Report of the
Comptroller and Auditor General of India

For the year ended 31 March 2015

Jaintia Hills Autonomous District Council,
Jowai, Meghalaya

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PREFACE

This Report has been prepared for submission to the Governor of Meghalaya under Paragraph 7(4) of the Sixth Schedule to the Constitution of India. It relates mainly to the issues arising from the audit of the Annual Accounts as also of the transactions of the Jaintia Hills Autonomous District Council, Jowai, Meghalaya for the year 2014-15.

2. The cases mentioned in this Report are those which came to notice in the course of test check of the accounts of the Council for the year 2014-15.

3. 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 2014-15.

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 JHADC, revealed that internal control mechanism in the Council was weak which is evident from persistent irregularities like discrepancy in cash balances as per Annual accounts (Paragraph 2.4), incomplete maintenance of Stock Register and absence of physical verification stock (Paragraph 3.3), *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.

(Paragraph 1.5)

Recommendations:

(i) The Council may take appropriate steps to address challenges and enhance the proficiency of the Accounts team, aiming at ensuring smooth and accurate preparation of up-to-date Financial Statements in the future.

(ii) The existing personnel may be trained through targeted upskilling initiatives, leveraging the resources and opportunities provided by the State's training facilities.

(iii) The Council may expedite the establishment of an effective internal audit section for good governance.

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

2. Autonomous District Council Funds

Total receipts of the Council increased by ₹ 10.04 crore (16 *per cent)* from ₹ 64.03 crore in 2013-14 to ₹ 74.07 crore in 2014-15. The reason for increase was mainly due to increase in Grants-in-aid and Own Revenue receipts.

(Paragraph 2.2.1)

During 2014-15, JHADC generated ₹ 7.92 crore (11 *per cent*) from its own sources, received ₹ 58.45 crore (79 *per cent*) as share of taxes, ₹ 0.67 crore (one *per cent*) as Grant-in-aid from the State Government and ₹ 7.03 crore as 13th Finance Commission Grants (nine *per cent*). As such, JHADC is primarily dependent on external sources of funds (89 *per cent*) as against its own sources of funds (11 *per cent*).

(Paragraph 2.2.1.1)

Revenue expenditure of JHADC decreased by 1.26 *per cent* from ₹ 65.06 crore in 2013-14 to ₹ 64.24 crore in 2014-15. The decrease in revenue expenditure during 2014-15 was primarily due to decrease in expenditure under Public Works from ₹ 12.74 crore in 2013-14 to ₹ 10.84 crore in 2014-15 (15 *per cent*).

Despite incurring an expenditure of ₹ 7.31 crore under 'Public Works – Construction', *i.e.*, construction of roads, School buildings, *etc.*, being capital expenditure, there was no capital expenditure reported in the Annual Accounts by the Council.

(Paragraph 2.2.1.2)

The total receipts of the Council was ₹ 74.07 crore which was less than the Budget Estimate by one *per cent* during 2014-15. The gap between the budget provision and actual collection of revenue under Land revenue, Taxes on vehicles and Mines and Minerals ranged from 15 to 60 *per cent.* This indicated that the Council had not been able to make its revenue collection mechanism effective to the extent it had planned for.

The expenditure of the Council was ₹ 64.24 crore, falling short of the Budget Estimate during the year 2014-15 by 15 *per cent*. The shortfall between the budget estimate and actual expenditure under Public Works, Education, Information & Publicity, Stationery & Printing and Urban Development Departments ranged from five to 33 *per cent*. This indicated poor implementation of schemes by the Council.

(Paragraph 2.3)

The Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 highlighted the unauthorised removal of ₹ 5.49 crore from JHADC's Cash Book in October 2004. This discrepancy remains unrectified in subsequent Cash Books, hence, the Annual Accounts for the year 2014-15 lack accuracy, preventing certification until the time the Cash Book of the JHADC is fully reconciled.

(Paragraph 2.4)

Recommendations:

(i) The Council needs to improve the collection efficiency of revenue from own sources in order to be less dependent on share of taxes and grants-in-aid.

(ii) The Council must strategically plan the allocation of its available funds to ensure prudent utilisation. Additionally, it is advised that capital expenditures be accurately categorised and recorded under appropriate heads in the Annual Accounts.

(iii) The Council may undertake detailed budgetary analysis and reviews to identify untapped eligible revenue resources and for estimating revenue receipts more accurately. Expenditure on schemes implemented by the Council should also be incurred as per the budget estimate to achieve its objectives.

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

3. Compliance Audit Observations

The Council could not complete all the works/projects sanctioned under 13th Finance Commission even after more than six years of sanction and also failed to submit the utilisation certificate amounting to ₹ 3.11 crore.

Notice inviting tenders (NITs) were not issued for most works, except for two specific projects. Consequently, the works were directly awarded to contractors without ensuring wide publicity.

(Paragraph 3.1)

Revenue of ₹ 1.59 crore collected during March to May 2014 was embezzled by the Finance & Accounts Officer and Nazir. Despite the Councils' efforts to recover the embezzled amount, an amount of ₹ 0.97 crore is yet to be recovered.

(Paragraph 3.2)

Due to the absence of adequate regulations governing the purchase of stock, the Council procured articles at higher rates, resulting in an avoidable expenditure amounting to ₹ 4.91 lakh.

(Paragraph 3.3)

Recommendations:

(i) The Council may consider adopting the CPWD Works Manual, 2019, which comprehensively covers all work-related procedures. This includes detailed guidelines for the preparation of tender documents and other necessary procedures for the proper implementation of projects.

(ii) The Council should complete all the incomplete works. Further, the Council should ensure submission of the outstanding utilisation certificates under 13th Finance Commission Award.

(iii) The Council must enforce strict compliance with Rule 16 and Rule 18 of the Jowai Autonomous District Fund (JADF) Rules, 1967 to prevent further misappropriation of funds and mitigate future risks of financial misconduct. Efforts to recover the outstanding misappropriated/embezzled funds must be expedited.

(iv) The Council should prioritise the proper maintenance of Cash Books, ensuring comprehensive recording of all transactions to prevent recurrence of embezzlement in the future.

(v) The Council may take the support of the Rule Advisory Committee, established specifically for the examination and formulation of Acts, Rules, and Regulations pertaining to the Council's operations, to devise appropriate regulations governing the acquisition of stock and services, taking into consideration the Decision No. 4 dated 16 November 2021. For guidance, the Council may also turn to Chapter 6 of the General Financial Rules, 2017, as a benchmark for rules pertaining to procurement of goods and services.

CHAPTER-I

Constitution, Rules and Maintenance of Accounts

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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 2014-15, the Council had its 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.

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[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.

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 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 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.

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 2014-15 was however, submitted to the Accountant General (Audit), Meghalaya after a delay of more than four years.

The Secretary, Executive Committee, JHADC stated (August 2023) that the submission of Annual Accounts remained in arrears for several years for want of skilled staff to prepare Annual Accounts. The Council also stated that this issue has been addressed and at present there is no arrear in submission of Annual Accounts. The Council assured that there will be no future delays in Annual Accounts submission.

Audit did not notice any significant staff shortages during 2014-15 as persons in position were 37 against sanctioned strength of 38. Thus, delay in submission of accounts appears to be on administrative grounds rather than staff shortage. However, Audit acknowledges that Council has taken steps to streamline the submission of Annual Accounts. The Annual Accounts for the year 2022-23 have also been received in October 2023.

Nevertheless, it remains incumbent upon the Council to prioritise staff training so as to improve their skills, ensuring that future accounts are prepared and submitted timely.

Recommendation: *The Council may take appropriate steps to address challenges and enhance the proficiency of the Accounts team, aiming at ensuring smooth and accurate preparation of up-to-date Financial Statements in the future.*

Results of audit are discussed in the succeeding Chapters.

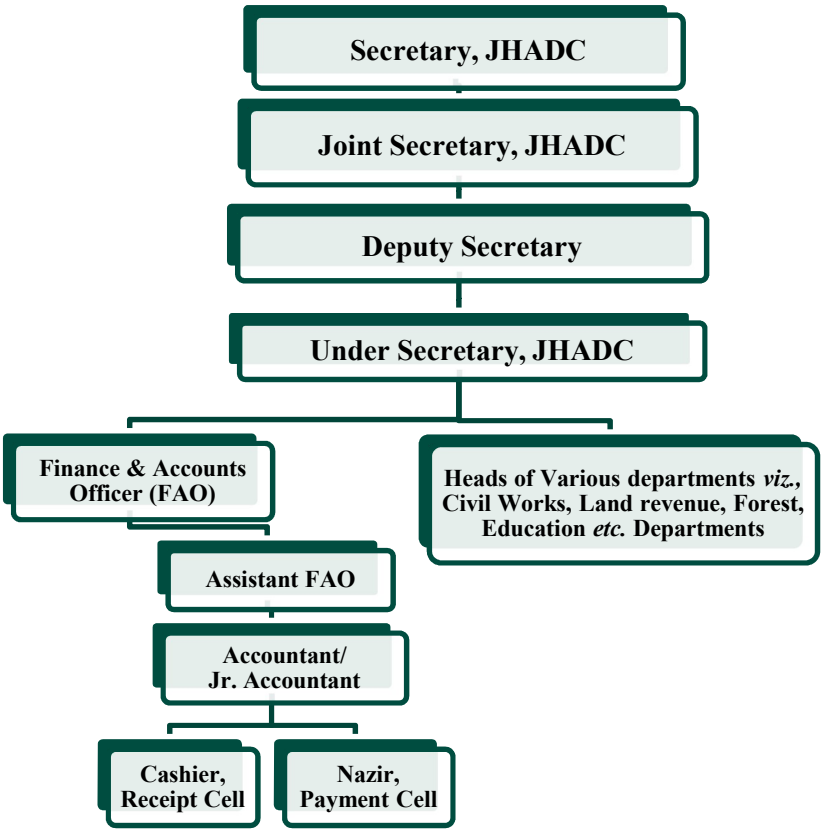
1.4 Administrative Set-up of the Council

The Executive Committee of the District Council comprises of the Chief Executive Member and one or more but not exceeding ten other Members to exercise the functions hereinafter specified in ADC Rules. The Chief Executive Member is elected by the

District Council and the other Executive Members are appointed by the Governor on the advice of the Chief Executive Member from amongst the members of the District Council. The Executive Committee is headed by the Chief Executive Member who is the administrative head of the Council. There is a Secretary to the Executive Committee appointed by the Chief Executive Member. In addition, there is also a Secretary to the Legislative Council who heads the Legislative Wing and a Judge who heads 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 functions of the Council are administered through 16 Departments by managing its various functions and activities with 947 persons-in-position (92.30 *per cent*) against a total sanctioned strength of 1026 persons, as mentioned in **Table 1.1**.

Table 1.1: Staff position of JHADC during 2014-15

Sl. No.	Name of the Department/Branch	Sanctioned Strength	Persons in Position
1.	General Administration Department	139	133
2.	Finance and Accounts Department	38	37
3.	Land Revenue and Land Reform Department	181	169
4.	Land Record and Land Settlement Department	98	93
5.	Taxation Department	58	53
6.	Forest Department	223	219
7.	Political Department	21	18

Sl. No.	Name of the Department/Branch	Sanctioned Strength	Persons in Position
8.	Civil Works Department	103	88
9.	Education Department	21	20
10.	Town Committee Affairs Department	6	6
11.	Market, Agriculture, Soil and Fishery Department	53	38
12.	Statistics and Information Department	10	10
13.	Stationery and Printing Department	12	11
14.	Planning Department	10	8
15.	Judicial Department	29	25
16.	Legislative Department	24	19
Total		**1026**	**947**

Audit noticed that the Council had in position 37 accounts staff (**Appendix-I)** against the sanctioned strength of 38 and all the staff deployed for Accounts and Audit 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 Cash Book, deficiencies in cash management and delay in finalisation of Accounts 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, audit could not assess the appropriateness of utilisation of resources in a timely manner.

Recommendation: *The existing personnel may be trained through targeted upskilling initiatives, leveraging the resources and opportunities provided by the State's training facilities.*

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 discrepancy in cash balances as per Annual accounts (Paragraph 2.4), incomplete maintenance of Stock Register and absence of physical verification of stock (Paragraph 3.3), *etc.* We consider absence of and weak internal controls, as serious audit constraints.

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.

The Secretary, Executive Committee, JHADC stated (August 2023) that the Council had notified (June 2023) for setting up an Internal Audit Section to strengthen the internal

control system. The fact however remains that, despite persistent irregularities being pointed out in C&AG's Audit Reports, no concrete action has been taken by the Council to strengthen its internal control system.

Recommendation: *The Council may expedite the establishment of an effective internal audit section for good governance.*

1.6 Summary of Recommendations

(i) The Council may take appropriate steps to address challenges and enhance the proficiency of the Accounts team, aiming at ensuring smooth and accurate preparation of up-to-date Financial Statements in the future.

(ii) The existing personnel may be trained through targeted upskilling initiatives, leveraging the resources and opportunities provided by the State's training facilities.

(iii) The Council may expedite the establishment of an effective internal audit section for good governance.

CHAPTER-II

Autonomous District Council Funds

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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 nature[2].

(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 2014-15 were depicted in **Table 2.1**:

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[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 2014-15

(₹ in crore)

PART –I DISTRICT FUND[3]					
Receipts			**Disbursement**		
2013-14	**1. Revenue Receipt**	**2014-15**	**2013-14**	**Revenue Expenditure**	**2014-15**
3.30	(i) Taxes on Income and expenditure	3.14	1.29	(i) District Council	1.33
0.51	(ii) Land Revenue	0.47	7.34	(ii) Land Revenue	7.32
0.02	(iii) Other Administrative Services	0.02	1.03	(iii) Administration of Justice	1.01
0.18	(iii) Stamps and Registration	0.16	3.92	(iv) Executive Members	3.07
0.22	(iv) Taxes on Vehicles	0.20	10.32	(v) Secretariat General Services	13.72
0.68	(v) Interest Receipts	2.71	0.48	(vi) Stationery and Printing	0.40
0.34	(vii) Other General Economic Services	0.47	12.74	(vii) Public Works	10.84
0.03	(viii)Fisheries	0.02	3.07	(viii) Pensions and other retirement benefits	2.85
1.16	(ix) Forest	0.92	11.19	(ix) Forest	10.43
56.24	(x) Mines & Minerals	58.25	0.94	(x) Urban Development	1.06
	(xi) Grants-in-aid from:		7.72	(xi) Education	8.93
1.34	a. State Government	0.67	0.41	(xii) Information and Publicity	0.49
0.00	b. GoI[4]	7.03	3.00	(xiii) Relief on account of natural calamities	1.46
0.01	(xii) Stationery and Printing	0.01	1.61	(xiv) Agriculture	1.33
64.03	**Total Revenue Receipt**	**74.07**	**65.06**	**Total Revenue Expenditure**	**64.24**
1.03	***Revenue Deficit***			***Revenue surplus***	***9.83***
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**
64.03	**Total Part-I District Fund**	**74.07**	**65.06**	**Total Part –I District Fund**	**64.24**
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**
64.03	**Total receipts (I + II)**	**74.07**	**65.06**	**Total Disbursements (I + II)**	**64.24**
25.62	Opening balance	24.59	24.59	Closing balance[5]	34.42
89.65	**Grand total**	**98.66**	**89.65**	**Grand total**	**98.66**

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 2014-15 with 2013-14 is given in **Table 2.2.**

[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] 2014-15: Cash - ₹ 2.06 crore; Bank - ₹ 13.70 crore; PLA - ₹ 11.32 crore; Investment - ₹ 7.34 crore.

Table 2.2: Sources and application of fund during 2014-15

(₹ in crore)

Particulars		2013-14	2014-15	Increase/Decrease (*per cent*)
	Opening Cash Balance	**25.62**	**24.59**	*-4.02*
Sources	*Own Revenue Receipts*	*6.22*	*7.92*[6]	*27.33*
	Share of Taxes	*56.46*	*58.45*	*3.52*
	Grants-in-Aid (GoI)	*0.00*	*7.03*	*100*
	Grants-in-Aid (GoM)	*1.35*	*0.67*	*-50.37*
	Total Revenue Receipts	***64.03***	***74.07***	*15.68*
	Capital Receipts	***0.00***	***0.00***	-
	Recoveries of Loans and Advances	*0.00*	*0.00*	-
	Receipts under Deposit Fund	*0.00*	*0.00*	-
	Total	**64.03**	**74.07**	*15.68*
Application	***Revenue Expenditure***	***65.06***	***64.24***	*-1.26*
	Capital Expenditure	***0.00***	***0.00***	-
	Disbursement of loans and advances	*0.00*	*0.00*	-
	Disbursement under Deposit Fund	*0.00*	*0.00*	-
	Total (Disbursement)	**65.06**	**64.24**	*-1.26*
	Closing Cash Balance	**24.59**	**34.42**	***39.98***

Source: Annual Accounts of JHADC.

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

- Total receipts of the Council increased by ₹ 10.04 crore (16 *per cent)* from ₹ 64.03 crore in 2013-14 to ₹ 74.07 crore in 2014-15. The reason for increase was mainly due to increase in Grants-in-aid and Own Revenue receipts.
- Grants in aid and Own Revenue receipts of the Council increased by ₹ 7.03 crore (100 *per cent)* and ₹ 1.70 crore (27 *per cent*) *respectively*, over the previous year.

During 2014-15, out of the total available fund of ₹ 98.66 crore, including Opening Balance, the Council utilised ₹ 64.24 crore (65 *per cent*).

2.2.1.1 Resources

JHADC collected its own revenue through:

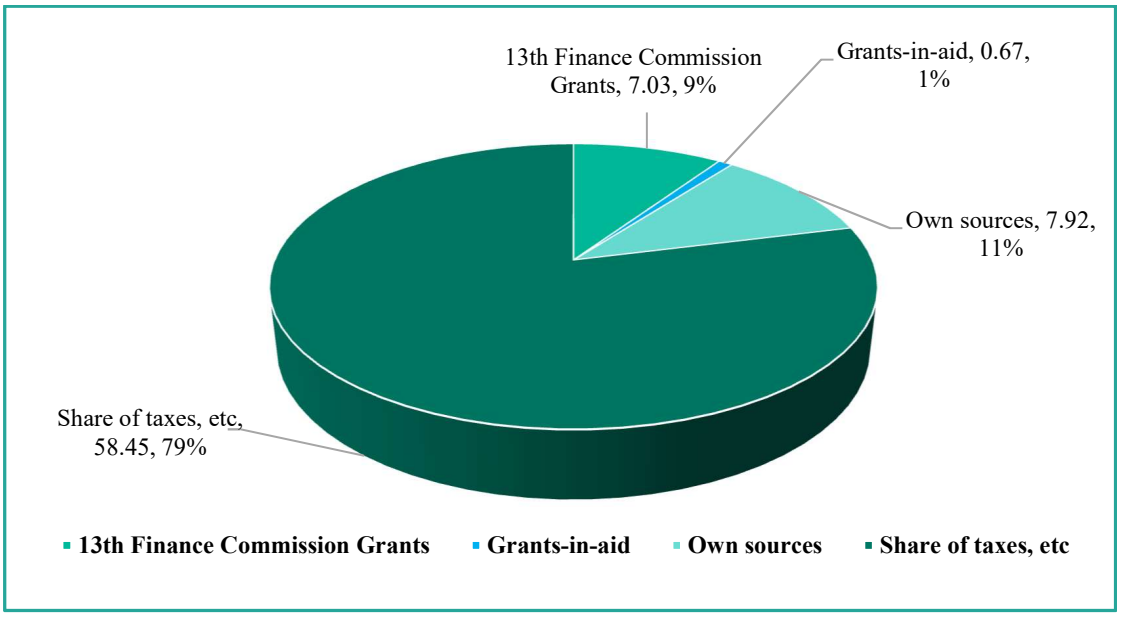
- **Revenue from own sources -** Trade licenses, taxes on profession, land revenue, market auction, bank interest, fisheries, forest, stamp & registration *etc.*;
- **Share of taxes** - From the State Government on taxes on vehicles, forest and mines & minerals.
- **Grants-in-Aid** - From the State Government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

[6] Revenue from own sources: – ₹ 7.92 crore: (i) Taxes on income & expenditure - ₹ 3.14 crore, (ii) Land revenue- ₹ 0.47 crore; (iii) Stamps & Registration- ₹ 0.16 crore; (iv) Interest receipt - ₹ 2.71 crore; (v) Other Administrative Services - ₹ 0.02 crore, (vi) Fisheries - ₹ 0.02 crore, (vii) Other General Economic Services - ₹ 0.47 crore, (viii) Forest - ₹ 0.92 crore and (ix) Stationery and Printing - ₹ 0.01 crore.

Chart 2.1 below depicts the composition of resources of JHADC amounting to ₹ 74.07 crore during 2014.15.

Chart 2.1
Composition of Aggregate Receipts (2014-15)

(₹ in crore)



During 2014-15, JHADC generated ₹ 7.92 crore[7] (11 *per cent*) from its own sources, received ₹ 58.45 crore[8] (79 *per cent*) as share of taxes, ₹ 0.67 crore[9] (one *per cent*) as Grant-in-aid from the State Government and ₹ 7.03 crore as 13th Finance Commission Grants (nine *per cent*). As such, JHADC is primarily dependent on external sources of funds (89 *per cent*) as against its own sources of funds (11 *per cent*).

Recommendation: *The Council needs to improve the collection efficiency of revenue from own sources in order to be less dependent on share of taxes and grants-in-aid.*

2.2.1.2 Availability of funds and expenditure

The analyses of revenue receipts and revenue expenditure of JHADC during 2014-15 is given below:

A. Revenue receipts

Table 2.3 and **Chart-2.2** below summarise the revenue receipts of JHADC during 2014-15.

[7] Revenue from own sources: – ₹ 7.92 crore: (i) Taxes on income & expenditure - ₹ 3.14 crore, (ii) Land revenue- ₹ 0.47 crore; (iii) Stamps & Registration- ₹ 0.16 crore; (iv) Interest receipt - ₹ 2.71 crore; (v) Other Administrative Services - ₹ 0.02 crore, (vi) Fisheries - ₹ 0.02 crore, (vii) Other General Economic Services - ₹ 0.47 crore, (viii) Forest - ₹ 0.92 crore and (ix) Stationery and Printing - ₹ 0.01 crore.

[8] Share of taxes –₹ 58.45 crore: (i) Taxes on vehicles- ₹ 0.20 crore and (iii) Mines & Minerals - ₹ 58.25 crore.

[9] Grants in aid from State Government – ₹ 0.67 crore (Forests: ₹ 0.35 crore + Land Survey & Reform: ₹ 0.06 crore + Taxation: ₹ 0.26 crore).

Table 2.3: Summarised position of revenue receipts for the year 2014-15

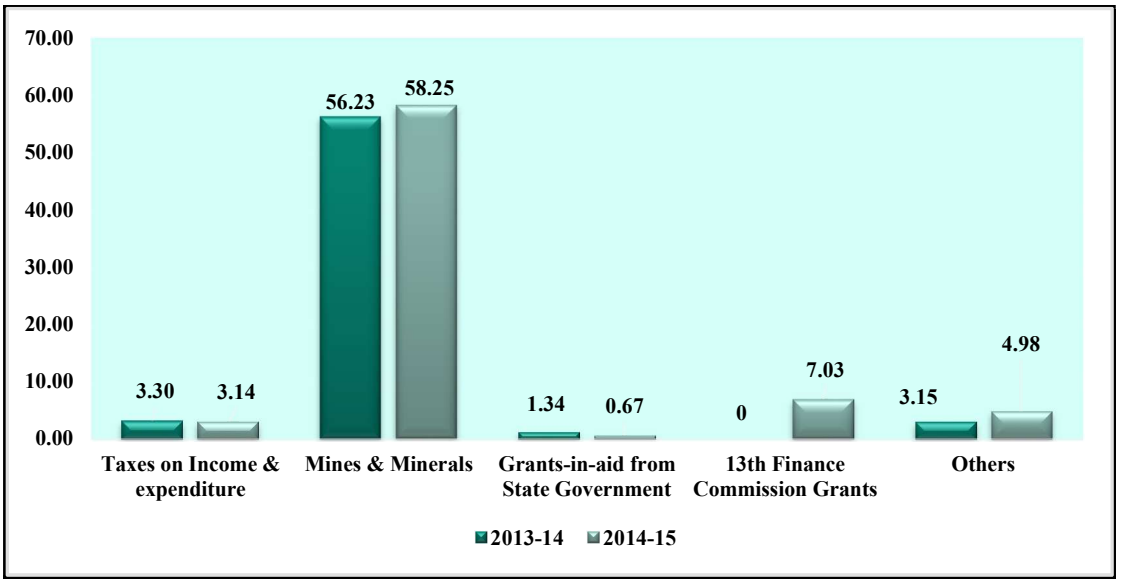
(₹ in crore)

Head	2013-14	2014-15 (Percentage of Revenue Receipts)
Taxes on Income and Expenditure	3.30	3.14 (4)
Mines & Minerals	56.24	58.25 (79)
Grants-in-aid from State Government	1.34	0.67 (1)
13th Finance Commission Grant	0	7.03 (9)
Others[10]	3.15	4.98 (7)
Total	**64.03**	**74.07 (100)**

Source: Annual Accounts of JHADC.

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 16 *per cent* from ₹ 64.03 crore in 2013-14 to ₹ 74.07 crore during 2014-15. The increase in revenue receipts during 2014-15 was primarily due to receipt of 13th Finance Commission Grants which was 'nil' during the previous year and increase in share of royalty on mines and minerals by four *per cent*.
- During 2014-15, the share of royalty on Mines & Minerals (₹ 58.25 crore), the Grants-in-aid received from State Government (₹ 0.67 crore), 13th Finance Commission Grants (₹ 7.03 crore) and share of Taxes on Vehicles (₹ 0.20 crore) constituted 89 *per cent* of the total revenue receipts (₹ 74.07 crore) of JHADC, indicating high dependence of JHADC on revenue from share of royalty from the Government.

B. Revenue expenditure

Table 2.4 and **Chart-2.3** below summarise the revenue expenditure of JHADC during 2013-14 and 2014-15.

[10] Includes Land Revenue, Taxes on vehicles, Other Administrative Services, Other General Economic Services, Forests, Public Works, etc.

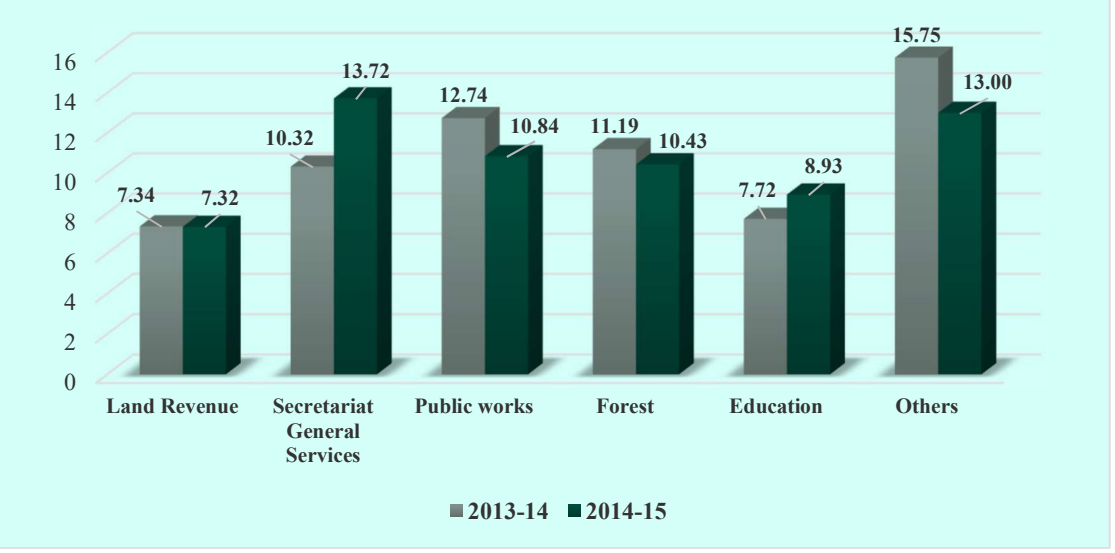
Table 2.4: Summarised position of revenue expenditure for the year 2014-15

(₹ in crore)

Head	2013-14	2014-15 (Percentage of Revenue Expenditure)
Land Revenue	7.34	7.32 (12)
Secretariat General Services	10.32	13.72 (21)
Public Works	12.74	10.84 (17)
Forest	11.19	10.43 (16)
Education	7.72	8.93 (14)
Others	15.75	13.00 (20)
Total	**65.06**	**64.24 (100)**

Source: Annual Accounts of JHADC.

Chart 2.3
Composition of Revenue Expenditure



- The total revenue expenditure of JHADC decreased by 1.26 *per cent* from ₹ 65.06 crore in 2013-14 to ₹ 64.24 crore in 2014-15. The decrease in revenue expenditure during 2014-15 was primarily due to decrease in expenditure under Public Works from ₹ 12.74 crore in 2013-14 to ₹ 10.84 crore in 2014-15 (15 *per cent*).
- During 2014-15, Secretariat General Services (21 *per cent*) Public Works (17 *per cent*), Forest (16 *per cent*) and Education (14 *per cent*), together accounted for 68 *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.
- Despite incurring an expenditure of ₹ 7.31 crore under 'Public Works – Construction', *i.e.*, construction of roads, school buildings, *etc.*, being capital expenditure, there was no capital expenditure reported in the Annual Accounts by the Council.

Recommendation: *The Council must strategically plan the allocation of its available funds to ensure prudent utilisation. Additionally, it is advised that capital expenditures be accurately categorised and recorded under appropriate heads in the Annual Accounts.*

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

Grants in aid under the provision of Article 275(1) of the Constitution of India are 100 *per cent* annual grant from Government of India to States having notified Scheduled Tribes. Grants under this programme are an additive to State's initiatives and effort for tribal development.

During the year 2014-15, JHADC did not receive grant under Article 275(1).

2.3 Substantial variation between Budget Estimates and Actuals

Scrutiny of budget estimates for the year 2014-15 *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 2.5: Budget estimates and actual for the year 2014-15

(₹ in crore)

Particulars	Budget Estimate (BE)	Actual	Excess (+) / Shortfall (-)	Percentage of Excess (+) / Shortfall (-)
Receipt	74.44	74.07	(-) 0.37	(-) 01
Expenditure	75.18	64.24	(-) 10.94	(-) 15

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

As compared to the BE, the receipts and expenditure of the Council showed a decrease of one *per cent* and 15 *per cent* respectively during 2014-15.

Scrutiny of some of the Major heads under which the actual receipts and expenditure were significantly less than the estimated budget provisions during 2014-15 were as under:

Table 2.6: Heads under which receipts were significantly less than the BE

(₹ in crore)

Sl. No.	Major Head	2014-15		
		Budget Estimate	Actual	Shortfall
1.	Land revenue	0.71	0.47	0.24 (34)
2.	Taxes on vehicles	0.50	0.20	0.30 (60)
3.	Mines and Minerals	68.50	58.25	10.25 (15)

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

The gap between the budget provision and actual collection of revenue under Land revenue, Taxes on vehicles and Mines and Minerals ranged from 15 to 60 *per cent.* This indicated that the Council had not been able to make its revenue collection mechanism effective to the extent it had planned for.

In respect of expenditure, the shortfall between BE and actual, where expenditure declined during the year 2014-15 is detailed in **Table 2.7** below.

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

(₹ in crore)

Sl. No.	Major Head	2014-15		
		Budget Estimate	Actual	Shortfall
1.	Public works	15.15	10.84	4.31 (28)
2.	Education	9.38	8.93	0.45 (5)
3.	Information and Publicity	0.60	0.49	0.11 (18)
4.	Stationery & Printing Department	0.60	0.40	0.20 (33)
5.	Urban Development	1.50	1.06	0.44 (29)

The shortfall between the budget estimate and actual expenditure under Public Works, Education, Information & Publicity, Stationery & Printing and Urban Development Departments ranged from five to 33 *per cent*. This indicated poor implementation of schemes by the Council.

Audit, however, observed that Council had utilised 65 *per cent* of total available funds during the year 2014-15.

The Secretary, Executive Committee stated (August 2023) that in regard to shortfall in collection of revenue with reference to budget provisions, the actual collection of revenue cannot be accurately pre-assessed, predicted or pre-determined since the actual collection depends on the prevailing circumstances and socio-economic conditions during that year. However, the budget provision was made in anticipation of collection of the amount with reference to earlier years. Further, in respect of Taxes on motor vehicles and share of royalty on mines and minerals, the State Government did not release Council's due share. In respect of the variation in expenditure, Budget provision for revenue expenditure is made keeping in view of expenditure required to be made during the year vis-à-vis anticipated availability of fund from own revenue collection, share of taxes on motor vehicles and royalty on mines and minerals from State Government and grants-in-aid for that year.

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

Recommendation: *The Council may undertake detailed budgetary analysis and reviews to identify untapped eligible revenue resources and for estimating revenue receipts more accurately. Expenditure on schemes implemented by the Council should also be incurred as per the budget estimate to 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."*

Audit Report contains the comments on accounts. However, for the year 2014-15, the accounts could not be audited by Audit; as such, we are unable to certify the accounts and provide any assurance that the accounts are free from material irregularities for reasons 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 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.

During the course of audit of Council's accounts for the year 2014-15, it was observed that the Cash Book from 01 August 2009 to 01 June 2014 was not available with the Finance and Accounts Department of JHADC and the same was not furnished to Audit.

The Council vide Office Memorandum dated 28 May 2014 created two separate cells *viz.* Receipt Cell and Payment Cell. Accordingly, two Cash Books were brought into use, one for Receipt Cell and another for Payment Cell. The Cash Book of the Receipt Cell was opened on 02.06.2014 showing opening balance as 'Nil' and the Payment Cell brought the Cash Book into use on 21.10.2014, also with 'Nil' opening balance. Showing opening balance as 'Nil' in the Cash Books was wrong and misleading since the Council had not reconciled and re-casted the Cash Book taking into account the fund of ₹ 5.49 crore unauthorisedly removed during 01 October 2004.

Audit is of the view that not only opening of the Cash Book without taking into account the missing fund is a violation to the provisions of Rule 16 (1) of the Fund Rules, in the absence of re-casted Cash Book, however, the basis of preparation of final accounts and closing balance of 'cash in hand' as reflected in the Annual Accounts for the year 2014-15 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 year 2005-06 to 2014-15. 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 2015. 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.

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, difference if any, in closing balance will be reconciled.

It was however observed that closing cash balances as pointed out by Audit had not been reconciled by the JHADC, despite the discrepancies having been pointed out in past Reports by Audit. As such, the opening and closing balances do not reflect 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 2014-15, and until the time the Cash Book of the entity is fully reconciled and presented to the Audit.

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.

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

2.5 Conclusion

Revenue receipts of JHADC increased by 16 *per cent* from ₹ 64.03 crore in 2013-14 to ₹ 74.07 crore during 2014-15. The increase in revenue receipts during 2014-15 was primarily due to receipt of 13th Finance Commission Grants which was 'nil' during the previous year and increase in four *per cent* of the share of royalty on Mines and Minerals.

During 2014-15, the share of royalty on Mines & Minerals (₹ 58.25 crore), the Grants-in-aid received from State Government (₹ 0.67 crore), 13th Finance Commission Grants (₹ 7.03 crore) and share of Taxes on Vehicles (₹ 0.20 crore) constituted 89 *per cent* of the total revenue receipts (₹ 74.07 crore) of the JHADC, indicating high dependence of the JHADC on revenue from share of royalty from Government.

Revenue expenditure of JHADC decreased by 1.26 *per cent* from ₹ 65.06 crore in 2013-14 to ₹ 64.24 crore in 2014-15. The decrease in revenue expenditure during 2014-15 was primarily due to decrease in expenditure under Public Works from ₹ 12.74 crore in 2013-14 to ₹ 10.84 crore in 2014-15 (15 *per cent*).

Variations between the BEs and actual receipts and expenditure during 2014-15 indicate that the JHADC had prepared BEs without taking actual position.

Cash Book for the first two months of the year was not made available to Audit and in respect of the remaining 10 months, the Cash Book was opened without taking into consideration the missing fund of ₹ 5.49 crore which constrained verification and validation of expenditure for bonafide purposes, resulting in unverified cash balances. Thus, audit has not proceeded with the audit of the accounts for the year 2014-15, 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 needs to improve the collection efficiency of revenue from own sources in order to be less dependent on share of taxes and grants-in-aid.

(ii) The Council must strategically plan the allocation of its available funds to ensure prudent utilisation. Additionally, it is advised that capital expenditures be accurately categorised and recorded under appropriate heads in the Annual Accounts.

(iii) The Council may undertake detailed budgetary analysis and reviews to identify untapped eligible revenue resources and for estimating revenue receipts more accurately. Expenditure on schemes implemented by the Council should also be incurred as per the budget estimate to achieve its objectives.

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

CHAPTER-III

Compliance Audit Observations

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Compliance Audit Observations

3.1 Implementation of Schemes under 13th Finance Commission Award: Observation thereof

The Council received an amount of ₹ 702.71 lakh during 2014-15, under the 13th Finance Commission Award, from the District Council Affairs Department (DCAD), Government of Meghalaya (GoM) for implementation of construction works as detailed below:

Table 3.1: Statement showing sanctions under 13th Finance Commission during 2014-15.

(₹ in lakh)

Sl. No.	Sanction No. & date	Amount sanctioned by DCAD	Type of constructions	No. of works
1.	DCA.63/2012/719 dated 07/04/2014	278.62	School buildings	4
			Roads	3
			Footpaths	3
			Partition of computer room	1
			District Council Court	1
			Dorbar hall-cum-shopping complex	1
2.	DCA.35/2014/13 dated 01/05/2014	89.01	Roads	3
			School buildings	6
			Headman's office	1
			Players and officials dressing room	1
			Footpaths	6
			Public latrine	1
			Community Halls	2
			Playground	1
			Rain water shed	1
			Fencing	3
			Splitting/ drawing of electric line from generator to computer, *etc*.	1
3.	DCA.34/2014/14 dated 01/05/2014	24.08	Crematorium shed	1
			Gallery for school	1
			Drainage/ Sewage system	1
			Retaining wall	1
			Splitting/ drawing of electric line from generator	1
4.	DCA.63/2012/731 dated 20/03/2015	311.00	Crematorium shed	1
			School building	15
			Footpath	2
			Road	1
			Dorbar hall-cum-shopping complex	1
			Internal electrification and water supply of dorbar hall	1
Total		**702.71**	**-**	**65**

Scrutiny revealed the following deficiencies in the implementation of the above schemes:

3.1.1 Non-completion of works

As per the terms and conditions of the sanction orders issued on 07 April 2014, 01 May 2014 and 20 March 2015, by the DCAD, GoM, the Grant was to be utilised within one year from the date of sanction. It was observed that funds to the tune of ₹ 195.96 lakh[11] was lying idle (as on March 2021) as per the ledger maintained by the Council due to non-completion of work (construction of Durbar hall-cum-shopping complex at Jowai) even after more than six years of sanction of the fund. The details of works are as under:

Table 3.2: Statement showing status of implementation of works proposed during 2014-15 under 13th Finance Commission

(Amount in ₹)

Sl. No.	Particulars of the works	No. of works to be taken up	Works completed		No. of works in progress
			Number	Expenditure	
1.	School buildings	26	26	13361116	-
2.	Footpaths	11	11	4791663	-
3.	Roads	7	7	3144829	-
4.	Fencing	3	3	1049218	-
5.	Crematorium shed	2	2	892665	
6.	Community halls	2	2	790788	-
7.	Toilets	2	2	698867	-
8.	Internal electricity and partition of computer room	1	1	800941	-
9.	Players & officials dressing room	1	1	349962	-
10.	Headman's office	1	1	349873	-
11.	Playground	1	1	349861	-
12.	Rain water shed	1	1	349533	-
13.	Retaining wall	1	1	349567	-
14.	Supply & installation of diesel generator set	1[12]	1	138831	-
15.	District Council Court building at Jowai	1	1	5801675	-
16.	Dorbar hall-cum-shopping complex at Jowai	1[13]	0	23073231	1
17.	Internal electrification & external water supply of Dorbar hall-cum-shopping complex	1	0	0	1
Total:		**63**	**61**	**56292620**	**2**

[11] Includes ₹ 7,99,754 being unspent balance of 13th Finance Commission grant released during September 2010 and August 2011.

[12] Same work done in two phases as per proposal to Sanction No. DCA.35/2014/13 dated 01.05.2014 and DCA.34/2014/14 dated 01.05.2014.

[13] Same work done in two phases as per proposal to Sanction No. DCA.63/2012/719 dated 07.04.2014 and DCA.63/2012/731 dated 20.03.2015.

Against the total amount of ₹ 702.71 lakh sanctioned, the Council had incurred an expenditure of ₹ 562.93 lakh leaving a balance of ₹ 139.78 lakh[14] unutilised.

The Secretary, Executive Committee stated (August 2023) that the Durbar Hall cum-shopping complex which is the major work under TFC grant have been completed (civil works) but internal electrification and external water supply which was not included in the tender agreement have not been completed. In respect of unspent amount of ₹ 195.96 lakh, the Secretary stated the unspent amount includes deductions such as GST, labour cess, forest royalty and standard deduction which are to be paid subsequently. The reply however, is silent on monitoring and supervision of developmental works by the Council which ultimately resulted in non-completion of the projects even after more than eight years of receipt of the grant.

Failure to complete the works[15], even after more than six years of sanction, signifies inadequate monitoring and supervision by the JHADC. This deficiency has consequently deprived stakeholders of the anticipated benefits from the assets intended to be created. Additionally, it underscores the tardy implementation of scheme due to lack of monitoring by the Council.

3.1.2 Deficiency in award of work

The notice inviting tenders (NITs) were neither called for nor invited for execution of the works, except for construction of Durbar hall-cum-shopping complex at Jowai and District Council Court at Riatsasim, Jowai. The works were directly awarded to the contractors. As such wide publicity was not ensured for award of the works to be implemented under the scheme.

The Secretary, Executive Committee stated (August 2023) that all works are allotted to contractors after inviting tenders and preparation of comparative statement except for some works which are executed by the Local committee under the supervision of the engineers of the Council, for speedy implementation and utilisation of the grant received.

The reply is not acceptable since the Council did not furnish the notice inviting tenders and there were no comparative statements of the works allotted to contractors.

Recommendation: *The Council may consider adopting the CPWD Works Manual, 2019, which comprehensively covers all work-related procedures. This includes detailed guidelines for the preparation of tender documents and other necessary procedures for proper implementation of projects.*

3.1.3 Non-submission of utilisation certificate

As per the terms and conditions of the sanction orders issued on 07 April 2014, 01 May 2014 and 20 March 2015, by the DCAD, GoM, the Council was responsible for submission of utilisation certificates to the Accountant General (A&E), Meghalaya

[14] Includes ₹ 104.87 lakh being the balance amount for construction of Durbar hall-cum-shopping complex and ₹ 34.91 lakh being amount provision for internal electrification and external water supply of Dorbar hall-cum-shopping complex.

[15] (i) Dorbar hall-cum-shopping complex at Jowai, and (ii) Internal electrification & external water supply of Dorbar hall-cum-shopping complex.

with a copy to Government in token of utilisation of grants received under the Finance Commission award.

The details of utilisation certificates submitted by the Council is as follows:

Table 3.3: Statement showing status of submission of Utilisation Certificates.

(Amount in ₹)

Sl. No.	Amount (date of sanction)	Amount for which UCs submitted	Date of submission	Delay in submission of UCs	UCs yet to be submitted
1.	2,78,62,050 (07.04.2014)	2,78,62,050	08.12.2014	-	-
2.	89,00,850 (01.05.2014)	89,00,850	29.04.2019	4 years	-
3.	24,07,650 (01.05.2014)	24,07,650	29.04.2019		-
4.	3,10,99,650 (20.03.2015)	-	-	-	3,10,99,650

From the table above, it can be seen that the Council submitted the utilisation certificates of ₹ 278.62 lakh on 08 December 2014 *i.e.,* within the stipulated time period of submission. However, in respect of expenditure for ₹ 89.01 lakh and ₹ 24.08 lakh, the Council submitted the UC on 29 April 2019 *i.e.,* after four years of the stipulated time period of submission. Further, the UC in respect of ₹ 311.00 lakh (fund received on 20 March 2015) have not yet been submitted by the Council even after more than five years of its scheduled date of submission. The reason for non-submission of UC was not furnished.

The Secretary, Executive Committee stated (August 2023) that Utilisation Certificates would be submitted on utilisation of the full grant amount.

Recommendation: *The Council should complete all the incomplete works. Further, the Council should ensure submission of the outstanding utilisation certificates under 13th Finance Commission Award.*

3.2 Misappropriation of revenue of the Council - ₹ 0.97 crore

Rule 16 of the Jowai Autonomous District Fund (JADF) Rules, 1967 provides that *the cashier shall receive and handle cash and keep a Cash Book in the form prescribed therein in Appendix III, in which shall be entered all sums received and payment made by him on account of the Council. All monetary transactions shall be entered in the Cash Book as soon as they occur and attested by the full signature of the Secretary with date in token of his check. The Cash Book shall be closed daily and completely checked. The Secretary shall verify the totalling of the Cash Book and give his full signature against each item as correct. At the end of each month, the Secretary shall verify the cash balance in the Cash Book and record a signed and dated certificate to that effect specifying the verified cash balance both in words and figures in his own handwriting under his full and dated signature. When Council money in the custody of the cashier is paid into the Treasury, the Secretary making such payment shall compare the Treasury Officer's receipt on his Pass Book with the entry in the Cash Book before*

attesting it, and satisfy himself that the amounts have been actually credited into the Treasury. Further, Rule 18 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.

Mention was made in **Paragraphs 3.1 and 4.1** of the Audit Report of the Comptroller and Auditor General of India, Jaintia Hills Autonomous District Council, for the years 2005-06 to 2010-11 on 'Retention of heavy cash balances and delay in remittance of revenue'. Unfortunately, despite repeated observations highlighted in the Reports, the Council has faltered in rectifying this mismanagement adequately. Consequently, this inaction has impeded any meaningful advancements in the enhancement of the Council's financial administration as evidenced from the following observation:

Scrutiny of records revealed that the Council constituted a Finance Committee (FC) in June 2014 to enquire into the unauthorised retention, misappropriation and embezzlement of Council's revenue receipts meant for remittance to Council Fund held in the Treasury. The investigation by FC revealed significant irregularities in revenue handling and disbursement procedures. During the period of March to May 2014, an amount of ₹ 2.23 crore in Council revenue was collected, of which only ₹ 1.00 crore was deposited into the Treasury. The remaining ₹ 1.23 crore was retained without authorization and subsequently misappropriated by Shri B. Sana, FAO, and Smti J. Chullet, Nazir-cum-Cashier. Additionally, ₹ 47,25,922 drawn from the Treasury for various expenses was not appropriately disbursed for the purpose drawn, with ₹ 36,08,370 of it missing while under the custody of Smti J. Chullet.

Despite efforts to recover the misappropriated/embezzled funds, as of January 2022, only ₹ 61,86,014 of the total ₹ 1,58,95,146 (₹ 1,22,86,776+₹ 36,08,370) misappropriated/embezzled amount had been recovered. Consequently, a substantial sum of ₹ 97,09,132 remains outstanding for recovery. Such financial discrepancies underscore the need for enhanced oversight and procedural reforms within the Council's financial management framework.

From the above it is observed that:

(i) During the period when the Cash Book was not maintained or updated, or when large cash balances were held by the Nazir-cum-Cashier, instances of embezzlement or misuse of the Council's funds were identified. Compliance with the prescribed Rules *ibid* by the Council, would have mitigated such instances of embezzlement.

(ii) No First Information Report (FIR) has been filed by the Council against the officials who have embezzled and misused its funds, indicating a lack of accountability.

The Secretary, Executive Committee stated (August 2023) that in pursuance of the Executive Committee's decision, Shri B. Sana, FAO placed under suspension was re-instated (February 2016) with demotion to a lower post after recovery of full amount embezzled by him. The amount embezzled by Smti. O. Shylla (retired) was adjusted (May 2016) against her DCRG and in respect of Smti. J. Chullet (placed under suspension) who expired on December 2014, the misappropriated amount would be

adjusted against her pensionary benefits and monthly pension which is under process. Further, the Secretary also stated that the Executive Committee had directed (July 2022) the Revenue/Land Record and Settlement Department of the Council not to allow transfer of landed property of (L) Smti. J. Chullet till finalisation of her case.

Hence, the fact remains that non-adherence to prescribed rules had resulted in misappropriation/embezzlement of Council revenue to the tune of ₹ 0.97 crore which is yet to be recovered (January 2022).

Recommendations:

(i) The Council must enforce strict compliance with Rule 16 and Rule 18 of the Jowai Autonomous District Fund (JADF) Rules, 1967 to prevent further misappropriation of funds and mitigate future risks of financial misconduct. Efforts to recover the outstanding misappropriated/embezzled funds must be expedited.

(ii) The Council should prioritise proper maintenance of Cash Books, ensuring comprehensive recording of all transactions to prevent recurrence of embezzlement in the future.

3.3 Persistent Irregularities

Avoidable expenditure on purchase of stationery items

Scrutiny of the Jowai Autonomous District Fund (JADF) Rules, 1967 revealed that there is absence of established procedures within the Council to serve as guidelines for the procurement of stores and stock such as stationery items, furniture, machinery, tools and plants, *etc*.

Mention was made in **Paragraph 3.1** of the Audit Report of the Comptroller and Auditor General of India, Jaintia Hills Autonomous District Council, for the year ended 31 March 2012, on procurement of stationery items at higher rates which resulted in unavoidable expenditure amounting to ₹ 4.66 lakh. However, Audit noted that the irregularities in procurement of stationery items persisted, as evidenced from the following instances:

Audit of stationery purchases made during 2014-15 revealed that the JHADC invited quotations for supply of stationery items during November 2014 and in response 30 suppliers quoted their rates. The comparative statement on the item-wise rates quoted by the suppliers was prepared by the Stationery & Printing Department and rates were approved by the Executive Member in-charge. Audit observed that the supply orders were issued to 18 suppliers during February 2015 without taking into account the lowest rates quoted by the suppliers.

It was further observed that though the Council had maintained the Stock Register, all the articles purchased were not recorded completely in the Stock Register. No Physical Verification of stock was conducted during the year.

On being pointed out, the Council stated that the quotation was based on the rates quoted by the suppliers/ firms and reasonable rate for each item was approved by the Executive Member in-charge, taking into account the prevailing market rates and

previous year's approved rates. The reply is not tenable since there was no record to show that the Council had assessed the market rates including the maximum retail price of each item.

The Secretary, Executive Committee while accepting the audit observation stated (August 2023) that there was no laid down procedure in the Council for purchase of stationery articles. The Council followed standard procedure of inviting tender, preparation of Comparative statement and selected the firms who quoted lowest rates, while suppliers who quoted abnormally low rates were not considered. It also stated that, from November 2021, the Council has laid down detailed procedure (Decision No. 4 dated 16 November 2021) to be followed by the department for purchase of stationery articles as per the decision made by the Executive Committee.

Due to the absence of adequate regulations governing the purchase of stores, the Council procured articles at higher rates, resulting in an avoidable expenditure amounting to ₹ 4.91 lakh on purchase of 44 stationery items as detailed in **Appendix-II**. Further, it was also seen that the Council failed to appropriately record all acquired articles in the stock registers in violation of its own Rule.

Recommendation: *The Council may take the support of the Rule Advisory Committee, established specifically for the examination and formulation of Acts, Rules, and Regulations pertaining to the Council's operations, to devise appropriate regulations governing the acquisition of stores and services, taking into consideration the Decision No. 4 dated 16 November 2021. For guidance, the Council may also turn to Chapter 6 of the General Financial Rules, 2017, as a benchmark for rules pertaining to procurement of goods and services.*

3.4 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). Seven IRs issued between July 2005 and November 2020, comprising of 49 paras had not been settled (April 2024).

In response to Audit (August 2023), the Secretary, Executive Committee, JHADC stated that 11 outstanding paras relating to four Inspection Reports have been reviewed and settled by the team conducting audit during May-June 2018. The reply also stated 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 has been furnished between July 2017 and August 2022.

It may be stated that replies of the Council were not accompanied by complete documents in support of the replies. The matter is under correspondence with JHADC. Consequently, ten outstanding paras related to Inspection Reports for the years 2000-01 to 2004-05 have not been conclusively resolved.

3.5 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 has been placed before the Council, apart from the Chairman's request for greater diligence from Council officials in the future, and considering past findings as lessons, no further action was taken by the Council regarding the audit paragraphs contained in these reports.

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.

3.6 Conclusion

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

- A total amount of ₹ 1.59 crore was embezzled by various employees of the Council. Out of the embezzled amount, only ₹ 61.86 lakh has been recovered. As such, the remaining amount of ₹ 97.09 lakh is yet to be recovered (April 2024).
- Implementation of 13th Finance Commission Award was marred with deficiencies such as non-completion of works, deficiency in award of works and non-submission of utilisation certificates.
- The Council did not adhere to the financial propriety while procuring stationery items.

3.7 Summary of Recommendations

The Council may consider the following recommendations:

(i) The Council may consider adopting the CPWD Works Manual, 2019, which comprehensively covers all work-related procedures. This includes detailed guidelines for the preparation of tender documents and other necessary procedures for the proper implementation of projects.

(ii) The Council should complete all the incomplete works. Further, the Council should ensure submission of the outstanding utilisation certificates under 13th Finance Commission Award.

(iii) The Council must enforce strict compliance with Rule 16 and Rule 18 of the Jowai Autonomous District Fund (JADF) Rules, 1967 to prevent further misappropriation of funds and mitigate future risks of financial misconduct. Efforts to recover the outstanding misappropriated/embezzled funds must be expedited.

(iv) The Council should prioritise the proper maintenance of Cash Books, ensuring comprehensive recording of all transactions to prevent recurrence of embezzlement in the future.

(v) The Council may take the support of the Rule Advisory Committee, established specifically for the examination and formulation of Acts, Rules, and Regulations pertaining to the Council's operations, to devise appropriate regulations governing the acquisition of stores and services, taking into consideration the Decision No. 4 dated 16 November 2021. For guidance, the Council may also turn to Chapter 6 of the General Financial Rules, 2017, as a benchmark for rules pertaining to procurement of goods and services.

(JOHN K. SELLATE)
Principal Accountant General (Audit), Meghalaya

Shillong
The

Countersigned

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The

APPENDICES

APPENDIX –I

Statement showing Sanctioned Posts and Person-in-Position under Finance & Accounts Department for the year 2014-15

(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	0	0
6.	Cashier Payment Cell	1	1
7.	Cashier Receipt Cell	1	1
8.	Upper Division Assistant	1	1
9.	Lower Divisional Assistant	22	21
10.	D.E.O	0	0
11.	Duftry	1	1
12.	Peons	8	8
Total		**38**	**37**

Source: Information furnished by the JHADC.

APPENDIX-II

Statement showing Stationery items purchased by the Council during the year 2014-15

(Reference: Paragraph 3.3)

Sl. No	Name of Items and specification		Lowest Rate Quoted	Name of Suppliers who quoted lowest rate	Proposed Rate	Unit	Quantity Purchase	Quantity Recorded in Stock Register	Number of suppliers who quoted lesser rate than the proposed rate	Difference in rate	Difference in amount
(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	Drafting Paper	-	410	M. Lyngdoh Ladthalaboh	900	Per Ream	32	-	5	490	15680
2	Azurelaid paper	-	570	M. Lyngdoh Ladthalaboh	1000	Per Ream	30	-	11	430	12900
3	Typing Paper	-	150	M. Wann, shangpung	350	Per Packet	111	-	10	200	22200
4	File Board	-	50	K. Iakai	11500	Per 1000	4	-	23	11450	45800
5	File cover	-	50	K. Iakai	11000	Per 1000	8	-	25	10950	87600
6	Carbon Paper	-	180	M. Lyngdoh Ladthalaboh	380	Per Packet	104	-	12	200	20800
7	Paper pin	-	50	K. Iakai	350	Per Packet (10 small pkts)	63	-	12	300	18900
8	Stamped Ink	-	60	K. Iakai	380	Per dozen	6	-	9	320	1920
9	Ball pen (blue & Red)	-	15	K. Iakai	250	Per Packet (10 pcs)	50	-	10	235	11750
10	Tag	-	25	K. Iakai	300	Per bundle (10 pcs)	27	pecs	11	275	7425
11	Eraser	-	30	K. Iakai	190	Per dozen	4	-	11	160	640
12	Pencil	-	60	K. Iakai	130	Per packet (10 pcs)	14	4	9	70	980
13	Ruler	-	20	K. Iakai	220	Per dozen	3	-	6	200	600
14	Correction fluid	-	40	K. Iakai	620	Per Packet (20 bottles)	50	40	14	580	29000
15	Torch	-	150	K. Iakai	3500	Per dozen	5	-	6	3350	16750
16	Torch Batteries	-	350	K. Iakai	600	Per Packet (20 pcs)	48	-	11	250	12000
17	Stapler	-	950	M. Lyngdoh Ladthalaboh	1100	Per packet (10 pcs)	5	-	7	150	750
18	Staples	-	50	K. Iakai	430	Per packet (12 pcs)	8	-	8	380	3040
19	Pencil Batteries	-	100	M. Lyngdoh Ladthalaboh	250	Per packet (10 pcs)	17	-	9	150	2550
20	Towel (small)	-	150	K. Iakai	750	Per dozen	11	-	8	600	6600
21	Towel (big)	-	250	K. Iakai	2200	Per dozen	4	3	8	1950	7800
22	Candles	-	40	L. Laloo	55	Per pkt (6 pcs)	2200	1950	7	15	33000
23	Typing Ribbon	-	80	K. Iakai	500	Per dozen	2	-	4	420	840
24	Tracing Paper	-	380	A. Tariang	1600	Per Roll	2	-	17	1220	2440
25	Drawing Paper	-	600	K. Iakai	1100	Per Roll	1	-	13	500	500

Sl. No	Name of Items and specification		Lowest Rate Quoted	Name of Suppliers who quoted lowest rate	Proposed Rate	Unit	Quantity Purchase	Quantity Recorded in Stock Register	Number of suppliers who quoted lesser rate than the proposed rate	Difference in rate	Difference in amount
(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
26	Wastepaper Basket	-	780	F. Laloo	820	Per dozen	10	-	3	40	400
27	Ashtray	-	1080	Rushwa	1150	Per dozen	1	-	6	70	70
28	Adhesive Paste	-	520	Rushwa	670	Per dozen	3	-	11	150	450
29	Rubber Band	-	375	F. Laloo	400	Per Kg	7	-	4	25	175
30	Sponge with container	-	210	F. Laloo	220	Per dozen	6	-	4	10	60
31	Plastic Rope	-	120	Rushwa	300	Per Roll	1	-	8	180	180
32	Table Glass	-	1500	Rushwa	4250	Per dozen	3	-	13	2750	8250
33	Sealing Wax	-	200	K. Iakai	250	Per dozen	4	-	4	50	200
34	Plastic Bucket	-	350	Rushwa	2500	Per dozen	10	-	6	2150	21500
35	Broomstick Grass	-	700	A. Tariang	720	Per dozen	8	-	1	20	160
36	Pin Cushion	-	380	F.K. Laloo	400	Per dozen	7	-	4	20	140
37	Measuring Tape	-	600	Rushwa	6800	Per dozen	2	1	25	6200	12400
38	Harpic	-	800	L. Laloo	1100	Per dozen	2	-	14	300	600
39	Register Azureliad	No. 20	700	Rushwa	3600	Per dozen	9	-	18	2900	26100
		No.16	550	Rushwa	3100	Per dozen	4	-	13	2550	10200
		No. 10	1200	Rushwa	1580	Per dozen	8	-	10	380	3040
40	Envelope	26x12 cm	900	Rushwa	1200	Per 1000 pcs	10	-	5	300	3000
41	Envelope	36x25 cm	15	Rushwa	1000	Per 200 pcs	2	-	11	985	1970
42	JK Copier	FS	390	F.K. Laloo	450	Per pkt	300	-	8	60	18000
		A4	350	Rushwa	400	Per pkt	300	-	9	50	15000
43	Lock & Key	35 mm	650	M. Lyngdoh Ladthalaboh	800	Per dozen	9	-	2	150	1350
		50 mm	980	M. Lyngdoh Ladthalaboh	1100	Per dozen	14	-	1	120	1680
		70 mm	320	Rushwa	1200	Per dozen	3	-	4	880	2640
44	Glue Stick	-	300	Pamela Lakiang	420	Per dozen	4	-	12	120	480
Total:											**4,90,510**