

Report of the Comptroller and Auditor General of India

For the year ended 31 March 2013



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 2013

**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 transactions of the Jaintia Hills Autonomous District Council, for the year 2012-13.

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 Funds position and Chapter III deals with compliance issues during test-audit of the transactions of the Council for the year 2012-13.*



OVERVIEW

OVERVIEW

This Report contains three Chapters. Chapter I provides a background on the formation of the Autonomous District Council, rules for the management of the District Fund and relevant constitutional provisions on maintenance of Accounts. Chapter II gives an overview on the financial position of the Council and budgetary process during the year. Chapter III deals with 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

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

Total revenue receipts of the Council decreased by 38.97 *per cent* from ₹ 63.89 crore in 2011-12 to ₹ 38.99 crore in 2012-13.

(Paragraph 2.2)

Total revenue expenditure of the Council decreased by 18.78 *per cent* from ₹ 52.49 crore in 2011-12 to ₹ 42.63 crore in 2012-13.

(Paragraph 2.2)

The receipts of the Council were ₹ 38.99 crore and fell short of the BE by 54.25 *per cent* during 2012-13.

(Paragraph 2.3)

The expenditure of the Council was ₹42.63 crore and it also fell short of the BEs during the year 2012-13 by 56.11 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 expenditure of ₹ 2.31 crore remains unfruitful due to delay in completion of Durbar Hall even after a lapse of more than four years from its scheduled date of completion.

(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 ₹ 0.59 crore.

(Paragraph 3.2)

Recommendations

Council may take necessary steps to complete the project so that it may be utilised for intended purposes.

Council may clearly define objectives and activities to be taken up under Members' Discretionary grants. 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.



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 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 (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

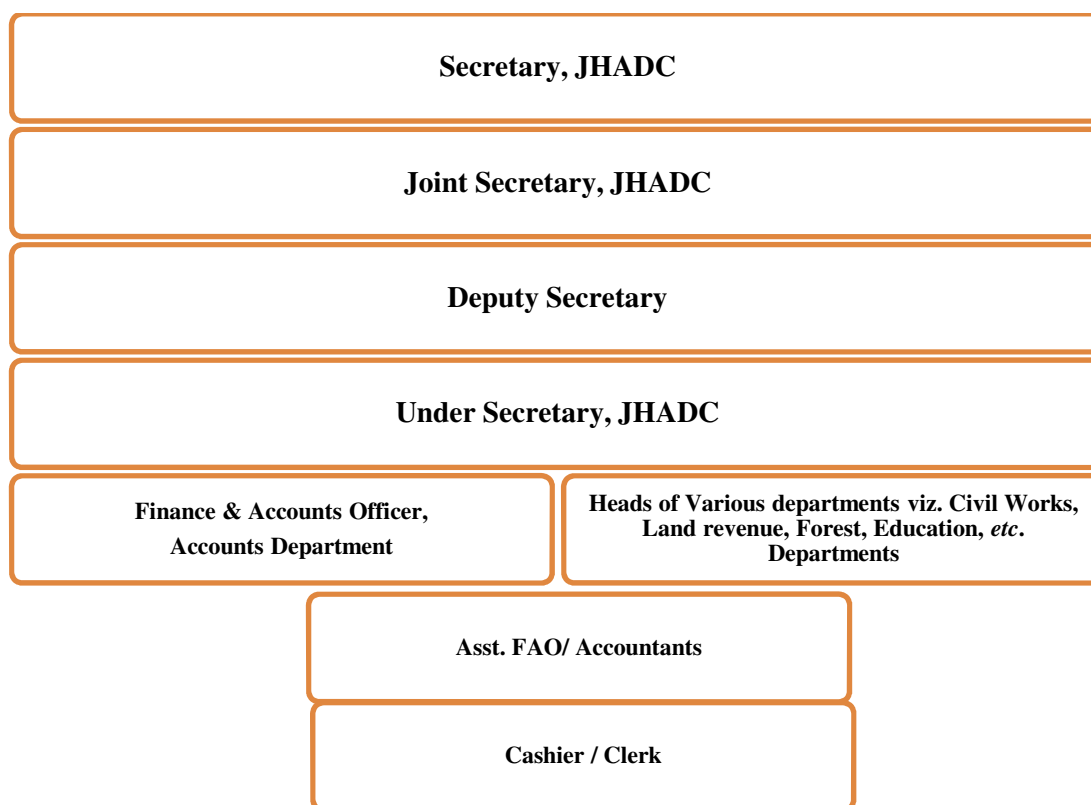
In pursuance of paragraph 7 (3) of the Sixth Schedule to the Constitution, the forms of Accounts of the District Council are to be maintained, was prescribed by the Comptroller and Auditor General of India with the approval of the President, in April 1977.

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 would have a maximum of 30 members. There were 29 elected members and one member was nominated by Governor during 2012-13. 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 2012-13 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. Also, Council may seek the help from State Government and utilise its training facility for training and capacity building ensuring proper book keeping, record maintenance, supervision, control and monitoring.

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 2012-13.

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 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.*
- *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 2012-13 were as follows:

Table 2.1: Summarised position of Accounts for the year 2012-13

(₹ in crore)					
2011-12	Receipts	2012-13	2011-12	Disbursement	2012-13
PART –I DISTRICT FUND					
1. Revenue Receipt			1. Revenue Expenditure		
3.11	(i) Taxes on Income and expenditure	2.92	1.67	(i) District Council	0.79
0.29	(ii) Land Revenue	0.52	6.43	(ii) Land Revenue	4.89
0.01	(iii) Other Administrative Services	0.01	0.98	(iii) Other Administrative Services	0.74
0.08	(iii) Stamps and Registration	0.15	2.27	(iv) Executive Members	1.46
0.46	(iv) Taxes on Vehicles	0.00	9.69	(v) Secretariat General Services	8.10
0.32	(v) Interest Receipts	5.39	0.47	(vi) Stationery and Printing	0.25

2011-12	Receipts	2012-13	2011-12	Disbursement	2012-13
0.38	(vii) Other General Economic Services	0.39	5.95	(vii) Public Works	6.93
0.03	(viii) Fisheries	0.03	2.22	(viii) Pensions and other retirement benefits	1.97
0.17	(ix) Forest	0.81	0.00	(xv) Fisheries	0.18
52.84	(x) Mines & Minerals	24.76	11.86	(xvi) Forest	9.29
0.88	(xi) Grants-in-aid from State Government	0.76	1.17	(x) Urban Development	0.58
0.00	(xii) 12th Finance Commission	0.00	6.93	(ix) Education	6.10
5.30	(xiii) 13th Finance Commission	3.24	0.39	(xi) Information and Publicity	0.23
0.02	(xiv) Stationery and Printing	0.01	0.83	(xii) Relief on account of natural calamities	0.00
			1.52	(xiii) Agriculture	1.12
			0.11	(xiv) Minor Irrigation	0.00
63.89	Total Revenue Receipt	38.99	52.49	Total Revenue Expenditure	42.63
-	Revenue Deficit	3.64	11.40	Revenue surplus	
-	2. Capital	-	-	2. Capital	-
-	3. Debt	-	-	3. Debt	-
-	4. Loans and Advances	-	-	4. Loans and Advances	-
63.89	Total Part-I District Fund	38.99	52.49	Total Part –I District Fund	42.63
PART II- DEPOSIT FUND					
-	Deposit receipts	-	-	Deposits Payments	-
-	Total of part II Deposit fund	-	-	Total of Part II Deposit fund	-
63.89	Total receipts (I + II)	38.99	52.49	Total Disbursements (I +II)	42.63
17.86	Opening balance	29.26	29.26	Closing balance	25.62
81.75	Grand total	68.25	81.75	Grand total	68.25

Source: Annual Accounts of the Council for the year 2012-13.

Resources

JHADDC collected its revenue through:

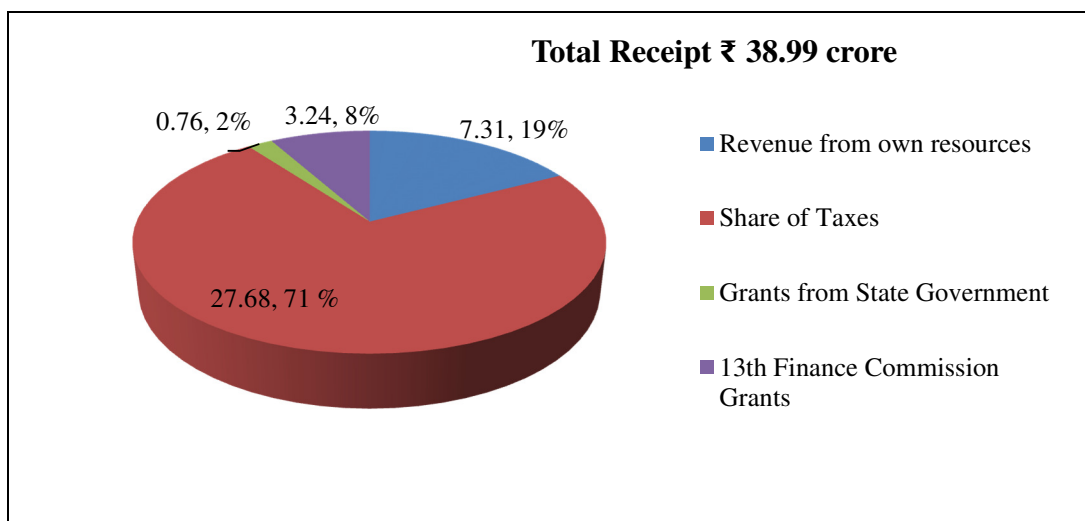
- **Revenue from own sources** - Trade licenses, market auction, bank interest, fisheries, forest, Stamp & Registration *etc.*;
- **Share of taxes** - From the State Government on agricultural income, land revenue, taxes on vehicles, forest, mines & minerals and taxes on profession.
- **Grants in Aid**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

- During 2012-13, JHADC generated ₹ 7.31 crore¹ from its own sources, received ₹ 27.68 crore as share of taxes, received ₹ 0.76 crore² as Grant-in-aid from the State Government and received ₹ 3.24 crore as 13th Finance Commission grants.

Availability of funds and expenditure

Chart 2.1 below depicts the composition of aggregate/total resources of JHADC during 2012-13.

Chart 2.1 Composition of Aggregate Receipts (2012-13) (₹ in crore)



Finances of JHADC for the year 2012-13 are analysed below:

- Total revenue receipts of the Council decreased by 38.97 *per cent* from ₹ 63.89 crore in 2011-12 to ₹ 38.99 crore in 2012-13. This was primarily due to decrease in the share of royalty on minerals received from the State Government from ₹ 52.84 crore in 2011-12 to ₹ 24.76 crore in 2012-13 and non-release of the share of taxes on vehicles by the State Government in 2012-13.
- Total revenue expenditure of the Council decreased by 18.78 *per cent* from ₹ 52.49 crore in 2011-12 to ₹ 42.63 crore in 2012-13. This decrease was primarily due to decrease in expenditure on District Council Secretariat

¹ Revenue of JHADC for the year 2012-13:

Head	₹ in crore	Head	₹ in crore
<i>Own Revenue</i>		<i>Shares of Taxes</i>	
Land Revenue	0.52	Taxes on income & expenditure	2.92
Stamps & Registration	0.15	Taxes on vehicle	0.00
Interest Receipts	5.39	Mines & Minerals	24.76
Fisheries	0.03		
Forest	0.81		
Others	0.41		
Total	7.31		27.68

² Grants in aid from State Government: ₹ 0.76 crore (Land Survey & Reform: ₹ 0.06 crore + Forests: ₹ 0.32 crore + Public Works: ₹ 0.38 crore).

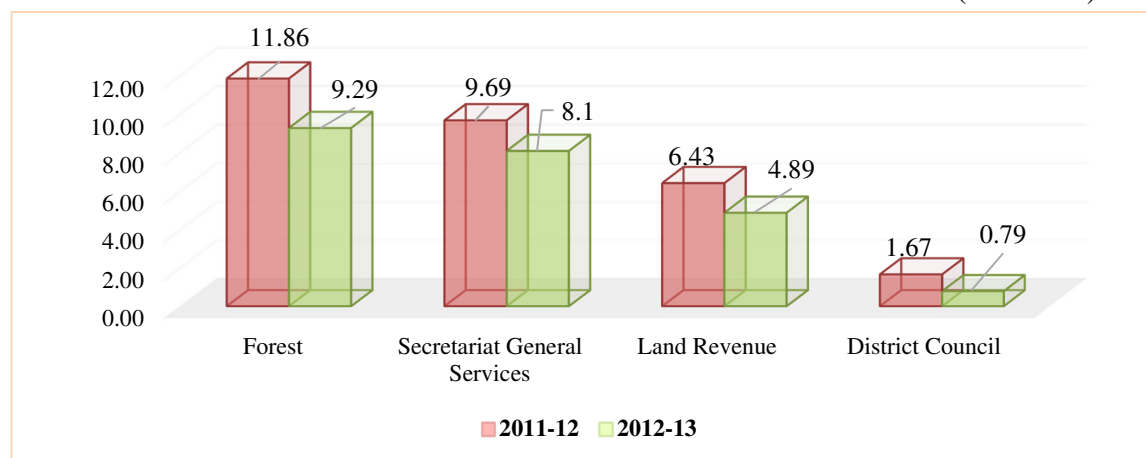
(53 per cent), Urban Development (50 per cent), Executive Members (36 per cent), Land Revenue (24 per cent) and Forest Department (22 per cent).

- Expenditure under the head Public Works increased by 16 per cent from ₹ 5.95 crore in 2011-12 to ₹ 6.93 crore in 2012-13.

The details of decrease in expenditure during 2012-13 compared to previous year *i.e.* 2011-12 are shown in **Chart 2.2**:

Chart 2.2: Department which spent less funds compared to 2011-12

(₹ in crore)



Source: Annual Accounts of JHADC.

2.3 Substantial variation between revised estimates and actuals

Scrutiny of budget estimates for the year 2012-13 *vis-à-vis* actual receipt 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 2012-13 (₹ in crore)

Particulars	Budget estimate	Actual	Details of Excess (+) / Shortfall (-)	
Receipt	85.22	38.99	(-) 46.23	(-) 54.25
Expenditure	97.14	42.63	(-) 54.51	(-) 56.11

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

The receipts and expenditure of the Council fell short of the BEs by 54.25 per cent and 56.11 per cent respectively. The shortfall was mainly under the heads where revenue declined sharply during the year 2012-13 as detailed in **Table 2.3**.

Table 2.3: Heads under which receipts were significantly less than the BEs (₹ in lakh)

Sl. No.	Major Head	2010-11			2011-12			2012-13		
		BEs	Actual	Shortfall (%)	BEs	Actual	Shortfall (%)	BEs	Actual	Shortfall (%)
1.	Land revenue	51	42	9 (18)	55	29	26 (47)	81	52	29 (36)
2.	Taxes on vehicles	70	06	64 (91)	70	46	24 (34)	70	00	70 (100)
3.	Mines & Minerals	5050	3423	1627 (32)	6000	5284	716 (12)	6000	2476	3524 (59)
4.	Trading by Non Tribals (TNT)	51	39	12 (24)	96	22	74 (77)	96	00	96 (100)
5	Grants-in-aid (13 th FC)	1143	253	890 (78)	681	530	151 (22)	763	324	439 (58)

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

During the year 2012-13, the shortfall between the budget provision and actual collection of revenue under Land revenue, Taxes on vehicles, TNT, and Grants-in-aid (13th Finance Commission) ranging between 36 to 100 *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 2.4: Heads under which expenditure were significantly less than the BE
(₹ in lakh)

Sl. No.	Major Head	2012-13		
		Budget Estimates	Actual	Shortfall
1	Public works	37.00	6.93	30.07 (81)
2	Education	8.52	6.10	2.42 (28)
3	Forest	12.15	9.29	2.86 (23)
4	Information and Publicity	0.51	0.23	0.28 (55)
5	Stationery & Printing Department	0.58	0.25	0.33 (57)

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, Forest, Information & Publicity and Stationery & Printing Departments ranging between 23 and 81 *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 2012-13, 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 2012-13 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), Paragraph 2.3 (2010-11) and Paragraph 2.3 (2011-12) 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 2012-13.

2.5 Conclusion

Variations between the BEs and actual receipts and expenditure during 2012-13 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;*
- *Council may prepare and update Cash Book as early as possible; and*
- *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 Improper planning lead to prolonged delay of Project.

The JHADC had planned to construct Durbar Hall at New Hill, Jowai office for Dallois³ to holds meetings and other programs. The project was funded out of 13th Finance Commission grants and also included an auditorium with few stalls/shops.

A Kolkata based firm⁴ prepared a Detailed Project Report (DPR) for Construction of the Durbar Hall, a G *plus* 4 storied building, in February 2011 at a cost of ₹ 5.55 crore. The cost was based on the basis of the Meghalaya Public Works Department (MPWD) Schedule of Rates (SOR) of 2010-11 for Building Works. During 2012-13, the Consultant was paid ₹ 5.80 lakh as professional fee as per the work order.

Executive Committee (EC), Jaintia Hills Autonomous District Council (JHADC) approved DPR for the project. Based on the quotes received in response to the Notice Inviting Tender (NIT) (December 2013), the work was awarded (January 2014) to the lowest tenderer⁵ at a cost of ₹ 4.16 crore. As per the work order, the work was to be completed within 30 months from the date of issue of work order (i.e. by July 2016).

The JHADC sought (April 2016) permission for the construction of the Darbar Hall (G *plus* 4 stories) from Meghalaya Urban Development Authority (MUDA), which accorded permission on 30 May 2016 for G+3 storeys.

JHADC paid the following amounts to the Contractor, for construction of the Durbar Hall shown in **Table 3.1**:

³ Dallois are traditional officials appointed by JHADC to look after each elaka (area) under their jurisdiction.

⁴ Asoke Deep Consultants.

⁵ Shri B. Paka Najiar, Iongpiah, Jowai.

Table 3.1: Details of Running bills paid to the Contractor

Sl. No	Particulars	Payment made to the contractor (₹)	Date of Payment	Source of Funds
1.	1st Running Bill	99,29,661	20.11.2016	13 th Finance Commission
2.	2 nd Running Bill	1,03,80,782	19.05.2017	13 th Finance Commission
3.	3 rd Running Bill	27,62,788	10.08.2018	13 th Finance Commission
	Total	2,30,73,231		

Scrutiny of records of the JHADC revealed the following:

- a) The initial proposal of the Construction of Durbar Hall was for G+4 stories. However, the Council changed it to G +2 stories.
- b) There was undue delay in completion of the work thereby defeating the objective of providing a Durbar Hall for the Dallois of Jowai. Though the stipulated date of completion of the work was July 2016, the work was yet to be completed even after a lapse of four years from the targeted date of completion of the project. The total amount spent on the project was ₹ 2.31 crore.
- c) Due to delay in completion of the work, the subsequent grants from the 13th Finance Commission were not released.

On this being pointed out, the Secretary, Executive Committee, JHADC stated (February 2020) that there were delays due to submission of un-satisfactory plans by the Architect. The MUDA accorded permission for construction of G+3 stories only, therefore, the plan had to be modified. Moreover, when the work was allotted, the plan did not fit the site and had to be rectified again. The work was taken up for G+2 only as the 13th Finance Commission did not release the entire amount to Council. The Secretary further apprised (November 2021) that the work for G+2 is almost complete except for fittings of steel railings, sanitary ware and water supply and electrification.

The reply of the Council is indicative of the lackadaisical approach of the Council in the execution of the Durbar Hall project. Council should have done all due diligence with respect to the proposed plan and should have arranged the required permission/clearance from the respective authorities before the commencement of the project.

Thus, due to the improper planning and lackadaisical approach of the Council in the execution of the project, the project remained incomplete even after a lapse of four

years from the target date of completion and resulted in non-achievement of intended benefit out of the project.

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 2012-13 is shown in **Table 3.2:**

Table 3.2: Discretionary Grant and Gratuitous Relief (₹ in crore)

Year	Budget allotment		Expenditure	
	DG	GR	DG	GR
2012-13	3.00	3.00	0.59	0.00

Source: Budget and information furnished by the JHADC.

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

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.*

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. During the year no disbursement was made out of Gratuitous Relief funds against the allocation.

The vouchers, as specified in Rule 42 of the Jowai Autonomous District Fund Rules, 1967 were not maintained by the JHADC.

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 2012-13 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 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.

3.5 Conclusion

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

- The expenditure of ₹ 2.31 crore remains unfruitful due to delay in completion of Durbar Hall even after a lapse of more than four years from its scheduled date of completion.
- 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 ₹ 0.59 crore.

3.6 Recommendations

The Council may consider the following recommendations:

- *Council may take necessary steps to complete the Darbar Hall project so that it may be utilised for intended purposes.*
- *Council may clearly define objectives and activities to be taken up under Members' Discretionary grants. 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



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The 28 July 2022

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