

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

FOR THE YEAR ENDED 31 MARCH 2005

**MARA AUTONOMOUS DISTRICT COUNCIL
SAIHA
MIZORAM**



TABLE OF CONTENTS

	<i>Paragraph(s)</i>	<i>Page(s)</i>
<i>Prefatory Remarks</i>		(iii)
<i>Overview</i>		(v)
 SECTION - I 		
<i>Introduction</i>	1.1	1
<i>Rules for management of District Fund</i>	1.2	2
<i>Maintenance of accounts</i>	1.3	2
 SECTION - II 		
<i>Receipts and expenditure</i>	2.1	3-4
<i>Increase in expenditure</i>	2.2	4
<i>Non-submission of accounts for agency function</i>	2.3	4-5
<i>Non-accountal of financial transactions in Council's Main Cash Book and Personal Ledger Accounts</i>	2.4	5-6
<i>Variation of Council's revenue receipts with reference to the budget estimates</i>	2.5	6
 SECTION - III 		
<i>Entertainment of huge staff without fixing norms</i>	3.1	7
<i>Advance payment remain unrecovered</i>	3.2	7
<i>Non-production of records</i>	3.3	8
<i>Outstanding Inspection Reports</i>	3.4	8
<i>Internal Control</i>	3.5	8-9

1890-1891

Prefatory Remarks

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

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

The Report contains three sections, one of which deals with the constitution of the Council, the rules for 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 irregularities noticed during audit of the financial transactions relating to the year 2004-05.



OVERVIEW

OVERVIEW

The significant audit findings are summarised in the succeeding paragraph:—

- The Council had not submitted any separate accounts for the grant of Rs.50 lakh received directly by the Forest Development Agency (FDA) of the Council from the Government of India, Ministry of Environment and Forest, National Afforestation and Economic Development Board during the year 2004-05 for implementation of National Afforestation Programme Scheme and expenditure incurred therefrom. The Council also did not adopt any form for maintenance of such accounts in consultation with the State Accountant General (A & E) as required in terms of Rule 150 of the Mizoram Autonomous District Council Fund Rules, 1996.

(Paragraph 2.3)

- The grant of Rs.60 lakh received from the North Eastern Council, Shillong for implementation of the project 'Large Cardamom Plantation' was not accounted for in the Cash Book, Personal Ledger Account maintained by the Council in the treasury and in the Annual Accounts of the Council for the Year 2004-05.

(Paragraph 2.4)

- Out of the total expenditure of Rs.22.41 crore during 2004-05, Rs.20.56 crore (constituting 92 *per cent* of the total expenditure) was spent on payment of salaries (Rs.20.50 crore) and wages (Rs.0.06 crore) leaving Rs.1.85 crore (eight *per cent* of the total expenditure) for implementation of developmental programmes.

(Paragraph 3.1)

SECTION - I

1.1 Introduction

The 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 re-organised 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 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 Councils (Miscellaneous Provisions) order, 1972. The Lakher District Council was renamed as the Mara Autonomous District Council from 1 May 1989 under a notification issued by the Government of Mizoram in May 1989.

The Sixth Schedule to the Constitution of India vests the District Councils with powers to make 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. Under paragraph 6(1) of the Sixth Schedule, the Councils have powers to establish, construct or manage primary schools, dispensaries, markets, cattle ponds, ferries, fisheries, roads, road transport and water ways in the respective autonomous districts.

The Councils also have powers to assess, levy and collect within the autonomous districts, 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 taxes for the maintenance of schools, dispensaries or roads as listed in paragraph 8 of the Schedule.

1.2 Rules for 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 Councils in the course of the administration of the district in accordance with the provisions of the Constitution. In exercise of the powers conferred under paragraph 7(2) of the schedule, which provides that 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 money into the said fund, the withdrawal of moneys therefrom, the custody of moneys therein and any other matter connected with or ancillary to these matters, 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, the form in which the accounts of the District Councils 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 and submitted for audit in December 2005.

The results of test check of Annual Accounts of the Council for the year 2004-05 are given in the succeeding paragraphs.

SECTION - II

2.1 Receipts and expenditure

As per the annual accounts furnished by the Council, the receipts and expenditure of the Council and the resultant revenue surplus for the year 2004-05 were as under:-

(Rupees in lakh)

Receipts	2004-05	Disbursements	2004-05
PART - I DISTRICT FUND			
A. REVENUE RECEIPTS		A. REVENUE EXPENDITURE	
i) Taxes on Income & Expenditure	18.71	i) Secretariat General Services	139.60
ii) Land revenue	4.37	ii) Administration	20.50
iii) Public works	2.13	iii) Land Revenue	69.50
iv) Other Administrative services	0.06	iv) Executive Members	33.50
v) Education	1.63	v) Finance and Accounts	68.08
vi) Other General Economic services	0.40	vi) District Council Secretariat (Legislative)	101.00
vii) Forest	4.60	vii) Education & Human Resource Dev.	1174.98
viii) Grants-in-aid from the State Government		viii) Environment and Forest	117.50
a) Plan	686.00	ix) District Library	8.80
b) Non-plan	1540.00	x) Social Welfare	16.40
c) Centrally Sponsored schemes	—	xi) Local Administration	88.50
d) Eleventh Finance Commission	—	xii) Road Transport	40.00
e) Non-Lapsable Pool Fund	—	xiii) Public works	88.00
ix) Taxes on vehicles (Auction)	2.04	xiv) Art and Culture	16.00
		xv) Rural Development	111.50
		xvi) Agriculture & Horticulture	47.50
		xvii) Soil and Water conservation	21.00
		xviii) Animal Husbandry & Veterinary	17.34
		xix) Industry	12.00
		xx) Fisheries	9.00
		xxi) Public Health Engineering	11.00
		xxii) Sericulture	7.50
		xxiii) Sports & youth services	14.00
		xxiv) Co-operation	2.00
		xxv) Waterways	5.50
Total Revenue Receipts	2259.94	Total Revenue Expenditure	2240.70
Revenue Deficit	Nil	Revenue Surplus	19.24
B. CAPITAL	Nil	B. CAPITAL	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	Nil	D. LOANS AND ADVANCES	Nil
Recoveries of loans and advances	Nil	Disbursement of loans and advances	Nil
Total of Part-I District Fund	2259.94	Total of Part-I District Fund	2259.94

<i>Receipts</i>	<i>2004-05</i>	<i>Disbursements</i>	<i>2004-05</i>
Part-II Deposit Fund			
Deposit Receipts	Nil	Deposit Payments	Nil
Total of Part-II Deposit Fund	Nil	Total of Part-II Deposit Fund	Nil
Total Receipts (I+II)	2259.94	Total Disbursements (I+II)	2240.70
Opening balance	11.30	Closing balance	30.54
Grand Total	2271.24	Grand total	2271.24

2.2 Increase in expenditure

Scrutiny of Annual Accounts for the year 2004-05 revealed that there was a significant increase in expenditure under different heads/ departments of the Council as compared to the expenditure for the year 2003-04, as shown below:-

(Rupees in lakh)

Sl. No.	Heads/departments	Expenditure during		Increased during 2004-05	Percentage of increase
		2003-04	2004-05		
1.	Secretariat General Services	99.48	139.60	40.12	40
2.	Executive Members	27.15	33.50	6.35	23
3.	Finance and Accounts	45.08	68.08	23.00	51
4.	Local Administration Department	70.55	88.50	17.95	25
5.	Agriculture & Horticulture	39.51	47.50	7.99	20
6.	Co-operation	1.31	2.00	0.69	53

The reasons for increase in expenditure which varied from 20 *per cent* to 53 *per cent* in each head/department were not on record.

2.3 Non-submission of accounts for agency function

Rule 150 of the Mizoram Autonomous District Council Fund Rules, 1996 provides that where the execution of any function is entrusted by the Government under Sub-paragraph (2) of paragraph 6 of the Sixth Schedule to the Constitution of India to any District Council, the concerned Council will maintain and submit to the Accountant General such accounts in various forms as may be prescribed by the Accountant General! (Accounts and Entitlement).

Mention regarding non-submission of accounts was made in paragraph 2.3 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003. Despite this, it was noticed in Audit that, the Council had neither submitted any separate accounts for the grant of Rs.50 lakh received directly by the Forest Development Agency (FDA) of the Council from the Government of India, Ministry of Environment and Forest, National Afforestation and Economic Development Board during the year 2004-05 for implementation of National Afforestation Programme Scheme and expenditure incurred therefrom, nor adopted any form for maintenance of such accounts in consultation with the State Accountant General (A & E) in terms of Rule 150 *ibid*. Consequently, the expenditure incurred by the FDA from this grant evaded audit scrutiny. The reply of the Council was not received (January 2007).

2.4 Non-accountal of financial transactions in Council's Main Cash Book and Personal Ledger Accounts

Rules 16 and 17 of the Mizoram Autonomous District Council Fund Rules, 1996, constituted under Sub-paragraph (2) of paragraph 7 of the Sixth Schedule to the Constitution of India, provide that all money pertaining to the Council Fund (District Fund) shall be held in the Treasury in the Personal Ledger Account (PLA) and all money shall be paid into and drawn out of the District Fund through Treasury. Rule 19 of the above Rules further provide that all receipts due to the Council collected by any officer or employee of the Council who are authorised to collect such receipts, shall pass through the cashier who shall enter them in the cash book.

During scrutiny of the Accounts of the Council for the year 2004-05, it was noticed that the Soil and Water Conservation Department of the Council received Rs.60 lakh during the year from the North Eastern Council (NEC) for implementation of large cardamom

project and spent the entire amount during the same year. However, the receipt of the amount and the expenditure incurred were not routed through the main cash book of the Council and the PLA Account maintained by the Treasury Officer, Saiha. Consequently, the transactions were not incorporated in the Annual Accounts of the Council for the year 2004-05. Thus the Annual Accounts of the Council did not depict the correct position of its receipts and expenditure.

The above lapse of the Council also resulted in violation of Rule 36 of the Mizoram Fund Rule 1996 as the amount of Rs. 60 lakh was received and spent by the concerned disbursing officer of the Council without the knowledge of the Executive Secretary of the Council.

The reply of the council was not received (January 2007).

2.5 Variation of Council's revenue receipts with reference to the budget estimates

It was noticed in Audit that there was a considerable variation between the revenue targeted to be collected and the revenue actually collected during the year 2004-05, under certain heads, as indicated below:-

(Rupees in lakh)

Heads	Target for collection	Actual	(-) shortfall / (+) excess
Public works	3.50	2.13	(-) 1.37
Education	1.80	1.63	(-) 0.17
Other General Economic Services	1.00	0.40	(-) 0.60

Source:-Information furnished by the Council.

The Council had not furnished the reasons for shortfall in collection of revenue as per the targets fixed (January 2007).

SECTION - III

3.1 Entertainment of huge staff without fixing norms

Rule 26 of the Mara Autonomous District Council (Constitution, conduct of business *etc.*) Rules, 2002 provides that the Executive Committee may from time to time determine and appoint Officers and staff and may fix the salaries and allowances to be paid to such establishment with prior approval of the State Government, if it results in financial implication in excess of budgetary allocation and grants-in-aid.

Scrutiny of the records maintained by the Council revealed that the Council had been entertaining a large number of officers and staff (1512 numbers) appointed over the years. Consequently, out of the total expenditure of Rs.22.41 crore during 2004-05, Rs.20.56 crore (constituting 92 *per cent* of the total expenditure) was spent on payment of salaries (Rs.20.50 crore) and wages (Rs.0.06 crore) leaving Rs.1.85 crore (eight *per cent* of the total expenditure) for implementation of developmental programmes. This indicated that the development activities of the Council were adversely affected due to entertainment of huge number of staff and officers.

3.2 Advance payment remained unrecovered

It was noticed in Audit that during the period from May 2004 to March 2005, the Council paid Rs.6.94 lakh as advance to four employees on account of pension and leave salary. Service Books and Leave accounts of these Officials were also not made available to Audit and in the absence of these documents, correctness of the dates of retirement of these officials and retirement benefits payable

to them could not be ascertained in Audit. The reply of the Council was not received (January 2007).

3.3 Non-production of records

During the year 2004-05, the Local Administration department of the Council spent Rs.21.16 lakh for construction of 16 sheds (Rs.4 lakh), 18 footsteps (Rs.15.56 lakh) and 16 internal roads (Rs.1.60 lakh). But the Council authorities could not produce the estimates, vouchers, measurement books *etc.* in support of the execution of all these works. As a result, the veracity of expenditure could not be vouchsafed in Audit.

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 offices and to the next higher authorities through the local audit inspection reports. At the end of 2004-05, eight Inspection Reports containing 51 paragraphs were awaiting settlement.

3.5 Internal Control

Internal control mechanism is an integral and continuous process of any management which helps the organisation in ensuring prudent financial management, check financial improprieties and act as a protective tool of the management.

Although Rule 144 of the Mizoram Autonomous District Council Fund Rules, 1996 requires the Mara 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 Sate Accountant General (Audit), such system had not been introduced (March 2006) by the Council authorities.



(Rajib Sharma)

Shillong
The

Principal Accountant General (Audit)
Meghalaya, Arunachal Pradesh and Mizoram

04 JUL 2007

Countersigned



New Delhi

(Vijayendra N. Kaul)

The

19 2 JUL 2007

Comptroller and Auditor General of India

