

## **CHAPTER-IV**

# **COMPLIANCE AUDIT PARAGRAPHS RURAL LOCAL BODIES**

## CHAPTER-IV

### COMPLIANCE AUDIT PARAGRAPHS RURAL LOCAL BODIES

#### 4.1 Fund Management

The Thirteenth Finance Commission (ThFC) has recommended General Basic Grants, General Performance Grants, Special Areas Basic Grants and Special Areas Performance Grants for the five year period 2010-15. The year-wise details of the Thirteenth Finance Commission grants received by the Government of Mizoram (GoM) during the period 2010-13 *vis-a-vis* release to the Rural Local Bodies (RLBs) are shown in Table-4.1 below:

Table-4.1

(₹ in crore)

TFC Grants		Grants released by the GoI		Grants released by the GoM				Allocation and release of grants by:				
Year	Amount	Year	Amount	LAD	GAD	DCAD	Total	LAD to VC's	LAD to Director LAD	GAD to SHDC	DCAD to ADCs	Total
2010-11	20.35	2010-11	20.35	18.55	0.20	0.80	19.55	18.30	0.25	0.20	0.80	19.55
2011-12	26.73	2011-12	13.95	11.88	0.10	1.88	13.86	11.29	0.59	0.10	1.88	13.86
		2012-13	12.78	13.05	0.10	Nil	13.15	12.56	0.49	0.10	Nil	13.15
<b>Total</b>	<b>47.08</b>	<b>2010-13</b>	<b>47.08</b>	<b>43.48</b>	<b>0.40</b>	<b>2.68</b>	<b>46.56</b>	<b>42.15</b>	<b>1.33</b>	<b>0.40</b>	<b>2.68</b>	<b>46.56</b>

Source: Departmental records

It can be seen from the Table-4.1 that out of ThFC grants of ₹ 47.08 crore released by GoI, the GoM transferred ₹ 46.56 crore to the RLBs during 2010-13, resulting in short release of ₹ 0.52 crore. Reasons for short release of grants by the State Government were not on records.

#### 4.2 Delay in release of grants

As per Para 4.2 of the guidelines issued by the Ministry of Finance for release and utilisation of grant (General Basic Grant, General Performance Grant and Special Areas Basic Grant) recommended by the ThFC, the State Government has to transfer the funds to Local Bodies within five days of receipt from the Central Government in case of States with easily accessible banking infrastructure and ten days in case of States with inaccessible banking infrastructure. Any delay will require the State Government to release the instalment with interest, at the Bank rate of RBI. The dates of release of TFC grant *vis-à-vis* transfer of funds by the Local Administration Department (LAD), General Administration Department (GAD) and District Council Affairs Department (DCAD) to the RLBs are shown in the following Table-4.2 (i) and (ii):

Table-4.2 (i)

(₹ in crore)

Particulars	Release of Grants-in-Aid by GoI		Due date of release	Release to RLBs		Delay in days
	Date of release	Amount released		Date of release	Amount released	
General Basic Grant	15.07.10	9.39	19.07.10	13.12.10	9.29	146
	16.03.11	9.16	20.03.11	30.03.11	9.01	10
	01.03.12	11.88	05.03.12	30.03.12	11.29	25
	22.03.13	11.88	26.03.13	26.03.13	9.39	---
29.03.13				2.00	3	
General Performance Grant	31.03.12	1.17	04.04.12	09.04.12	1.17	5
<b>Total</b>		<b>43.48</b>			<b>42.15</b>	

Source: Departmental records

Table-4.2 (ii)

(₹ in crore)

Particulars	Release of Grants-in-Aid by GoI		Due date of release	Date of release to ADCs	Amount released	Delay in days	Date of release to SHDC	Amount released	Delay in days
	Date of release	Amount released							
Special Areas Basic Grant	15.07.10	0.90	19.07.10	28.07.10	0.80	9	26.07.10	0.10	7
	16.03.11	0.90	20.03.11	01.04.11	0.80	12	31.03.11	0.10	11
	01.03.12	0.90	05.03.12	07.03.12	0.53	2	14.03.12	0.10	9
				09.03.12	0.55	4	---	---	---
22.03.13	0.90	26.03.13	05.04.13	0.52	10	30.03.13	0.10	4	
<b>Total</b>		<b>3.60</b>			<b>3.20</b>			<b>0.40</b>	

Source: Departmental records

It can be seen from the Tables-4.2 (i) & (ii) that ThFC grants released by the Local Administration Department (₹ 42.15 crore), District Council Affairs Department (₹ 3.20 crore) and General Administration Department (₹ 0.40 crore) to the RLBs were delayed by 2 days to 146 days beyond the stipulated date of transfer.

It was noticed in Audit that the State Government had released an amount of ₹ 7.15 lakh<sup>1</sup> as penal interest due to delay in release of grants to the RLBs, ADCs and SHDC as stipulated in the guidelines.

However, the penal interest for delay release of General Basic Grant and General Performance Grant of ₹ 2 crore and ₹ 1.17 crore respectively, payable for the year 2012-13 was not sanctioned by the State Government as of March 2014. Also, the penal interest for delay

<sup>1</sup> December 2011: ₹ 1.55 lakh, January 2012: ₹ 0.03 lakh, February 2012: ₹ 5.57 lakh = **Total: ₹ 7.15 lakh**

release of Special Area Basic Grant of ₹ 3.60 crore payable for the year 2012-13 was not sanctioned by the State Government as of March 2014.

### 4.3 Minor works

Based on work proposals received from the Village Councils (VCs) through the concerned District Local Administration Officers (DLAOs)/Local Administration Officer (LAO), the Director, LAD administratively approved (2010-13) altogether 1,402 minor works for construction of approach roads, stone steps, water tanks, and retaining walls *etc.* at an estimated cost of ₹ 18.77 crore in respect of 333 VCs in three Districts (Mamit, Serchhip and Lunglei) and one Autonomous District Council (Saiha). The sanctioned amount of ₹ 18.77 crore was directly transferred to the accounts of the 333 VCs by the Director, LAD for execution of 1,402 minor works during 2010-13.

As per utilisation certificates submitted by the concerned 333 VCs the year-wise number of works approved with estimated cost and expenditure incurred with number of work completed during 2010-13 is shown in the following table:

**Table-4.3**

(₹ in crore)

Name of District/ADC	No. of VCs	Works approved			Fund released		Details of Utilisation Certificate	
		Year	No.	Estimated cost	Year	Amount	Expenditure	No. of works completed
Lunglei	135	2010-11	135	3.51	2010-11	3.51	3.51	135
		2011-12	135	4.07	2011-12	2.02	2.02	135
		2012-13	-	-	2012-13	2.05	2.05	-
<b>Sub-Total</b>			<b>270</b>	<b>7.58</b>		<b>7.58</b>	<b>7.58</b>	<b>270</b>
Serchhip	42	2010-11	86	1.16	2010-11	1.16	1.16	86
		2011-12	96	1.73	2011-12	-	-	96
		2012-13	-	-	2012-13	1.73	1.73	-
<b>Sub-Total</b>			<b>182</b>	<b>2.89</b>		<b>2.89</b>	<b>2.89</b>	<b>182</b>
Mamit	71	2010-11	314	1.76	2010-11	1.76	1.76	314
		2011-12	296	2.39	2011-12	1.28	1.28	296
		2012-13	-	-	2012-13	1.11	1.11	-
<b>Sub-Total</b>			<b>610</b>	<b>4.15</b>		<b>4.15</b>	<b>4.15</b>	<b>610</b>
MADC	85	2010-11	170	1.85	2010-11	1.85	1.85	170
		2011-12	170	2.30	2011-12	-	-	170
		2012-13	-	-	2012-13	2.30	2.30	-
<b>Sub-Total</b>			<b>340</b>	<b>4.15</b>		<b>4.15</b>	<b>4.15</b>	<b>340</b>
<b>Total</b>	<b>333</b>	<b>--</b>	<b>1402</b>	<b>18.77</b>		<b>18.77</b>	<b>18.77</b>	<b>1402</b>

Source: Departmental records

It can be seen from Table-4.3 that as per the utilisation certificates submitted by the 333 VCs all the 1,402 minor works had been completed at the estimated/sanctioned amount of ₹ 18.77 crore during 2010-13.

However, on test check (November-December 2013) of accounts and records of 97 VCs revealed that none of the VCs maintained details records showing date of commencement/completion of works supported by technical measurement/inspection *etc.* in respect of works valued at ₹ 4.64 crore.

Thus, the actual commencement/completion of works according to the technical estimates could not be ascertained in audit.

Besides, audit noticed improper maintenance of accounts by the 97 VCs as spelt out below:

#### 4.3.1 Improper Maintenance of Accounts by the Village Councils

Scrutiny of records *viz.* cash books, bank pass books, vouchers, Actual Payee Receipts (APRs) maintained by the 97 Village Councils within three districts (Lunglei, Mamit and Serchhip) and Autonomous District Council, Saiha revealed the shortcomings as detailed in Table-4.4:

**Table-4.4**

Name of District/ ADC	Details of records checked:		Particulars of shortcomings noticed in audit
	No. of VCs	Amount (₹ in crore)	
Lunglei	35	1.73	(i) Sub-vouchers/APRs totalling ₹ 29.14 lakh were not made available by 18 VCs for audit check. (ii) In respect of six VCs accounts overwriting in entries in the cash books were not initialled by the concerned authorised member of the VC.
Serchhip	11	0.76	(i) Sub-vouchers/APRs totalling ₹ 63.39 lakh were not made available by 11 VCs for audit check. (ii) In respect of two VCs accounts overwriting in entries in the cash books were not initialled by the concerned authorised member of the VC. (iii) Bank pass book was not updated by two VCs. (iv) Bank pass book was not produced by two VCs for audit check.
Mamit	30	1.24	(i) Sub-vouchers/APRs totalling ₹ 76.97 lakh were not made available by 23 VCs for audit check. (ii) In respect of Damparengpui VC's account, closing balance of ₹ 0.18 lakh as of 08 May 2012 was not carried forward, which resulted in understatement of opening balance of ₹ 0.18 lakh.
ADC, Saiha	21	0.91	(i) Sub-vouchers/APRs totalling ₹ 16.98 lakh were not produced by 21 VCs for audit check. (ii) In respect of two VCs accounts overwriting in entries in the cash books was not initialled by the concerned authorised member of the VC. (iii) In respect of four VCs accounts date of transaction was not recorded on four occasions.
<b>Total</b>	<b>97</b>	<b>4.64</b>	--

#### 4.4 Conclusion

- There was delay of 2 to 146 days in the release of ThFC grants to RLBs by the three Administrative Departments.
- In the absence of records the actual commencement/completion of minor works according to the technical estimates could not be ascertained in audit.

#### 4.5 Recommendations

- ThFC grants should be released to the implementing agencies within the stipulated time.
- The Village Councils as well as district level offices should maintain relevant records for execution of minor works by the VCs.



(Hautinlal Suantak)

Deputy Accountant General (Audit), Mizoram

Aizawl  
The 19 May 2014

Countersigned



(L. Tochwawng)

Principal Accountant General (Audit), Mizoram

Aizawl  
The 19 May 2014