



Report of the Comptroller and Auditor General of India

For the year ended 31 March 2012



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 2012

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

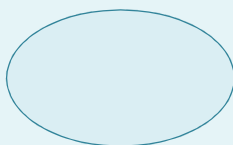
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PREFACE

This Report has been prepared for submission to the Governor of Meghalaya under Paragraph 7(4) of the Sixth Schedule to the Constitution of India. It relates mainly to the issues arising from the audit of the transactions of the Jaintia Hills Autonomous District Council for the year 2011-12.

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 2011-12.*



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.

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, non-maintenance of Cash Book/ 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

JHADC may seek help from the 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.

The JHADC needs to establish the Internal Audit Wing so as to strengthen its internal control mechanism.

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

2. Autonomous District Council Funds

Total revenue receipts of the Council increased by 49.66 *per cent* from ₹ 42.69 crore in 2010-11 to ₹ 63.89 crore in 2011-12.

(Paragraph 2.2)

Total revenue expenditure of the Council increased by 19.02 *per cent* from ₹ 44.10 crore in 2010-11 to ₹ 52.49 crore in 2011-12.

(Paragraph 2.2)

The receipts of the Council were ₹ 63.89 crore and fell short of the BE by 23.09 *per cent* during 2011-12.

(Paragraph 2.3)

The expenditure of the Council was ₹ 52.49 crore and it also fell short of the BEs during the year 2011-12 by 46.97 *per cent*.

(Paragraph 2.3)

Cash Book was not made available to Audit which constraints verification and validation of expenditure for bona-fide purposes, resulting in unverified cash balances. Therefore, **in absence of Cash Book and other subsidiary registers Audit could not certify the Annual Accounts and provide any assurance that the Accounts were free from material misstatements.**

(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

Council may prepare its Accounts in complete and transparent manner to ensure true and fair view.

3. Compliance Audit Observations

The Council had no proper and appropriate rules and regulations for procurement of goods.

(Paragraph 3.1)

The Council granted Discretionary Grant and Gratuitous Relief to the Members District Council in an ad hoc and haphazard manner without following the Rules and Regulations, resulting in an unverified expenditure to the tune of ₹ 2.43 crore.

(Paragraph 3.2)

Recommendations

Council may frame rules and procedures for Purchase of Stocks/Stationeries/ civil works.

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



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 of the Constitution of India. The Council was bifurcated in 1967 and the Jowai District Council was carved out of it. In 1973, the United Khasi and Jaintia Hills District Councils was renamed as Khasi Hills Autonomous District Council and Jaintia Hills Autonomous District Council respectively.

The Sixth Schedule of 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 forest other than reserve forests, use of any canal or water courses for irrigation purposes, regulation of the practice of “Jhum” or other forms of shifting cultivation, establishment of village or town Committees or Councils and their powers, village or town administration including police, public health and sanitation and inheritance of property.

Under paragraph 6 (1) of the Sixth Schedule, the 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 revenue in respect of land and building, taxes on professions, trade, 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 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 (December 2021). 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

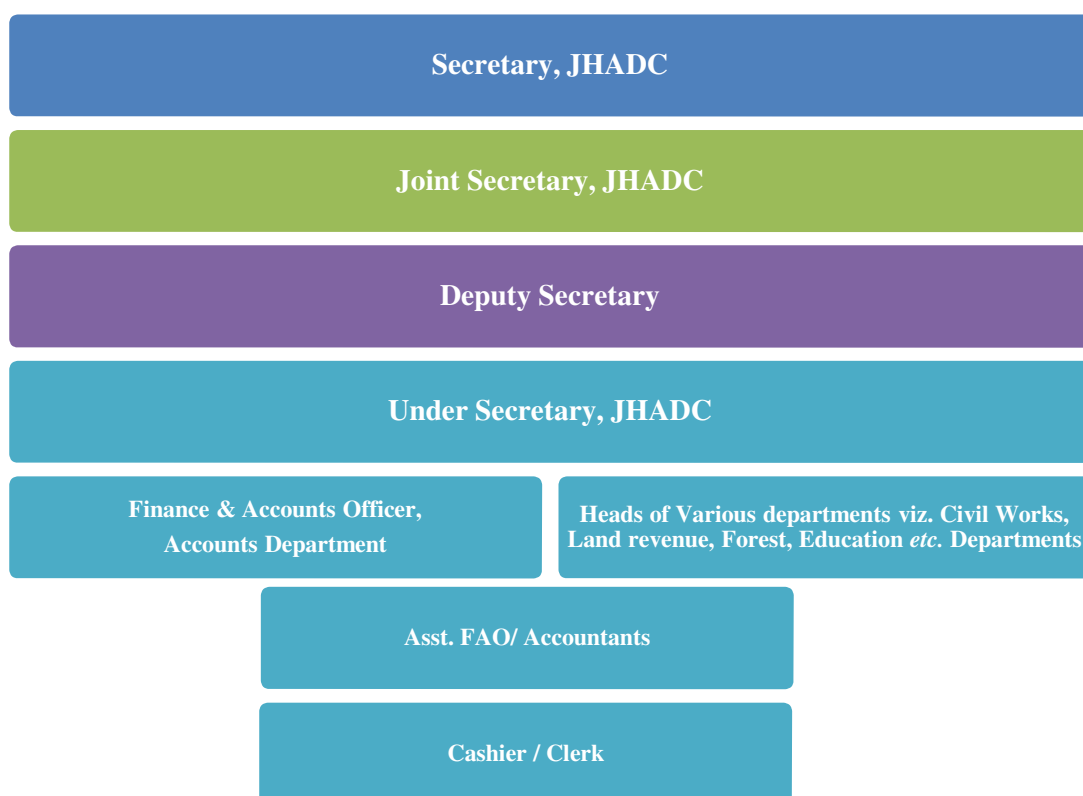
In pursuance of paragraph 7 (3) of the Sixth Schedule, the forms in which the accounts of the District Council are to be maintained, was prescribed by the Comptroller and Auditor General of India with the approval of the President, in April 1977.

In terms of Paragraph 7 (4) of the Sixth Schedule, 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 would have a maximum of 30 members. There were 29 elected members and one member was nominated by Governor during 2011-12. The Council is administered by the Secretary to the Executive Committee and has departments such as the General Administration, Finance & Accounts, Land Revenue, Forest Departments, *etc.* Finance & Accounts Department is manned by Finance & Accounts Officer, Assistant Finance & Accounts Officer, Accountant, Assistant Accountant, Upper Divisional Accountant, Lower Divisional Accountant, *etc.* to conduct the 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

Proper and accurate compilation of the financial information of the Council and its disclosure, in a manner that is standardised and understood by stakeholders, is central to the credibility of those charged with governance.

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 2011-12 was however, submitted to the Accountant General (Audit), Meghalaya after a delay of more than five years. This led to a delay in conducting the audit of Annual Accounts with consequential delay in finalising the Audit Reports.

While accepting the delay in preparation of Annual Accounts, the Secretary, Executive Committee, JHADC attributed (November 2020) the delay to non-availability of experienced staff in dealing with accounts and financial matters.

The Council may impart training to the existing staff for smooth conduct of entrusted functions including proper record keeping and for maintenance and early submission of Accounts.

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.

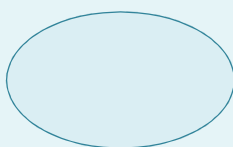
An evaluation of internal control system in the Council showed that internal control mechanism was weak which is evident from persistent irregularities like discrepancy in cash balances as per Annual Accounts, non-maintenance of Cash Book, weak internal controls in civil works, absence of internal audit, non-maintenance of Asset Register and absence of physical verification of assets; non-reconciliation of cash balance with treasury and bank accounts; non-maintenance of ledger accounts, physical verification of stores and stock not being conducted, *etc.* We consider absence of and weak internal controls, as serious audit constraints. Further, as discussed in Paragraph 2.4, the Council did not maintain Cash Book since August 2009 due to which audit is unable to certify the annual accounts of JHADC for the year 2011-12.

While accepting the observations, the Council stated (November 2020) that efforts are being made to establish Internal Audit Wing.

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

1.7 Recommendations

- *JHADC may seek help from the 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.*
- *The JHADC needs to establish the Internal Audit Wing so as to strengthen its internal control mechanism.*



CHAPTER-II

Autonomous District Council Funds

Chapter II

Autonomous District Council Funds

2.1 Introduction to Autonomous District Council Funds

Sixth Schedule to the Constitution of India 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. The District Fund of the Autonomous District Council is constituted under the provisions of Sub- Paragraph (I) of Paragraph 7 of the Sixth Schedule.

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

2.2 Receipts and Disbursement

The receipts and expenditure of JHADC for the year 2011-12 were as follows:

Table 2.1: Summarised position of Accounts for the year 2011-12

(₹ in crore)					
2010-11	Receipts	2011-12	2010-11	Disbursement	2011-12
PART – I DISTRICT FUND					
1. Revenue Receipts			Revenue Expenditure		
2.69	(i) Taxes on Income and expenditure	3.11	0.86	(i) District Council	1.67
0.42	(ii) Land Revenue	0.29	4.40	(ii) Land Revenue	6.43
0.12	(iii) Other Administrative Services	0.01	0.64	(iii) Other Administrative Services	0.98
0.11	(iii) Stamps and Registration	0.08	1.88	(iv) Executive Members	2.27
0.06	(iv) Taxes on Vehicles	0.46	7.20	(v) Secretariat General Services	9.69
0.18	(v) Interest Receipts	0.32	0.34	(vi) Stationery and Printing	0.47
0.28	(vii) Other General Economic Services	0.38	10.92	(vii) Public Works	5.95

2010-11	Receipts	2011-12	2010-11	Disbursement	2011-12
0.03	(viii) Fisheries	0.03	1.17	(viii) Pensions and other retirement benefits	2.22
1.06	(ix) Forest	0.17	0.23	(xv) Fisheries	0.00
34.23	(x) Mines & Minerals	52.84	8.17	(xvi) Forest	11.86
0.97	(xi) Grants-in-aid from State Government	0.88	0.65	(x) Urban Development	1.17
0.00	(xii) 12th Finance Commission	0.00	5.46	(ix) Education	6.93
2.53	(xiii) 13th Finance Commission	5.30	0.33	(xi) Information and Publicity	0.39
0.01	(xiv) Stationery and Printing	0.02	0.47	(xii) Relief on account of natural calamities	0.83
			1.18	(xiii) Agriculture	1.52
			0.20	(xiv) Minor Irrigation	0.11
42.69	Total Revenue Receipts	63.89	44.10	Total Revenue Expenditure	52.49
1.41	Revenue Deficit	-	-	Revenue surplus	11.40
-	2. Capital	-	-	2. Capital	-
-	3. Debt	-	-	3. Debt	-
-	4. Loans and Advances	-	-	4. Loans and Advances	-
42.69	Total Part-I District Fund	63.89	44.10	Total Part –I District Fund	52.49
PART II- DEPOSIT FUND					
-	Deposit receipts	-	-	Deposits Payments	-
-	Total of part II Deposit fund	-	-	Total of Part II Deposit fund	-
42.69	Total receipts (I + II)	63.89	44.10	Total Disbursements (I +II)	52.49
19.27	Opening balance	17.86	17.86	Closing balance ¹	29.26
61.96	Grand Total	81.75	61.96	Grand Total	81.75

Source: Annual Accounts of the Council for the year 2011-12.

Resources

JHADDC collected its revenue through:

- **Revenue from own sources** - Trade licenses, market auction, bank interest, fisheries, forest, Stamp & Registration *etc.*;
- **Share of taxes** - From the State Government on agricultural income, land revenue, taxes on vehicles, forest, mines & minerals and taxes on profession.
- **Grant in Aid** - From the State Government through the State Plan and 13th Finance Commission award.

During 2011-12, JHADDC generated ₹ 1.30 crore² from its own sources, received ₹ 56.41 crore as share of taxes, ₹ 0.88 crore³ as Grants-in-aid from the State Government and ₹ 5.30 crore as 13th Finance Commission grants.

¹ 2011-12: Cash-₹ 3.63 crore; Bank-₹ 11.91 crore; PLA-₹ 5.62 crore; Investment-₹ 8.10 crore.

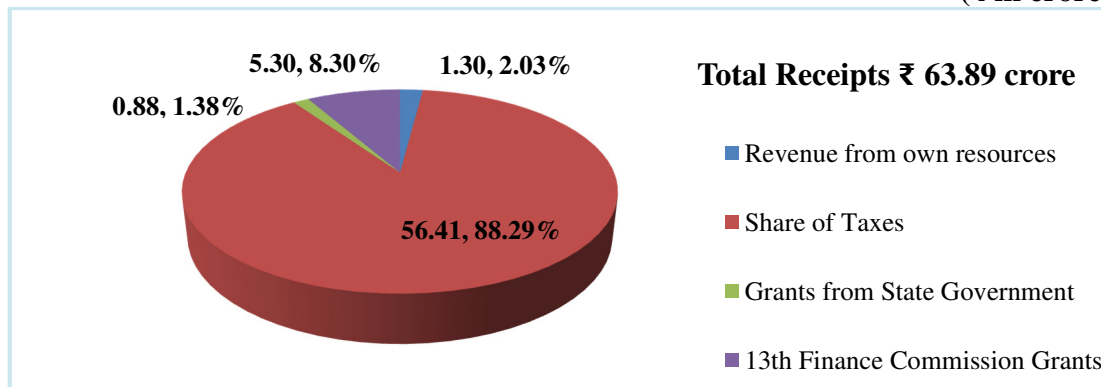
² Revenue of JHADDC for the year 2011-12:

Head	₹ in crore	Head	₹ in crore
Own Revenue		Shares of Taxes	
Land revenue	0.29	Taxes on income & expenditure	3.11
Stamps & Registration	0.08	Taxes on vehicles	0.46
Interest receipts	0.32	Mines & Minerals	52.84
Fisheries	0.03		
Forest	0.17		
Others	0.41		
Total	1.30		56.41

³ Grants-in-aid from State Government: ₹ 0.88 crore (Land Survey & Reform: ₹ 0.09 crore + Forests: ₹ 0.52 crore + Public Works: ₹ 0.05 crore+ Taxation: ₹ 0.22 crore).

Availability of funds and expenditure

Chart 2.1 depicts the composition of aggregate/total resources of JHADC during 2011-12.

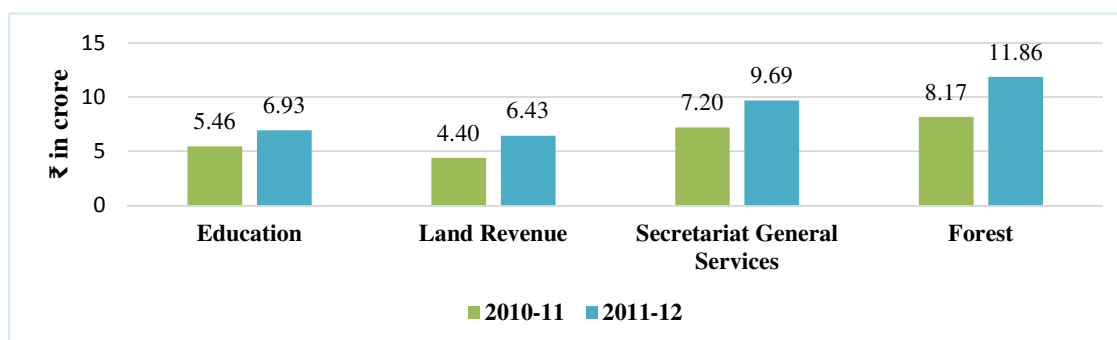
Chart 2.1 Composition of Aggregate Receipts (2011-12)**(₹ in crore)**

Source: Annual Accounts of JHADC for the year 2011-12.

Finances of JHADC for the year 2011-12 are analysed below:

- Total revenue receipts of the Council increased by 49.66 *per cent* from ₹ 42.69 crore in 2010-11 to ₹ 63.89 crore in 2011-12. This was primarily due to increase of 54.37 *per cent* (₹ 18.61 crore) in the share of royalty on minerals received from the State Government from ₹ 34.23 crore in 2010-11 to ₹ 52.84 crore in 2011-12.
- Total revenue expenditure of the Council increased by 19.02 *per cent* from ₹ 44.10 crore in 2010-11 to ₹ 52.49 crore in 2011-12. This increase was primarily due to increase in expenditure on District Council Secretariat (94.19 *per cent*), Pension and other retirement benefits (89.74 *per cent*), Urban Development (80 *per cent*), Forest Department (45.17 *per cent*) and Secretariat General Services (34.58 *per cent*).
- Expenditure under Public Works decreased by 45 *per cent* from ₹ 10.92 crore in 2010-11 to ₹ 5.95 crore in 2011-12

Details of increase in expenditure during 2011-12 compared to previous years *i.e.* 2010-11 is shown in **Chart 2.2**:

Chart 2.2: Major Departments, which spent more funds, compared to 2010-11

Source: Annual Accounts of JHADC for the year 2011-12.

2.3 Substantial variation between Budget Estimates and actuals

Scrutiny of budget estimates for the year 2011-12 *vis-à-vis* actual receipts and expenditure revealed that there were variations between budget estimates (BEs) as compared to receipts and expenditure as detailed in **Table 2.2**:

Table 2.2: Budget estimates and actual for the year 2011-12

(₹ in crore)

Particulars	Budget Estimates	Actuals	Details of Excess (+) / Shortfall (-)	
			Amount	Per cent
Receipts	83.07	63.89	(-) 19.18	(-) 23.09
Expenditure	98.98	52.49	(-) 46.49	(-) 46.97

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

The receipts of the Council fell short of the BEs by 23.09 *per cent*. The shortfall was mainly under the heads where revenue declined sharply during the year 2011-12 as detailed in **Table 2.3**:

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

(₹ in lakh)

Sl. No.	Major Head	2009-10			2010-11			2011-12		
		BEs	Actuals	Shortfall (%)	BEs	Actuals	Shortfall (%)	BEs	Actuals	Shortfall (%)
1	Land revenue	53	39	14 (26)	51	42	9 (18)	55	29	26 (47)
2	Taxes on vehicles	100	18	82 (82)	70	06	64 (91)	70	46	24 (34)
3	Mines & Minerals	5050	2046	3004 (59)	5050	3423	1627 (32)	6000	5284	716 (12)
4	Trading by Non-Tribals (TNT)	51	17	34 (67)	51	39	12 (24)	96	22	74 (77)
5	Grants-in-aid (13 th FC)	1275	300	975 (76)	1143	253	890 (78)	681	530	151 (22)

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

During 2011-12, the shortfall between the budget provision and actual collection under Land revenue, Taxes on Vehicles, Mines & Minerals, TNT and Grants-in-aid (13th Finance Commission) ranged from 12 to 77 *per cent*. This 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 2.4: Heads under which expenditure was significantly less than the BEs

(₹ in crore)

Sl. No.	Major Head	2011-12		
		Budget Estimates	Actuals	Shortfall (%)
1.	Public works	35.31	5.95	29.36 (83)
2.	Education	9.10	6.93	2.17 (24)
3.	Information and Publicity	0.56	0.39	0.17 (30)
4.	Stationery & Printing Department	0.60	0.47	0.13 (22)

Source: Budget estimates of Receipts and Expenditure and Statement No.6 of Annual Accounts.

The shortfall between the budget provision and actual expenditure under Public Works, Education, Information & Publicity and Stationery & Printing Departments ranged from 22 to 83 *per cent*. This indicated poor implementation of schemes by the Council.

The Secretary, Executive Committee stated (February 2020) that in regard to shortfall in collection with reference to budget provisions, there were some heads where actual collection of revenue could not be accurately pre-assessed, predicted or pre-determined since the actual collection depended on the prevailing circumstances and socio-economic conditions during that year. However, the budget provisions were made in anticipation of collection of the amount with reference to earlier years. The Secretary further added (November 2020) that the shortfall was due to short release or non-release of Council's due share of Royalty and Grants-in-Aid by the Government. In respect to variations in expenditure, the Secretary, EC stated that the expenditure could be incurred in context of receipts and availability of fund.

The variations between the BEs and Actuals were pointed out by Audit regularly over the years. The reply indicates that the JHADC continues to prepare its Budget in a mechanical manner without taking into account the position of previous years' actuals. As a result, there continues to be substantial variation between the BEs and Actuals every year.

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

The Council needs to liaison with State Government to ensure timely and complete receipt of share of taxes collected by 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.

2.4 Constraints in Auditing Annual Accounts

Paragraph 7(4) of the Sixth Schedule 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 Reports also contain comments on accounts. However, for the year 2011-12, the accounts were not audited by Audit; as such, we are unable to certify the accounts and provide an assurance that the accounts are free from material misstatements for the reason 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 prescribed form, in which he shall enter all sums received and payment made by him on behalf of the Council. Further, Rule 7 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.

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 not furnished to Audit.

The Secretary, Executive Committee while accepting the fact, stated (February 2020) that non-maintenance of Cash Book was not even brought to the notice of the higher authorities by the Drawing & Disbursing Officer (DDO). The Secretary further intimated that in the absence of Cash Book, the cash balance was worked out as “total amount of closing balance minus balance in Personal Ledger Account (PLA), cash balance in different bank accounts including investments and thus the remaining balance amount considered as cash-in-hand.” Further, the Secretary added that updation of Cash Books is a huge task involving time, leading to delay in compilation of Annual Accounts.

In the absence of Cash Book and method adopted for arriving at the closing balance of ‘cash in hand’, as reflected in the Annual Accounts, the basis of preparation of annual accounts for the year 2011-12 could not be vouched safe by Audit.

Moreover, a 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 regarding huge discrepancy in the closing balance of ‘cash in hand’. The discrepancy pointed out was based on the fact that the closing balance of ‘cash in hand’ of ₹ 5.49 crore as on 30 September 2004 was carried forward as ‘Nil’ as on 01 October 2004 in the new Cash Book opened by the Council. Despite being pointed out, the fund has not been brought back as yet (November 2020). Thus, the opening balance of ‘cash in hand’ as on 01 April 2005 was understated to the tune of ₹ 5.49 crore, which remains unreconciled. Further, this fact was reiterated in Paragraph 2.2.2 (2005-06 to 2007-08), Paragraph 3.1 (2008-09), Paragraph 2.3 (2009-10) and Paragraph 2.3 (2010-11) of Reports of the Comptroller and Auditor General of India.

In such a scenario, Audit is unable to certify the annual accounts of JHADC for the year 2011-12.

2.5 Conclusion

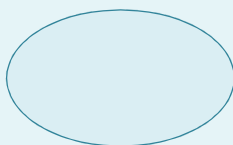
Variations between the BEs and actual receipts and expenditure during 2011-12 indicate that the JHADC had prepared BEs without taking the actual position into consideration.

Budgetary assumptions of the Council were not realistic, budget estimates were off the mark and control over the execution and monitoring of budget was inadequate.

Cash Book was not made available to Audit which constraint verification and validation of expenditure for *bona-fide* purposes, resulting in unverified cash balances. **Thus, in absence of Cash Book and other subsidiary registers Audit could not certify the Annual Accounts and provide any assurance that the Accounts were free from material misstatements.**

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*
- *Council may prepare and update Cash Book as early as possible.*
- *Council may prepare its Accounts in complete and transparent manner to ensure true and fair view.*



CHAPTER-III

Compliance Audit Observations

Chapter-III

Compliance Audit Observations

3.1 Avoidable expenditure of ₹ 4.66 lakh

As per Rule 80 of JHADC Fund Rules, 1967, payment for purchases of stores shall be accompanied by a certificate that the articles detailed in the vouchers have been actually received and entered in the stock register, that their quantities are correct and their quality good, that the rates paid are not in excess of accepted or market rates and that suitable notes of payment have been made in the indents and invoices.

During the year 2011-12, the Stationery & Printing Department, JHADC invited quotations (November 2011) for supply of 53 stationery items, and in response, 38 suppliers quoted their rates. The Comparative Statement on the item-wise rates quoted by the suppliers was prepared and based on the rates received, supply orders were issued to 22 suppliers between January and February 2012.

Scrutiny of records showed the following:

1. The rates at which the supply orders were issued to the respective suppliers were fixed by the Stationery & Printing Department without any due diligence and market review. Moreover, the basis on which the rates were fixed was not found on records.
2. Council did not define criteria for selection of firms and issued supply orders arbitrarily to suppliers though, some of the selected firms had not quoted the lowest rate for a particular item.

Thus, Supply orders were issued to the suppliers without taking into consideration the lowest rate quoted against each item which resulted in excess expenditure of ₹ 4.66 lakh. The details of the lowest rates received and the rates on which the supply orders were issued by the Department are detailed in **Appendix-I**.

On this being pointed out, the Secretary, Executive Committee, JHADC stated (February 2020) that some of the suppliers had quoted abnormally low rates which were not at all workable. Therefore, the workable rates were approved which were neither the lowest nor the highest, without compromising the quality of articles.

The reply of the Council that the lowest rates quoted were not workable is not acceptable in view of the fact that the bidders quoted their rates as per specification/quality of the items tendered for. Besides, it was also noticed that majority of the bidders quoted less than the allotted rates (details given in column 5 of **Appendix-I**). Further, the rates fixed by the JHADC were without due diligence and justification and issue of purchase orders ignoring lowest quoted rates defeated the very purpose of the whole bidding process.

Council may adhere to financial propriety while purchasing stores to ensure economy and value for money in purchases.

3.2 Discretionary Grant and Gratuitous Relief: Observations thereof

The JHADC disburses Discretionary Grant (DG) and Gratuitous Relief (GR) every year. Scrutiny of the actual DG and GR vis-à-vis the budgeted provision during 2011-12 is shown in **Table 3.1**:

Table 3.1: Discretionary Grant and Gratuitous Relief (₹ in crore)

Year	Budget allotment			Expenditure		
	DG	GR	Total	DG	GR	Total
2011-12	3.00	3.00	6.00	1.60	0.83	2.43

Source: Budget and information furnished by the JHADC.

The deficiencies observed in the disbursement of DG and GR are detailed below:

- (i) In most cases, the Members, District Council (MDCs) themselves prepared and submitted the list of beneficiaries for the scheme along with the amount recommended without giving detailed information like address of the persons, purpose/ reason for which the Grant was recommended, *etc.*
- (ii) There was no provision/system in place to verify/scrutinise the correctness/ completeness/ genuineness of the list of person(s) (beneficiaries) submitted by the MDCs. In short, the identity of the beneficiaries was not checked or verified at any level, at any point of time.
- (iii) The vouchers, as specified in Rule 42 of the Jowai Autonomous District Fund Rules, 1967 were not maintained by the JHADC.
- (iv) The above mentioned irregularities indicated that there was a weak internal control mechanism in respect of DG and GR.

On this being pointed out by audit, the Secretary, Executive Committee, JHADC stated that the MDCs were elected representative of the Constituency and is the most appropriate person to certify the correctness/genuineness of the beneficiaries.

The reply clearly indicates that the system of internal controls was lacking in the JHADC during 2011-12 and the prescribed rules of the Council were not followed.

3.3 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 July 2005 and April 2016, comprising 34 paras had not been settled (September 2020).

3.4 Follow-up action on Audit Reports

According to the JADF 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.

3.5 Conclusion

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


- Absence of appropriate rules and regulations in the JHADC for procurement of goods.
- The Council granted the Discretionary Grant and Gratuitous Relief to the Members District Council in an ad hoc and haphazard manner without following the rules and regulations resulting in unverified expenditure to the tune of ₹ 2.43 crore.

3.6 Recommendations

The Council may consider the following recommendations:


- *Council may frame rules and procedures for purchase of Stocks/ Stationeries/ civil works.*
- *Council may clearly define objectives and activities to be taken up under Members' Discretionary grant. They may ensure proper documentation and trail of the grants given to members.*
- *Council may ensure proper maintenance and upkeep of records for better accountability and financial discipline.*

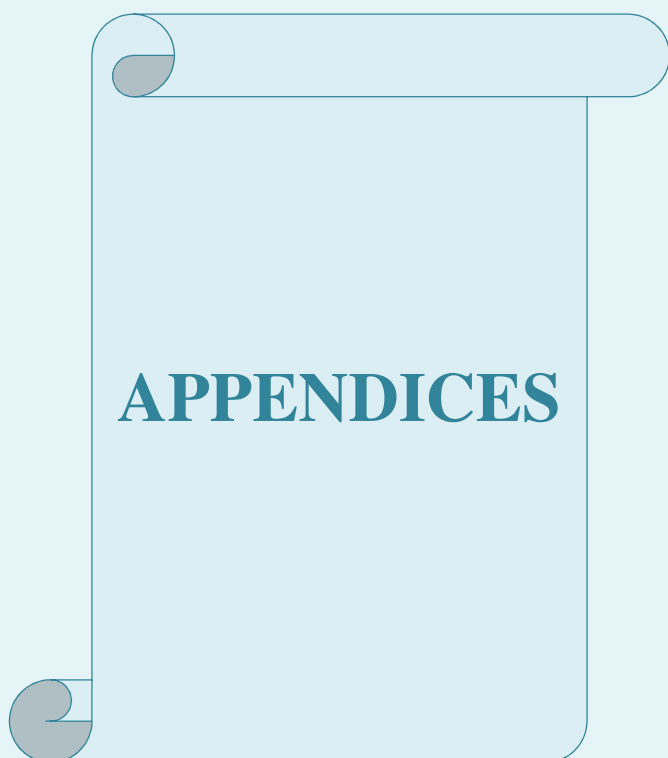
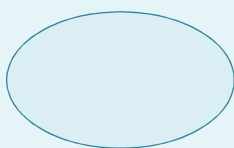
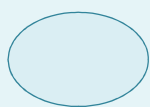
Shillong
The 11 July 2022


(SHEFALI S. ANDALEEB)
Accountant General (Audit), Meghalaya

Countersigned

New Delhi
The 28 July 2022


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India



Appendix I

(Reference: Paragraph - 3.1)

Statement showing purchase of stationery articles by JHADC during 2011-12

(Amount in ₹)

Sl. No.	Articles	JHADC rate	Lowest quoted rate	Nos. of bidders quoted less than allotted rate	Allotted rate	Different in rate (6-4)	Quantity purchased	Extra expenditure (7x8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Drafting paper - Hindustan paper – 40x66cms per Rm.	750	278	11	750	472	40 ream	18880
2.	Azurelaid paper – Hindustan paper 44x70cms per Rm	850	750	8	850	100	40 ream	4000
3.	Typing paper (thick paper)- per packet	210	90	10	210	120	150 packet	18000
4.	Carbon paper single sided (Blue/Black) per packet	290	150	6	290	140	150	21000
5.	Paper pin (Best quality) contain 10 small pkt per packet	250	220	16	250	30	200	900
6.	Self-inking stamped (No.1) – per packet	500	300	8	500	200	30	6000
7.	Stamped ink (No.1 – 60ml) – per dozen	330	240	7	330	90	15	1350
8.	Register Azurelaid – (i) No. 20 – per dozen (ii) No. 14 – per dozen	2700 2500	2200 1500	12	2700 2500	500 1000	10 10	5000 10000
9.	Register Ruled ordinary – (i) No. 12 – per dozen (ii) No. 10 – per dozen	1400 750	600 500	15 9	1400 750	800 250	25 15	20000 3750
10.	Lock & key – (i) 70m.m – per dozen (ii) 50 mm – per dozen	1000 900	910 760	4 6	1000 900	90 140	3 20	270 2800
11.	Nylon tag 8” and above (contain 10 small bundle) – per bundle	270	160	13	270	110	80	8800
12.	Torch Light 3 cells (Eveready)	2900	2700	7	2900	200	3	600
13.	Torch cells (Eveready) (upto date) Red in colour contains 20 pieces – per packet.	550	300	8	550	220	150	33000
14.	Eraser pencil/ink best quality – per dozen	120	60	10	120	60	5	300
15.	Pencil (Nataraj) No. 1 (contain 10 pcs – per packet)	90	30	15	90	60	30	1800
16.	Ruler plastic – per dozen	180	120	4	180	60	8	480
17.	Broom stick grass – per dozen	550	350	3	550	200	22	4400
18.	Stapling Machine No. 1 (24/6 contain 10 pcs – per packet)	950	800	29	950	150	5	750
19.	Stapling wire (24/6 contain 12 pcs – per packet)	350	150	12	350	200	15	3000
20.	Envelope brown (i) 26x12cms – per 1000 pcs	1100	1020	10	1100	80	20	1600

Sl. No.	Articles	JHADC rate	Lowest quoted rate	Nos. of bidders quoted less than allotted rate	Allotted rate	Different in rate (6-4)	Quantity purchased	Extra expenditure (7x8)
	(ii) 15x9cms – per 1000 pcs (iii) 40x30cms – per 1000 pcs	650 -	600 -	6	650 -	50 -	20 -	1000 -
21.	Pin cushion per dozen	360	300	7	360	60	20	1200
22.	Correcting fluid & diluter Eraz-ex Kores – contain 10 bottle each per packet.	440	300	5	440	140	200	28000
23.	Correcting fluid for Stencil – contain 10 bottle each – per packet	430	300	8	430	130	4	520
24.	Typing Ribbon – Kores/rolex – per dozen	420	370	22	420	50	5	250
25.	J.K. Copier (i) F.S.(215 x 345 mm) – per packet (ii) A4.210X297 mm) – per packet	350 330	278 220	10 12	350 330	72 110	400 400	28800 44000
26.	Candle stick (100 x 6) contain 6 pcs – per packet	30	25	1	30	5	400	2000
27.	Glass tumbler (Best quality) – per dozen	1150	400	32	1150	750	6	4500
28.	Water Jug Glass (Big size & Best quality) – per dozen	2800	2000	26	2800	800	4	3200
29.	Towel small (Best quality) – per dozen	600	550	3	600	50	20	1000
30.	Towel big size (Best quality) – per dozen	2100	1500	9	2100	600	5	3000
31.	Ash tray (Big Decorative) – per dozen	950	900	8	950	50	5	250
32.	Plastic bucket (16 litres) – per dozen	1800	1200	6	1800	600	10	6000
33.	Rubber band small size (Assorted colour) – per kg	320	300	2	320	20	5	100
34.	Tracing paper (60 x 55.65m) (42”) 106.5 x 18 metres per rolls	1400	500	32	1400	900	40	36000
35.	Drawing paper – per roll.	850	520	14	850	330	30	9900
36.	Ball pen (i) Blue with long refill (contain 10 pcs) – per packet (ii) Red with long refill (contain 10 pcs) – per packet	180 180	100 100	6 6	180 180	80 80	130 10	10400 800
37.	Sponge with container – per dozen	170	170	1	170	0	7	0
38.	Pencil Batteries – Eveready (up to date) size R6/5V contain 10 pcs – per packet	190	100	10	190	90	10	900
39.	Adhesive paste – 150 ml – per dozen	630	270	34	630	360	8	2880
40.	Calling bell (No.1) – Per dozen	780	750	4	780	30	5	150
41.	Waste paper (plastic) – per dozen	700	630	4	700	70	12	840
42.	Sealing wax (gripes) contain & stick – per dozen	200	180	9	200	20	8	160
43.	Paper tray plastic – per dozen	1350	600	29	1350	750	2	1500

Sl. No.	Articles	JHADC rate	Lowest quoted rate	Nos. of bidders quoted less than allotted rate	Allotted rate	Different in rate (6-4)	Quantity purchased	Extra expenditure (7x8)
44.	Blue pen desk type along with blue refill – per dozen	270	240	7	270	30	8	240
45.	Ink stand pen medium size – per dozen	2800	1900	12	2800	900	6	5400
46.	Dumex/sani fresh 500 ml – per dozen	1000	600	13	1000	400	5	2000
47.	Poker – per dozen	240	120	7	240	120	4	480
48.	File board – 36x25 cm – per 1000 pcs	10000	7200	28	10000	2800	13	36400
49.	File cover – 36x25 cm – per 1000 pcs	8000	4000	29	8000	4000	13	52000
50.	Draftsman scale set – per dozen	1020	972	11	1020	48	3	140
51.	Mug plastic medium size – per dozen	1000	360	32	1000	640	4	2560
52.	Toilet paper – per roll	40	35	5	40	5	30	150
53.	Measuring Tape plastic best quality in feet and metre 100/3 – per dozen	6000	3500	29	6000	2500	5	12500
	Total							4,65,900

(Rupees Four Lakh Sixty Five Thousand Nine Hundred) only.

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