

CHAPTER-II

AN OVERVIEW OF THE ORGANISATION, FINANCES, DEVOLUTION AND ACCOUNTABILITY FRAMEWORK OF RURAL LOCAL BODIES

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2.1 Introduction

The Seventy Third Constitutional Amendment Act, 1992 paved the way for decentralisation of power and transfer of 29 functions as listed in the 11th Schedule of the Constitution along with the corresponding funds and functionaries to the Rural Local Bodies (RLBs) and to establish a system of uniform structure, holding of regular elections and regular flow of funds through Finance Commission.

The State of Mizoram comprises of eight Administrative Districts. Out of the eight districts, two districts (Lawngtlai and Saiha) are covered under the 6th Schedule of the Constitution of India and the remaining six Districts fall under 243M of Part IX of the Constitution of India, and thereby the whole state is exempted from the purview of the Seventy Third Constitutional Amendment Act.

The Gram Panchayat is the pivotal body at the village level. However, in the case of Mizoram, the Seventy Third Constitutional Amendment is not applicable in the State, the existing traditional Village Councils (VCs) have been mandated and invested with the corresponding responsibility to function as PRIs.

As per the Finance Department's Notification (June 2010), in the context of Mizoram, the local body means all the Village Councils (VCs), Aizawl Municipal Council (AMC), Sinlung Hills Development Council (SHDC) and three Autonomous District Councils (Lai, Mara, and Chakma Autonomous District Councils). The Finance Department also notified (June 2010) that the SHDC and the three Autonomous District Councils are to operate the Special Areas Grant of the Thirteenth Finance Commission (ThFC).

2.2 Organisational Setup in State Government and Rural Local Bodies (RLBs)

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).

The Secretaries of the Administrative Departments *viz.* Local Administration Department (LAD), District Council Affairs Department (DCAD) and General Administration Department (GAD) functions as the Nodal Departments of the RLBs in respect of General Basic Grants, General Performance Grants, Special Areas Basic Grants and Special Areas Performance Grants under ThFC.

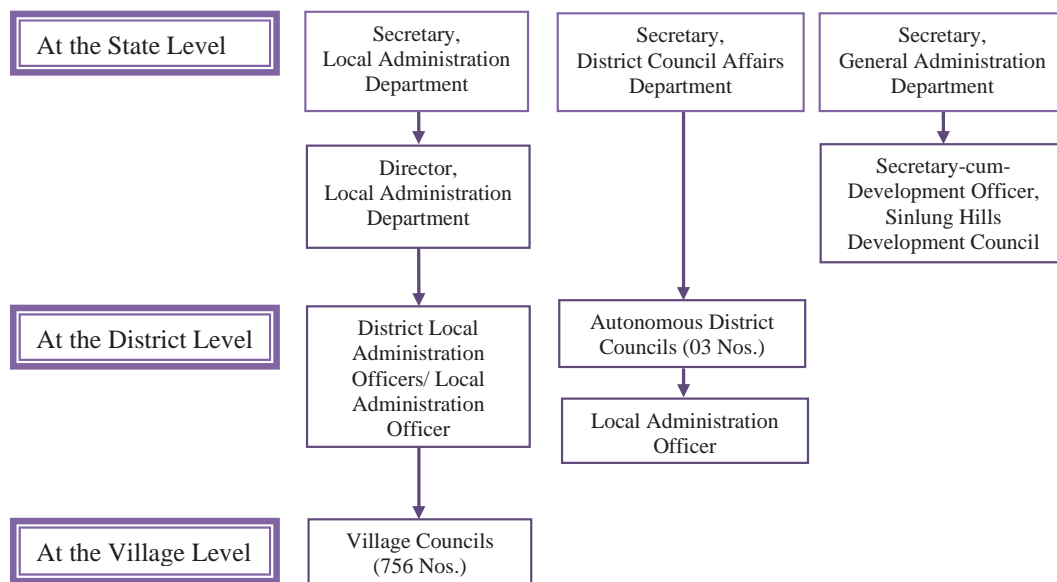
Besides, the Director, LAD, who acts as the Nodal Officer, is responsible for allocation of funds and overall supervision of the schemes to be executed by the VCs under ThFC. He is assisted by the six District Local Administration Officers (DLAOs) in supervising and monitoring the activities of the 756 Village Councils (VCs) in the State, including 30 newly established VCs.

The Secretary, DCAD functions as the Nodal Officer of RLBs in respect of Special Areas Basic Grants and Special Areas Performance Grants for three Autonomous District Councils (ADCs) viz. Lai, Mara and Chakma ADCs. He is assisted by the three Local Administration Officers (LAOs) of the ADCs.

The General Administration Department (GAD) functions as the Nodal Department in respect of Special Areas Basic Grants and Special Areas Performance Grants of the Sinlung Hills Development Council.

The organogram of the RLBs is given in the Chart-2.1:

Chart-2.1



2.3 Accounting Manual and Maintenance of Accounts

By virtue of 6th Schedule and Article 243M of the Constitution of India, RLBs in Mizoram, being non-Panchayats, the preparation of budget and maintenance of accounts and database on finances on the line of formats prescribed for Panchayati Raj Institutions is not applicable in the State.

However, Para 6.5.1 (ii) of the ThFC's guidelines 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.

Since Village Councils (VCs) are non-Panchayats in the entire State, be it General or Special Area (the RLBs are VCs) falling under 6th Schedule or 243M of Part IX of the Constitution of India, the stipulation contained in Para 6.5.1 (ii) of the ThFC's guidelines shall apply.

However, the State Government has formulated and issued instructions/guidelines (14 July 2006) to the VCs on maintenance of cash books, cash memos/vouchers *etc.* for keeping accounts out of ThFC grants received.

It was noticed in Audit that all the 97 test checked VCs in three Districts (Lunglei, Serchhip and Mamit) including VCs under ADC Saiha were maintaining the cash books, cash memos/vouchers *etc.* for keeping accounts of the ThFC grants as per instructions/guidelines issued by the State Government.

2.4 Financial Profile of the RLBs

The Thirteenth Finance Commission (ThFC) fund was released to the State Government to supplement the resources of the RLBs. On receipt of Grants-in-Aid under ThFC, from the Government of India (GoI), the Finance Department of the State Government used to release the same to the three Administrative/Nodal Departments {Local Administration Department (LAD), District Council Affairs Department (DCAD) and General Administration Department (GAD)} for its onwards release/allocation to the concerned RLBs under them.

As *per* ThFC recommendations, the GoI released a total Grants-in-Aid of ₹ 47.08 crore (General Basic Grant : ₹ 42.31 crore *plus* General Performance Grant : ₹ 1.17 crore *plus* Special Areas Basic Grant : ₹ 3.60 crore) during the period 2010-13.

The details of year-wise receipt of grants from the GoI and its allocation to the concerned three Administrative/Nodal Departments by the State Government during the year 2010-13 are shown in the following Table-2.1:

Table-2.1

(₹ in crore)

Particulars	Year of ThFC grants	Grants released by GoI		Release of grants by the State Government to:				
		Year	Amount	Year	LAD	GAD	DCAD	Total
(A) General Basic Grant (GBG)	2010-11	2010-11	18.55	2010-11	18.55	Nil	Nil	18.55
	2011-12	2011-12	11.88	2011-12	11.88	Nil	Nil	11.88
		2012-13	11.88	2012-13	11.88	Nil	Nil	11.88
Sub-Total (A)			42.31	--	42.31	Nil	Nil	42.31
(B) General Performance Grant (GPG)	2011-12	2011-12	1.17	2012-13	1.17	Nil	Nil	1.17
Sub-Total (B)			1.17	--	1.17	Nil	Nil	1.17
(C) Special Areas Basic Grant (SABG)	2010-11	2010-11	1.80	2010-11	Nil	0.20	0.80	1.00
				2011-12		Nil	0.80	0.80
	2011-12	2011-12	0.90	2011-12	Nil	0.10	1.08	1.18
		2012-13	0.90	2012-13	Nil	0.10	Nil	0.10
Sub-Total (C)			3.60	--	Nil	0.40	2.68	3.08
Grand Total (A + B + C)			47.08	--	43.48	0.40	2.68	46.56

Source: Department records

It can be seen from the Table-2.1 that against the GoI release of ₹ 47.08 crore during the period 2010-13, the State Government transferred/allocated ₹ 46.56 crore to the three Administrative/Nodal Departments (LAD, GAD and DCAD), retaining a balance amount of ₹ 0.52 crore as of 31 March 2013 in respect of Special Areas Basic Grant.

During the year 2011-12, the State Government released ₹ 0.28 crore (State release : ₹ 1.18 crore *minus* GoI release : ₹ 0.90 crore) in advance to the GAD and DCAD in respect of Special Areas Basic Grant, which was subsequently adjusted while releasing the fund during the year 2012-13. Further, GoI released ₹ 1.17 crore in respect of General Performance Grant during 2010-11, which was released by the State Government to the LAD during the year 2012-13.

2.5 Audit Mandate

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 shall be 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 auditor appointed by the State Government or 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 local bodies with the responsibility of certification of accounts under the administrative control of the Finance Department.

It was noticed that audit reports on the accounts of the RLBs prepared by the DLFA for the period ending 31 March 2011 and 31 March 2012 were laid (27 March 2012 and 20 March 2013 respectively) in the State Legislative Assembly.

Besides, in pursuance of the recommendations of the ThFC, the State Government entrusted (June 2011) the Technical Guidance & Support (TGS) over the accounts and audit of local bodies to the Comptroller & Auditor General of India under Section 20 (1) of the C&AG's DPC Act, 1971.

2.6 Conclusion

- The Rural Local Bodies maintained accounts as *per* the instructions issued by the State Government.
- The State Government had not released ThFC grant of ₹ 0.52 crore as of 31 March 2013.

2.7 Recommendations

- The State Government should ensure timely release of the ThFC grants to the Administrative/Nodal Departments.