



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
for the year ended 31 March 2019**



SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest



**Khasi Hills Autonomous District Council,
*Shillong, Meghalaya***

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

for the year ended 31 March 2019

**Khasi Hills Autonomous District Council,
Shillong, 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 Khasi Hills Autonomous District Council, Shillong, Meghalaya for the year 2018-19.

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 2018-19.

3. This Report contains four Chapters, the first of which deals with the Constitution of the Khasi Hills Autonomous District Council, the rules for the management of the District Fund and maintenance of accounts by the District Council. Chapter-II depicts ADC funds position. Chapter-III contains the comments on Accounts and Chapter-IV deals with compliance issues noticed during test-audit of the transactions of the Council for the year 2018-19.

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 the audit comments on annual accounts of the Council for the year 2018-19. Chapter–IV of the Report deals with the audit findings pertaining to compliance audit of the Council and contains seven paragraphs.

Internal Control

An evaluation of internal control system in the Council revealed persistent irregularities like discrepancy in cash balances as per annual accounts, retention of heavy cash balances, delay in depositing the Council's revenue and improper upkeep of accounting records including Cash Book. These instances reflected that the Council's internal control mechanism was not equipped to guard against these lapses. Further, these lapses also posed a constraint in examination of the Council's annual accounts and transactions.

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

2. Autonomous District Council Funds

During 2018-19, KHADC generated ₹ 19.25 crore (30 *per cent*) from its own sources and taxes, ₹ 35.46 crore as share of taxes from the State Government (55 *per cent*), ₹ 9.95 crore (15 *per cent*) as grants-in-aid from GoI/GoM, and ₹ 0.10 crore as recovery of loans and advances. As such, KHADC was highly dependent on the State Government funding to meet its financial needs and needed to address this by focused revenue generation activities.

(Paragraph 2.2.1.1)

Revenue expenditure of KHADC increased by 27 *per cent* from ₹ 45.95 crore in 2017-18 to ₹ 58.58 crore in 2018-19. The increase in revenue expenditure during 2018-19 was primarily due to increase in expenditure on salaries and office expenses under Secretariat General Services from ₹ 18.39 crore in 2017-18 to ₹ 22.75 crore in 2018-19 (24 *per cent*), and Forests from ₹ 4.83 crore in 2017-18 to ₹ 7.35 crore in 2018-19 (52 *per cent*).

(Paragraph 2.2.1.2)

As against BE of ₹ 213.53 crore in 2018-19, KHADC incurred actual expenditure of ₹ 127.58 crore. Substantial variation between the Budget Estimates (BE) and actuals was noted, the variance being 70 *per cent* in receipts and 40 *per cent* in expenditure during 2018-19.

(Paragraph 2.3)

Recommendations

- *The Council may take steps to increase its own revenue receipts so that they are able to improve spending on programmes and schemes of the Council.*
- *The Council needs to plan utilisation of available funds adequately.*
- *The Council may undertake detailed budgetary analysis and reviews to identify untapped eligible revenue resources and for estimating revenue receipts more accurately.*

3. Comments on Accounts

Cash Book of the Council was merely restricted to disbursement of salaries to Staff and was not closed and authenticated by the Secretary daily as required under Rule 16 (ii) & (iii) of the United Khasi and Jaintia District Council Fund Rules, 1952.

(Paragraph 3.2)

There were discrepancies in the Closing Balances of PLA at Treasury with that of the Annual Accounts for which the reconciliation was carried out by the Council in excess of the difference amount. The differences have not been reconciled by the Council.

(Paragraph 3.3)

The Council deposited revenue receipts into treasury in the next following month. As a result, the revenue receipts for the month of March were accounted for in next financial year in violation of Council Rules. This resulted in understatement of revenue receipts to the tune of ₹ 2.12 lakh and needed systemic correction.

(Paragraph 3.4)

The Council did not prepare Statement 2 of Annual Accounts in full conformity with the prescribed format. Progressive expenditure on Capital outlay was not reflected in the Annual Accounts for the year 2018- 19.

(Paragraph 3.5)

Recommendations

- *The Council may ensure proper maintenance of Cash Book to ensure accountability for public money.*
- *The Council may reconcile the differences with Treasury before finalising Annual Accounts.*
- *The Council may ensure prompt credit of revenue receipts to the Treasury and account for receipts pertaining to a financial year in the same accounting year.*
- *The Council may adhere to prescribed format of accounts for transparency and completeness of accounts.*

4. Compliance Audit Observations

Projects were awarded by floating tender agreement, mobilisation advances were paid without safeguarding the interest of the projects, utilisation certificates were submitted without utilising the fund in full in respect of projects implemented under the Grants received for areas not included in Part IX and IXA of the Constitution.

Recommendation: *The Council needs to draft specific rules for contracting of civil works in order to avoid irregularities in the award of works as pointed out by Audit.*

(Paragraph 4.1)

There were delays in remittance of revenue amounting to ₹ 32.94 lakh into Treasury ranging from one to 195 days.

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

(Paragraph 4.2)

The Council made 82 direct appointments to various posts without following Recruitment Rules, advertisements and without conducting competitive examinations.

Recommendation: *Non-adherence to the recruitment policy creates opportunities for favouritism in the hiring process. In order to maintain fair competition for selection of deserving candidates, the Council may follow recruitment rules. These appointments, being in violation of the Council's own Rules, need to be annulled/cancelled.*

(Paragraph 4.3)

Anomalies in appointment/ promotion were noticed wherein appointment were made without notifying Recruitment Rules and promotions were granted by superseding the seniors.

(Paragraph 4.4)

Despite framing guidelines for implementation of Special Town and Rural Welfare Programme, KHADC did not ensure submission of vouchers or utilisation certificates by the Members in support of their claims for ₹ 168.00 lakh out of ₹ 182.00 lakh released as Grants to the Members.

Recommendation: *The Council should maintain proper accounts along with relevant supporting documents to ensure utilisation of the programme fund for bonafide purposes. Further, the Council may frame appropriate Rules for regulating the discretionary grants given to the MDCs for various welfare schemes, and for their proper accounting.*

(Paragraph 4.5)

KHADC did not ensure submission of vouchers or utilisation certificates by the Members in support of their claims for ₹ 66.00 lakh released as Grants to the Members

under ‘promotion of sports activities’ and ‘conservation and promotion of traditional culture’.

(Paragraph 4.6)

The Council failed to deduct at source the Meghalaya Goods and Services Tax amounting to ₹ 27.19 lakh from the contractors’ bills despite instructions issued by the Government.

Recommendation: *The Council may initiate appropriate action to recover MGST from the contractors.*

(Paragraph 4.7)

CHAPTER-I

Constitution, Rules and Maintenance of Accounts

CHAPTER - I

Constitution, Rules and Maintenance of Accounts

1.1 Profile of Khasi Hills Autonomous District Council

The United Khasi and Jaintia Hills District Council was set up in June 1952 under 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 Council and the Jowai District Council were renamed as Khasi Hills District Council and Jaintia Hills District Council, respectively.

The Sixth Schedule to the Constitution of India (Schedule) provides for administration of specified tribal areas. For that purpose, it provides for the 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 *etc.*, of land, management of forests other than reserve forests, use of any canal or water courses for agriculture, 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 waterways 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.

Khasi Hills Autonomous District Council² (KHADC) 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. KHADC is headquartered at Shillong, Meghalaya. During 2018-19, there were full complement of members in the Council.

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 all moneys received by the Council in the course of administration of the district is to be credited, in accordance with the provisions of the Constitution.

¹ A form of shifting agriculture practice.

² 2,725 villages under the jurisdiction of KHADC (2011 census).

In terms of Paragraph 7(2) of the Sixth Schedule, Rules are to be framed by the Governor for the management of the District Fund and for the procedure to be followed in respect of payment of money into the said Fund, withdrawal of moneys therefrom, custody of moneys therein and any other matter connected with or ancillary to these matters. The United Khasi and Jaintia Hills District Council Fund Rules, 1952 (which had been framed by the erstwhile United Khasi and Jaintia Hills District Council for management of the District Fund) are being followed by KHADC.

1.3 Maintenance of Accounts and Audit Arrangements

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

In terms of Paragraph 7 (4) of the Sixth Schedule of the Constitution, the CAG shall cause the accounts of the District Council to be audited in such manner as he may think fit, and the reports of the CAG relating to such accounts shall be submitted to the Governor who shall cause them to be laid before the Council.

The Fund Rules of the Jaintia and Garo Hills Autonomous District Council (JHADC and GHADC respectively) stipulate that the Annual Financial Statement shall be prepared by the member in charge of financial affairs and forwarded to the Principal Accountant General (PAG)/Accountant General (AG) by 30th June each year. The Fund Rules of the KHADC, however, did not mention any prescribed date for submission of the Annual Accounts to the PAG/AG. The accounts of the Council for the year 2018-19 were submitted to the PAG in June 2021, with a delay of almost two years.

The Council was managing its various functions and activities with 635 persons-in-position (90.84 *per cent*) against a total sanctioned strength of 699 persons, as mentioned in **Table 1.1**.

Table 1.1: Manpower position of KHADC during 2018-19

Sl. No.	Name of the Department/Branch	Sanctioned Strength	Persons in Position
1	Judicial	67	66
2	Legislative Secretariat	56	55
3	General Administration	168	157
4	Law	7	6
5	Revenue, Budget and Finance	105	96
6	Forest Administration	145	121
7	Education	2	2
8	Civil Works and Development	59	54
9	Enforcement Scheme for Protection of Tribal Land and Interest	90	78
Total		699	635

Audit noticed that the Council had in position 19 accounts staff (March 2019) including two staff deployed for internal audit functions (**Appendix-I**). There was no vacancy in Finance and Accounts Department of the Council, and all the staff deployed for Accounts and Audit were trained for their respective works. Despite availability of trained staff as per sanctioned strength, Audit has seen persistent shortcomings in maintenance of accounts such as non-maintenance of relevant records, misclassification of receipts and expenditure and deficiencies in cash management by the Autonomous District Council (ADC).

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

- *The Council may ensure submission of Annual Accounts to the Principal Accountant General at the earliest and notify the timelines for their submission.*
- *The Council may take suitable action against officials responsible for delay in preparation of Annual Accounts and take appropriate steps to prepare up-to date Financial Statements in future. In addition, if needed, the available manpower can be further upskilled by using the available State training facilities in co-ordination with the District Council Affairs Department.*

Results of audit are discussed in the succeeding Chapters.

1.4 Administrative set-up of the Council

There is an Executive Committee of the District Council with the Chief Executive Member at the head, 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. There is a Secretary to the Executive Committee appointed by the Chief Executive Member.

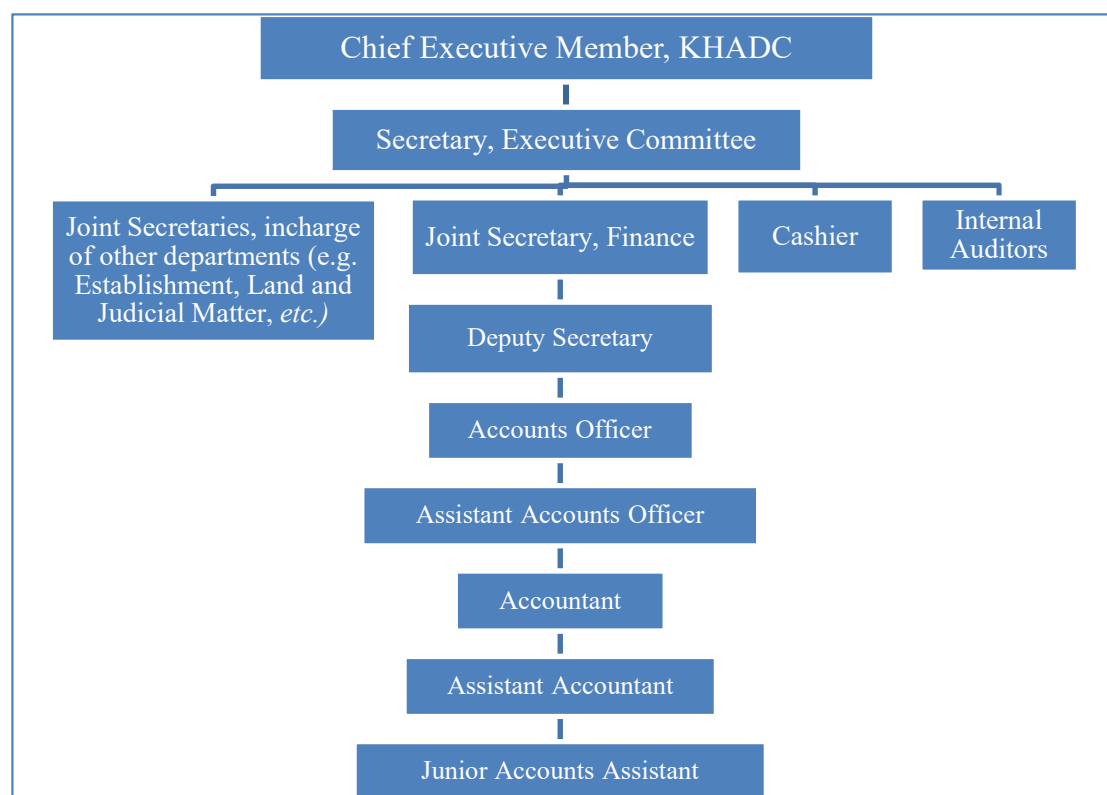
The functions of the Council are administered through nine departments listed as below:

- (i) Judicial
- (ii) Legislative Secretariat
- (iii) General Administration
- (iv) Law
- (v) Revenue, Budget and Finance
- (vi) Forest Administration

- (vii) Education
- (viii) Civil Works and Development
- (ix) Enforcement Scheme for Protection of Tribal

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

Chart 1.1: Administrative Set-up of KHADC



Source: KHADC records.

In addition, there is a Secretary to the Legislative Council who heads the Legislative Wing and a Judge who heads the District Council Court.

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 that internal control mechanism for financial management was inadequate, which is evidenced from persistent irregularities like discrepancy in cash balances as per annual accounts, retention of heavy cash balances, delay in depositing the Council's revenue, irregular appointment, *etc.* as discussed in the succeeding Chapters.

Besides, it was also seen that there were instances of:

- a. Improper maintenance of Cash Book;
- b. Delay in deposit of revenue in Treasury; and,

- c. Discrepancies in closing balance in Personal Ledger Account in treasury.

Further, it was observed that inadequate internal control mechanism resulted in irregular expenditure in the form of grants, extension of undue favour to contractors by not deducting MGST at source, *etc.* as discussed in the succeeding chapters.

Thus, weak internal controls and improper upkeep of records posed constraints in examination of the Council's annual accounts and transactions.

The Secretary to the Executive Council, KHADC stated (August 2022) that the internal control system is being strengthened.

The Council may establish a strong internal control system for good governance.

1.6 Summary of Recommendations

- i. *The Council may ensure submission of Annual Accounts to the Principal Accountant General at the earliest and notify the timelines for their submission.*
- ii. *The Council may take suitable action against officials responsible for delay in preparation of Annual Accounts and take appropriate steps to prepare up-to date Financial Statements in future. In addition, if needed, the available manpower can be further upskilled by using the available State training facilities in co-ordination with the District Council Affairs Department.*
- iii. *The Council may establish a strong internal control system for good governance.*

CHAPTER-II

Autonomous District Council Funds

CHAPTER - II

Autonomous District Council Funds

2.1 Introduction

The Sixth Schedule provides for a District Fund for each autonomous district 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. The District Fund of the Autonomous District Council has been constituted under the provisions of sub- paragraph (I) of Paragraph 7 of the Sixth Schedule to the Constitution of India, to which shall be credited all moneys received by the District Council in the course of administration of the Autonomous District Council in accordance with the provisions of the Constitution.

The ADC fund comprises receipts from its own resources and shared revenue and grants/loans & advances from the State/Central government. Broad classification is as discussed below:

A. District Fund

District Fund is maintained in two parts namely: (i) Revenue Section for revenue receipts and expenditure and (ii) Capital Section for capital receipts and expenditure, Public Debt, Loans and Advances. Revenue Section comprises of proceeds of taxation and other receipts classed as revenue and expenditure met therefrom. It also includes grants and contributions received from the Government and grants and contributions by the Council. Capital Section comprises of expenditure of capital nature³ met from borrowed funds. Loans received and their repayments by the Council and loans and advances and their recoveries by the Council are also a part of this division.

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 KHADC for the year 2018-19 were as depicted in **Table 2.1.**

³ Expenditure incurred for acquiring fixed assets that can be used for a longer duration.

Table 2.1: Summarised position of Accounts for the year 2018-19

(₹ in crore)

2017-18	Receipts	2018-19	2017-18	Disbursement	2018-19
PART –I DISTRICT FUND⁴					
Revenue Section					
1. Revenue Receipts			1. Revenue Expenditure		
9.90	(i) Taxes on Income and Expenditure	11.26	1.50	(i) District Council	1.31
			1.26	(ii) Executive members	1.29
0.44	(ii) Land revenue	0.49	0.64	(iii) Land Revenue	0.84
6.71	(iii) Taxes on vehicles ⁵	12.74	2.53	(iv) Administration of Justice	3.26
0.35	(iv) Other Administrative Services	0.33	5.16	(v) Pension & Retirement benefit	5.80
0.15	(v) Other General Economic Services	2.09	0.20	(vi) Relief on account of natural calamities	0.06
1.91	(vi) Forests ⁶	2.22	4.83	(vii) Forest	7.35
71.84	(vii) Mines & Minerals ⁷	22.72	18.39	(viii) Secretariat General Services	22.75
0.01	(viii) Stationery and Printing	0.01	0.89	(ix) Education	0.77
0.08	(ix) Public works	0.06	5.97	(x) Public works	4.90
	(x) Grants-in-aid received from :		0.69	(xi) Public Health, Sanitation & Water Supply	0.06
32.25	i. GoI ⁸	9.85	0.69	(xii) Arts & Culture	1.73
0.16	ii. State Government	0.10	2.13	(xiii) Information & Publicity	0.76
			1.07	(xiv) Social Security & Welfare	7.59
			-	(xv) Minor Irrigation	0.10
4.05	(xi) Interest Receipts	2.79	-	(xvi) Other General Economic Services	0.01
127.85	Total Revenue Receipt	64.66	45.95	Total Revenue Expenditure	58.58
-	Revenue Deficit	-	81.90	Revenue Surplus	6.08
2. Capital			2. Capital Outlay		
0.00		0.00	5.55	(i) Public Works	9.80
			0.86	(ii) Arts & Culture	8.72
			6.61	(iii) Public Health and Sanitation	6.22
			21.52	(iv) Social Security and Welfare	22.97
			1.11	(v) Other General Economic Services	3.57
			0.08	(vi) Fisheries	0.12
			0.02	(vii) Minor Irrigation	0.11
			14.62	(viii) Roads and Bridges	17.50
-	Total Capital	-	50.37	Total Capital Outlay	69.00

⁴ To which shall be credited all money received by KHADC in the course of administration of the District in accordance with the provisions of the Constitution.

⁵ Amount received during the year from the State Government as KHADC's share of taxes.

⁶ Amount received during the year from the State Government as KHADC's share of royalty.

⁷ Amount received during the year from the State Government as KHADC's share of royalty.

⁸ Through State Government.

2017-18	Receipts	2018-19	2017-18	Disbursement	2018-19
NIL	3. Debt	NIL	NIL	3. Debt	NIL
0.12	4. Recoveries of loans and advances	0.11	0.10	4. Disbursement of loans and advances	0
127.97	Total of Part - I	64.77	96.42	Total of Part – I	127.59
PART – II DEPOSIT FUND⁶					
0.62	A. Deposits not bearing interest –(a) Security Deposit	0.09	0.05	A. Deposits not bearing interest- (a) Security Deposit	0.14
0.00	B. Civil Advances/ Departmental Advances	-	-	B. Civil Advances/Departmental Advances	-
2.47	C. Deposit bearing interest – (a) Term Deposit	2.61	-	C. Deposit bearing interest – (a) Term Deposit	-
3.09	Total of Part-II Deposit Fund	2.70	0.05	Total of Part-II Deposit Fund	0.14
131.06	Total Receipts (Part I+II)	67.47	96.47	Total Disbursements (Part I+II)	127.73
160.81	Opening Balance	195.40	195.40	Closing Balance	135.14
291.87	Grand Total	262.87	291.87	Grand Total	262.87

Source: Annual Accounts of KHADC.

The sudden dip in collection of revenue from mines and minerals by KHADC in the form of royalty from ₹ 71.84 crore (2017-18) to ₹ 22.72 crore (2018-19) was on account of non-receipt of its share of royalty on Minor minerals for the year 2018-19.

During 2017-18, audit noticed a difference of ₹ 61,000 between the closing balance as on 31 March 2017 with that of the opening balance as on 01 April 2017 which needs reconciliation as this would have a cascading effect on the balances of the succeeding years.

2.2.1 Sources and application of funds

A comparative statement of sources and application of funds of the Council during 2018-19 with 2017-18 is given in Table 2.2.

Table 2.2: Sources and application of fund during 2017-19

(₹ in crore)

Particulars		2017-18	2018-19	Increase/Decrease (per cent)
Opening Cash Balances		160.81	195.40	21.51
Sources	Own Revenue Receipts	95.44	54.71	(-) 42.68
	Grants-in-aid (GoI)	32.25	9.85	(-) 69.46
	Grants-in-aid (GoM)	0.16	0.10	(-) 37.50
	Total Revenue Receipts	127.85	64.66	(-) 49.43
	Capital Receipts	--	--	--
	Recoveries of Loans and Advances	0.12	0.11	(-) 8.33
	Receipts under Deposit Fund	3.09	2.70	(-) 12.62
Total		131.06	67.47	-48.53

Particulars		2017-18	2018-19	Increase/Decrease (per cent)
Application	Revenue Expenditure	45.95	58.59	27.49
	Capital Expenditure	50.37	69.00	36.99
	Disbursement of loans and advances	0.10	-	-100.00
	Disbursement under Deposit Fund	0.05	0.14	250.00
	Total (Disbursement)	96.47	127.72	32.39
Closing Cash Balance		195.40	135.14	(-) 30.84

Source: Annual Accounts of KHADC

2.2.1.1 Resources

KHADC collected its revenue through:

- Taxes on Profession, Trades & Employments, Other Administrative Services, Other Economic General Services, etc.;
- Share of taxes placed by the State Government on Taxes on Vehicles, Forest and Mines & Minerals; and,
- Resources made available by the State Government through the State Plan.

During 2018-19, KHADC generated ₹ 19.25 crore (30 per cent) from its own sources and taxes¹⁰, ₹ 35.46 crore as share of taxes from the State Government¹¹ (55 per cent), ₹ 9.95 crore (15 per cent) as grants-in-aid from GoI/GoM, and ₹ 0.10 crore as recovery of loans and advances. KHADC's own resources improved from being 13 per cent of total revenues during 2017-18 to 30 per cent of total revenues during 2018-19, while there was a decline in the share of taxes from State Government from 62 per cent in 2017-18 to 55 per cent in 2018-19, and GIA from 25 per cent in 2017-18 to 15 per cent in 2018-19 as detailed in **Table 2.2** and explanation below.

The Council may take steps to increase its own revenue receipts so that they are able to improve spending on programmes and schemes of the Council.

2.2.1.2 Availability of funds and expenditure

The revenue receipts and revenue expenditure of KHADC during 2018-19 is analysed in **Table 2.3**.

¹⁰ Revenue from own source:

Head of Account	₹ in crore
(i) Taxes on income and expenditure	11.26
(ii) Forest	2.22
(iii) Interest receipts	2.79
(iv) Land revenue	0.49
(v) Other Administrative Services	0.33
(vi) Other General Economic Services	2.09
(vii) Public Works	0.06
(viii) Stationery & Printing	0.01
Total	19.25

¹¹ Share of taxes:

Head of Account	₹ in crore
(i) Mines & Minerals	22.72
(ii) Taxes on vehicles	12.74
Total	35.46

❖ Revenue Receipts

Table 2.3 and Charts 2.1 & 2.2 below summarise the revenue receipts of KHADC during 2018-19.

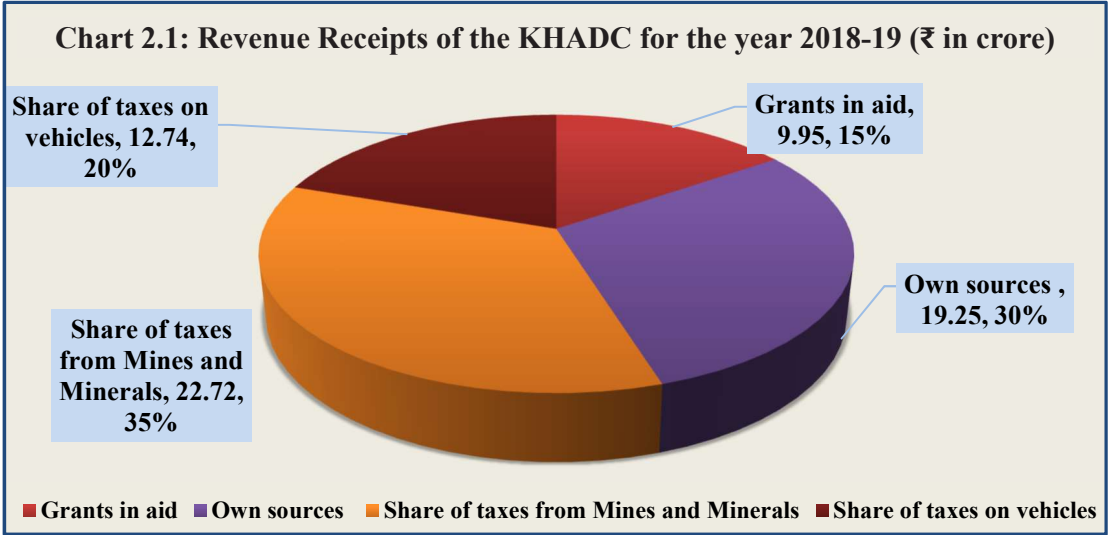
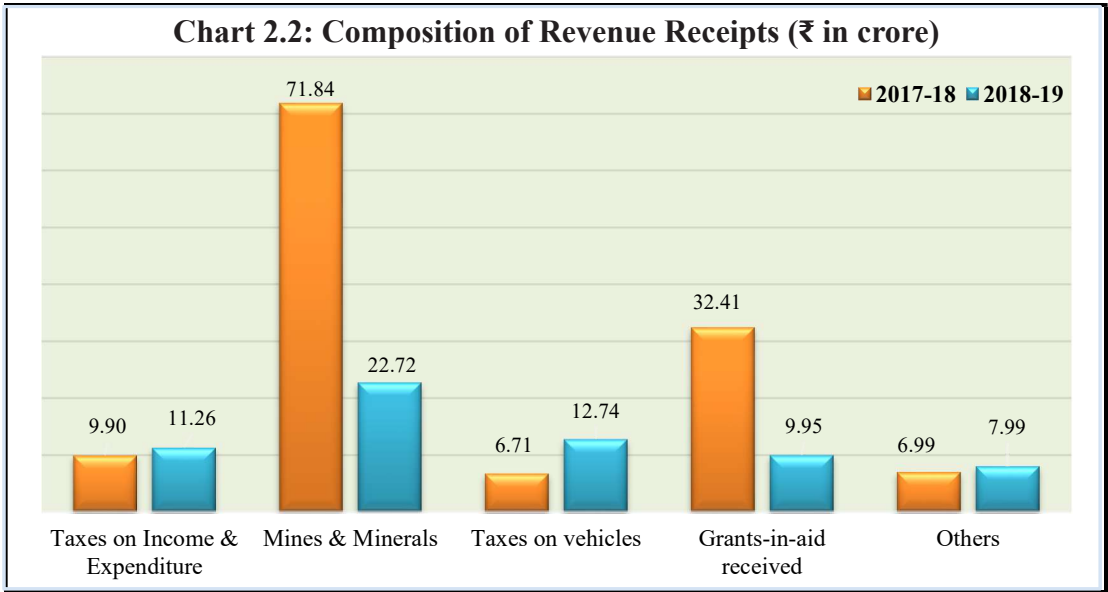


Table 2.3: Summarised position of Revenue Receipts (RR) for the years 2017-18 and 2018-19

(₹ in crore)

Head	2017-18	2018-19 (% of RR)
Taxes on Income and Expenditure	9.90	11.26 (18)
Mines & Minerals	71.84	22.72 (35)
Taxes on vehicles	6.71	12.74 (20)
Grants-in-aid received	32.41	9.95 ¹² (15)
Others	6.99	7.99 (12)
Total	127.85	64.66 (100)

Source: Annual Accounts of KHADC.



Source: Annual Accounts of KHADC.

¹² GoM: ₹ 0.10 crore + GoI (Special Central Assistance): ₹ 9.85 crore.

- As evident from **Table 2.3**, the total revenue receipts of KHADC decreased by 49 *per cent* from ₹ 127.85 crore in 2017-18 to ₹ 64.66 crore during 2018-19. The fall in revenue receipts during 2018-19 was primarily due to 69 *per cent* decrease in Grants-in-aid and 68 *per cent* reduction in share of royalty on Mines & Minerals. Significant decline in Grants-in-aid was on account of non-release of Grants to excluded areas/Part-IX & IX A of the Constitution of India by the GoI. Similarly, reduction in share of royalty on Mines & Minerals was due to non-receipt of the share of royalty (Minor minerals) for the year 2018-19. The Council's share of royalty is based on the total yearly collection by the State Government and as such the Council has no role in collection.
- During 2018-19, the share of Grants-in-aid (₹ 9.95 crore), royalty on Mines & Minerals (₹ 22.72 crore) and share of taxes on vehicles (₹ 12.74 crore) constituted 70 *per cent* of total revenue receipts (₹ 64.66 crore) of the KHADC. As such, KHADC is primarily dependent on external sources of funds (70 *per cent*) as against its own sources of funds (30 *per cent*).

❖ Revenue expenditure

Table 2.4 and **Chart-2.3** below summarise the revenue expenditure of KHADC during 2017-18 and 2018-19.

Table 2.4: Summarised position of revenue expenditure (RE) for the years 2017-18 and 2018-19

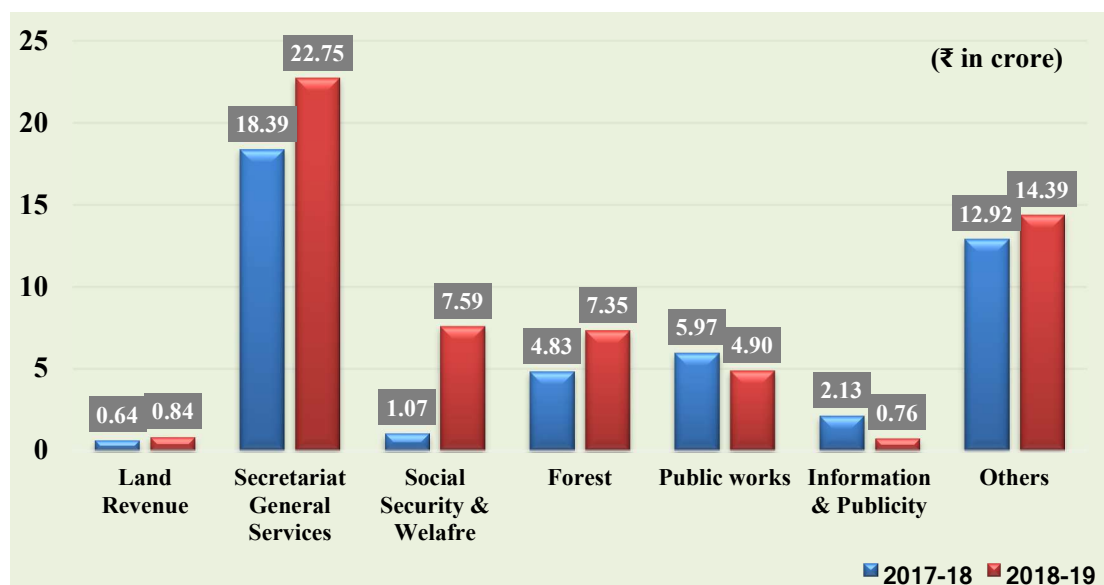
(₹ in crore)

Head	2017-18	2018-19 (percentage of RE)
Land Revenue	0.64	0.84 (01)
Secretariat General Services	18.39	22.75 (39)
Social Security & Welfare	1.07	7.59 (13)
Forest	4.83	7.35 (13)
Public Works	5.97	4.90 (08)
Information & Publicity	2.13	0.76 (01)
Others ¹³	12.92	14.39 (25)
Total	45.95	58.58 (100)

Source: Annual Accounts of KHADC.

¹³ 2017-18: District Council = ₹ 1.50 crore, Executive Members = ₹ 1.26 crore, Administration of Justice = ₹ 2.53 crore, Pension & Retirement benefit = ₹ 5.16 crore, Relief on account of Natural Calamities = ₹ 0.20 crore, Education = ₹ 0.89 crore, Public Health Sanitation & Water Supply = ₹ 0.69 crore and Arts & Culture = ₹ 0.69 crore.

2018-19: District Council = ₹ 1.31 crore, Executive Members = ₹ 1.29 crore, Administration of Justice = ₹ 3.26 crore, Pension & Retirement benefit = ₹ 5.80 crore, Relief on account of Natural Calamities = ₹ 0.06 crore, Education = ₹ 0.77 crore, Public Health Sanitation & Water Supply = ₹ 0.06 crore, Arts & Culture = ₹ 1.73 crore, Minor Irrigation = ₹ 0.10 crore and Other General Economic Services = ₹ 0.01 crore.

Chart 2.3: Composition of Revenue Expenditure

Revenue expenditure of KHADC increased by 27 *per cent* from ₹ 45.95 crore in 2017-18 to ₹ 58.58 crore in 2018-19. The increase in revenue expenditure during 2018-19 was primarily due to increase in expenditure on salaries and office expenses under Secretariat General Services from ₹ 18.39 crore in 2017-18 to ₹ 22.75 crore in 2018-19 (24 *per cent*), and Forests from ₹ 4.83 crore in 2017-18 to ₹ 7.35 crore in 2018-19 (52 *per cent*).

During 2018-19, Secretariat General Services (39 *per cent*), Forest (13 *per cent*) and Public Works (8 *per cent*) together accounted for 60 *per cent* of the revenue expenditure leaving a small percentage for other heads of expenditure including important heads such as Land Revenue, Arts & Culture and Public Health Sanitation and Water Supply.

The Council needs to plan utilisation of available funds adequately.

2.3 Substantial variation between Budget Estimates and Actuals

Scrutiny of budget estimates for the year 2018-19 *vis-à-vis* actual receipt and expenditure revealed significant variations between budget estimates and actual figures of receipts and expenditure as detailed in **Table 2.5**.

Table 2.5: Budget estimates and actuals for the year 2018-19

(₹ in crore)

Particulars	Budget Estimate	Actual	Excess (+) / Shortfall (-)	Percentage of Excess (+) / Shortfall (-) w.r.t. BE
Receipt	213.53	64.76	(-) 148.77	(-) 70
Expenditure	213.53	127.58	(-) 85.95	(-) 40

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

During 2018-19, the actual receipts and expenditure of KHADC fell short of the BE by 70 and 40 *per cent* respectively.

The details of some of the heads under which significant variations were noticed between the actual and budget estimate figures of receipts and expenditure during 2018-19 are as detailed in **Table 2.6**.

Table 2.6: Heads of receipt/expenditure under which significant variations occurred between the Actuals and the Budget Estimates

(₹ in crore)

Sl. No	Major Heads	2018-19		
		Budget Estimate	Actual	Shortfall (-) /Excess (+) as compared to Estimate (<i>per cent to BE</i>)
Receipts				
1.	Taxes on vehicles	4.50	12.74	+8.24 (183)
2.	Grants-in-aid	152.54	9.85	-142.69 (94)
Expenditure				
1.	Sports and Youth Affairs	0.81	0.40	-0.41 (51)
2.	Administration of Justice	3.86	3.26	-0.60 (16)

Source: Annual Accounts of KHADC.

The shortfall between the BE and actual collection of revenue for the year 2018-19 as discussed above indicated that KHADC had not been able to make its revenue collection mechanism effective to the extent of the projections made under the BE.

However, Audit observed that the Council had utilised only ₹ 127.72 crore (49 *per cent*) of total available funds (₹ 262.86 crore) during the year 2018-19, out of which 23 *per cent* was spent on revenue expenditure (₹ 58.58 crore) while 26 *per cent* spent on Capital projects (₹ 69.00 crore) of the Council.

The Secretary to the Executive Council, KHADC stated (August 2022) that steps are being taken to improve budgetary estimation to present more accurate budget.

The Council may undertake detailed budgetary analysis and reviews to identify untapped eligible revenue resources and for estimating revenue receipts more accurately.

2.4 Conclusion

Against the total revenue receipts of ₹ 64.66 crore, KHADC's share of royalty on Mines & Minerals and taxes on Vehicles and GIA together accounted for 70 *per cent* which indicates a high dependence of KHADC on external sources as against its own sources of funds.

Against the total revenue expenditure of ₹ 58.58 crore, Secretariat General Services, Public Works and Forest together accounted for 60 *per cent* leaving a small percentage for other heads of expenditure including important heads such as Land Revenue, Arts & Culture and Public Health Sanitation and Water Supply

Variations between the BEs and actual receipts and expenditure during 2018-19 indicated that KHADC had prepared the BEs without taking into account the actual position.

Budgetary estimates were off the mark by a considerable margin, and control over the execution and monitoring of budget was inadequate.

The Council had utilised only 49 *per cent* of total available funds during the year 2018-19, out of which 23 *per cent* was spent on revenue expenditure while 26 *per cent* spent on capital projects of the Council.

2.5 Summary of Recommendations

- i. The Council may take steps to increase its own revenue receipts so that they are able to improve spending on programmes and schemes of the Council.*
- ii. The Council needs to plan utilisation of available funds adequately.*
- iii. The Council may undertake detailed budgetary analysis and reviews to identify untapped eligible revenue resources and for estimating revenue receipts more accurately.*

CHAPTER-III

Comments on Accounts

CHAPTER - III

Comments on Accounts

3.1 Introduction to Accounts and Comments on Council Accounts

The annual accounts of the District Council shall record all transactions, which take place during a financial year commencing from 01 April to 31 March. The annual accounts of the District Council shall be maintained in such forms as prescribed by the Comptroller and Auditor General of India (CAG).

KHADC prepares its annual accounts in the prescribed format containing the following seven statements, which detail the receipts and disbursements of the KHADC for the year with bifurcation of the expenditure under revenue and capital.

Table 3.1: Statements of annual accounts

Sl. No.	Statement No.	Particulars of statements
1.	Statement No. 1	Summary of Transactions
2.	Statement No. 2	Capital Outlay- Progressive Capital Outlay to the end of March 2019
3.	Statement No. 3	Debt Position
4.	Statement No. 4	Loans and Advances by the Council
5.	Statement No. 5	Detailed Account of Revenue by Minor Heads
6.	Statement No. 6	Detailed Account of Expenditure by Minor Heads
7.	Statement No. 7	Statement of receipts, disbursements and balances under Heads relating to District Fund and Deposit Fund

3.2 Irregularities in maintenance of Cash Book

The United Khasi and Jaintia Hills District Council Fund Rules, 1952 (hereafter referred to as 'Fund Rules'), prescribe the rules and forms for maintenance of Cash Book.

Examination (October 2021) of records relating to compliance to the rules for maintenance of Cash Book by KHADC during 2018-19 revealed the following irregularities:

1. As per Rule 16 (ii) of the Fund Rules, all monetary transactions shall be entered in the Cash Book as soon as they occur. Examination of records of KHADC, however, revealed that the entries recorded in the Cash Book of KHADC during 2018-19 were merely restricted to disbursement of salaries to staff. Improper recording of monetary transactions as stated above, raises doubts on the authenticity and correctness of the Cash Book of KHADC for the period concerned.
2. Rules 16 (iii) of the Fund Rules states that the Cash Book should be closed daily, duly authenticated by the Secretary in token of acceptance of its correctness. Rule 16 (iv) further provides that the Secretary should verify the cash balance at the end of each month and record a certificate to that effect in the Cash Book. It was observed that these requirements were not adhered to during 2018-19.

Absence of verification of cash balance as well as not recording of cash transactions in the Cash Book was not only irregular but also fraught with the risk of misappropriation and fraud. In view of the above glaring irregularities, audit is unable to provide any assurance that the accounts and transactions of the Council would be free from material irregularities.

The Secretary to the Executive Council, KHADC stated (August 2022) that two distinct accounts for the collection of revenue are being maintained separately (i) all transactions that occurred in Treasury and (ii) all transactions that occurred in Bank. Withdrawal, payments *etc.* which is permitted through Treasury only, are being regulated through Fund Register. Thus, there is no irregularity in maintaining Cash Book in the current scenario.

The reply is not tenable as it is in contravention of the District Fund Rules which state that all monetary transactions shall be entered in the Cash Book as soon as they occur.

The Council may ensure proper maintenance of Cash Book to ensure accountability for public money.

3.3 Discrepancy in Personal Ledger Account

According to Fund Rules, all moneys received on behalf of the Council and all expenditure incurred in relation to the affairs of the Council are required to be exhibited in the Personal Ledger Account (PLA) maintained with the Shillong Treasury.

Cross-examination of the closing balance of the PLA maintained by Shillong District Treasury with that of Annual Accounts of the Council for the year revealed differences as detailed in **Table 3.2**.

Table 3.2: Difference in Closing Balance and reconciliation amount

(₹ in lakh)

Year	Closing Balance of PLA at the Treasury	Closing Balance of PLA as per Annual Accounts	Difference Understatement (-)	Reconciliation Done	Excess Amount
2018-19	1088.08	971.28	(-) 116.80	(-) 116.87	0.07

Audit further observed that though KHADC had prepared reconciliation statement for the financial year for reconciling the above difference, reconciliation was done in excess of the differential amount.

As such, the difference in the closing balance of the PLA as per Shillong District Treasury and Annual Accounts of the Council has not been reconciled till date (October 2022).

While accepting the audit observation, the Secretary to the Executive Council, KHADC stated (August 2022) that the Shillong District Treasury was not in a position to maintain and update the PLA Passbook of KHADC, Shillong for the last few years till October 2009. Monthly Passbook from November 2009 onwards was made available regularly, hence reconciliation could be carried out *w.e.f* financial year 2010-11. As such there remains a possibility of their occurring a negligible

difference between PLA vis-a-vis Council Accounts after carrying out regular reconciliation henceforth.

The reply is not acceptable since the Council had not provided the reason as to why the Shillong District Treasury had not maintained and updated its PLA Passbook and moreover, it is the duty of the Council to maintain its accounts updated with the Treasury.

The Council may reconcile the differences with Treasury before finalising Annual Accounts.

3.4 Understatement of Revenue Receipts

❖ *Discrepancy in revenue receipts due to delay in depositing the revenue*

Rule 18 of the United Khasi-Jaintia Hills Autonomous District Council Fund Rules, 1952 states that 'all moneys received by the Cashier on account of KHADC shall be remitted intact to the Treasury promptly'.

Cross-check of the Receipt Registers of 'Other Administrative Services' and the Annual Accounts for the year 2018-19 revealed that instead of promptly depositing the revenue collected through sale of Court stamps, fees, etc., the Department deposited the same in the following months. As a result, the revenue receipts under the head 'Other Administrative Services' as depicted in the Annual Accounts of KHADC for 2018-19 (Statement No. 5) actually pertained to the period from 1 March 2017 to 28 February 2018 instead of 1 April 2017 to 31 March 2018. This has resulted in understatement of revenue receipts by ₹ 2.12 lakh during 2018-19 as summarised in **Table 3.3**.

Table 3.3: Discrepancy in revenue receipts in the Annual Accounts

(₹ in lakh)

Year	Amounts shown as Receipts under 'Other Administrative Services' in Annual Accounts	Amount actually collected during the year	Difference Excess (+) Shortfall (-)
2018-19	33.66	31.54	(-) 2.12

Source: Annual Accounts and other documents of KHADC.

While accepting the audit observation, the Secretary to the Executive Council, KHADC stated (August 2022) that with effect from May 2022 monthly collections are being credited into the saving bank accounts of the Council within the last working day of the same month in which it occurs.

The Council may ensure prompt credit of revenue receipts to the Treasury and account for receipts pertaining to a financial year in the same accounting year.

3.5 Deviation from prescribed format of Annual Accounts

Annual Accounts of KHADC are to be prepared in conformity with the Forms of Accounts for Autonomous District Councils prescribed by the CAG with the approval of the President under clause 7(3) of the Sixth Schedule of the Constitution.

The Council did not prepare Annual Accounts in full conformity with the prescribed format as discussed below:

Statement No. 2: It shall contain progressive expenditure on Capital outlay. However, the Council depicted expenditure during the year only. Progressive expenditure on Capital outlay was not reflected in the Annual Accounts for the year 2018- 19.

The Council may adhere to prescribed format of accounts for transparency and completeness of accounts.

3.6 Conclusion

In this Chapter, audit emphasis was on the classification and accounting treatment of transactions in Annual Accounts, internal control and record keeping, *etc.* As such, the following deficiencies were noticed during the course of audit:

- a. Absence of verification of cash balance as well as not recording of cash transactions in the Cash Book was observed.
- b. Inconsistencies in closing balance at Treasury and in Annual Accounts were noticed.
- c. Non-deposit of receipts promptly to Treasury resulted in understatement of revenue receipts by ₹ 2.12 lakh for the year.
- d. Deviations from the prescribed format was noticed with respect to Statement No. 2.

3.7 Summary of Recommendations

- i. *The Council may ensure proper maintenance of Cash Book to ensure accountability for public money.*
- ii. *The Council may reconcile the differences with Treasury before finalising Annual Accounts.*
- iii. *The Council may ensure prompt credit of revenue receipts to the Treasury and account for receipts pertaining to a financial year in the same accounting year.*
- iv. *The Council may adhere to prescribed format of accounts for transparency and completeness of accounts.*

CHAPTER-IV

Compliance Audit Observations

CHAPTER - IV

Compliance Audit Observations

4.1 Implementation of grants for areas not included in Part IX and IXA of the Constitution

The Fourteenth Finance Commission (FFC) did not recommend grants to areas where Part-IX¹⁴ and Part-IXA¹⁵ of Constitution of India do not apply and also where the States have not enacted laws for establishing duly elected panchayats and municipalities. In order to bring such areas on par with other areas, the FFC made recommendation to the Government of India (GoI) to consider a larger, sustained and more effective direct intervention for the up-gradation of administration as well as development of the areas covered under the proviso to Article 275(I) and excluded from the consideration of the Finance Commission in the Terms of Reference. In the backdrop of the above, GoI decided to provide budgetary support in the form of grants for the development of all the areas not covered under the ambit of the FFC referred to as 'Excluded Areas' and notified guidelines in October 2017.

The objective of the grant is intended to support and strengthen the delivery of basic civic services including water supply, sanitation including septic management, sewage and solid waste management, storm water drainage, maintenance of community assets, maintenance of roads, footpaths, street-lighting, burial and cremation grounds, *etc.*

Scrutiny (October 2021) of records of the Secretary to the Executive Council, KHADC, Shillong revealed that an amount of ₹ 71.66 crore was released (8 November 2017) by the Ministry of Finance, Department of Expenditure, GoI for areas not included in Part IX and IX A of the Constitution for the year 2017-18. Out of the grant of ₹ 71.66 crore, an amount of ₹ 32.25 crore was sanctioned and allocated (28 December 2017) to KHADC, Shillong by the Government of Meghalaya, District Council Affairs Department for implementation of 35 different schemes (**Appendix-II**). Out of 35 projects, audit analysed nine projects valuing ₹ 18.10 crore (56 *per cent*) as detailed in **Table 4.1**.

Table 4.1: List of selected projects

Sl. No.	Name of the schemes	Amount sanctioned (₹ in lakh)
1	Construction of KHADC office building, Shillong	750.00
2	Construction of Traditional Cultural Centre at Umiam, Jingkieng Kalong	750.00
3	Fencing at KHADC campus	20.00
4	Construction of quarter at Nongpoh Branch office	40.00
5	Exterior and interior design for Guest House at Members of District Council (MDC)'s hostel	45.00
6	Exterior and interior design for Court Building, Shillong	25.00
7	Improvement and repair of Wahkaji-Mawthabah road	130.00
8	Furnishing of Guest House at Nongpoh	20.00
9	Construction of kitchen and lift entrance at Guest House at MDC's hostel	30.00
	Total	1,810.00


¹⁴ Part IX deals with Panchayats.

¹⁵ Part IX A deals with Municipalities.

In this regard Audit observed as follows:

4.1.1 Deficiencies in the award of projects/ works and non-fulfilment of tendering process

KHADC invited (29 December 2017) tender for implementation of the works. As per eligibility criteria attached to the NIT, each bidder is required to quote their rate against the work bid for. In this regard Audit observed the following irregularities:

Sl. No.	Name of work	Tender value (₹ in lakh)	No. of bidders	Name of selected contractor (Allotted on)	Status (Financial & Physical)	Audit observations
1	Construction of Traditional Cultural Centre at Umiam, Jingkieng Kalong	750.00	03	M/s Rodeka Enterprise ¹⁶ (January 2018)	₹ 587.00 lakh (Not completed)	All the three bidders did not quote their rates. However, instead of declaring the bids as invalid, the work was awarded to M/s Rodeka Enterprise at ₹ 750 lakh (at par), without assigning any reasons for selection of the contractor. 
2	Construction of fencing at KHADC Campus	20.00	03	Shri A. Rynjah (January 2018)	Completed	All the three bidders did not quote their rates. However, the work was awarded to Shri A. Rynjah at ₹ 20.00 lakh (at par), without assigning any reasons for selection of the contractor.
3	Construction of quarter at Nongpoh Branch Office'	40.00	Nil	Shri J. Nongsiej (January 2018)	Completed	No one bid for the work. However, the KHADC awarded the work to one Shri J. Nongsiej at ₹ 40.00 lakh, without giving any reason on record.
4	Improvement and repair of Wahkaji-Mawthabah road	130.00	03	Smt. H. Kharphuli and Shri Dondee C. Khongsit	Completed	Only one bidder viz Smt. H. Kharphuli quoted the rate (AT PAR), while the other two bidders did not quote their rate. The work was split and awarded to two contractors viz Smt. H. Kharphuli @ ₹ 65.00 lakh and Shri Dondee C. Khongsit @ ₹ 65.00 lakh. Reason for splitting the work and awarding it to one of the contractors who failed to quote bid rates was not found on record.

The above quoted instances of awarding works to the contractors despite the bids being invalid or no bids being received, indicated poor compliance to their own tendering requirements. Moreover, intentional grant of undue favour to individual contractors cannot be ruled out.

On this being pointed out by Audit, the Secretary to the Executive Council, KHADC stated (August 2022) although the tenderers did not quote the bid value, the Council Planning and Implementation Committee (CPIC) deemed their bid as being at par

¹⁶ Shri A Lyngdoh.

with the relevant SOR. Besides, before awarding the work to the winning tenderer, the CPIC had thoroughly scrutinised the bid documents and found them to be in order and qualified for the tendered work. In the case of work awarding to Shri J.Nongsiej, the Secretary stated that it was done to avoid re-tendering and delay in the implementation of the work.

The reply of the Council is not convincing in view of the serious non-compliance to the tender process, as pointed out in the above para. Further, irregularities for the same works have been noticed as given the succeeding paras:

4.1.2 Irregular payment of mobilisation advances

Clause 10 B (ii) of the CPWD Works Manual, 2003, stated that ‘Mobilisation advance (MA) not exceeding 10 *per cent* of the tendered value may be given, if requested by the contractor in writing within one month of the order to commence the work. The contractor shall execute a Bank Guarantee Bond from a Scheduled Bank as specified by the Engineer-in-charge for the full amount of MA before such advance is released. Further, MA bear simple interest @ 10 *per cent* per annum and shall be calculated from the date of payment to the date of recovery, both days inclusive, on the outstanding amount of advance’. Furthermore, clause XI of the eligible criteria for the award of the work, envisages that only those bidders shall be awarded the work who have the financial capability to execute the work.

Audit observed that between July 2018 and November 2019, the Council had paid MA amounting to ₹ 10.80 crore to two contractors as detailed in **Table 4.2**.

Table 4.2: Details of mobilisation advances paid to the contractors.

(₹ in lakh)

Sl. No.	Name of the work	Name of the contractor	Tender value	Mobilisation advance paid						Total
				Amount & Date	Amount & Date	Amount & Date	Amount & Date	Amount & Date	Amount & Date	
1.	Construction of KHADC office building at Shillong	Shri K. Warbah	750.00	70.00 19.07.18	200.00 20.12.18	230.00 06.02.19	-	-	-	500.00
2.	Construction of Traditional Cultural Centre at Umiam, Jingkeing Kalong	M/s Rodeka Enterprise	750.00	70.00 21.06.18	130.00 04.09.18	150.00 14.11.18	150.00 03.05.19	50.00 27.09.19	30.00 20.11.19	580.00
Total										1,080

It is seen from **Table 4.2** that the contractor (Sl.No.1) had been paid MA amounting to ₹ 5.00 crore (67 *per cent*) against the total work order value of ₹ 7.50 crore. In respect of contractor at Sl. No.2, ₹ 5.80 crore (77 *per cent*) of the value of the work ₹ 7.50 crore was paid in six instalments. Audit observed that payment of MA to both the contractors was made without submission of bank guarantee bond. Besides, copy of written application of the contractors requesting for payment of the MA were also not found on record. Further Audit observed that adjustment of the MA had been made without considering leviable interest amount of ₹ 1.98 crore as detailed in **Table 4.3**.

Table 4.3: Details of interest calculation on mobilisation advances paid to the contractor

(₹ in lakh)

Sl. No.	Name of work	MA paid	Date of payment	Date of recovery/ adjustment	No. of days	Simple interest @ 10%
1	Construction of KHADC office building	70.00	19.07.2018	05.11.2018	109	2.09
		200.00	20.12.2018	20.11.2019	335	18.36
		230.00	06.02.2019		285	17.96
Total						38.41
2	Construction of Traditional Cultural Centre at Umiam, Jingkieng Kalong	70.00	21.06.2018	Not yet recovered. Calculated upto date of Audit (12.10.2021)	1210	23.21
		130.00	04.09.2018		1135	40.42
		150.00	15.11.2018		1063	43.68
		150.00	03.05.2019		894	36.74
		50.00	30.09.2019		713	9.77
		30.00	20.11.2019		693	5.70
Total						159.52
Grand Total						197.92

Thus, KHADC had not only defaulted in making payment of MA without written request from the contractors and execution of bank guarantee bonds but also defaulted in non-recovery of interest amount of ₹ 1.98 crore, resulting in extension of undue financial benefit to the contractors to that extent.

The Secretary to the Executive Council, KHADC stated (August 2022) that the Council is governed by the United Khasi-Jaintia Hills District Fund Rules, 1952, as amended from time to time, wherein a separate chapter on “Work Expenditure” is dealt, hence the question of application of Central Public Works Manual does not arise. Furthermore, the Council also did not adopt the said manual. The Secretary added that while sanctioning mobilisation advance the provisions contained in Rule 101 of the rule *ibid* was followed.

The reply of the Council is not tenable as the above works were regulated by the Guidelines issued (October 2017) by the Ministry of Finance, Department of Expenditure for release of grants for areas not included in Part IX and IXA of the Constitution. Further, the Council’s contention of granting MA as per the provisions of Rule 101 of United Khasi-Jaintia Hills District Fund Rules, 1952 is not acceptable since the referred Rule does not deal with payment of MA. Therefore, it is only logical to expect that the Council should have adhered to the guidelines of the Ministry of Finance, which was the funding agency for these works. Further, the Superintending Engineer, KHADC in its reply (October 2023) while accepting the audit observations stated that such practices will be avoided and in future, only 15 *per cent* mobilisation advance has been included in the new Tender agreement form duly approved by the EC.

4.1.3 Injudicious expenditure

Work order for construction of Office building at KHADC, Garikhana, Shillong was issued to Shri K. Warbah on 11 January 2018 at 15 *per cent* above the Schedule of Rates for 2015-16, Public Works Department (Buildings), Meghalaya. As per the SOR, the rate for each item of work was inclusive of the cost of loading, unloading

and stacking of materials. The office building was completed and inaugurated on 20 January 2020.

It was seen that the Council passed the bill on 5 November 2018 wherein the charges for loading and unloading of lime, earth, cement, *etc.* amounting to ₹ 6.96 lakh was also included, resulting in injudicious expenditure to that extent since loading and unloading charges of the items had already been included in the SOR rates.

The Secretary to the Executive Council, KHADC stated (August 2022) that the site for construction was surrounded by existing buildings of the Executive Wing, the Legislative Wing, the Judiciary Wing & Members of District Council's (MDC) Hostel. The only approach road leading to the site was actually a parking lot meant for the employees/ residents of the hostel. The width of the space was not sufficient for a tipper-truck of 10 cum capacity which has an approval as per SOR. Accordingly, the materials were transported in a pick-up truck of three cum capacity which led to extra loading and unloading charges. Accordingly, to complete the project, the Council had to change the mode of transportation keeping the claim within the sanctioned amount of ₹ 750.00 lakh.

The reply of the Council is not tenable as it contradicts the SOR 2015-16 of PWD (Buildings), Meghalaya which clearly states that rates included the cost of loading and unloading, stacking of materials required for the work. Further, works were awarded above 15 per cent SOR.

4.1.4 Irregular submission of utilisation certificates

GoI in their sanction order stipulated that UCs shall be submitted within twelve months from the date of release of funds as per GFR 2017. Government of Meghalaya released ₹ 32.25 crore to KHADC on 28 December 2017.

Audit noticed that out of the 35 projects sanctioned, KHADC was yet to complete the construction of 'Traditional Cultural Centre at Umiam, Jingkeing Kalong'. The sanctioned cost of the project was ₹ 7.50 crore against which KHADC had incurred up-to-date expenditure of ₹ 5.87 crore, leaving an unspent balance of ₹ 1.63 crore as liability.

Scrutiny of records, however, revealed that KHADC had submitted UCs for a total amount of ₹ 32.09 crore during October 2018 to February 2021, leaving pending UCs of ₹ 0.16 crore as shown below:

Table 4.4: Details of submission of utilisation certificates

Sl. No.	Amount released (date)	Amount of UC submitted	Date of submission	Delay in submission of UCs (in days)	UC pending
1	32,24,70,000 (28.12.2017)	10,39,53,381	25.10.2018	-	21,85,16,619
2		18,97,87,077	15.01.2019	17	2,87,29,542
3		1,12,05,498	16.05.2019	138	1,75,24,044
4		33,12,920	18.05.2020	505	1,42,11,124
5		1,26,11,126	25.02.2021	788	15,99,998
	Total	32,08,70,002			

Source: Records of KHADC.

The above indicates that KHADC had submitted UC of ₹ 1.47 crore (₹ 1.63 - ₹ 0.16) before actual utilisation of the grants. Further it was observed that out of the total UC submission, UCs for ₹ 21.69 crore were submitted after delays ranging from 17 to 788 days beyond the stipulated time. The reason for delay in submission of the UCs, that too before actual utilisation of the grant, amounting to ₹ 1.47 crore, was not found on record.

On being pointed out by audit, the Secretary to the Executive Council, KHADC stated (August 2022) that no expenditure was incurred during 2017-18 against the release of grants of ₹ 32.25 crore. However, the Council was silent on irregularities in implementation of grants received.

The Council needs to draft specific rules for contracting of civil works in order to avoid irregularities in the award of works as pointed out by Audit.

4.2 Temporary misappropriation of Council's Revenue

Rule 18 of District Fund Rules, 1952 of the Khasi Hills Autonomous District Council stipulates that '*all moneys 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*'.

Contrary to the Rule *ibid*, cross-verification of the receipt books/registers with the Treasury remittance challans/bank deposit receipts revealed that there were persistent delays in remittance of revenues collected by various Departments of the Council during the year 2018-19 in respect of No Objection Certificates, Land Record, Application Fee, Renewal Fee, Sale of stamp paper, affidavit, *etc.* as detailed in **Table 4.5**.

Table 4.5: Details showing the delay in deposit of revenue collected

Sl. No.	Date of collection		Amount (₹)	Date of Deposit	Delay (days)
	From	To			
1.	06.02.2018	16.04.2018	11,030	02.05.2018	14-82
2.	01.04.2018	30.04.2018	2,54,915	03.05.2018	1-30
3.	01.05.2018	31.05.2018	4,97,160	13.06.2018	11-42
4.	07.06.2018	29.06.2018	2,28,583	10.07.2018	9-30
5.	02.07.2018	31.07.2018	3,66,595	09.08.2018	7-36
6.	16.04.2018	06.08.2018	21,910	28.08.2018	19-132
7.	01.08.2018	31.08.2018	2,35,570	07.09.2018	5-35
8.	04.09.2018	28.09.2018	2,85,130	10.10.2018	10-32
9.	01.10.2018	31.10.2018	2,84,970	14.11.2018	12-42
10.	02.11.2018	30.11.2018	1,83,195	14.12.2018	12-40
11.	06.08.2018	04.12.2018	29,322	17.12.2018	11-130
12.	03.12.2018	21.12.2018	2,90,205	10.01.2019	19-36
13.	04.01.2019	31.01.2019	18,430	06.02.2019	4-31
14.	01.02.2019	28.02.2019	2,97,405	11.03.2019	9-36
15.	01.03.2019	29.03.2019	2,72,390	12.04.2019	12-40
16.	04.12.2018	29.03.2019	16,765	19.06.2019	80-195
Total			32,93,575		

Source: Receipt books and revenue collection register (Delay has been calculated after giving two days' time from the date of receipt).

From the above, it is seen that the Council's revenue of ₹ 32.94 lakh collected during 2018-19 were deposited in the Council's treasury after a delay ranging from two to 198 days. The delay in deposit of the Council's revenue was not only in contravention of the Fund Rules but retention of the Council's money also led to temporary misappropriation of the Council's revenue.

Details of officials responsible for delay in remittances of revenues collected, though called for, were not made available to Audit. The Council may take appropriate action to fix responsibility for the delay in depositing ₹ 32.94 lakh of the Council's revenues into the treasury.

While accepting the audit observation, the Secretary to the Executive Council, KHADC stated (August 2022) that with effect from April 2022 monthly collections are being credited into the savings bank accounts of the Council within the last working day of the same month in which it occurs.

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

4.3 Irregular appointment of staff

The Khasi Hills Autonomous District Council Service Rules, 1961 regulate appointment and promotions of KHADC staff. Rule 3 clearly stipulates that 'the recruitment to all classes of services and staff shall be made after due advertisement and by competitive examination or on the basis of an oral examination and interview'.

Scrutiny of records revealed that KHADC recruited 82 staff members (permanent) to various posts as detailed in **Table 4.6**.

Table 4.6: Position of staff recruited during 2017-19

Year	Sl. No.	Name of the post	No. of persons appointed	Pay Scale (₹)
2017-18	1.	Chainman	2	17,400 – 41,000
	2.	Peon	3	
	3.	Enforcement Constable	2	19,000 – 44,800
	4.	Lower Division Assistant	7	26,500 – 62,400
	5.	Junior Assistant Accountant	1	28,400 – 67,100
	6.	Sub Inspector Tax	1	30,300 – 71,600
	Total		16	
2018-19	1.	Cleaner	6	17,400 – 41,000
	2.	Chainman	2	
	3.	Process Server	2	
	4.	Plantation Chowkidar	7	
	5.	Chowkidar	5	
	6.	Peon	10	
	7.	Forest Guard	8	19,000 – 44,800
	8.	Enforcement Constable	9	
	9.	Fisherman Cum - Feeder	1	
	10.	Assistant Forester	2	20,600 – 48,700
	11.	Sectional Assistant	4	
	12.	Forester	1	22,200 – 52,400
	13.	Record Keeper	1	

Year	Sl. No.	Name of the post	No. of persons appointed	Pay Scale (₹)
2018-19	14.	Computer Operator Grade-III	4	24,700 – 58,400
	15.	Assistant to Nazir	1	26,500 – 62,400
	16.	Deputy Ranger	1	
	17.	Lower Division Assistant	1	
	18.	Ranger	1	37,800 – 86,400
	Total		66	
	GRAND TOTAL		82	

It was, however, noticed that these 82 vacancies were never advertised. The appointments were made only on the basis of Executive Committee's approval without holding any competitive examination/interview, etc. KHADC had incurred an expenditure of ₹ 1.06 crore (**Appendix-III**) during 2017-19 on the pay and allowances of these appointees.

However, reasons for recruiting the staff without holding any competitive examination/interview and number of the sanctioned posts against each cadre were neither on record nor furnished to audit though called for.

The Secretary to the Executive Council, KHADC stated (August 2022) that as per provision contained in Sub-Rule IV of Rule 2 of chapter- I of the Khasi Hills Autonomous District Council, Service Rules 1961, "Appointing Authority" means the Executive Committee or any authority empowered by it to make appointment to such service, grade or post as the case may be. Further, Sub- Rule XI of Rule 2 of Chapter-I of the said Rules states that "Committee" means the Executive Committee of the District Council of the United Khasi Jaintia Hills. Rule 12 of Chapter-III of the said Rules stipulates that "All appointments to the Council Services, Classes III & IV shall be made by the authorities specified in that behalf by a general order of the Committee". Based on the above Rules, the 82 appointments to various posts like Sub Inspector Tax, J.A.A etc., have been approved by the Executive Committee, Khasi Hills Autonomous District Council against the existing vacancies. Further, reply (October 2023) of KHADC indicate that out of 66 appointed staff during 2018-19 only eight staff were appointed on compassionate ground whereas seven staff were appointed against premature retirement of parent and other staff were appointed without conducting any competitive exams.

The reply of the Council is not acceptable because Rule 3 of Chapter III of General Rules regulating appointment and promotion stipulates that the recruitment to all classes of services and staff (except compassionate ground/invalid pension cases) shall be made after due advertisement and by competitive examination or on the basis of oral examination and interview.

Non-adherence to the recruitment policy creates opportunities for favouritism in the hiring process. In order to maintain fair competition for selection of deserving candidates, the Council may follow recruitment rules. These appointments, being in violation of the Council's own Rules, need to be annulled/cancelled.

4.4 Anomalies in appointment and promotion

The Khasi Hills Autonomous District Council Service Rules, 1961 regulates appointment and promotions of officers and staff. Rule 3 stipulates that ‘the recruitment to all classes of services and staff shall be made after due advertisement and by competitive examination or on the basis of an oral examination and interview’. Further, Rule 15 stipulates - “promotion to any service, grade or post shall be made ordinarily on the basis of merit-cum-seniority after careful examination of the character rolls, special reports called for on the suitability of the eligible officers for promotion and other records. In cases of promotion to selection posts, whether administrative or technical, merit may be taken as the sole criterion”.

Further, the Executive Committee in its meeting held on 27 January 2010 decided that ‘promotion shall not be merely based on the rationale of seniority but on merit, competence and sincerity through proper screening or testing the abilities of the candidates’ and that a Departmental Promotion Committee consisting of Chief Executive Member, Deputy Chief Executive Member, Executive Member in-charge Finance, Executive Member in-charge Department concerned, Secretary to the Executive Committee and Officer in-charge Department concerned would be constituted to regulate promotions in the Council.

Test-check of records in respect of appointment/ promotion of officers and staff of the Council, revealed the following:

(A) Appointment to the post of Registrar

Smt. Melvereen Iangrai, holding the post of Stenographer Grade I was appointed to the post of Registrar in the scale of pay (₹ 20,700-620-24420 -730-29530-890-36650) on 15 July 2016 by the Secretary to the Executive Committee.

Scrutiny revealed that for the post of Registrar, the Council had neither invited application through advertisement nor any competitive examination or interview was held. There was no record to show that the Council had notified Recruitment Rules and the duties, responsibilities, functions, *etc.* assigned to the post of Registrar.

Further, the Executive Committee on 28 August 2018 re-designated the post of Stenographer Grade-I held by Smt. M. Iangrai to the post of Registrar in the scale of pay (₹ 20,700-620-24420-730-29530-890-36650).

There was also no record to show that the Departmental Promotion Committee had approved the appointment/promotion of Smt. M. Iangrai to the post of Registrar.

Thus, the appointment of Smt. M. Iangrai to the post of Registrar and subsequent re-designation in violation of the Rule *ibid*, absence of Recruitment Rules/duties, responsibilities, functions, *etc.* and absence of DPC approval was irregular.

(B) Promotion to the post of Under Secretary

Smt. Ribina Kharraswai, Under Secretary joined the Council as Lower Division Assistant (LDA) during October 1993 and was promoted to the post of Upper Division

Assistant (UDA) during December 2003, Assistant Superintendent during April 2015, Superintendent during December 2017 and Under Secretary during August 2020.

It was however, noticed that there were anomalies in grant of promotion of officers as detailed below:

- (i) Smt. Rosila Kharraswai, Under Secretary, joined as LDA during March 1999 and was promoted to the post of UDA on July 2009, Special Officer on February 2019 (the post was re-designated as Under Secretary during August 2020).
- (ii) Shri Andy L Basaiawmoit, Under Secretary joined as Muharir during April 2000 and was promoted to the post of LDA on January 2002, UDA on April 2015 and Under Secretary on January 2019.
- (iii) Shri Leonard Khongsngi, Revenue Officer, joined as LDA during February 1999 and was promoted to the post of UDA on June 2009, Revenue Officer on January 2019.

From the above it could be seen that Smt. Ribina Kharraswai earned stage-wise promotion from LDA to Under Secretary (*i.e.*, LDA – UDA – Assistant Superintendent – Superintendent – Under Secretary) while in the case of the other two officers, promotion to the post of Under Secretary/ Revenue Officer from Upper Division Assistant was given without promoting them to the post of Assistant Superintendent and Superintendent. There was no record that the DPC had approved the promotion of these officers.

It was also seen that Smt. Ribina Kharraswai had also submitted a petition to the Council on 7 January 2019 apprising anomaly in promotion of Shri Andy L. Basaiawmoit to the post of Under Secretary on 2 January 2019 who was junior to her. Accordingly, Smt. Ribina Kharswai and Smt. Rosilia Kharswai were promoted (18 August 2020) to the post of Under Secretary after they had pointed out the anomaly in promotion of Shri Andy L Basaiawmoit.

Thus, the promotion of Smt Rosila Kharraswai, Shri Andy L. Basaiawmoit and Shri Leonard Khongsngi to the post of Under Secretary and Revenue Officer respectively in violation of the rules and decision taken by the Council.

The Secretary to the Executive Council, KHADC stated (August 2022) that the appointment of Smt Melvereen Iangrai to the post of Registrar was done with the approval of the Executive Committee, Khasi Hills Autonomous District Council. Further, promotion of Smt. Rosila Kharraswai, Shri Andy Basaiawmoit and Shri. Leonard Khongsngi was done with the approval of the Executive Committee, Khasi Hills Autonomous District Council, as all appointments, promotion of officers/staff are carried out with the approval of the Executive Committee.

The Secretary added further that the Executive Committee, Khasi Hills Autonomous District Council, being the highest appointing authority, observed the suitability, merit, competency and sincerity of any officer/staff before promoting them to the next higher post. Therefore, promotion of the above officials, as Under Secretary and Revenue Officer respectively has been done accordingly with the approval of the Executive Committee and for the interest of the Council as a whole.

The reply of the Council is not acceptable as it neither followed the Rules framed in this regard nor did it seek approval from the Departmental Promotion Committee.

4.5 Unverified expenditure under ‘Special Town and Rural Welfare Programme’

KHADC implemented a scheme called ‘Council Scheme on Special Town and Rural Welfare Programme’. The objective of the scheme is to provide assistance to the families of below poverty line facing acute difficulties, so as to enable them to cope with the situation and at the same time to encourage them to take up meaningful and sustainable self-employment. The scheme guidelines stipulated that (i) the scheme shall be implemented through the MDCs for maximum and wide coverage of areas, (ii) funds shall be released to the MDCs directly and it shall be the responsibility of the MDC to ensure that the funds are utilised in right earnest and in a transparent manner, and (iii) it shall be the duty of MDCs to submit Utilisation Certificate (UC) within six months from the date of release of the fund alongwith supporting vouchers.

During 2018-19, KHADC, on the approval of the Executive Committee, sanctioned ₹ 182.00 lakh (₹ 24.00 lakh on 12 April 2018 and ₹ 158.00 lakh on 15 January 2019) as Grant-in-aid under Special Town and Rural Welfare Programme to its Members (@ ₹ 4.00 lakh to 7 MDCs, @ ₹ 6.00 lakh to 7 MDCs and @ ₹ 8.00 lakh to 14 MDCs) with the stipulation that necessary Utilisation Certificate (UC) be submitted against the claim within six months from the date of release of the fund.

Scrutiny revealed that the Secretary, Executive Committee, KHADC, made payment of ₹ 182.00 lakh (₹ 24.00 lakh on 13 April 2018 and ₹ 158.00 lakh on 21 January 2019) as grants under the programme. Against the grants, only two MDCs¹⁷ have submitted the supporting vouchers and utilisation certificates for ₹ 14.00 lakh (₹ 8.00 lakh given by the MDC to a women SHG in the form of materials such as utensils, tarpaulin, *etc.* and ₹ 6.00 lakh paid by the MDC to 128 individuals @ ranging from ₹ 1,000 to ₹ 33,000 for repairing of houses, purchase of CGI sheets/ text books/ PA system/ medicines/sports materials/school uniform/plastic chairs, *etc.*).

Further, there was no record that the remaining 26 MDCs have submitted the details of BPL families/SHGs/NGOs and individuals involved in activities to uplift the rural people/imparting training in self-employment activities/empowerment of women/empowerment of people with disabilities to whom the grant was given by the MDCs. The UCs along with the supporting vouchers were also not found to be submitted. Thus, in the absence of necessary vouchers evidencing proper utilisation of grants, the veracity of expenditure of ₹ 168.00 lakh incurred out of the Council’s fund could not be vouchsafed by Audit.

While accepting the audit observation, the Secretary to the Executive Council, KHADC stated (August 2022) that despite issue of several reminders, the defaulter MDCs failed to submit the necessary utilisation certificates.

¹⁷ Shri M. Nongrem and Shri H. Lyngdoh.

The Council should maintain proper accounts along with relevant supporting documents to ensure utilisation of the programme fund for bonafide purposes. Further, the Council may frame appropriate Rules for regulating the discretionary grants given to the MDCs for various welfare schemes, and for their proper accounting.

4.6 Unverified expenditure under ‘promotion of sports activities’ and ‘conservation & promotion of traditional culture’

Rule 59 of the United Khasi-Jaintia District Fund Rules, 1952 prescribes that ‘a Council employee entrusted with payment of money shall obtain for every payment he makes, including repayment of sums previously lodged with the Council, a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts’.

During 2018-19, the Council, on the approval of the Executive Committee, sanctioned a total amount of ₹ 66.00 lakh as grants-in-aid for promotion of sports activities (₹ 33.00 lakh @ ₹ 3.00 lakh each for 11 MDCs) and conservation & promotion of traditional culture (₹ 33.00 lakh @ ₹ 3.00 lakh each for 11 MDCs) as detailed in **Table 4.7**.

Table 4.7: Details of amount sanctioned to the Council

Details of grants-in-aid	Amount (₹ in lakh)	Date of sanction
Promotion of sports activities	33.00	12.04.2018 & 16.5.2018
Promotion of traditional culture	33.00	12.04.2018 & 8.5.2018
Total	66.00	

Scrutiny of records (October 2021) revealed that the Council had neither prescribed guidelines for implementation of the schemes/programmes nor specified any directions/conditions for proper utilisation of the grants-in-aid in the sanction orders. Further scrutiny revealed that the amount of ₹ 66.00 lakh was drawn (13 April 2018 and 21 May 2018) by the Secretary, Executive Committee on behalf of the 11 MDCs through ‘self-cheque’. However, KHADC could neither produce records like actual payee receipts duly signed by the MDCs proving that the grants were actually disbursed to them, nor vouchers and utilisation certificates (if any) being submitted by the MDC, if the grants were at all disbursed to them.

In view of the above, the expenditure of ₹ 66.00 lakh incurred by KHADC towards implementation of the two schemes during 2018-19 could not be vouchsafed by Audit.

4.7 Non-deduction of Meghalaya Goods and Services Tax

The Finance (Establishment) Department, Government of Meghalaya vide Office Memorandum dated 19th December 2018 issued guidelines for deduction and deposit of tax deducted at source (TDS) by the Drawing and Disbursing Officers (DDOs) under Meghalaya Goods and Services Tax (MGST) Act, 2017 as ‘all State Government, Undertakings/Societies/Agencies/Project Accounts/Autonomous Bodies for which fund is transferred in the form of grants-in-aid, contribution, etc., deduction @ two per cent

only in respect of payment of bills above ₹ 2.50 lakh TDS of GST, as applicable are to be effected from their end’.

Scrutiny of paid bills for works executed during the period from 20 December 2018 to 31 March 2019 revealed that the Council made payment of ₹ 13.59 crore to the contractors for execution of 75 numbers of works worth more than ₹ 2.50 lakh each. It was, however, noticed that TDS of GST on these works valuing ₹ 27.19 lakh (**Appendix-IV**) were not deducted at source from the contractors’ bills by the Council.

On being pointed out, the Council stated (October 2021) that deduction and deposit of TDS under MGST Act, 2017 was implemented and put into operation *w.e.f.* 01 April 2019.

The reply is not acceptable since the Government’s notification clearly made all the entities in receipt of Grants-in-aid from the State Government were to deduct TDS of GST in respect of payment of bills. Moreover, no order supporting the assertion made in the reply furnished, was made available to Audit.

The Council may initiate appropriate action to recover MGST from the contractors.

4.8 Outstanding Inspection Reports

As per Comptroller & Auditor General’s Regulations on Audit and Accounts No. 197, the officer in-charge of the auditable entity shall send the reply to an Inspection Report (IR) within four weeks of its receipt. Audit observations on financial irregularities and defects in the maintenance of accounts noticed during local audit and not settled on the spot are communicated to the higher authorities through the IRs.

Till the date of audit (October 2021), 55 paragraphs in respect of five IRs issued between June 2012 and September 2019 were still outstanding.

4.9 Follow up action on Audit Reports

The Reports of the Comptroller and Auditor General of India in respect of the District Council are prepared under Paragraph 7(4) of the Sixth Schedule to the Constitution of India for submission to the Governor, who shall cause them to be laid before KHADC. Though the Audit Reports in respect of KHADC for the years 1970-71 to 2012-13 had been placed before KHADC, action taken on the observations made in these Audit Reports had not been intimated (June 2022).

The Secretary to the Executive Council, KHADC stated (August 2022) that the Council constituted (January 2017) a Committee to examine the CAG Report for the year ended 31 March 2010 to make recommendations thereon to facilitate the disposal of the Audit observations. A report of the said Committee was forwarded to the Accountant General (Audit), Meghalaya, Shillong (Report Section) under this office letter no. DC.XXI/Accts/310/2017/53 dated 31 July 2017. No further committee was constituted to examine the CAG’s Reports for the years ended 31 March 2011 to 31 March 2013.

It is recommended that KHADC may constitute Public Accounts Committee to take time bound action on the audit observations pointed out in the Audit Reports to ensure financial discipline and good governance in the conduct of the affairs of the KHADC.

4.10 Conclusion

The compliance audit of revenue and expenditure of the Council revealed that:

- i. Implementation of grants for areas not included in Part IX and IXA of the Constitution was found with following irregularities:
 - a) Works funded out of GoI grants for Excluded Areas were wrongfully allotted on invalid bids or without receiving any bids, in violation of the tendering procedures.
 - b) The Council paid mobilisation advances out of the GIA from GoI without receiving any request from the contractors, thus extending undue financial favour to the contractors.
 - c) The Council failed to submit the Utilisation Certificates in time and had also submitted the UCs without actual utilisation of the grant in full.
- ii. Revenue collected by KHADC officials on account of No Objection Certificates, Land Record, Application Fee, Renewal Fee, Sale of stamp paper, affidavit, *etc.*, was unauthorisedly retained by them, instead of promptly depositing it in bank/treasury in violation of the Council's Fund Rules.
- iii. The Council appointed 82 staff without conducting any competitive examination/interview.
- iv. Three officers were irregularly promoted without approval of the Departmental Promotion Committee.
- v. The Council failed to ensure submission of supporting vouchers/ UCs in support of the expenditure of ₹ 182.00 lakh against the grant for special town and rural welfare programme despite having the guidelines for implementation of the scheme.
- vi. Contractors were paid dues without deducting MGST amounting to ₹ 27.19 lakh which resulted in loss of revenue to the Government and undue favour to the contractors.

4.11 Summary of Recommendations

- i. *The Council needs to draft specific rules for contracting of civil works in order to avoid irregularities in the award of works as pointed out by Audit.*
- ii. *The Council may put in place systems to ensure timely remittances of receipts to the treasury to prevent risk of temporary misappropriation of Council funds due to delayed remittances /non-deposit of the collected revenue.*

- iii. *Non-adherence to the recruitment policy creates opportunities for favouritism in the hiring process. In order to maintain fair competition for selection of deserving candidates, the Council may follow recruitment rules. These appointments, being in violation of the Council's own Rules, need to be annulled/cancelled.*
- iv. *The Council should maintain proper accounts along with relevant supporting documents to ensure utilisation of the programme fund for bonafide purposes. Further, the Council may frame appropriate Rules for regulating the discretionary grants given to the MDCs for various welfare schemes, and for their proper accounting.*
- v. *The Council may initiate appropriate action to recover MGST from the Contractors.*
- vi. *KHADC may constitute Public Accounts Committee to take time bound action on the audit observations pointed out in the Audit Reports to ensure financial discipline and good governance in the conduct of the affairs of KHADC.*



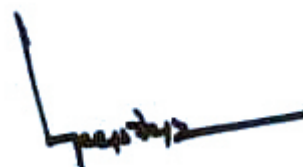
(John K. Sellate)

Shillong

The: 06 February 2024

Principal Accountant General (Audit), Meghalaya

Countersigned



(Girish Chandra Murmu)

New Delhi

The: 09 February 2024

Comptroller and Auditor General of India

APPENDICES

Appendix – I
Statement showing the details of sanctioned strength and men-in-position of
Finance and Accounts Department of KHADC for the year 2018-19
(Reference: Paragraph 1.3)

Sl. No.	Post/ Designation	Sanctioned strength	Men-in-position
1.	Accounts Officer	1	1
2.	Assistant Accounts Officer	2	2
3.	Accountant	4	4
4.	Assistant Accountant	4	4
5.	Junior Accounts Assistant	6	6
6.	Internal Auditor	2	2
Total		19	19

Appendix –II

Statement showing details of schemes approved under ‘areas not included in Part IX and IXA of the Constitution’ sanctioned during the year 2017-18

(Reference: Paragraph 4.1)

Sl. No.	Name of the schemes	Amount sanctioned (₹in lakh)	Physical Status
(A) Community assets			
1	Construction/ improvement of playgrounds (12 numbers)	45.50	Completed
2	Construction of fencing, wall, etc (15 numbers)	58.00	Completed
3	Construction of latrine/ toilets (12 numbers)	24.50	Completed
4	Construction/ repair of village roads (6 numbers)	23.00	Completed
5	Construction of footpaths (20 numbers)	37.00	Completed
6	Construction of halls/ buildings (30 numbers)	105.50	Completed
7	Construction/ improvement of bridges (8 numbers)	18.00	Completed
8	Construction of drinking wells, etc (5 numbers)	9.50	Completed
9	Construction of washing sheds (2 numbers)	12.50	Completed
10	Construction of public shed at Umrang Nongbah	2.00	Completed
11	Construction of drains (4 numbers)	24.00	Completed
12	Providing sitting arrangements (5 locations)	48.50	Completed
13	Providing PA system (2 locations)	18.55	Completed
14	Providing solar lights (2 locations)	58.00	Completed
15	Supply of sintex, tarpauline, agricultural sprayer pump	13.15	Completed
	Total (A)	497.70	Completed
(B) Council assets			
1	Construction of KHADC office building	750.00	Completed
2	Construction of Traditional Cultural Centre at Umiam, Jingkieng Kalong	750.00	Not Completed
3	Construction of District Council Court at Nongstoin	150.00	Completed
4	Construction of whole sale vegetable market at Iewduh	100.00	Completed
5	Fencing at KHADC campus	20.00	Completed
6	Fencing at Lailad plantation	50.00	Completed
7	Fencing at Nongpoh Branch office	30.00	Completed
8	Construction of Byrnihat market	50.00	Completed
9	Construction of Laitlyngkot market	50.00	Completed
10	Construction of quarter at Nongpoh branch office	40.00	Completed
11	Exterior and interior design for Guest House at MDC's hostel	45.00	Completed
12	Exterior and interior design for Court Building, Shillong	25.00	Completed
13	Improvement and repair of Umdohlun-Wahkajai-Phlangdiloin road	450.00	Completed
14	Improvement and repair of Wahkaji-Mawthabab road	130.00	Completed
15	Furnishing of Guest House at Nongpoh	20.00	Completed
16	Construction of pipeline from Mawprem to MDC's hostel	5.00	Completed
17	Construction of kitchen and lift entrance at Guest House at MDC's hostel	30.00	Completed
18	Repairing of office quarter at Patharkmah	2.00	Completed
19	Construction of Fencing of Beat Office at Patharkmah	15.00	Completed
20	Improvement of approach road and market stall at Byrnihat market	15.00	Completed
	Total (B)	2727.00	
	Grand Total (A+B)	3224.70	

Appendix – III
Statement showing details of expenditure incurred on salary and other allowances during 2017-19
(Reference: Paragraph 4.3)

(A) Appointed during 2017-18

Sl. No	Name of person recruited	Post	Date of Appointment	Salary drawn (₹)	
				2017-18	2018-19
1.	Smti. Phidaiamonlang Marwein	Sub Inspector Tax	25.8.2017	174072	456330
2.	Smti. Cecilin Iwayo Basaiawmoit	Junior Assistant Accountant	11.8.2017	159604	429464
3.	Smti. Annboriene Kharsyntiew	L.D.A	25.8.2017	153351	400822
4.	Smti. Charlene Shangpliang		25.8.2017	154777	401220
5.	Smti. Jyoti Khardympep		25.8.2017	154777	402164
6.	Smti. Iabianglin Shabong		28.8.2017	152090	401766
7.	Smti. Dariphylla Chyne		31.10.2017	100640	394580
8.	Smti. Sanfyky Nongsiej		2.11.2017	99299	386636
9.	Smti. Daiona Lyngkhoi		2.3.2018	0	389380
10.	Shri. Jefferson M. Shilla		Enforcement Constable	5.3.2018	0
11.	Smti. Michélie K. Jarain	6.3.2018		0	265520
12.	Smti. Sansusie Basaiawmoit	Peon	24.8.2017	113878	270238
13.	Smti. Splinty Iawphniaw		28.9.2017	83061	264716
14.	Smti. Adellashisha L. Mawlong		9.3.2018	0	239750
15.	Shri. Shalendra Sing Khongdup	Chainman	26.9.2017	87216	270006
16.	Shri. Senglang Lyngdoh		24.11.2017	53400	267636
Total				1486165	5505748

(B) Appointed during 2018-19

Sl. No	Name of person recruited	Post	Date of Appointment	Salary drawn (₹)
1.	Shri. Shaniah Skhem Nongshli	Ranger	1.2.2019	41722
2.	Smti. Saphidalyne Syiemlich	L.D.A	3.8.2018	230737
3.	Smti. Dapdianghunlang Shadap	Assistant to Nazir	21.1.2019	44835
4.	Shri. Balajied Mawkhiew	Deputy Ranger	1.2.2019	30268
5.	Shri. Army Shadap	Computer Operator Grade-III	11.1.2019	14049
6.	Smti. Faithfully Kharmawlong		11.1.2019	53241
7.	Shri. Benleedon Cooper Myllemngap		11.1.2019	53241
8.	Miss. Khamtishisha Iangjuh		1.2.2019	31740
9.	Miss. Felina Doreen Kharmujai	Record Keeper	3.8.2018	195373
10.	Shri. Kitbok Kharkamni	Forester	23.2.2019	35402
11.	Shri. Lurshai Bina	Sectional Assistant	21.1.2019	32078
12.	Shri. Frankinsence L. Mawphlang		21.1.2019	32078
13.	Shri. Fininglight Star Sohkhet		1.2.2019	26820
14.	Shri. Pynhunlang Lyngdoh		21.1.2019	36337
15.	Shri. Esmond Kharkongor	Assistant Forester	23.1.2019	33741
16.	Shri. Abraham A. Nongbri		23.1.2019	33741
17.	Shri. Apprienshon Suting	Fisherman-cum-Feeder	4.2.2019	22230
18.	Shri. Steve Lyngdoh Mawlong	Enforcement Constable	3.8.2018	169436
19.	Smti. Jenica Wahlang		3.8.2018	169436
20.	Smti. Synta Meris N. Syiem		12.10.2018	114653
21.	Shri. Terence Massar		22.10.2018	106163

Sl. No	Name of person recruited	Post	Date of Appointment	Salary drawn (₹)
22.	Shri. Pynkmenlang L. Mawphlang	Enforcement Constable	16.11.2018	62250
23.	Smti. Mary Rose L. Marwein		31.1.2019	24900
24.	Shri. Neil Cooper Wahlang		31.1.2019	24900
25.	Shri. Jerry Bankit Kharbyngar		1.2.2019	24300
26.	Shri. Andrew June Bina		1.2.2019	24300
27.	Shri. Dorick Khymdeit	Forest Guard	23.1.2019	30571
28.	Shri. Listerson W. Kylla		23.1.2019	31387
29.	Shri. Sean Cooper Leong Nonghuloo		31.1.2019	24900
30.	Shri. Wanlam Kupa Swer		1.2.2019	22232
31.	Shri. Carl Palmer Passah		1.2.2019	23929
32.	Shri. Lurshai Wanniang		1.2.2019	21696
33.	Shri. Barrister W. Kylla		1.2.2019	23929
34.	Shri. Eric Kharjana		1.2.2019	23929
35.	Shri. Roland Syiemiong	Chowkidar	4.1.2019	21730
36.	Shri. Banteilang Diengngan		21.1.2019	6380
37.	Shri. Francis Nongrum		21.1.2019	5800
38.	Shri. Sunshine Khongtiang		21.1.2019	6380
39.	Shri. Ancil Lyngdoh		1.2.2019	21945
40.	Smti. Jasmeen Janong	Peon	3.8.2018	155900
41.	Smti. Larisa Kharkongor		31.1.2019	23721
42.	Smti. Merilin Lyngdoh		31.1.2019	23800
43.	Smti. Weany Ann Sawkmie		1.2.2019	22780
44.	Smti. Antonia V. Khyriem		15.10.2018	104689
45.	Smti. Evalasara Kharkongor		15.10.2018	102943
46.	Smti. Dakithun Massar		14.12.2018	57233
47.	Smti. Badashisha Snaitang		22.01.2019	28761
48.	Smti. Donna Moreen Nongkse		31.1.2019	28761
49.	Smti. Aibajingshai Warjri		31.1.2019	23720
50.	Smti. Dashisha Marbaniang	Cleaner	10.10.2018	22980
51.	Smti. Ribanylla Kharumnuid		16.10.2018	107208
52.	Smti. Baiahun Marbaniang		12.10.2018	102943
53.	Smti. Donamery K. Lartang		15.10.2018	105787
54.	Smti. Aiieitlang Rapmai		4.2.2019	103053
55.	Smti. Arty Tariang		4.2.2019	20518
56.	Shri. Rocky Born Lyngdoh Mawlong	Chainman	16.10.2018	102943
57.	Shri. Albert Bapynshngain Marbaniang		26.11.2018	72770
58.	Smti. Ridahun Rancee	Process Server	15.10.2018	103053
59.	Shri. Coverland Iawphniaw		4.2.2019	22980
60.	Shri. Dimonmetre Suja	Plantation Chowkidar	2.4.2018	241485
61.	Shri. Domi Syiemiong		23.1.2019	28998
62.	Shri. Pynshngainlang Syiemiong		23.1.2019	22980
63.	Shri. Shanbor Shaphrang Marbaniang		23.1.2019	25204
64.	Shri. Donkupa Kharshiing		31.1.2019	22980
65.	Shri. H. Belwinson Nengnong		1.2.2019	20318
66.	Shri. Baniasuklang Kharumnuid		1.2.2019	20518
	Total			3651805
	Grand Total	1486165 + 5505748 + 3651805		10643718

Appendix – IV
Statement showing non-deduction of Meghalaya Goods and Services Tax
(MGST) w.e.f. 20 December 2018 to 31 March 2019 from the contractor's bill
(Reference: Paragraph 4.7)

Sl. No.	Name of the Work	Name of Contractor	Bill value	MGST (@ 2%)	Date of payment
1.	Const. of Basket Ball Court at Weilo	B. Hynniewta	349195	6984	20.12.18
2.	Const. of office building at KHADC, Garikhana, Shillong	Kitbok Warbah	20000000	400000	
3.	Const. of C/H at Umktieh Dong Mukhim	Karlon Sohphoh	299952	5999	21.12.18
4.	Const. of F/p at Wahkadait	Donkuper Tariang	499880	9998	
5.	Cont. i/c Imp. and minor repair of Umdohlun Wahkaji Phlangdilon Road	P. Lyngdoh	19999893	399998	
6.	Const. of Fencing at Seven Brothers School LPS, Kynshi	Chenelly Lyngdoh	499783	9996	
7.	Const. of motorable road at Lailad	Blistina Passah	1499978	30000	
8.	Const. of fencing for Lumrapleng Pres. Girls Hostel at Smit	Dengjingsuk Kharsyntiew	299477	5990	
9.	Const. of D/H at Kynshi Roshan	S. Lyngkhoi	299861	5997	07.01.19
10.	Cont. of waiting shed at Nonglawai	Kardin Rongrin	299512	5990	09.01.19
11.	Const. and Imp. Of Parking yard at Madan Shad Laitkyrshong	Shanroy Rynjah	499970	9999	
12.	Const of F/B at Mawlyndun	Rpbenson Khonglam	299977	6000	14.01.19
13.	Const of F/B at Pyngkit A to Pyngkit C	T. Kshiar	499934	9999	
14.	Bill for supply & installation of P.A. system at Goflink	Ioanis Lyngdoh	299440	5989	
15.	Const of F/B for Seijrit in Nongsteng Village	L. Marbaniang	1741756	34835	
16.	Const. of C/H at Nongkhla Village	Jewel Dkhar	499765	9995	
17.	Const of village court at Ramdail	Wosking Bynnud	1199679	23994	15.01.19
18.	Const of S/B at Mawsytem River at Tynger	Jamkular Buhroy	999039	19981	28.01.19
19.	Const of office cum durbar hall of the syiem hima at Nongspung	Petrick Syiemiong	916874	18337	
20.	Const. of Fencing and F/P at Khasi Heritage Village	Andrew Marbaniang	1111469	22229	
21.	Const of H.N. Syiem Syiem Memorial Sec. School bldg. at Mawpan	K.N. Syiem	1494449	29889	
22.	Supply of sitting chairs within Langin Constitution	Dream Home	940000	18800	
23.	Supply of sitting chairs within Sohra Constitution	Dream Home	534000	10680	
24.	Const of F/p at Bishnupur Area	H. Ryntathiang	299844	5997	06.02.19
25.	Const. of drain at Nongmati I (Mawdatbaki)	Bir Kharmujai	368757	7375	
26.	Imp. of playground at Markham	Sting Darlan Thabah	299566	5991	
27.	Const. of office building at KHADC, Garikhana, Shillong	Kitbok Warbah	23000000	460000	

Sl. No.	Name of the Work	Name of Contractor	Bill value	MGST (@ 2%)	Date of payment
28.	Const of KJP Synod Sepngi at Rani	C. Wanniang	1000000	20000	06.02.19
29.	Supply of sitting chairs within Langrin Constituency	Dream Home	300000	6000	
30.	Const. of addl. Classroom at Syndong Sec. School Korhadeni	Lurstep Makdoh	293964	5879	15.02.19
31.	Const. of Khasi Traditional Medicine Institute	Kitbok Warbah	18000000	360000	
32.	Ext. on top of existing Laitlyngkot Market Complex	Teiram Khonglam	538618	10772	
		P. Rynjah	1229037	24581	
33.	Cpnst. Of KHADC branch office at Mawkyrwat	P. Sumer	5000000	100000	
34.	Const. of fencing and F/p at Lailad	B. Kharthongmaw	3324747	66495	18.02.19
35.	Imp. Of Tynring LP and UP School Bldg. at Tynring	Meristella Nongbet	299674	5993	
36.	Const. of fencing at Barigoan	Jamping Jamu	299859	5997	
37.	Const. of D/H at Umjakoid village	Swir Shangoi	299898	5998	
38.	Const. of Internal CC Motorable road at L/Kharmalki	Badonbok Vincent Mawroh	949555	18991	19.02.19
39.	Const. of Internal road at Kwawon Mawsynram	Bespal Kharbani	299736	5995	
40.	Const. of drain RCC slab cover from Lumkshaid to Lumlyer	Shinningstar Jymthai	849226	16985	
41.	Const. of C/H at Lyngngar	Kornik Shabong	499765	9995	20.02.19
42.	Supply order for repair, maintenance of MDC hostel at KHADC	Roral Syiemlieh	322323	6446	
43.	Const. of D/H at Kynshi Mawphanair	Shankupar Lyngkhoi	299938	5999	21.02.19
44.	Const. of School Bldg. at Zion Academy School	Ringku Khardynpep	286567	5731	
45.	Const. of C/H at Nongriat	R.P. Lyngkhoi	299879	5998	05.03.19
46.	Const. & Etx. Of C/H at Lummawbah	Everest Thangkhiew	999699	19994	
47.	Const. of playground at Umriew Pomlakrai	Copper Kenny Kurklang	699936	13999	
48.	Imp. Of village road at Mawiong Sung Mawryngkneng Sohryngkham	Spektor Sohphoh	1999006	39980	
49.	F/B for const. of Check Dam & F/p at Khasi Heritage Village, Mawphlang	P. Lyngdoh	4654634	93093	
50.	Const of Bldg. at St. Clear Convent Jakrem	Marshan Lyngdoh	399390	7988	06.03.19
51.	Const and imp. Of playground at Umsaw Nongstoin	Greenland Nongting	293967	5879	
52.	Const. & imp. Of Playground at Domkohsan		489275	9786	
53.	Const. of Sirdar Umsyiem Raid Bldg	Phrinly Kongwang	299916	5998	
54.	Const. & Etn. Of Dommawlum playground Galery	Milda Jarain	299093	5982	
55.	Const. of Bldg. at JJM Nicholas Roay College at Pongkeng	Kistoles Marbaniang	999808	19996	

Sl. No.	Name of the Work	Name of Contractor	Bill value	MGST (@ 2%)	Date of payment
56.	Const. of Fencing at Lailad plantation	Fullstar Rani	2226575	44532	07.03.19
57.	Const. of Football ground at Mawdoh, Lambrai Syiemship	Joster Lyngdoh	399990	8000	
58.	Supply of PA system Nongskhem Constituency	James Blah	500000	10000	08.03.19
59.	Imp. Of playground at Domphetkhlam	Synsharbor Nongkharrit	299399	5988	
60.	Const. & Etn. Of C/H at Mawlai Syllai	Stainbell Warjri	499811	9996	15.03.19
61.	Supply of PA system at Lumaiblot Nongthymmai	Regz Sound Design & Lighting	300000	6000	
62.	Const. of C/H for Synjuk Ki Rangbah Shnong Krang Area Pyllun (Sohiong)	Droion Kharthangmaw	999656	19993	
63.	Const. of C/H at Pamlakrai Umiew	M. Marbaniang	499940	9999	19.03.19
64.	Imp. Of bldg. at at 15 mile Nongthymmai	Kitborlang Suting	499936	9999	
65.	Const. of D/well at Dingiong Locality	C. Syiemlieh	499898	9998	
66.	Const. of D/H at Belahari	Active Pator	299963	5999	20.03.19
67.	Supply of plastic chairs to Langpih	K Diengdoh	300000	6000	22.03.19
68.	Const of Motorable road at Lailad	Longmin Manner	499898	9998	
69.	Const. of C/H at Rambrai	Bisharlang Kharbani	299998	6000	25.03.19
70.	Const. of C/H at Nongbah	L. Lyngdoh	299994	6000	
71.	Extn. Of D/H at Mawkamoit	Ngelding Lyngdoh	399680	7994	26.03.19
72.	Const. of Public Toilet at Syllaikariah near C/H	Revolt L Lyngdoh	499532	9991	
73.	Const of parking lot at Sohiong	Double Thabah	499826	9997	27.03.19
74.	Const. of S/B over Khasi Marari river at Ryngku	Kwanly Ramseij	1242406	24848	
75.	Const. of C/H at Mawblei	Shynnabasuk Syiem	299860	5997	
	Total		135945922	2718921	

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