

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

FOR THE YEAR ENDED 31 MARCH 2006

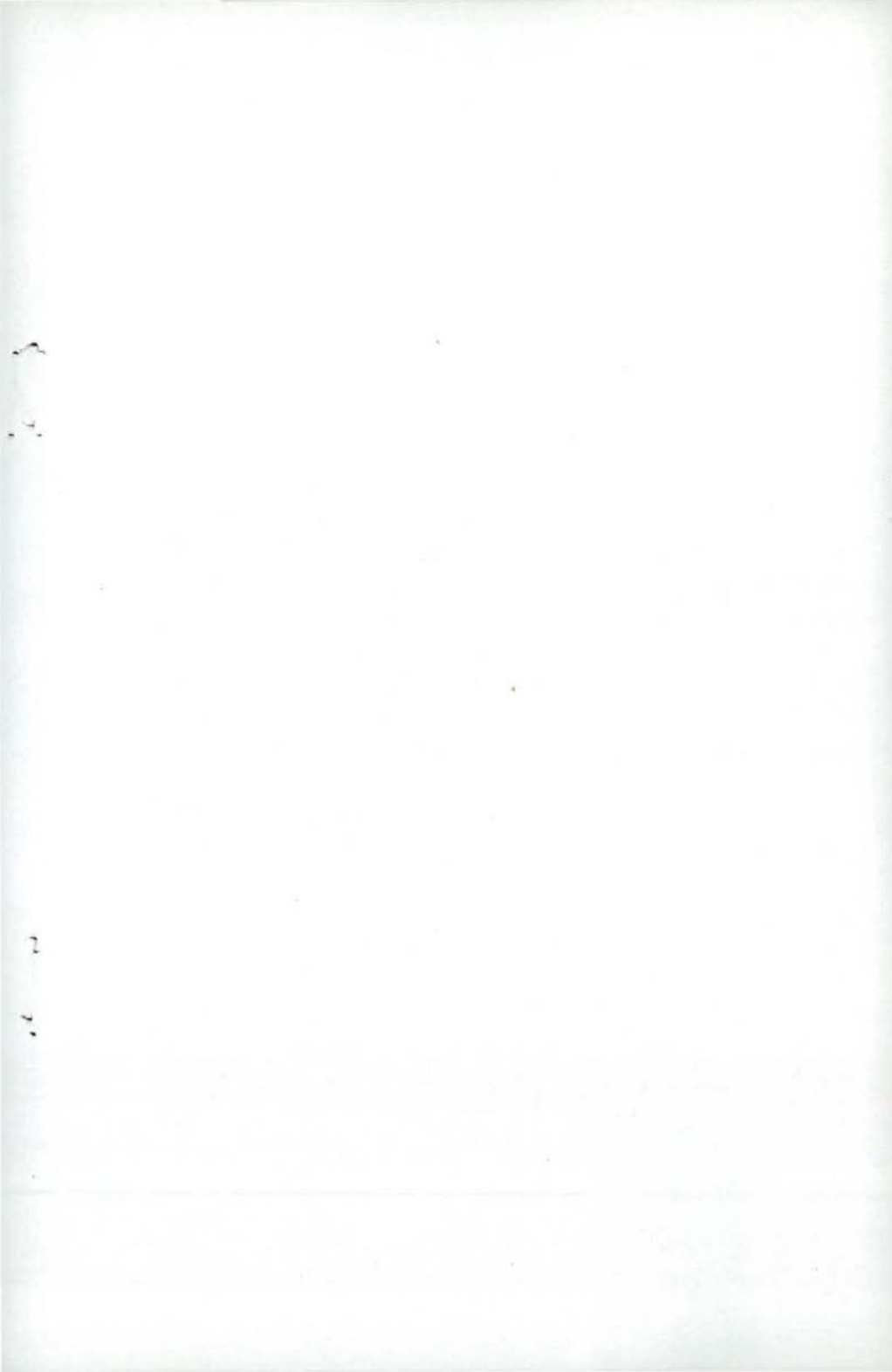
**CHAKMA AUTONOMOUS DISTRICT COUNCIL
KAMALANAGAR, MIZORAM**

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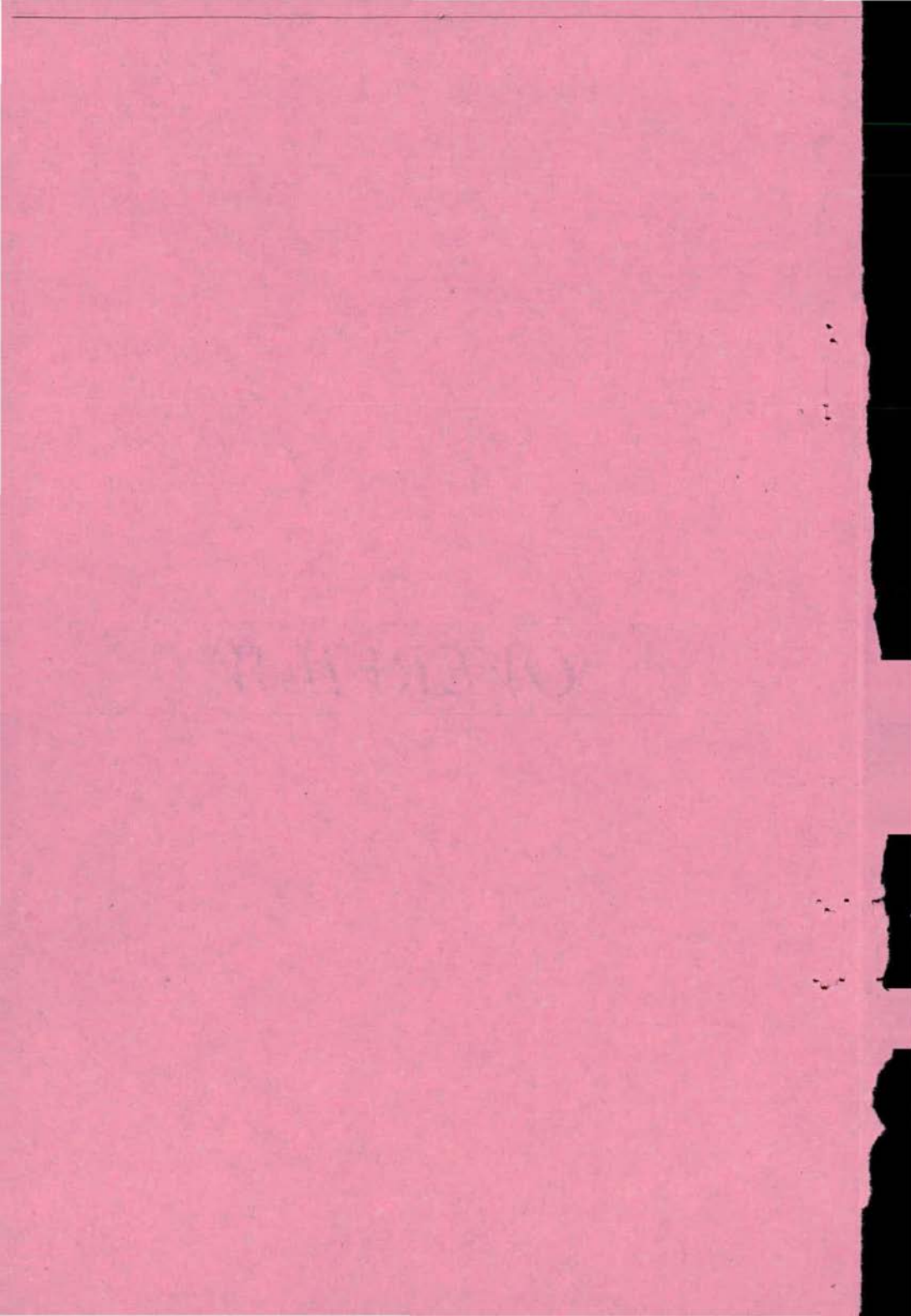
PREFACE

This Report has been prepared for submission to the Governor of Mizoram 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 transactions of the Chakma Autonomous District Council, Kamalanagar, Mizoram for the year 2005-06.

2. *The Report contains three Chapters, the first of which deals with the constitution of the Chakma Autonomous District Council, the rules for the management of the District Fund and maintenance of Accounts by the District Council. The remaining two Chapters include comments on the Council's financial position and various irregularities noticed during the course of the test audit of the accounts and transactions of the Council for the year 2005-06.*



OVERVIEW



OVERVIEW

This Report contains three chapters. Chapter-I provides a background on the formation of the Autonomous District Council, rules for the management of the District Fund and relevant constitutional provisions on maintenance of Accounts. Chapter-II deals with comments arising out of audit of Annual Accounts of the Council for the year 2005-06 and contains three paragraphs and Chapter-III of the Report details the audit findings pertaining to transaction audit of the Council and contains seven paragraphs. The main findings of audit are detailed below:

1. Comments on Accounts

The expenditure reflected in the Annual Accounts under Education Department (including District School Education Board) was overstated by ₹ 5.30 lakh, which resulted in further overstatement of total expenditure to the extent of ₹ 5.30 lakh.

(Paragraph 2.3(i))

The Annual Accounts was understated in Plan Sector (both receipt and expenditure) by ₹ 10 lakh.

(Paragraph 2.3(ii))

The Council had not disclosed the transactions pertaining to Deposit Funds (Pension Funds) in their Annual Accounts.

(Paragraph 2.3(iii))

2. Transaction audit findings

In the absence of a rational and approved staffing pattern, the Council arbitrarily resorted to engagement of huge number of staff which alone accounted for 78 *per cent* of the total expenditure (Plan and Non-Plan) of the Council during 2005-06.

(Paragraph 3.1)

Against the assessed demand of ₹ 6.62 lakh, the Council could collect only ₹ 1.28 lakh revenue with the percentage of shortfall being 81 *per cent*.

(Paragraph 3.2)

CHAPTER – I

1.1 Introduction

The erstwhile Pawi-Lakher Regional Council set up in 1953 under the provisions of Article 244(2) read with the Sixth Schedule to the Constitution of India, was divided into three Regional Councils, viz. Pawi, Lakher and Chakma, by a notification issued by the Government of Mizoram in April 1972. In terms of paragraph 20 B of the Sixth Schedule, Lakher Regional Council, along with Pawi Regional Council and Chakma Regional Council, was elevated to the status of a District Council with effect from 29 April 1972 under the Mizoram District Council's (Miscellaneous Provisions) order 1972.

The Sixth Schedule (Schedule) to the Constitution of India vests the District Council with powers to enact 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-course for agriculture, regulation of the practice of "*Jhum*" or other forms of shifting cultivation, establishment of village or town committees or councils and their powers, village or town administration including police, public health and sanitation and inheritance of property.

Paragraph 6 (1) of the Schedule empowers the Council to establish, construct or manage primary schools, dispensaries, markets, cattle, ponds, ferries, fisheries, roads, road transport and water ways in the Autonomous District. Paragraph 8 of the Schedule further empowers the Council to assess, levy and collect within the Autonomous District, revenue in respect of land and buildings, taxes on professions, trade, callings and employment, animals, vehicles and boats, tolls on passengers and goods carried in ferries and for maintenance of schools, dispensaries and roads.

The Chakma Autonomous District Council consists of 21 Members including 17 elected Members and four nominated Members and is headed by a Chief Executive Member. The Council is headquartered at Kamalanagar, south-western Mizoram.

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 money received by the Council in accordance with the provisions of the Constitution is to be credited. In terms of paragraph 7 (2) of the 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 the money into the said fund, the withdrawal of money therefrom, the custody of money therein and any other matter connected with or ancillary to these matters. Accordingly, the Government of Mizoram prepared the Mizoram Autonomous District Council Fund Rules, 1996 which came into effect from 26 November 1996.

1.3 Maintenance of Accounts

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 with the approval of the President of India in April 1977.

The Annual Accounts of the Council for the year 2005-06 were prepared in the prescribed format. The results of test check (May 2008) of the Annual Accounts for the year 2005-06 are discussed in the succeeding Chapters.

CHAPTER – II

The Council prepares its Annual Accounts in the prescribed format containing the following seven statements which detail the receipts and disbursements of the Council for the year (2005-06) with bifurcation of the expenditure under revenue, capital, plan and non-plan:

Sl. No.	Statement No.	Particulars of statements
i	Statement No. 1	Summary of transactions (Part-I & Part-II)
ii	Statement No. 2	Capital outlay - progressive capital outlay
iii	Statement No. 3	Debt position and the ways and means position of the Council's fund month by month during the year 2005-06
iv	Statement No. 4	Loans and advances by the Council
v	Statement No. 5	Detail accounts of Revenue by Minor Heads
vi	Statement No. 6	Detail accounts of expenditure by Minor Head - Revenue Expenditure Head
vii	Statement No. 7	Statement of receipt, disbursement and balance under heads relating to District Fund and Deposit Fund

2.1 Receipts and Expenditure

The receipts and expenditure of the Council for the year 2005-06 were as under:

Table 2.1

(Rupees in lakh)

PART – I DISTRICT FUND					
REVENUE SECTION					
Receipts			Disbursements		
i)	Land Revenue	1.28	i)	District Council Secretariat	547.17
ii)	Taxes on Income	10.46	ii)	Chairman, Deputy Chairman and members etc.	25.00
iii)	Other Receipts	5.59	iii)	Executive members	33.50
iv)	Education, Tuition and other fees etc.	1.32	iv)	Local Administration	26.46
v)	Road	4.74	v)	Land Revenue	0.90
vi)	Grants-in-aid from the State Government	1,422.00	vi)	Public Works	38.97
			vii)	Local Administration- other expenditure	30.90
			viii)	Pension and Other Retirement benefits	44.00
			ix)	Education and DSEB ¹	473.27 ²
			x)	Sports and Youth Affairs	8.40
			xi)	Art and Culture	18.52
			xii)	Public Health and Sanitation	15.46
			xiii)	Information and Public Relations	4.10
			xiv)	Social Welfare	7.75
			xv)	Co-operation	3.95
			xvi)	Agriculture and Horticulture	28.51
			xvii)	Sericulture	2.25
			xviii)	Relief and Rehabilitation	1.50
			xix)	Fisheries	7.34
			xx)	Environment and Forests	14.14
			xxi)	Soil Conservation & Minor Irrigation	13.76
			xxii)	Industry	14.68
			xxiii)	Animal Husbandry & Veterinary	5.42
			xxiv)	Rural Development & Planning	35.94
			xxv)	Waterways	6.40
			xxvi)	Road Transport	37.10
Total Revenue Receipts		1,445.39	Total Revenue Disbursements		1,445.39

¹ DSEB – District School Education Board

² Education : ₹ 462.19 lakh and DSEB : ₹ 11.08 lakh. Total : ₹ 473.27 lakh

(Rupees in lakh)

CAPITAL SECTION			
Capital Receipts	NIL	Capital Disbursements	NIL
Total Capital Receipts	NIL	Total Capital Disbursements	NIL
DEBT SECTION			
Loans received from the State Government	NIL	Repayment of loans received from the State Government	NIL
Loans received from other sources	NIL	Repayment of loans received from other sources	NIL
Recovery of loans and advances	NIL	Disbursement of loans and advances	NIL
Total Debt Receipts	NIL	Total Debt Disbursement	NIL
Total of Part-I District Fund	1,445.39	Total of Part-I District Fund	1,445.39
Opening balance	NIL	Closing balance	NIL
PART-II DEPOSIT FUND			
DEPOSIT SECTION			
Deposit Receipts	NIL	Disbursement of Deposit	NIL
Total of Part-II Deposit Fund	NIL	Total of Part-II Deposit Fund	NIL
Opening balance	NIL	Closing balance	NIL
OVERALL POSITION			
Total Receipts (Part-I + Part-II)	1,445.39	Total Disbursements (Part-I and II)	1,445.39
Opening balance (Part-I + Part-II)	NIL	Closing balance (Part-I and II)	NIL
Grand Total	1,445.39	Grand Total	1,445.39

2.2 Variation of expenditure

Scrutiny of the Annual Accounts for the year 2005-06 revealed that there was significant increase in expenditure ranging from 25 per cent to 81 per cent under five heads/Departments of the Council as compared to the expenditure for the year 2004-05 as detailed in *Appendix – 2.1*.

The reasons for increase of expenditure in the aforesaid five heads/Departments could not be ascertained in audit as these were not on record.

2.3 Discrepancies in Annual Accounts

Scrutiny of the Annual Accounts with subsidiary Cash Books, grant release orders and registers of deposit funds produced to audit revealed the following discrepancies:-

i) Overstatement of expenditure

The expenditure reflected in the Annual Accounts under Education Department including DSEB was ₹ 473.27 lakh (Education ₹ 462.19 lakh and DSEB ₹ 11.08 lakh). But, scrutiny of the subsidiary cash book maintained by DSEB revealed that against the fund of ₹ 11.08 lakh received by them, the Department had actually spent ₹ 5.78 lakh during the year with retention of closing balance of ₹ 5.30 lakh at the end of 2005-06. Therefore, actual expenditure incurred by Education Department including DSEB during the year 2005-06 was ₹ 467.97 lakh (₹ 473.27 lakh - ₹ 5.30 lakh).

Thus, the expenditure under Education Department including DSEB of ₹ 473.29 lakh was overstated by ₹ 5.30 lakh, which resulted in further overstatement of total expenditure (₹ 1,445.39 lakh) to the extent of ₹ 5.30 lakh.

ii) Understatement of receipts and expenditure

The Annual Accounts was understated in Plan Sector (both receipt and expenditure) by ₹ 10 lakh, as the same amount under C.S.S. remained unspent during 2004-05 which was therefore, required to be added as Opening Balance under the grants received during 2005-06. Consequently, the expenditure under Plan Sector during 2005-06 should have been increased by ₹ 10 lakh since the entire amount was spent during the year.

While accepting the discrepancies, the Executive Secretary stated (May 2008) that the discrepancies would be rectified. The Executive Secretary of the Council stated (April 2010) that the reply would be submitted very soon. The reply of the Council was awaited as of June 2010.

iii) Non-disclosure of Deposit Funds

Pension contribution realised (@ 3 per cent of basic pay) from the staff was not disclosed in Part – II (Deposit Fund) of the Annual Accounts of the Council for 2005-06. The details are given below:

Table 2.2

(Figures in rupees)

Year	Fund position				Expenditure	Closing balance
	Opening balance	3% staff contribution	Bank interest	Total		
2005-06	19,69,550.33	16,86,303.00	13,878.55	36,69,731.88	11,05,884.00	25,63,847.88

Source: Council's records

Non-disclosure of the above transactions in the Accounts impacted the true and correct state of affairs of the Council for the year 2005-06, as the Opening Balances and Closing Balances were understated by ₹ 19.70 lakh and ₹ 25.64 lakh respectively.

The Executive Secretary of the Council stated (May 2008) that initially they were ignorant about the need to incorporate the above facts in the Annual Accounts. Subsequently, the Executive Secretary stated in April 2010 that the reply would be submitted very soon. The reply of the Council was awaited as of June 2010.

Further, pending formulation of rules regulating retirement benefits to staff, the Council had disbursed pensionary benefits to its employees as per the existing rules applicable to the State Government

employees from the pensionary grants received from the State Government (GIA of ₹ 28 lakh received during 2005-06 for staff pension). However, the fact remains that operation of pension fund, without obtaining Government consent, was irregular. The Executive Secretary, however, clarified (May 2008) that, the intention of the fund was to meet the deficit allocation by the State Government under pensionary benefits to staff. The reply is not tenable, as the deficit funds can be met by raising supplementary demand.

CHAPTER – III

3.1 Engagement of huge staff without staffing norms

Rule 26 of Chakma District Council (Constitution and Conduct of Business) Rules 2002 provides that the Executive Committee may, from time to time, determine and appoint officers and staff with prior consultation and approval of the State Government.

Further, Rule 141 (b) of Mizoram Autonomous District Council Funds Rules, 1996 provides that early in March each year, a detailed statement of permanent establishment existing as on 1 March shall be prepared and kept in Council office.

Scrutiny of records, however, revealed that the Council without determining any approved staffing pattern and without disclosing the existing permanent establishment as on March every year, engaged 873 staff during 2005-06:-

Table 3.1

(Figure in numbers)

No. of Departments	No. of officers and staff			No. of teaching staff			Grand total
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	
30 Departments and 96 primary and 32 middle schools	132	362	494	186	193	379	873

Source: Council's records

The total financial implication involved in meeting pay and allowances of 873 staff during 2005-06 was as under:-

Table 3.2

(Rupees in lakh)

Expenditure incurred out of Govt. grants towards salary			Total Expenditure (Plan + Non-Plan) of the Council	Percentage of Expenditure on Staff against total expenditure
Plan	Non-Plan	Total		
357.65	766.00	1,123.65	1,445.39	78

Source: Council's records

While the Council had not determined any norms for staffing, a comparison with the norms prescribed by the Government of India for Teacher Pupil Ratio under Sarva Shiksha Abhiyan (SSA) (1:40) revealed an excess deployment of 157 teachers³ against norms in the schools run by the Council. As can be seen from the table-3.2, seventy eight *per cent* of the expenditure of the Council is incurred on staff salaries. This can be largely attributed to the failure on the part of the Council to carry out a meaningful study to determine a need-based staffing norm for various functions under the Council's control.

The Executive Secretary explained (May 2008) that poor personnel management due to lack of experienced staff in the initial stages of the creation of the Council was the main reason for the failure to

³ Total Students in Primary Schools = 6,523

Total Students in Upper Primary (Middle) Schools = 2,344

Total Students in Primary and Upper Primary Schools = 8,867

No. of Teachers as per Teacher Pupil ratio under SSA norms (1:40) = 222

Excess Teacher engaged = (379 - 222) = 157

determine and rationalize the staffing pattern. The Executive Secretary of the Council stated (April 2010) that the reply would be submitted very soon. However, the reply of the Council was awaited as of June 2010.

3.2 Short collection of local revenue

As per Rule 31 of Mizoram Autonomous District Council Fund Rules, 1996 the Council had assessed and collected the following taxes from the persons liable to pay taxes during 2005-06.

Table 3.3

(Rupees in lakh)

Sl. No.	Items	Assessed demand	Actual collection	Shortfall	Percentage of shortfall
1.	House sites	2.36	1.28	5.34	81
2.	Garden sites	2.12			
3.	Wet Rice cultivation	2.00			
4.	Shop sites	0.05			
5.	Fishery sites	0.07			
6.	Poundry sites	0.02	1.28	5.34	81
	Total	6.62			

Source: Council's records

Due to non-compilation of item-wise actual collection from combined Receipts Books, the item-wise actual collection of revenue could not be ascertained in audit.

It would be seen from the above table that during 2005-06 against assessed demand of ₹ 6.62 lakh towards six items, Council could collect only ₹ 1.28 lakh revenue with percentage shortfall to the tune of 81.

The Executive Secretary stated (May 2008) that though most of the tax payers under the Council are living below poverty line, efforts are on for improving the collection. The Executive Secretary of the Council stated (April 2010) that the reply would be submitted very soon. However, the reply of the Council was awaited as of June 2010.

3.3 Irregularities in release of financial assistance

The State Government released a grant of ₹ 15 lakh during 2005-06 to the Council for land development by manual system @ ₹ 0.15 lakh per hectare.

Scrutiny of the records pertaining to Agriculture and Horticulture Department, responsible for implementation of the programme, revealed that the Executive Committee on recommendations of the Beneficiary Selection Committee, selected 300 individual beneficiaries for release of financial assistance @ ₹ 0.05 lakh each (covering one-third hectare) during 2005-06.

The concerned Department had disbursed the financial assistance to 300 beneficiaries during July – August 2005 without ascertaining the size, location of the land and the purpose/kind of plantations for which land development was needed by the beneficiaries concerned. Further, the actual utilisation of the assistances released was also not ascertained by the Department.

Thus, release of financial assistance of ₹ 15 lakh without ascertaining its proper utilisation was irregular.

The Executive Secretary confirmed the facts and assured (May 2008) that in future, utilisation of grants would be monitored properly. The Executive Secretary of the Council stated (April 2010) that the reply would be submitted very soon. However, the reply of the Council was awaited as of June 2010.

3.4 Non maintenance of Asset Register

According to the general principles, stock accounts for the fixed assets viz. machinery, equipment, furniture, fixture etc. including movable or immovable properties should be maintained and verification of such asset is to be carried out periodically.

Audit noticed that the Council had not maintained any such Asset Register for the movable or immovable properties of the Council. Due to non-maintenance of Asset Registers and physical verification of the Assets, physical existence of the assets purchased/created could not be ascertained and verified in Audit.

The Executive Secretary while accepting the facts stated (April 2010) that the maintenance of Asset Register is under process.

3.5 Internal control mechanism and internal audit

Internal control which amongst other controls includes internal audit mechanism aids the organisation in ensuring prudent financial management, checks on financial irregularities and provides assurance to the management about protection of assets and reliability of information.

Although Rule 144 of the Mizoram Autonomous District Council Fund Rules, 1996 requires the Chakma Autonomous District Council management to introduce a suitable system for internal audit within the Council with the approval of the Governor and in consultation with the State Accountant General, such a system had not been introduced (June 2010) by the Council authorities. Introduction of appropriate internal controls including an audit mechanism would assist the Council in management of its affairs in an economical, efficient and effective manner.

3.6 Outstanding Inspection Reports

Audit observations on financial irregularities and deficiencies in maintenance of Annual Accounts noticed during local audit and not settled on the spot are communicated to the Heads of offices and to the next higher authorities through local Audit Inspection Reports (IRs).

Eleven IRs containing 29 paragraphs relating to the period 1987-88 to 2006-07 were yet to be settled as of March 2010.

3.7 Disclaimer Statement

This Report has been prepared on the basis of information furnished and records made available by the Chakma Autonomous District Council (auditee unit). The Office of the Accountant General (Audit), Mizoram, Aizawl, disclaims any responsibility for

any misinformation and/or non-furnishing of information on the part of the auditee unit.



Aizawl

The 11 JAN 2011

(L. TOCHHAWNG)

Accountant General (Audit)
Mizoram

Countersigned



New Delhi

The

(VINOD RAI)

Comptroller and Auditor General of India

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APPENDIX



Appendix – 2.1**Statement showing variation of expenditure***(Reference Paragraph 2.2, Page 5)**(Rupees in lakh)*

Sl. No.	Heads/Departments	Expenditure during		Percentage of increase in 2005-06
		2004-05	2005-06	
1.	Soil Conservation & Minor Irrigation	9.08	13.76	52
2.	Industries	11.60	14.68	27
3.	Animal Husbandry & Veterinary	2.99	5.42	81
4.	Rural Development & Planning	23.40	35.94	54
5.	Road Transport Services	29.69	37.10	25

Source: Council's records

