

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

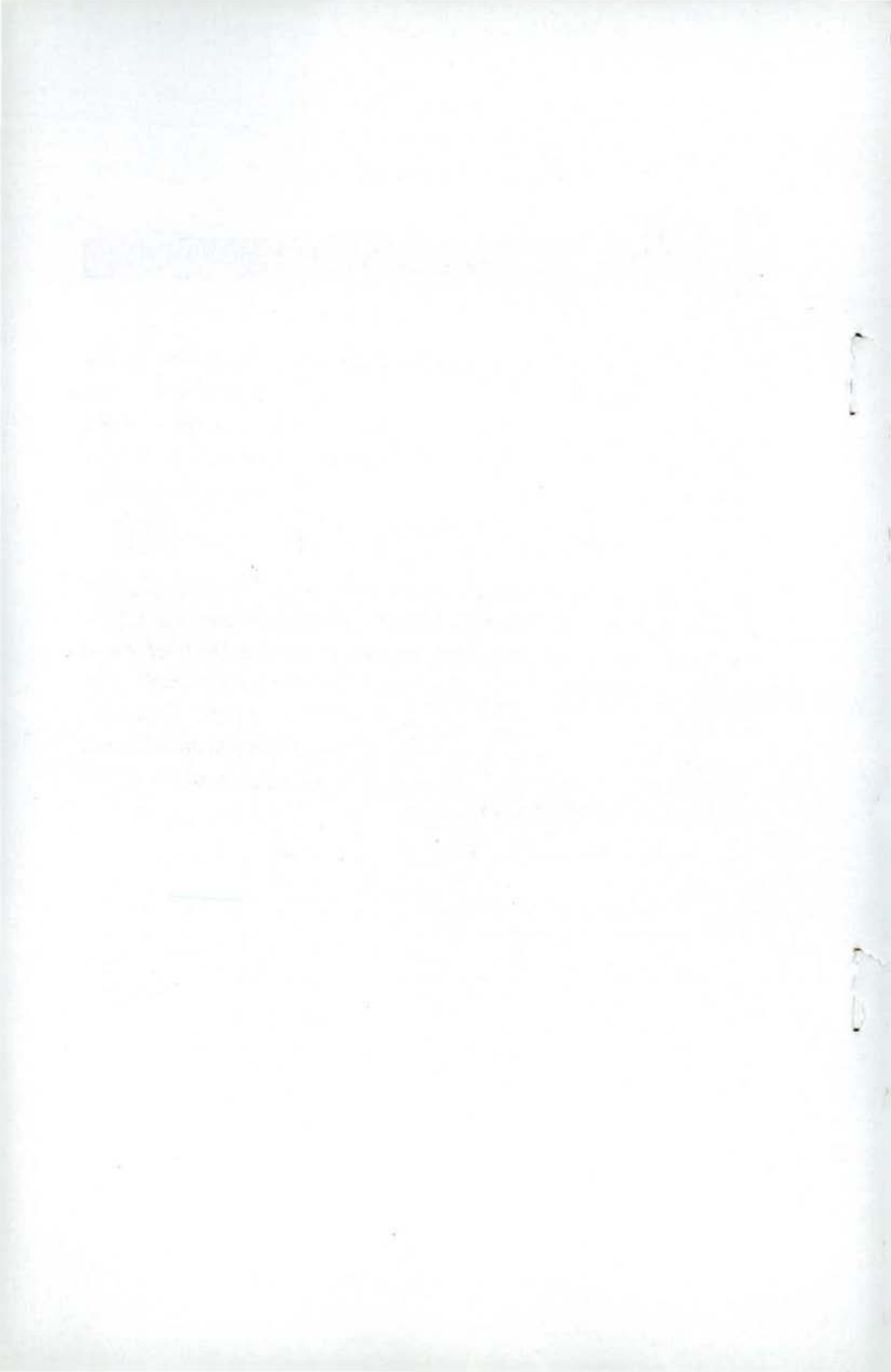
**FOR THE YEAR ENDED 31 MARCH 2007**

**LAI AUTONOMOUS DISTRICT COUNCIL,  
LAWNGTLAI, MIZORAM**



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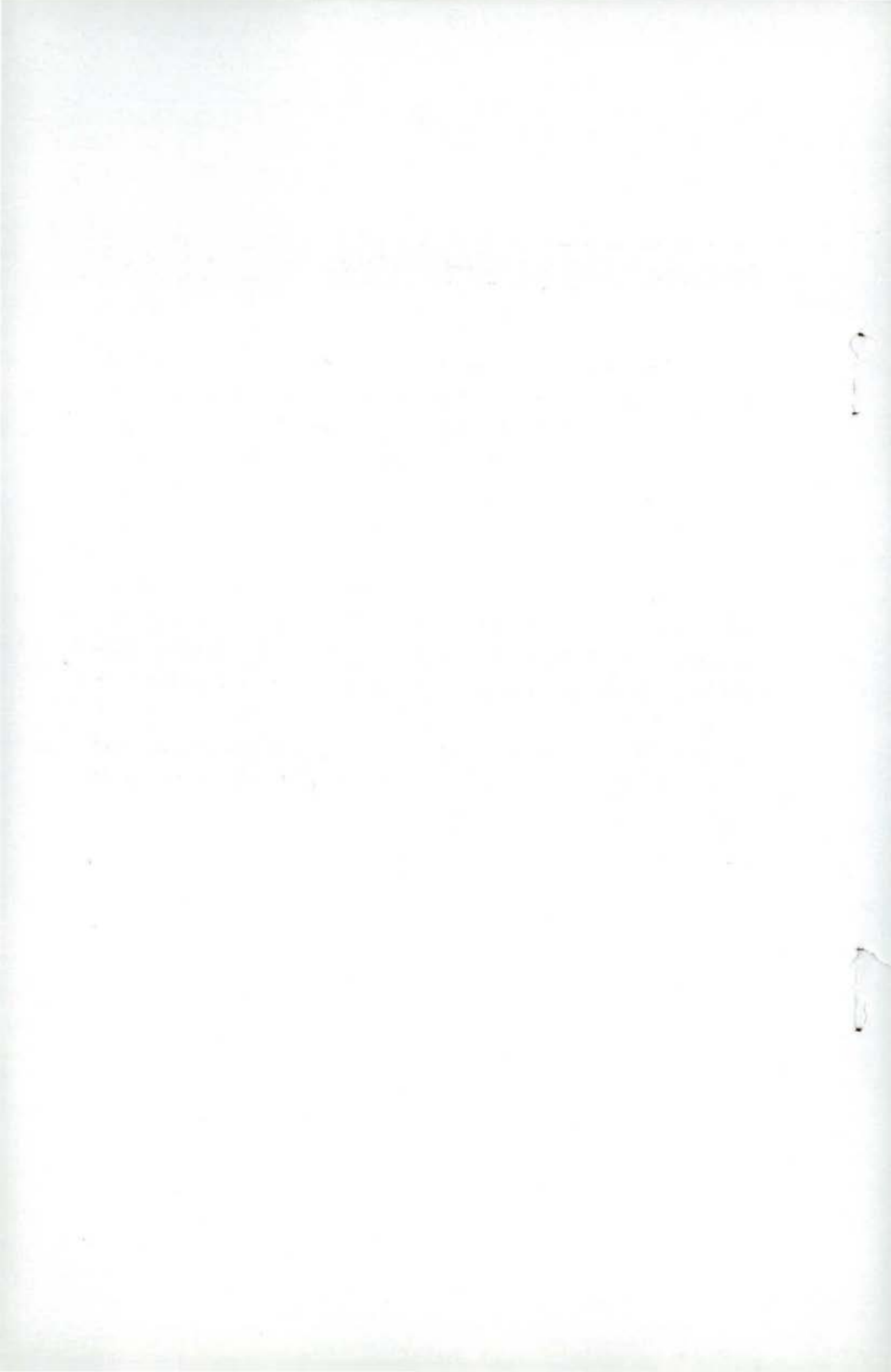
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## **PREFACE**

*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 of transactions of the Lai Autonomous District Council, Lawngtlai, Mizoram for the year 2006-07.*

2. *This Report contains three Chapters. The first chapter deals with the constitution of the Lai 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 the various irregularities noticed in the course of 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 one paragraph and Chapter-III of the Report details the audit findings pertaining to transaction audit of the Council and contains five paragraphs. The main observations of audit are detailed below:

### 1. Audit findings on transaction audit

Engagement of large number of Officers and Staff (1,648 numbers) and 78 *per cent* expenditure (₹ 23.36 crore) of the Council's total expenditure towards their salary during 2006-07 had adversely impacted the developmental activities of the Council.

*(Paragraph 3.1)*

Two revenue earning Departments (Land Revenue and Forest) achieved collection of revenue of ₹ 16.62 lakh only, which constitute 6 *per cent* of the salary expenditure (₹ 2.61 crore) incurred against the staff of these two Departments during 2006-07.

*(Paragraph 3.2)*

**The Council did not ensure the actual utilisation of financial assistance of ₹ 14.29 lakh released to 324 beneficiaries under different programmes.**

*(Paragraph 3.3)*

## 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 the provisions of paragraph 20B of the Sixth Schedule, Chakma Regional Council along with Pawi Regional Council and Lakher Regional Council were elevated to the status of District Councils with effect from 29 April, 1972 under Mizoram District Councils (Miscellaneous Provision) Order, 1972. The Pawi District Council was renamed as the Lai Autonomous District Council from 1 May, 1989 under Notification issued by the Government of Mizoram in May, 1989.

The Sixth Schedule to the Constitution of India vests the District Council with the powers to make law on matters listed in paragraph 3(1) of the Sixth Schedule mainly in respect of allotment, occupation, use, etc., of land, management of forests other than reserve forests, use of any canal or water tower for agriculture, regulation of the practice of '*Jhum*' or other forms of shifting cultivation, establishment of village or town communities or council and their powers, village or town administration including police, public health and sanitation and inheritance of property. Under Paragraph 6(1) of the Sixth Schedule, the Council has power to establish, construct or manage primary schools, dispensaries, markets, cattle, ponds, ferries, fisheries, roads, road transport and water ways in the respective autonomous district. The Council also has power 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 boat tolls on



passengers and goods carried in ferries and for the maintenance of schools, dispensaries and roads as listed in paragraph 8 of the Sixth Schedule.

The Lai Autonomous District Council consists of 27 Members including 23 elected Members and four nominated Members and is headed by a Chief Executive Member. The Council is headquartered at Lawngtlai, 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 shall be credited all moneys received by the Council in the course of administration of the districts in accordance with the provisions of the Constitution. In terms of the provisions 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 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 and the said Rules came into effect from the 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 Councils are to be maintained, were prescribed by the Comptroller and Auditor General of India with the approval of the President of India in April 1977.

The results of the test check (June 2008) of the Annual Accounts of the Council 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 and the ways and means position of the Council's fund month by month during the year 2006-07
iv	Statement No. 4	Loans and advances by the Council
v	Statement No. 5	Detailed account of Revenue by Minor Heads
vi	Statement No. 6	Detailed account 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 Disbursements

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

Table 2.1

(Rupees in lakh)

PART - I DISTRICT FUND					
REVENUE SECTION					
Receipts			Disbursements		
(i)	Taxes on Income and Expenditure	23.94	(i)	District Council	119.19
(ii)	Land Revenue	8.68	(ii)	Executive Members	61.12
(iii)	Public Works	1.37	(iii)	Administration of Justice	16.09
(iv)	Other Administrative Services	0.02	(iv)	Land Revenue	146.56
(v)	Education	1.51	(v)	Stamp and registration	0.20
(vi)	Other General Economic Services	1.82	(vi)	Secretariat General Services	214.99
(vii)	Forests	7.94	(vii)	Public Works	138.54
(viii)	Grants-in-Aid from State Government	2963.00	(viii)	Pension/Gratuity	127.10
			(ix)	Education	1478.50
			(x)	Art & Culture	32.11
			(xi)	Public Health, Sanitation and Water Supply	19.03
			(xii)	Urban Development	97.39
			(xiii)	Information & Publicity	23.25
			(xiv)	Social Security & Welfare	32.97
			(xv)	Sericulture	9.90
			(xvi)	Co-operation	10.00
			(xvii)	Inland Water Ways	7.00
			(xviii)	Sports & Youth Services	24.68
			(xix)	Agriculture & Horticulture	39.11
			(xx)	Soil Conservation	21.69
			(xxi)	Fisheries	8.98
			(xxii)	Forests	138.64
			(xxiii)	Road transport Services	37.83
			(xxiv)	Rural Development	61.64
			(xxv)	Industry	30.56
			(xxvi)	Animal Husbandry & Veterinary	12.22
Total Revenue Receipts		2909.29	Total Revenue Expenditure		2909.29

(Rupees in lakh)

CAPITAL SECTION			
Grants-in-Aid from the State Government	99.00	Capital Disbursements	99.00
<b>Total Capital Receipts</b>	<b>99.00</b>	<b>Total Capital Disbursements</b>	<b>99.00</b>
DEBT SECTION			
Loan received from the State Government	NIL	Repayment of loan received from the State Government	NIL
Loans received from other sources	NIL	Repayment of loan received from other sources	NIL
Recoveries of loans and advances	NIL	Disbursement of loans and advances	NIL
<b>Total Debt Receipts</b>	<b>NIL</b>	<b>Total Debt Disbursement</b>	<b>NIL</b>
<b>Total of Part-I District Fund</b>	<b>3008.29</b>	<b>Total of Part-I District Fund</b>	<b>3008.29</b>
PART-II DEPOSIT FUND			
DEPOSIT SECTION			
Deposit Receipt	NIL	Deposit Disbursements	NIL
<b>Total of Part-II Deposit Fund</b>	<b>NIL</b>	<b>Total of Part-II Deposit Fund</b>	<b>NIL</b>
OVERALL POSITION			
<b>Total Receipts (Part-I + Part-II)</b>	<b>3008.29</b>	<b>Total Disbursements (Part-I + Part-II)</b>	<b>3008.29</b>
Opening balance	49.00	Closing balance	49.00
<b>Grand Total</b>	<b>3057.29</b>	<b>Grand Total</b>	<b>3057.29</b>



It would be seen from the above that the Council had spent a total amount of ₹ 2,335.70 lakh towards payment of salaries to officers and staff during 2006-07 against the development activities taken up at the cost of ₹ 322.83 lakh only. The engagement of such a large number of officers and staff over the years without any norms was not only injudicious and unjustified but also adversely affected the developmental activities of the Council.

In their reply, the Council clarified (April 2010) that plan fund mainly centered on teaching staff and villages without elementary schools were covered with establishment of new schools with appointment of teaching staff. But the reply is however, silent about the engagement of huge number of officers and staff over the years without any norms.

### **3.2 Expenditure on Salaries *vis-à-vis* revenue collection**

An analysis of the performance of two major revenue earning Departments of the Council for the year 2006-07 revealed that an expenditure of ₹ 261.40 lakh was incurred towards salaries of officers and staff of Land Revenue and Forest Department alone. The salaries of officers and staff of these two Departments was

un-reasonably high in comparison with the collection of revenue of these two Departments as detailed under:

Table 3.2

(Rupees in lakh)

Name of the Department	Revenue Collection	Expenditure incurred	No. of staff engaged	Percentage of revenue in comparison with expenditure incurred on salaries
Land Revenue	8.68	140.56	121	6
Forest	7.94	120.84	124	7
Total	16.62	261.40	245	6

Source: Council's records.

It would be seen from the above that the percentage of revenue collection was only 6 to 7 per cent of the expenditure incurred towards payment of salaries of the officers and staff of these two Departments. This was indicative of injudicious and excess entertainment of officers and staff in the Departments. Thus, there is an urgent need to revisit the working of the Departments.

### **3.3 Non-receipt of utilization certificates and expenditure statement against financial assistance**

Test check of vouchers along with other relevant records revealed that the Animal Husbandry and Veterinary, Horticulture and Agriculture Department made payment of ₹ 14.29 lakh to 324 beneficiaries towards financial assistance for implementation of

different programmes as detailed under.

**Table-3.3**

*(Rupees in lakh)*

Sl. No.	Name of Department	Amount paid	No. of beneficiaries	Purpose of assistance
1.	Animal Husbandary and Veterinary	3.33	111	Cattle rearing
2.	Horticulture	6.96	132	Financial assistance to Horticulturist
3.	Agriculture	4.00	81	Financial assistance to Cultivator
	<b>Total</b>	<b>14.29</b>	<b>324</b>	

*Source: Council's records.*

None of the beneficiaries submitted (April 2010) Utilization Certificates (UCs) with statement of expenditure as required under the General Financial Rules. Thus, the actual activities undertaken by these beneficiaries could not be ascertained in audit.

Reasons for not obtaining UCs and statement of expenditure from the beneficiaries concerned had not been furnished. While accepting the irregularities, the Council stated (April 2010) that UCs will be insisted from the beneficiaries as per audit instructions.

### **3.4 Outstanding Inspection Reports**

Audit observations on financial irregularities and defects in maintenance of Annual Accounts noticed during local audit and not settled on the spot are communicated to the heads of officers and to the next higher authorities through the Local Audit Inspection Reports.

Eight IRs containing 60 paragraphs relating to the Council for the year period 1996-97 to 2006-07 were awaiting settlement (April 2010).

Therefore, effective steps may please be taken to furnish appropriate replies to the outstanding paragraphs for their early settlement.

### 3.5 Disclaimer Statement

This Report has been prepared on the basis of information furnished and records made available by the Lai 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.



(L. TOCHHAWNG)

Aizawl

The 11 JAN 2011

Accountant General (Audit)  
Mizoram

Countersigned



(VINOD RAI)

New Delhi

The

Comptroller and Auditor General of India

03 FEB 2011

