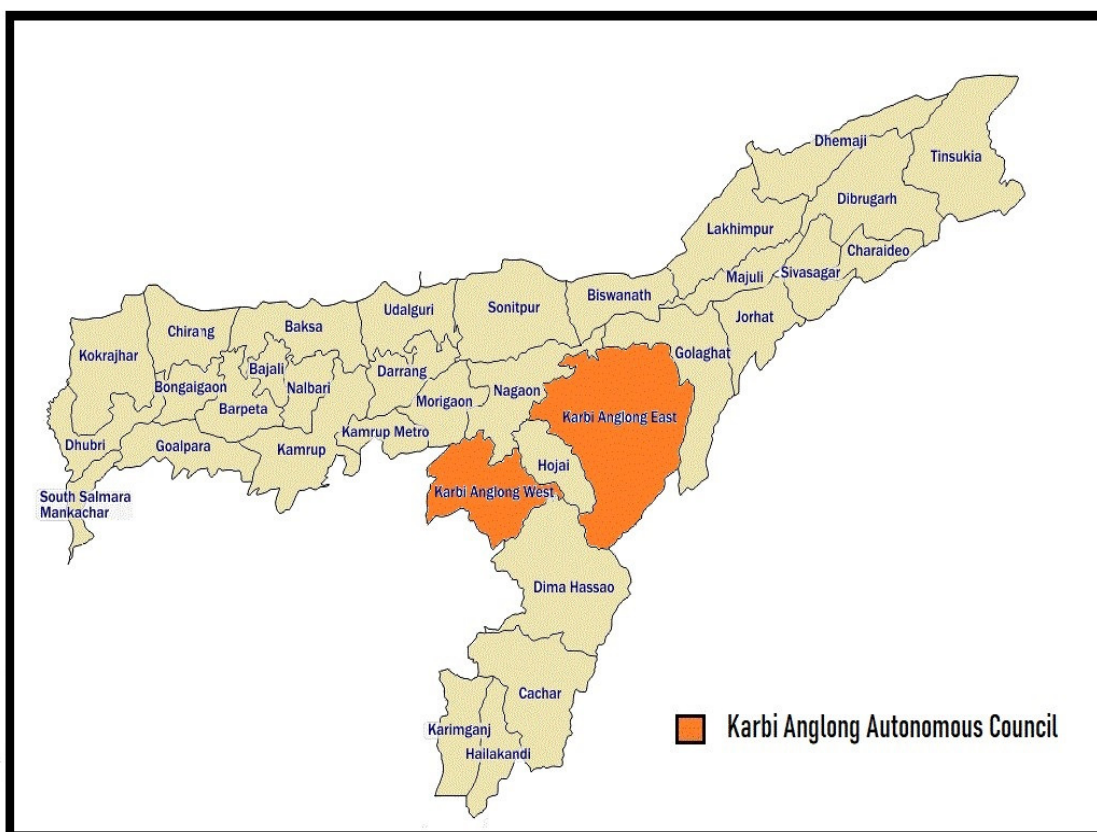


## Chapter-I

### Constitution, Rules and Maintenance of Accounts

#### 1.1 Profile of Karbi Anglong Autonomous Council

The Karbi Anglong District Council in Assam was set up on 23 June 1952 under the provisions of Article 244(2) read with the Sixth Schedule to the Constitution of India. In terms of Memorandum of understanding (April 1995) amongst the State, Central Government and representatives of the district, the Council was renamed Karbi Anglong Autonomous Council (KAAC).



KAAC is governed by a Council comprising 30 members, of whom 26 are elected through adult suffrage, while four members are nominated by the Governor of Assam.

The Sixth Schedule to the Constitution of India provides for administration of specified tribal areas by constituting a District/Regional Council for each autonomous district/region with powers to make laws on matters listed in paragraph 3(1) of the Sixth Schedule, mainly in respect of allotment, occupation, use of land, management of forests (other than reserve forests), use of any canal or watercourse for agriculture, regulation of the practice of '*Jhum*' or other forms of shifting cultivation, establishment of village or town committees or councils and their powers, village or town administration, public health and sanitation and inheritance of property. Further, in terms of Paragraph 3A of the Sixth Schedule, KAAC was vested with additional powers to make laws on the subjects, as specified under serial (a) to (o) in the Schedule *ibid*.

In terms of paragraph 6(1) of the Sixth Schedule, the Councils have the powers to establish, construct or manage primary schools, dispensaries, markets, cattle pounds, ferries, fisheries, roads, road transport and waterways in the respective autonomous districts. KAAC also has the powers to assess, levy and collect within the autonomous district, revenue in respect of land and buildings, taxes on professions, trades, callings and callings and employments, animals, vehicles and boats, entry of goods into a market for sale therein, tolls on passengers and goods carried ferries and maintenance of schools, dispensaries or roads as listed in paragraph 8 of the Sixth Schedule. Under paragraph 9 of the Schedule, the Council is also entitled to the share of revenue generated from licenses/leases for extraction of minerals within the Council area as agreed upon between the Government of Assam and the Council. The above functions are called normal or inherent functions of the Council in common parlance.

In addition, the State Government entrusted additional functions, under Paragraph 6(2) of the Schedule *ibid*, (called entrusted functions) to KAAC in relation to 30 subjects<sup>1</sup>, since June 1970 (further revised in November 1979, November 1992 and December 1996). According to the terms of the latest entrustment, the State Government is required to make funds available to KAAC in advance, primarily against 'Grant No. 76 – Karbi Anglong Autonomous Council' in the State Sector budget (Entrusted budget of the Council), so that the latter can finance the expenditure relating to entrusted functions. KAAC is required to render monthly detailed accounts against their expenditure to the Principal Accountant General (Accounts and Entitlements) for adjustment of such advance of funds provided through State Budget. Budget provision for these functions is to be made in the State budget and in terms of Office Memorandum (31 December 1996) of Government of Assam (GoA), the Council is responsible to the State Legislature in respect of all matters relating to such funds provided for discharging the functions entrusted to it.

Thus, while executive functions were delegated in stages to the Council by GoA under Paragraph 6(2) since June 1970, with the Constitution (Amendment) Act, 1995 (42 of 1995) and the consequent insertion of paragraph 3A in the Sixth Schedule, the Council has inherent legislative powers on these subjects.

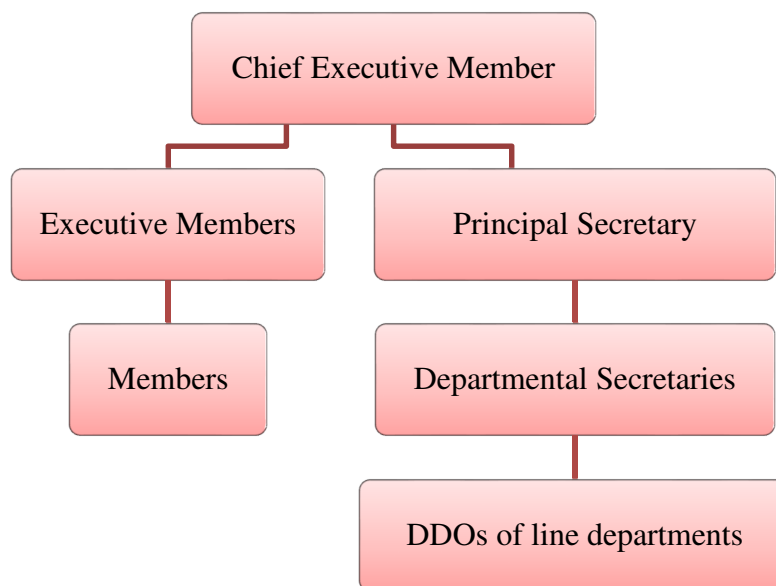
## **1.2 Organisational structure of KAAC Secretariat**

The Principal Secretary, KAAC is appointed by GoA, who is assisted by Departmental Secretary, Joint Secretaries and other State service officers deputed by GoA and also officers appointed by the Council. S/He is responsible towards administration of

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<sup>1</sup> (i) Industry (ii) Animal Husbandry & Veterinary (iii) Forest (iv) Agriculture (v) PWD (vi) Sericulture (vii) Education (viii) Cultural Affairs (xi) Soil Conservation (x) Co-operation (xi) Fisheries (xii) Panchayat & Rural Development including DRDA (xiii) Handloom & Textile (xiv) Health & Family Welfare (xv) Public Health Engineering (vxi) Irrigation (xvii) Social Welfare (xviii) Flood Control (xix) Sports & Youth Welfare (xx) Weight & Measures (xi) Food & Civil Supplies (xxii) Town & Country Planning (xxiii) College Education (General), including Library Services, District Museum & Archaeology (xxiv) Land Reforms (xxv) Publicity/Public Relation (xxvi) Printing & Stationery (xxvii) Tourism (xxviii) Transport (xxix) Excise and (xxx) Finance including sales Tax on purchase of goods other than Newspaper, Excise, Professional Tax.

inherent functions (Council Sector) as well as the entrusted functions (State Sector) of the Council. The structure of KAAC administration is given in the organogram below:



### 1.2.1 Human Resources

As per Rule 126 of KAAC Fund Rules, 1952, the Council shall prepare a detailed statement of the permanent establishment existing on 01 April each year in the prescribed form.

Scrutiny of records in KAAC showed that Sanctioned Strength (SS) of KAAC Secretariat was 1,124 under Council Sector, against which Persons-in-position (PIP) during 2016-17 was 1,093, indicating a shortage of 31. However, the Council did not prepare any detailed statement of the permanent establishment. Copies of Government/ Council orders pertaining to the actual SS of the Council were not provided to audit. Moreover, KAAC did not maintain SS *vis-à-vis* PIP for various categories of the Entrusted departments. Due to failure to provide the information despite being specifically called for (September 2021), Audit could not verify the actual staff position of KAAC.

During exit meeting (July 2023), it was stated that all efforts would be made to prepare a detailed statement of the sanctioned strength *vis-à-vis* MIP for both inherent and entrusted functions in terms of KAAC Fund Rules.

### 1.3 Rules for the management of District Fund

In terms of the provisions of Paragraph 7(2) of the Sixth Schedule, rules for the management of the District Fund *viz.*, Karbi Anglong Autonomous District Fund Rules were framed by the Council and notified in April 1952.

### 1.4 Maintenance of Accounts and Audit Arrangements

In terms 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, is to be prescribed by the

Comptroller and Auditor General of India (CAG). The approved format *inter-alia* provides for two divisions of the accounts, 'Part-I District Fund' and 'Part-II Deposit Fund'. The Fund, as prescribed under paragraph 7(1) of the Sixth Schedule to the Constitution, is maintained in the Diphu Treasury as Personal Deposit Account (PDA) of KAAC.

The accounts and records of the Principal Secretary, KAAC, Diphu are test-audited by CAG of India under Paragraph 7(4) of the Sixth Schedule to the Constitution. The KAAC submitted its Annual Accounts for the year 2016-17 in November 2019 **after a delay of 28 months**. Audit of Annual Accounts along with transactions of the Council for the year 2016-17 was conducted and result of audit of Annual Accounts for the year 2016-17 and test-check of the transactions of the Council during the year have been presented in Chapter-II to Chapter-IV of this Report.

The Draft Audit Report was forwarded to the Council on 19 June 2023, with a request to furnish replies on Audit paras within two weeks from the date of receipt of the Report. Exit meetings were held on 06 July 2023 on Chapters-I, II and III and on 04 August 2023 on Chapter-IV.

## 1.5 Internal Control

Internal control system in an organisation ensures that proper checks and procedures are exercised 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 the following shortcomings:

- I. Preparation of budget estimates of receipts and expenditure was not based on realistic assessment, leading to large variations between the budget and the actual expenditure.
- II. KAAC did not maintain Heads of Account-wise/Grant-wise ledger showing receipts generated from its own resources, fund received from the Government, disbursements made to Drawing and Disbursing Officers (DDOs) of different departments under administrative control of KAAC (for entrusted function) and for the expenditure incurred by DDOs of KAAC (for inherent function). Thus, control system did not assure accuracy of figures of Annual Accounts by itself.
- III. Absence of any laid down policy in the major revenue earning departments like Forests, Transport, Taxes, Mines and Minerals, resulting in *ad hoc* management of revenue earning resources and environmentally sensitive issues.
- IV. There was no effective mechanism for timely deposit of revenue earned by the different organs of the KAAC into PDA of the Council.
- V. There was no Internal Audit wing to strengthen the internal control system and enforce effective management.

During exit meeting (July 2023) the Council stated that the audit observations has been noted for future guidance.

## **1.6 Recommendations**

- *The Council should maintain detailed statement of sanctioned strength and persons-in-position for all the cadres for better human resource management.*
- *Council may ensure timely submission of Annual Accounts to the Principal Accountant General to adhere to the prescribed timelines; and*
- *Council needs to strengthen its internal control mechanism, take action on deficiencies in financial management and maintenance of records.*