

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

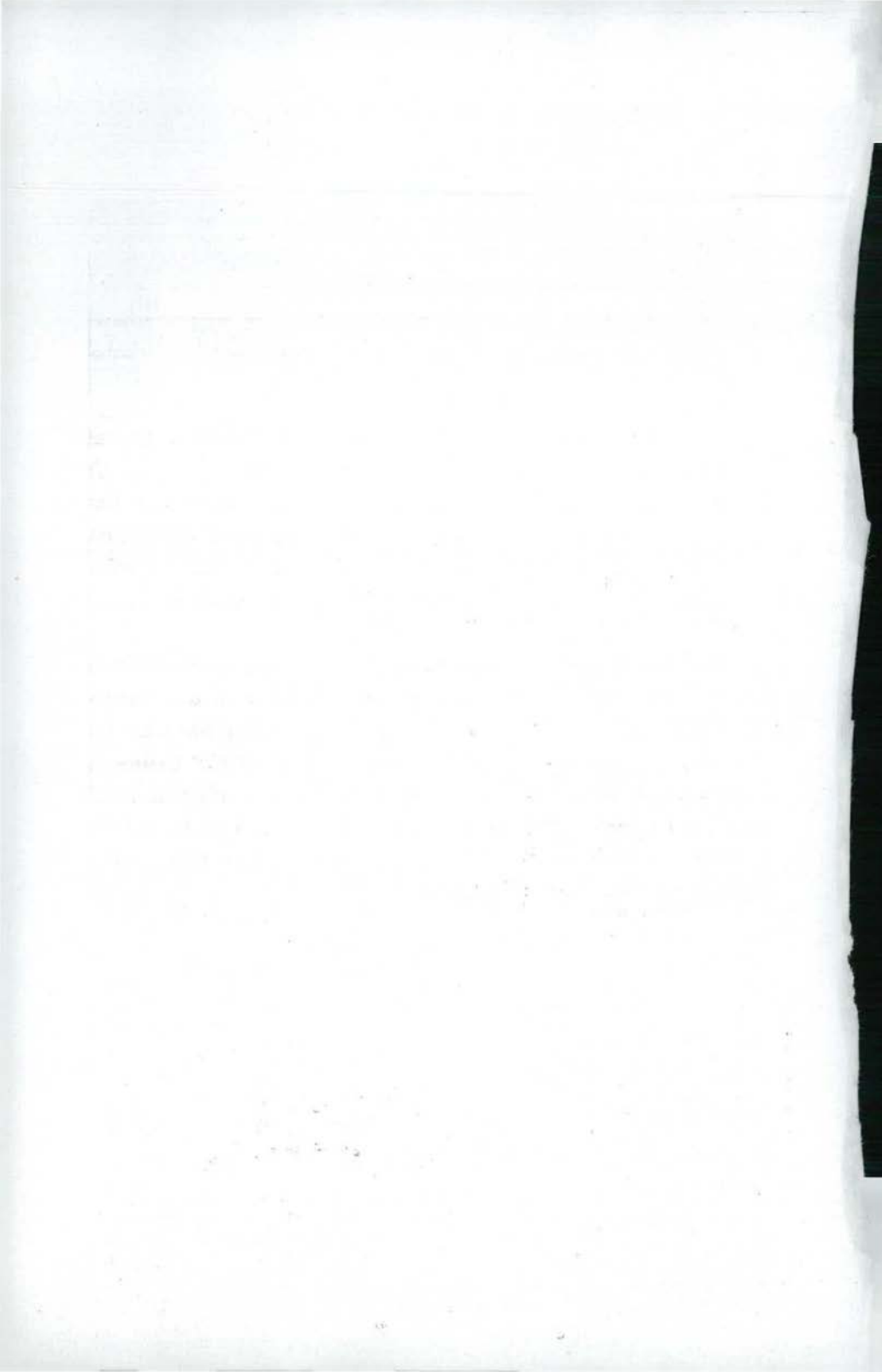
FOR THE YEAR ENDED 31 MARCH 2008

**CHAKMA AUTONOMOUS DISTRICT COUNCIL
KAMALANAGAR
MIZORAM**



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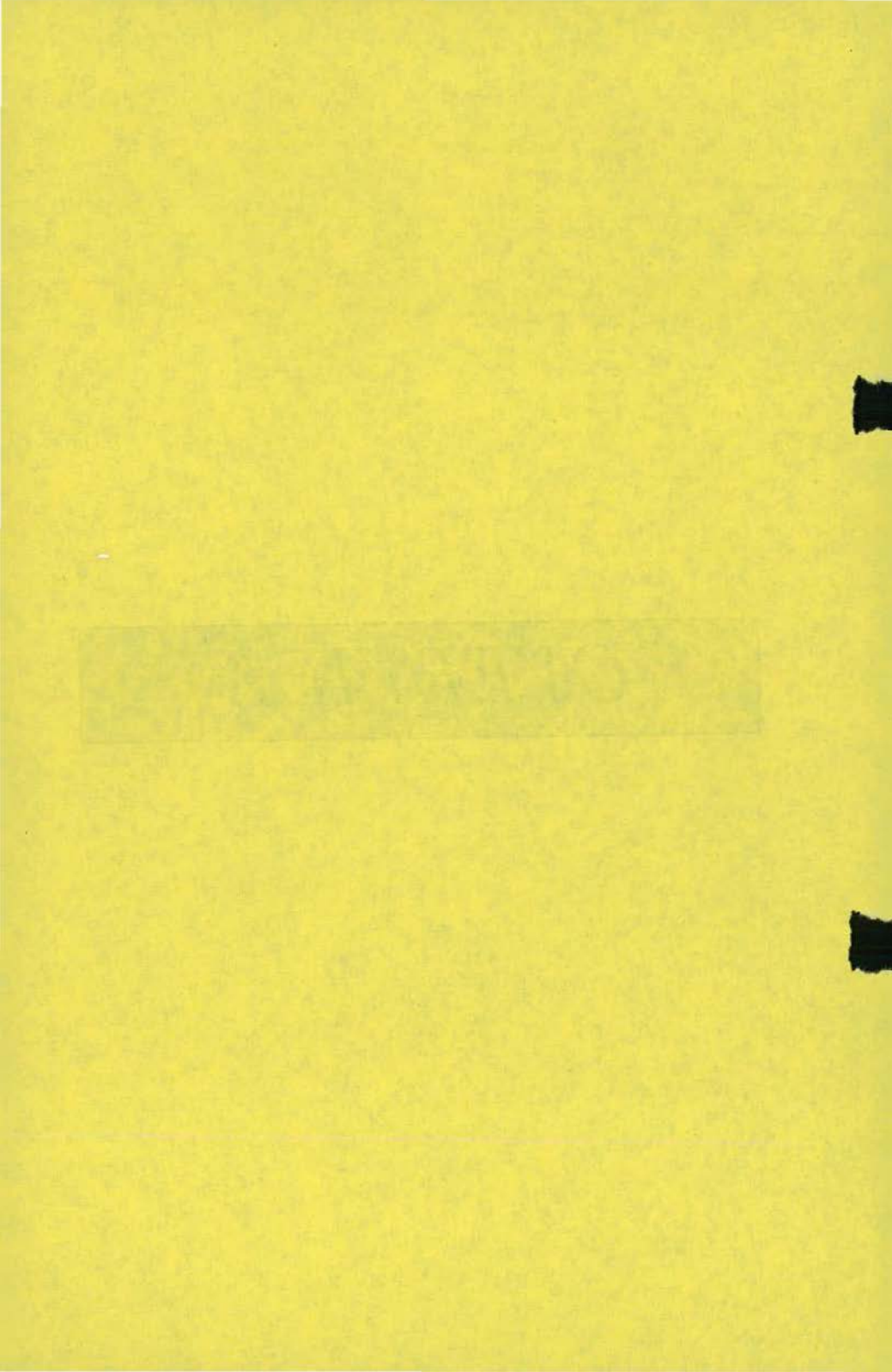
PREFACE

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 well as of the transactions of the Chakma Autonomous District Council, Kamalanagar, Mizoram for the year 2007-08.

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 2007-08.*



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 2007-08 and contains two 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 under Public Works Department was overstated by ₹ 17.20 lakh.

(Paragraph 2.2(i))

The receipts reflected in the Annual Accounts under District School Education Board was understated by ₹ 1.18 lakh, which resulted in further understatement in the closing balance.

(Paragraph 2.2(ii)(a))

The expenditure was overstated by ₹ 0.84 lakh under District School Education Board.

(Paragraph 2.2(ii)(b))

2. Findings on transaction audit

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 71 *per cent* of the total expenditure (Plan and Non-Plan) of the Council during 2007-08.

(Paragraph 3.1)

Against the assessed demand of ₹ 5.58 lakh, the Council could collect only ₹ 1.44 lakh revenue with the percentage of shortfall being 74 *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 2007-08 were prepared in the prescribed format. The results of test check (April 2010) of the Annual Accounts for the year 2007-08 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 (2007-08) 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 2007 - 08 and the ways and means position of the Council's fund month by month.
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 Council Fund and Deposit Fund

2.1 Receipts and Expenditure

The receipts and expenditure of the Council for the year 2007-08 were as under:

Table 2.1

(₹ in lakh)

PART - I DISTRICT FUND					
REVENUE SECTION					
Receipts			Disbursements		
i)	Land Revenue	1.44	i)	Chairman, Deputy Chairman and members etc.	57.10
ii)	Taxes on Income	12.41	ii)	Executive Members	27.57
iii)	Other Receipts	9.01	iii)	Administration of Justice	28.45
iv)	Grants-in-aid from the State Government	2,068.91	iv)	Land Revenue & Settlement	111.87
			v)	District Council Secretariat	199.19
			vi)	Public Works	429.51
			vii)	Pension and Other Retirement benefits	52.50
			viii)	Education & Human Resources	588.75
			ix)	DSEB ¹	32.62
			x)	Adult Education	6.34
			xi)	Agriculture and Horticulture	30.65
			xii)	Fishery	2.54
			xiii)	Public Health Engineering	21.83
			xiv)	Industry	17.20
			xv)	Sericulture	9.76
			xvi)	Animal Husbandry & Veterinary	36.26
			xvii)	Arts & Culture	44.57
			xviii)	Social Welfare	14.14
			xix)	Relief and Rehabilitation	1.50
			xx)	Soil and Water Conservation	18.74
			xxi)	Local Administration - other expenditure	98.36
			xxii)	Environment and Forest	95.08
			xxiii)	Road Transport	72.83
			xxiv)	Sports and Youth Services	13.81
			xxv)	Co-operation	5.71
			xxvi)	Information and Public Relation	11.35
			xxvii)	Rural Development	23.31
			xxviii)	Water Ways	8.21
			xxix)	Planning & Programme Implementation	32.02
Total Revenue Receipts		2,091.77	Total Revenue Expenditure		2,091.77

¹ DSEB = District School Education Board.

(₹ 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	2,091.77	Total of Part-I District Fund	2,091.77
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	22.97	Payment of pension from the Fund	21.03
Total of Part-II Deposit Fund	22.97	Total of Part-II Deposit Fund	21.03
Opening balance	31.92	Closing balance	33.86
OVERALL POSITION			
Total Receipts (Part-I + Part-II)	2,114.74	Total Disbursements (Part-I + Part-II)	2,112.80
Opening balance (Part-I + Part-II)	31.92	Closing balance (Part-I + Part-II)	33.86
Grand Total	2,146.66	Grand Total	2,146.66

2.2 Discrepancies in Annual Accounts :

Audit 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 under the Public Works Department

The expenditure reflected in the Annual Accounts under Plan Sector of Public Works Department was ₹ 377.91 lakh. However, audit scrutiny of subsidiary cash book maintained by Public Works Department revealed that the Department had actually spent ₹ 360.71 lakh during the year with retention of closing balance of ₹ 17.20 lakh at the end of the year 2007-08.

Thus, the expenditure under the Public Works Department was overstated by ₹ 17.20 lakh in the Annual Accounts of the Council during the year 2007-08.

While accepting the discrepancies, the Executive Secretary of the Council stated (April 2010) that the discrepancies will be rectified subsequently. But, it was not rectified (July 2011).

ii) Understatement of receipts, overstatement of expenditure and understatement of closing balance

As per cash book and subsidiary cash book maintained by the Council, the availability of actual fund and expenditure incurred thereon under DSEB during 2007-08 were as under:

(₹ in lakh)

Receipt			Expenditure	
(i)	Opening balance	1.18	(i) Out of Plan Fund	6.16
(ii)	Plan fund	7.00	(ii) Out of Non-Plan fund	24.13
(iii)	Non-Plan fund	24.13	(iii) Out of Local Receipt	1.48
(iv)	Local Receipt	1.48	Sub-total (Sl. No. (i) to (iii))	31.77
			(iv) Closing balance	2.02
Total		33.79	Total	33.79

However, a cross verification of Annual Accounts of the council for the year 2007-08 with reference to above transactions revealed that:

(a) Understatement of Receipts

On the receipts side of the Accounts, no opening balance was exhibited, despite the fact that Council had brought forward an opening balance of ₹ 1.18 lakh at the beginning of the year (2007-08). The total receipts of the Council during the year will be ₹ 2,092.35 lakh (₹ 2,091.17 lakh + ₹ 1.18 lakh) and not ₹ 2,091.17 lakh as shown in the Accounts. Thus, the Receipts of the Council during 2007-08 was understated by ₹ 1.18 lakh.

(b) Overstatement of expenditure

Though the District School Education Board (DSEB) incurred an expenditure of ₹ 6.16 lakh during 2007-08 under Plan Sector, the Council exhibited the expenditure under Plan Sector of DSEB during 2007-08 as ₹ 7 lakh, which resulted in overstatement of expenditure of ₹ 0.84 lakh (₹ 7 lakh – ₹ 6.16 lakh).

(c) Understatement of closing balance

Though the DSEB branch of the Council retained a closing balance of ₹ 2.02 lakh at the end of 2007-08, the same had not been exhibited in the Annual Accounts, which resulted in understatement of closing balance of ₹ 2.02 lakh.

While accepting the discrepancies, the Executive Secretary stated (April 2010) that the discrepancies would be rectified. However, rectified Annual Accounts have not been submitted (July 2011).

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 1,119 staff during 2007-08:

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	
29 Departments and 96 primary and 32 middle schools	119	622	741	168	210	378	1,119

Source: Council's records

The financial implication involved in meeting pay and allowances of 1,119 staff during 2007-08 was as under:

Table 3.2

(₹ 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		
472.00	1,015.93	1,487.93	2,091.77	71

Source: Council's records

It can be seen from the table 3.2 that seventy one *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 while accepting the facts stated (April 2010) that due to poor personnel management and lack of experienced staff in the initial stages of creation of the Council was the main reason for the failure to determine and rationalize the staffing pattern.

The Council needs to take immediate action for determination of a meaningful staffing pattern for the various functions under the Council.

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 2007-08.

Table 3.3

(₹ in lakh)

Sl. No.	Items	Assessed demand	Actual collection	Shortfall	Percentage of shortfall
1.	House sites	1.20	0.45	0.75	62.50
2.	Garden sites	1.12	0.25	0.87	77.68
3.	Wet Rice cultivation	1.25	0.13	1.12	89.60
4.	Fishery sites	0.41	0.03	0.38	92.68
5.	Trade License	0.95	0.41	0.54	56.84
6.	Shop sites	0.35	0.12	0.23	65.71
7.	Poultry sites	0.30	0.05	0.25	83.33
Total		5.58	1.44	4.14	74.19

Source: Council's records

It would be seen from the table 3.3, during 2007-08 against assessed demand of ₹ 5.58 lakh towards seven items, the Council could collect only ₹ 1.44 lakh revenue with percentage shortfall to the tune of 74.

The Executive Secretary stated (April 2010) 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

Test check of vouchers along with other relevant records revealed that the Animal Husbandry and Veterinary Department made payment of ₹ 30 lakh to 600 beneficiaries @ ₹ 0.05 lakh during August 2007 and December 2007 towards financial assistance for implementation of Cattle, Piggery, Duckery, Poultry and Goatery farming.

None of the beneficiaries submitted utilisation certificate with statement of expenditure required under Government of India decision (i) below Rule 15(1) of the General Financial Rules till the date of Audit (April 2010). Thus, the actual activities undertaken by these beneficiaries could not be ascertained in audit.

Thus, release of financial assistance of ₹ 30 lakh without ascertaining its proper utilisation was not only irregular but is also fraught with the risk of fraud/misappropriation.

The Executive Secretary while accepting the irregularities stated (April 2010) that needful shall be initiated in due course. But, further reply from the Council was awaited (July 2011).

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. But, the Council has not communicated (July 2011) about the details of action taken in this regard.

3.5 Internal control mechanism and internal audit

Internal control which amongst other controls includes internal audit mechanism and 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 (July 2011) 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).

12 IRs containing 44 paragraphs relating to the period 1987-88 to 2007-08 were yet to be settled as of July 2011.

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 06 SEP 2011

(L. TOCHHAWNG)

Accountant General (Audit)
Mizoram

Countersigned



New Delhi

The

(VINOD RAI)

Comptroller and Auditor General of India

25 OCT 2011

