

Report of the Comptroller and Auditor General of India

For the year ended 31 March 2011



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

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

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

For the year ended 31 March 2011

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

TABLE OF CONTENTS

<i>Particulars</i>	<i>Paragraph</i>	<i>Page(s)</i>
Preface		iii
Overview		v
Chapter-I: Constitution, Rules and Maintenance of Accounts		
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
Chapter II: Autonomous District Council Funds		
Introduction to Autonomous District Council Funds	2	5
Receipts and Disbursement	2.1	6
Substantial variation between revised estimates and actuals	2.2	9
Constraints in Auditing Annual Accounts	2.3	10
Conclusion	2.4	12
Recommendations	2.5	12
Chapter-III: Compliance Audit Observations		
Delays in remittance of revenue	3.1	13
Unverifiable expenditure on salary/ honorarium	3.2	13
Injudicious deployment of teachers in Non-District Council Lower Primary (DCLP) schools	3.3	14
Discretionary Grant and Gratuitous Relief: Observations thereof	3.4	15
Outstanding Inspection Reports	3.5	16
Follow-up action on Audit Reports	3.6	16
Conclusion	3.7	17
Recommendations	3.8	17
Appendices		
Statement showing delay in depositing the revenue into the Treasury during the year 2010-11	Appendix I	19
Statement showing the details of constitution of various Committees and expenditure incurred on them during 2010-11	Appendix II	20
Statement showing Discretionary Grant (DG) to MDCs during the year 2010-11	Appendix III	21
Statement showing Gratuitous Relief (GR) to MDCs during the year 2010-11	Appendix IV	22

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 transactions of the Jaintia Hills Autonomous District Council for the year 2010-11.

2. This Report contains three 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 and Chapter III deals with compliance issues during test-audit of the transactions of the Council for the year 2010-11.

OVERVIEW

OVERVIEW

This Report contains three Chapters. Chapter-I provide 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 findings pertaining to compliance audit of the Council and contains four 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 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.

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 from State Government and utilise its training facility 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 ₹ 42.69 crore and fell short of the BE by 36 *per cent* during 2010-11.

(Paragraph 2.2)

The expenditure of the Council was ₹ 44.10 crore. also fell short of the BE during the year 2010-11 by 47 *per cent*.

(Paragraph 2.2)

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 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 2005-06 to 2010-11.

Discrepancies in the opening and closing cash balances as pointed out by Audit had not been reconciled during the preparation of the Annual Accounts for the year 2010-11. As such, the opening and closing balances do not reflect true and correct picture of the Annual Accounts of JHADC.

In such circumstances, audit is unable to certify the annual accounts of JHADC for the year 2010-11, and until the time the Cash Book of the entity is fully reconciled.

(Paragraph 2.3)

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

In light of the above observations, Audit recommends to the State Government that non-salary grants-in-aid to the JHADC may be suspended till the annual accounts of JHADC are set in order and audited by the C&AG.

3. Compliance Audit Observations

During 2010-11, revenue receipts were belatedly deposited into the Treasury after delays of 34 days in contravention of Council's Fund Rules.

(Paragraph 3.1)

An expenditure of ₹ 35.88 lakh incurred on various Committees without any activity could not be verified.

(Paragraph 3.2)

The Council deployed teachers without approvals of the State Government nor any guidelines in place.

(Paragraph 3.3)

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 3.4)

Recommendations

Council may maintain Cash Book in an appropriate manner and reconcile with basic documents.

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.

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

Council may ensure proper maintenance and upkeep of records for better accountability and financial discipline.

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”¹ 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. These rules had not been finalised (June 2020). Meanwhile, the affairs of the

¹ “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.

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

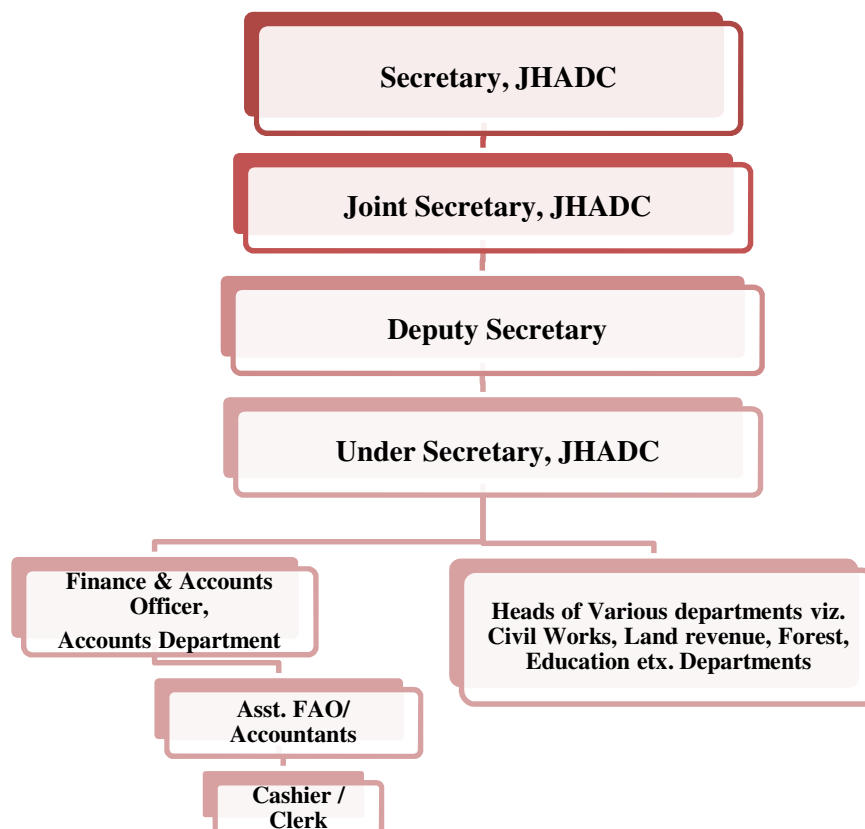
In pursuance of Paragraph 7 (3) of the Sixth Schedule to the Constitution, the form in which the accounts of the District Council are to be maintained, was prescribed by the Comptroller and Auditor General of India, with the approval of the President in April 1977.

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 **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 2010-11 was however, submitted to the Accountant General (Audit), Meghalaya after a delay of more than six 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 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, *etc.* as discussed in the succeeding Chapters.

Besides it was also seen that there was:

- Non availability of cashbook since 1 August 2009;
- 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.

Council in its reply (November 2020) accepted the audit observations 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 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 from State Government and utilise its training facility 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 Introduction to Autonomous District Council Funds

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, 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.

2.1 Receipts and Disbursement

The receipts and expenditure of JHADC for the year 2010-11 were as follows:

Table 2.1: Summarised position of Accounts for the year 2010-11

(₹ in crore)

PART –I DISTRICT FUND					
Receipts			Disbursement		
2009-10	1. Revenue Receipt	2010-11	2009-10	Revenue Expenditure	2010-11
2.35	(i) Taxes on Income and expenditure	2.69	0.64	(i) District Council	0.86
0.39	(ii) Land Revenue	0.42	3.20	(ii) Land Revenue	4.40
0.26	(iii) Other Administrative Services	0.12	0.47	(iii) Other Administrative Services	0.64
0.11	(iv) Stamps and Registration	0.11	1.63	(iv) Executive Members	1.88
0.18	(v) Taxes on Vehicles	0.06	5.34	(v) Secretariat General Services	7.20
0.22	(vi) Interest Receipts	0.18	0.27	(vi) Stationery and Printing	0.34
	(vii) Others (Misc)	0.39			
0.27	(viii) Other General Economic Services	0.28	4.64	(vii) Public Works	10.92
0.02	(ix) Fisheries	0.03	1.00	(viii) Pensions and other retirement benefits	1.17
1.21	(x) Forest	1.06	0.00	(ix) Fisheries	0.23
20.46	(xi) Mines & Minerals	34.23	7.32	(x) Forest	8.17
6.54	(xii) Grants-in-aid from State Government	0.58	0.56	(xi) Urban Development	0.65
3.00	(xiii) 12th Finance Commission	0.00	3.82	(xii) Education	5.46
0.00	(xiv) 13th Finance Commission	2.53	0.18	(xiii) Information and Publicity	0.33
0.01	(xv) Stationery and Printing	0.01	1.29	(xiv) Relief on account of natural calamities	0.47
0.17	Enforcement of TNT		0.75	(xv) Agriculture	1.18
			0.00	(xvi) Minor Irrigation	0.20
35.19	Total Revenue Receipt	42.69	31.11	Total Revenue Expenditure	44.10
-	Revenue Deficit (42.69-44.10=1.41)	1.41	4.08	Revenue surplus	-
	2. Capital			2. Capital	-
	3. Debt			3. Debt	-
-	4. Loans and Advances	-		4. Loans and Advances	-
35.19	Total Part-I District Fund	42.69	31.11	Total Part-I District Fund	44.10
PART II- DEPOSIT FUND					
-	Deposit receipts	-	-	Deposits Payments	-
-	Total of part II Deposit fund	-	-	Total of Part II Deposit fund	-
35.19	Total receipts (I + II)	42.69	31.11	Total Disbursements (I +II)	44.10
15.19	Opening balance	19.27	19.27	Closing balance ²	17.86
50.38	Grand total	61.96	50.38	Grand total	61.96

Source: Annual Accounts of the Council.

² 2010-11: Cash - ₹ 4.07 crore; PLA - ₹ 1.29 crore; Investment - ₹ 12.50 crore.

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.
- Resources made available by the State Government through the State Plan and 13th Finance Commission Award.

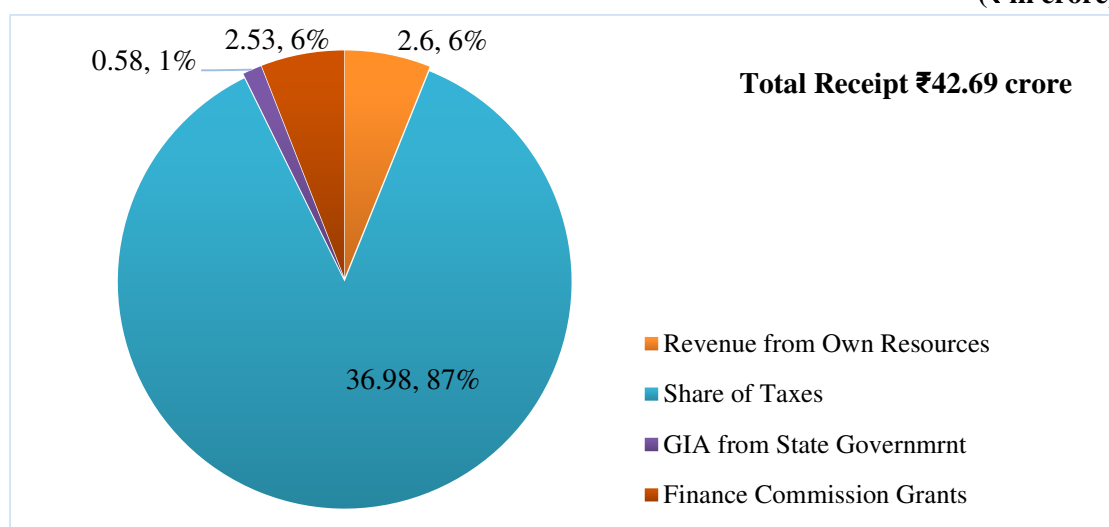
In disaggregated term, during 2010-11, JHADC generated³ ₹ 2.60 crore from its own sources, received ₹ 36.98 crore as share of taxes, ₹ 0.58 crore⁴ as Grant-in-aid from the State Government and ₹ 2.53 crore as Finance Commission grant.

Availability of funds and expenditure

Chart 2.1 depicts the composition of aggregate / total resources of JHADC during 2010-11.

Chart 2.1: Composition of Aggregate Receipts (2010-11)

(₹ in crore)



Source: Annual Accounts of JHADC.

³ Revenue of JHADC:

Head	₹ in crore	Head	₹ in crore
Own Resources		Share of taxes	
Land Revenue	0.42	Taxes on income & expenditure	2.69
Stamps & Registration	0.11	Taxes on vehicle	0.06
Interest Receipts	0.18	Mines & Minerals	34.23
Fisheries	0.03		
Forest	1.06		
others	0.80		
Total	2.60		36.98

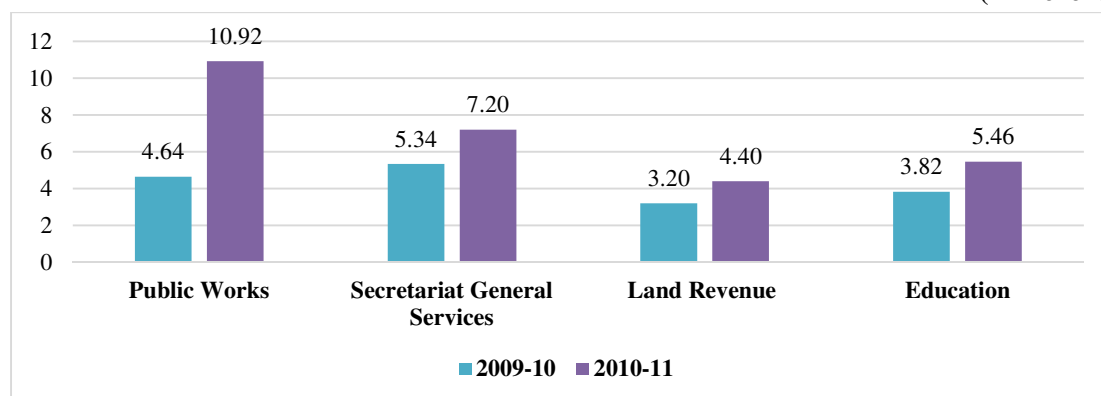
⁴ Grants in aid from State Government: ₹ 0.58 crore (Land Survey & Reform: ₹ 0.04 crore + Forests: ₹ 0.13 crore+ Public Works: ₹ 0.41 crore).

Finances of JHADC for the year 2010-11 are analysed below:

- Total revenue receipts of the Council increased by more than 21 *per cent* from ₹ 35.19 crore in 2009-10 to ₹ 42.69 crore in 2010-11. This increase was primarily due to increase in the share of royalty on minerals received from the State Government from ₹ 20.46 crore in 2009-10 to ₹ 34.23 crore in 2010-11.
- Total revenue expenditure of the Council increased by more than 41 *per cent* from ₹ 31.11 crore in 2009-10 to ₹ 44.10 crore in 2010-11. This increase was primarily due to increase in expenditure under Public Works (135 per cent) and Education Department (43 *per cent*).
- Details of increase in expenditure during 2010-11 compared to previous years i.e. 2009-10 is shown in **Chart 2.2:**

Chart 2.2: Departments, which spent more funds, compared to 2009-10

(₹ in crore)

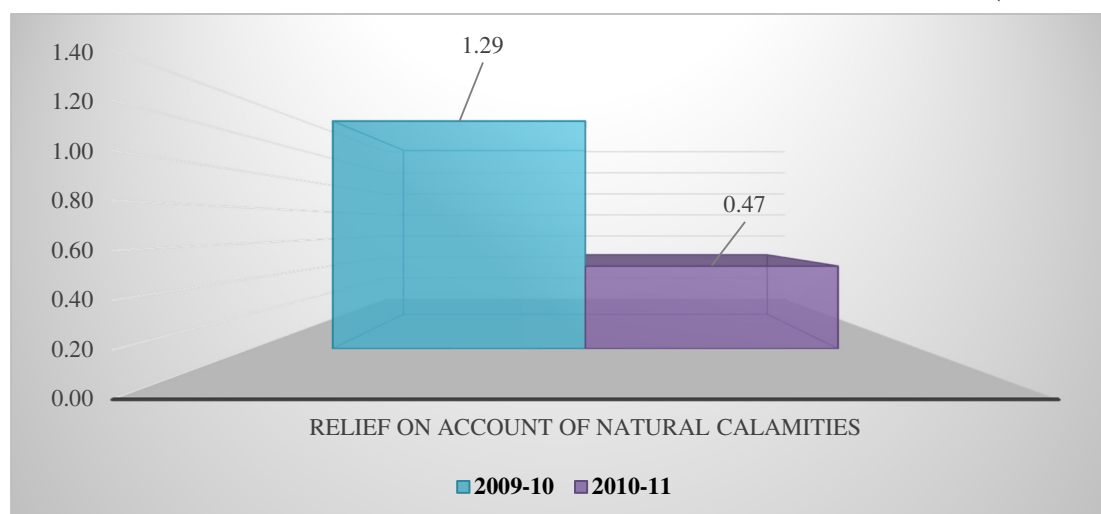


Source: Annual Accounts of JHADC.

- Details of decrease in expenditure during 2010-11 compared to previous year i.e. 2009-10 are shown in **Chart 2.3:**

Chart 2.3: Department which spent less funds compared to 2009-10

(₹ in crore)



Source: Annual Accounts of JHADC.

2.2 Substantial variation between revised estimates and actuals

Scrutiny of budget estimates for the year 2010-11 *vis-à-vis* actual receipt and expenditure revealed that there were variations between budget estimates (BE) as compared to receipts and expenditure as detailed in **Table 2.2:**

Table 2.2: Budget estimates and actual for the year 2010-11

(₹ in crore)

Particulars	Budget estimate	Actual	Excess (+)/ Shortfall (-)	Percentage of Excess (+)/ Shortfall (-)
2010-11				
Receipt	66.81	42.69	(-) 24.12	(-) 36
Expenditure	82.97	44.10	(-) 38.87	(-) 47

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

The receipts of the Council were less than the BE and fell short of the BE by 36 *per cent*. The shortfall was mainly under the heads where revenue declined sharply during the year 2010-11 as detailed in **Table 2.3:**

Table 2.3: Heads under which receipts were significantly less than the BE

(₹ in lakh)

S No.	Major Head	2008-09			2009-10			2010-11		
		BE	Actual	Shortfall/ (%)	BE	Actual	Shortfall/ (%)	BE	Actual	Shortfall/ (%)
1	Land revenue	46.00	26.00	20 (43)	53.00	39.00	14 (26)	51.00	42.00	9 (18)
2	Taxes on vehicles	160.00	62.00	98 (61)	100.00	18.00	82(82)	70.00	06.00	64(91)
3	Mines & Minerals	3600.00	2530.00	1070 (30)	5050.00	2046.00	3004 (59)	5050.00	3423.00	1627 (32)
4	Trading by Non Tribals (TNT)	46.00	0.00	46 (100)	51.00	17.00	34 (67)	51.00	39.00	12(24)
5	Grants-in-aid (12 th & 13 th FC	1275.00	75.00	1200 (94)	1275.00	300.00	975 (76)	1143.00	253.00	890(78)
6	Interest on investments	74.00	29.00	45 (61)	75.00	22.00	53 (71)	30.00	18.00	12 (40)

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

The shortfall between the budget provision and actual collection of revenue under land revenue, Taxes on Vehicles, Mines & Minerals, TNT, Grants-in-aid (13th Finance Commission) and interest on investments ranging between 18 to 91 *per cent* indicated that the Council had not been able to make its revenue collection mechanism effective to the extent it had planned for.

In respect of expenditure, the shortfall was mainly under the heads shown in **Table 2.4:**

Table No. 2.4: Heads under which expenditure were significantly less than the BE**(₹ in crore)**

Sl. No.	Major Head	2010-11		
		Budget Estimate	Actual	Shortfall
1	Public works	30.73	10.91	19.82 (64)
2	Pension	1.69	1.17	0.52 (31)
3	Education	6.69	5.46	1.23 (18)
4	Information and Publicity	0.39	0.33	0.06 (15)
5	Stationery & Printing Department	0.54	0.34	0.20 (37)

Sources: Budget estimates and Statement 6 of Annual Accounts.

The shortfall between the budget provision and actual expenditure under Public Works, Pension, Education, Information & Publicity and Stationery & Printing Departments ranging between 15 to 64 *per cent* indicated either poor implementation of schemes by the Council or unrealistic estimates.

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 the council had no hand on it. Further, budget provision for revenue expenditure for a particular year was made keeping in view the anticipated availability of funds in that year.

Reply with respect to expenditure is not tenable as the funds were available to meet planned expenditure. The variation between the BE and Actuals is pointed out by Audit regularly year after year. The reply indicates that JHADC continues to prepare its Budget in the same manner without taking into account the position of previous years' actuals. As a result, there continues to be substantial variation between the BE and Actuals every year.

The Council may need to identify and implement internal cost-saving measures - while not compromising on its core functions - and the State Government may need to increase predictable and adequate lines of funding to the institution in a timely manner so that Council may estimate its revenue and accordingly plan its expenditure during the year in a realistic manner.

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 analyses and reviews to identify and resolve challenges regarding financial sustainability.***

2.3 Constraints in Auditing Annual Accounts

Paragraph 7(4) of the Sixth Schedule to the Constitution of India states that “*The Comptroller and Auditor-General shall cause the accounts of the District Councils 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 Audit Report contains the comments on accounts. However, the audit has not proceeded with the audit of accounts for the year 2010-11, and is therefore unable to certify the accounts and provide any assurance that the accounts would be free from material irregularities for reasons explained below:

➤ The affairs of the Jaintia Hills Autonomous District Council (JHADC) were being regulated in accordance with the Jowai Autonomous District Fund Rules, 1967. Rule 16 (1) of the Fund Rules states that the Cashier shall keep a cash book in the form prescribed in which he shall enter all sums received and payment made by him on account of the Council. Rule 7 further states that the Member-in-charge of the Financial Affairs shall, at the time of audit, cause to be produced **all accounts, registers, documents and subsidiary papers** which may be called for by the audit authority for investigation.

During the course of audit of Council's accounts for the year 2010-11, it was observed that the cash book from 01 August 2009 onwards was not available with the Finance and Accounts Department of JHADC and the same was also not furnished to Audit.

The Secretary, Executive Committee, JHADC stated (July 2018) that "Since the cash books are not maintained for some period or maintained without closing balance of previous month (also mentioned in Audit Reports under para 3.1 of 2004-05 and para 2.2.2 of 2005-08), the task of updating/recast of the cash book right from October 2004 has been taken up with a view to arrive at a correct position of closing balance at the end of the year. The Annual Accounts of the Council had been lying in arrears over 11 years and the matter had been taken up by the Government as well by the AG. The updating task of cash books is a huge task involving time and on the other hand the compilation of Annual Accounts and the arrear position of submission of Annual Accounts accumulating year after year."

➤ Audit is of the view that not only non-preparation of the Cash Book is a violation to the provisions of Rule 16 (1) of the Fund Rules, in the absence of cash book, however, the basis of preparation of final accounts and closing balance of 'cash in hand' as reflected in the Annual Accounts for the year 2010-11 could not be vouched safe by Audit.

➤ 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 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 2005-06 to 2010-11. Thus, 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 2010. This fact was also brought out in **Paragraph 2.2.2, Paragraph 3.1 and Paragraph 2.3** of the Report of the Comptroller and Auditor General of India for the years 2005-06 to 2007-08, 2008-09 and 2009-10 respectively.

It was, however, observed that the discrepancies in the opening and closing cash balances as pointed out by Audit had not been reconciled during the preparation of the Annual Accounts for the year 2010-11. As such, the opening and closing balances do not reflect true and correct picture of the Annual Accounts of JHADC. **In such circumstances, audit is unable to certify the annual accounts of JHADC for the year 2010-11, and until the time the cash book of the entity is fully reconciled and presented to Audit.**

In light of the above observations, Audit recommends that the non-salary grants-in-aid to the JHADC may be suspended till the annual accounts of JHADC are set in order and audited by the C&AG.

2.4 Conclusion

Variations between the BEs and actual receipts and expenditure during 2010-11 indicate that the JHADC had prepared BEs without taking actual position.

Budgetary assumptions of the Council were not realistic during 2010-11, budgetary estimates were off the mark by a considerable margin and control over the execution and monitoring of budget was inadequate.

Cash book was not made available to Audit, constraint verification and validation of expenditure for bonafide purposes, resulted in unverified cash balances thus, Audit has not proceeded with the audit of accounts for the year 2010-11, and is therefore unable to certify the accounts and provide any assurance that the accounts would be free from material irregularities.

2.5 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*
- *In light of the above observations, Audit recommends to the State Government that non-salary grants-in-aid to the JHADC may be suspended till the annual accounts of JHADC are set in order and audited by the C&AG.*

CHAPTER-III

COMPLIANCE AUDIT OBSERVATIONS

Chapter-III

Compliance Audit Observations

3.1 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. Since the JHADC had not produced cash book, Audit cross verified the Receipt Books submitted by the Revenue Collectors with the Remittance Registers and found that the revenue of ₹ 4.55 lakh collected by the Council Collectors during 2010-11 was belatedly deposited into the Treasury after delays of 34 days (**Appendix – I**). The delays in deposit of Council's revenue were not only in contravention of the Fund Rules but retention of money also tantamounts 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. As per this Memo, 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.

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.

3.2 Unverifiable expenditure on salaries / 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 2010-11, JHADC incurred an expenditure of ₹ 35.88 lakh on salary/honorarium for the members of these Committees. Scrutiny of records however, revealed that these Committees had neither held any meetings nor submitted any report on the issues for which it was constituted, thus rendering the expenditure of ₹ 35.88 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.

3.3 Indjudicious deployment of teachers in Non-District Council Lower Primary (DCLP) schools

Scrutiny of the records of the Education Department of the Council revealed that there were 88 District Council Lower Primary (DCLP) schools under the direct administrative control of the Council. These schools were set up to cater to the need of those places where no schools existed. Teachers were appointed by the Council 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 the Council. 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 2010-11 were as in **Table 3.1**:

Table No. 3.1: Expenditure incurred on Non-DCLP school teachers
(₹ in lakh)

Year	No. of Non-DCLP schools	No. of Teachers	Expenditure on salaries and allowances
2010-11	117	151	234.26

As evident from above, the Council had incurred an expenditure of ₹ 2.34 crore on deployment of teachers in Non-DCLP schools during 2010-11. The reason for deployment of Council's teachers in Non-DCLP schools was neither on record nor stated to Audit. Moreover, no Government instruction for deployment of teachers by the Council in schools run by the Government could also be made available to Audit. 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 of ₹ 2.34 crore towards salaries and allowances of these teachers during 2010-11 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 been sought from the State Government regarding payment of salary and other liabilities of staff deputed by the Council in Non-DCLP Schools.

3.4 Discretionary Grant and Gratuitous Relief: Observations thereof

The JHADC implements Discretionary Grant (DG) and Gratuitous Relief (GR) every year. However, the actual year from which these schemes were started was not found on record. Scrutiny of the actual DG and GR vis-à-vis the budgeted provision during 2010-11 is shown in **Table 3.2**:

Table 3.2: Discretionary Grant and Gratuitous Relief

(₹ in crore)

Year	Budget allotment		Actual Expenditure	
	DG	GR	DG	GR
2010-11	3.00	3.00	1.33	0.47

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 ₹ 7.02 lakh per MDC per year during 2010-11 (**Appendix-III**). Similarly, the award of GR to MDCs ranged between ₹ 0.50 lakh and ₹ 6.02 lakh per MDC per year during 2010-11 (**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.
- No system or criterion 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.
- 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, the identity of the beneficiaries was not checked or verified at any level by the Council.
- 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 Grant 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.

3.5 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).

3.6 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.

3.7 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 of 34 days in contravention of JHADC, Fund Rules.
- An expenditure of ₹ 35.88 lakh on various Committees remained unverifiable in absence of any activity/ output during the year.
- The expenditure of ₹ 234.26 lakh towards salaries and allowances of teachers deployed in Non-District Council Schools during 2010-11 led to extra financial burden on the Council's Fund.
- 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.

3.8 Recommendations

The Council may consider the following recommendations:

- *Council may maintain Cash Book in an appropriate manner and reconcile with basic documents.*
- *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.*
- *Council may ensure timely submission of Annual Accounts to the Accountant General to adhere with prescribed timeline.*

- *Council may ensure proper maintenance and upkeep of records for better accountability and financial discipline.*
- *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- 3.1)

Statement showing delay in depositing the revenue into the Treasury during the year 2010-11

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	Registration fee on coal exporter	April 2010	1,09,600	2900 dt 04/06/10	34
2	Survey fees and maps	April 2010	1,60,607	2898 dt 04/06/10	34
3	Misc. & Receipts	April 2010	1,84,600	2901 dt 04/06/10	34
Total			4,54,807		

Appendix – II

(Reference: Paragraph- 3.2)

Statement showing the details of constitution of various Committees and expenditure incurred on them during 2010-11

(₹ 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	Development Committee	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/GEN L/84/87/1 dt. 18.02.1987	4	Nil	No	2.45
2	Customary Law Committee	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/38 8/84/1 dt. 24.04.1989	4	Nil	No	1.26
3	Environment Committee	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/EN V/34/89/1 dt. 10.05.1989	11	Nil	No	13.34
4	Resource Mobilisation Committee	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	10.78
5	Public Grievances Committee	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//G RV/42/93/1 dt. 09.07.1993	4	Nil	No	1.26
6	Housing Committee	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	5.53
7	Boundary Committee	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	1.26
Total							35.88

Appendix – III

(Reference: Paragraph- 3.4)

Statement showing Discretionary Grant (DG) to MDCs during the year 2010-11

Sl. No.	Names of MDC	Amount (₹)
1	A. Dkhar	4,50,000.00
2	A.H. Darnei	4,50,000.00
3	B. Chyrmang	4,75,000.00
4	B. Shylla	450,000.00
5	C. Biam	5,00,000.00
6	D.N. Nongpluh	4,50,000.00
7	E.S. Lyngdoh	50,000.00
8	H. Dkhar	4,80,000.00
9	H. Lamin	4,50,000.00
10	H. Nongtdu	7,02,000.00
11	J. Pyrtuh	5,00,000.00
12	J.U. Nongrum	4,70,000.00
13	K.M. Lytan	4,50,000.00
14	L.B. Sumer	4,50,000.00
15	L.S. Shylla	4,50,000.00
16	M. Pariat	50,000.00
17	M.B. Rymbai	5,65,000.00
18	M.S. Tyngkra	4,50,000.00
19	N. Lamare	4,50,000.00
20	O. Kyndait	4,50,000.00
21	P. Tangliang	4,00,000.00
22	Q. Suiam	5,85,000.00
23	R. Sten	4,60,000.00
24	R.S. Lyngdoh	4,75,000.00
25	S. Mukhim	4,50,000.00
26	S. Mulieh	4,50,000.00
27	S.S Shadap	4,50,000.00
28	T. Shiwat	4,50,000.00
29	Welcome Dkhar	3,50,000.00
30	W.B. Chullet	4,50,000.00
	Grand Total	1,32,62,000.00

Appendix – IV

(Reference: Paragraph- 3.4)

Statement showing Gratuitous Relief (GR) to MDCs during the year 2010-11

Sl. No	Names of MDC	Amount (₹)
1	A. Dkhar	1,50,000.00
2	A.A Darnei	1,50,000.00
3	B. Chyrmang	1,50,000.00
4	B. Shylla	1,50,000.00
5	C. Biam	1,50,000.00
6	D. Nongpluh	1,50,000.00
7	H. Dkhar	1,50,000.00
8	H. Lamin	1,50,000.00
9	H. Nongtdu	6,02,000.00
10	J. R. Pyrtuh	2,27,000.00
11	J. U. Nongrum	1,50,000.00
12	K.M Lytan	1,50,000.00
13	L. B. Sumer	1,50,000.00
14	L. S. Shylla	1,50,000.00
15	M. B. Rymbai	1,50,000.00
16	M. S. Tyngkra	1,50,000.00
17	N. Lamare	1,50,000.00
18	O. Kyndiah	1,50,000.00
19	P. Tangliang	1,50,000.00
20	Q. Suiam	1,60,000.00
21	R.S Lyngdoh	1,50,000.00
22	R. Sten	1,50,000.00
23	S. Mukhim	1,50,000.00
24	S. Shadap	1,50,000.00
25	S. Suna	1,60,000.00
26	T. Shiwat	1,60,000.00
27	W.B Shadap	1,50,000.00
28	Welcome Dkhar	50,000.00
	Grand Total	46,59,000.00

**© COMPTROLLER AND
AUDITOR GENERAL OF INDIA
2021**