

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

For the year ended 31 March 2014

**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, Jowai, Meghalaya for the year 2013-14.

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. Chapter-III deals with compliance issues during test-audit of the transactions of the Council for the year 2013-14.

OVERVIEW

OVERVIEW

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

1. Internal Control

An evaluation of internal control system in the Council revealed that internal control mechanism was weak which is evident from persistent irregularities like discrepancy in cash balances as per Annual Accounts, retention of heavy cash balances, delay in depositing the Council's revenue, 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. Failure in internal controls under Financial Management is fraught with risks of fraud, misappropriation and financial irregularities, which might remain undetected.

(Paragraph 1.5)

Recommendations

The available human resources can be further upskilled by using the available State training facilities in co-ordination with the District Council Affairs Department to overcome issues such as non-maintenance of relevant records and deficiencies in Cash Book maintenance.

The Council may speed up the establishment of a strong internal control system for good governance.

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

2. Autonomous District Council Funds

The total receipts of the Council were ₹ 64.03 crore and fell short of the Budget Estimate (BE) by ₹ 6.90 crore (10 *per cent*) during 2013-14.

(Paragraph 2.3)

The expenditure of the Council was ₹ 65.06 crore, also fell short of the BE by ₹ 6.76 crore (nine *per cent*) during the year 2013-14.

(Paragraph 2.3)

Mention was made in Paragraph 3.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 that ₹ 5.49 crore in cash was

unaccounted for as on 30 September 2004. A new Cash Book was opened (01 October 2004), without attestation or authorisation order. The fund amounting to ₹ 5.49 crore was unauthorisedly removed and not brought back into the subsequent Cash Books for the years 2005-06 to 2013-14. Hence, the opening and closing balances do not reflect true and correct picture of the Annual Accounts of JHADC.

As such, the Annual Accounts of JHADC, 2013-14 cannot be certified until the time the Cash Book of the entity is fully reconciled.

(Paragraph 2.4)

Recommendations

The Council must enhance its revenue collection efficiency from own sources which will improve predictability of flow of funds into the District Fund.

The Council needs to plan utilisation of available funds adequately.

The Council should engage in comprehensive budgetary analysis and reviews to pinpoint potential untapped revenue sources and to enhance the accuracy of revenue receipt estimates. Additionally, it is crucial that the expenditure for schemes executed by the Council adheres closely to the budget provisions in order to effectively achieve its objectives.

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

3. Compliance Audit Observations

Revenue collected was not timely deposited Treasury and there were delays ranging from 79 to 203 days.

(Paragraph 3.1)

Recommendation

The Council may put in place systems to ensure timely remittances of receipts to the treasury to prevent risk of temporary misappropriation of Council funds due to delayed remittances /non-deposit of the collected revenue.

CHAPTER-I

**CONSTITUTION, RULES AND
MAINTENANCE OF ACCOUNTS**

CHAPTER I

Constitution, Rules and Maintenance of Accounts

1.1 Profile of Jaintia Hills Autonomous District Council

The United Khasi and Jaintia Hills Autonomous District Council was set up in June 1952 under the provisions of Article 244(2) read with the Sixth Schedule to the Constitution of India. The Council was bifurcated in 1967 and the Jowai District Council was carved out of it. In 1973, the United Khasi and Jaintia Hills District Councils was renamed as Khasi Hills Autonomous District Council and Jaintia Hills Autonomous District Council respectively.

The Sixth Schedule to the Constitution provides for administration of specified tribal areas. For that purpose, it provides for constitution of 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*”¹ or other forms of shifting cultivation, establishment of village or town committees or councils and their powers, village or town administration including police, public health and sanitation and inheritance of property.

Paragraph 6 (1) of the Schedule empowers the Councils to establish, construct or manage primary schools, dispensaries, markets, cattle pounds, ferries, fisheries, roads, road transport and water ways in the respective autonomous districts. Paragraph 8 of the Schedule further empowers the Councils to assess, levy and collect within the autonomous districts, 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 taxes for the maintenance of schools, dispensaries or roads.

Jaintia Hills Autonomous District Council (JHADC) consists of 30 Members including 29 elected Members and one Member nominated by the Governor on the recommendation of the Chief Executive Member (CEM). The Council is headed by a Chief Executive Member. JHADC is headquartered at Jowai, Meghalaya. During 2013-14, the Council had full strength of members consisting of all 29 elected and one nominated member.

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

¹ “Jhum” cultivation is a local name for slash and burn agriculture practiced by the tribal groups in the north-eastern states of India. Crops are grown in this cultivation by clearing the trees and other vegetation and then burning the fields. Land burning allows the addition of potash to the soil, which in effect increases soil fertility and nutrient content.

payment of 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 (January 2022). 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 of India, the forms of Accounts of the Council were 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.

Rule 97 of the Jaintia 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 2013-14 was however, submitted to the Accountant General (Audit), Meghalaya in February 2019, after a delay of more than five years.

While accepting the audit observation on delay in submission of account, the Secretary of the Executive Committee, JHADC in reply (August 2023) stated that the delay in submitting Annual Accounts had persisted for several years due to a lack of adequately skilled personnel. Subsequently, the Council successfully addressed this issue, and currently, there are no outstanding Annual Accounts. Results of audit are discussed in the succeeding Chapters.

1.4 Administrative Set-up of the Council

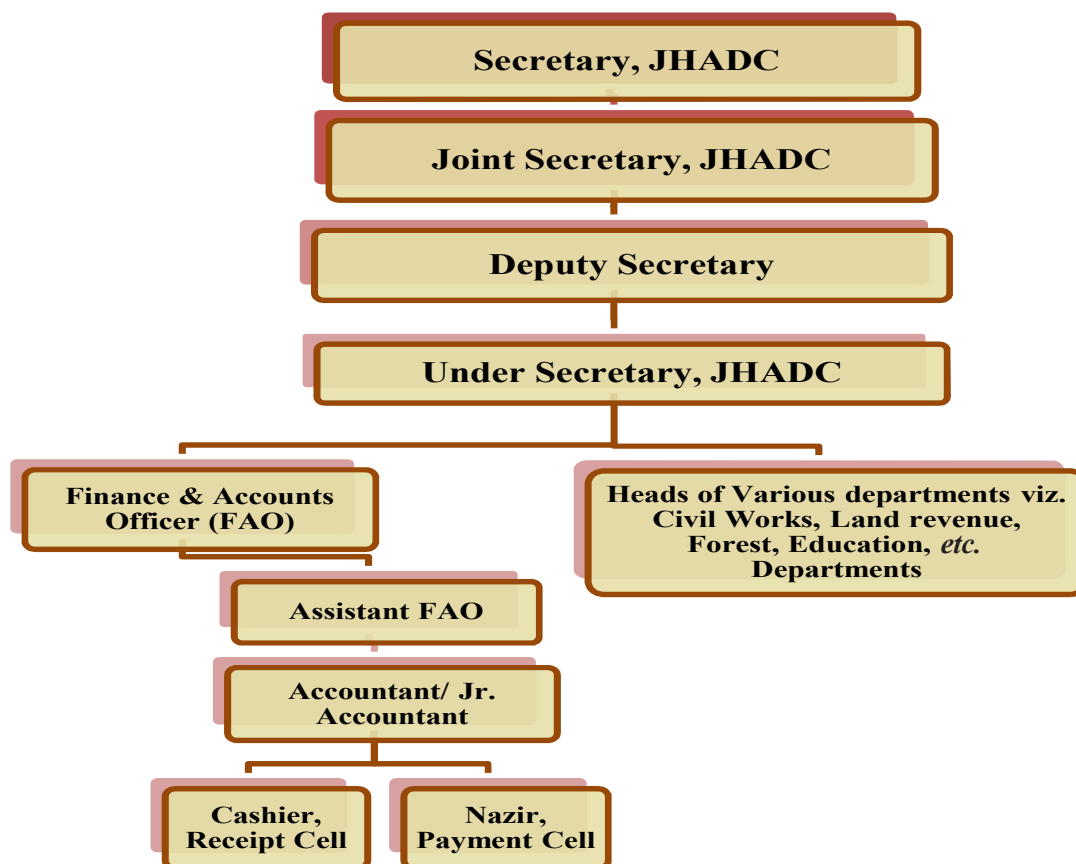
The Executive Committee of the District Council is composed of the Chief Executive Member, and it may include a maximum of ten additional Members, as specified in the ADC Rules. The Chief Executive Member is elected by the District Council, while the other Executive Members are appointed by the Governor based on the advice of the Chief Executive Member, drawn from the ranks of the District Council's members.

The Chief Executive Member serves as the administrative head of the Council and presides over the Executive Committee. Further, there is a secretary appointed by the Chief Executive Member to assist the Executive Committee in its functions.

Additionally, the District Council also comprises of a Secretary for the Legislative Council, who heads the Legislative Wing, and a Judge who serves as the head of the District Council Court.

The flow chart of the administrative hierarchy of the Council is depicted in **Chart 1.1:**

Chart 1.1: Administrative set-up of JHADC



Source: JHADC records.

The Council's operational functions are distributed across 16 Departments, which oversee a range of activities and tasks. Currently, there are 935 individuals employed within these Departments, representing 94.16 *per cent* of the total sanctioned staff strength of 993, as presented in **Table 1.1** below:

Table 1.1: Human Resource position of JHADC during 2013-14

Sl. No.	Name of the Department/Branch	Sanctioned Strength	Persons in Position
1	General Administration Department	138	129
2	Finance and Accounts Department	35	33
3	Land Revenue and Land Reform Department	164	161
4	Land Record and Land Settlement Department	98	98
5	Taxation Department	58	57
6	Forest Department	217	212
7	Political Department	20	21
8	Civil Works Department	102	89
9	Education Department	21	20
10	Town Committee Affairs Department	6	6
11	Market, Agriculture, Soil and Fishery Department	53	37
12	Statistics and Information Department	10	10
13	Stationery and Printing Department	12	11
14	Planning Department	10	8
15	Judicial Department	26	24
16	Legislative Department	23	19
Total		993	935

Audit noticed that the Council had in position 33 accounts staff (**Appendix-I**) against the sanctioned strength of 35 in the Finance and Accounts Department, and all the staff deployed were trained for their respective work. Despite availability of trained staff, Audit has seen persistent shortcomings in maintenance of accounts such as non-maintenance of relevant records and deficiencies in cash management by the Autonomous District Council (ADC).

Financial statements are a structured representation of the financial position and financial performance of an entity. The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to stakeholders in making and evaluating decisions about the allocation of resources. Due to delay in preparation of accounts coupled with deficiencies in Financial Statements, the appropriateness of utilisation of resources could not be assessed.

The available human resources can be further upskilled by using the available State training facilities in co-ordination with the District Council Affairs Department to overcome issues such as non-maintenance of relevant records and deficiencies in Cash Book maintenance.

1.5 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 JHADC, revealed that internal control mechanism in the Council was weak which is evident from persistent irregularities like non-maintenance of Cash Book, non-reconciliation of opening and closing balances and delay in remittance of Council revenue into Treasury as discussed in the Para 2.4 and 3.1 of the succeeding Chapters. We consider weak internal controls, as a serious audit constraint.

Effective internal control reduces the risk of asset loss and helps to ensure that information is complete and accurate, financial statements are reliable, and day-to-day operations are conducted in accordance with the provisions of applicable laws and regulations.

While accepting audit observation, the Secretary, Executive Committee, JHADC stated (August 2023) that in order to strengthen the Internal Control System, the Council had issued a notification in June 2023, announcing the establishment of an Internal Audit Section. Audit is of the view that despite previous Audit Reports from the Comptroller and Auditor General (C&AG) consistently identifying similar weaknesses, the Council has delayed in implementing any corrective measures. As of August 2023, the Internal Audit Section still remains non-operational.

The Council may speed up the establishment of a strong internal control system for good governance.

1.6 Summary of Recommendations

- *The available human resources can be further upskilled by using the available State training facilities in co-ordination with the District Council Affairs Department to overcome issues such as non-maintenance of relevant records and deficiencies in Cash Book maintenance.*
- *The Council may speed up the establishment of a strong internal control system for good governance.*

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 is divided into four sections as detailed below:

- (i) **Revenue Section** for Revenue Receipts and Revenue Expenditures. This section 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 of India (GoI)/Government of Meghalaya (GoM) and also grants and contributions from the Council.
- (ii) **Capital Section** for Capital Receipts and expenditure of Capital nature².
- (iii) **Debt**, under which Loan received from Government and other sources and their repayments shall be recorded. This section shall also record District Council Provident Fund deducted and payments made, and
- (iv) **Loans and Advances** raised and paid off by the District Council.

B. Deposit Fund

Deposit Fund covers transactions relating to Deposits, General Provident Fund (GPF), other funds and advances such as Cess, Income Tax, Sales Tax and Security Deposits, *etc.*, where the Council incurs a liability to repay the moneys received or has a claim to recover the amount paid.

2.2 Receipts and Disbursement

The receipts and expenditure of JHADC for the year 2013-14 were as depicted in **Table 2.1**.

² Expenditure incurred for acquiring fixed assets that can be used for a longer duration.

Table 2.1: Summarised position of Accounts for the year 2013-14

(₹ in crore)

PART –I DISTRICT FUND ³					
Receipts			Disbursement		
2012-13	1. Revenue Receipt	2013-14	2012-13	Revenue Expenditure	2013-14
2.92	(i) Taxes on Income and expenditure	3.30	0.79	(i) District Council	1.29
0.52	(ii) Land Revenue	0.51	4.89	(ii) Land Revenue	7.34
0.01	(iii) Other Administrative Services	0.02	0.74	(iii) Administration of Justice	1.03
0.15	(iii) Stamps and Registration	0.18	1.46	(iv) Executive Members	3.92
0.00	(iv) Taxes on Vehicles	0.22	8.10	(v) Secretariat General Services	10.32
5.39	(v) Interest Receipts	0.68	0.25	(vi) Stationery and Printing	0.48
0.39	(vii) Other General Economic Services	0.34	6.93	(vii) Public Works	12.74
0.03	(viii) Fisheries	0.03	1.97	(viii) Pensions and other retirement benefits	3.07
0.81	(ix) Forest	1.16	0.18	(xv) Fisheries	0
24.76	(x) Mines & Minerals	56.24	9.29	(xvi) Forest	11.19
	(xi) Grants-in-aid from:		0.58	(x) Urban Development	0.94
0.76	a. State Government	1.34	6.10	(ix) Education	7.72
3.24 ⁴	b. GoI	0.00	0.23	(xi) Information and Publicity	0.41
0.01	(xii) Stationery and Printing	0.01	0.00	(xii) Relief on account of natural calamities	3.00
			1.12	(xiii) Agriculture	1.61
38.99	Total Revenue Receipt	64.03	42.63	Total Revenue Expenditure	65.06
3.64	Revenue Deficit	1.03		Revenue surplus	
0	2. Capital	0	0	2. Capital	0
0	3. Debt	0	0	3. Debt	0
0	4. Loans and Advances	0	0	4. Loans and Advances	0
38.99	Total Part-I District Fund	64.03	42.63	Total Part –I District Fund	65.06
PART II- DEPOSIT FUND					
0	Deposit receipts	0	0	Deposits Payments	0
0	Total of part II Deposit fund	0	0	Total of Part II Deposit fund	0
38.99	Total receipts (I + II)	64.03	42.63	Total Disbursements (I +II)	65.06
29.26	Opening balance	25.62	25.62	Closing balance ⁵	24.59
68.25	Grand total	89.65	68.25	Grand total	89.65

Source: Annual Accounts of the Council.

2.2.1 Sources and application of funds

A comparative statement of sources and application of fund of the Council during 2013-14 with 2012-13 is given in Table 2.2.

Table 2.2: Sources and application of fund during 2012-14

(₹ in crore)

Particulars		2012-13	2013-14	Increase/Decrease (per cent)
	Opening Cash Balance	29.26	25.62	-12.44
Sources	<i>Own Revenue Receipts</i>	10.23	6.23	-39.10
	<i>Share of Taxes</i>	24.76	56.46	128.00
	<i>Grants-in-Aid (GoI)</i>	3.24	0.00	-100.00
	<i>Grants-in-Aid (GoM)</i>	0.76	1.34	76.32
	Total Revenue Receipts	38.99	64.03	64.22

³ To which shall be credited all money received by the Council in the course of Administration of the District in accordance with the provisions of the Constitution.

⁴ 13th Finance Commission Grant.

⁵ 2013-14: Cash - ₹ 2.96 crore; Bank - ₹ 10.59 crore; PLA - ₹ 3.82 crore; Investment - ₹ 7.22 crore.

Particulars		2012-13	2013-14	Increase/Decrease (per cent)
	Capital Receipts	0.00	0.00	
	<i>Recoveries of Loans and Advances</i>	<i>0.00</i>	<i>0.00</i>	
	<i>Receipts under Deposit Fund</i>	<i>0.00</i>	<i>0.00</i>	
	Total	38.99	64.03	64.22
Application	Revenue Expenditure	42.63	65.06	52.62
	Capital Expenditure	0.00	0.00	
	<i>Disbursement of loans and advances</i>	<i>0.00</i>	<i>0.00</i>	
	<i>Disbursement under Deposit Fund</i>	<i>0.00</i>	<i>0.00</i>	
	Total (Disbursement)	42.63	65.06	52.62
Closing Cash Balance		25.62	24.59	-4.02

Source: Annual Accounts of JHADC.

It can be seen from **Table 2.2** that:

- Total receipts of the Council increased by ₹ 25.04 crore (64 *per cent*) from ₹ 38.99 crore in 2012-13 to ₹ 64.03 crore in 2013-14. The reason for increase was mainly due to increase in Share of Taxes by ₹ 31.70 crore i.e., taxes on vehicles (₹ 0.22 crore) and share of royalty on mines & minerals (₹ 31.48 crore).
- Revenue from JHADC own sources has decreased by ₹ 4.00 crore (39 *per cent*) from ₹ 10.23 crore in 2012-13 to ₹ 6.23 crore in 2013-14. The reason is due to decrease of receipts under the heads (i) Interest Receipts, from ₹ 5.39 crore in 2012-13 to ₹ 0.68 crore in 2013-14, (ii) Other General Economic Services, from ₹ 0.39 crore in 2012-13 to ₹ 0.34 crore in 2013-14, and (iii) Land Revenue, from ₹ 0.52 crore in 2012-13 to ₹ 0.51 crore in 2013-14.

During 2013-14, out of the total fund available of ₹ 89.65 crore, including OB, the Council utilised ₹ 65.06 crore (73 *per cent*).

2.2.1.1 Resources

JHADC collected its revenue through:

- **Revenue from own sources** - Trade licenses, taxes on profession, land revenue, market auction, bank interest, fisheries, forest, stamp & registration, *etc.*;
- **Share of taxes** - From the State Government on taxes on vehicles, forest and mines & minerals.
- **Grant in Aid** - From the State Government through the State Plan.

During 2013-14, JHADC generated ₹ 6.23 crore⁶ (10 *per cent*) from its own sources, received ₹ 56.46 crore⁷ (88 *per cent*) as share of taxes and ₹ 1.34 crore⁸ (2 *per cent*) as Grant-in-aid from the State Government. As such, JHADC is primarily dependent

⁶ Revenue from own sources: – ₹ 6.23 crore: (i) Taxes on income & expenditure- ₹ 3.30 crore, (ii) Land revenue- ₹ 0.51 crore; (iii) Stamps & Registration- ₹ 0.18 crore; (iv) Interest receipt - ₹ 0.68 crore; (v) Other Administrative Services- ₹ 0.02 crore, (vi) Fisheries- ₹ 0.03 crore, (vii) Other General Economic Services- ₹ 0.34 crore and (viii) Forest- ₹ 1.16 crore.

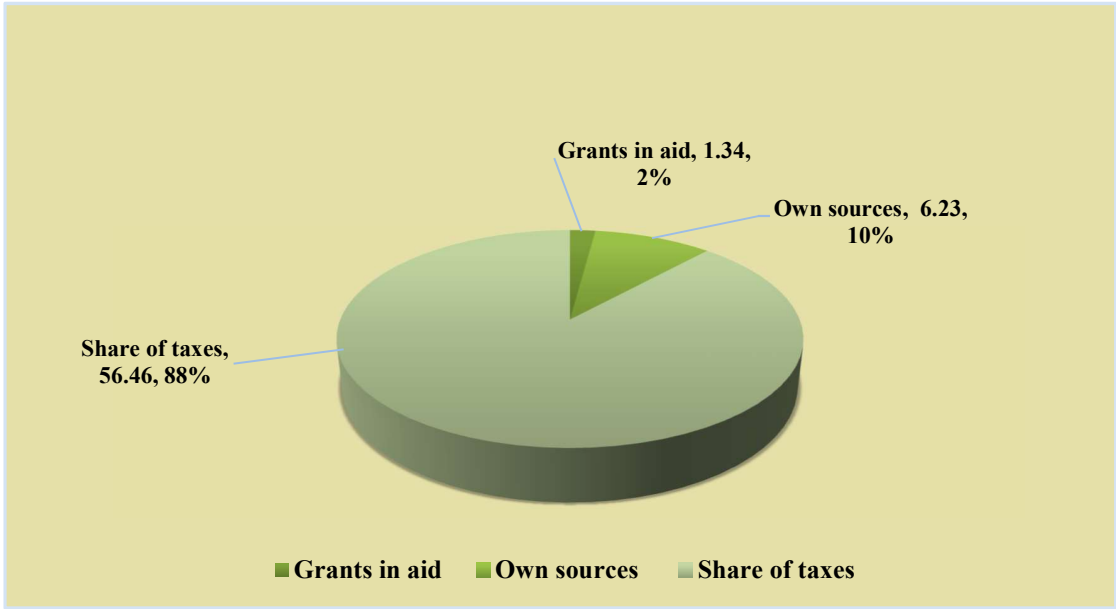
⁷ Share of taxes – ₹ 56.46 crore: (i) Taxes on vehicles- ₹ 0.22 crore and (iii) Mines & Minerals- ₹ 56.24 crore.

⁸ Grants in aid from State Government – ₹ 1.34 crore (Forests: ₹ 0.30 crore + Public Works: ₹ 0.59 crore+ Taxation: ₹ 0.45 crore).

on external sources of funds (90 *per cent*) as against its own sources of funds (10 *per cent*).

Chart 2.1 below depicts the composition of resources of JHADC amounting to ₹ 64.03 crore during 2013-14.

Chart 2.1: Composition of Aggregate Receipts (2013-14) (₹ in crore)



The Council must enhance its revenue collection efficiency from own sources which will improve predictability of flow of funds into the District Fund.

2.2.1.2 Availability of funds and expenditure

The revenue receipts and revenue expenditure of JHADC during 2013-14 is analysed as follows:

❖ Revenue receipts

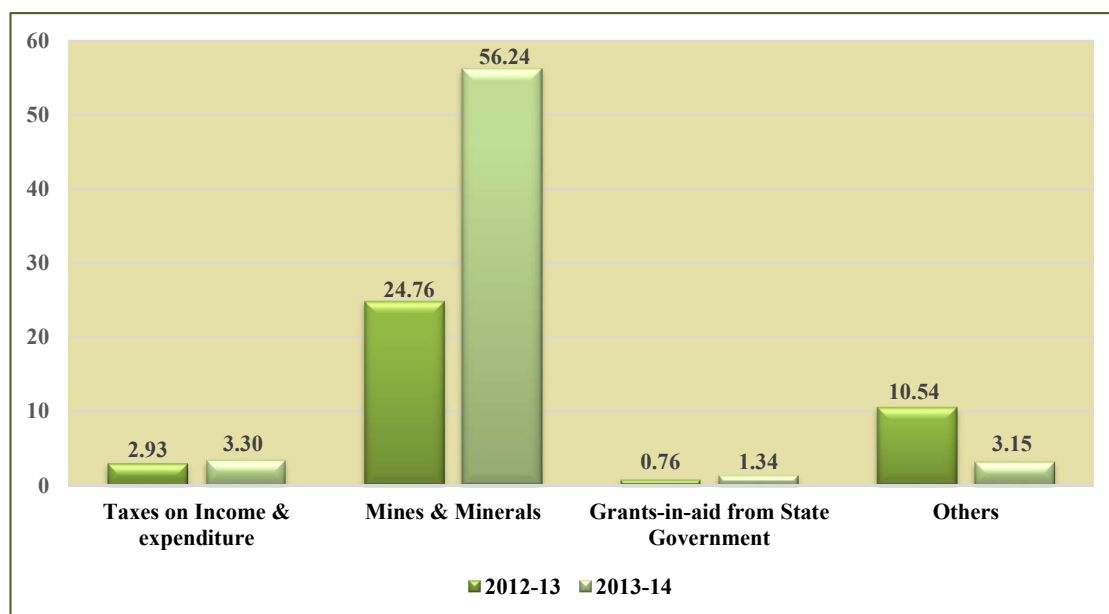
Table 2.3 and **Chart 2.2** below summarise the revenue receipts of JHADC during 2013-14.

Table 2.3: Summarised position of revenue receipts for the year 2013-14

Head	2012-13	(₹ in crore)
		2013-14 (percentage of revenue)
Taxes on Income and Expenditure	2.93	3.30 (5)
Mines & Minerals	24.76	56.24 (88)
Grants-in-aid from State Government	0.76	1.34 (2)
Others ⁹	10.54	3.15 (5)
Total	38.99	64.03 (100)

Source: Annual Accounts of JHADC.

⁹ Includes Land Revenue, Taxes on vehicles, Other Administrative Services, Other General Economic Services, Forests, etc.

Chart 2.2: Composition of Revenue Receipts (₹ in crore)

Source: Annual Accounts of JHADC.

- As evident from **Table 2.3**, the total revenue receipts of JHADC increased by 64 per cent from ₹ 38.99 crore in 2012-13 to ₹ 64.03 crore during 2013-14. The increase in revenue receipts during 2013-14 was primarily due to 127 per cent increase in the share of royalty on mines and minerals.
- During 2013-14, the share of royalty on Mines & Minerals (₹ 56.24 crore), the Grants-in-aid received from State Government (₹ 1.34 crore) and share of taxes on vehicles (₹ 0.22 crore) constituted 90 per cent of the total revenue receipts (₹ 64.03 crore) of the JHADC, indicating high dependence of the JHADC on revenue from share of royalty from the Government.

❖ Revenue expenditure

Table 2.4 and **Chart 2.3** below summarise the revenue expenditure of JHADC during 2012-13 and 2013-14.

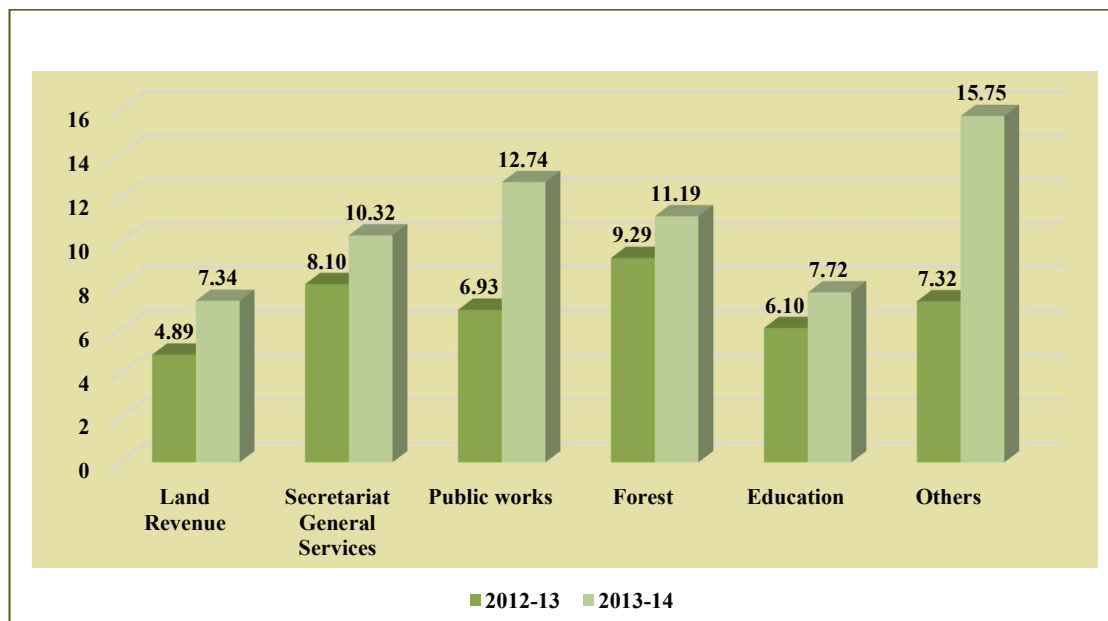
Table 2.4: Summarised position of revenue expenditure for the year 2013-14

(₹ in crore)

Head	2012-13	2013-14 (percentage)
Land Revenue	4.89	7.34 (11)
Secretariat General Services	8.10	10.32 (16)
Public Works	6.93	12.74 (20)
Forest	9.29	11.19 (17)
Education	6.10	7.72 (12)
Others	7.32	15.75 (24)
Total	42.63	65.06 (100)

Source: Annual Accounts of JHADC.

Chart 2.3: Composition of Revenue Expenditure



- The total revenue expenditure of JHADC increased by 53 *per cent* from ₹ 42.63 crore in 2012-13 to ₹ 65.06 crore in 2013-14. The increase in revenue expenditure during 2013-14 was primarily due to increase in expenditure under Public Works from ₹ 6.93 crore in 2012-13 to ₹ 12.74 crore in 2013-14 (84 *per cent*).
- During 2013-14, Public Works (20 *per cent*), Forest (17 *per cent*), Secretariat General Services (16 *per cent*) and Education (12 *per cent*), together accounted for 65 *per cent* of the revenue expenditure leaving small percentage for other heads of expenditure including important heads such as Land Revenue, Urban Development and Agriculture.

The Council needs to plan utilisation of available funds adequately.

2.2.1.3 Grants received under Article 275(1) of the Constitution

During the year 2013-14, JHADC received ₹ 53.38 lakh under Article 275(1). The details of grants received and expenditure incurred are as under:

Table 2.5: Summarised position of GIA expenditure

(₹ in lakh)			
Sl. No.	Particulars	Amount received	Expenditure
1	Financing own plan scheme	43.03	43.03
2	Construction of District Council building	10.35	10.35
Total:		53.38	53.38

The grant-in-aid of ₹ 43.03 lakh and ₹ 10.35 lakh, allocated for financing own plan schemes and construction of DC building, was utilised by the Council for various projects *viz.* construction of roads, footpaths, drinking wells, school buildings, footbridges, toilets, drainage systems, *etc.* Notably, the entire grant amount received was fully expended by the Council by February 2016.

2.3 Substantial variation between Budget Estimates and Actuals

Scrutiny of budget estimates for the year 2013-14 *vis-à-vis* actual receipt and expenditure revealed that there were variations between budget estimates (BE) as compared to receipts and expenditure as detailed below:

Table 2.6: Budget estimates and actual for the year 2013-14

(₹ in crore)

Particulars	Budget Estimate (BE)	Actual	Excess (+) / Shortfall (-)	Percentage of Excess (+) / Shortfall (-)
Receipt	70.93	64.03	(-) 6.90	(-) 10
Expenditure	71.82	65.06	(-) 6.76	(-) 09

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

As compared to the BE, the actual receipts and expenditure of the Council showed decreasing trend and fell short of the BE by 10 and 9 *per cent* respectively.

Scrutiny of some of the Major heads under which the actual receipts and expenditure were significantly lower than the estimated budget provisions during 2013-14 were as under:

Table 2.7: Heads under which receipts were significantly less than the BE

(₹ in crore)

Sl. No.	Major Head	2013-14		
		Budget Estimate	Actual	Shortfall
1	Land revenue	0.61	0.51	0.10 (16)
2	Taxes on vehicles	0.70	0.22	0.48 (69)
3	Mines and Minerals	65.00	56.24	8.76 (13)

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

The shortfall between the budget provision and actual collection of revenue under Land revenue, Taxes on vehicles and Mines and Minerals ranged from 13 to 69 *per cent*. The Council had not been able to reasonably estimate its revenue collection. Even for collection of land revenue, which was from its 'own source', against an actual of ₹ 0.52 crore during 2012-13, the Council estimated a receipt of ₹ 0.61 crore, which was an increase of 17 *per cent* over the actual. From the records, audit did not notice any additional effort made to meet the increased target despite the projections.

In respect of expenditure, the shortfall was mainly due to the Major heads where expenditure declined sharply during the year 2013-14 as detailed in **Table 2.8**.

Table 2.8: Heads under which expenditure were significantly less than the BE

(₹ in crore)

Sl. No.	Major Head	2013-14		
		Budget Estimate	Actual	Shortfall
1	Public works	13.75	12.74	1.01 (7)
2	Education	8.16	7.72	0.44 (5)
3	Information and Publicity	0.53	0.41	0.12 (23)
4	Stationery & Printing Department	0.55	0.48	0.07 (13)
5	Urban Development	1.50	0.94	0.56 (37)

The shortfall between the budget provision and actual expenditure under Public Works, Education, Information & Publicity, Stationery & Printing and Urban Development Departments ranged from 5 to 37 *per cent*. This indicated poor implementation of schemes by the Council.

However, Audit observed that Council had utilised 73 *per cent* of total available funds during the year 2013-14.

The Secretary, Executive Committee stated (August 2023) that it is challenging to precisely predict the actual revenue collection concerning budget provisions. This difficulty arises because the actual collection is contingent on the prevailing circumstances and socio-economic conditions throughout the year. However, the budget provisions were formulated based on earlier years collection trends. Further, the reply also stated that the State Government did not release the Council's share in taxes on motor vehicles and royalties from mines and minerals, which has contributed to a shortfall in Budget Estimate during 2013-14.

While JHADC's views on releases from the State Government has merit, Audit is of the opinion that JHADC should make efforts to enhance its own resources of revenue to improve predictability of the finances.

The Council should engage in comprehensive budgetary analysis and reviews to pinpoint potential sources of untapped revenue and to enhance the accuracy of revenue receipt estimates. Additionally, it is crucial that the expenditure for schemes executed by the Council adheres closely to the budget provisions in order to effectively achieve its objectives.

2.4 Constraints in conducting Audit of Accounts

Paragraph 7(4) of the Sixth Schedule to the Constitution of India states that *"The Comptroller and Auditor General shall cause the accounts of the District Councils to be audited in such manner as he may think fit, and the reports of the Comptroller and Auditor General relating to such accounts shall be submitted to the Governor who shall cause them to be laid before the Council."*

The Audit Report generally contains comments on accounts. However, for the year 2013-14, the accounts could not be audited owing to reasons outlined in the subsequent paragraphs and as such, we are unable to certify the accounts and provide any assurance that the accounts are free from material irregularities.

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

However, during the course of audit of the Council's accounts for the year 2013-14, 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.

- Audit is of the view that non-preparation of the Cash Book is a violation of the provisions of Rule 16 (1) of the Fund Rules, and in the absence of Cash Book, the basis of preparation of final accounts and closing balance of 'cash in hand' as reflected in the Annual Accounts for the year 2013-14 could not be vouched safe by Audit.
- Mention was made in Paragraph 3.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 that the closing balance of cash in hand as on 30 September 2004 was ₹ 5.49 crore. In the following month (01 October 2004) a new Cash Book was opened with Nil opening balance without any attestation or authorisation order and thus fund amounting to ₹ 5.49 crore was unauthorisedly removed from the Cash Book. This fund was not brought back into the subsequent Cash Books for the years 2005-06 to 2013-14. Thus, the opening balance of cash in hand as on 01 April 2005 was understated to the tune of ₹ 5.49 crore and remained unreconciled till 31 March 2014. This fact was also brought out in **Paragraph 2.2.2** of (2005-06 to 2007-08), **Paragraph 3.1** of (2008-09), **Paragraph 2.3** of (2009-10), **Paragraph 2.3** of (2010-11), **Paragraph 2.4** of (2011-12) and **Paragraph 2.4** of (2012-13) of the Report of the Comptroller and Auditor General of India.

It was observed that the discrepancies in the opening and closing cash balances as pointed out by Audit in the past Reports had not been rectified by the JHADC, even in the Annual Accounts for the year 2013-14. As such, the opening and closing balances do not reflect the true and correct picture of the Annual Accounts of JHADC. In such circumstances, audit is unable to certify the annual accounts of JHADC for the year 2013-14 until the time the Cash Book is fully reconciled and presented to Audit.

The Secretary, Executive Committee stated (August 2023) that the Cash Books of the Receipt Cell and Payment Cell had to be opened with Nil balance to record day to day transactions since the closing balances prior to that dates of opening Cash Books were not available during that point of time. The Secretary further stated that on completion of the task of preparation and updating of Cash Book, differences, if any in closing balance will be reconciled.

In light of the above it can be concluded that the Council has failed to exercise due diligence in financial monitoring besides depicting apathy in addressing the serious matter of financial impropriety with the swiftness it deserves.

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

2.5 Conclusion

Revenue receipts of JHADC increased by 64 *per cent* from ₹ 38.99 crore in 2012-13 to ₹ 64.03 crore during 2013-14. The increase in revenue receipts during 2013-14

was primarily due to 127 *per cent* increase in the share of royalty on mines and minerals.

During 2013-14, the share of royalty on Mines & Minerals (₹ 56.24 crore), the Grants-in-aid received from State Government (₹ 1.34 crore) and share of taxes on vehicles (₹ 0.22 crore) constituted 90 *per cent* of the total revenue receipts (₹ 64.03 crore) of the JHADC, indicating high dependence of the JHADC on revenue from share of royalty from the Government.

Revenue expenditure of JHADC increased by 53 *per cent* from ₹ 42.63 crore in 2012-13 to ₹ 65.06 crore in 2013-14. The increase in revenue expenditure during 2013-14 was primarily due to increase in expenditure under Public Works from ₹ 6.93 crore in 2012-13 to ₹ 12.74 crore in 2013-14 (84 *per cent*).

Variations between the BEs and actual receipts and expenditure during 2013-14 indicate that the JHADC had prepared BEs without taking actual position into account.

Budgetary assumptions of the Council were not realistic during 2013-14, with estimates off the mark by a considerable margin. Control over the execution and monitoring of budget was inadequate.

Cash Book was not made available to Audit which constrained verification and validation of expenditure for bonafide purposes, resulting in unverified cash balances. Thus, Audit has not proceeded with the audit of Accounts for the year 2013-14, and is therefore unable to certify the accounts and provide any assurance that the Accounts were free from material irregularities.

2.6 Summary of Recommendations

- (i) *The Council must enhance its revenue collection efficiency from own sources which will improve predictability of flow of funds into the District Fund.*
- (ii) *The Council needs to plan utilisation of available funds adequately.*
- (iii) *The Council should engage in comprehensive budgetary analysis and reviews to pinpoint potential untapped revenue sources and to enhance the accuracy of revenue receipt estimates. Additionally, it is crucial that the expenditure for schemes executed by the Council adheres closely to the budget provisions in order to effectively achieve its objectives.*
- (iv) *The Council may prepare and update Cash Book as early as possible and 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 Non timely deposit of Revenue collected in Treasury

Rule 18 of the Jowai Autonomous District Fund (JADF) Rules, 1967 provides that *all money received by the Cashier on account of the Council shall be remitted intact to the treasury promptly and shall on no account be appropriated towards expenditure.*

Scrutiny of Daily Cash Receipt of Revenues – Classification Registers (which records the daily collection of revenue) revealed that the Council collected revenue of ₹ 82,83,716 and ₹ 28,52,976 during the month of April 2013 and August 2013. However, as per the PLA passbook maintained at the Jowai Treasury, the amount deposited for the two months was ₹ 66,53,386 and ₹ 28,22,710 respectively. This indicates that out of ₹ 1,11,36,692 revenue collected, only ₹ 94,76,096 was deposited into the Treasury leaving an amount of ₹ 16,60,596 not deposited till the date of audit (January 2022).

Further, it was also seen that during the months of January 2014 to March 2014, revenue to the tune of ₹ 1,41,82,773 was found to be deposited into Treasury. Audit, however, could not ascertain the actual revenue collected during these three months since no Cash Book was maintained and the Daily Cash Receipt of Revenues – Classification Registers for these three months was also not available.

As per the Daily Cash Receipt of Revenues – Classification Register for the year 2013-14 and the PLA passbook maintained at the Jowai Treasury, it was noticed that the Council had retained the revenue collected for a period ranging from 79 to 203 days before depositing into Treasury (**Appendix-II**).

The Secretary, Executive Committee stated (August 2023) that there was no short deposit or misappropriation of revenue receipts. The total collection of revenue receipts as per receipt books and daily collection register during April and August 2013 was deposited in PLA/Treasury.

The Secretary, also accepted that during this period, there were abnormal delays in deposit of revenue into treasury, however, in compliance to Council Memo dated June 2014, all moneys collected have now been remitted into PLA within seven days of receipts and as such there is no delay in remittances.

The reply is not acceptable since revenue collected were not fully deposited in PLA/Treasury as pointed out. While accepting the audit observation, the Secretary, Executive Committee stated that disciplinary action has been taken against the Cashier and the Finance and Accounts Officer responsible for non-maintenance of daily collection register for the period January to March 2014.

Thus, delay in deposit of Council's revenue was not only in contravention of the Fund Rules *ibid* but retention of money also tantamount to temporary misappropriation of Council's revenue.

The Council may put in place systems to ensure timely remittances of receipts to the treasury to prevent risk of temporary misappropriation of Council funds due to delayed remittances /non-deposit of the collected revenue.

3.2 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 a copy to the District Council Affairs Department and Finance Department through Inspection Reports (IRs). Seven IRs issued between July 2005 and November 2020, comprising 50 paras had not been settled (April 2023).

The Secretary, Executive Committee stated (August 2023) that replies to 39 paras in respect of the Inspection Reports for the years 2005-15 and Supplementary Inspection Reports for the years 2011-12 to 2012-13 had been sent to this office.


Upon examination of the records, it was found that not all the replies mentioned in the response of JHADC have been received. Correspondence relating to nine paragraphs in response to the Supplementary Inspection Report for the years 2011-12 and 2012-13, which were received from JHADC, has been forwarded to the ADC on 06 October 2023.

3.3 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 2012-13 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.

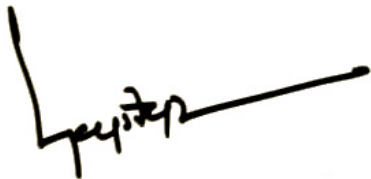
It is recommended that the Council may ensure time bound action on the audit observations pointed out in the Audit Reports to facilitate improved financial discipline and good governance in the conduct of the affairs of the Council.

Shillong
The: 30 August 2024


(John K. Sellate)
Principal Accountant General (Audit), Meghalaya

Countersigned

New Delhi
The: 06 September 2024


(Girish Chandra Murmu)
Comptroller and Auditor General of India

APPENDICES

APPENDIX –I
Statement showing Sanctioned Posts and Person-in-Position under Finance & Accounts Department for the year 2013-14
(Reference: Paragraph 1.4)

Sl. No.	Name of post	Sanctioned Posts	Person-in-Position
1	Finance & Accounts Officer	1	1
2	Assistant Finance & Accounts Officer	1	1
3	Accountant	1	1
4	Junior Accountant	1	1
5	Nazir	2	1
6	Lower Divisional Assistant	20	20
7	Duftry	1	1
8	Peons	8	7
Total:		35	33

Source: Information furnished by the JHADC.

APPENDIX – II
Statement showing retention of revenue collected
and delay in its deposit during 2013-14
(Reference: Paragraph 3.1)

(Amount in ₹)

Sl. No.	Month of collection of revenue	Revenue collected & deposited	Date of deposit	Delay in deposit (Days)
1	April 2013	66,53,386	19.07.2013	79
2	May 2013	38,76,910	01.10.2013	122
3	June 2013	27,90,246	01.11.2013	123
4	July 2013	35,76,222	06.11.2013	97
5	August 2013	28,22,710	03.12.2013	93
6	September 2013	45,93,138	14.03.2014	164
7	October 2013	34,30,229	23.05.2014	203
8	November 2013	23,87,191	28.05.2014	178
9	December 2013	19,50,296	28.05.2014	147
10	January 2014	19,80,830	05.06.2014	124
11	February 2014	14,18,023	05.06.2014	96
12	March 2014	1,00,00,000	23.06.2014	83
13	March 2014	5,00,000	09.07.2014	99
14	March 2014	2,00,000	01.08.2014	122
15	March 2014	83,920	28.08.2014	149
Total		4,62,63,101	-	-