



**REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL  
OF INDIA**



**SUPREME AUDIT INSTITUTION OF INDIA**  
लोकहितार्थं सत्यनिष्ठा  
Dedicated to Truth in Public Interest

**FOR THE YEAR 2015-16**

**NORTH CACHAR HILLS AUTONOMOUS COUNCIL,  
HAFLONG, ASSAM**



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# **PREFACE**



## **PREFACE**

This Report has been prepared for submission to the Governor of Assam 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 for the year 2015-16.

2. This Report contains four Chapters, the first of which deals with the Constitution of the North Cachar Hills Autonomous Council (NCHAC), the rules for the management of the District Fund and maintenance of accounts by the District Council. Chapter-II depicts Autonomous District Council Fund position. Chapter-III deals with the Comments on Accounts and Chapter-IV deals with compliance issues noticed during test-audit of the transactions of the Council for the year 2015-16 including those which came to notice in earlier years but not dealt with in previous Reports. The compliance audit observations on the DDOs of entrusted departments under the Council are also reported separately through the C&AG's Report from time to time, along with the issue of Inspection Reports.



# OVERVIEW



## OVERVIEW

This Report contains four Chapters. Chapter-I provides a background on the formation of the Autonomous District Council, rules for the management of the District Fund and relevant constitutional provisions on maintenance of Accounts. Chapter-II gives an overview on the financial position of the Council and budgetary process during the year. Chapter-III deals with audit comments on annual accounts of the Council for the year 2015-16. Chapter-IV of the Report deals with the audit findings pertaining to transaction audit of the Council and contains five paragraphs.

### 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 large variations between the budget and the actual expenditure, inaccuracy of figures of Annual Accounts, *ad-hoc* management of revenue earning resources and environmentally sensitive issues in absence of proper policy, absence of effective mechanism for timely deposit of revenue earned by the different organs of the Council, absence of Internal Audit wing *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.

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

### 2. Fund Management and Budgetary Process

- Funds received from the State Government for subjects/departments entrusted to the Council during 2015-16 were accounted for in Part-II Deposit in contradiction to the form of accounts prescribed by C&AG.

(Paragraph 2.1)

- Bulk of the activities (Approximately 90 *per cent*) undertaken by NCHAC during 2015-16 was from the funds provided by the State Government, which is currently being shown under Deposit Fund.

(Paragraph 2.2.1)

- During 2015-16, NCHAC received ₹ 432.31 crore for entrusted functions from the State Government, whereas the Council disbursed ₹ 469.34 crore to the Drawing and Disbursing Officers, for performing entrusted functions resulting in deficit of ₹ 37.03 crore under Deposit fund.

(Paragraph 2.2.2)

- Variation between budgeted (Entrusted) and actual numbers with respect to both receipts and expenditure, if any remained unascertained as NCHAC did not disclose the details of receipts and expenditure in respect of funds received from the State Government in its Annual Accounts.

(Paragraph 2.3)

- Wide variations between budget estimates and actual receipts as well as expenditures indicated preparation of unrealistic budget during the year 2015-16.

*(Paragraphs 2.3.1 and 2.3.2)*

### **Recommendations**

*Council may draw up action plan to increase its income from own sources and spend wisely to ensure financial sustainability;*

*The Council may undertake detailed budgetary analysis and reviews to identify and increase productive expenditure on activities and schemes.*

### **3. Comments on Accounts**

- Revenue Receipts in respect of 'Professional Tax', 'Entry Tax' and 'Land Revenue' were overstated by ₹ 1.32 crore, ₹ 1.98 crore and ₹ 0.03 crore respectively and Revenue Receipts in respect of 'Stamp and Registration fees' was understated by ₹ 2.57 lakh during 2015-16 in the Annual Accounts of the Council.

*(Paragraphs 3.1.1.1 and 3.1.1.2)*

- Expenditure under the head of account 'Administration of Justice' and 'Forest' was overstated by ₹ 5.76 lakh and ₹ 1.63 crore respectively during 2015-16 in the Annual Accounts of the Council.

*(Paragraph 3.1.1.3)*

- Expenditure under the head of account 'Education' was understated by ₹ 62.00 crore during 2015-16 in the Annual Accounts of the Council.

*(Paragraph 3.1.1.4)*

- Receipts and disbursements against Border Region Grant Fund and 13<sup>th</sup> Finance Commission Award were not accounted for in the Annual Accounts for the year 2015-16 leading to understatement of both receipts and expenditure by the Council.

*(Paragraphs 3.1.2.1)*

- During 2015-16, NCHAC did not reconcile the discrepancies in opening and closing balances between two sets of records viz., Treasury records and Annual Accounts despite these having been pointed out in previous Audit Reports.

*(Paragraph 3.2)*

### **Recommendations**

*Council may prepare its Annual Accounts in complete consistency with the Form of Accounts prescribed by C&AG incorporating all transactions appropriately under District Fund and Deposit Fund.*

*Annual Accounts may show the details of funds received from State Government within the District Fund as against the current practice of showing the same within Deposit Fund. The Funds received from State Government should also be disclosed minor head wise in Statement-5 and Statement-6 so as to assist greater accountability and transparency.*

*Council needs to maintain ledger account, which should be the basis of compiling the Annual Accounts.*

*Council should ensure control over budgetary allocation and expenditure, and to avoid fund being locked up or diverted.*

*Council may devise a system of periodical reconciliation of collateral accounting records to identify mistakes within the accounting period so that corrective action is taken.*

#### **4. Compliance Audit Observations**

- Deputy Commissioner released only ₹ 85.57 lakh to the Council against the total outstanding dues of ₹ 106.86 lakh, on account of Council's 90 per cent share of Motor Vehicle Tax, which led to outstanding balance of ₹ 21.29 lakh yet to be released by the District Transport Authority.

*The NCHAC should take up the matter with the Government for early realisation of outstanding dues from the Transport Department.*

**(Paragraph 4.1)**

- Haflong Range under Divisional Forest Officer, Haflong West Division failed to adopt revised rates of royalty leading to loss of revenue to the tune of ₹ 34.27 lakh.

*Council should take measures to revamp the revenue earning departments, so as to explore all the possibilities to increase its revenue earning and to eliminate the instances of loss of revenue.*

**(Paragraph 4.2)**

- Revenue receipts amounting to ₹ 20.95 lakh out of total receipts of ₹ 36.46 lakh were irregularly expended by the Transport Department and General Administration Department of the NCHAC for departmental expenditure.

*Council should evolve a system of checks so that revenues collected by various departments are deposited to PDA expeditiously as per the Fund Rules.*

**(Paragraph 4.3)**

- Executive Engineer (Agriculture), Haflong did not deposit ₹ 7.93 lakh into the Personal Deposit Account of the Council.

**(Paragraph 4.4)**

- Non-completion of construction of RCC Bridge No 28/1 on Dehangi Doyangmukh Road over Thaijuari Nala and Langlodisa Nala by the contractor within the stipulated time despite constant persuasion by the PWD, Haflong division resulted in unproductive expenditure of ₹ 92.88 lakh.

*(Paragraph 4.5)*

# **Chapter-I**

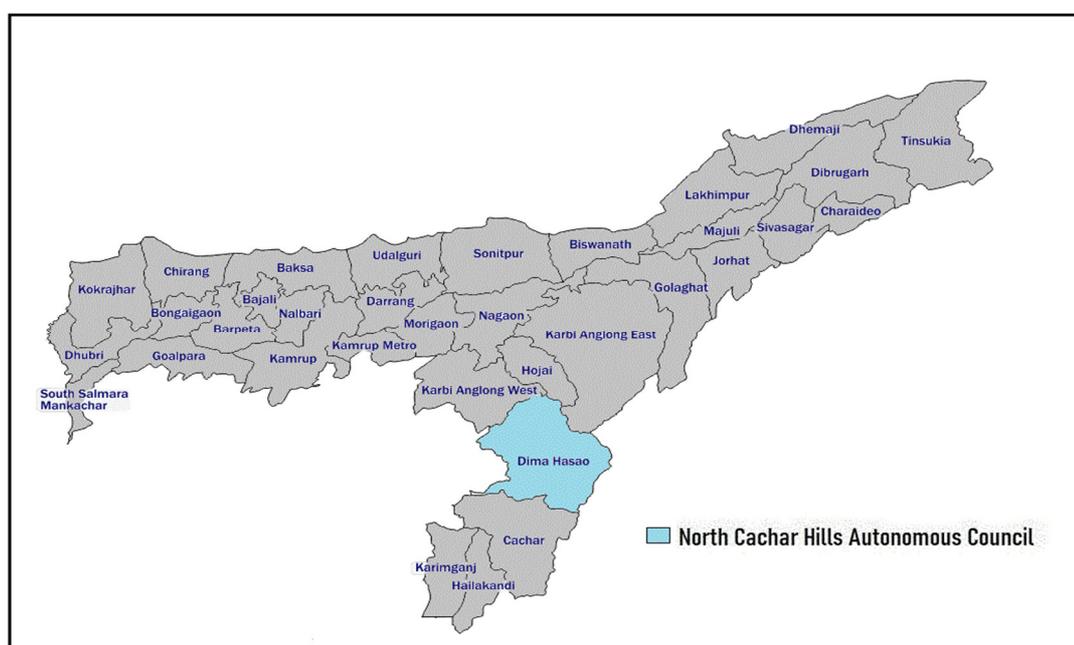
## **Constitution, Rules and Maintenance of Accounts**



## Chapter-I Constitution, Rules and Maintenance of Accounts

### 1.1 Profile of North Cachar Hills Autonomous Council

The North Cachar Hills District Council in Assam was set up in April 1952 under Article 244(2) read with the Sixth Schedule to the Constitution of India. It was renamed as North Cachar Hills Autonomous Council (NCHAC) on 13 September 1995. NCHAC encompasses the district of North Cachar Hills covering 4,890 Sq. Km. of area, which is about 6.23 *per cent* of total area of Assam. The Council renamed North Cachar Hills district as “Dima Hasao” on 30 March 2010 and the Council is using the nomenclature “Dima Hasao Autonomous Council” in its official records. However, amendment to the Sixth Schedule to the Constitution, in this regard, has not been carried out till date.



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

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

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

In addition, the State Government entrusted additional functions (called entrusted functions), under Paragraph 6(2) of the Schedule *ibid*, to NCHAC in relation to 30 subjects<sup>1</sup>, since June 1970 (further revised in November 1979, November 1992 and December 1996). According to the terms of the latest entrustment, the State Government is required to make funds available to NCHAC in advance, against Grant 77 of the State budget so that the latter can finance the expenditure relating to entrusted functions without difficulty. NCHAC is required to render monthly detailed accounts against the expenditure incurred to the Principal Accountant General (Accounts and Entitlements), Assam for adjustment of such advance of funds provided through State Budget. Budget provisions for these functions are to be made in the State budget and in terms of Office Memorandum (31 December 1996) of GoA, the Council is responsible to the State Legislature in respect of all matters relating to such funds provided for discharging the functions entrusted to it.

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

## **1.2 Organisational structure of NCHAC Secretariat**

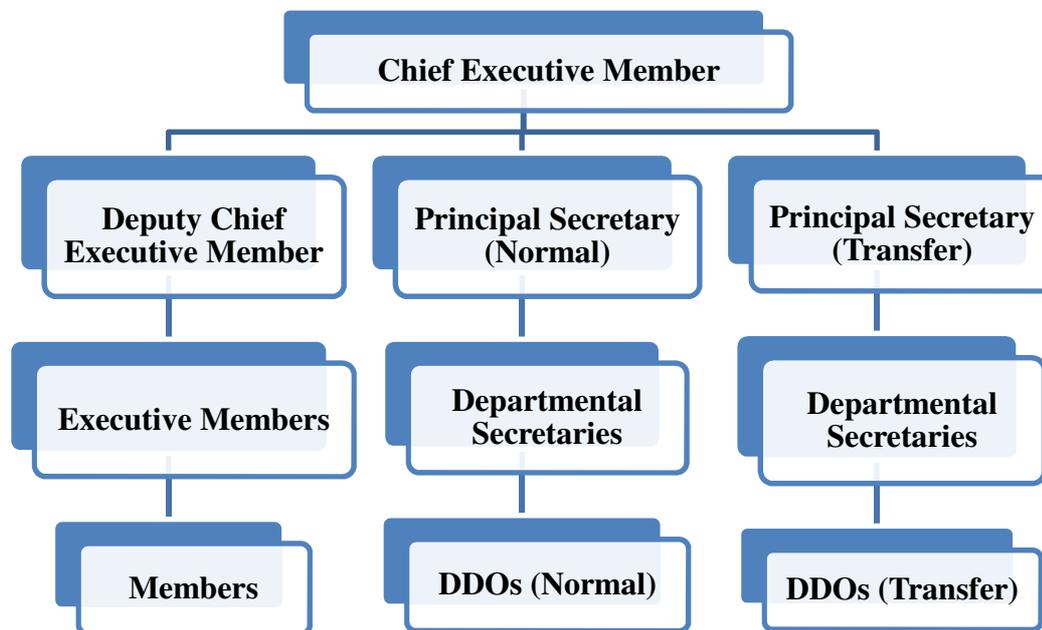
The NCHAC Secretariat was headed by two Principal Secretaries during 2015-16. The entrusted departments are headed by the Principal Secretary (Transfer), appointed by the State Government, who also operates the Personal Deposit Account (PDA) of the Council, while the inherent functions of the Council are looked into by the Principal Secretary (Normal), who is appointed by the Council. The Principal

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

Secretaries are assisted by Secretaries, Additional & Joint Secretaries and other affiliated officers appointed by the Council and other state service officers deputed by GoA. The structure of NCHAC administration is detailed in the organogram below:

**Organogram-1.1: Showing structure of NCHAC administration**



Rule 126 of NCHAC Fund Rules, 1953 provides that the Council shall prepare a detailed statement of the permanent establishment existing on 1<sup>st</sup> April each year in a prescribed form. The Council did not comply with the aforesaid provision and failed to provide records pertaining to the Sanctioned Strength (SS) of the Council Sector during 2015-16. Information furnished to audit showed that there are 146 DDOs<sup>2</sup> under the control of NCHAC. SS and PIP in respect of Entrusted functions (State Sector) during 2015-16 was also not available with the Council. The Council authority stated (May 2022) that the required information will be furnished after collection of the same from the concerned Departments.

### **1.3 Rules for the management of District Fund**

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

### **1.4 Maintenance of Accounts and Audit Arrangements**

In terms of paragraph 7(3) of the Sixth Schedule to the Constitution, the form in which the accounts of the District Council are to be maintained, is to be prescribed by the Comptroller and Auditor General of India (CAG). The approved format *inter-alia* provides for two divisions of the accounts, 'Part-I District Fund' and 'Part-II Deposit Fund'. The Fund, as prescribed under paragraph 7(1) of the Sixth Schedule to the Constitution, is maintained in Haflong Treasury, as the PDA of NCHAC.

<sup>2</sup> 16 under Council Sector and 130 under State Sector.

The accounts and records of the Principal Secretaries, NCHAC, Haflong are audited by CAG of India under Paragraph 7(4) of the Sixth Schedule to the Constitution of India. The NCHAC submitted its Annual Accounts for the year 2015-16 in November 2016 with a delay of four months.

Result of audit of Annual Accounts for the year 2015-16 and test-check of the transactions of the Council during the year have been presented in Chapter-II to Chapter-IV of this Report.

### **1.5 Internal Control**

Internal control 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 the internal control system in the Council revealed the following shortcomings:

- I. There was no Internal Audit wing to strengthen the internal control system and enforce effective management.
- II. Preparation of budget estimates of receipts and expenditure pertaining to inherent function, was not based on realistic analysis, leading to large variations between the budget and the actual receipts and expenditure.
- III. NCHAC did not maintain any ledger or consolidated abstract showing receipts generated from its own resources, fund received from the State Government, disbursements made to DDOs of different departments under administrative control of NCHAC (for entrusted function), and for the expenditure incurred by DDOs of NCHAC (for inherent function). However, a register showing head-wise, month-wise receipts and expenditure is maintained without detailed breakup like challan No., date, bill No., *etc.* Thus, control system did not assure accuracy of figures of Annual Accounts by itself.
- IV. Absence of any laid down policy in respect of revenue collection in the major revenue earning departments like Forests, Transport, Taxes, Mines and Minerals, resulting in *ad-hoc* management of revenue earning resources and environmentally sensitive issues.
- V. There was no effective mechanism for timely deposit of revenue earned by different organs of the NCHAC in the PDA of Council.

### **1.6 Recommendations**

- i. Council may ensure submission of Annual Accounts to the Accountant General as per the prescribed timelines.*
- ii. Council needs to strengthen its internal control mechanism, take action on deficiencies in financial management and maintenance of records.*

# **Chapter-II**

## **Autonomous District Council Funds**



## **Chapter-II**

### **Autonomous District Council Funds**

#### **2.1 Introduction to District Fund**

Sixth Schedule provides for a District Fund and a Regional Fund for each autonomous region 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 administration of such district or region respectively in accordance with the provisions of the Constitution. District Fund of NCHAC is maintained as Deposit Account (8443–Civil Deposit) in Haflong Treasury and Principal Secretary (Transfer), NCHAC is the officer authorised to operate the Fund.

The ADC funds comprise of receipts from its own resources, shared revenue, grants/ loans and advances from State/ Central governments. Broad classification as per CAG's prescribed Form of Accounts is discussed below:

#### **A. District Fund**

District Fund has two divisions namely: (i) Revenue Section for Revenue Receipts and Expenditure and (ii) Capital Section for Capital Receipts and Expenditure, Public Debt, Loans and Advances. The first division deals with the proceeds of taxation and other receipts classified as revenue and expenditure met therefrom. It also includes the grants and contributions received from the State/ Central Government. The second division shall deal with expenditure of a Capital nature met from borrowed funds. It also comprises of loans and their repayments by the Council and also loans and advances to staff and others and their recoveries.

#### **B. Deposit Fund**

Deposit Fund covers transactions relating to Deposits, General Provident Fund (GPF), other funds and advances such as Cess, Income Tax, GPF, 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.

Contrary to this, funds received from the State Government for subjects/departments entrusted to the Council during 2015-16 were accounted for in Part-II Deposit Fund. This has been discussed in Chapter-III of this Report.

#### **2.2 Sources and Application of Funds**

##### **2.2.1 Receipts and Disbursement**

**Table-2.1** shows the summary of fiscal transactions of NCHAC during 2015-16, while *Appendix-I* provides details of receipts and disbursements of the current as well as the previous year as per Annual Accounts of NCHAC.

**Table-2.1: Summary of fiscal transactions of NCHAC during 2015-16**

(₹ in crore)

Receipts		Disbursements
55.30	District Fund	52.28
432.31	Deposit Fund	469.34
487.61	Total receipts and disbursement	521.62
174.33	Opening /Closing Balance	140.32
<b>661.94</b>	<b>Grand Total</b>	<b>661.94</b>

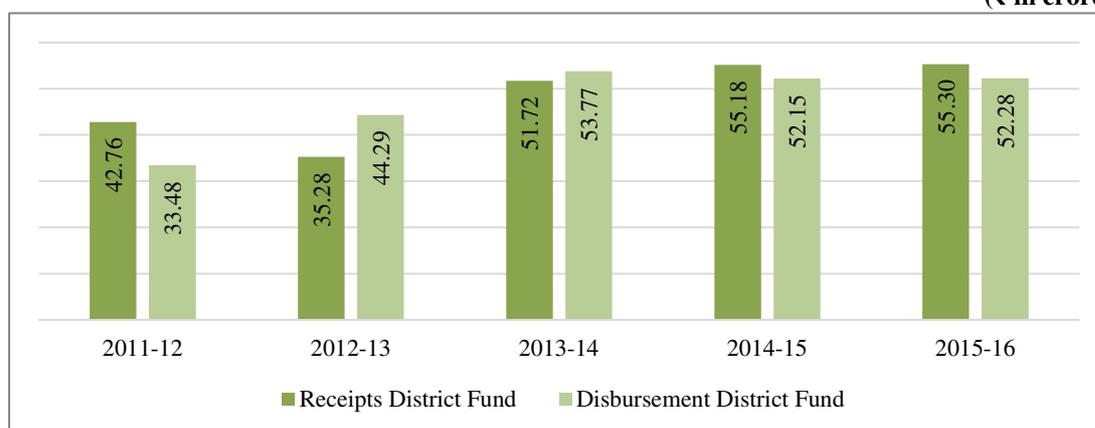
Source: Annual Accounts

As per Annual Accounts for the year 2015-16, total receipts and disbursements were ₹ 487.61 crore and ₹ 521.62 crore respectively, but as per Treasury records, the figures were ₹ 487.82 crore and ₹ 539.64 crore respectively.

**Charts-2.1(A) and 2.1(B)** present the trends of receipts and disbursements under the District Fund (fund generated from its own sources) and Deposit Fund (funds provided by the State Government) over a period of five years (2011-16).

**Chart-2.1(A): Trend of receipts and disbursement under District Fund during 2011-16**

(₹ in crore)

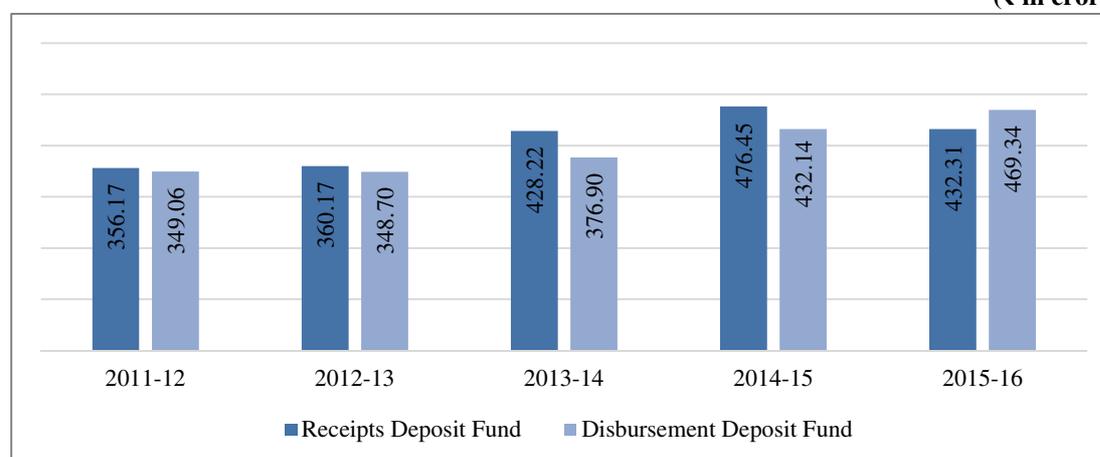


Source: Annual Accounts

It is evident from the chart above that expenditure from District Fund (own receipts) was minimal and within their own receipts during 2011-12, 2014-15 and 2015-16. However, during 2012-13 and 2013-14, it had exceeded the receipts.

**Chart-2.1(B): Trend of receipts and disbursement under Deposit Fund during 2011-16**

(₹ in crore)



Source: Annual Accounts

It is apparent from **Chart 2.1(B)** above that the disbursement under Deposit Fund exceeded the receipts only during 2015-16, while it was within the receipts during the previous four years.

Further, NCHAC has not received any funds under Article 275 (1) from Government of India during 2015-16.

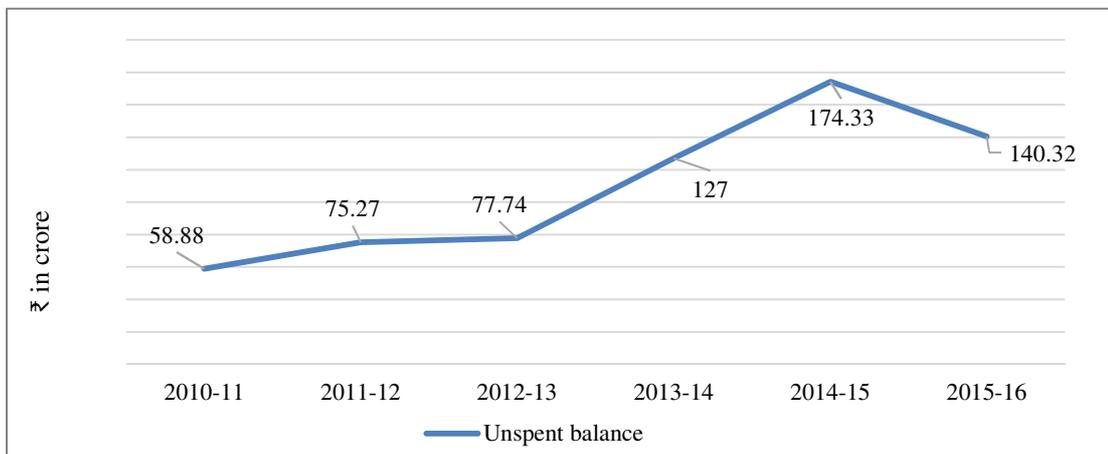
### 2.2.2 Unspent balance

Unspent balance at the end of the financial year against funds received from GoA neither lapse automatically nor are surrendered by the Council. The savings accumulate in PDA of the Council and are utilised in subsequent years.

During 2015-16, NCHAC received ₹ 432.31 crore from the State Government for entrusted functions including funds for Central and State Sector Schemes received through Grants<sup>3</sup> other than Grant-77<sup>4</sup>. Against the receipts of ₹ 432.31 crore during the year, the Council disbursed ₹ 469.34 crore to the Drawing and Disbursing Officers, for performing entrusted functions. This resulted in deficit of ₹ 37.03 crore under Deposit fund, which was met from unspent balances of previous years.

**Chart-2.2** presents the position of unspent balances of last six years as per Annual Accounts, which clearly shows the increase in the unspent balance during 2010-15, where closing balance increased from ₹ 58.88 crore at the end of 2010-11 to ₹ 174.33 crore as of March 2015. The closing balance came down to ₹ 140.32 crore following the excess expenditure over allocation by ₹ 37.03 crore during 2015-16.

**Chart-2.2: Unspent balances as per Annual accounts**



*Source: Annual Accounts.*

As Annual Accounts of NCHAC did not disclose grant-wise head-wise details of balances, the head of accounts under which disbursements were made in excess of funds received during the year also remained undisclosed.

<sup>3</sup> Grant 25: ₹ 4,14,94,650; Grant 29: ₹ 95,00,000; Grant 39: ₹ 1,24,00,038; Grant 44: ₹ 4,42,59,600; Grant 70: ₹ 30,00,000.

<sup>4</sup> Grant 77: ₹ 4,21,24,26,854

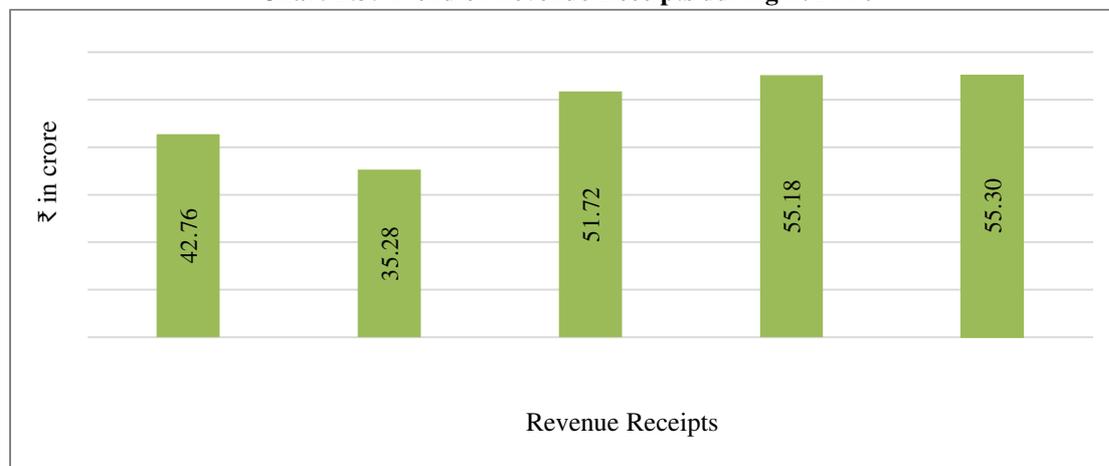
Maintenance of consolidated opening and closing balances without head/grant-wise details in the Personal Deposit Account and non-disclosure in the Annual Accounts defeats the very purpose of control over the public expenditure and is fraught with the risk of funds released for various schemes/ programmes being locked up or diverted.

Further, the accounts for Grant-77 are based on Monthly Accounts rendered by NCHAC to Principal Accountant General (A&E), Assam for expenditure met on transferred subjects. With such large excess over budgetary allocation, and in the absence of head-wise balances in Personal Deposit Account, there was no assurance that the expenditure was incurred for the purpose for which it was sanctioned.

### 2.2.3 Receipts of Own Fund compared with previous year's position

Chart-2.3 presents the trends of Revenue Receipts by NCHAC from own fund during last five years (2011-16).

Chart-2.3: Trend of Revenue Receipts during 2011-16



As evident from the chart, there was year to year variation in revenue collection during 2011-16. While there was a sharp increase in revenue collection during 2013-14 as compared to 2012-13, revenue collection remained almost static during 2013-14 to 2015-16.

The position of Revenue Receipts of NCHAC during 2015-16 as compared to receipts of the previous year under different heads of account varied widely as detailed in **Appendix-II**.

*NCHAC needs to take corrective measures for better estimation of its receipts and concerted efforts for its realisation to enable enhanced own-revenue generation.*

### 2.3 Comments on budgetary process

NCHAC prepares two sets of budgets as detailed below:

- i) **Entrusted Budget:** NCHAC prepares its entrusted budget in respect of Grant 77 for subjects entrusted to it by the State Government as per Paragraph 6(2) of the Sixth Schedule. This budget is submitted to the State Government for appropriation by the State Legislature and release of funds. In this budget, the Chart of Accounts (CoA) followed by NCHAC is that of List of Major and

Minor Head (LMMH) of the Union and States. Funds from this Grant are released to NCHAC in two instalments as advance.

- ii) **Council Budget:** NCHAC also prepares another budget in respect of estimated own Revenue Receipts and estimated expenditure to be incurred therefrom. This budget is termed as Normal budget in common parlance. In this budget, NCHAC follows the CoA prescribed by the CAG.

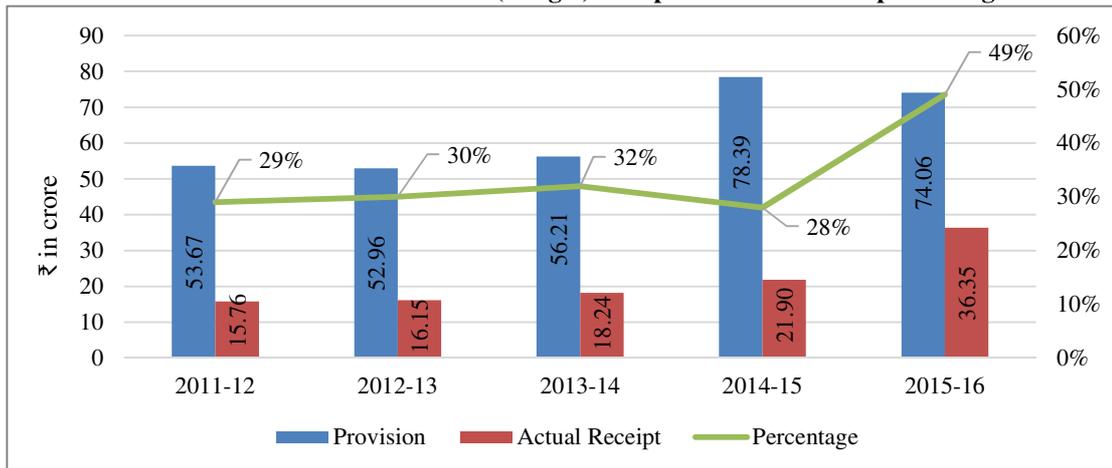
As NCHAC did not disclose the details of receipts and expenditure in respect of funds received from the State Government in its Annual Accounts, variation between budgeted (Entrusted) and actual numbers with respect to both receipts and expenditure could not be ascertained.

Instances of variation between Revenue Receipts/ Revenue expenditure and Council Budget are discussed in the succeeding paragraphs.

### 2.3.1 Revenue Receipts compared with budget estimates

The position of variation between budgetary provision and actual Revenue Receipts under Council Sector during the last five years is depicted in **Chart-2.4:**

**Chart-2.4: Variation between estimated (budget) receipts and actual receipts during 2011-16**



Source: Normal Budget and Annual Accounts

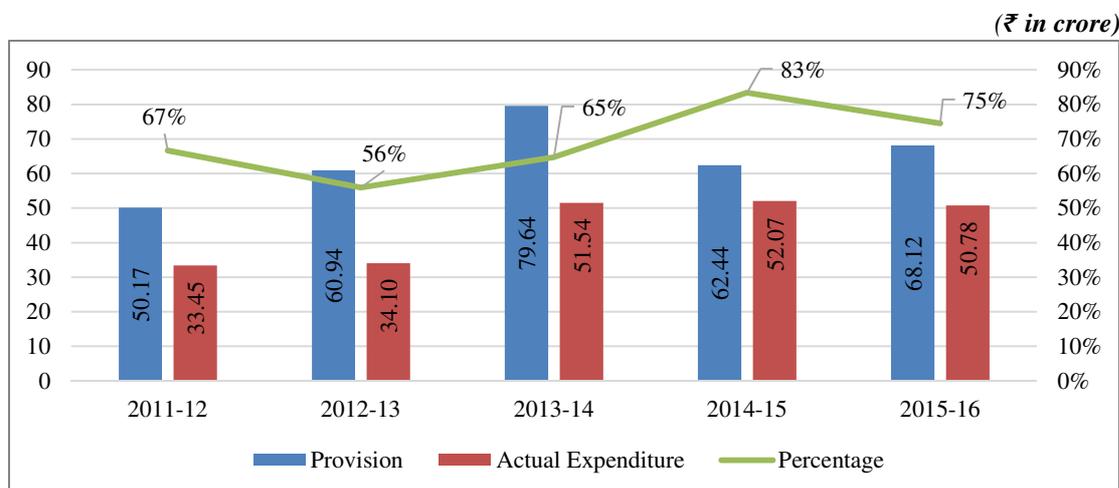
It is evident from Chart-2.4 that Revenue Receipts of NCHAC ranged from only 28 to 32 *per cent* of estimated (budget) receipts during 2011-15. Though, there was an improvement in Revenue Receipts during 2015-16, it still remained below 50 *per cent* of the estimated (budget) receipts. Head-wise position of variations between estimates of receipts and actual receipts showed that shortfall ranging from 24 to 100 *per cent* occurred in seven heads of account. Receipts in excess over budget estimates occurred in four heads of account during 2015-16 as detailed in **Appendix-III**.

Wide variations between estimated and actual receipts were indicative of unrealistic budget estimation. As such, the Council needs to ensure streamlining of the process of budget preparation.

### 2.3.2 Revenue Expenditure compared with budget estimates

Similar to Revenue Receipts, Revenue Expenditure of NCHAC under Council Sector during the last five years ranged from 56 to 83 per cent of estimated (budget) provision as detailed in **Chart-2.5**:

**Chart-2.5: Variation between estimated provision and actual revenue expenditure**



Source: Normal Budget and Annual Accounts

During 2015-16, the Revenue Expenditure of NCHAC under Council Sector was 75 per cent of estimated (budget) provision. Head-wise position of variation between estimated and actual expenditure showed that savings occurred under 14 heads of account ranged between 20 and 100 per cent. Excess expenditure over budget estimates (299 per cent) in one head of account had occurred during 2015-16 as detailed in **Appendix-IV**.

The above savings and excess expenditure against estimated provision underlines the need for a rational estimation process based on a critical review of necessity. Further, planning of expenditure and strengthening the monitoring mechanism at all level needs to be emphasised by the Council.

## 2.4 Conclusion

1. Fiscal management was inadequate which led to substantial surplus/ deficit under District and Deposit Fund, wide variations between estimated and actual receipts and expenditure, and irregularities in expenditure on procurements.
2. Budgetary assumptions of the Council were not realistic during 2015-16, budgetary estimates were way off mark by a considerable margin.

## 2.5 Recommendations

- i. Council may draw up action plan to increase its income from own sources and spend wisely to ensure financial sustainability;
- ii. The Council may undertake detailed budgetary analysis and review to identify and increase productive expenditure on activities and schemes.

# **Chapter-III**

## **Comments on Accounts**



## Chapter-III Comments on Accounts

### 3 Introduction to Accounts and Comments on Council Accounts

In terms of paragraph 7(3) of the Sixth Schedule to the Constitution, the form in which the accounts of the District Council are to be maintained, is to be prescribed by the Comptroller and Auditor General of India (CAG), which was done in 1977. The Form of Accounts prescribed by CAG comprises of seven statements. A brief description of seven statements comprising the Accounts of ADC is given in **Table-3.1:**

**Table-3.1: Statements in the CAG prescribed Form of Accounts of District Councils**

Sl. No.	Statement No. as per prescribed format	Particulars of Statements as per prescribed format
1.	Statement No.1	Summary of transactions showing summarised position of Receipts and Disbursement of District Fund and Deposit Fund, with breakup at the level of Revenue, Capital, and Debt.
2.	Statement No.2	Progressive Capital Outlay to the end of the year showing Major Head wise Capital expenditure for the current year, and cumulative expenditure till the end of the year.
3.	Statement No.3	Summarised position of the Debt taken by the Council, the receipts and repayments in the year, and balance outstanding. In addition, the Statement has a separate associated statement showing the monthly ways and means position of the Council.
4.	Statement No.4	Loans and Advances by the Council showing category wise summary of loans and advances given by the Council, the payments and receipts, and the balance outstanding at the end of the year.
5.	Statement No.5	Detailed account of revenue of the Council with Minor Heads wise breakup.
6.	Statement No.6	Detailed account of expenditure of the Council with Minor Heads wise break up.
7.	Statement No.7	Receipts, disbursements and balances under heads relating to District Fund and Deposit Fund showing summarised position of Opening Balance, Receipts, Disbursements, and Closing Balance for heads under District and Deposit Fund are given.

#### 3.1 Comments on Annual Accounts

NCHAC prepared its Annual Accounts with the aforementioned seven statements. Deviations with respect to the format prescribed by the CAG are as under:

- a. Statement-1 of the Annual Accounts of NCHAC exhibited Revenue Receipts of ₹ 55.30 crore from its own sources (including assistance of ₹ 18.16 crore received from the State Government and miscellaneous receipts of ₹ 0.79 crore) and of ₹ 432.31 crore from the State Government for functions

entrusted to it under Paragraph 3A of the Schedule *ibid*. The receipts of ₹ 432.31 crore from the State Government, however, was incorrectly accounted under Part-II Deposit Fund. Statement-5 showed details of revenue by Major Heads only for own funds' receipts, excluding funds received from the State Government for entrusted functions, which forms 89 *per cent* of the total receipts. NCHAC did not provide the Minor Head-wise breakup of ₹ 432.31 crore in Statement-5. Consequentially, Audit could not ascertain whether the expenditure made under different heads was within the allotted budget or not.

- b. Statement-1 also shows the summary of expenditure made, both from its own revenue (₹ 52.28 crore) and from the funds received from the State Government for entrusted functions (₹ 469.34 crore). However, the amount of ₹469.34 crore was incorrectly shown under the Deposit Fund. Statement-6 showed details of expenditure from District Fund (₹ 52.28 crore) only, while details of expenditure of ₹ 469.34 crore (90 *per cent* of total expenditure) out of the funds received from the State Government were not included in Statement-6 of Annual Accounts.

The form of Accounts prescribed by CAG requires the Council accounts to be kept in two parts - the District Fund and Deposit Fund, analogous to the Consolidated Fund and Public Account in State and Union Government Accounts. However, the funds transferred by GoA to NCHAC for subjects/ departments entrusted to the Council has been accounted for under Part-II Deposit Fund as a single line item with no breakup of either receipts or expenditure being shown in the accounts. Thus, treatment of the same as Deposit Fund in Statement-1 is in contradiction to the form of accounts prescribed by the CAG. Moreover, since both Statement-5 and Statement-6 as prepared by the Council, provide insufficient information *vis-à-vis* the prescribed form of accounts, the accounts lack completeness and comparability.

- c. NCHAC is required to submit Monthly Accounts to Principal Accountant General (A&E), Assam for funds transferred to it against Grant 77, based on which, the Appropriation Accounts is compiled and prepared by the PAG (A&E). Appropriation Accounts of the said Grant indicated that during 2015-16, NCHAC had made a total expenditure of ₹ 102.07 crore towards Capital Outlay. However, as per Statement-2, Capital Expenditure of NCHAC was depicted as ₹ 1.50 crore only. Thus, Annual Accounts of NCHAC did not provide correct picture of current and cumulative expenditure towards creation of capital assets as of March 2016.

From the above observations, it is evident that the Accounts lack transparency as the details regarding receipts and expenditure from the funds provided by the State Government (which is approximately 90 *per cent* of total receipts and expenditure of the Council) were not disclosed in the Accounts and thereby the detailed analysis of

receipts and expenditure of NCHAC and the impact could not be ascertained by Audit.

Thus, NCHAC is required to rectify the mistake by correctly accounting its financial transactions from the funds received from the State Government in the Annual Accounts as per the format prescribed by the CAG.

Since NCHAC has not disclosed the transactions pertaining to the funds received from the State Government in detailed manner, as prescribed, in its Annual Accounts, audit analysis is mainly restricted to NCHAC's own funds, which is discussed in succeeding paragraphs.

### 3.1.1 District Fund

#### 3.1.1.1 Overstatement of receipts

Receipts under following heads of account as exhibited in the Annual Accounts did not tally with that of the records/ information furnished by the concerned departments/ NCHAC as detailed in **Table-3.2**.

**Table-3.2: Overstatement of receipts**

(₹ in crore)

Head of accounts	Receipts as per Annual Accounts	Actual receipts	Overstatement in the Annual Accounts
Taxes on Income - Professional Tax & Trade License fee	4.52	3.20	1.32
Other General Economic Services- Entry Tax	4.37	2.39	1.98
Land Revenue Taxes	3.42	3.39	0.03
<b>Total</b>	<b>12.31</b>	<b>8.98</b>	<b>3.33</b>

Source: Annual Accounts and Departmental records

It may be seen that against actual receipts of ₹ 8.98 crore under three heads of accounts, NCHAC accounted for ₹ 12.31 crore, which led to overstatement of Revenue Receipts in Statement-5 of Annual accounts by ₹ 3.33 crore.

While accepting the observation, NCHAC assured (March 2017) to rectify the mistakes in future. The reply has been provided as a matter of routine as the mistakes continued despite similar assurance made during previous years.

#### 3.1.1.2 Understatement of receipts

Annual Accounts for the year 2015-16, exhibited receipts of ₹ 2.45 lakh under the head of accounts 'Stamps and Registration fee'. However, scrutiny of records of General Administration Department disclosed that ₹ 5.02 lakh was collected and out of which, ₹ 2.68 lakh was deposited into the PDA. This resulted in understatement of receipts to the extent of ₹ 2.57 lakh during 2015-16 under the head *ibid*, in the Annual Accounts of the Council.

Further, test-check of Cash Book and Money Receipt Books of Land Revenue Department of NCHAC showed that during 2015-16, NCHAC collected

₹ 4.34 lakh<sup>5</sup> against two receipt books and deposited the same into the PDA during 2016-17. This resulted in understatement of ₹ 4.34 lakh in the Annual Accounts of the year 2015-16.

While accepting the audit observation, the Principal Secretary, NCHAC stated (March 2017) that steps would be taken to avoid such lapses in future.

### 3.1.1.3 Overstatement of expenditure on Administration of Justice and Forest

NCHAC under the heads of accounts 'Administration of Justice' and 'Forest' exhibited expenditure of ₹ 37.12 lakh and ₹ 15.22 crore respectively in Statement-6 of the Annual Accounts for the year 2015-16. However, records of the concerned Departments of NCHAC showed that the actual expenditure was ₹ 31.36 lakh and ₹ 13.59 crore<sup>6</sup> respectively during the year. This resulted in overstatement of ₹ 5.76 lakh and ₹ 1.63 crore respectively during 2015-16 under the heads *ibid* in the Annual Accounts of the Council. This needed reconciliation.

### 3.1.1.4 Understatement of expenditure on Primary Education

NCHAC under the head of accounts 'Education' exhibited expenditure of ₹ 18.24 crore in Statement-6 of the Annual Accounts for the year 2015-16. However, records of the District Primary Education Officer, Haflong showed that the actual expenditure during the year was ₹ 80.24 crore. This was due to non-transfer of funds received from the State Government for Primary Education being inherent function to District fund as per existing accounting system, which resulted in understatement of ₹ 62.00 crore in District Fund during 2015-16 under the head *ibid* and corresponding overstatement in Deposit Fund in the Annual Accounts of the Council.

Such overstatements and understatements could have been avoided had head-of-account-wise ledger been maintained by the Council.

### 3.1.1.5 Non-disclosure of complete status of loans and advances from the State Government

Statement-3 (Debt Position) of the Annual Accounts for 2015-16 exhibited opening balance of Loans and Advances, Repayments towards Contributory Provident Fund and Balances at the close of the year as shown in **Table-3.3**.

**Table-3.3: Debt Position**

Head of Expenditure on debt as per Statement-3	Amount (₹ in crore)
Loan and Advances from State Government	30.00
Repayments towards Contributory Provident Fund	1.14
Balances at the close of the years	31.14
Net increase/ decrease	--

Source: Annual Accounts

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Receipt Book No.	Page No.	Date of collection	Amount collected	Date of deposit into PLA	Challan No.
418	20,851 to 20,933	03/12/15 to 21/12/15	2,53,925	20/5/16	01409
748	37,051 to 37,084	29/02/16 to 30/03/16	1,80,329	22/6/16	00960
<b>Total</b>			<b>4,34,254</b>		

6 East Division: ₹ 4,23,24,367 + West Division: ₹ 9,36,07,375 = ₹ 13,59,31,742

In this context, audit observed the following:

1. Details of Loans and Advances from the State Government amounting to ₹ 30 crore with year of receipt and purpose was not disclosed.
2. Status of utilisation of the said Loans and Advances was not reflected in the Annual Accounts.
3. Repayments towards Contributory Provident Fund as accounted for during the year 2015-16 in Statement-3 were not taken into account for preparing other Statements *i.e.*, Statement-1 (Summary of Transaction) and Statement-6 (Expenditure by Minor Head).

Thus, inadequate accounting of the above loans and advances led to non-disclosure of the exact picture in respect of Loans and Advances from the State Government in the Annual Accounts 2015-16, submitted by the Council.

#### **3.1.1.6 Incorrect exhibition of Progressive Capital Expenditure in Statement 2 of the Annual Accounts**

Statement-2 (Progressive Capital Outlay) of the Annual Accounts should exhibit (1) total progressive expenditure at the end of the previous year; (2) expenditure during current year; and (3) progressive expenditure at the end of the current year.

During audit, it was noticed that, as per Statement-2 of the Annual Accounts for the year 2014-15, progressive Capital expenditure at the end of the year 2014-15 was ₹ 21.96 crore. However, Statement-2 of Annual Accounts for 2015-16 exhibited progressive expenditure of ₹ 0.08 crore at the beginning of 2015-16. This incorrect depiction of opening balance resulted in understatement of Progressive Capital Outlay to the extent of ₹ 21.88 crore<sup>7</sup> in Statement-2. The Progressive Capital Outlay at the end of 2015-16 should be ₹ 23.46 crore<sup>8</sup>, which needed reconciliation by the Council in subsequent Annual Accounts.

#### **3.1.2 Deposit Fund**

Although, funds received from the State Government for subjects/departments entrusted to the Council, was to be accounted for under District Fund as per the format provided by the CAG, the Council accounted these funds under Deposit Fund. Audit comments on the Deposit Fund are discussed in the succeeding paragraphs.

<sup>7</sup> ₹ 21.96 crore – ₹ 0.08 crore

<sup>8</sup>

Expenditure to end of 2014-15	Expenditure during 2015-16	Expenditure to end of 2015-16
14,75,44,505	50,89,100	15,26,33,605
45,33,000	--	45,33,000
6,75,14,531	99,25,236	7,74,39,767
<b>21,95,92,036</b>	<b>1,50,14,336</b>	<b>23,46,06,372</b>

### 3.1.2.1 Understatement of receipts and disbursement under Part-II Deposit Fund and overall opening/closing balance in the Annual Accounts

As per Rule 14 of NCHAC District Fund Rules, 1953, all money received by the Council shall be credited to the PDA (treasury) and as per Rule 16, all monetary transactions shall be entered in the cash book as they occur.

It was observed that there was an unspent balance of ₹ 57.94 lakh at the beginning of the year 2015-16 out of the funds received for implementation of schemes under Border Region Grant Fund (BRGF) from Panchayat and Rural Development Department during previous year. The amount was kept in bank account, instead of depositing the same into the PDA as required under Rules. Besides, Bank interest amounting to ₹ 1.66 lakh was earned during 2015-16. Out of the available fund of ₹ 59.60 lakh, the Council released ₹ 36.76 lakh to different implementing agencies during 2015-16 leaving ₹ 22.84 lakh as unutilised balance as of March 2016.

Similarly, ₹1.15 crore (including interest of ₹ 9.95 lakh) was received against funds from 13<sup>th</sup> Finance Commission (FC), which was also kept in bank account, instead of depositing the same into the PDA. Besides, there was an unspent balance of ₹ 3.19 crore as on 01 April 2015 under 13<sup>th</sup> FC. Out of the available fund of ₹4.34 crore, the Council released ₹ 2.38 crore to different implementing agencies during 2015-16 for implementation of schemes under 13<sup>th</sup> FC leaving ₹ 1.95 crore as unutilised balance.

The receipts, utilisation and opening and closing balances of the above funds were, however, not accounted for in the Annual Accounts by the Council. Thus, receipts and disbursement under Part-II Deposit Fund and overall opening/closing balances of Annual Accounts for 2015-16 were understated to the extent as shown in **Table-3.4**.

**Table-3.4: Understatement of receipts and disbursement and overall opening/closing balance**

(₹ in lakh)						
Scheme	Opening balance	Fund received	Interest received	Total fund available	Disbursement	Closing balance
BRGF	57.94	--	1.66	59.60	36.76	22.84
13 <sup>th</sup> FC	318.83	104.67	9.95	433.45	238.40	195.05

Source: Departmental records

The NCHAC did not offer any specific reply.

### 3.1.2.2 Irregular receipts by way of diversion of fund for entrusted function

In terms of Office Memorandum (31 December 1996) of GoA, the executive power in respect of 30 (thirty) subjects/ departments have been entrusted to NCHAC. As per modalities of entrustment, the State Government before the beginning of a financial year, is to give an indication to the Council of the overall Financial Plan allocations for the year. The NCHAC then prepares the estimated receipts and expenditure (Grant 77) pertaining to NC Hills District in respect of entrusted subjects/departments as per the allocations, norms, etc., and after considering the estimate in their Council session, forward the estimate along with the synopsis within the stipulated time to the State government for appropriation by the State Legislature.

Further, in order to enable NCHAC to finance the expenditure of the entrusted functions of the thirty subjects/departments without difficulty, the State Government releases Plan and non-Plan funds, appropriated heads of account wise, against Grant 77 as advance in two instalments. The expenditure of fund so released are to be made by the Council towards entrusted functions for which it was appropriated.

Test-check of annual accounts of NCHAC for the year 2015-16 and other relevant records showed that against the total fund receipts of ₹ 432.31 crore, NCHAC during the year irregularly sanctioned and released ₹ 9.98 crore to different DDOs of entrusted department as 7.5 per cent Administrative Charge (₹ 8.75 crore) and five per cent Contingency Charge (₹1.23 crore) directing the DDOs that fund so sanctioned be withdrawn and deposited again to the Personal Deposit Account of the Council. The deposit of funds by the DDOs was treated as Revenue Receipts under the head of account "Other General Economic Services" in the Annual Account of the District Fund and the same was utilised for discharge of inherent functions of the Council. Government approval or authorisation for deduction of funds out of Plan allocation was not available on records nor could be produced to Audit though specifically called for.

Thus, though GoA had released ₹ 15.50 crore as Administrative Charge during 2015-16, deduction of another ₹ 9.98 crore in the form of Administrative/contingency charge out of Plan fund released by the State Government for discharging entrusted functions, without approval of the Government was not only unauthorised but was also bound to have adverse impact on development activities for which the fund was released by the State Government.

The Council did not furnish reasons for such irregular diversion (June 2021).

### **3.1.2.3 Diversion of Capital Fund towards Revenue expenditure**

Government of Assam (GoA) sanctioned and released ₹ 170 lakh to NCHAC during 2015-16 for capital expenditure under the head of account '5055 Capital Outlay on Road Transport Services (Plan)' from the State budget (revised) provisions. The sanction order provided that the fund should be utilised for the purpose for which it has been released. Scrutiny of records revealed that out of the total fund of ₹ 170.00 lakh, NCHAC released ₹ 99.25 lakh to the Transport Department of the Council during 2015-16. Out of the released amount, the Transport Department incurred expenditure of ₹ 41.55 lakh towards revenue expenditure for procurement of spare parts for the existing vehicles, office stationery, etc., during 2015-16.

Thus, diversion of capital fund amounting to ₹ 41.55 lakh towards revenue expenditure was irregular.

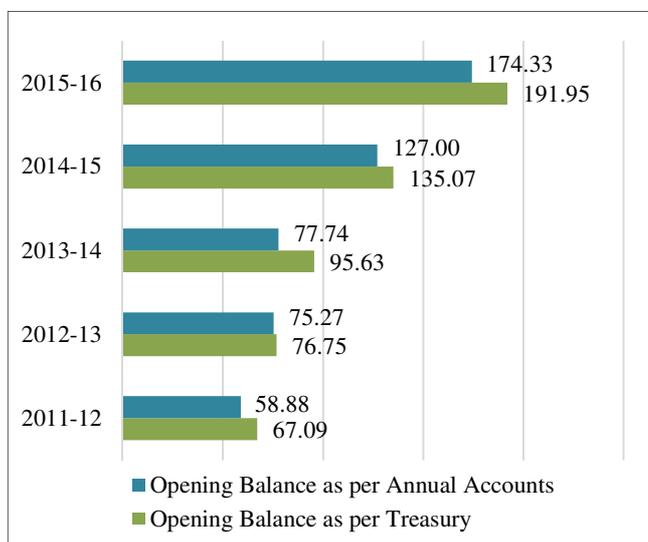
The Principal Secretary, NCHAC stated (March 2017) that due to paucity of funds, transport department diverted and utilised capital fund towards revenue expenditure.

### 3.2 Personal Deposit Account

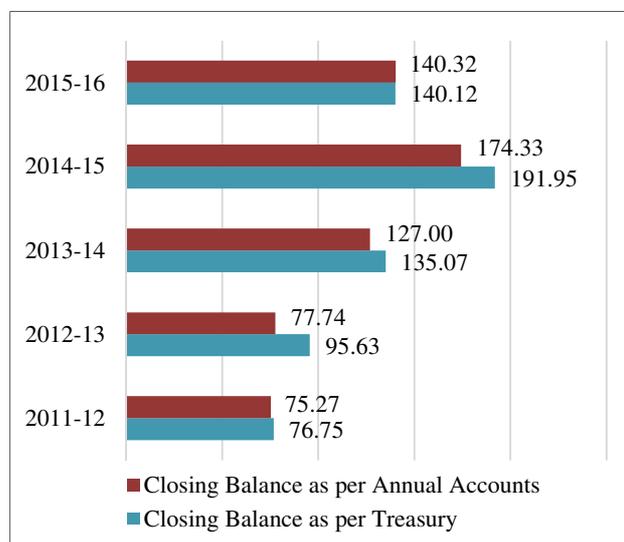
NCHAC maintains a Personal Deposit Account (PDA) with the Haflong Treasury, into which all receipts of NCHAC are credited into and from which withdrawals for all expenditure are made. The balance held in PDA as per Cash Book as on 31 March of each financial year was required to be reconciled with the balance shown in the records of the Treasury and discrepancy, if any, between the two sets of records is required to be settled for identifying the accounting errors.

Audit noticed that the Council was not aware of the differences that existed between the balances as per Cash Book and the balances as per the PDA held in treasury and the Annual Accounts were prepared without any reconciliation of the two sets of balances as depicted in **Chart-3.1(A)** and **Chart-3.1(B)**.

**Chart-3.1(A): Opening Balances as on 01 April**  
(₹ in crore)



**Chart-3.1(B): Closing Balances as on 31 March**  
(₹ in crore)



The above deficiency persists despite being pointed out in previous Audit Reports and NCHAC needs to take appropriate steps for correct accounting. In reply, the Principal Secretary stated (March 2017) that necessary reconciliation would be done, and intimated to audit. However, no such intimation was received from the Council (June 2021).

In this context, Audit further observed that during 2015-16, Revenue Receipts amounting to ₹ 14.57 lakh, deposited into the PDA were not accounted for in the Cash Book as detailed in **Appendix-V**. This resulted in understatement of own receipts to that extent. Such instances of non-accounting in Cash Book led to discrepancies in the opening/ closing balances in the two sets of records.

### 3.3 Conclusion

The audit of accounts of NCHAC for 2015-16 disclosed that:

1. Form of Accounts followed by NCHAC for preparing its Annual Accounts was not in conformity with the Form of Accounts prescribed by CAG for District Councils in 1977.

2. The figures of the Annual Accounts were not supported by ledgers/ consolidated abstracts compiled from initial books of accounts (Cash Book/ Revenue Collection Register, etc.).
3. Non-disclosure of head-wise details of balances in the Annual Accounts indicates lack of transparency.
4. The receipts of funds from the State Government (State budget) with corresponding disbursements shown under Part-II Deposit Fund were not disclosed Minor head wise in the Annual Accounts.
5. Head-wise details of unspent balances of funds received for entrusted functions were not worked out both at the beginning and closing of the year. Thus, there was no assurance that the expenditure incurred out of unspent balance of previous years was actually incurred for the purpose for which it was sanctioned.
6. Book keeping (accounting) was weak and required further strengthening. Many cases of discrepancies and lack of reconciliation with collateral records and under/ overstatement of receipts/ expenditure in Annual Accounts were noticed.
7. NCHAC irregularly diverted ₹ 9.98 crore from the fund received for entrusted function (Deposit Fund) treating the same as own Revenue Receipts on account of Administrative and Contingency charges under Receipts head 'Other General Economic Services'.
8. Capital funds were diverted towards revenue expenditure.
9. Non-reconciliation of figures booked in the cash book with those of the Treasury reflects poor internal control system of NCHAC and raises concerns relating to accuracy of accounts.

### **3.4 Recommendations**

- i. *Council may prepare its Annual Accounts in complete consistency with the Form of Accounts prescribed by CAG incorporating all transactions appropriately under District Fund and Deposit Fund.*
- ii. *Annual Accounts may show the details of funds received from State Government within the District Fund as against the current practice of showing the same within Deposit Fund. The Funds received from State Government should also be disclosed minor head wise in Statement-5 and Statement-6 so as to assist greater accountability and transparency.*
- iii. *Council needs to maintain ledger account, which should be the basis of compiling the Annual Accounts.*
- iv. *Council should ensure control over budgetary allocation and expenditure, and to avoid fund being locked up or diverted.*

- v. *Council may devise a system of periodical reconciliation of collateral accounting records to identify mistakes within the accounting period so that corrective action is taken.*

# **Chapter-IV**

## **Compliance Audit Observations**



## Chapter-IV

### Compliance Audit Observations

#### 4.1 Non-release of Council's share of Motor Vehicle Tax by the District Transport Authority

Hill Areas Department (HAD) directed (22 March 1991) the Deputy Commissioner, NC Hills District (erstwhile) to pay 90 *per cent* of the gross collection of Motor Vehicle (MV) Tax quarterly to the District Council. Transport Department had authorised the Deputy Commissioner (01 June 1991) to release the payment to the Council.

Scrutiny of records<sup>9</sup> and information furnished to audit relating to MV Tax showed that the total outstanding dues stood at ₹ 106.86 lakh<sup>10</sup>, being the Council's 90 *per cent* share at the end of the year 2015-16. The Deputy Commissioner had not released the share of MV Tax to the Council till March 2016. There was nothing on record to suggest that the Council has taken up the matter with the DC/ Department. The Deputy Commissioner, however, released ₹ 85.57 lakh<sup>11</sup> to the Council during 2016-17 keeping an outstanding balance of ₹ 21.29 lakh yet to be released.

*The NCHAC should take up the matter with the Government for early realisation of outstanding dues from the Transport Department.*

#### 4.2 Loss of revenue due to non-adoption of revised rate of Royalty on specific forest produce

Government of Assam revised (*vide* notification effective from 17 June 2015) the rate of royalty of 17 Forest produces/ Minor Minerals including sand, boulders, stone, *etc.* Test-check of records showed that the Haflong Range under DFO, Haflong, West Division issued (July 2015) three permits to different contractors of North Frontier Railways (NFR). The permits were issued for collection of sand, boulder, stone, *etc.*, on payment of royalty at pre-revised rates. The contractors extracted 45,975.09 cum. of boulder, sand, shingle, stone, *etc.*, for which royalty (including fine and VAT) of ₹ 82.70 lakh was realised.

Non-adoption of revised rates of Royalty resulted in loss of revenue to the tune of ₹ 34.27 lakh<sup>12</sup> as detailed in *Appendix-VI*.

The Council did not furnish any reply.

*Council should take measures to revamp the revenue earning departments, so as to explore all the possibilities to increase its revenue earning and to eliminate the instances of loss of revenue.*

<sup>9</sup> Transport Department of the Council

<sup>10</sup> Up to March 2015:- ₹ 56.39 lakh; 2015-16:- ₹ 50.47 lakh

<sup>11</sup> Through challan dated 22 July 2016 (₹ 33.79 lakh) and 14 December 2016 (₹ 51.78 lakh)

<sup>12</sup> ₹ 116.97 lakh (realisable amount) *minus* ₹ 82.70 lakh (amount realised) = ₹ 34.27 lakh

#### **4.3 Utilisation of departmental receipts towards departmental expenditure**

According to Rule 18 of the NCHAC District Fund Rules, 1953 (DFR), all moneys received by the Council shall be remitted into the treasury promptly and shall on no account be appropriated towards expenditure.

Test-check of records and scrutiny of information furnished to Audit, revealed that the Transport Department collected revenue to the tune of ₹ 31.44 lakh during 2015-16. The revenue so collected was on account of bus fare, hire charges of buses, sale proceeds from auction of condemned vehicles, *etc.*, under the receipts head of account 'Roads & Transport Services'. Out of the amount, the Department deposited ₹ 12.68 lakh into the PDA. The balance amount of ₹ 18.76 lakh was spent towards departmental expenditure, like procurement of fuel and lubricant, spare parts, *etc.*, during 2015-16.

Similarly, General Administration Department realised total revenue of ₹ 5.02 lakh during 2015-16 on sale of stamp paper, out of which, ₹ 2.68 lakh was deposited during 2015-16 into PDA and the balance amount of ₹ 2.19 lakh was utilised towards departmental expenditure.

Thus, during 2015-16, a total amount of ₹ 20.95 lakh<sup>13</sup> was spent out of departmental receipts of ₹ 36.46 lakh (₹ 31.44 lakh + ₹ 5.02 lakh) in violation of Fund Rules *ibid*.

The Principal Secretary, NCHAC replied (March 2017) that due to paucity of funds the departmental receipts were utilised towards departmental expenditure due to unavoidable circumstances, which would be avoided in future.

The Council has not taken any corrective measures despite being pointed out in previous year's Audit Report.

*Council should evolve a system of checks so that revenues collected by various departments are deposited to PDA expeditiously as per the Fund Rules.*

#### **4.4 Non-deposit of revenue**

According to Assam Financial Rules, the Drawing and Disbursement Officer receiving the Government revenues should deposit the same into Government account under appropriate receipts head of account without any delay.

Rule 17 of NCHAC Fund Rules, 1953 provides that all receipts due to the Council, collected by any employee authorised to collect such receipts, shall pass through the cashier, who shall enter them in the cash book. Rule 18 of the Fund Rules provides that all money received by the cashier on account of the Council shall be remitted into the treasury, promptly and shall on no account be appropriated towards expenditure.

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<sup>13</sup> ₹ 18.76 lakh + ₹ 2.19 lakh

Test-check (November 2016) of records of the Executive Engineer (Agriculture), Haflong (EE) showed that, between 01 April 2015 to 30 April 2016, the Executive Engineer realised<sup>14</sup> an amount of ₹ 7.93 lakh (*detailed in Appendix-VII*), being hire charges of agricultural machineries, farmers' share under different schemes, sale proceeds, etc. The amount so realised was neither accounted for in the cash book nor deposited into the PDA of the Council.

On the matter being pointed out, the Executive Engineer replied (November 2016) that action had already been initiated to recover the un-accounted money from the delinquent officer. The fact however, remained that inadequate control over cash management and maintenance of related records led to misappropriation of ₹ 7.93 lakh and thus, the control needed to be strengthened to overcome such a situation in future.

The Executive Engineer intimated (May 2022) that an amount of ₹ 4.41 lakh have been recovered up to February 2022 and the balance amount of ₹ 3.52 lakh would be recovered in due course.

#### **4.5 Unproductive Expenditure on Construction of RCC Bridge No.28/1 on Dehangi Doyangmukh Road**

The Planning and Development Department, GoA accorded administrative approval (May 2009) for Construction of RCC Bridge No 28/1 on Dehangi Doyangmukh Road over Thaijuari Nala and Langlodisa Nala from the Central Pool of Resources for development of North East at an estimated cost of ₹ 3.55 crore. The proposal was forwarded for approval to the Ministry of Development of North Eastern Region, Government of India (GoI). As per GoI approval, ₹ 3.20 crore would be provided by GoI and the balance amount of ₹ 0.35 crore shall be borne by GoA. The first instalment of ₹ 1.12 crore was released to the State Government by GoI in March 2009.

The terms and conditions of GoI financial sanction *inter-alia* provided,

- that the entire amount so released shall be transmitted by GoA to the implementing agency concerned within 30 days from the date of release of fund by GoI;
- that GoA shall submit utilisation certificate (UC) to GoI within a period of nine months from the date of release of fund by GoI. In case the funds are not utilised within the stipulated time, GoA should approach GoI with sound reasoning for revalidation.

Test-check of records of the Executive Engineer, Public Work Department, Haflong Road Division (EE, PWD) showed that Government of Assam, Hill Areas Department (HAD), also accorded administrative approval (November 2009) of the said project at an estimated cost of ₹ 3.55 crore. Records further showed that the

<sup>14</sup> on account of hire charges of power tillers, cash deposits in the form of 10 *per cent* beneficiaries share under different schemes, sale proceeds, etc.

work was awarded (08 September 2010) to a Haflong based contractor<sup>15</sup> at the bid value of ₹ 3.54 crore with the stipulation of completion of the work within 18 months from the date of award of the work. The detailed status report of the work submitted (17 June 2015) by the EE, PWD indicated that only eight *per cent* overall physical progress was achieved till December 2013. The reasons<sup>16</sup> attributed for tardy progress are not acceptable as these were not supported by any documentary evidence, rather indicated lack of proper monitoring and timely action on the part of the EE, PWD. It was also seen that GoA had not released any amount till December 2013 from the fund received from GoI.

Scrutiny of records further showed that HAD's initial administrative approval of November 2009 was revalidated (December 2013) limiting the current year expenditure to the tune of ₹ 1.15 crore only during 2013-14. Accordingly, financial sanction and release of ₹ 1.12 crore was accorded (December 2013) by the HAD for the project almost after four and half years of receipt of funds from GoI.

It was also seen that the work was resumed in January 2014 but, the contractor failed to complete the work within the extended time (December 2015). Notice was served from time to time and after a series of meetings, the contractor assured to complete the work within March 2016. However, Progress Report as on January 2017 showed that 30 *per cent* physical progress was achieved and a total payment of ₹ 92.88 lakh was made to the contractor.

During joint physical verification conducted on 05-03-2017 by Audit Party and representatives of the EE, PWD (Roads), Haflong revealed that the Bridge No. 28/1 was still incomplete as may be seen in the photograph (taken on 05 March 2017) placed alongside and possibilities of its completion were remote in the near future.



Thus, from the above, it is evident that due to failure on the part of GoA in timely submission of UC owing to delay in release of funds by GoA, GoI did not release the balance amount. This, besides inaction of EE, PWD in invoking penal action against the contractor resulted in non-completion of the work within the stipulated period and the expenditure of ₹ 92.88 lakh remained unproductive and the intended objective of better accessibility remained unachieved.

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<sup>15</sup> Shri Deben Thaosen

<sup>16</sup> Late receipt of drawings, extremist problem in and around work site, ethnic violence, floods *etc.*

The EE, PWD, Haflong Road Division stated (March 2017) during exit meeting that the Commissioner, HAD had already sent a proposal for foreclosure of the project. However, the EE did not furnish any document in support of his statement. No written reply has so far been received (June 2022).

**Guwahati**  
**The 22 February 2024**

  
**(KUMAR ABHAY)**  
**Accountant General (Audit), Assam**

*Countersigned*

**New Delhi**  
**The 27 February 2024**

  
**(GIRISH CHANDRA MURMU)**  
**Comptroller and Auditor General of India**



# APPENDICES



**Appendix-I**  
(Reference: Paragraph 2.2.1)

**Receipts and expenditure of NCHAC for the year 2015-16 as per Annual Accounts**

(₹ in lakh)

Receipts		Particulars	Expenditure	
2014-15	2015-16		2014-15	2015-16
<b>Part-I: District Fund</b>				
<b>A- Revenue Receipts and Expenditure</b>				
415.70	451.99	Taxes on Income and Expenditure	-	-
113.35	341.68	Land Revenue	240.53	259.21
-	2.45	Stamps and Registration	-	-
-	-	Education	1,824.28	1,823.54
573.76	622.33	Forests	1,328.99	1,522.48
407.98	490.00	Mines and Minerals	-	-
-	-	District Council	28.11	36.64
-	-	Executive Members	36.04	20.32
0.38	0.39	Other Administrative Service	32.16	37.12
-	-	Secretariat General Services	538.48	590.13
-	-	Pension and Other Retirement Benefits	300.00	6.58
-	-	Art and Culture	50.72	49.69
-	-	Urban Development	2.19	-
-	-	Social Security and Welfare	21.08	12.25
-	-	Relief on account of Natural Calamities	0.15	-
11.93	10.98	Roads and Transport Services	156.60	71.86
-	-	Stationery and Printing	6.33	18.91
13.72	29.87	Public Works	476.17	509.66
653.39	1,685.76	Other General Economic Services	165.52	119.85
3,284.00	1,815.50	Grants in Aid from State Government	-	-
44.06	79.22	Miscellaneous Receipts <sup>#</sup>	-	-
<b>5,518.27</b>	<b>5,530.17</b>	<b>Total –A: Revenue Receipts and Expenditure</b>	<b>5,207.35</b>	<b>5,078.24</b>
-	-	Revenue Surplus	310.92	451.93
<b>B- Capital Receipts and Expenditure</b>				
-	-	Capital Account		
		Capital Outlay on Public Works	7.91	50.89
		Capital Outlay on Road Transport Services	-	99.25
-	-	Debt	-	-
-	-	Loans and Advances	-	-
-	-	Recoveries of Loans and Advances	-	-
<b>0.00</b>	<b>0.00</b>	<b>Total-B: Capital Receipts and Expenditure</b>	<b>7.91</b>	<b>150.14</b>
7.91	150.14	Capital Deficit	-	-
<b>5,518.27</b>	<b>5,530.17</b>	<b>Total –Receipts and Expenditure (Part-I District Fund)</b>	<b>5,215.26</b>	<b>5,228.38</b>
<b>5,526.18</b>	<b>5,680.31</b>	<b>Total Part –I District Fund (A+B)</b>	<b>5,526.18</b>	<b>5,680.31</b>
<b>Part-II: Deposit Fund</b>				
<b>C- Receipts and Disbursements under entrusted functions</b>				
47,644.69	43,230.81	Funds received from the State Government		
		Disbursements	43,214.46	46,933.81
<b>47,644.69</b>	<b>43,230.81</b>	<b>Total-C: Receipts and Expenditure (Deposit Fund)</b>	<b>43,214.46</b>	<b>46,933.81</b>
-	3,703.00	Deficit/Surplus on Deposit Fund	4,430.23	-
<b>47,644.69</b>	<b>46,933.81</b>	<b>Total- Part-II Deposit Fund</b>	<b>47,644.69</b>	<b>46,933.81</b>
<b>53,162.96</b>	<b>48,760.98</b>	<b>Total Receipts and Expenditure under Part I &amp; II</b>	<b>48,429.72</b>	<b>52,162.19</b>
<b>D- Opening balance /Closing balance</b>				
12,699.91	17,433.15	Cash/Treasury (PLA)	17,433.15	14,031.94
<b>65,862.87</b>	<b>66,194.13</b>	<b>Grand Total (A+B+C+D)</b>	<b>65,862.87</b>	<b>66,194.13</b>

Source: Annual Accounts

# Refund of unspent amount received from DDOs is treated as Miscellaneous Receipts classified as "Debt (Normal) Miscellaneous Receipts

**Appendix-II**

(Reference: Paragraph 2.2.3)

**Statement showing head-wise variation of Revenue Receipts during 2015-16  
as compared to 2014-15**

(₹ in lakh)

Sl. No.	Heads of Account	Receipts during 2014-15	Receipts during 2015-16	Variation with 2014-15	Percentage of variation
1.	Taxes on income and expenditure	415.70	451.99	36.29	9
2.	Land Revenue	113.35	341.68	228.33	201
3.	Stamps and Registration Fees	0.00	2.45	2.45	--
4.	Public Works	13.72	29.87	16.15	118
5.	Other Administrative Service	0.38	0.39	0.01	3
6.	Other General Economic Services	653.39	1685.76	1032.37	158
7.	Forest	573.76	622.33	48.57	8
8.	Mines and Minerals	407.98	490.00	82.02	20
9.	Roads and Transport Services	11.93	10.98	(-) 0.95	8
10.	Grants-in-aid from State Govt.	3284.00	1815.50	(-) 1468.50	45
11.	Debt (Normal)	44.06	79.22	35.16	80
<b>Total Receipts Heads (Rev. A/Cs)</b>		<b>5518.27</b>	<b>5530.17</b>	<b>11.90</b>	<b>0</b>

Source: Annual Accounts

**Appendix-III**

(Reference: Paragraph 2.3.1)

**Revenue Receipts compared with Estimated Receipts (Budget) during 2015-16**

(₹ in lakh)

Heads of Account	Estimated Amount	Receipts as per Annual Accounts	Variation Excess (+) Shortfall (-)	Percentage
Forests	1,066.60	622.33	(-) 444.27	42
Roads and Transport Services	60.00	10.98	(-) 49.02	82
Other General Economic Services	2,227.97	1,685.76	(-) 542.21	24
Other Administrative Service	3.00	0.39	(-) 2.61	87
Land Revenue	3,455.00	341.68	(-) 3,113.32	90
Taxes on Vehicles	30.00	0	(-) 30.00	100
Stationery & Printing	0.02	0	(-) 0.02	100
Stamps and Registration	2.00	2.45	(+) 0.45	23
Taxes on Income and Expenditure	420.00	451.99	(+) 31.99	8
Public Works	5.82	29.87	(+) 24.05	413
Mines and Minerals	136.00	490.00	(+) 354.00	260
<b>Total</b>	<b>7,406.41</b>	<b>3,635.45</b>	<b>(-) 3,770.96</b>	

Source: Normal Budget and Annual Accounts

**Appendix-IV**  
(Reference: Paragraph 2.3.2)

**Expenditure compared with that of Budget provisions during 2015-16**

(₹ in lakh)

Heads of Account	Budget Provision	Expenditure as per Annual Accounts	Variation Excess (+) Saving (-)	Percentage
Education	2,752.15	1,823.54	(-) 928.61	34
District Council	159.20	36.64	(-) 122.56	77
Executive Members	45.32	20.32	(-) 25.00	55
Administration of Justice	48.21	37.12	(-) 11.09	23
Secretariat General Services	959.94	590.13	(-) 369.81	39
Pension and Other Retirement Benefits	1,000.00	6.58	(-) 993.42	99
Art and Culture	73.45	49.69	(-) 23.76	32
Relief on account of Natural Calamities	5.00	0	(-) 5.00	100
Stationery and Printing	24.00	18.91	(-) 5.09	21
Public Works	721.99	509.66	(-) 212.33	29
Other General Economic Services	154.53	119.85	(-) 34.68	22
Land Revenue	323.10	259.21	(-) 63.89	20
Urban Development	0	0	0	-
Information and Publicity	0	0	0	-
Social Security and Welfare	26.60	12.25	(-) 14.35	54
Roads and Transport Services	137.64	71.86	(-) 65.78	48
Forests	381.30	1,522.48	(+) 1,141.18	299
<b>Total</b>	<b>6,812.43</b>	<b>5,078.24</b>	<b>(-) 1,734.19</b>	

Source: Normal Budget and Annual Accounts

**Appendix-V**  
(Reference: Paragraph 3.2)

**Amount deposited as per treasury receipts schedule but not accounted for in the Cash Book by the Council during 2015-16**

(In ₹)

Sl. No.	Month	Amount
1	July 2015	1,48,642
2	August 2015	9,152
3	October 2015	19,846
4	January 2016	3,51,200
5	February 2016	3,00,470
6	March 2016	6,27,834
	<b>Total</b>	<b>14,57,144</b>

Source: Departmental Records

**Appendix-VI**  
(Reference: Paragraph 4.2)

**Statement showing the details of loss of revenue due to non-adoption of revised rates of Royalty**

(In ₹)

Name of the Firm	DFO's Order No. & Date	Receipt No. & Date	Name of the Item	Quantity (in cum)	Rate of Royalty by which revenue received	Amount of Royalty realised (5x6)	Revised rate of Royalty	Royalty Amount at Revised rate
1	2	3	4	5	6	7	8	9
MK Engineering Builders and Engineers	FRS/G/INFRLY/MG-BG/ 2014/214-215 dt.24.06.15	006/039 dt. 06.07.15	Sand	1,066.20	90	95,958	140	1,49,268
			Stone/ Chips	3,565.26	130	4,63,484	200	7,13,052
			Boulder	14,183.38	130	18,43,839	200	28,36,676
			River Silt	74.25	5	371	5	371
			<b>Sub-Total</b>	<b>18,889.09</b>		<b>2403652</b>		<b>3699367</b>
Dooars Construction Company	FRS/G/INFRLY/MG-BG/ 2014/233-36 dt. 17.07.15	006/040 dt. 17.07.15	Agg/ Chips	1,030	130	1,33,900	200	2,06,000
			Sand	440	90	39,600	140	61,600
			Boulder	3,995	130	5,19,350	200	7,99,000
			U/S Shingle	15,000	130	19,50,000	151	22,65,000
			Stone	1,250	130	1,62,500	200	2,50,000
			Ballast Stone	3,950	130	5,13,500	200	7,90,000
			<b>Sub-Total</b>	<b>25,665</b>		<b>33,18,850</b>		<b>43,71,600</b>
Bharatia Infra Project Ltd	FRS/ G/ INFRLY/ MG-BG/ 2014/ 233-36 dt. 17.07.15	006/041 dt.17.07.15	Stone/ Chips	1,176	130	1,52,880	200	2,35,200
			Boulder	245	130	31,850	200	49,000
			<b>Sub-Total</b>	<b>1,421</b>		<b>1,84,730</b>		<b>2,84,200</b>
			<b>Total</b>	<b>45,975</b>		<b>59,07,232</b>		<b>83,55,167</b>
<b>Monopoly fee at the rate of 35 per cent</b>						<b>20,67,531</b>		<b>29,24,308</b>
<b>Assam VAT at the rate of 5 per cent</b>						<b>2,95,362</b>		<b>4,17,758</b>
<b>Grand Total</b>						<b>82,70,125</b>		<b>1,16,97,233</b>

Loss of revenue = Royalty at revised rate – Royalty realised at previous rate

= ₹ 1,16,97,233 - ₹ 82,70,125

= ₹ 34,27,108

Source: Departmental Records

**Appendix-VII**  
**(Reference: Paragraph 4.4)**  
**Statement showing the position of non-deposit of sale proceed**

Receipt Book No.	Receipt Book page Nos.	Date(s) of collection	Amount collected (in ₹)
75391	418 to 420	02/04/2015	43,575
75391	421 to 422	06/04/2015	1,35,830
75391	423 to 424	15/05/2015	1,40,454
75391	425	16/05/2015	30,634
75391	426	18/05/2015	4,335
75391	427	16/06/2015	1,110
75391	428 to 429	23/06/2015	3,330
75391	430	14/07/2015	1,665
75391	431	16/07/2015	8,200
75391	432 to 441	28/08/2015	1,45,250
75391	442 to 445	22/09/2015	71,649
75391	446 to 449	17/11/2015	1,31,750
75391	450	18/11/2015	8,036
75934	651 to 653	18/11/2015	63,005
75934	654	01/04/2016	41,80
<b>Total</b>			<b>7,93,003</b>

*Source: Departmental Records*





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