

Laid before the Legislature on

**ANNUAL TECHNICAL INSPECTION REPORT
ON
RURAL LOCAL BODIES AND URBAN LOCAL BODY
FOR THE YEAR ENDED 31 MARCH 2017**

GOVERNMENT OF MIZORAM

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL,
MIZORAM, AIZAWL**

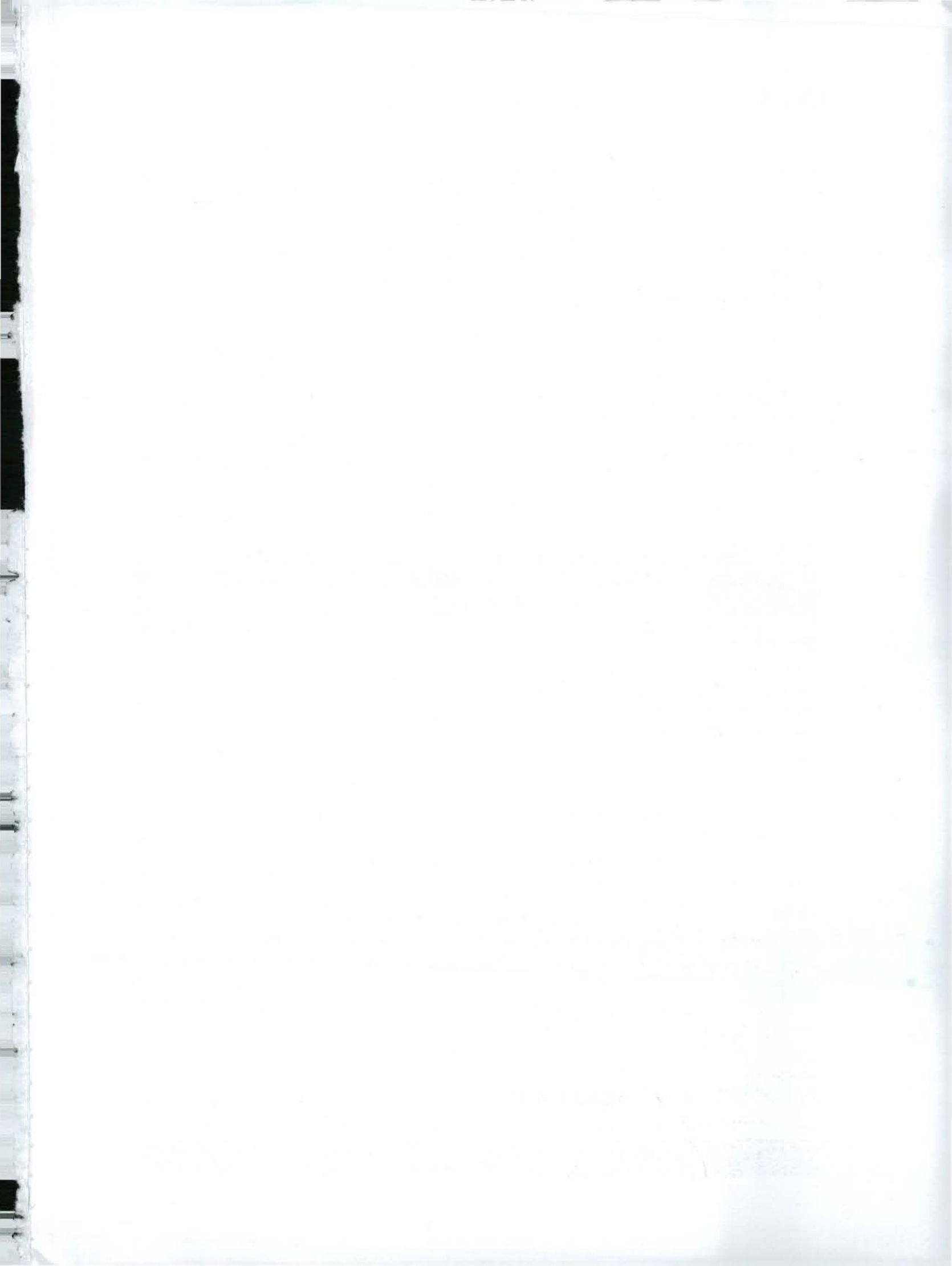


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PREFACE

This Report for the year ended 31 March 2017 has been prepared for submission to the Government of Mizoram in terms of Annual Technical Guidance and Support to audit of Rural Local Bodies (RLBs) and Urban Local Body (ULB) under Section 20 (1) of Comptroller and Auditor General of India's (C&AG's) (Duties, Powers and Conditions of Service) Act, 1971.

The Report contains significant results of the audit of the RLBs (Village Councils) and ULB (Aizawl Municipal Corporation) in the State including the departments concerned.

The issues noticed in the course of the test audit for the period 2016-17 as well as those issues which came to notice in earlier years, but could not be dealt within the previous Reports have also been included, wherever necessary.

The audit has been conducted in conformity with the auditing standards issued by the Comptroller and Auditor General of India.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This Annual Technical Inspection Report presents the audit findings arising out of the audit of accounts of the Rural Local Bodies (RLBs – Village Councils) and Urban Local Body (ULB – Aizawl Municipal Corporation) in chapters as follows.

CHAPTER-I

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF RURAL LOCAL BODIES (VILLAGE COUNCILS)

The entire State of Mizoram is exempted from the purview of the Seventy-third Constitutional Amendment Act which empowered Panchayati Raj Institutions as third tier of Government. However, the existing traditional Village Councils (VCs) have been constituted which discharge the role of the Panchayati Raj Institutions. The Finance Department of the State Government headed by the Commissioner-cum-Secretary is responsible for overall monitoring of funds under Rural Local Bodies. The VCs are governed by Lushai Hills District (Village Councils) Act, 1953.

(Paragraphs 1.1 and 1.2)

CHAPTER-II

COMPLIANCE AUDIT PARAGRAPHS - RURAL LOCAL BODIES

The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and schemes under State Finance Commission grants are being implemented by the Village Councils. Audit noticed that important records like Cash Books, Bank Pass Books, Vouchers, Actual Payee Receipts, Animal Tax collections, *etc.* were not maintained properly in the 27 Village Councils out of 32 Village Councils test checked.

(Paragraph 2.1)

CHAPTER-III

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF URBAN LOCAL BODY

There is only one Urban Local Body *i.e.*, Aizawl Municipal Corporation (AMC) in the State. The Executive head of the AMC is the Mayor, who is elected by the majority of the Councillors. The Mayor presides over the meetings of the Municipal Corporation and is responsible for the governance of the AMC.

(Paragraphs 3.1 and 3.2)

The State Government had so far transferred 15 functions and duties to AMC out of 18 functions as envisaged in the Mizoram Municipality Act. The State Government released Fourteenth Finance Commission (FFC) grants to the ULB after a delay ranging from 45 to 147 days from the date of receipt. Due to delay in release of FFC grants, the State Government was liable to pay interest of ₹ 44.81 lakh. However, the State Government released ₹ 43.65 lakh only.

(Paragraph 3.8.5)

CHAPTER-IV

COMPLIANCE AUDIT PARAGRAPHS - URBAN LOCAL BODY AIZAWL MUNICIPAL CORPORATION

Solid Waste management by Aizawl Municipal Corporation (AMC)

The Aizawl Municipal Corporation (AMC) had framed Solid Waste Management Rules, 2016. As per Fourteenth Finance Commission recommendation, Service Level Benchmark for solid waste management was fixed by AMC. Audit, however, noticed that AMC had fixed the target for several indicators below the prescribed benchmarks. AMC did not determine the actual quantum of daily solid waste generated in absence of weigh bridges. There was negligible segregation of waste before and after collection. Waste processing and scientific landfill were non-existent due to which dumping of various wastes was the most common option for disposal of waste. Even instances of burning of solid waste were noticed. The AMC did not keep the accounts of the user fee collected from the public.

(Paragraphs 4.1.4.2, 4.1.4.3, 4.1.4.5 and 4.1.4.8)

The AMC did not maintain Fixed Assets Registers as required under AMC Accounting Manual.

(Paragraph 4.2)

The AMC purchased goods worth ₹ 11.49 lakh on different occasions without constituting Purchase Committees.

(Paragraph 4.3)

CHAPTER-I

An Overview of the Functioning, Accountability Mechanism and Financial Reporting Issues Rural Local Bodies (Village Councils)

CHAPTER-I

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES RURAL LOCAL BODIES (VILLAGE COUNCILS)

AN OVERVIEW OF THE FUNCTIONING OF THE RURAL LOCAL BODIES (VILLAGE COUNCILS) IN THE STATE

1.1 Introduction

There were eight districts in the State of Mizoram as on 31 March 2017. Out of the eight districts, two administrative districts – Lawngtlai and Siaha of the State are governed under the Sixth Schedule¹ of the Constitution of India.

The Seventy-third Constitutional Amendment Act which empowers the Panchayati Raj Institutions as third tier of Government is not applicable in Mizoram. However, the traditional Village Councils (VCs) have been constituted in all the eight districts, which discharge the role of the Panchayati Raj Institutions.

As per the Finance Department's Notification (June 2010), in the context of Mizoram, local body means all the Village Councils (VCs), Aizawl Municipal Council (AMC) (subsequently upgraded as Corporation in October 2015), Sinlung Hills Development Council (SHDC), and three Autonomous District Councils (ADCs) (Lai, Chakma and Mara).

Further, the State Government notified (April 2013) the District Local Administration Officers/ Local Administrative Officers as "Zila Parishads" *i.e.*, District Level Local Body. In effect, rural local bodies in Mizoram are structurally Quasi-Governmental bodies with no direct control mechanism at the block level to keep regular watch over the activities of the VCs.

Statistical data on rural population in Mizoram as per Census 2011, is given in Table-1.1 below:

Table-1.1:- Statistical data on rural population in Mizoram as per Census 2011

Particulars	Rural		Total
	Male	Female	
Population	2,69,135	2,56,300	5,25,435
Sex Ratio (Male : Female)	1000 : 952		
Literacy Rate	88.16	79.81	84.10

Source: Census 2011

1.2 Organisational setup in State Government and Rural Local Bodies

The Finance Department of the State Government headed by the Commissioner-cum-Secretary is responsible for overall monitoring of the funds under Rural Local Bodies (RLBs).

¹ Sixth Schedule of the Constitution of India deals with the provisions as to the Administration of the Tribal Areas in the States of Assam, Meghalaya, Tripura and Mizoram wherein safeguards have been laid out for these scheduled areas. These tribal areas are to be administered as autonomous districts

The Secretaries of the Administrative Departments viz. Local Administration Department (LAD), District Council and Minority Affairs Department (DCMAD) and General Administrative Department (GAD) function as the Nodal Departments in respect of various grants and funds released to the RLBs.

The Director, LAD (Nodal Officer) is responsible for allocation of funds and supervision of the works to be executed by the VCs under Mizoram Finance Commission Grants. The Director is assisted by the six District Local Administrative Officers (DLAOs) in supervising and monitoring the activities of the 536 VCs under six districts in the State. The Secretary, DCMAD functions as the Nodal Officer in respect of various grants and funds released to the three ADCs. The development works in the village councils (276) of the ADC areas are implemented through Local Administrative Officers (LAOs). The VCs are governed by “Lushai Hills District (Village Councils) Act, 1953”.

The organisational structure of the RLBs is given in the Chart-1.1 below:

Chart-1.1:- Organisational structure of the RLBs



1.2.1 Functioning of Rural Local Bodies (Village Councils)

The functions of the Village Councils as envisaged in the “Lushai Hills District (Village Councils) Act, 1953” include, *inter alia*, the following:

1. Allotment and distribution of a particular region within the boundaries of each village for *jhums*², each particular year in accordance with the laws framed by the State Government; and
2. Regulation and enforcement of “*Hnatlang*”³ – a form of social work.

2 “*Jhum*” cultivation also known as ‘slash and burn’ method of cultivation. Small patches of land, mostly in forests and hilly areas are cleared of the vegetation and burnt for cultivation

3 *Hnatlang* is the voluntary community labour in which everyone is called upon to take part, somewhat similar to ‘*shramdaan*’

1.3 Audit Arrangement

1.3.1 Primary Auditor

As per provision under Section 4 (3) of the Mizoram Grants-in-aid to Village Councils Rules, 2007, all accounts relating to the specific grants made by the Government are subject to audit by approved auditors or anyone appointed for the post by the Government of Mizoram or Accountant General concerned. Further, Section 8 (1) of the Rule provides that the accounts shall be audited by the auditor appointed by the State Government or the Accountant General.

Accordingly, the State Government appointed (June 2011), Examiner of Local Funds Accounts (ELFA), renamed (August 2012) as Director of Local Fund Audit (DLFA) Mizoram as statutory auditor of the Aizawl Municipal Corporation (AMC) with the responsibility of certification of accounts and audit of the local bodies under the administrative control of the Finance Department.

Rule 21 of the Mizoram Local Funds (Accounts & Audit) Rules, 2012 requires that the Audit Report of the DLFA must be placed before the State Legislative Assembly.

It was, noticed that the Audit Report of the DLFA on RLBs for the period ended 31 March 2016 was laid in the State Legislative Assembly on 16 November 2017. However, the status on preparation of DLFA Audit Report for the year ended 31 March 2017 and its placement in the State Legislative Assembly was awaited (May 2019).

1.3.2 Audit by Comptroller and Auditor General of India

The Government of Mizoram entrusted (June 2011) the audit of accounts of local bodies under the Technical Guidance and Support (TGS) to the Comptroller and Auditor General of India (C&AG) under Section 20(1) of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971.

Accordingly, the audit of the accounts of the VCs was conducted under TGS arrangement. The audit findings are featured in the Annual Technical Inspection Report (ATIR). The ATIR on Rural Local Bodies and Urban Local Body for the year 2015-16 was placed in the State Legislative Assembly on 16 November 2017.

As per Paragraph 3.8.6 (b) of the recommendations of the Second Administrative Reforms Commission, the State Government is required to form a separate Standing Committee of the State Legislature for the Local Bodies in the lines of Public Accounts Committee (PAC) for discussion of the Audit Report on Local Bodies. The Secretary of Mizoram Legislative Assembly intimated (April 2015) that a separate Standing Committee namely Committee on Local Fund Accounts (CoLFA) was formed (25 March 2015) by the State Government on the line of PAC for discussion of Audit Report on Local Bodies.

Out of 46 paragraphs which appeared in the ATIR for the period from 2011-16, 24 paragraphs⁴ were pending for discussion as of January 2019. Further, out of 22 paragraphs discussed, 22 paragraphs were dropped by the committee on the basis of the action taken by the RLBs as of 07 February 2019.

Accountability Mechanism and Financial Reporting Issues

Accountability Mechanism

1.4 Ombudsman

Government of Mizoram established⁵ the institution of the Independent Local Body Ombudsman with the power to receive complaints from citizens on any matters like grievances against administration, grievances against corruption, complaints alleging deficiency in the services of local bodies (Aizawl Municipal Council, Local Councils, Village Councils, *etc.*).

The office of Ombudsman for Local Bodies was established (December 2013) at Aizawl, Mizoram. During 2016-17, 18 cases (redressal: Nine and grievances relating to corruption: Nine) were received by the Ombudsman and all the cases were disposed of after conducting hearings from the complainants and defendants. Further, the Ombudsman submitted the disposed of cases to the State Government for further action. However, the action taken by the State Government was not intimated as of May 2019.

1.5 Social Audit

The State Government under a notification (March 2012) constituted the “Mizoram Society for Social Audit, Accountability and Transparency (MISSAAT)”. As per Rural Development, GoM notification (16 November 2015) the governing body of Social Audit Unit (SAU) is headed by the Secretary, Rural Development (RD) Department as Chairman with six members from various departments, the Accountant General, Mizoram, Head of Department (Department of Rural Development), Mizoram University and two members from Non-Governmental Organisations (NGOs) as members. The Director, Social Audit Unit is the Member Secretary of the governing body.

Social Audit Unit, Mizoram have so far published six Social Audit Reports covering the Schemes – Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Indira Awas Yojana (IAY) and Integrated Watershed Management Programme (IWMP) through the Block Development Officers (BDOs) *viz.* Pilot Social Audit (32 villages), Special Pilot

4 Under Secretary, Mizoram Legislative Assembly Secretariat vide letter no. LA/CoLFA-1/5/C&AG/2015-16/2015/294 dated 07 February 2019 intimated that as the CoLFA was constituted during 2013-14 and the committee started examined the paragraphs of ATIR after 2013-14 only. Further, the paragraphs for the year 2015-16 were also not taken up for discussion. Thus, out of 24 paragraphs, 12 paragraphs for the year 2012-13 prior to constitution of CoLFA and 12 paragraphs for the year 2015-16 was pending for discussion

5 Vide notification No. B.13017/47/2012-UD&PA/113 dated 16 December 2013

Social Audit (five villages), Social Audit (28 Villages), Social Audit 2014-15 (47 villages), Social Audit 2015-16 (96 villages) and Social Audit 2015-16 (62 villages) as of August 2018.

1.6 Financial Reporting Issues

1.6.1 Source of Funds

1.6.2 Recommendations of the State Finance Commission (SFC)

In pursuance of the Sub-Section (1) of Section 3 of the Mizoram Finance Commission Act, 2010 (Act No. 17 of 2010), the State Government constituted (30 September 2011) the Mizoram Finance Commission under the Chairmanship of an Ex-Chief Secretary of the State.

The Commission was constituted to make recommendations on the following matters:

- (i) The principles which *inter alia* should govern –
 - a) The distribution between the State and the Village Councils, Aizawl Municipal Council and the Autonomous District Councils of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them to enable these bodies to perform the functions assigned, and which may be assigned to it under any laws in force or orders, and the allocation between the Village Councils, Aizawl Municipal Council and the Autonomous District Councils at all levels of their respective shares of such proceeds;
 - b) The determination of the taxes, duties, tolls and fees which may be assigned to or appropriated by the Village Councils, Aizawl Municipal Council and the Autonomous District Councils;
 - c) The Grants-in-aid to the Aizawl Municipal Council from the Consolidated Fund of Mizoram; and
 - d) The measures needed to improve the financial position of the Aizawl Municipal Council, Village Councils and Autonomous District Councils.

Report of the first Mizoram Finance Commission (2015-20) was laid in the Mizoram Legislative Assembly in March 2016. The recommendations (04 May 2016) were as under:

1. Distribution of the 15 *per cent* devolution of State Own Tax Revenues among the local bodies would be made in three stages as follows:

Sl. No.	Name of the local bodies	Percentage of funds shall be shared
Stage-1 : The 15 <i>per cent</i> of the State Own Tax Revenue shall be shared by		
(i)	Autonomous District Councils	58.33
(ii)	Village Councils of the Eight Districts	24.17
(iii)	Aizawl Municipal Corporation	17.50
Total		100.00

Sl. No.	Name of the local bodies	Percentage of funds shall be shared
Stage-2 : The 58.33 per cent of the 15 per cent of the State Own Tax Revenue to be devolved to Autonomous District Councils shall be shared as follows:		
(i)	Lai Autonomous District Council	41.97
(ii)	Mara Autonomous District Council	34.07
(iii)	Chakma Autonomous District Council	23.96
Total		100.00
Stage-3 : The 24.17 per cent of the 15 per cent of the State Own Tax Revenue shall be shared by the Village Councils as follows:		
(i)	Aizawl District	12.32
(ii)	Lunglei District	22.27
(iii)	Champhai District	16.42
(iv)	Serchhip District	7.66
(v)	Mamit District	9.80
(vi)	Kolasib District	10.73
(vii)	Siaha District	7.81
(viii)	Lawngtlai District	12.99
Total		100.00

Accordingly, the Finance Department transferred (March 2017) ₹ 6.80 crore⁶ out of recommended absolute share of ₹ 13.57 crore to the 536 Village Councils under Local Administration Department and expenditure was incurred by the Village Councils during 2017-18. Details of fund transferred were as shown below:

(₹ in lakh)

Sl. No.	Name of District	No. of Village Councils	Absolute share recommended by 1 st Mizoram FC	Amount transferred (50.14 per cent of absolute share)
1.	Aizawl	95	231.86	116.26
2.	Lunglei	145	347.86	174.40
3.	Champhai	108	272.63	136.69
4.	Serchhip	49	139.28	69.84
5.	Kolasib	52	178.20	89.35
6.	Mamit	87	186.68	93.60
Total		536	1,356.51	680.14

1.6.3 Maintenance of Records/ Accounts by VCs

By virtue of the Sixth Schedule and Article 243 M of the Constitution of India, RLBs in Mizoram being non-Panchayats, the preparation of budget and maintenance of accounts and

⁶ The fund was meant for 2016-17, which was released in March 2017 by the Finance Department

database on finances in line with the formats prescribed for Panchayati Raj Institutions by the Ministry of Panchayati Raj is not applicable in the State.

However, Paragraph 6.5.1 (ii) of the Ministry of Finance (MoF) Guidelines on utilisation of Thirteenth Finance Commission grants stipulated that if these agencies (Local Bodies) are non-Panchayats, they must maintain accounts consistent with the instructions in force. Further, these accounts should be up-to-date, duly audited by the C&AG, and the Audit Reports tabled, wherever so mandated.

Accordingly, the State Government had formulated and issued instructions/ guidelines (14 July 2006) to the Village Councils on maintenance of Cash Books and Cash Memos/ Vouchers, *etc.* for keeping accounts.

During November-December 2017, on test check of the records of 32 VCs (Aizawl: 13, Mamit: 8 and Lai Autonomous District Council: 11), it was noticed that all the 32 test checked VCs in three districts maintained Cash Books and Cash Memos/ Vouchers, *etc.*

CHAPTER-II

Compliance Audit Paragraphs Rural Local Bodies

CHAPTER-II

COMPLIANCE AUDIT PARAGRAPHS RURAL LOCAL BODIES

2.1 Schemes implemented by the Village Councils

The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and schemes under the State Finance Commission grants are being implemented by the Village Councils. The MGNREGS funds are routed through the Block Development Officers (BDOs) whereas the State Finance Commission grants are routed through the District Local Administration Officers (DLAOs). Besides, the Village Councils also collect Animal Tax from the villagers. The proceeds of the Animal Tax are shared in the ratio 50:50 between the Village Councils and the State Government.

The accounts of the 32 VCs for the year 2016-17 were test audited (November - December 2017) in three selected Rural Development Blocks¹ out of the 812 Village Councils (VCs) in the State. Irregularities in maintenance of accounts and records were noticed in 27 out of 32 test checked Village Councils as discussed below (details in **Appendix-2.1**):

- Details of disbursement/ Actual Payee Receipts in support of disbursement of wages under MGNREGS in seven² VCs under Reiek RD Block, Mamit District amounting to ₹ 106.50 lakh were not furnished to audit for verification.
- Out of release of ₹ 106.50 lakh for disbursement of wages in eight test checked VCs under Reiek RD Block, Mamit District, payment of ₹ 28.67 lakh in 5³ VCs were not recorded in the Cash Books.
- Details of Animal Tax collection by 10⁴ VCs were not furnished.
- In 11⁵ cases, Bank Pass Books were either not updated or not furnished for audit check, while 4⁶ VCs did not update their Cash Books.

Thus, due to non-maintenance of registers/ records, the risk of misappropriation of fund could not be ruled out.

1 Reiek RD Block : 8 VCs, Tlangnuam RD Block : 13 VCs and Lawngtlai RD Block :11 VCs

2 (i) Khawrihnm, (ii) Ailawng, (iii) Kanghmun, (iv) Reiek, (v) 'W' Lungdar, (vi) Hreichuk and (vii) Lungphun

3 (i) Khawrihnm, (ii) Kanghmun, (iii) 'W' Lungdar, (iv) Hreichuk and (v) Lungphun

4 **Tlangnuam RD Block eight VCs**, (i) Samtlang, (ii) Dinthar Sairang, (iii) Muthi, (iv) Lengpui, (v) Lungleng I, (vi) N. Lungleng, (vii) Sihphir Venghlun and (viii) Sairang

Lawngtlai RD Block two VCs: (i) L-III (Salem) and (ii) Vengpui

5 (i) Dinthar Sairang, (ii) Lungleng I, (iii) College Veng, (iv) L-III (Salem), (v) Bazar Veng, (vi) Vengpui, (vii) Thingkah, (viii) Chawnhnu, (ix) Electric Veng, (x) Council Veng and (xi) Vengpui-II

6 (i) Lungleng I, (ii) Nausel, (iii) College Veng and (iv) Vengpui

2.2 Recommendation

For better control and proper utilisation of fund, it is recommended that the district/ block level officers should ensure that the Village Councils maintain relevant registers, accounting records and update them regularly to ensure transparency in the accounting.

CHAPTER-III

An Overview of the Functioning, Accountability Mechanism and Financial Reporting Issues Urban Local Body

CHAPTER-III

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES URBAN LOCAL BODY

AN OVERVIEW OF THE FUNCTIONING OF THE URBAN LOCAL BODY IN THE STATE

3.1 Introduction

The Seventy Fourth Constitutional Amendment Act, 1992 paved the way for decentralisation of power, transfer of functions and to establish a system of uniform structure, holding of regular elections and regular flow of funds through Finance Commission to the Urban Local Bodies (ULBs). As a follow up, the States were required to entrust these bodies with such powers, functions and responsibility in respect of 18 functions as listed in the 12th Schedule of the Constitution of India so as to enable them to function as self-governing institutions. The Mizoram Municipalities (MM) Act, 2007 (as amended in 2015) which came into force in 2008 was enacted to incorporate the provisions of the Constitutional Amendment Act, 1992. At present, the lone Urban Local Body in the State *i.e.*, Aizawl Municipal Corporation (AMC) covers a total area of 129 sq. km. and population of 2,93,416 as per 2011 census. Under the AMC, there are 19 Wards comprising of 83 Local Councils¹. The last general election to constitute the AMC was held in November 2015.

Statistical information as per Census 2011 on population under AMC is as given in Table-3.1:

Table-3.1:- Statistical data on population under AMC as per Census 2011

Particulars	Urban		Overall Total
	Male	Female	
Total Population	1,44,913	1,48,503	2,93,416
Population percentage	49.26	50.74	100
Sex Ratio (Male : Female)	1000 : 1025		
Literacy Rate	98.52	98.21	98.36

Source: Census 2011

3.2 Organisational setup of Aizawl Municipal Corporation (AMC)

The Secretary, Urban Development and Poverty Alleviation Department (UD&PA) is the administrative head of the Aizawl Municipal Corporation (AMC) and is assisted by the Director, UD&PA in allocation of funds and in exercising overall control and supervision of functions and schemes at the State level.

The Mayor elected by the majority of Councillors is the executive head of the AMC. He presides over the meetings of the Municipal Corporation (MC) and is responsible for the

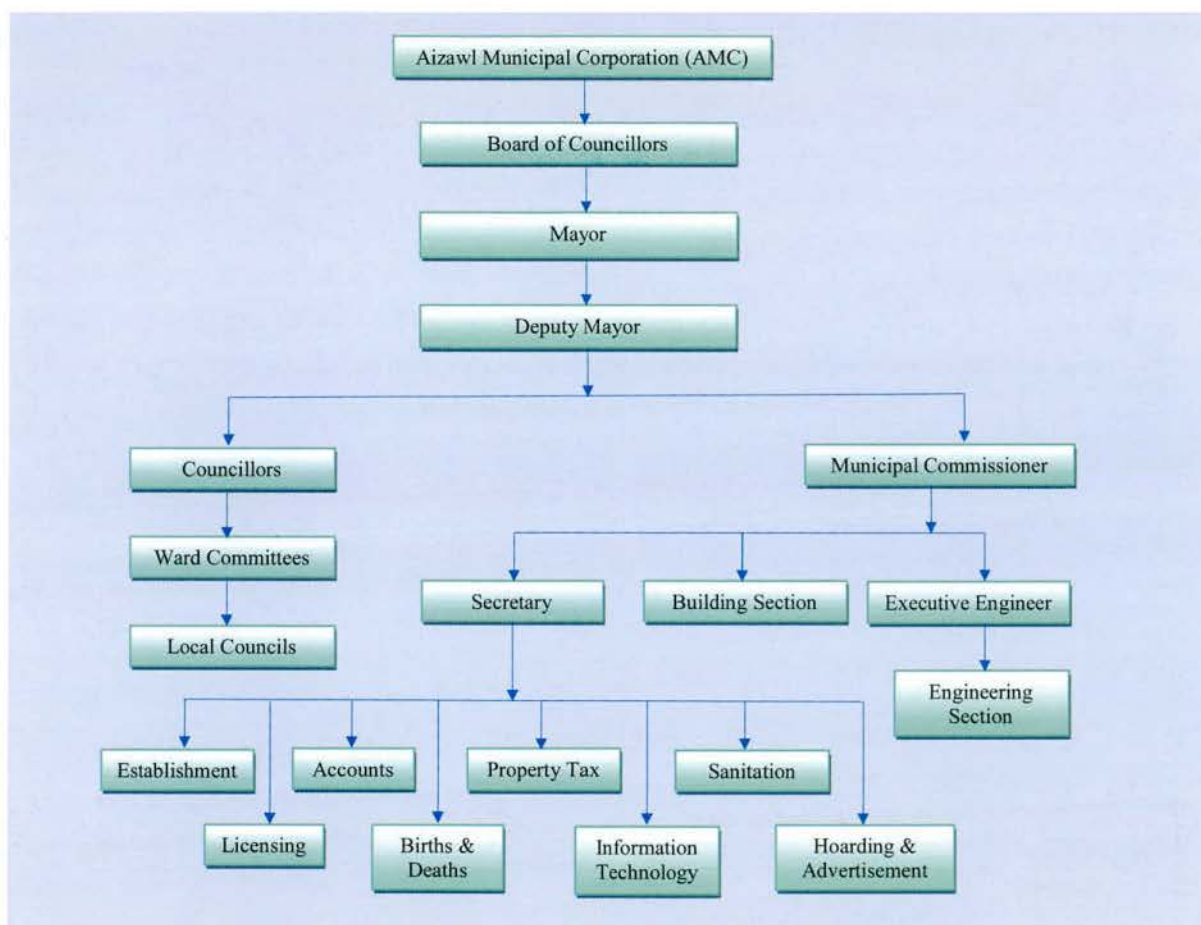
¹ Local Council is a body of elected members of a particular locality within the jurisdiction of the AMC

governance of the body. The Board of Councillors of the AMC (ULB) consists of 19 elected members and 12 nominated members.

A Commissioner is appointed by the State Government for administrative control of the AMC. Other officers are also appointed to discharge specific functions of the body.

The organisational structure of AMC is as follows:

Chart-3.1:- Organisational structure of AMC



3.3 Functioning of AMC

Section 57 of the Mizoram Municipalities Act provides that the State Government may assign 18 functions in progressive manner considering the managerial, technical and financial capacity of the municipality. The State Government had transferred 15 functions to the AMC as of January 2019. The details are given in **Appendix-3.1**. The State Government has not transferred three vital functions viz. (a) Roads and Bridges, (b) Water supply for domestic, industrial and commercial purposes and (c) Fire services listed in the 12th Schedule of the Constitution of India.

The Government has not yet transferred the funds in accordance with the transferred functions. As such audit could not ascertain the funds utilised *vis-a-vis* actual functions undertaken by the AMC.

The State Government stated (May 2018) that the functions were not fully transferred to the AMC in view of the nature and the expenditure involved as well as the technicalities involved in performing these functions. Further, the Government constituted city level authorities separately for the non-transferred functions.

Recommendation: *The State Government should take steps to transfer the funds in line with the function transferred.*

3.4 Formation of various Committees

Section 23 of the MM Act, 2007 (as amended in 2015) provides that every Municipality shall, at its first meeting after the election of Councillors thereto or as soon as, may be, thereafter form a Ward Committee for every ward. Further, the municipality shall form a Local Council in every locality within the ward to oversee the matters of local internal nature according to the Mizo traditions, customs and practices and such other matters necessary for effective functioning of the Local Councils.

It was noticed that 19 Ward Committees were formed on 14 March 2016 to oversee local matters for effective functioning of the Local Councils.

Further, Section 24 of the MM Act, 2007 provides for the formation of special committees. Accordingly, the following committees were formed by the AMC during 2016-17 as shown in Table-3.2:

Table-3.2:- Details of committees formed by the AMC during 2016-17

Sl. No.	Name of committees	Month & Year	Responsibilities of the Committees
1.	Naming of Street and Numbering Committee	October 2016	To conduct in depth study on the allotted subjects and their recommendation, if any, and submit it to the Municipal Authorities for approval and further disposal.
2.	Committee on Control of Parking and Collection of Parking Fees within AMC Area		
3.	Committee on AMC Market, CCBT ² & CSTT ³ under AMC		
4.	Committee on Central Mission for Aizawl (AMRUT ⁴ , Swachh Bharat, Smart Cities, Housing for All)		
5.	Committee on Sanitation, Solid Waste and Dumping Ground under AMC		
6.	Committee on Street Light and Display of Advertisement and Hoarding under AMC		

2 Ch. Chhunga Bus Terminal

3 Ch. Saprawnga Truck Terminal

4 Atal Mission for Rejuvenation and Urban Transformation

3.5 Audit Arrangement

3.5.1 Primary Auditor

As per provision under Section 90 (1) of the MM Act, 2007 (as amended in 2015), the municipal accounts as contained in the Annual Financial Statement shall be examined and audited by an auditor appointed by the State Government.

Further, Paragraph 6.4.4 of Thirteenth Finance Commission's (ThFC's) guidelines stipulated that the State Government must put in place an audit system for ULB and the Annual Report of the DLFA must be placed before the State Legislature.

Accordingly, the State Government appointed (June 2011), Examiner of Local Funds Accounts (ELFA), renamed (August 2012) as Director of Local Fund Audit (DLFA) Mizoram as auditor of the AMC with the responsibility of certification of accounts and statutory audit of the local bodies under the administrative control of the Finance Department.

It was, noticed that the Audit Report of the DLFA on AMC and Local Councils for the period ending 31 March 2016 was laid in the State Legislative Assembly on 16 November 2017. However, the status on preparation of DLFA Audit Report for the year ended 31 March 2017 and its placement in the State Legislative Assembly was awaited (May 2019).

3.5.2 Audit by the Comptroller and Auditor General of India

The State Government entrusted (June 2011) audit of accounts of AMC under the Technical Guidance and Support (TGS) arrangement to the Comptroller and Auditor General of India under Section 20(1) of the C&AG's (DPC) Act, 1971. Accordingly, the audit of accounts of AMC for the year 2013-14 under TGS arrangement was conducted during August – November 2014.

The audit findings are featured in the Annual Technical Inspection Report (ATIR) for submission to the State Government for necessary action. The ATIR on Rural Local Bodies and Urban Local Body for the year 2015-16 was submitted to the State Government and the State Government had placed the ATIR in the State Legislative Assembly on 16 November 2017.

As per Paragraph 3.8.6 (b) of the Recommendations of the Second Administrative Reforms Commission, the State Government is required to form a separate Standing Committee of the State Legislature for the Local Bodies on the line of Public Accounts Committee (PAC) for discussion of Audit Report on Local Bodies.

The Secretary of Mizoram Legislative Assembly intimated (April 2015) that a separate Standing Committee namely Committee on Local Fund Accounts (CoLFA) has been formed by the State Government on the line of PAC for discussion of Audit Report on Local Bodies.

Audit of ULB (AMC) in terms of TGS entrustment is being conducted from 2011-12 onwards. Details of paragraphs which featured in the ATIRs from 2014-15 were yet to be taken up for discussion in the State Legislative Assembly by the Committee on Local Fund Accounts (CoLFA) (February 2018). Out of 75 paragraphs which appeared in the ATIR for the period from 2011-16, 45⁵ paragraphs were pending for discussion as of December 2018. Further, out of 30 paragraphs discussed, 29 paragraphs were dropped by the committee on the basis of the action taken by the ULB as on 07 February 2019.

Accountability Mechanism and Financial Reporting Issues

Accountability Mechanism

3.6 Ombudsman

The Thirteenth Finance Commission (ThFC) recommended for constitution of a Local Body Ombudsman to look into the complaints of corruption and mal-administration against the functioning of Local Body and to recommend suitable action. Accordingly, Government of Mizoram established⁶ the institution of the Independent Local Body Ombudsman with the power to receive complaints from citizens on any matters like grievances against administration, grievances against corruption, complaints alleging deficiency in the services of local bodies (Aizawl Municipal Corporation, Local Councils and Village Councils, *etc.*).

An office of Ombudsman for Local Bodies was established (December 2013) at Aizawl, Mizoram. No complaint was received during 2016-17 in respect of the ULB.

3.7 Service Level Benchmark

As recommended by the Fourteenth Finance Commission (FFC), the State Governments should gradually put in place standards for delivery of all essential services provided by the local bodies. For a start, State Governments must notify or cause all the Municipal Councils and Municipalities to notify by the end of a fiscal year (31 March) the service standards for four service sectors: Water supply, Sewerage, Storm water drainage and solid waste management proposed to be achieved by them by the end of the succeeding fiscal year. All Municipalities and Municipal Councils in the State will provide a specified minimum level of service for each of the indicators for the four service sectors.

Service Level Benchmark is prepared annually by the State Level Benchmark Cell comprising of Director, UD&PA Department, as Convener and three members *viz.* Deputy Director, State

5 Under Secretary, Mizoram Legislative Assembly Secretariat vide letter no. LA/CoLFA-1/5/C&AG/2015-16/2015/294 dated 07 February 2019 intimated that as the CoLFA was constituted during 2013-14 and the committee started examining the paragraphs of ATIR after 2013-14 only. Thus, out of 45 paragraphs, 12 paragraphs prior to constitution of CoLFA was pending for discussion as of 07 February 2019

6 Vide notification No.B.13017/47/2012-UD&PA/113 dated 16 December 2013

Investment Programme Management and Implementation Unit (SIPMIU); Executive Engineer, Water Distribution Division (WDD), Public Health Engineering Department (PHED); and Executive Officer (EO), AMC. The Service Level Benchmark for the year 2017-18 was notified on 28 March 2017.

As per Service Level Benchmark notification, the status of achievement of benchmark targeted for the year 2016-17 is shown in Table-3.3 below:

Table-3.3:- Status of achievement of benchmark targeted for the year 2016-17

Sl. No.	Indicator	Benchmark ⁷	Baseline ⁸	Target ⁹	Achievement ¹⁰
		(in per cent)			
1.	Water supply				
	Coverage of water supply connection	100	54	75	60
2.	Sewerage				
	Coverage of toilets	100	98.95	100	100
	Coverage of sewage network services	100	0	5	5
3.	Storm water drainage				
	Coverage of storm water drainage network	100	40	85	67
4.	Solid waste management				
	Household level of coverage of solid waste management services	100	70	86	86
	Efficiency of collection of municipal solid waste	100	60	81	85

Source: ULB's records

It was observed that –

- The target relating to coverage of toilets, coverage of sewage network services and solid waste management was achieved. However, the target relating to coverage of storm water drainage network and coverage of water supply connection were not achieved though the same had improved over the baseline. The State Government attributed non-achievement of targets to lack of funds which were to come from Atal Mission for Rejuvenation and Urban Transformation (AMRUT).
- Water supply functions were being carried out by the PHED, Government of Mizoram (GoM). These functions had not been transferred to the AMC as per their mandate.

3.8 Financial Reporting Issues

3.8.1 Source of Funds

The resource base of the AMC comprises of Own Source of Revenues (OSR), Central Finance Commission grants and State Government grants for maintenance and development purposes.

7 Benchmark indicates the service levels to be ultimately achieved by the ULB/ State Government

8 Baseline indicates the Level of services provided as at the end of 2010-11

9 Target indicates the level of services expected of services to be achieved by the end of 2016-17

10 Achievement indicates level of services provided as at end of the year 2016-17

As per Section 210 of the MM Act, 2007 (as amended in November 2015), the AMC may levy taxes such as property tax, market fees and rents, profession tax, tax on carriages and animals, tax on carts and advertisement tax other than advertisements published in newspapers. Market fees and Rents, Building regulation, Ch. Chhunga Bus Terminal fees, Ch. Saprawnga Truck Terminal fees, Parking fees, etc., constituted the main sources of revenue of the AMC. The collection of Property Tax was assigned temporarily to the AMC as per the Government Notification dated 08 October 2012. Mizoram Municipalities (Property Tax Management) Rules, 2014 came into force with effect from 01 April 2015. This Rule has empowered the AMC with the sole authority to collect Property Tax.

The position of release of FFC grants, funds from State Government to AMC and Own Source of Revenue (OSR) of AMC during 2016-17 is shown in Table-3.4:

Table-3.4:- Details of funds of AMC during 2016-17

(₹ in crore)

Source of fund		Amount released to AMC by UD&PA Department/ OSR
(A) Grants from Government of India (GoI) and State Government		
GoI	Grants under Fourteenth FC	13.76
State Government	State Tax Devolution	1.74
	Local Council Remuneration	0.82
	Street lighting	0.78
	Atal Mission for Rejuvenation and Urban Transformation (AMRUT)	0.73
	Penal interest	0.54
Sub-Total (A)		18.37
(B) Own Source of Revenue (OSR)		
Own Source of Revenue (OSR)	Rented income	0.05
	Fees and User charges	1.68
	Others including bank interest	1.16
	Property tax	2.20
Sub-Total (B)		5.09
Grand Total (A) + (B)		23.46

Source: Corporation's records

It could be seen from the above table that during 2016-17 about 78 per cent of funds of the AMC were from grants from Central Government and the State Government. The own source of fund was only 22 per cent.

Recommendation: AMC should make efforts to increase its Own Source of Revenue.

3.8.2 Utilisation Certificates

The position of release of Fourteenth Finance Commission (FFC) fund during 2016-17 and submission of Utilisation Certificates (UCs) thereof is shown in the following Table-3.5:

Table-3.5:- Details of submission of UCs against the release of FFC grants during 2016-17

(₹ in crore)

Sl. No.	Particulars	GoI release date	GoM release date	Receipt by AMC		Utilisation Certificate		
				Date	Amount	No.	Date	Amount
1.	FFC General Basic Grant (2015-16 2 nd instalment)	31.03.16	12.04.16	30.05.16	5.77	No. G.11022/20/2016-FMC	18.08.16	5.77
2.	FFC General Basic Grant (2016-17 1 st instalment)	16.09.16	13.12.16	24.02.17	7.99	No. G.11022/20/2016-FMC	21.03.17	7.99
Sub-Total					13.76	Sub-Total		13.76
3.	FFC General Basic Grant (2016-17 2 nd instalment)	31.03.17	05.05.17	05.07.17	7.99	No. G.11022/20/2016-FMC	07.09.17	7.99
4.	FFC Performance Grant (2016-17)	31.03.17	05.05.17	05.07.17	4.71	No. G.11022/20/2016-FMC	07.09.17	4.71
Sub-Total					12.70	Sub-Total		12.70
Grand Total					26.46	Total	-	26.46

Source: Departmental records

It was observed that against the receipt of ₹ 26.46 crore under the FFC during 2016-17, only an amount of ₹ 13.76 crore was released by the State Government to AMC as of 31 March 2017 and the balance amount of ₹ 12.70 crore was released in July 2017. The State Government submitted UCs to GoI of ₹ 26.46 crore. However, audit noticed that the UCs so submitted were not as per the format of GFR 19-A.

3.8.3 Recommendations of the State Finance Commission (SFC)

In pursuance of Sub-Section (1) of Section 3 of the Mizoram Finance Commission Act, 2010 (Act No. 17 of 2010), the State Government constituted (30 September 2011) Mizoram Finance Commission under the Chairmanship of the former Chief Secretary of the State. The purpose of the constitution of the State Finance Commission is mentioned at **Paragraph-1.6.2**.

3.8.4 Resources of AMC during 2012-17

The total fund received from various sources (including Central Finance Commission allocation, Grants from State Government and OSR) during the last five years (2012-17) by the Aizawl Municipal Corporation (AMC) is shown in the following Table-3.6:

Table-3.6:- Details of funds received by AMC during the period 2012-17

(₹ in crore)

Year	Source	Particular	Amount released to AMC by UD&PA Department	Amount of OSR	Total fund received
2012-13	GoI	Thirteenth FC	12.20	-	12.20
	GoM	Salary, OE, OC, etc.	2.83	-	2.83
	OSR	Property Tax, Rented Income, Fees and User Charges, Bank Interest, etc.	-	2.60	2.60
	Sub-total (A)			15.03	2.60
2013-14	GoI	Thirteenth FC	21.23	-	21.23
	GoM	Salary, OE, OC, etc.	6.06	-	6.06
	OSR	As above	-	3.02	3.02
	Sub-total (B)			27.29	3.02
2014-15	GoI	Thirteenth FC	23.38	-	23.38
	GoM	Salary, OE, OC, Penal Interest, etc.	5.60	-	5.60
	OSR	As above	-	2.04	2.04
	Sub-total (C)			28.98	2.04
2015-16	GoI	Thirteenth FC	23.92	-	23.92
		Fourteen FC	5.77	-	5.77
	GoM	Salary, OE, OC, Penal Interest, etc.	6.18	-	6.18
	OSR	As above	-	3.48	3.48
	Sub-total (D)			35.87	3.48
2016-17	GoI	Fourteen FC	13.76	-	13.76
	GoM	State Tax Devolution, Local Council Remuneration, Street Light, AMRUT, Penal Interest	4.61	-	4.61
	OSR	As above	-	5.09	5.09
	Sub-total (E)			18.37	5.09
Total (A to E)			125.54	16.23	141.77

Source: Departmental records

3.8.5 Delay in release of the Fourteenth Finance Commission grants

As per sanction order of Ministry of Finance, GoI, the State Government was required to transfer the Fourteenth Finance Commission Grant (FFC) funds to ULB within fifteen days of receipt from the Central Government. In case of any delay, the State Government was to release the installment along with interest at the Bank rate of RBI. The dates of release of FFC grants *vis-à-vis* transfer of funds by the State Government to the AMC are shown in the following Table-3.7:

Table-3.7:- Details of release of FFC grants to AMC during 2016-17

(₹ in crore)

Sl. No.	Release of Grants-in-Aid by GoI			Release to AMC				Delay in days
	Recommendations	Date of release/sanction	Amount released	Due date of release	GoM sanction order & date	Date of actual release	Amount released	
1.	14 th FC General Basic Grant (2015-16 2 nd instalment)	31.03.16	5.77	15.04.16	B.13019/8/2013-UD&PA (FFC) date 12.04.16	30.05.16	5.77	45
2.	14 th FC General Basic Grant (2016-17 1 st instalment)	16.09.16	7.99	01.10.16	B.13017/23/2011-UD&PA date 13.12.16	24.02.17	7.99	147
3.	14 th FC General Basic Grant (2016-17 2 nd instalment)	31.03.17	7.99	15.04.17	B.13019/10/2016-UD&PA date 05.05.17	05.07.17	7.99	80
4.	14 th FC Performance Grant (2016-17)	31.03.17	4.71	15.04.17	B.13019/10/2016-UD&PA/loose date 05.05.17	05.07.17	4.71	80
Total		-	26.46	-	-	-	26.46	-

Source: Departmental records

Audit noticed that the State Government released FFC grants to the ULB after a delay ranging from 45 to 147 days from the date of receipt.

Thus, due to delay in release of grants to the ULB by the Finance Department, the State Government was liable to pay penal interest of ₹ 44.81 lakh¹¹. The State Government released ₹ 43.65 lakh out of total penal payable interest of ₹ 44.81 lakh. The balance amount of penal interest of ₹ 1.16 lakh had not been transferred (May 2019). Responsibility may be fixed for payment of penal interest due to delay in release of grants to ULB.

3.8.6 Internal Audit and Internal Control System of ULB

Section 95 of the MM Act, 2007 (as amended in 2015) provided for internal audit of the day to day accounts of the AMC. Further, the Reforms Calibrated Milestones under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) mandated for appointment of Audit Officer/Chartered Accountant for providing hand holding support and internal audit of Urban Local Bodies are to be conducted quarterly and annually.

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Amount (in ₹)	Period of delay in days:				Total No. of delay in Days	Amount of Penal Interest (in ₹)				Total Penal Interest (in ₹)
	15.04.16 to 30.05.16	01.10.16 to 06.10.16	07.10.16 to 24.02.17	15.04.17 to 04.07.17						
	RBI Bank Interest (Bank Rate) in per cent									
5,77,00,000	45	-	-	-	45	4,97,958.90	-	-	-	4,97,958.90
7,98,50,000	-	6	141	-	147	-	91,882.19	20,82,116.09	-	21,73,998.28
7,98,50,000	-	-	-	80	80	-	-	-	11,37,589.04	11,37,589.04
4,71,00,000	-	-	-	80	80	-	-	-	6,71,013.69	6,71,013.69
26,45,00,000	Total					-	-	-	-	44,80,559.91

It was noticed in audit that the AMC had appointed one Chartered Accountant firm namely M/s Akas & Associates as an internal auditor only in March 2017.

The State Government regretted (May 2018) for delayed action taken on appointment of the Chartered Accountant.

3.8.7 Maintenance of Records

As per Aizawl Municipal Accounting Manual the AMC is required to maintain records/ registers such as Register of Immovable Property (Form GEN-30 of AMC Accounting Manual Vol.-II), Register of Land record (Form GEN-32, *ibid*), Asset Replacement Register (Form GEN-35, *ibid*), Register of employee loans/ advances (ES-2), Register of Interest on loans to employees (ES-3), *etc.*

It was, however, noticed that the AMC did not maintain the records/ registers as required under the provision of the Manual. In absence of these vital records as required under Aizawl Municipal Accounting Manual, the details of the immovable property, total land area under AMC and loans and advances disbursed and recovered could not be ascertained in audit. Non-maintenance of records is fraught with risk of misappropriation of funds.

On this being pointed out, the State Government stated (May 2018) that the order was issued (April 2016) for maintenance of records by the Assigned Section.

3.8.8 Maintenance of Accounts by ULB

Proper financial reporting by ULB is an important instrument for financial reforms and to achieve the objective of accountability. Accordingly, the Ministry of Urban Development, Government of India (GoI) in consultation with the C&AG developed the National Municipal Accounts Manual (NMAM) (December 2004). The NMAM is based on accrual based double entry accounting system for greater transparency and control over finances. The AMC is required to prepare their budget and maintain their accounts in the formats as prescribed in NMAM with appropriate codifications and classifications.

In terms of Paragraph 10.116 of the ThFC guidelines the State Government should implement an accounting framework consistent with the accounting format and codification pattern suggested in the NMAM. Accordingly, the State Government had notified (March 2011) for adoption of accounting framework as prescribed in NMAM with appropriate codifications and classification.

As per the State Government's notification dated 24 June 2011, the responsibility of certification of accounts and the statutory audit of the local bodies shall rest with the Directorate of Local Funds Accounts.

It was noticed in audit that Annual Financial Statements of the AMC had been finalised upto the year ending March 2017 which was audited and certified by the Directorate of Local Funds Accounts (June 2017). The audited Annual Financial Statements for the AMC for the year ended March 2017 was approved by the Board of Councilors (July 2017).

The State Government confirmed (May 2018) the facts.

CHAPTER-IV

Compliance Audit Paragraphs Urban Local Body (Aizawl Municipal Corporation)

CHAPTER-IV

COMPLIANCE AUDIT PARAGRAPHS URBAN LOCAL BODY (AIZAWL MUNICIPAL CORPORATION)

SOLID WASTE MANAGEMENT BY AIZAWL MUNICIPAL CORPORATION

4.1 Introduction

The State Government had framed the Solid Waste Management Rules, 2016 applicable to every urban local body, outgrowths in urban agglomerations, census towns, *etc.* The Rules envisage duties of various bodies and authorities¹.

The Mizoram Urban Sanitation and Solid Waste Management Policy, 2011 was framed by AMC with the objective of:-

- (a) providing directions for carrying out sanitation and solid waste management activities in a manner which is not just environmentally, socially and financially sustainable but also economically viable.
- (b) establishing an integrated and self-contained operating framework for Urban Sanitation and Solid Waste Management, which would include the development of appropriate means and technologies to handle various waste management activities.
- (c) enhancing the ability of the Government functionaries/ ULB/ local authorities to provide effective waste management services to their citizens.
- (d) providing at least basic sanitation services to every urban dweller.

4.1.1 Audit objectives

The Audit was conducted to assess whether-

- The Aizawl Municipal Corporation followed the Rules for collection, transportation, segregation, storage, processing and disposal of solid wastes;
- User charges were collected timely and properly accounted for by the AMC; and
- Effective monitoring and evaluation system for solid waste management was in place.

4.1.2 Audit criteria

The criteria used for framing comments were-

- The Mizoram Urban Sanitation and Solid Waste Management Policy;
- Solid Waste Management Rules, 2016;
- Office orders and circulars;
- The Mizoram Municipalities Act, 2007;

¹ Waste generators, Ministries, Secretaries, District Magistrates or District Collectors or Deputy Commissioners and Local Bodies

- Government circulars and orders; and
- General Financial Rules and Receipt and Payment Rules.

4.1.3 Audit coverage and methodology

The audit of Solid Waste Management of Aizawl Municipal Corporation (AMC) for the period 2012-17 was conducted between October and November 2017. The methodology of audit involved test-check of the records, collection of documentary evidences, issue of audit queries/ observations, obtaining replies and joint inspection, *etc.*

4.1.4 Audit findings

4.1.4.1 Source of funds

The Aizawl Municipal Corporation has set aside a separate budget provision for Solid Waste Management (SWM) within the municipality. The main source of fund for SWM is the General Basic Grants and General Performance Grants received from Government of India under Central Finance Commission devolution. The Solid Waste Management is done in a Public Private Partnership mode. The funding is shared in the ratio of 80:20 between the AMC and the general public. It was observed in audit that though the user charges were collected by the AMC through the Local Councils, the accounts of the public contribution in the form of user charges were not accounted for by the AMC. Hence the actual amount collected from the public could not be ascertained in audit. The details of expenditure during 2012-17 have been given in the Table-4.1:

Table-4.1:- Yearwise funds received and expenditure during the period 2012-17

(₹ in lakh)

Year	Opening Balance	Fund received during the year	Total Fund available	Expenditure	Closing balance
2012-13	0.52	396.50	397.02	308.42	88.60
2013-14	88.60	360.91	449.51	533.30	(-) 83.79
2014-15	(-) 83.79	408.22	324.43	353.47	(-) 29.22
2015-16	(-) 29.22	476.75	447.53	365.19	82.34
2016-17	82.34	319.00	401.52	386.77	14.75
Total		1,961.38	2,020.01	1,947.15	

Source: AMC's records

In the absence of details, the source of fund from which expenditure was incurred in excess of available fund during 2013-14 and 2014-15 could not be ascertained in audit.

Besides, under the capital head, construction of Solid Waste Management System for Aizawl project is being executed by the State Investment Programme Management and Implementation Unit (SIPMIU) under Asian Development Bank (ADB) assisted project which is expected to

be commissioned by 2019. However, the expenditure incurred by SIPMIU was not available with the AMC.

The Government stated (May 2018) that the funding is shared in the ratio of 80:20 between the AMC and the general public. The reply of the Government was not acceptable as the contribution of 20 *per cent* public share was calculated on the basis of recorded expenditure but not on the actual contribution collected by the AMC from the public.

4.1.4.2 Status of delivery of services

Benchmarking is an important mechanism for introducing accountability in the service delivery. It involves measuring and monitoring of performance of the service provider on a systematic and continuous basis. As prescribed under Chapter 9.110(xi) of the Report and Recommendations of Fourteenth Finance Commission, the Service Level Bench Marking (SLB) covering water supply, sanitation, solid waste management and storm water drainage was done by the AMC. The achievement of SLB under Solid Waste Management during 2016-17 as intimated by AMC is given in the following table:

Table-4.2:- Achievement of SLB under Solid Waste Management during 2016-17

Sl. No.	Proposed indicator	Bench mark (per cent)	Baseline level (per cent)	Target for 2016-17 (per cent)	Current level (per cent)	Percentage of achievement
1.	Household level coverage of solid waste management services	100	70	86	86	100
2.	Efficiency of collection of municipal solid waste	100	60	81	85	105
3.	Extent of segregation of municipal solid waste	100	0	1	1	100
4.	Extent of municipal solid waste recovered	80	0	5.5	5.5	100
5.	Extent of scientific disposal of municipal solid waste	100	0	1	1	100
6.	Efficiency in redressal of customer complaints	80	60	67	67	100
7.	Extent of cost recovery in SWM services	100	10	25	20	80

Source: Service Level Benchmark notified for the year 2016-17 and 2017-18 by the State Level Benchmark Cell, GoM

It is observed from the table that AMC had fixed the target for different indicators far below the benchmark set by itself. AMC achieved its target with regard to segregation of solid waste and scientific disposal of solid waste at the level of only one *per cent* against the benchmark of 100 *per cent*. Similarly, targets set for extent of municipal solid waste recovered and cost recovery in SWM services of 5.5 *per cent* and 20 *per cent* respectively had been achieved for the extent of Solid Waste recovered only. These clearly indicate that AMC had not accorded

due importance to each indicator to ensure rendering effective service towards Solid Waste Management.

On this being pointed out, the Government did not offer specific comments.

4.1.4.3 Assessment of generation of solid waste

To achieve the benchmark fixed by the Ministry of Urban Development for household level coverage/ efficiency in collection of solid waste, the quantity of solid waste generated daily in municipal areas, the quantum of each delivery service was required to be assessed properly.

According to the Solid Waste Management Rules, 2016, the Municipalities are required to furnish annual reports on SWM in form IV to the Commissioner or Director, Municipal Administration or designated Officer as well as to the State Pollution Control Board.

It was, however, observed in audit that, the AMC did not assess the daily solid waste generation. As per the Detailed Project Report on Solid Waste Management in Aizawl City for the year 2016-17, the actual quantity of Solid Waste collected per day was 159.88/tpd². In absence of daily assessment of waste generation, the authenticity of the figure incorporated in the annual report by the AMC could not be ascertained in audit.

In absence of accurate data on waste generated, planning for management of solid waste would be difficult. For proper assessment of solid waste generated, weighbridges are required to be installed by the AMC at the site of disposal of solid waste. However, this facility was not available at the disposal site or with the AMC. Hence there was a need for installation of weighbridge by the AMC in order to assess the daily solid waste generation.

On this being pointed out, the State Government stated (May 2018) that the installation of weighbridge would be done shortly. However, the installation of weighbridge was not done as of May 2019.

Recommendation: The AMC should assess properly quantity of solid waste generated daily for effective management of solid waste.

4.1.4.4 Door-to-door collection of solid waste

As per Rule 15(b) of the Solid Waste Management Rules, 2016, it is the duty of the local bodies to arrange for door to door collection of solid waste from all household including slums and informal settlements, commercial, institutional and other non-residential premise. Also as per section 8(1) of the Mizoram Urban Sanitation and Solid Waste Management Policy, 2011, door step or house to house collection on regular and pre-informed timing will be organised by the process of ringing of bell or other means of information.

² Tonne per day

It was observed in audit that door-to-door collection of segregated waste was not done in the Aizawl Municipality. In reply to audit query (November 2017), the AMC stated that due to physical terrain of Aizawl city, door-to-door collection of Municipal Solid Waste was not possible; rather residents disposed off their waste from a designated collection point and it is presumed that 90 per cent of the city was covered.

However, as per the Service Level Benchmark, the actual coverage during 2016-17 was 86 per cent against the prescribed benchmark of 100 per cent.

The State Government stated (May 2018) that efforts were made to increase coverage of solid waste collection within the city. Further, the Government added that the actual coverage increased to 90 per cent during 2017-18.

4.1.4.5 Instances of burning of solid waste

In terms of Solid Waste Management Rules, 2016, wastes (dry leaves, garbage) should not be burnt. Audit, however, observed that heaps of garbage was burnt indiscriminately causing air pollution in and around the dumping site at Tuirial as shown in the photographs below:



Photographs on burning of garbage at Tuirial dumping ground, Aizawl, Mizoram were taken on 21 November 2017 at 3:00 pm

It was noticed that the AMC did not take any steps to measure and combat the pollution of Air caused due to the burning of solid waste.

The Government stated (May 2018) that steps would be taken to minimise the pollution of Air by engaging water cannon of Fire service which in turn would reduce burning of the solid waste. The reply was not acceptable as water cannon is not the solution to Air Pollution and no steps were taken to stop the practice of open burning of solid wastes in the first place. Further, the reply was silent about the steps taken to measure the pollution of Air due to the burning of solid waste.

4.1.4.6 Non-segregation of waste

The Solid Waste Management Rules, 2016 envisage that, in order to create public awareness the municipal authorities should organise awareness programme for minimising the waste, not to litter, segregation of waste and should promote recycling or reuse of segregated waste including home composting. The municipal authorities should initiate programme through information, education and communication and by educating the waste generators.

Audit observed that, segregation, reuse and recycling of waste were not done in Aizawl. In reply to audit query, the AMC stated that they were handicapped to make duplicate arrangement in respect of Solid Waste Management as the same was under active implementation by State Investment Programme Management and Implementation Unit (SIPMIU).

Recommendation: *The AMC should take steps for segregation of solid waste by spreading public awareness and provisioning for the same.*

4.1.4.7 Treatment and Landfill operation

The Mizoram Urban Sanitation and Solid Waste Management Policy, 2011 was formulated in pursuance of the Supreme Court guidelines. Taking into account the prevalent market constraint, composting was to be the preferred method for treatment of solid waste. Landfill, as required under prevailing statutes, would need to be developed to dispose of non-biodegradable matter and compost rejects.

During the course of audit, it was however observed that, since the Municipal Solid Waste Management System for Aizawl City project was not within the purview of AMC but being executed by SIPMIU, under Asian Development Bank (ADB) project, treatment of Solid waste had not been done either by composting or through landfill. It was however stated that the project (creation of composting and land fill facilities) would be commissioned within 2019 and would be handed over to AMC.

4.1.4.8 Collection of User Fee

The Solid Waste Management Rules, 2016 envisage for collection of user fee from the waste generators. It is the duty of the local bodies to prescribe from time to time user fee as deemed appropriate and collect the fee from the waste generators on its own or through authorised agency.

During the course of audit, it was observed that the AMC collected user fees from the general public through the Local Councils. It was however, observed that the AMC did not prescribe the rate. The AMC also did not keep the account of the user fees collected from the public.

Instead, user fees were fixed and collected by the Local Councils. Thus, in the absence of prescribed fee and proper records, the actual amount of user fee collected and utilisation could not be ascertained in audit.

The Government stated (May 2018) that the rate for collection of user fees from the public is not fixed by the AMC. However, allotment of vehicles and hiring charges of vehicles were fixed for each local council. The reply was, however, silent about the amount of user fees collected and the maintenance of records of user fees collection.

Recommendation: *The AMC should prescribe the rate of user fee and keep the accounts of the user fees collected from public.*

4.1.4.9 Monitoring

The Mizoram Urban Sanitation and Solid Waste Management Policy, 2011 envisage for creation of Sanitation task Force at the State Level and City/ Town Task Force at the City/ Town level which will be responsible for providing overall guidance in the process of planning, implementation, monitoring and evaluation of sanitation programs at the state level and at the City/ Town level respectively.

During the course of audit, it was observed that the Mizoram Sanitation Task Force was established (10 May 2016) and the City/ Town Sanitation Task Forces were formed. The Mizoram Sanitation Task Force set up an annual action plan³, outlining the targets to be achieved during 2016-17. However, there was no record to show that actions as proposed in the annual plans were being carried out. Hence, in absence of proper record, the monitoring works carried out by the Task Forces could not be ascertained in audit.

4.1.5 Conclusion

The State Government had framed Solid Waste Management Rules, 2016. As per Fourteenth Finance Commission's recommendation, Service Level Benchmark for solid waste management was done by AMC. Audit however, noticed that AMC had fixed the target for several indicators below the prescribed benchmarks. AMC did not determine the actual quantum of solid waste generated in absence of weighbridges. There was negligible segregation of waste before and after collection. Dumping of wastes was the most common option for disposal of waste, due to non-existence of waste processing and scientific landfill. Even instances of burning of solid waste were noticed. The AMC did not keep the accounts of the user fee collected from the public.

³ As per the Action Plan, Cleanliness Drive was taken up during 2016-17

4.2 Fixed Assets Registers not maintained

The Annual Accounts of the Aizawl Municipal Corporation for the year ended March 2017 exhibited an amount of ₹ 5,350.89 lakh as Net Fixed Assets after deduction of accumulated depreciation of ₹ 518.93 lakh from the Gross Fixed Assets of ₹ 5,869.82 lakh.

Scrutiny of the records (November 2017) revealed that the AMC did not maintain Register of Immovable Property (Form GEN-30 of AMC Accounting Manual Vol.-II), Register of Land record (Form GEN-32, *ibid*), Asset Replacement Register (Form GEN-35, *ibid*). Further, records of fixed assets and the depreciation thereof was not reflected in the relevant ledgers in the Municipal accounting software maintained by the AMC.

The annual accounts depicted ₹ 191.73 lakh as addition under 'Building'. Scrutiny of the records revealed that ₹ 66.71 lakh only was incurred under 'Building' (Construction of Warehouse at CSTT Campus, Rangvamual) during 2016-17. Further, the annual accounts also depicted an amount of ₹ 12.00 lakh as addition under 'Waterways'. However, there was no expenditure under waterways during 2016-17.

As a result, Audit could not verify and vouchsafe the actual assets held by the AMC and the corresponding depreciation of ₹ 5,358.89 lakh as of March 2017.

The Government stated (May 2018) that wrong depiction in the accounts was due to technical problem in the accounting software which was being resolved. Further, the Government added that the AMC had started maintaining all the required registers.

4.3 Irregular procurement of goods and stationery items

Rule 146 of General Financial Rules (GFR), 2005 (as adopted by the Government of Mizoram) states that purchase of goods costing above ₹ 15,000 (Rupees Fifteen Thousand) only and up to ₹ 1,00,000 (Rupees One lakh) only on each occasion may be made on the recommendations of a duly constituted Local Purchase Committee consisting of three members of an appropriate level as decided by the Head of the Department. The committee will survey the market to ascertain the reasonableness of rate, quality and specifications and identify the appropriate supplier.

Scrutiny of the records (November 2017) revealed that the AMC purchased goods worth ₹ 11.49 lakh (with price ranging from ₹ 15,000 to ₹ 94,442) on different occasions during 2016-17 without constituting a purchase committee in contravention of Rule 146 of GFR. Details are given in **Appendix-4.1**.

While accepting the audit observation, the Government stated (May 2018) that constitution of Purchase Committee/ Advisory Board would be done shortly. However, action taken in this regard was awaited till date (May 2019).



(HAUTINLAL SUANTAK)

Senior Deputy Accountant General (Audit)

Aizawl

The 23 August 2019

Countersigned



(LALRAMTHANGA TOCHHAWNG)

Principal Accountant General

Aizawl

The 26 August 2019

APPENDICES

APPENDICES

Appendix-2.1

Statement showing the details of irregularities observed in maintenance of accounts and records

(Reference: Paragraph-2.1; Page-9)

Sl. No.	Name of the Village Councils	Irregularities observed
A. Village Councils under Reiek RD Block, Mamit District		
1.	Khawrihnim	<ol style="list-style-type: none"> 1. Out of ₹ 15,69,484 released to the VC under MGNREGS (wage component) for disbursement to jobcard holders during 2016-17, ₹ 5,39,560 received on 01 December 2016 was recorded in the Cash book. A sum of ₹ 5,14,962 and ₹ 5,14,962 released on 04 May 2016 and 28 June 2016 respectively was not entered/ recorded in cash book. 2. APRs/ payment register for disbursement of wages of ₹ 15,69,484 under MGNREGS were not furnished for audit verification.
2.	Ailawng	<ol style="list-style-type: none"> 1. ₹ 11,73,928 (₹ 3,84,300 on 04 May 2016, ₹ 3,84,300 on 27 June 2016 and ₹ 4,05,328 on 16 April 2016) for disbursement to job-card holders under MGNREGS (wage component) during 2016-17. In this regard, APRs/ payment register in support of for disbursement of wages amounting to ₹ 11,73,928 were not furnished for audit verification.
3.	Kanghmun	<ol style="list-style-type: none"> 1. Out of ₹ 19,74,642 released to the VC under MGNREGS (wage component) for disbursement to job-card holders during 2016-17, only ₹ 6,52,944 and ₹ 6,63,264 received on 04 May 2016 and 01 December 2016 respectively was recorded in the cash book. ₹ 6,58,434 released on 28 June 2016 was not entered/ recorded in cash book. 2. APRs/ payment register for disbursement of wages amounting to ₹ 19,74,642 under MGNREGS were not furnished for audit verification.
4.	Reiek	<ol style="list-style-type: none"> 1. ₹ 31,51,638 (₹ 10,50,420 on 05 May 2016, ₹ 10,27,362 on 27 June 2016 and ₹ 10,73,856 on 16 November 2016) for disbursement to jobcard holders under MGNREGS (wage component) during 2016-17. In this regard, APRs/ payment register in support of disbursement of wages amounting to ₹ 31,51,638 were not furnished for audit verification. 2. Bank interest of ₹ 3,423 received on December 2016, was not entered in cash book.
5.	‘W’ Lungdar	<ol style="list-style-type: none"> 1. Out of ₹ 14,06,495 released to the VC under MGNREGS (wage component) for disbursement to jobcard holder during 201617, ₹ 94,80,80 (₹ 4,61,160 and ₹ 4,86,920 received on 04 May 2016 and 30 November 2016) was entered/ recorded in the cash book. But, ₹ 4,58,415 released on 27 June 2016 was not entered in cash book. 2. APRs/ payment register for disbursement of wages amounting to ₹ 14,06,495 under MGNREGS were not furnished for audit verification.

Sl. No.	Name of the Village Councils	Irregularities observed
6.	Hreichuk	<ol style="list-style-type: none"> 1. Out of ₹ 5,65,822 released to the VC under MGNREGS (wage component) for disbursement to jobcard holders during 2016-17 ₹ 3,78,796 (₹ 1,86,660 received on 28 June 2016 and ₹ 1,92,136 received on 05 December 2016) was entered/ recorded in the cash book. ₹ 1,87,026 released on 05 May 2016 was not entered/ recorded in the cash book. 2. APRs/ payment register for disbursement of wages amounting to ₹ 5,65,822 under MGNREGS were not furnished for audit verification.
7.	Lungphun	<ol style="list-style-type: none"> 1. Out of ₹ 8,08,509 released to the VC under MGNREGS (wage component) for disbursement to jobcard holders during 2016-17, ₹ 2,75,796 received on 06 December 2016 was entered/ recorded in the cash book. ₹ 2,66,265 and ₹ 2,66,448 released on 04 May 2016 and 28 June 2016 respectively were not entered/ recorded in the cash book. 2. APRs/ payment register for disbursement of wages amounting to ₹ 8,08,509 under MGNREGS were not furnished for audit verification.
B. Village Councils under Tlangnuam RD Block, Aizawl District		
1.	Samtlang	1. Details of revenue collected (Animal Tax) were not furnished.
2.	Dinthar Sairang	<ol style="list-style-type: none"> 1. Bank Pass Book for MGNREGS was not furnished. 2. Details of funds/ revenue (Animal Tax) collected were not furnished.
3.	Muthi	1. Details of funds/ revenue (Animal Tax) collected were not furnished.
4.	Lengpui	1. Details of funds/ revenue (Animal Tax) collected were not furnished.
5.	Lungleng I	<ol style="list-style-type: none"> 1. Cash Book and Bank Pass Book for the year 2016-17 were not handed over to the new VC. 2. Details of funds/ revenue (Animal Tax) collected were not furnished.
6.	N. Lungleng	1. Details of funds/ revenue (Animal Tax) collected were not furnished.
7.	Sihphir Venghlun	1. Details of funds/ revenue (Animal Tax) collected were not furnished.
8.	Sairang	1. Details of funds/ revenue (Animal Tax) collected were not furnished.
9.	Nausel	1. Cash Book was not updated.
10.	Tuirial Airfield	1. Details of works executed under MNREGS not furnished.
C. Village Councils under Lawngtlai RD Block, Lawngtlai District		
1.	College Veng	<ol style="list-style-type: none"> 1. Bank Pass Book was not updated. 2. MGNREGS Cash book was not updated.
2.	L-III (Salem)	<ol style="list-style-type: none"> 1. Bank Pass Book for MGNREGS was not furnished. 2. Details of funds/ revenue (Animal Tax) were not furnished.
3.	Bazar Veng	<ol style="list-style-type: none"> 1. Bank Pass Book was not furnished. 2. Execution of works was not on record.

Sl. No.	Name of the Village Councils	Irregularities observed
4.	Vengpui	1. Cash Book and Bank Pass Book were not handed over to the new VC. 2. Details of funds/ revenue (Animal Tax) were not furnished.
5.	Thingkah	1. Bank Pass Book was not furnished. 2. Execution of works was not on record.
6.	AOC Veng	1. Execution of works under MGNREGS recorded with incomplete vouchers.
7.	Chawnhnu	1. Bank Pass Book was not furnished. 2. MGNREGS Cash book was not updated.
8.	Electric Veng	1. Bank Pass Book was not updated.
9.	Council Veng	1. Bank Pass Book was not furnished.
10.	Vengpui-II	1. Bank Pass Book was not furnished.

Source: Records of BDOs and Village Councils

Appendix-3.1

Statement showing the list of functions and duties transferred/ not transferred by the State Government to the Aizawl Municipal Corporation

(Reference: Paragraph-3.3; Page-12)

Sl. No.	List of functions of Municipality as per Section 57 of the Mizoram Municipalities Act, 2007 (as amended in November 2015)	Status		Remarks
		Functions	Transferred under Notification	
1.	Urban planning including town planning	Urban Planning including Town Planning	August 2013	--
2.	Regulation of land use and construction of buildings	Regulation on land use and construction of buildings	September 2011	--
		Collection of property tax	October 2012	(with retrospective effect from August 2011)
3.	Planning for economic and social development	Planning for economic and social development.	August 2013	--
4.	Roads and bridges	--	--	Not transferred
5.	Water supply for domestic, industrial and commercial purposes	--	--	Not transferred
6.	Public Health, sanitation conservancy and solid waste management	Public Health, Sanitation conservancy and solid waste management	June 2016	--
		Solid waste management	September 2011	--
7.	Fire services	--	--	Not transferred
8.	Urban forestry, protection of the environment and promotion of ecological aspects	Urban Forestry, protection of the environment and promotion of ecological aspects.	June 2016	--
9.	Safeguarding the interests of weaker sections of Society, including the handicapped and mentally retarded	Safeguarding the interests of weaker sections of Society, including the handicapped and mentally retarded		--
10.	Slum Improvement and Up-gradation	Slum Improvement and Up-gradation	August 2013	--
11.	Urban Poverty Alleviation	Urban Poverty Alleviation		--
12.	Provision of urban amenities and facilities such as parks, gardens and playgrounds	Provision of urban amenities and facilities such as parks, gardens and playgrounds	June 2016	--
13.	Promotion of cultural, education and aesthetic aspects	Promotion of cultural, education and aesthetic aspects		--
14.	Burials and burial grounds, cremation grounds and electric crematoriums	Cemetery/ Burial Grounds	September 2011	--
15.	Cattle pounds, prevention of cruelty to animals	Cattle pounds, prevention of cruelty to animals	June 2016	--
16.	Vital statistics including registration of births and deaths	Vital statistics including registration of births and deaths		--

Sl. No.	List of functions of Municipality as per Section 57 of the Mizoram Municipalities Act, 2007 (as amended in November 2015)	Status		Remarks
		Functions	Transferred under Notification	
17.	Public amenities including street lighting, parking lots, bus stops and public conveniences	Management of transportation terminals (CCBT & CSTT)	May 2009	--
		Streets Lights and high mast lightning system	January 2013	--
		Management of parking lots and collection of parking fees	May 2012	--
		Providing of civic services and street vending	September 2012	--
		Management of market sheds	October 2012	--
18.	Regulation of slaughter houses and tanneries	Regulation of slaughter houses and tanneries	June 2016	--

Source: ULB's records

Appendix-4.1

Statement showing purchase of goods without Constituting a Purchase Committee

(Reference: Paragraph-4.3, Page-31)

Sl. No.	Date	Voucher No.	Particulars	Amount (in ₹)
1.	29-04-2016	260	Sofa Set	35,000
2.	02-05-2016	3	Kitchen Table	17,000
3.	20-05-2016	164	Stationery	41,401
4.	30-05-2016	234	Computer accessories	20,000
5.	15-07-2016	111	JCB tyres	32,800
6.	15-07-2016	112	JCB parts	94,442
7.	17-08-2016	136	Purchase of books	20,000
8.	02-09-2016	6	Cartridge and Toner	47,756
9.	07-09-2016	40	Fax machine and printer accessories	47,460
10.	19-09-2016	115	Cartridge and Toner	43,101
11.	13-10-2016	30	Curtains	50,070
12.	13-10-2016	31	Stationery	50,500
13.	13-10-2016	36	Curtains	69,023
14.	18-10-2016	45	Stationery	50,500
15.	20-10-2016	83	Glasses, Tray, etc.	42,350
16.	09-12-2016	18	Electrical goods	16,980
17.	15-12-2016	38	Signages	36,000
18.	16-12-2016	57	Computer accessories	28,550
19.	16-01-2017	86	Printers	24,450
20.	19-01-2017	93	Computer accessories	22,800
21.	24-02-2017	98	Electrical goods	40,400
22.	15-03-2017	56	Stationery	53,020
23.	15-03-2017	63	Bathroom accessories	48,350
24.	16-03-2017	85	Cartridges	15,000
25.	21-03-2017	108	Curtains	86,000
26.	21-03-2017	121	Stationery	84,600
27.	22-03-2017	125	Expanding files	31,000
Total				11,48,553

Source: ULB's records

