

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

**FOR THE YEAR ENDED 31 MARCH 2009**

**LAIAUTONOMOUS DISTRICT COUNCIL,  
LAWNGTLAI, MIZORAM**



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## PREFACE

*This Report has been prepared for submission to the Governor of Mizoram under paragraph 7(4) of the Sixth Schedule to the Constitution of India. It relates mainly to the issues arising from the audit of the Annual Accounts as well as of the transactions of the Lai Autonomous District Council, Lawngtlai, Mizoram for the year 2008-09.*

2. *This Report contains three Chapters, the first chapter deals with the constitution of the Lai Autonomous District Council, the rules for the management of the District Fund and maintenance of Accounts by the District Council. The remaining two Chapters include comments on the Council's financial position and the various irregularities noticed during the course of test audit of the accounts and transactions of the Council for the year 2008-09.*



# *OVERVIEW*





## OVERVIEW

This Report contains three chapters. Chapter-I provides a background on the formation of the Autonomous District Council, rules for the management of the District Fund and relevant constitutional provisions on maintenance of Accounts. Chapter-II deals with comments arising out of audit of Annual Accounts of the Council for the year 2008-09 and contains one paragraph and Chapter-III of the Report details the audit findings pertaining to transaction audit of the Council and contains six paragraphs including a disclaimer statement. The main observations of audit are detailed below:

### 1. Findings on transaction audit

With 86 *per cent* of the total expenditure of the council spent towards salary, the Council was left with negligible resources for developmental activity.

*(Paragraph 3.1)*

Two revenue earning Departments (Land Revenue and Forest) achieved collection of revenue of ₹ 23.55 lakh only, which constitutes six *per cent* of the salary expenditure (₹ 369.76 lakh) incurred against the staff of these two Departments during 2008-09.

*(Paragraph 3.2)*

The Council did not evolve any mechanism to ensure the actual utilisation of financial assistance of ₹ 10.10 lakh released to 150 beneficiaries under different programmes.

*(Paragraph 3.3)*



## CHAPTER - I

### 1.1 Introduction

The erstwhile Pawi-Lakher Regional Council set up in 1953 under the provisions of Article 244(2) read with the Sixth Schedule to the Constitution of India, was divided into three Regional Councils, viz. Pawi, Lakher and Chakma, by a Notification issued by the Government of Mizoram in April, 1972. In terms of the provisions of paragraph 20B of the Sixth Schedule, Chakma Regional Council along with Pawi Regional Council and Lakher Regional Council were elevated to the status of District Councils with effect from 29 April, 1972 under Mizoram District Councils (Miscellaneous Provision) Order, 1972. The Pawi District Council was renamed as the Lai Autonomous District Council from 1 May 1989 under Notification issued by the Government of Mizoram in May 1989.

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



callings and employment, animals, vehicles and boat tolls on passengers and goods carried in ferries and for the maintenance of schools, dispensaries and roads as listed in Paragraph 8 of the Sixth Schedule.

The Lai Autonomous District Council consists of 27 Members including 23 elected Members and four nominated Members and is headed by a Chief Executive Member. The Council is headquartered at Lawngtlai, south-western Mizoram.

### **1.2 Rules for the management of the District Fund**

The Sixth Schedule provides for the constitution of a district fund for each autonomous district to which shall be credited all moneys received by the Council in the course of administration of the districts in accordance with the provisions of the Constitution. In terms of the provisions of paragraph 7(2) of the schedule, rules are to be framed by the Governor for the management of the district fund and for the procedure to be followed in respect of money therefrom, the custody of money therein and any other matter connected with or ancillary to these matters. Accordingly, the Government of Mizoram prepared the Mizoram Autonomous District Council Fund Rules, 1996 and the said Rules came into effect from the 26 November, 1996.

### **1.3 Maintenance of Accounts**

In pursuance of paragraph 7(3) of the Sixth Schedule to the Constitution of India, the form in which the accounts of the District Councils are to be maintained, were prescribed by the Comptroller and Auditor General of India with the approval of the President of India in April 1977.

The results of the test check (May 2010) of the Annual Accounts of the Council for the year 2008-09 are discussed in the succeeding Chapters.

## CHAPTER – II

The Council prepares its Annual Accounts in the prescribed format containing the following seven statements which detail the receipts and disbursements of the Council for the year (2008-09) with bifurcation of the expenditure under revenue, capital, plan and non-plan:

SL. No.	Statement No.	Particulars of Statements
i	Statement No. 1	Summary of transactions (Part-I & Part-II)
ii	Statement No. 2	Capital outlay - progressive capital outlay
iii	Statement No. 3	Debt position and the ways and means position of the Council's fund month by month during the year 2008 - 09
iv	Statement No. 4	Loans and advances by the Council
v	Statement No. 5	Detailed account of Revenue by Minor Heads
vi	Statement No. 6	Detailed account of expenditure by Minor Head - Revenue Expenditure Head
vii	Statement No. 7	Statement of receipt, disbursement and balance under heads relating to District Council Fund and Deposit Fund

## 2.1 Receipts and Expenditure

The receipts and expenditure of the Council for the year 2008-09 were as follows:

Table 2.1

(₹ in lakh)

PART - I DISTRICT FUND					
REVENUE SECTION					
Receipts			Disbursements		
i)	Taxes on income & Expenditure	36.22	i)	District Council	154.72
ii)	Land Revenue	10.91	ii)	Executive Members	67.35
iii)	Public Works	2.90	iii)	Administration of Justice	22.08
iv)	Other Administrative Services	0.02	iv)	Land Revenue	203.88
v)	Education	2.00	v)	Stamp and Registration	0.20
vi)	Other General Economic Services	0.86	vi)	Secretariat General Services	255.52
vii)	Forests	12.64	vii)	Public Works	164.05
viii)	Grants-in-Aid from State Government	3629.87	viii)	Pension and other Retirement Benefits	164.80
			ix)	Education	1925.20
			x)	Art and Culture	36.12
			xi)	Public Health, Sanitation and Water Supply (PHE)	26.35
			xii)	Urban Development (Including Sanitation)	95.38
			xiii)	Information and Publicity	25.27
			xiv)	Social Security and Welfare	33.59
			xv)	Sericulture	9.23
			xvi)	Co-operation	12.62
			xvii)	Inland Waterway	6.00
			xviii)	Sport and Youth Services	24.91
			xix)	Agriculture and Horticulture	50.37
			xx)	Soil Conservation	23.67
			xxi)	Fisheries	22.68
			xxii)	Forests	178.45
			xxiii)	Road Transport and Services	36.72
			xxiv)	Rural Development	38.99
			xxv)	Industry	22.06
			xxvi)	Animal Husbandry and Veterinary	13.34
Total Revenue Receipts		3695.42	Total Revenue Expenditure		3613.55

(₹ in lakh)

CAPITAL SECTION			
Receipts		Disbursements	
Grants-in-Aid from the State Government	249.67	Capital Disbursements	249.67
<b>Total Capital Receipts</b>	<b>249.67</b>	<b>Total Capital Disbursements</b>	<b>249.67</b>
DEBT SECTION			
Loan received from the State Government	NIL	Repayment of loan received from the State Government	NIL
Loans received from other sources	NIL	Repayment of loan received from other sources	NIL
Recoveries of loans and advances	NIL	Disbursement of loans and advances	NIL
<b>Total Debt Receipts</b>	<b>NIL</b>	<b>Total Debt Disbursements</b>	<b>NIL</b>
<b>Total of Part-I District Fund</b>	<b>3945.09</b>	<b>Total of Part-I District Fund</b>	<b>3863.22</b>
PART-II DEPOSIT FUND			
DEPOSIT SECTION			
Deposit Receipt	NIL	Deposit Disbursements	NIL
<b>Total of Part-II Deposit Fund</b>	<b>NIL</b>	<b>Total of Part-II Deposit Fund</b>	<b>NIL</b>
OVERALL POSITION			
<b>Total Receipts (Part-I + Part-II)</b>	<b>3945.09</b>	<b>Total Disbursements (Part-I + Part-II)</b>	<b>3863.22</b>
Opening balance	NIL	Closing balance	81.87
<b>Grand Total</b>	<b>3945.09</b>	<b>Grand Total</b>	<b>3945.09</b>







## CHAPTER - III

### 3.1 Engagement of large number of staff against norms

Test check of the records revealed that the council had been engaging large number of officers and staff (1,712 numbers) who were appointed by the council over the years without any norms. Consequently, 86 *per cent* of the total expenditure of the Council for the year 2008-09 was spent on payment of salaries of officers and staff leaving an insignificant amount (14 *per cent*) with the Council for other activities, out of which only eight *per cent* of the total expenditure was incurred towards developmental activities. Norms against which 1,712 number of officers and staff were appointed could not be made available by the Council to audit. There were 27 Departments under Lai Autonomous District Council and posts in various Departments were similar to those of the Departments in the State Government. The position of budget allotment *vis-à-vis* expenditure under both Plan and Non-Plan sectors of the Council during 2008-09 were as under:

**Table 3.1**

(₹ in lakh)

Particulars	Budget Allotment (Revised Estimate)				Expenditure Incurred			
	Salaries	Others	Development activities	Total	Salaries	Others	Development activities	Total
Non-Plan	2680.00	105.55	---	2785.55	2680.00	105.55	---	2785.55
Plan	661.40	94.85	403.29	1159.54	661.40	94.85	321.42	1077.67
Total	3341.40	200.40	403.29	3945.09	3341.40	200.40	321.42	3863.22

*Source: Council's records.*

It would be seen from the above table that the Council had spent a total amount of ₹ 3,541.80 lakh (₹ 3,341.40 lakh towards payment of salaries to officers and staff during 2008-09 + ₹ 200.40 lakh under other expenditure) against the

developmental activities taken up at the cost of ₹ 321.42 lakh, which constituted only nine *per cent* of total expenditure of the Council. The engagement of such a large number of officers and staff over the years without any norms was not only injudicious and unjustified but also adversely affected the developmental activities of the Council.

### 3.2 Poor collection of revenue

An analysis of the performance of two major revenue earning Departments of the Council for the year 2008-09 revealed that an expenditure of ₹ 369.76 lakh was incurred towards salaries of officers and staff of Land Revenue and Forest Department alone. The salaries of officers and staff of these two Departments were un-reasonably high in comparison with the collection of revenue of these two Departments as detailed under:

Table 3.2

(₹ in lakh)

Name of the Department	Revenue Collection	Expenditure incurred	No. of staff engaged	Percentage of revenue in comparison with expenditure incurred on salaries
Land Revenue	10.91	196.61	118	6
Forest	12.64	173.15	130	7
Total	23.55	369.76	248	6

Source: Council's records.

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

### 3.3 Non-receipt of utilisation certificates

Test check of vouchers along with relevant records revealed that the Agriculture & Horticulture, Fisheries and Animal Husbandry & Veterinary Departments made payment of ₹ 10.10 lakh to 150 beneficiaries towards financial assistance for implementation of different activities/programmes during 2008-09 as detailed below:

Table-3.3

(₹ in lakh)

Sl. No.	Name of Department	Amount paid	No. of beneficiaries	Purpose of assistance
1.	Agriculture & Horticulture	2.00	55	Financial assistance to horticulturist
2.	Fisheries	3.60	46	Financial assistance to pisciculturist
3.	Animal Husbandry & Veterinary	4.50	49	Financial assistance to piggery and poultry farmers
	<b>Total</b>	<b>10.10</b>	<b>150</b>	

Source: Council's records.

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

While reasons for not obtaining UCs and statement of expenditure from the beneficiaries concerned had not been furnished, the Council accepted the irregularities pointed out and also stated (May 2010) that UCs will be insisted hereafter from the beneficiaries as per audit instructions.



### **3.4 Internal Control and Internal Audit Mechanism**

Internal control mechanism is an integral process by which an organisation governs its activities to achieve its objectives effectively. A built in internal control system and strict adherence to Statutes, Codes and Manuals minimize the risk of errors and irregularities and helps to protect resources against loss due to waste, abuse and mismanagement. Internal audit, as an independent entity, examines and evaluates the level of compliance and the rules and procedure and provides an independent assurance to management on the adequacy or otherwise of the existing internal controls.

Rule 44 of the Mizoram Autonomous District Council Fund Rules, 1996 requires the Lai Autonomous District Council to introduce a suitable system for internal audit within the council with the approval of the Governor and in consultation with the State Accountant General. However, such a system has not yet been introduced (July 2011) by the Council Authorities.

### **3.5 Outstanding Inspection Reports**

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

Eight IRs containing 78 paragraphs relating to the Council for the year period 1996-97 to 2008-09 were awaiting settlement (July 2011).

Therefore, effective steps by the Council to promptly furnish appropriate replies to the outstanding paragraphs for their early settlement is called for.

**3.6 Disclaimer Statement**

This Report has been prepared on the basis of information furnished and records made available by the Lai Autonomous District Council (auditee unit). The Office of the Accountant General (Audit), Mizoram, Aizawl, disclaims any responsibility for any misinformation and/or non-furnishing of information on the part of the auditee unit.

**Aizawl****The 06 SEP 2011**

**(L. TOCHHAWNG)**  
**Accountant General (Audit)**  
**Mizoram**

**Countersigned****New Delhi****The**

**(VINOD RAI)**  
**Comptroller and Auditor General of India**

**25 OCT 2011**

