***The Council may need to identify and implement internal cost-saving measures while not compromising on its core functions and liaison with State Government to ensure timely and complete receipt of Share of taxes collected by the State Government on behalf of the Council.***

***Further, efforts could be initiated to comprehensively map untapped, but eligible, revenue sources and put in place a plan for strict enforcement of tax and fee collections.***

*The Council may need to undertake detailed budgetary analysis and reviews to identify and resolve challenges regarding financial sustainability.*

## **2.5 Conclusion**

Variations between the BEs and actual receipts and expenditure during 2008-09 indicate that the JHADC had prepared BEs without taking actual position.

Budgetary assumptions of the Council were not realistic during 2008-09, budgetary estimates were off the mark by a considerable margin and control over the execution and monitoring of budget was inadequate.

## **2.6 Recommendations**

- *Council may draw up action plan to increase its income from own sources and spend wisely on revenue generation activities for financial sustainability;*
- *The Council may undertake detailed budgetary analysis and reviews to identify and increase productive expenditure on activities and schemes; and*
- *State Government also needs to release the Council's share of taxes and grants in timely and regular manner.*



## **CHAPTER–III**

### **COMMENTS ON ACCOUNTS**





## Chapter-III

### Comments on Accounts

#### 3 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.

The JHADC prepares its annual accounts in the prescribed format containing the following seven statements, which detail the receipts and disbursements of the JHADC for the year with bifurcation of the expenditure under revenue, capital, plan and non-plan:

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
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 revenue expenditure by Minor Heads
7	Statement No. 7	Statement of receipts, disbursements and balances under Heads relating to District Fund and Deposit Fund

#### 3.1 Discrepancy in the opening and closing cash balance

Mention was made in Paragraph 3.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 that the closing balance of cash in hand as on 30 September 2004 was ₹ 5.49 crore. On the following month (01 October 2004) a new cash book with Nil opening balance was opened without any attestation or authorisation order and thus fund amounting to ₹ 5.49 crore was unauthorisedly removed from the cash book. This fund was not brought back into the subsequent cash books for the year 2005-2009.

Thus, the opening balance of cash in hand as on 01 April 2005 was understated to the extent of ₹ 5.49 crore and remained unreconciled till 31 March 2009. This fact was also brought out in Paragraph 2.2.2 of the Report of the Comptroller and Auditor General of India for the years 2005-06 to 2007-08.

It was, however, observed that the discrepancies in the opening and closing cash balances as pointed out by Audit has not been reconciled in Annual Accounts for the year 2008-09. **As such, the opening and closing balances shown in the Annual**

**Accounts does not reflect true and correct picture of the financial affairs of JHADC.**

In reply (November 2020) Council stated that the Cash Book is maintained to account for and watch, reflecting the correct position of money received, their remittances to Treasury, drawals from Treasury and their disbursement. Thus, there is no room to remove any amount from the Cash Book and the amount in question ₹ 5.49 crore as stated by Audit has already been taken as opening balance in the Cash Book while recasting and updating the Cash Book from October 2004 onwards. Once updating task and recast of Cash Book is done, reconciliation would be done for the differences, if any.

Reply however, does not ensure that all the receipts were recorded in Cash Book and missing credits in Cash Book had not happened. Further, cash in hand cannot be computed backward from available bank balances and disbursements. Cash Book ought to be recast and reconciled.

*Council may expedite recasting of Cash Book so that Annual accounts may depict true and fair view of cash balances with Council, incorrect opening balance may mislead the stakeholders about the financial health of the Council. Appropriate action may be initiated in case of fraud detected while recasting of Cash Book.*

**3.2 Discrepancy in cash balance**

The closing balance of the Cash Book exhibited in the Annual Accounts as 'Cash in hand' did not tally with the cash balance of JHADC as per Cash Book. The details are shown in the **Table 3.2:**

**Table 3.2: Discrepancy in cash balance as per Annual Accounts and Cash Book**

(₹ in crore)			
Year	Closing balance as per Annual Accounts	Closing balance as per cash book	Overstatement (+)/Understatement (-)
2008-09	3.72	0.88	(+) 2.84

The above discrepancy has not been reconciled till date of audit (June 2018). The possibility of fraud or misappropriation escaping the notice of the authorities due to such delays in reconciliation cannot be ruled out.

In reply (November 2020), Council stated that after completion of updating and recast of Cash Book and the difference, if any, in closing balance in Cash Book would be reconciled.

*Council may expedite recasting of Cash Book and progress in this regard will be watched in next Audit.*

### 3.3 Understatement of Capital Expenditure

As per Statement 6 of the Annual Accounts, JHADC had incurred capital expenditure of ₹ 4.01 crore on various construction projects. However, during the year expenditure on construction works was booked as revenue expenditure. This resulted in overstatement of revenue expenditure by ₹ 4.01 crore. Consequentially the capital expenditure was understated by ₹ 4.01 crore during 2008-09.

Audit also noticed that the Council did not maintain progressive Capital outlay at the end of the year as prescribed in Statement 2 of the Annual Accounts in violation of the Para 7 (4) of the Sixth schedule of the Constitution.

The Secretary, Executive Committee, JHADC stated (July 2018) that the Jowai Autonomous District Fund Rules, 1967 do not prescribe the division of accounts into Revenue and Capital.

Reply is not tenable as the Format of Accounts adopted by the Autonomous District Councils in Meghalaya and approved by the C&AG clearly classifies Capital & Revenue Receipts and Capital & Revenue Expenditures. Further, Statement No. 2 of the Annual Accounts of the Council should depict the progressive capital outlays at the end of the financial year.

***Council may exhibit Capital and Revenue expenditure correctly in the Annual Accounts so that progressive expenditure on Capital outlay may be available to stakeholders for decision making.***

### 3.4 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:

- Non-accounting of opening cash balance amounting to ₹ 5.49 crore resulted in distorted closing cash balances.
- Capital expenditure on project was understated by ₹ 4.01 crore, due to misclassification of the expenditure as revenue.
- Non- maintenance of Annual Accounts in prescribed format.

Thus, instances of non-accounting of opening balance, misclassification of expenditure and non-maintenance of records indicated lack of adequate administrative and financial controls in the Council, therefore attempt on the part of Audit to examine the Annual Accounts of the Council was constrained to that extent.

### **3.5 Recommendations**

- *The Cash Book needs to be recast expeditiously to reflect correct Cash Balance.*
- *Council may ensure timely submission of Annual Accounts to the Accountant General to adhere with prescribed timeline;*
- *Council may regularise its arrears in accounts in a definite period of time so that persisting errors could be eliminated;*
- *Receipts and Expenditure to be correctly classified under Capital and Revenue categories as per Format of Accounts; and*
- *Council is advised to device a system of periodical review of accounting records to identify coexisting mistakes within the accounting period so that corrective action is taken.*

## **CHAPTER-IV**

# **COMPLIANCE AUDIT OBSERVATIONS**



## Chapter-IV

### Compliance Audit Observations

#### 4.1 Retention of heavy cash balances and delays in remittance of revenue

Rule 18 of the Jowai Autonomous District Fund (JADF) Rules, 1967 provides that all money received shall be remitted to the treasury promptly. Despite repeated comments made in successive Reports of the Comptroller and Auditor General of India regarding retention of heavy cash balance at the end of each financial year, in contravention of the Rules governing the District Fund, the position had not improved.

Scrutiny of the Cash Book revealed that the Council continued to retain heavy cash balances, which stood at ₹ 87.73 lakh at the end of 31 March 2009. Further scrutiny of Cash Book along with remittance register revealed that revenue of ₹ 0.90 crore collected by the Council during 2008-09 was belatedly deposited into the Treasury after delays ranging from 44 days to 73 days (**Appendix – I**). The delay in deposit of Council's revenue was not only in contravention of the Fund Rules but retention of money also leads to temporary misappropriation of Council's revenue.

The Secretary, JHADC while accepting the audit observation stated (July 2018) that the Council had issued an order vide JHADC Office Memo No. JHADC/FIN/ACCT-3/2014-15/6 dated 28 May 2014 on the matter. Accordingly, it is mandatory to remit all the moneys received to the PLA held at Jowai Treasury within seven days of receipt. Further, any receipt exceeding ₹ 0.50 lakh has to be deposited immediately to the PLA the very next day. The Controlling Officer has been made responsible for prompt remittance of receipts into PLA as prescribed under Rule 18 of the District Fund Rules, 1967.

***The Council may adhere to Fund Rules with respect to receipts and remittances to the Council Funds. Compliance to the assurance given by Council will be watched during next audit.***

#### 4.2 Irregular appointment of staff in the JHADC

As per Clause 11 under Chapter-IV of the Jaintia Hills Autonomous District Council Service Rules, 1981, the recruitment to all classes of service and staff shall be made after advertisement and by competitive examination and personal interview. Selection test for recruitment to the Class-IV Council servants may be made simply on the basis of oral examination-cum-interview.

Audit however, observed that the Council made 60 direct appointments to the Grade-III posts without any advertisements and competitive examinations, but merely on the basis of personal interview as detailed below:

**Table 4.1: Details of the appointments made during 2008-09**

Year	Sl. No.	Name of the Post	Class of Employee	No. of persons appointed	Pay Scale
2008-09	1	LDA	III	26	3100-5060
	2	Supervisor	III	5	3450-5650
	3	Sectional Assistants	III	1	3100-5060
	4	Forester	III	3	3100-5060
	5	Asst. Forester	III	11	2900-4620
	6	Computer Operator	III	1	3100-5060
	7	Intercom Operator	III	2	3100-5060
	8	Electrician	III	1	3100-5060
	9	Recorder	III	10	3100-5060

In reply (November 2020), the Secretary, JHADC stated that the initial appointments were made on ad-hoc basis on recommendation of Executive Council considering shortage of staff and urgent need, which was subsequently regularised by the Executive Committee considering their performance and conducting personal interview.

The reply is not tenable as the appointment are in Council had violation of Clause 11 under Chapter-IV of the JHADC Service Rules, 1981, which stipulated that recruitment to all classes of service and staff above Group-IV level shall be made after advertisement and by competitive examination and personal interview.

Non-adherence to recruitment policy and Rules creates opportunities for favoritism in the hiring process. In order to maintain fair competition for selection of deserving candidates, Council may follow recruitment rules. These appointments being in violation of the Council's own Rules, need to be annulled/cancelled. Similar recruitments against permanent posts may be reviewed for necessary action.

#### **4.3 Execution of works under the award of Twelfth Finance Commission**

The JHADC received (September 2008) grants of ₹ 75.00 lakh from 12<sup>th</sup> Finance Commission as "Grants-in-aid under up-gradation of Standards of Administration of the ADCs" for construction of 150 Block Sanitary Latrines.

Irregularities noticed in the execution of the works are discussed below:

*i. Incomplete works:* As per the terms and conditions of the 12<sup>th</sup> Finance Commission Award, the grant was to be utilised within one year after the date of sanction. Audit however, observed that out of 150 sanitary latrines 146 sanitary latrines were constructed, whereas remaining four works were still lying incomplete even after nine years of their sanction resulting in blockade of funds to the tune of ₹ 2.76 lakh till the date of audit (June 2018).

While accepting the audit observation, the Secretary, Executive Committee, JHADC stated (November 2020) that undue delay in completion of work were primarily due to local problems of disagreement in opinion and disputes regarding selection of site amongst the villagers/local committees. However, the Council has already taken action on the matter to complete works as early as possible.



ii. **Irregular submission of Utilisation Certificates:** JHADC was responsible for submission of Utilisation Certificates to the Accountant General (A&E), Meghalaya with a copy to Government for utilisation of grants received under the Finance Commission award. Further, the grants should be utilised within one year after the date of sanction.

Audit observed that the Utilisation Certificates for the grants received under 12<sup>th</sup> FC were submitted by the Council without actual utilisation of the funds as detailed in **Table 4.2:**

**Table No. 4.2: Submission of Utilisation Certificate**

Govt. letter No& date sanctioning these grants	Amount (₹ in lakh)	Date of submission of Utilisation Certificate & letter No. & date	Status of expenditure/utilisation of fund against the grant as on the date of submission of utilisation certificate
DCA.31/2007/26 dt. 17.09.2008	75.00	JHADC/CWD/54/2005/115 56 dt 25.11.2013. 31.3.2010	Work orders for construction of Block Sanitary Latrines were issued between February 2009 and December 2013. Out of 150 works, 146 works were completed between May 2009 and July 2014 and four works are still incomplete as of May 2018.

Submission of UCs without actually incurring expenditure for the purpose of availing subsequent instalments/grants is a violation of the terms and conditions of the 12<sup>th</sup> Finance Commission Award.

The Secretary, Executive Committee, JHADC stated (November 2020) that the UCs were furnished on the ground that since work orders were issued for the full amount and most of the works were in progress/near completion, it became the committed liability and inevitable expenditure of the Council.

The reply is not tenable as UCs were irregularly issued without actual expenditure. Besides, four works remained incomplete and funds to the tune of ₹ 2.76 lakh were still lying unutilised (May 2018).

***Council may devise a system to monitor implementation of the scheme in a timely manner so that intended benefits are extended to the beneficiaries. Further, Council should adhere to Finance Commission guidelines while utilising grants and ensure and fix responsibility for furnishing of correct UCs to the State Government / Finance Commission.***

#### **4.4 Non-deduction of VAT**

Section 106 of Meghalaya Value Added Tax (VAT) Act envisaged that every person (excluding an individual, Hindu Undivided Family, a firm or a company not under control of the Government) responsible for making any payment or discharging any liability on account of any amount payable for the transfer of property in goods involved

in a work contract for the transfer of right to use any goods for any purpose, or every person responsible for paying sale price or consideration or any amount purporting to be the full or part payment of sale price in respect of any sale or supply of goods liable to tax under this Act to the Government shall at the time of credit to the amount of or payment to the payee of such amount in cash, by cheque, by adjustment or in any other manner whatsoever, deduct tax there from in the prescribed manner at the rate specified in the schedule to the Act in respect of sale or supply of goods or transfer of the right to use. Provided that no deduction shall be made under this sub-section where the amount paid or credited by such person in any financial year does not exceed the prescribed amount. Further, Rule 39 (2) of the Meghalaya VAT Rules 2008 provides that “No deduction shall be made under sub-section (2) of the Section 106 of Meghalaya VAT Act 2005 where the amount paid or credited by such person in a financial year does not exceed five thousand rupees.

Therefore, Council should have deducted VAT at the rate 12.5 *per cent* at source from the value of work of contract bills of contractors while making payment to them either by way of cash or cheque or by adjustment or in any other manner whatsoever after allowing percentage deduction of 25 *per cent* from the work value.

Records of the JHADC revealed that the Council made final payment of ₹ 72.24 lakh to contractors for works approved by the 12<sup>th</sup> Finance Commission. However, in all the cases, bill was paid to the contractors without deduction of VAT. This has resulted in non-deduction of VAT of ₹ 6.02 lakh as shown below:

**Table 4.3: Non-deduction of VAT** (₹ in lakh)

Total Final payment made to contractors for works approved by the 12 <sup>th</sup> Finance Commission during 2008-09	72.24
<b>Less: Percentage deduction of 25 %:</b>	18.06
Amount against which VAT to be deduction	54.18
VAT to be deducted @ 12.5 % (54.18 x 12.5 /112.5):	6.02

The Secretary, Executive Committee, JHADC stated (November 2020) that VAT was not deducted since the value of each work was ₹ 0.30 lakh to ₹ 0.50 lakh and contractors had purchased materials at cost which included VAT. Since the contractors had already paid the VAT once at the time of purchase of material further deduction of VAT would lead to double payment of VAT on same material.

The reply was not tenable since under the circumstances where the contractors had paid VAT on the materials procured by him, he can claim ‘input tax credit’ from the Taxation Department as provided under Section 11 of the Meghalaya Vat Act, 2003. Further, the Council had also neither stated nor furnished any record evidencing that it had filed annual returns with the Taxation Department as required under Rule 41 of Meghalaya VAT Rules, 2005 showing reasons for not deducting VAT from the bills of the contractors. Thus, non-deduction of VAT of ₹ 6.02 lakh resulted in revenue loss for the Government.

***Council may review payments to the contractors with respect to contract executed to recover excess payment made to them.***

#### 4.5 Unverifiable expenditure on salary / honorarium

Between February 1987 and February 2001, the JHADC has constituted seven different Committees viz. Development Committee, Customary Law Committee, Environment Committee, Resource Mobilisation Committee, Public Grievances Committee, Housing Committee and Boundary Committee to examine and advise the Council, frame draft rules and regulations, etc., in the matters related to issues administered by the Council (**Appendix – II**). During 2008-09, JHADC incurred an expenditure of ₹ 21.26 lakh on salary/honorarium for the members of these Committees. Scrutiny of records however, revealed that these Committees had never held any meetings nor submitted any report on the issues for which it was constituted. Thus, the expenditure of ₹ 21.26 lakh could not be verified.

The Secretary, Executive Committee, JHADC stated (July 2018) that the matter would be placed before the Executive Committee for taking decision on the matter and action would be taken accordingly under intimation to Audit.

*Council may devise a charter that should clearly prescribe the Committee's role and responsibilities, composition, structure and membership requirements, authority, processes and procedures for reporting decisions and recommendations. Charter may also prescribe number of meetings and time interval for each Committee to utilise their executive powers to perform such functions that the Council themselves are not well-equipped to perform and make constitution of these Committees meaningful.*

#### 4.6 Injudicious deployment of teachers in Non-District Council Lower Primary (DCLP) schools

Scrutiny of records of the Education Department of JHADC revealed that there were 88 District Council Lower Primary (DCLP) schools under their direct administrative control. These schools were set up to cater to the need of those places where no schools existed. Teachers were appointed by JHADC and deputed to these schools. Apart from these schools, the salaries and allowances of the teachers deployed in Non-DCLP schools (Government schools, private schools and SSA schools) were also borne by JHADC. The details of the expenditure on the salaries and allowances of the teachers deployed in the Non-DCLP schools incurred by the Council during the year 2008-09 were as given in **Table 4.4**.

**Table 4.4: Expenditure incurred on Non-DCLP school teachers**

(₹ in lakh)

Year	No. of Non-DCLP schools	No. of Teachers	Expenditure on salaries and allowances
2008-09	105	134	117.20

As evident from above, the Council had incurred an expenditure of ₹ 117.20 lakh on deployment of teachers in Non-DCLP schools. The reason for deployment of Council's teachers in Non-DCLP schools was neither on record. Moreover, there was no instruction from Government for deployment of teachers by the Council in schools run

by the Government. There was no requisition on requirement of teachers being requested by the respective Government and SSA schools. In the absence of such requisition, deployment of teachers in those schools whose responsibility lies with the State/ Central Government remained unjustified. As such, the expenditure incurred to the tune of ₹ 117.20 lakh towards salaries and allowances of these teachers during 2008-09 led to extra financial burden on the Council's Fund. The same could have been utilised for the development of infrastructure and for the welfare and benefit of the children in DCLP schools.

The Secretary, Executive Committee, JHADC stated (July 2018) that in the area where Government and Private Lower Primary schools were in existence and running without having minimum required number of teachers, the teachers were deployed from the Council with the view to assist in providing education facilities to the children. The requests for deployment of teachers in all cases of non-DCLP schools were submitted by the respective School Managing Committee to the Member District Council (MDC) concerned of the Constituency, being an elected representative. The MDC on receiving the request and after verification of ground reality submitted the same to the Executive Committee of the Council for consideration and approval for deployment.

The reply was not tenable, as providing teachers to non-DCLP schools would entail additional liability on Council's Fund. Further, minutes of the Executive Committee of the Council regarding deployment of teachers in non-DCLP schools as per the recommendations of the MDCs were not made available to Audit to ascertain correctness of selection of teachers and their deployment.

*It is recommended that the Council may frame proper guidelines with approval of the State Government for deputing teachers to these schools, since schools are not under direct control of the Council. Further, clarity would have to be sought from the State Government regarding payment of salary and other liabilities of staff deputed by the Council in non-DCLP Schools.*

#### **4.7 Discretionary Grant and Gratuitous Relief: Observations thereof**

JHADC implements Discretionary Grant (DG) and Gratuitous Relief (GR) every year. Scrutiny of the actual DG and GR vis-à-vis the budgeted provision during 2008-09 is shown in **Table 4.5**:

**Table 4.5: Discretionary Grant and Gratuitous Relief (₹ in crore)**

Year	Budget allotment		Actual Expenditure	
	DG	GR	DG	GR
2008-09	2.00	2.00	2.23	2.09

Source: Budgets and Information furnished by the JHADC.

The deficiencies observed by Audit in the award of DG and GR are detailed below:

- There was no uniformity in the award of DG to the MDCs and it ranged between ₹ 0.50 lakh and ₹ 56.83 lakh (**Appendix-III**) per MDC per year. Similarly, the award of GR to MDCs ranged between ₹ 1.00 lakh and ₹ 35.93 lakh per MDC

per year (**Appendix-IV**). This clearly indicated that the purpose/objectives for which the schemes were implemented were not defined or prescribed by the JHADC in spite of incurring huge expenditure regularly under these schemes.

- ii. No system or criteria was adopted/ followed for selection of beneficiaries. Availability of budget provisions was considered as the main factor to accord sanction for payment under DG and GR.
- iii. There was no committee or system in place to verify/scrutinise the correctness/completeness/genuineness of the list of person (s) submitted by the MDCs. In short, Council did not verify the genuineness of the beneficiaries.
- iv. The selected beneficiaries were not informed/intimated about their selection for the Grant.

As such, the Council granted the DG and GR to the MDCs in an ad hoc and haphazard manner without any rules and regulations resulting in huge financial liability on the Council.

The Secretary, Executive Committee, JHADC stated (July 2018) that the Executive Committee has taken a decision vide EC decision No. 8 dated 25 January 2017 on the matter regarding sanction and disbursement of Discretionary Grant and Gratuitous Relief. Thus, the earlier practice of sanctioning and disbursement of DG and GR had since been discontinued.

***Council should have clearly defined objectives and activities to be taken up by the members for utilisation of Discretionary Grants and Gratuitous Relief. Council may also maintain proper accounts to ensure utilisation of DG and GR for the bonafide purposes.***

Council may comply with the Executive Committee decision No.8 dated 25 January 2017.

#### **4.8 Outstanding Inspection Reports**

Audit observations on financial irregularities and defects in the maintenance of accounts noticed during previous local audits, which are not settled on the spot, are communicated to the Secretary of the Council with copy to that District Council Affairs Department and Finance Department through Inspection Reports (IRs). Five IRs issued between November 1997 and April 2016, comprising 36 paras had not been settled (June 2018).

#### **4.9 Follow-up action on Audit Reports**

According to the JHADF Rules, 1967, the Member in-charge of Financial Affairs shall place the Audit Report before the Council and shall send a copy of the proceedings of discussion held by the Council thereon to the Governor of the State for information. Though, the Audit Reports for the years up to 2007-08 in respect of the Jaintia Hills Autonomous District Council were placed before the Council, no action on the audit paragraphs included in these reports was taken by the Council.

***It is recommended that the Council may ensure time bound action on the audit observations pointed out in the Audit Reports to facilitate improved financial discipline and good governance in the conduct of the affairs of the Council.***

#### **4.10 Conclusion**

The audit focuses on the functioning of the Council, viz. financial management, development activities, internal control and monitoring, *etc.* and concluded as:

- Revenue generated was deposited in the Council's Accounts with a delay ranging between 44 days and 73 days in contravention of JHADC, Fund Rules.
- Council made 60 direct appointments at the Grade-III posts without following Recruitment Rules process and without placing any advertisements and conducting competitive examinations.
- Incomplete works were noticed out of 12<sup>th</sup> FC grants even after expiry of nine years from the date of sanction resulting in blockade of funds to the tune of ₹ 2.76 lakh. Further, Utilization Certificates were irregularly issued by the Council before completion of assigned works and expenditure.
- Contractors were paid without deducting VAT amounting to ₹ 6.02 lakh which resulted in revenue loss to the Government and undue favour to the contractors.
- The Council deployed teachers in Non District Council Schools during 2008-09, without approval of State Government and any guidelines for the action taken.
- An expenditure of ₹ 21.26 lakh on various Committees remained unverifiable in absence of any activity / output during the year.
- The Council granted the Discretionary Grant and Gratuitous Relief to the MDCs in an ad hoc and haphazard manner without any rules and regulations resulting in huge financial liability on the Council.

#### **4.11 Recommendations**

The Council may consider the following recommendations:

- *Council may develop adequate monitoring system to ensure timely completion of works for which grants are received.*
- *Council may streamline and fix responsibility for issue of correct utilisation certificates to State Government / grantees.*
- *Council may frame proper guidelines with the approval of State Government for deputing teachers to Non-District Council Lower Primary Schools.*
- *Council may ensure that all recruitments to the Council are made by following due process.*

- *Council may devise a charter that should clearly prescribe the Committee's role and responsibilities, composition, structure and membership requirements, authority, processes and procedures for reporting recommendations.*
- *Council may clearly define objectives and activities to be taken up under Members Discretionary grants. They may also ensure proper documentation and accounts of the grants given to members.*
- *Systems for strengthening internal controls and checks in the Council Departments and Subordinate offices may be put in place on priority; and*
- *Council may impress upon Audit Committee to discuss audit reports and ensure action on audit observations.*



**(SHEFALI S. ANDALEEB)**

**Accountant General (Audit), Meghalaya**

**Shillong**

**The 23 September 2021**

*Countersigned*



**(GIRISH CHANDRA MURMU)**

**Comptroller and Auditor General of India**

**New Delhi**

**The 11 October 2021**





# APPENDICES



## Appendix – I

(Reference: Paragraph- 4.1)

Statement showing delay in depositing the revenue into the Treasury during the year 2008-09

Sl. No.	Type of revenue collected	Period of collection	Amount (in ₹)	Challan No./Date through which deposited into the Treasury	Period of delay (in days)
1	Survey & Map fees	April 2008	184035	4848 dt.9/7/08	69
2	Misc. receipt	-do-	315166	4854 dt9/7/08	69
3	Professional tax	-do-	869450	4849 dt.9/7/08	69
4	Professional tax	May 2008	772015	6715 dt. 13/8/08	73
5	Misc receipt	-do-	160690	6716 dt.13/8/08	73
6	Survey fee and Map	-do-	161996	6717 dt. 13/8/08	73
7	License fee & fine	-do-	647350	6719 dt 13/8/08	73
8	Professional tax	June 2008	1419645	7968 dt 8/9/08	69
9	License fee	-do-	348600	7966 dt 8/9/08	69
10	Misc. Receipt	-d-	412126	7967 dt. 8/9/08	69
11	Court fees	July & August 2008	161226	10361 dt.7/1108	71
12	Survey fee and Map	-do-	282141	10362 dt 7/11/08	71
13	Royalty & forest product	-do-	344040	10363 dt 7/11/08	71
14	Royalty & forest product	Sept 2008	397830	10578 dt 14/11/08	44
15	Rent on fishery	-do-	119180	10579 dt14/1108	44
16	Survey fee and Map	-do-	197228	10581 dt 14/11/08	44
17	Professional tax	-do-	1928800	10583 dt 14/11/08	44
18	Misc & Receipt	-do-	284567	10584 dt 14/11/08	44
<b>Total</b>			<b>90,06,085</b>		

## Appendix – II

(Reference: Paragraph- 4.5)

Statement showing the details of constitution of various Committees and expenditure incurred on them during 2008-09

(₹ in lakh)

Sl. No.	Name of Committee	Purpose	Notification No. & date	Member in position	No. of meetings held	Whether any Report submitted	Expenditure incurred
1	<b>Development Committee</b>	To examine and determine the basic need of the people of the district and collect data for proper planning of the various developmental programmes, monitor and inspect development projects implemented and executed by the Council and advice Executive Committee relating to developmental programme.	JHAD/CON/GE NL/84/87/1 dt. 18.02.1987	4	Nil	No	1.24
2	<b>Customary Law Committee</b>	To frame draft rules and regulations to codify the customs and usages that are practiced in the district and submit with its findings and recommendations to the Executive Committee.	JHADC/GENL/ 388/84/1 dt. 24.04.1989	4	Nil	No	1.12
3	<b>Environment Committee</b>	To advice and formulate plans on the matter concerning environmental forestry and afforestation and prevention of water pollution and contamination of streams and water resources due to extraction of coal.	JHADC/FOR/E NV/34/89/1 dt. 10.05.1989	11	Nil	No	3.90
4	<b>Resource Mobilisation Committee</b>	To advise the Executive Committee in tapping financial resources of the district council and recommend augmentation of the revenue receipts and other matter concerning with the financial resources of the district council.	JHADC/GENL/ 15/91/1 dt. 24.04.1991	2	Nil	No	4.35
5	<b>Public Grievances Committee</b>	To examine the grievances faced by public and evolve and suggest to the Executive Committee the procedure and principal to be followed in redressal public grievance.	JHADC/GENL// GRV/42/93/1 dt. 09.07.1993	4	Nil	No	1.04
6	<b>Housing Committee</b>	To study the existing system of granting of land documents to persons applying for housing loan and to suggest measures for implementation the system and examine the feasibility of procuring financial assistance from Government for the purpose of house building advance to Council employees and to frame rules in this regard.	JHADC/GENL/ 35/2001/2 dt. 16.02.2001	4	Nil	No	4.74
7	<b>Boundary Committee</b>	The Council could not furnish the order in respect of its creation to Audit and as such the duties and functions of this committee could not be ascertained by Audit.	01 March 2001	4	Nil	No	0.84
8	<b>Land Reforms and Land Revenue Committee</b>	<b>Note:</b> The Council could not furnish the order in respect of its creation to Audit and as such the duties and functions of this committee could not be ascertained by Audit.		4	Nil	No	4.03
<b>Total</b>							<b>21.26</b>

### Appendix – III

(Reference: Paragraph- 4.7)

Statement showing Discretionary Grant (DG) to MDCs during the year 2008-09

Sl. No.	Names of MDCs	Amount (₹)
1	A. Dkhar	620000
2	A.H. Darnei	500000
3	B. Chyrmang	200000
4	B. Shadap	150000
5	B. Shylla	270000
6	C.A. Lamin	200000
7	D.N. Nongpluh	500000
8	D.S Laloo	200000
9	E.S. Lyngdoh	100000
10	H. Lamin	1241000
11	H. Nongtdu	<b>5682500</b>
12	H. Phawa	105000
13	J. Pyrtuh	690000
14	J.M. Kyndiah	600000
15	J.U. Nongrum	1463000
16	L.B. Sumer	500000
17	M. Saio	100000
18	M.B. Rymbai	700000
19	M.S. Tyngkra	820000
20	N. Lamare	500000
21	O. Kyndait	500000
22	P. Lyngdoh	337000
23	P. Rymbai	334000
24	P. Tangliang	310000
25	Q. Suiam	1485000
26	R. Sna	216000
27	R.S. Lyngdoh	<b>50000</b>
28	S. Garod	725000
29	S. Mukhim	500000
30	S. Mulieh	100000
31	S. Sana	500000
32	S. Tany	191000
33	S.K. Sari	220000
34	S.S Shadap	138000
35	T. Shiwat	500000
36	T.K. Darnei	200000
37	W.B. Chullet	860000
<b>GRAND TOTAL</b>		<b>2,23,07,500</b>

## Appendix – IV

(Reference: Paragraph- 4.7)

**Statement showing Gratuitous Relief (GR) to MDC during the year 2008-09**

Sl. No	Names of MDC	Amount (₹)
1	A. Dkhar	752000
2	B. Chyrmang	<b>100000</b>
3	B. Shylla	100000
4	C. A. Lamin	376000
5	D. Laloo	100000
6	D. Nongpluh	500000
7	H. Lamin	2280000
8	H. Nongtdu	<b>3592500</b>
9	H. Phawa	242000
10	J. R. Pyrtuh	610000
11	J. U. Nongrum	680000
12	L. B. Sumer	500000
13	L. S. Shylla	500000
14	M. B. Rymbai	620000
15	M. S. Tyngkra	719000
16	M. Saioo	200000
17	N. Lamare	500000
18	O. Kyndiah	500000
19	P. Lyngdoh	115000
20	P. Rymbai	159500
21	P. Tangliang	248000
22	Q. Suiam	1540000
23	R. Sna	102000
24	R. Sten	NIL
25	S. Garod	630000
26	S. Mukhim	500000
27	S. Sari	165000
28	S. Shadap	104000
29	S. Suna	500000
30	S. Tang	100000
31	T. K. Darnei	600000
32	T. Shiwat	500000
33	W. Chullet	2810000
	<b>GRAND TOTAL</b>	<b>2,09,45,000</b>



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