

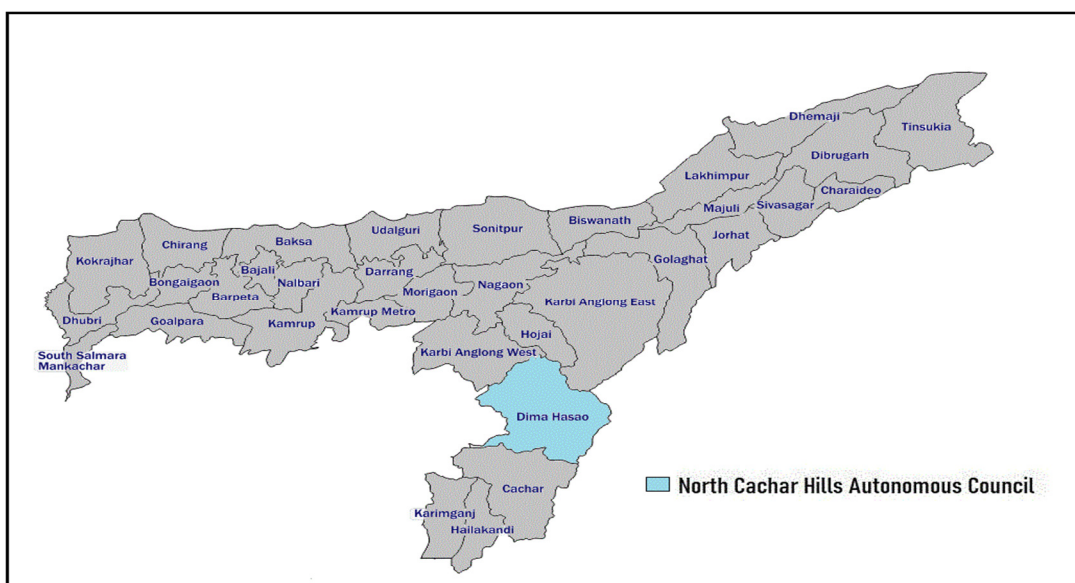
Chapter-I

Constitution, Rules and Maintenance of Accounts

1.1 Profile of North Cachar Hills Autonomous Council

The North Cachar Hills District Council in Assam was set up in April 1952, renamed as North Cachar Hills Autonomous Council (NCHAC) on 13 September 1995, under Article 244(2) read with the Sixth Schedule to the Constitution of India, covering 4,890 Sq. Km. of area, which is about 6.23 *per cent* of total area of (78,438 Sq Km) of the State of Assam. The Council renamed North Cachar Hills district as “Dima Hasao” on 30 March 2010 and the Council is using the nomenclature “Dima Hasao Autonomous Council” in its official records. However, amendment of the Sixth Schedule to the Constitution of India, in this regard, has not been carried out till date. Haflong is the District Head Quarter. The district is surrounded in the North by Nagaon and Karbi Anglong Districts, in the South by Cachar District, in the East by Nagaland, Manipur and in the West by Meghalaya.

The district comprises of 695 villages under five Community Development Blocks¹, with a population of 2,14,102 (2011 census, which is 0.69 *per cent* of the total population of the State (3,12,05,576). The total tribal population of the district as per 2011 census was 1,51,843, which is 3.91 *per cent* of total tribal population of the State (38,84,371).



NCHAC is governed by a Council comprising 30 members, of whom 28 are elected through adult suffrage, while two members are nominated by the Governor of Assam.

The Sixth Schedule to the Constitution 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

¹ Source: Statistical Hand Book of Assam, 2016.

than reserved 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 to the Constitution, NCHAC 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 to the Constitution, 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. NCHAC 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 employments, animals, vehicles and boats, tolls on passengers and goods carried in 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 Government of Assam and the Council. The above functions are called normal or inherent functions of the Council.

In addition, the State Government entrusted additional functions, under Paragraph 6(2) of the Schedule *ibid*, (called entrusted functions) to NCHAC in relation to 30 subjects², 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 NCHAC in advance, primarily against Grant No. 77 of the State budget, so that the latter can finance the expenditure relating to entrusted functions without difficulty. NCHAC 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 NCHAC.

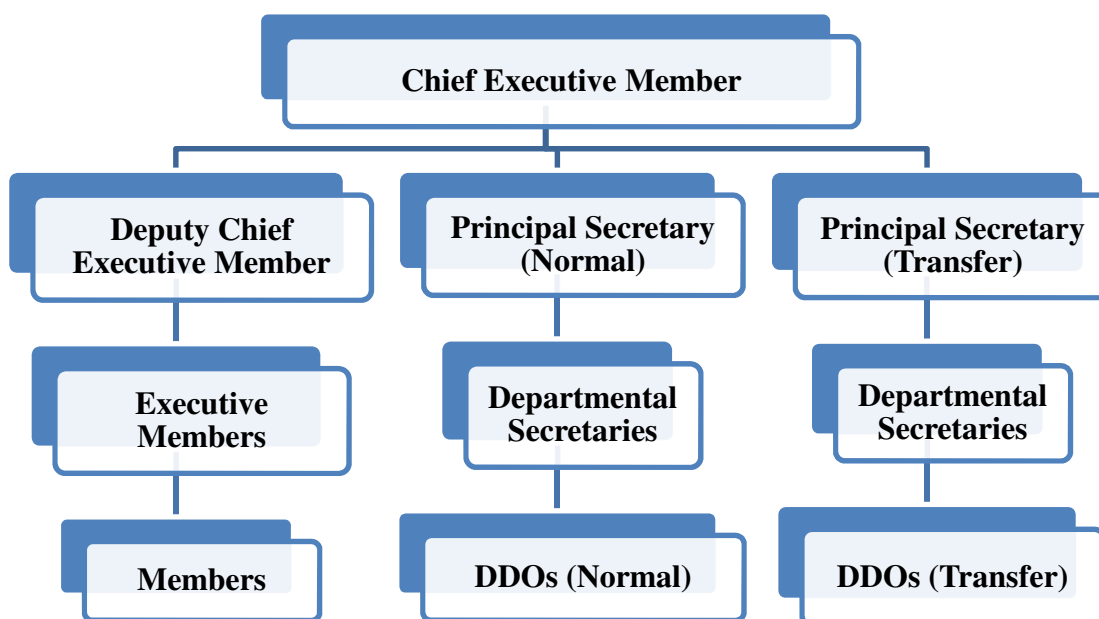
Thus, while executive functions were delegated in stages to the Council by GoA under Paragraph 6(2) since June 1970, with the Constitution (Amendment) Act, 1995 (42 of 1995) and consequent insertion of paragraph 3A in the Sixth Schedule, the Council has inherent legislative powers on these subjects.

² (i) Industry (ii) Animal Husbandry & Veterinary (iii) Forest (iv) Agriculture (v) Education (vi) PWD (vii) Sericulture (viii) Cultural Affairs (ix) Soil Conservation (x) Co-operation (xi) Fisheries (xii) Panchayat & Rural Development including DRDA (xiii) Handloom & Textile (xiv) Health & Family Welfare (xv) Public Health Engineering (xvi) Irrigation (xvii) Social Welfare (xviii) Flood Control Department (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.

1.2 Organisational structure of NCHAC Secretariat

The NCHAC Secretariat was headed by two Principal Secretaries during 2018-19. The Principal Secretary (Transfer), appointed by the State Government, operates PDA for the entrusted departments of the Council, and the inherent functions of the Council are looked into by the Principal Secretary (Normal), who is appointed by the Council. The Principal Secretaries are assisted by Secretaries, Additional and Joint Secretaries and other affiliated officers appointed by the Council and other state service officers deputed by GoA. The structure of NCHAC administration is described in **Organogram-1.1**:

Organogram-1.1: Showing the structure of NCHAC administration



Rule 126 of NCHAC Fund Rules, 1953 provides that the Council shall prepare a detailed statement of the permanent establishment existing on 1st April each year in a prescribed form. The Council did not comply with the aforesaid provision and failed to provide records pertaining to the Sanctioned Strength (SS) of the Council Sector. Information furnished to audit however, showed that Persons-in-position (PIP) during 2018-19 under Council Sector was 1,669 and there are 146 DDOs³ under the control of NCHAC. SS and PIP in respect of Entrusted functions (State Sector) during 2018-19 was not available with the Council. The Council authority stated (May 2022) that the required information will be furnished after collection of the same from the concerned Departments.

1.3 Rules for the management of District Fund

In terms of the provisions of Paragraph 7(2) of the Sixth Schedule to the Constitution, rules for the management of the District Fund viz., North Cachar Hills District Fund Rules, 1953 were framed by the Council and notified in April 1953.

³ 16 under Council Sector and 130 under State Sector.

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 Haflong Treasury as the PDA of NCHAC.

The accounts and records of the Principal Secretary, NCHAC, Haflong are test-audited by CAG of India under Paragraph 7(4) of the Sixth Schedule to the Constitution. The NCHAC submitted its Annual Accounts for the year 2018-19 in October 2021 after a delay of 27 months. Audit of Annual Accounts along with transactions of the Council for the year 2018-19 was conducted and result of audit of Annual Accounts for the year 2018-19 and test-check of the transactions of the Council during the year have been presented in Chapter-II to Chapter-IV of this Report.

1.5 Internal Control

Internal control is a process designed to provide reasonable assurance regarding the achievement of the objectives of an organisation, with regard to efficiency and effectiveness of operations, compliance with applicable rules and regulations, fulfilling accountability, executive functions in an orderly, ethical, efficient and effective manner, safeguarding against loss and sound financial reporting.

An examination of the internal control system in the Council revealed the following deficiencies:

- Preparation of budget estimates of receipts and expenditure was not based on a realistic assessment, leading to large variations between the budget and the actual receipts and expenditure.
- NCHAC did not maintain ledger or consolidated abstract 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 NCHAC (for entrusted function) and for the expenditure incurred by DDOs of NCHAC (for inherent function). Thus, control system did not assure accuracy of figures of Annual Accounts by itself.
- 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.
- There was no effective mechanism for timely deposit of revenue earned by different organs of the NCHAC in to PDA of the Council.
- There is no Internal Audit wing to strengthen the internal control system and enforce effective management.

1.6 Recommendations

- *The Council may ensure timely submission of Annual Accounts to the Accountant General to adhere with prescribed timelines; and*
- *The Council needs to strengthen its internal control mechanism, take action on deficiencies in financial management and maintenance of records.*