

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

FOR THE YEAR ENDED 31 MARCH 2007

**CHAKMA AUTONOMOUS DISTRICT COUNCIL
KAMALANAGAR, MIZORAM**



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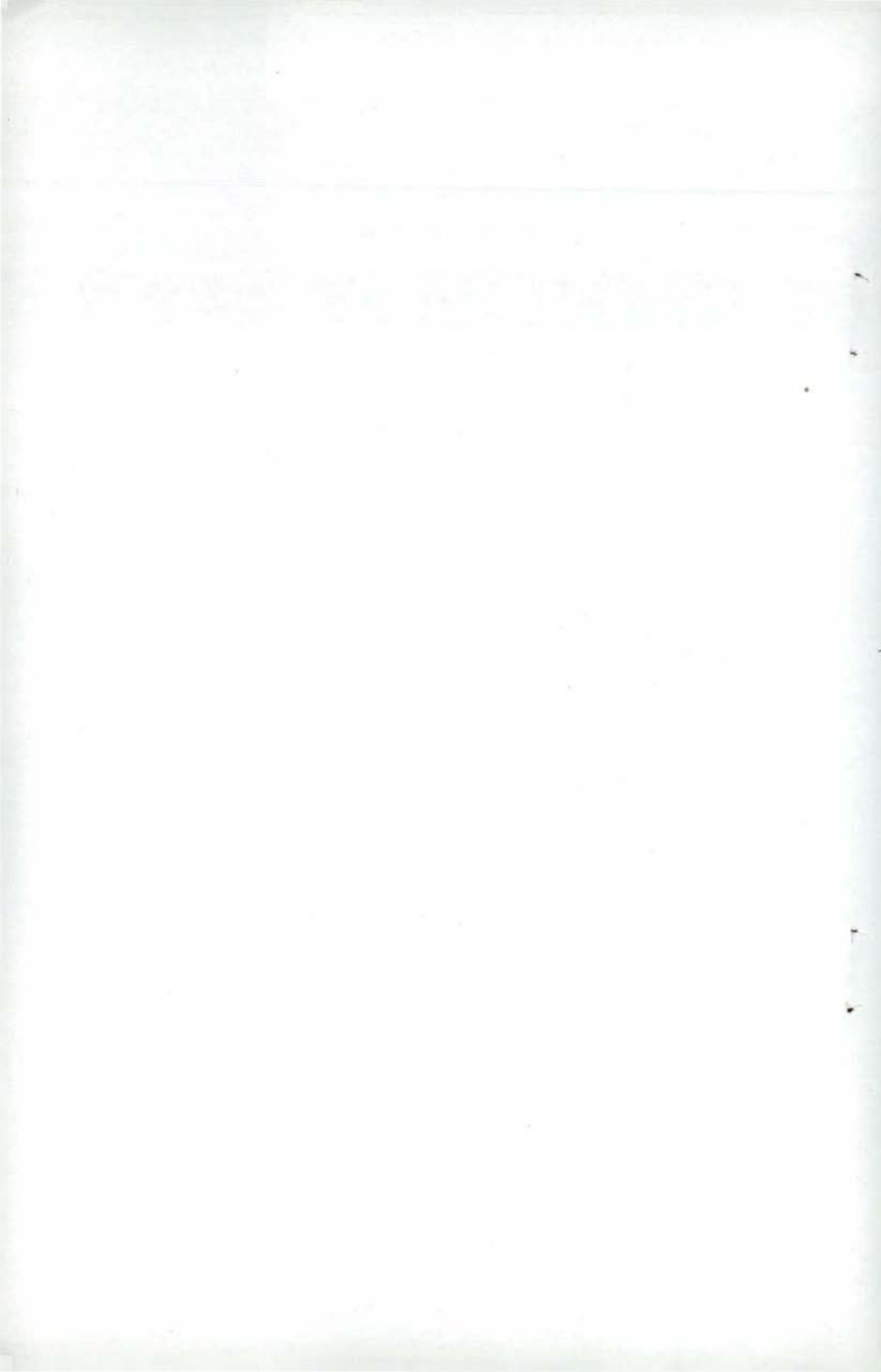
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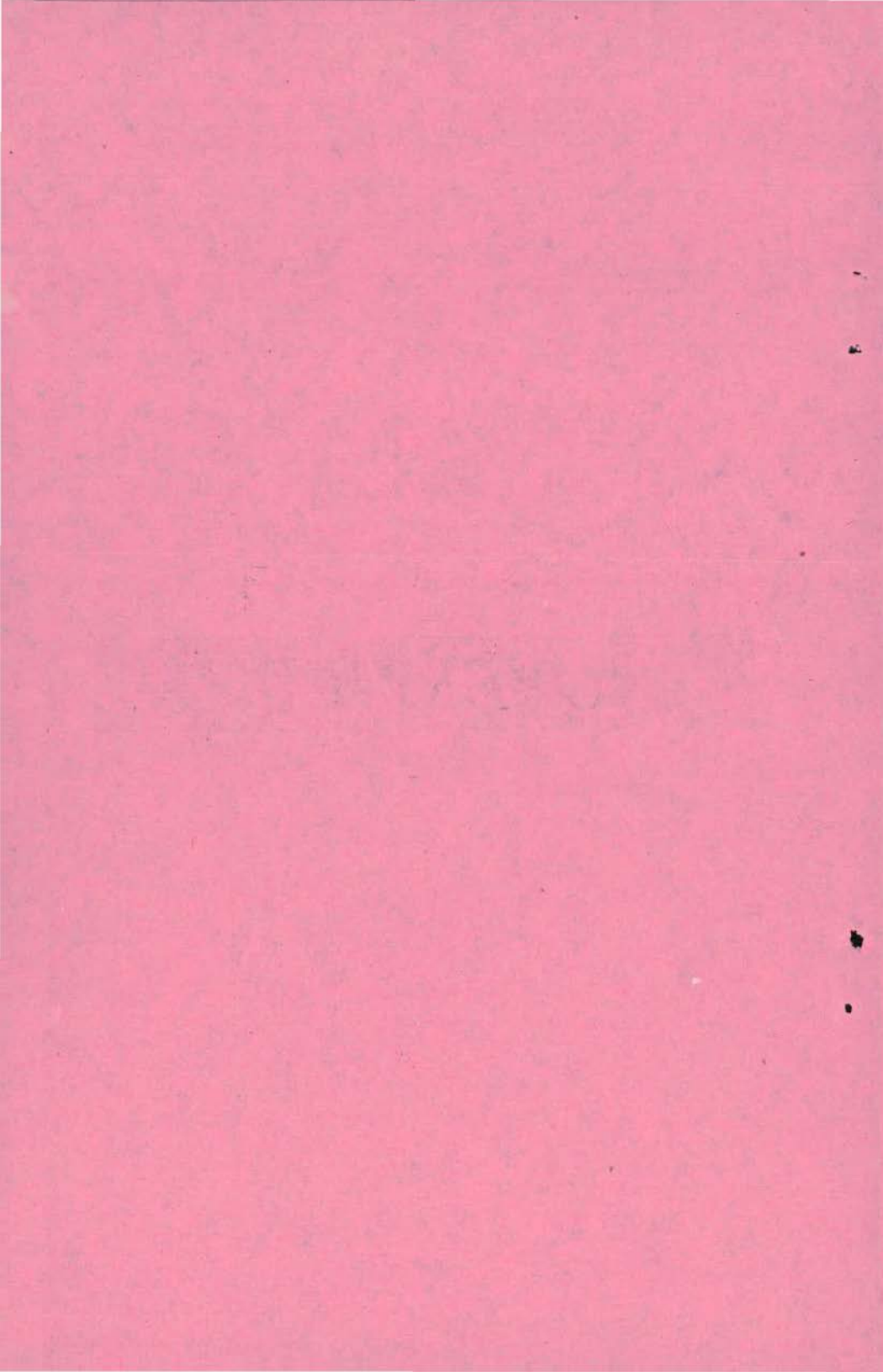
PREFACE

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 2006-07.

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 2006-07.*



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 2006-07 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 observations of audit are detailed below:

1. Comments on Accounts

Under Part-I of the District Fund of the Annual Accounts, there was an understatement of receipts of ₹ 5.30 lakh, an understatement of expenditure of ₹ 4.12 lakh and an understatement of closing balance of ₹ 1.18 lakh.

(Paragraph 2.3(i))

Under Part-II Deposit Fund of the Annual Accounts, the Council exhibited the receipts with overstatement of ₹ 1.46 lakh and expenditure with overstatement of ₹ 1.46 lakh.

(Paragraph 2.3(ii))

2. Findings on transaction audit

In the absence of a rational and approved staffing pattern, the Council arbitrarily resorted to engagement of a large number of staff which alone accounted for 76 *per cent* of the total expenditure (Plan and Non-Plan) of the Council during 2006-07.

(Paragraph 3.1)

Against the assessed demand of ₹ 6.86 lakh, the Council could collect only ₹ 3.17 lakh revenue with a percentage shortfall of 54 *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 2006-07 were prepared in the prescribed format. The results of test check (May 2008) of the Annual Accounts for the year 2006-07 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 (2006-07) 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 2006-07 and the ways and means of position of the Council's fund month by month
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 & Deposit Fund

2.1 Receipts and Disbursements

The receipts and expenditure of the Council for the year 2006-07 were as under:

Table 2.1

(Rupees in lakh)

PART - I DISTRICT FUND					
REVENUE SECTION					
Receipts			Disbursements		
i)	Land Revenue	3.17	i)	District Council Secretariat	149.28
ii)	Taxes on Income	11.28	ii)	Chairman, Deputy Chairman and members etc.	53.00
iii)	Other Receipts	13.47	iii)	Executive members	41.65
iv)	Grants-in-aid from : the State Government	1,513.00	iv)	Local Administration	26.17
			v)	Land Revenue	98.34
			vi)	Public Works	56.00
			vii)	Local Administration- other expenditure	83.10
			viii)	Pension and Other Retirement benefits	52.50
			ix)	Education, Adult Education and DSEB ¹	531.36 ²
			x)	Sports and Youth Affairs	18.05
			xi)	Arts and Culture	40.62
			xii)	Public Health & Engineering	17.57
			xiii)	Information and Public Relations	15.56
			xiv)	Social Welfare	14.55
			xv)	Co-operation	5.36
			xvi)	Agriculture and Horticulture	37.78
			xvii)	Sericulture	8.71
			xviii)	Relief and Rehabilitation	1.50
			xix)	Fisheries	4.37
			xx)	Forests and Environment	83.62
			xxi)	Soil Conservation & Minor Irrigation	9.55
			xxii)	Industries	11.30
			xxiii)	Animal Husbandry & Veterinary	14.81
			xxiv)	Rural Development & Planning	87.11
			xxv)	Waterways	8.60
			xxvi)	Road Transport	70.46
Total Revenue Receipts		1,540.92	Total Revenue Expenditure		1,540.92

¹ DSEB = District School Education Board.

² Education : ₹ 498.47 lakh + DSEB : ₹ 26.12 lakh + Adult Education : ₹ 6.77 lakh
= Total : ₹ 531.36 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	1,540.92	Total of Part-I District Fund	1,540.92
Opening balance	NIL	Closing balance	NIL
PART-II DEPOSIT FUND			
DEPOSIT SECTION			
Deposit Receipts :		Deposit Disbursement :	
Pension Fund with contribution from staff with bank interest	7.74	Payment of pension from the Fund	1.46
Total of Part-II Deposit Fund	7.74	Total of Part-II Deposit Fund	1.46
Opening balance	25.64	Closing balance	31.92
OVERALL POSITION			
Total Receipts (Part-I + Part-II)	1,548.66	Total Disbursements (Part-I + Part-II)	1,542.38
Opening balance (Part-I + Part-II)	25.64	Closing balance (Part-I + Part-II)	31.92
Grand Total	1,574.30	Grand Total	1,574.30

2.2 Variation of expenditure

Scrutiny of the Annual Accounts for the year 2006-07 revealed that there was significant increase in expenditure ranging from 12 per cent to 491 per cent under nine heads/Departments of the Council as compared to the expenditure for the year 2005-06 as detailed in *Appendix – 2.1*.

The reasons for increase of expenditure in the aforesaid nine heads/Departments 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) Understatement of receipts, expenditure and closing balance

As per subsidiary cash book maintained by the DSEB unit of the Council, availability of actual fund and expenditure incurred thereon during 2006-07 was as under:

Opening Balance	Plan	₹ 5.30 lakh
Receipt during the year	(a) Non-Plan	₹ 21.12 lakh
	(b) Plan	₹ 5.00 lakh
Total		₹ 31.42 lakh
Expenditure during the year	(a) Non-Plan	₹ 21.12 lakh
	(b) Plan	₹ 9.12 lakh
Total		₹ 30.24 lakh
Closing Balance		₹ 1.18 lakh

The opening balance was not included in the total receipt on revenue account (Part – I of District Fund) which resulted in understatement of ₹ 5.30 lakh.

Though DSEB incurred an actual expenditure of ₹ 30.24 lakh during 2006-07 as stated in the above table, the expenditure in the Annual Accounts under DSEB was shown as ₹ 26.12 lakh resulting in understatement of expenditure of ₹ 4.12 lakh (₹ 30.24 lakh – ₹ 26.12 lakh).

Besides, the closing balance of ₹ 1.18 lakh retained by the Council

in the subsidiary cash book of the DSEB at the end of 2006-07 was not exhibited in the Annual Accounts which resulted in understatement of closing balance of ₹ 1.18 lakh.

While accepting the discrepancies, the Executive Secretary stated (May 2008) that the discrepancies would be rectified. But, rectified Annual Accounts have not been submitted (June 2010).

ii) Overstatement of receipts and expenditure under Deposit Fund

As per cash book and information furnished by the Council, the actual transaction of Deposit Fund during the year 2006-07 was as under:

(Figures in Rupees)

Opening balance		25,63,847.88
Receipt	(a) Surplus Grants-in-Aid (out of pension grants of staff)	2,03,654.00
	(b) 3 per cent staff contribution towards pension fund	3,89,011.00
	(c) Bank interest	35,569.38
Sub-Total of receipt (a + b + c)		6,28,234.38
Grand Total		31,92,082.26
Expenditure		NIL
Closing balance		31,92,082.26

However, in Part-II Section of the Annual Accounts of the Council, the transactions under Deposit Fund for the year 2006-07 were exhibited as under:

(Figures in Rupees)

Opening balance	25,63,847.00
Receipt	7,74,580.00
Total	33,38,427.00
Expenditure	1,46,346.00
Closing balance	31,92,081.00

Thus, the receipts and expenditure under the Deposit Fund of the Council during the year 2006-07 were overstated by ₹ 1.46 lakh (₹ 7.74 lakh – ₹ 6.28 lakh) and ₹ 1.46 lakh respectively.

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 871 staff during 2006-07:

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	116	376	492	186	193	379	871

Source: Council's records

The total financial implication involved in meeting pay and allowances of 871 staff during 2006-07 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		
362.45	813.23	1175.68	1540.92	76

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 138 teachers³ against norms in the schools run by the Council. As can be seen from the table above, 76 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

³ Total Students in Primary Schools = 7,109

Total Students in Upper Primary (Middle) Schools = 2,518

Total Students in Primary and Upper Primary Schools = 9,627

No. of Teachers as per Teacher Pupil ratio under SSA norms (1:40) = 241

Excess Teacher engaged = (379 - 241) = 138

for the failure to 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 2006-07.

Table 3.3

(Rupees in lakh)

Sl. No.	Items	Assessed demand	Actual collection	Shortfall	Percentage of shortfall
1.	House sites	2.44	3.17	3.69	54
2.	Garden sites	2.20			
3.	Wet Rice cultivation	2.02			
4.	Shop sites	0.09			
5.	Fishery sites	0.08			
6.	Poundry sites	0.03			
Total		6.86	3.17	3.69	54

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 table No. 3.3 that during 2006-07 against assessed demand of ₹ 6.86 lakh towards six items, Council could collect only ₹ 3.17 lakh revenue (54 percentage shortfall).

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.

3.3 Irregularities in release of financial assistance

The State Government released a grant of ₹ 14 lakh during 2006-07 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 280 individual beneficiaries for release of financial assistance @ ₹ 0.05 lakh each (covering one-third hectare) during 2006-07.

The concerned Department had disbursed the financial assistance to 300 beneficiaries during July 2006 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 assistance released was also not ascertained by the Department.

Thus, release of financial assistance of ₹ 14 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.

3.4 Non maintenance of Asset Register

According to the general principles, stock accounts for 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 Register 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



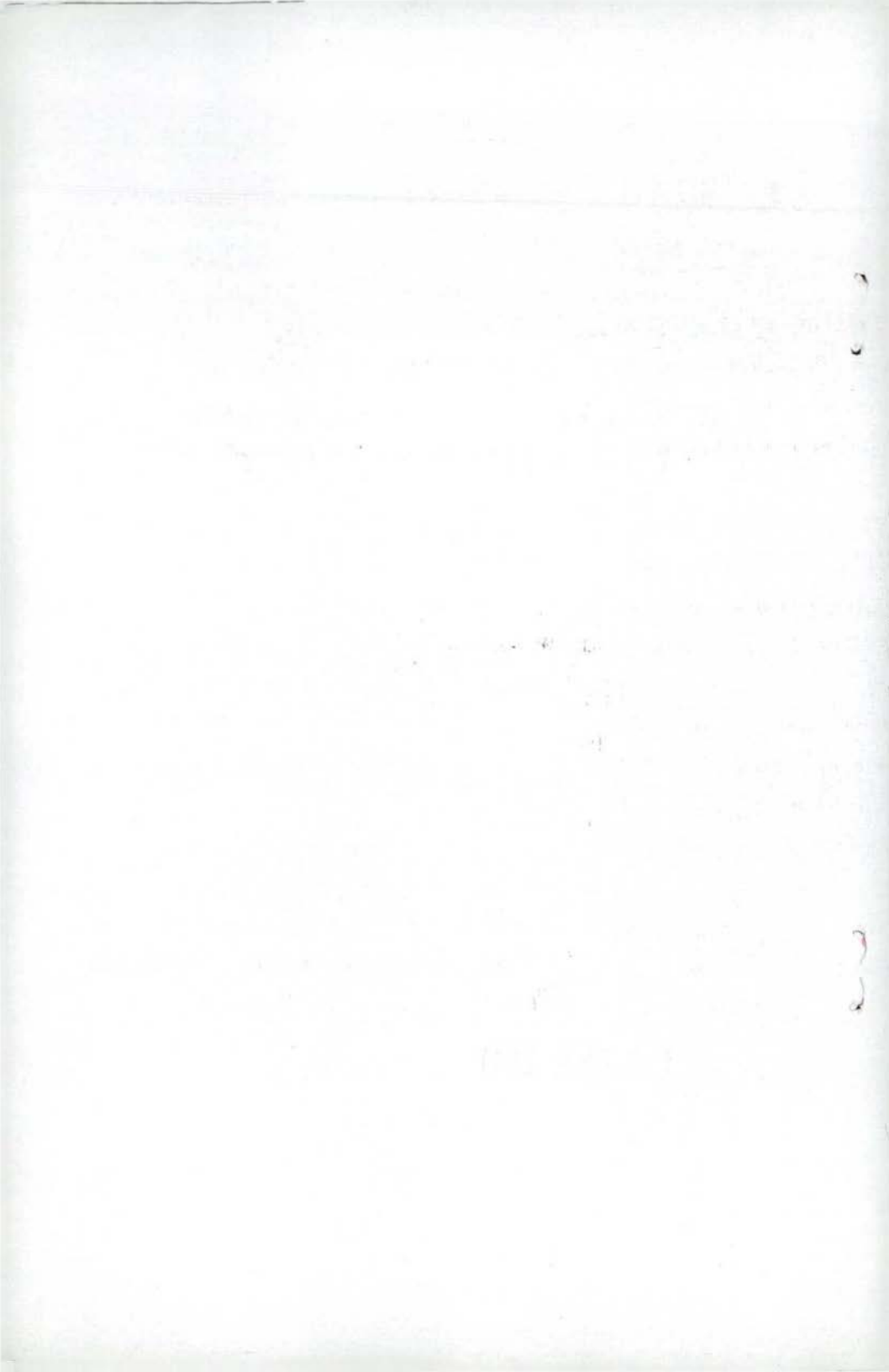
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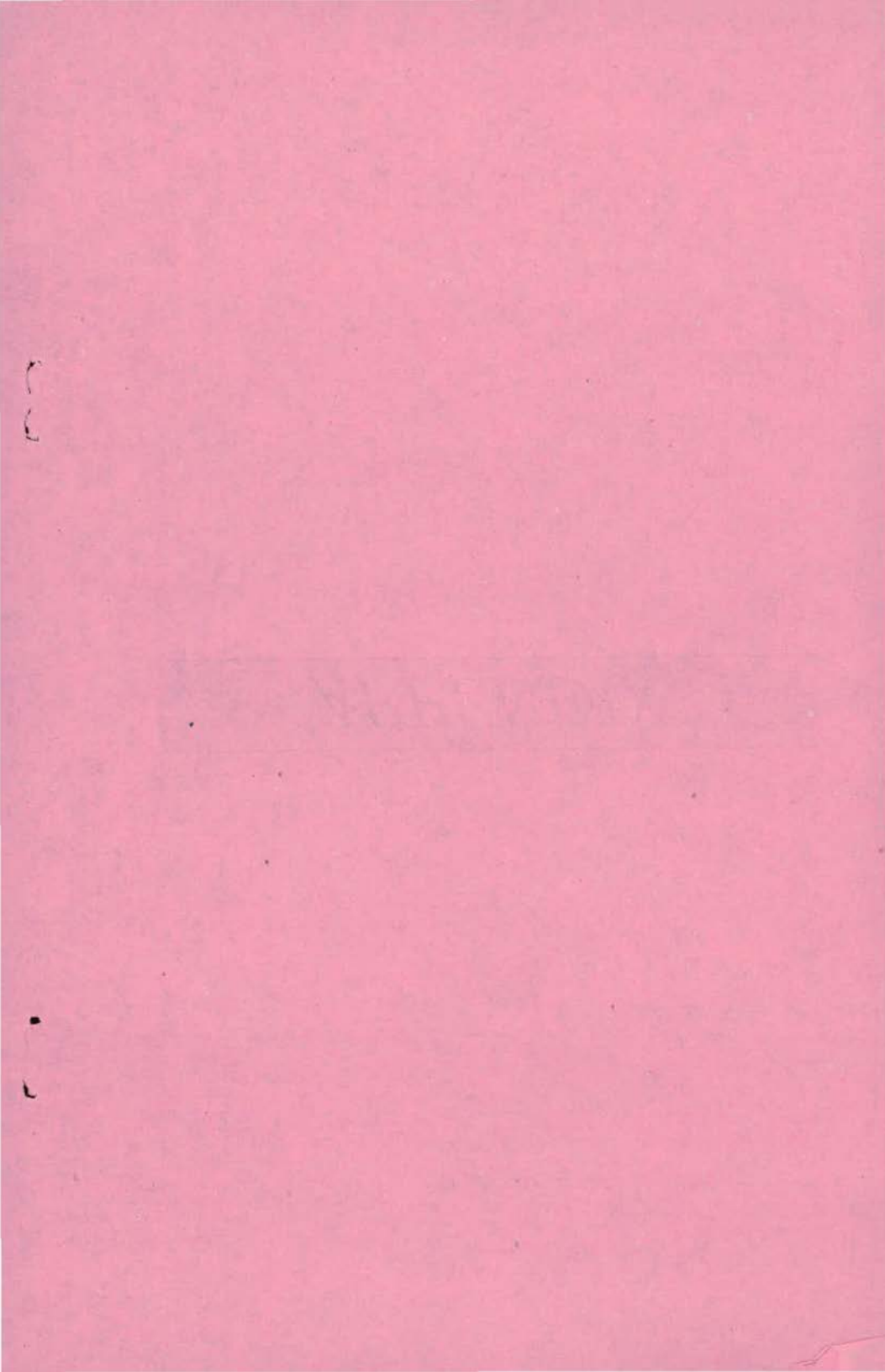
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Comptroller and Auditor General of India

11 FEB 2011



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 2006-07
		2005-06	2006-07	
1.	Local Administration – Other Expenditure	30.90	83.10	169
2.	Education, Adult Education and DSEB	473.27	531.36	12
3.	Sports & Youth Affairs	8.40	18.05	115
4.	Information & Public Relations	4.10	15.56	280
5.	Agriculture & Horticulture	28.51	37.78	33
6.	Sericulture	2.25	8.71	287
7.	Environment & Forest	14.14	83.62	491
8.	Rural Development & Planning	35.94	87.11	142
9.	Road Transport Services,	37.10	70.46	90

Source: Council's records

