

REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2005

CHAKMA AUTONOMOUS DISTRICT COUNCIL,
KAMALANAGAR,
MIZORAM

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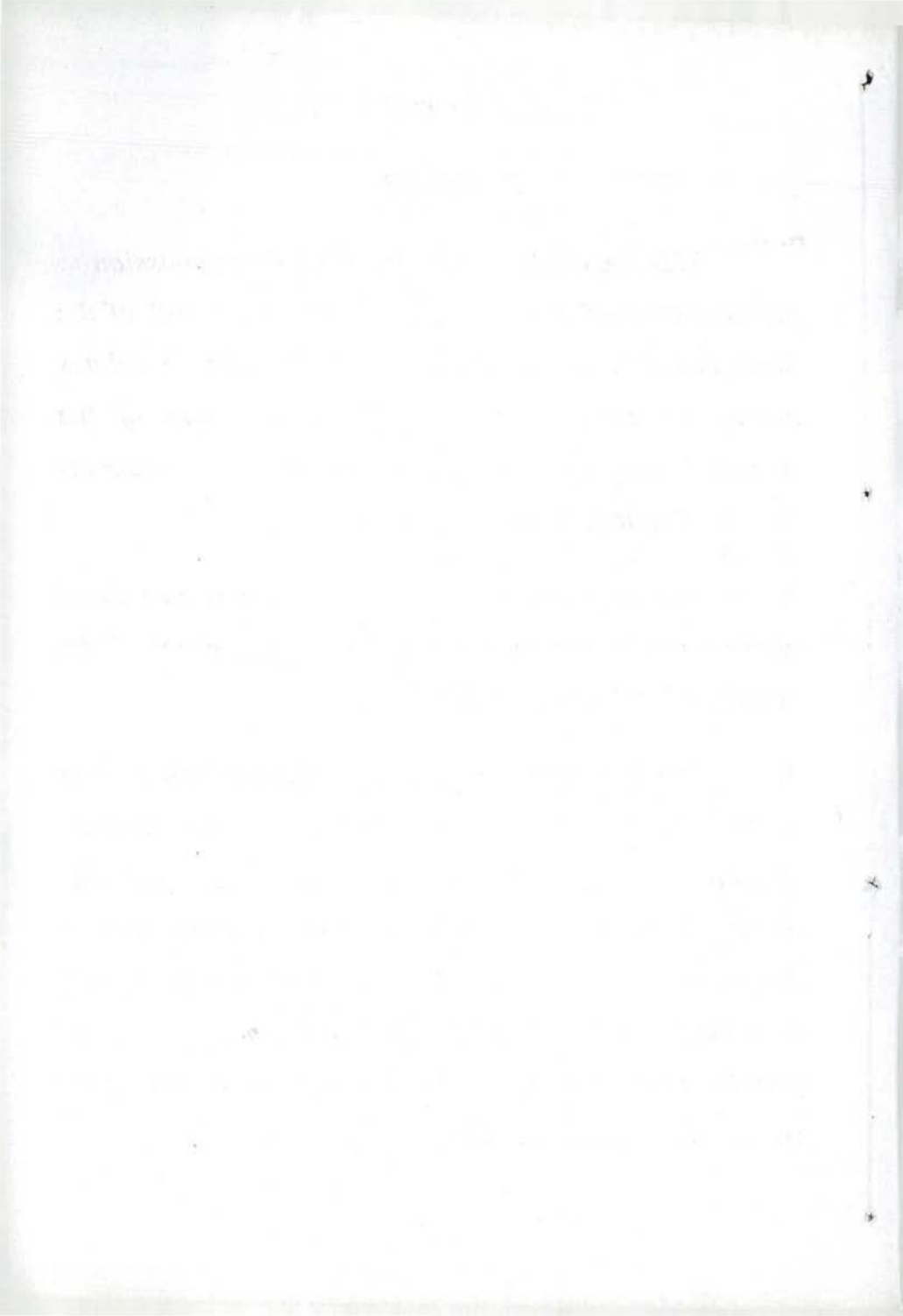
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PREFACE

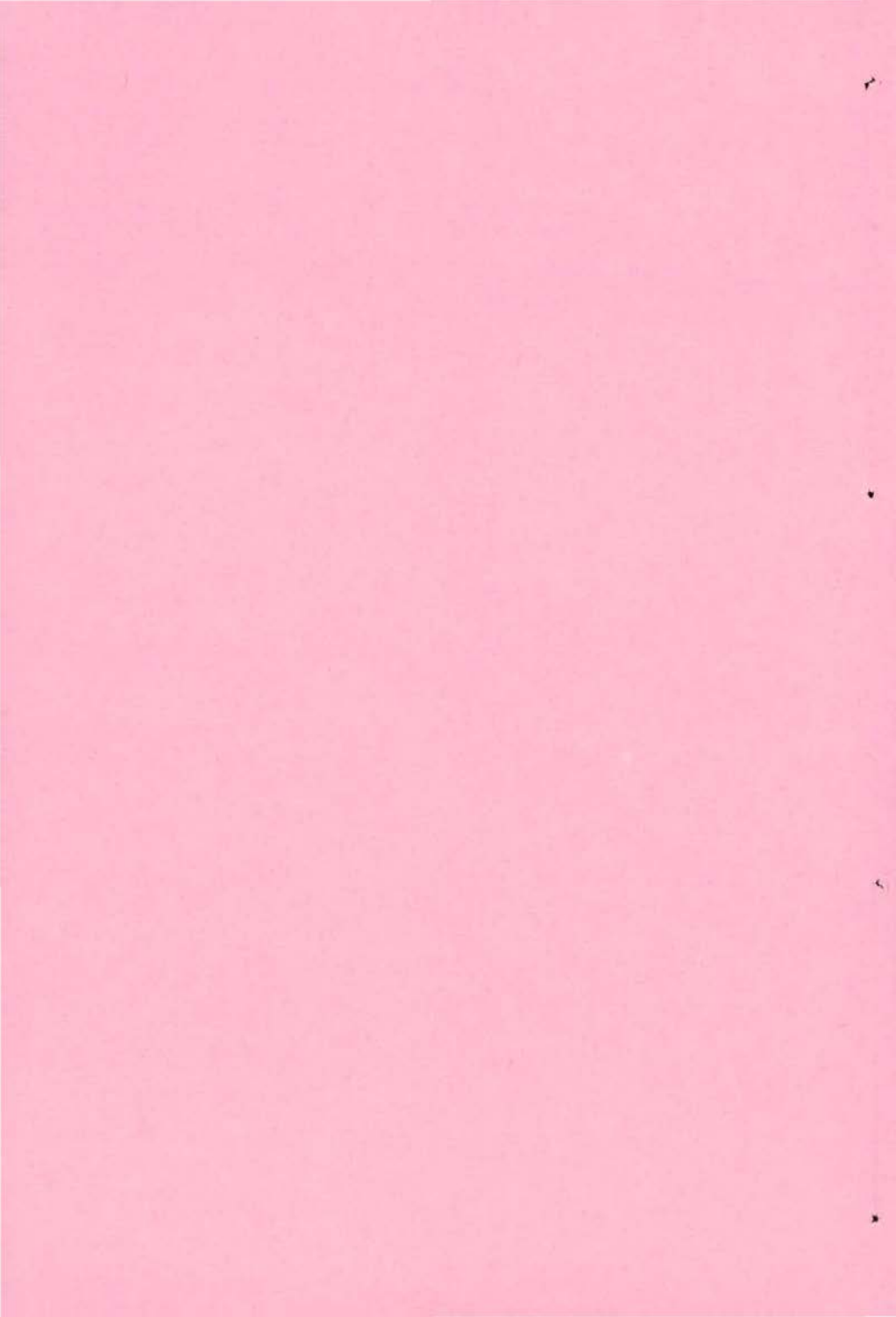
This Report has been prepared for submission to the Governor of Mizoram under paragraph 7(4) of the Sixth Schedule to the Constitution of India. It relates mainly to the points arising from the audit of the financial transactions of the Chakma Autonomous District Council, Kamalanagar, Mizoram.

2. *The cases mentioned in this Report are those which came to notice in the course of test check of the accounts for the year 2004-05.*

3. *The Report contains three sections, of which, one section 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 sections include comments on the Council's financial position and the irregularities noticed during audit of the transactions relating to the year 2004-05.*



OVERVIEW



OVERVIEW

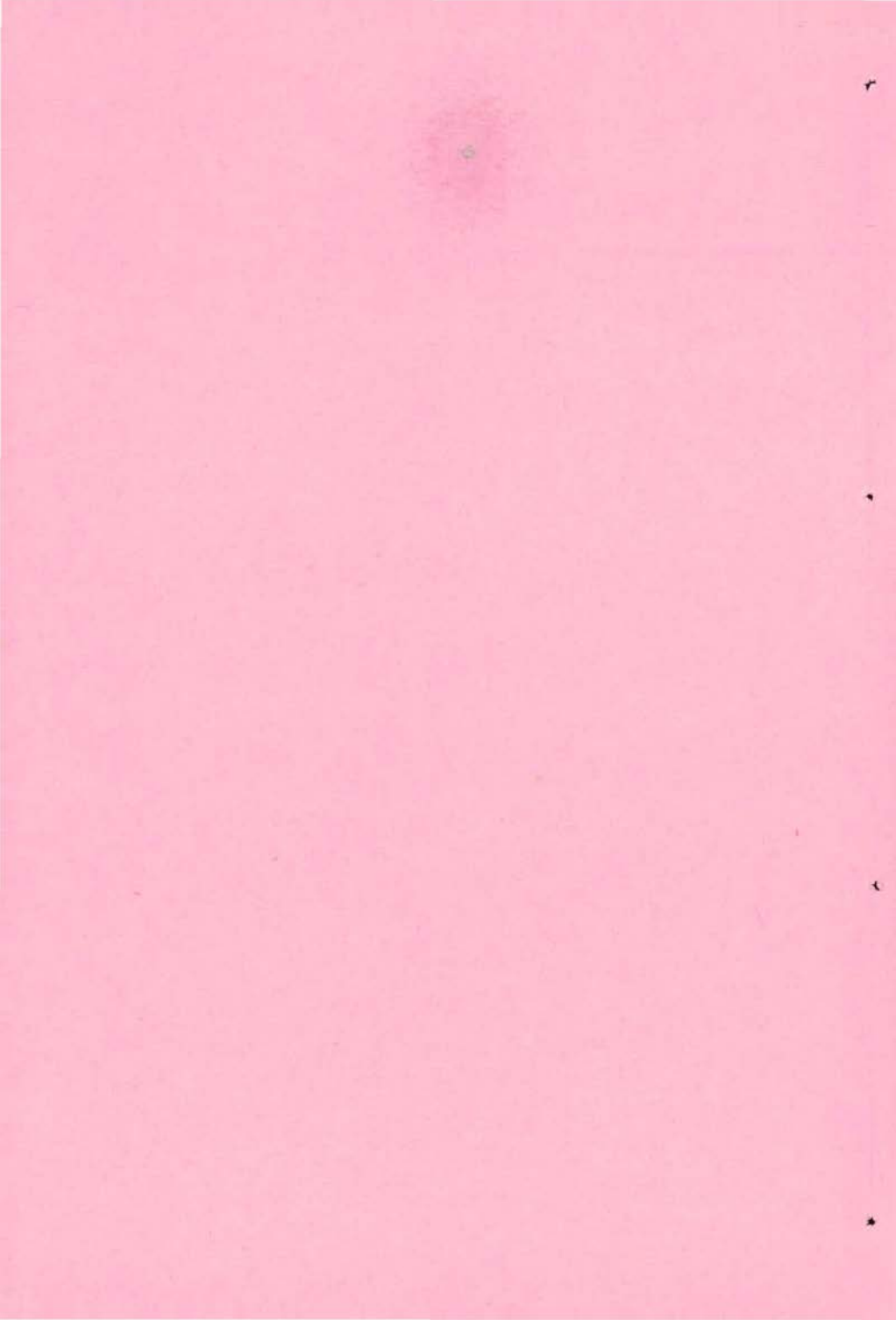
The significant audit findings are summarized below:

- The Council had not disclosed the transactions pertaining to Deposit Funds (Pension Funds) in its annual accounts.

(Paragraph 2.2 (ii))

- Failure of the Council to contribute its matching share of Rs.41 lakh resulted in non-implementation of the Centrally Sponsored Scheme on Strengthening of Revenue Administration and Updating of Land Records.

(Paragraph 3.3)



SECTION – 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 reorganised 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, trades, callings and employment, animals, vehicles and boats, tolls on passengers and goods carried in ferries and for maintenance of schools, dispensaries and roads.

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 is to be credited all money received by the Council in accordance with the provisions of the Constitution. 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. The Government of Mizoram framed 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 2004-05 were prepared in the prescribed format. The results of test check of the Annual Accounts are given in the succeeding Sections.

THE STATE OF NEW YORK

IN SENATE

JANUARY 10, 1900

REPORT

OF THE

COMMISSIONERS OF THE LAND OFFICE

IN ANSWER TO A RESOLUTION

PASSED BY THE SENATE

APRIL 18, 1899

ALBANY:

ANDREW DEWEY, STATE PRINTER

1900

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SECTION – II

2.1 Receipts and Expenditure

According to the Annual Accounts, the receipts and expenditure of the Council for the year 2004-05 were as under:

Table 2.1

(Rupees in lakh)

Receipts		2004-05	Disbursements		2004-05
PART – I DISTRICT FUND					
A. Revenue Receipts			A. Revenue Expenditure		
i)	Land Revenue	4.03	i)	District Council Secretariat	469.00
ii)	Taxes on Income	12.84	ii)	Chairman, Deputy Chairman and Members etc.	25.32
iii)	Land Revenue and Survey	---	iii)	Executive Members	21.96
iv)	Other Receipts	4.91	iv)	Local Administration	25.05
v)	Other Administrative Services	0.11	v)	Land Revenue	62.79 ¹
vi)	Education, Tution and other fees etc.	1.37	vi)	Public Works	64.40
vii)	Forests	0.11	vii)	Local Administration-other expenditure	22.56
viii)	Grants-in-aid from the State Government	1347.40	viii)	Pension and Other Retirement benefits	41.17
			ix)	Education and DSEB	439.92
			x)	Sports and Youth Affairs	7.81
			xi)	Art and Culture	24.97
			xii)	Public Health and Sanitation	16.18
			xiii)	Information and Public Relations	3.45
			xiv)	Social Welfare	8.44
			xv)	Co-operation	4.14
			xvi)	Agriculture and Horticulture	24.75
			xvii)	Sericulture	3.09
			xviii)	Relief and Rehabilitation	1.75

¹ Under land Revenue, there was considerable increase in expenditure during 2004-05 in comparison with 2003-04 (Rs.1.60 lakh) due to expenditure on cadastral survey.

(Rupees in lakh)

Receipts		2004-05	Disbursements		2004-05
A. Revenue Receipts			A. Revenue Expenditure		
			xix)	Fisheries	4.28
			xx)	Forests and Environment	17.40
			xxi)	Soil Conservation & Minor Irrigation	9.08
			xxii)	Industries	11.60
			xxiii)	Animal Husbandry & Veterinary	2.99
			xxiv)	Rural Development & Planning	23.40
			xxv)	Waterways	5.58
			xxvi)	Road Transport Services	29.69
Total Revenue Receipts		1370.77	Total Revenue Expenditure		1370.77
B. Capital Receipts		NIL	B. Capital Expenditure		NIL
C. Debt			C. Debt		
i)	Loans received from the State Government	NIL	i)	Repayment of loans received from the State Government	NIL
ii)	Loans received from other sources	NIL	ii)	Repayment of loans received from other sources	NIL
D. Loans and Advances			D. Loans and Advances		
	Recoveries of loans and advances	NIL		Disbursement of loans and advances	NIL
Total of Part-I District Fund		1370.77	Total of Part-I District Fund		1370.77
Part-II DEPOSIT FUND					
A. Deposit Receipts		NIL	A. Deposit Payments		NIL
Total of Part-II Deposit Fund		NIL	Total of Part-II Deposit Fund		NIL
Total Receipts (Part-I + Part-II)		1370.77	Total Disbursements (Part-I + Part-II)		1370.77
Opening balance		NIL	Closing balance		NIL
Grand Total		1370.77	Grand Total		1370.77

2.2 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

Out of Rs.41 lakh received by the Council during 2004-05 for Strengthening of Revenue Administration (SRA) and Updating of Land Records (ULR), only Rs.31 lakh was spent during the year, and the remaining amount was utilized during 2005-06 as per the Actual Payee Receipts made available to audit. However, in the subsidiary cash book maintained by the Land Revenue Department, the entire amount of Rs.41 lakh was irregularly shown as expended during 2004-05 resulting in overstatement of expenditure by Rs.10 lakh. While accepting the discrepancies, the Executive Secretary stated that the discrepancies would be rectified.

ii) 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 2004-05. The details are given below:

Table 2.3

(Figures in rupees)

Year	Fund position				Expenditure	Closing balance
	Opening balance	Three per cent staff contribution	Bank interest	Total		
2004-05	12,33,646.00	8,33,558.00	27,369.33	20,94,573.33	1,25,023.00	19,69,550.33

Source: Council's records

Non-disclosure of the above transactions in the Accounts affected the true and fair view of the financial position of the Council for the year 2004-05, as the Opening Balance and Closing Balance were understated by Rs.12.34 lakh and Rs.19.70 lakh respectively.

Further, pending formulation of rules regulating retirement benefits of staff with the approval of the Governor, 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 (Grant-in-aid of Rs.25 lakh received during 2004-05 for staff pension). Operation of pension fund, without obtaining Government consent, was irregular. The Executive Secretary, however, clarified (May 2008) that they were ignorant about the need to incorporate the above facts in the Annual Accounts for the year 2004-05 and 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 justified, as the deficit can be met by raising supplementary demand.

SECTION – III

3.1 Entertainment of staff without 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.

Scrutiny of the records, however, revealed that the Council had entertained 862 staff without reference to any norm during 2004-05, as shown in the table below:

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	124	359	483	186	193	379	862

Source: Council's records

The total financial implication involved in meeting the pay and allowances of these staff was as under:-

Table 3.2

(Rupees in lakh)

Expenditure incurred out of Govt. grants towards salary			Total Expenditure (Plan + N.P) of the Council	Percentage of Expenditure on Staff against total expenditure
Plan	Non-Plan	Total		
291.33	683.32	974.65	1306.40	75

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 189 teachers² against norms in the schools run by the Council. As can be seen from the table above, about 75 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 stated (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 its failure to determine and rationalize the staffing pattern.

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 2004-05.

² Total Students in Primary Schools = 5657

Total Students in upper primary (middle) schools = 1935

Total students in primary and upper primary schools = 7592

No. of Teachers as per Teacher Pupil ratio under SSA norms (1:40) = 190

Excess Teacher engaged (379 - 190) = 189

Table 3.3

(Rupees in lakh)

Sl. No	Items	Assessed demand	Actual collection	Shortfall	Percentage of shortfall
1.	House sites	2.26	4.03	2.47	38
2.	Garden sites	2.10			
3.	Wet Rice cultivation	2.00			
4.	Shop sites	0.05			
5.	Fishery sites	0.07			
6.	Poundry sites	0.02			
Total		6.50	4.03	2.47	38

Source: Council's records

Details of item-wise collection were not recorded either in the receipt books or in a combined item-wise collection Register. As a result, the item-wise actual collection of revenue could not be ascertained in audit.

It would be seen from the above table that during 2004-05 against assessed demand of Rs.6.50 lakh towards six items, the Council could collect only Rs.4.03 lakh revenue with percentage of shortfall to the tune of 38.

The Executive Secretary stated (May 2008) that efforts are on for improving the collection.

3.3 Non-implementation of CSS

To implement a Centrally Sponsored Scheme (CSS) for Strengthening the Revenue Administration and Updating of Land Records, the State Government (District Council Affairs Department) released 50 per cent approved project cost of Rs.41 lakh to the Council during 2004-05, as

central share. The Council was to contribute the remaining 50 *per cent* of Rs.41 lakh while implementing the scheme during 2004-05.

Scrutiny of the records revealed that though the Council initially submitted the project proposal for Rs.82 lakh with an assurance to contribute its share of Rs.41 lakh (50 *per cent*), it had failed to make its own contribution of Rs.41 lakh, which resulted in partial implementation of the said Scheme. The details of allocation and expenditure incurred by the Council are shown in *Appendix – 3.1*. As can be seen from the *Appendix – 3.1*, under four items, 57 to 100 *per cent* of works could not be implemented due to non release of the Council's share.

The Executive Secretary stated (May 2008) that the scheme will be fully implemented on receipt of allocation from the State Government. The reply is not acceptable, as the State Planning Department advised (September 2005) the Council to meet the requirement from its existing fund allocation.

3.4 Irregularities in release of financial assistance

The State Government released a grant of Rs.10 lakh during 2004-05 to the Council for land development by manual system @ Rs.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 200 individual beneficiaries for release of financial assistance @ Rs.0.05 lakh each (covering one-third hectare) during 2004-05.

The concerned Department had disbursed the financial assistance to 200 beneficiaries during July – August 2004 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 Rs.10 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.

3.5 Irregular payment of Grants

Mention was made in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 regarding irregular release (2003-04) of grant of Rs.6 lakh by the Council to four private Middle

Schools towards meeting salary expenditure of teachers, in violation of the Constitutional provisions.

The Council had released a further grant of Rs.2 lakh during 2004-05 to those four private Middle Schools.

3.6 Internal control mechanism and internal audit

Internal control 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.

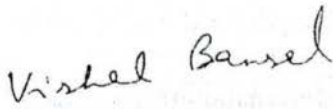
Although Rule 144 of the Mizoram Autonomous District Council Fund Rules, 1996 requires the Chakma Autonomous District Council management to introduce a suitable system for internal audit within the Council with the approval of the Governor and in consultation with the State Accountant General (Audit), such a system had not been introduced (June 2009) by the Council authorities.

3.7 Outstanding Inspection Reports

Audit observations on financial irregularities and deficiencies in maintenance of 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 Inspection Reports (IRs).

Eleven IRs containing 29 paragraphs relating to the period 1987-88 to 2004-05 were yet to be settled as of March 2009.

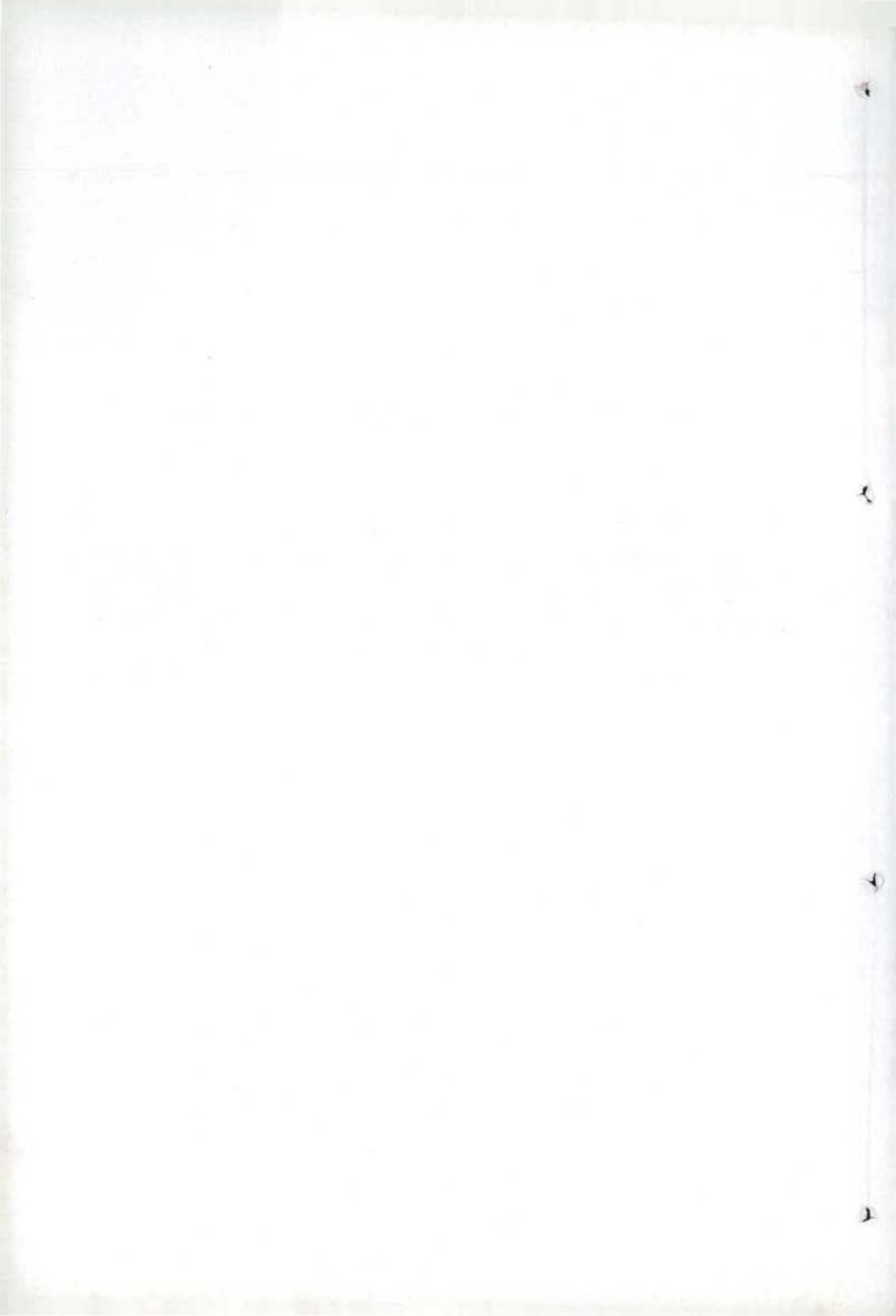
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The


(VISHAL BANSAL)
Accountant General (Audit)
Mizoram

Countersigned

New Delhi
The


(VINOD RAI)
Comptroller and Auditor General of India



APPENDICES



Appendix – 3.1
(Reference Paragraph 3.3 Page 12)
Statement showing incomplete implementation of CSS

(Rupees in lakh)

Sl. No.	Name of items	Total project cost	50 per cent share to be borne by the Council	50 per cent central share released	Expenditure out of central share during 2004-06	Percentage of Shortfall
1.	Purchase of survey equipments	14.00	6.00	8.00	8.00	57
2.	Training of officers and staff	4.00	NIL	4.00	4.00	
3.	Expenses for hiring technicians from outside the State.	6.00	6.00	NIL	NIL	100
4.	Expenses for engagement of surveyors, Khalasis and chairman	11.00	11.00	NIL	NIL	100
5.	Cost of conventional survey of Town/Villages	18.00	18.00	NIL	NIL	100
6.	Purchase of one Gypsy	6.00	NIL	6.00	6.00	
7.	Purchase & maintenance of office furniture and fixture	7.00	NIL	7.00	7.00	
8.	Preparation & maintenance of Land records	6.00	NIL	6.00	6.00	
9.	Construction of 5 village level Record Room-cum-quarters	10.00	NIL	10.00	10.00	
Total		82.00	41.00	41.00	41.00	

Source: Council's Records.

