

**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA
FOR THE YEAR 2018-19**

**LAI AUTONOMOUS DISTRICT COUNCIL
LAWNGTLAI, MIZORAM**

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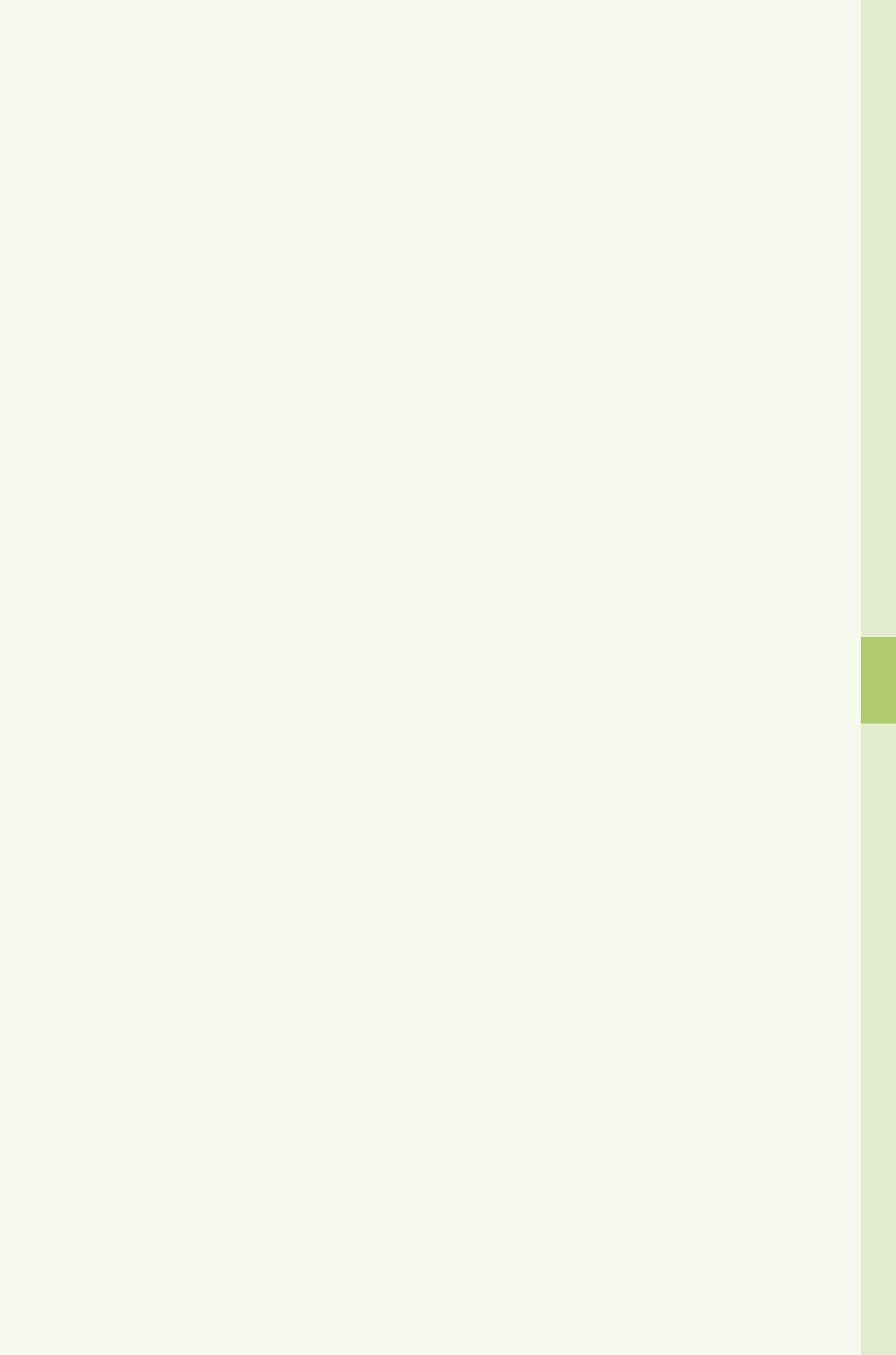
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PREFACE

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 also of the transactions of the Lai Autonomous District Council, Lawngtlai, Mizoram for the year 2018-19.

The cases mentioned in this Report are those which came to notice in the course of test check of the accounts for the year 2018-19 and on the basis of information furnished and records made available by the Lai Autonomous District Council.

This Report contains four Chapters, the first of which 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. Chapter-II depicts Autonomous District Council Fund position. Chapter-III deals with Comments on Accounts and Chapter IV deals with compliance issues observed during test-audit of the transactions of the Council for the year 2018-19.



OVERVIEW

OVERVIEW

This Report contains four 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 gives an overview on the financial position of the Council during the year. Chapter-III deals with audit comments on annual accounts of the Council for the year 2018-19. Chapter-IV of the Report deals with the audit findings pertaining to compliance audit of the Council and contains 10 paragraphs. A synopsis of the important findings contained in the Report is presented below:

1. Constitution, Rules and Maintenance of Accounts

Lai Autonomous District Council was constituted under paragraph 2 of the Sixth Schedule to the Constitution of India. Management of District Fund of the Council is governed by the Mizoram Autonomous District Council Fund (MADCF) Rules, 1996 as amended (w.e.f. 26 November 1996). Accounts of the Council are maintained in the form prescribed by the Comptroller and Auditor General of India with the approval of the President of India. Provisions regarding submission of the annual accounts of the Council to the Accountant General (Audit) are contained in Rule 123 of MADCF Rules, 2018.

(Paragraph 1.1 to 1.6)

2. Autonomous District Council Fund

Grant-in-aid from Central and State Governments constituted 98.90 *per cent* of the Council's total receipts during the year. Comparative analysis of two revenue generating departments *i.e.* Land Revenue and Forest, showed that their administrative expenditure (Pay & allowances) was very high and far exceeded the revenue collected.

(Paragraph 2.2)

3. Comments on Accounts

The Council prepared its Annual Accounts partly in conformity with the Forms of Accounts for the Autonomous District Councils prescribed by the Comptroller & Auditor General.

(Paragraph 3.1.1)

There were discrepancies between Budgeted Capital Outlay and Actual Expenditure. Security Deposit worth ₹ 69.22 lakh received in the form of Deposit At Call Receipts from contractors was not disclosed in the Annual Accounts. Revenue Receipt was understated by ₹ 9.43 crore and Revenue Expenditure was also understated by ₹ 17.19 lakh.

(Paragraph 3.1.2, 3.1.4 & 3.1.5)

4. Compliance Audit

The Council engaged the same firm for preparing DPR and execution of works under Tribal Sub-Scheme related works.

(Paragraph 4.1)

Works were awarded without call of tender.

(Paragraph 4.2)

Beneficiaries for Land Development of WRC and distribution of Polythene Pipe were selected without criteria.

(Paragraph 4.3)

Rubber budded stumps were purchased at the highest quoted rate.

(Paragraph 4.4)

Fund meant for improvement and maintenance of road was diverted for payment of salary and purchase of a vehicle.

(Paragraph 4.5)

Payment of ₹ 5.85 lakh was made for works which were not executed.

(Paragraph 4.6)

Excess expenditure of ₹ 3.24 lakh incurred due to application of higher Schedule of Rates.

(Paragraph 4.7)

Non-deduction of Labour Cess amounting to ₹ 30,750 from 39 contractors.

(Paragraph 4.8)

Excess expenditure of ₹ 2.91 lakh due to non-deduction of contractor's profit.

(Paragraph 4.9)

Non-condemnation of vehicles.

(Paragraph 4.10)

CHAPTER-I
Constitution, Rules and
Maintenance of Accounts

CHAPTER-I

Constitution, Rules and Maintenance of Accounts

1.1 Profile of the Lai Autonomous District Council

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 paragraph 20 B of the Sixth Schedule, Pawi Regional Council and Lakher Regional Council were elevated¹ to the status of a District Council. The Pawi District Council was renamed as the Lai Autonomous District Council (LADC) in May 1989.

Sixth Schedule to the Constitution of India vested District Councils with powers to enact laws on matters listed in paragraph 3 (1) of the Sixth Schedule of the Constitution of India. The main subjects included allotment, occupation, use, *etc.* of land; management of forests other than reserve forests; use of any canal or water-course for agriculture; regulation of the practice of “*Jhum*” or other forms of shifting cultivation; establishment of village or town committees or councils and their powers, village or town administration including police, public health and sanitation and inheritance of property.

Paragraph 6 (1) of the Schedule empowers the Council to establish, construct or manage primary schools, dispensaries, markets, cattle, ponds, ferries, fisheries, roads, road transport and waterways in the Autonomous District. Paragraph 8, *ibid*, further empowers the Councils to assess, levy and collect within the Autonomous District, revenue in respect of land and buildings, taxes on profession, trade, callings and employment, animals, vehicles and boats, tolls on passengers and goods carried in ferries and taxes for maintenance of schools, dispensaries and roads.

The LADC, headed by a Chief Executive Member (CEM), consists of 28 Members including 25 elected Members and three Members

¹ *w.e.f.* 29 April 1972 under the Mizoram District Council’s (Miscellaneous Provisions) Order, 1972

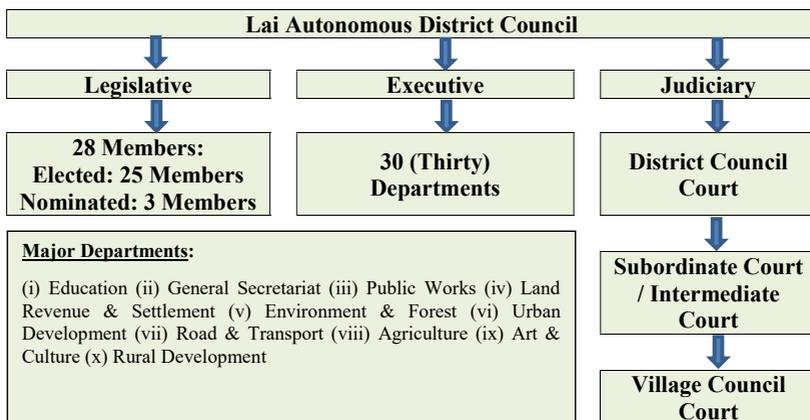
nominated by the Governor² on the recommendation³ of the Chief Executive Member. The Council is headquartered at Lawngtlai, south-western Mizoram.

1.2 Administrative set up of the Council

(a) Administrative Set-up

The powers and functions of the Council are mainly divided into three *viz.* Legislative, Executive and Judiciary. It has a Chairman who conducts the business of the Council in session and presides over its meetings. Under the judiciary, there are village council courts, subordinate/ intermediate courts and the district council court at the apex. The executive functions of the Council are vested in the Executive Committee headed by the Chief Executive Member. The administrative head of the Executive is the Executive Secretary who assists the Chief Executive Member in carrying out executive functions of the LADC. The Executive Secretary is the Drawing and Disbursing Officer, who supervises, controls and gives directions to various departments under the LADC. Organogram of the LADC is given in Chart 1.1.

Chart 1.1: Organisation Chart of LADC



² Para 2 (1) of the Sixth Schedule of the Constitution of India

³ Rule 7 (4) of the Lai Autonomous District Council (Constitution, Conduct of Business, etc.) Amendment Rules, 2011

(b) Human Resource Management

Rule 7 to 9 of the Lai Autonomous District Council (Transaction of Business) Rules, 2013 governs the requirement and positioning of staff in the Council. Lai Autonomous District Council had 1989 (100 *per cent*) staff in position against the sanctioned strength (SS) of 1989. The sanctioned strength and person in position (PIP) in the Finance department is given in *Appendix I*.

There was an increase in both the sanctioned strength and the number of staff in position by 39 each from 1950 in 2017-18 to 1989 during 2018-19. However, records pertaining to the sanction of additional posts during 2018-19 by the competent authority were not available.

1.3 Rules for the management of the District Fund

The Sixth Schedule provides for the constitution of a District Fund for each Autonomous District. All money received by the Council in accordance with the provisions of the Constitution are to be credited in the District Fund. In accordance with the provisions contained in paragraph 7 (2) of the Schedule, the Mizoram Autonomous District Council Funds (MADCF) Rules, 1996 (revised in 2018) came into effect from 26 November 1996. These Rules provide the procedure for payment of money into the said funds, withdrawal of money therefrom, custody of money therein and any other matter connected with or ancillary to these matters. Under the Rules, all money pertaining to the District Funds are held in Treasury in Personal Ledger Accounts of the District Council as a Deposit Account. Money is drawn from the Treasury by cheques signed by the Executive Secretary, LADC. Management of the financial affairs of the Council is entrusted to “Member-in-charge of the Financial Affairs” under Rule 32 (2) of Part III of the Mizoram Autonomous Districts (Constitution and Conduct of Business of the District Councils) Rules, 1974.

1.4 Maintenance of Accounts

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

As per Rule 123 of MADCF Rules, 2018, the Member-in-charge of the Financial Affairs shall forward the accounts to the Accountant General (Audit) by 30th June each year. These accounts duly test-checked locally by the Accountant General (Audit), together with connected audit reports, shall be submitted to the Governor who shall cause them to be laid before the District Council. Action-taken-notes on the said Reports shall be submitted by the District Council to the Governor of the State who shall give such directions as considered necessary in public interest to the District Council.

The Annual Accounts of the Council for the year 2018-19 were submitted to the Accountant General in August 2019. The results of test check of the Annual Accounts for the year 2018-19 are discussed in the succeeding Chapters.

1.5 Internal Control and Internal Audit Mechanism

Internal control mechanism is an integral and continuous process of any management in ensuring prudent financial management which serves as an effective mechanism to ensure accountability.

Rule 144 of the MADCF Rules, 2018 also requires the Council management to introduce a suitable system for internal audit with the approval of the Governor and in consultation with the Accountant General (Audit).

Audit, however, noted that such system had not been put in place by the Council Authorities as of 31 March 2019.

Further, it was observed that:

- Mistakes in the cash book were corrected by erasing or overwriting without the initials of the DDO and in violation of Rule 18 of MADCF Rules, 2018.
- Amount of cash at bank and cash kept at chest was not reflected in the Cash Book at the end of the month.
- As per Rule 148(1) of MADCF Rules, 2018, the accounts under different heads shall be maintained separately under each budget head in a 'General Leger' in Form

Appendix XXII. This Ledger shall be kept in two volumes – one for receipt transactions and the other for Expenditure. Accounts in respect of different Departments shall be recorded on separate pages in the Ledger. However, the Council did not maintain General Ledger during the year 2018-19. In the absence of General Ledger for different heads, the correctness of the compiled Annual Statement of Accounts could not be verified.

- Register of Lands, Buildings and other properties belonging to the Council required to be maintained by the Executive Secretary as per Rule 143 of MADCF Rules, 2018 was not maintained.
- Annual Physical verification of Fixed Assets required to be conducted annually as per Rule 213 (1) of General Financial Rules, 2017 was not conducted.

Due to the above, the attempt on the part of Audit to examine the annual accounts and transactions of the Council was constrained to that extent. Such failure in internal controls under Financial Management is fraught with risks of fraud, misappropriation and financial irregularities, which might remain undetected.

The Council stated (March 2021) that necessary steps were taken immediately and General Ledger has been maintained since 2019-2020 and an Audit Wing has been set-up under Lai Autonomous District Council.

1.6 Recommendations

- 1. *The Council may maintain Register of Lands, Buildings and other properties belonging to the Council and conduct annual physical verification of assets.***
- 2. *The Council needs to strengthen its internal control mechanism, make the Internal Audit Wing functional and take action on deficiencies in record management.***



CHAPTER-II
Autonomous District Council Funds

CHAPTER-II

ADC Funds

2. Introduction to District Fund

The Sixth Schedule provides for a District Fund for each autonomous district and a Regional Fund for each autonomous region to which shall be credited all moneys received by the District Council for that district and the Regional Council for that region in the course of the administration of such district or region respectively in accordance with the provisions of the Constitution.

The ADC fund comprises of receipts from its own resources and grants/ loans & advances from State/ Central governments. Broad classification of the fund is as discussed below:

A. District Fund

District Fund has two divisions namely: (i) **Revenue Section** for Revenue Receipts and Expenditures and (ii) **Capital Section** for Capital Receipts and Expenditures, Public Debt, Loans and Advances. The first division shall deal with the proceeds of taxation and other receipts classed as revenue and expenditure met therefrom. It also includes the grants and contributions received from the Government and also grants and contributions made by the Council. The second division deals with expenditure of Capital nature met from borrowed funds. It also comprises of loans received and their repayments by the Council, loans and advances given by the Council and their recoveries.

B. Deposit Fund

Deposit Fund covers transactions relating to deposits including Contributory Provident Fund and other Fund and Advances in respect of which the Council incurs a liability to repay the money received or has a claim to recover the amount paid.

2.1 Sources and Application of Funds

2.1.1 Description of Sources of Revenue

Sources of revenue for LADC during the year are given below:

- LADC's own revenue through trade license, market auction, sale proceeds of Industry, Fishery, Public Works Department, Forest royalties, land revenue, *etc.*
- Resources made available by the State Government through State Plan.
- Funds under various Centrally Sponsored Schemes transferred by the State Government.
- The Council did not receive grants under Article 275(1) of the Constitution of India during 2018-19.

Comparative statement showing resources and application of funds of the Council during 2018-19 and 2017-18 is at **Table 2.1**.

Table 2.1

(₹ in lakh)

	Particulars	2017-18	2018-19	Increase / Decrease (%)
Opening Balance		159.85	1640.64	
Sources	Own Revenue Receipts	192.76	195.87	1.61
	GIA State	14,856.64	17,555.51	18.17
	Centrally Sponsored Scheme	578.81	1.90	-99.67
	Total	15,628.21	17,753.28	13.60
Application	Revenue Expenditure	13,520.61	16,674.55	23.33
	Capital Expenditure	626.8	1,855.07	195.96
	Disbursement from Deposit	-	-	
	Total (Disbursements)	14,147.41	18,529.62	30.98
Closing Balance		1,640.64	864.30	

It can be seen from the table that:

- Total receipts of the Council increased by ₹ 21.25 crore (13.60 per cent) from ₹ 156.28 crore in 2017-18 to ₹ 177.53 crore

in 2018-19. The reason for increase was mainly due to increase in receipts under State Grants-in-aid by ₹ 26.99 crore.

- Own Revenue receipts of the Council increased by ₹ 3.11 lakh (1.61 *per cent*) from ₹ 1.93 crore in 2017-18 to ₹ 1.96 crore in 2018-19 while receipts under Centrally Sponsored Schemes decreased by ₹ 5.77 crore (99.67 *per cent*) from ₹ 5.79 crore in 2017-18 to ₹ 1.90 lakh in 2018-19.
- Out of total fund available of ₹ 193.94 crore, including OB, the Council utilised ₹ 185.30 crore (95.54 *per cent*) leaving a balance of ₹ 8.64 crore (4.46 *per cent*).

2.2 Receipts and Disbursement

The receipts and expenditure of the Council for the year 2018-19 were as under:

Table 2.2: Details of receipts and disbursement of the Council during 2018-19

(₹ in lakh)

PART – 1: DISTRICT FUND					
Revenue Section					
Receipts			Disbursement		
Head		2018-19	Head		2018-19
1	Taxes on Income and Expenditure	64.74	1	District Council	569.08
2	Land Revenue	67.04	2	Executive Members	135.56
3	Public Works	10.45	3	Administration of Justice	124.10
4	Other Administrative Services	0.22	4	Land Revenue	897.51
5	Education	0.20	5	Stamp and Registration	0.20
6	Other General Economic Services	4.79	6	Secretariat General Services	1,669.60
7	Forest	46.45	7	Public Works	313.94
8	Taxes on Vehicles	1.98	8	Pension and other retirement benefits	1,873.00
9	Grants-in-aid from state Government	17,555.51	9	Education	7,843.08

PART – 1: DISTRICT FUND					
Revenue Section					
Receipts			Disbursement		
Head		2018-19	Head		2018-19
10	Centrally Sponsored Schemes	1.90	10	Art and Culture	160.33
			11	Public Health, Sanitation and Water Supply (PHE)	163.32
			12	Local Administration	253.75
			13	Information and Publicity	45.15
			14	Social Welfare	136.97
			15	Disaster Management, Relief & Rehabilitation	5.00
			16	Agriculture	106.52
			17	Horticulture	63.73
			18	Soil & Water Conservation	73.72
			19	Fisheries	57.04
			20	Environment and Forest & Climate Change	737.44
			21	Transport	155.56
			22	Rural Development	192.87
			23	Commerce & Industry	93.03
			24	Animal Husbandry & Veterinary	56.37
			25	Sericulture	17.05
			26	Co-operation	18.06
			27	Inland Water Way	22.50
Total Revenue Receipt		17,753.28	Total Revenue Expenditure		16,674.55
Capital Section					
1	Capital Receipts	-	1	Capital Disbursement	1,855.07
	Total Capital Receipts			Total Capital Disbursement	1,855.07

PART – 1: DISTRICT FUND					
Revenue Section					
Receipts		Disbursement			
Head	2018-19	Head	2018-19		
Debt Section					
1	Loan received from the state Government	-	1	Repayment of loan received from the state Government	-
2	Loan received from other sources	-	2	Repayment of loan received from other sources	-
3	Recoveries of loans and advances	-	3	Disbursement of loan and advances	-
Total Debt Receipts		-	Total Debt Disbursement		-
Total Part 1- District Fund		17,753.28	Total Part 1- District Fund		18,529.62

PART – II: DEPOSIT FUND					
Deposit Section					
1	Deposit Receipts	-	1	Deposit Disbursement	-
Total of Part- II Deposit Fund		-	Total of Part- II Deposit Fund		-
OVERALL POSITION					
TOTAL RECEIPTS (Part-I + Part- II)		17,753.28	TOTAL DISBURSEMENT (Part-I + Part- II)		18,529.62
Opening Balance* (Part-I + Part- II)		1,116.72	Closing Balance*** (Part-I + Part- II)		476.90
Opening Cash Balance**		523.92	Closing Cash Balance****		387.40
Grand Total		19,393.92	Grand Total		19,393.92

* Opening Balance of Personal Ledger Account

** Opening Balance of Main Cash Book and Subsidiary Cash Book

*** Closing Balance of Personal Ledger Account

**** Closing Balance of Main Cash Book and Subsidiary Cash Book

Source: Annual Accounts of LADC 2018-19

As per Receipt and Disbursement Statement of the Council, during 2018-19, the Council generated ₹ 1.96 crore (1.10 per cent of total receipts) from its own sources and taxes, received ₹ 175.56 crore (98.89 per cent of total receipts) as Grants-in-aid from the State

Government and ₹ 1.90 lakh (0.01 *per cent* of total receipts) under Centrally Sponsored Schemes.

It can be seen that Grants-in-aid received from the State Government during 2018-19 constituted 98.89 *per cent* of the Council's total receipts. The over-reliance on Grants-in-aid and assistance from Government indicates the financial vulnerability of the LADC as any disruption in revenue flow from these sources would affect the functioning of the Council.

Total expenditure increased by 30.98 *per cent* from ₹ 141.47 crore in 2017-18 to ₹ 185.30 crore in 2018-19. Out of the total expenditure of ₹ 185.30 crore during the year 2018-19, ₹ 135.74 crore (73.26 *per cent*) was spent on salaries, ₹ 18.73 crore (10.11 *per cent*) was spent on pension and retirement benefits, ₹ 12.22 crore (6.60 *per cent*) was spent on working expenses, ₹ 5 lakh (0.03 *per cent*) was spent on social services⁴. Capital expenditure during the year was ₹ 18.55 crore (10.01 *per cent*).

The performance of the revenue earning departments in regard to their revenue generation and expenditure incurred for their functioning is as given in the **Table 2.3**.

Table 2.3: Comparison of revenue earned and expenditure by the Departments

(₹ in lakh)

Department	Revenue Earned	Total Expenditure	Pay allowances (% of Total Expenditure under the head)	Other Expenses (% of Total Expenditure under the head)
Environment, Forest & Climate Change	46.45	737.44	726.82 (98.56)	10.62 (1.44)
Land Revenue	67.04	897.51	873.01 (97.27)	24.50 (2.73)
Total	113.49	1634.95		

Source: Annual Accounts 2018-19 Statement 5 & 6

⁴ Disaster Management, Relief & Rehabilitation

As seen from the table above, revenue generated by the two departments was ₹ 1.13 crore (6.94 *per cent*) in comparison to the overall expenditure of ₹ 16.34 crore incurred by the two Departments, expenditure was largely on pay and allowances.

This indicated that the Council is reliant on GIAs from the Central and State Governments to meet 93.06 *per cent* of its functional needs and administrative costs.

2.3 Conclusion

Grants-in-aid from the State Governments constituted 98.90 *per cent* of the Council's total funds received during the year. Comparative analysis of two major revenue departments *i.e.* Land Revenue and Forest, showed that their administrative expenditure (pay & allowances) was very high and far exceeded the revenue collected. This showed the over-reliance of the Council on grants both from the Central and State Governments.

2.4 Recommendations

1. *The Council may identify and implement internal cost-saving measures, while not compromising on its core functions. They need to cut down on the overall administrative expenditure and administrative expenditure of its revenue earning departments, considering their heavy cost of collection of revenues.*
2. *Efforts could be initiated to comprehensively map untapped but viable revenue sources and put in place an efficient mechanism for enforcement of tax and fee collections.*



CHAPTER-III
Comments on Accounts

CHAPTER-III

Comments on Accounts

3. Introduction to Accounts and Comments on Council Accounts

As per Rule 5 of the Mizoram Autonomous District Council Fund Rules, 2018 (MADCF Rules, 2018), the annual accounts of the District Council shall record all transactions, which take place during a financial year commencing from 01 April to 31 March. The annual accounts of the District Council shall be maintained in such forms as prescribed⁵ by the Comptroller and Auditor General of India.

The Council prepared its Annual Accounts partly in conformity with the prescribed format containing the following seven statements which detail the receipts and disbursements of the Council for the year 2018-19 with broad bifurcation of the expenditure under revenue and capital.

The LADC annual accounts for the year 2018-19 contain the following seven statements as given in **Table 3.1**:

Table 3.1: Details of Particulars of Statement.

Sl. No.	Statement No.	Particulars of statements
i.	Statement No. 1	a) Summary of transactions (Part-I) b) Deposit Fund (Part-II)
ii.	Statement No. 2	Capital outlay - Progressive capital outlay to end of 31/03/2019
iii.	Statement No. 3	a) Debt position b) The ways and means position of the LADC during 2018-19
iv.	Statement No. 4	Loans and advances by the Council
v.	Statement No. 5	Detailed account of Revenue Accounts by Minor Heads
vi.	Statement No. 6	Detailed account of Expenditure by Minor Heads – Revenue Expenditure Head

⁵ Paragraph 7(3) of the Sixth Schedule to the Constitution of India

Sl. No.	Statement No.	Particulars of statements
vii.	Statement No. 7	a) Statement of receipt, disbursement and balance under heads relating to District Fund b) Details of Cash in Chest as on 31.03.2019 c) Details of Personal Ledger Account

3.1 Comments on Accounts

Rule 6(1) of MADCF Rules, 2018 stipulates that the accounts of the Council shall be kept in two parts:

(A) Part – I: District Funds of the Council – In this part, there shall be two main divisions (i) Revenue Account and (ii) Capital Account.

(B) Part – II: Deposit fund and Advances - In this part, transactions relating to Deposit including Contributory Provident Fund and other fund and advances shall be recorded.

Discrepancies observed in the Annual Accounts for the year 2018-19 are discussed in the succeeding paragraphs.

3.1.1 Non-preparation of Statement of Accounts

As per the Forms of Accounts for the Autonomous District Councils prescribed by the Comptroller & Auditor General with the approval of the President under clause 7(3) of the Sixth Schedule to the Constitution, Statement No. 1 contains **Summary of Transactions** in two parts viz. **Part I – District Fund:** (1) Revenue: Comprising Total Revenue Receipt and Expenditure, Revenue Surplus/ Deficit; (2) Capital; (3) Debt. **Part II – Deposit Fund:** Debt, Deposit, and Advances in respect of which the Council incurs a liability to repay the moneys received or has a claim to recover the amount paid. It was seen in audit that:

(i) The Council prepared only Summary of Transactions and Part II -Deposit Fund. Item-wise revenue receipts and expenditures statement in respect of Part I – District Fund was not prepared and reflected in the Annual Accounts for the year 2018-19.

(ii) As per the prescribed Forms of Accounts, Receipts, Disbursements and balances under heads relating to District Fund and Deposit Fund are to be shown in Statement 7. The Annual Accounts of the Council reflected only transactions relating to Treasury (PL A/C) in Statement 7.

The Council replied (March 2021) that steps had been taken as advised by Audit and the same has been implemented since 2019-2020.

3.1.2 Discrepancies between Budgeted Capital Outlay and Actual Expenditure

As per Rule 120 and 121 of the MADCF Rules, 2018, statement of estimated revenue and expenditure as well as supplementary estimates or demands for grants (Annual budget) are to be prepared by the Member-in-charge of Financial Affairs. Further, expenditure on Capital outlay shall be classified⁶ with relevance to the functions and objects in the Revenue Accounts. Statement No. 2 of the Annual Accounts of the Council depicts the progressive Capital outlay at the end of the financial year.

The Council's budget for the year 2018-19 did not provide a clear breakdown of estimated Capital expenditure by item. Instead, the budget allocated funds broadly by department without specific reference to particular projects. It was also observed that there was a significant deviation between the budgeted capital outlay and the actual expenditure. Three departments/ heads of accounts incurred expenditure over and above the budgeted amounts, while the others did not incur any capital expenditure at all. The net result was that the actual expenditure was significantly higher than the budgeted amount as given in **Appendix II**.

Out of the 27 Major Heads of accounts for which capital outlays were provisioned in the Budget for 2018-19, capital expenditure was incurred under only three Major Heads viz. (i) Public Works (₹ 1,552.06 lakh) (ii) Agriculture & Horticulture (₹ 30.01 lakh) and (iii) Urban Development & Poverty Alleviation (₹ 303 lakh) against the budgeted outlay of ₹ 30 lakh, ₹ 22 lakh, and ₹ 0 respectively.

⁶ Annexure A (C) of MADCF Rules 2010

Against the capital outlay of ₹ 5.28 crore budgeted for 26 Major Heads of accounts, the Council spent ₹ 18.55 crore, an increase of over 250 *per cent* compared to the budgeted amount. Therefore, it is essential that the Council reviews its budgeting system and align expenditure with the budget to prevent similar discrepancies in the future.

3.1.3 Non-disclosure of Security Deposit in the Annual Accounts

Total Security Deposit was Nil as per Part – II (Deposit Fund) of Statement No.1 of the Annual Statements of Account of LADC for the year 2018-19.

Scrutiny of records, however, revealed that the Council received Security Deposits in the form of Deposit At Call Receipt from contractors to talling ₹ 69,22,370 by the end of March 2019.

Table 3.2: Details of Security Deposit received from Contractors

Sl. No.	Name of Depositor	Particulars of Security Deposit	Amount (₹)
1.	H. Lalpari	DCR No. 028318 dt. 20.06.2018	50,000
		DCR No. 230792 dt. 20.07.2018	71,250
2.	H. Tlauhmingthanga	DCR No. 028309 dt.12.06.2018	60,000
3.	Khuplianthanga	DCR No. 230794 dt. 20.07.2018	44,87,120
4.	Lalthanzauva	M2B 061854 dt. 20.07.2018	50,000
5.	H. Thanghmingthanga	M2B 061853 dt. 20.07.2018	84,000
6.	Khuplianthanga	M2B 061855 dt. 20.07.2018	21,20,000
Total			69,22,370

Thus, Security Deposit worth ₹ 69.22 lakh received from contractors was not reflected in the Annual Accounts.

The Council stated (March 2021) that as indicated in Statement No. 1 of the Annual Statements of Account of LADC for the year 2018-2019, total Security Deposit was recorded as NIL since Security Deposits were deposited in the Bank by the contractors themselves. As a result, the amount of Security Deposits required to be retained were not deducted from the Contractors Bill and not booked in the accounts. Instead, the Deposit At Call Receipts were returned to the contractors after the periods were over. As such, Security Deposit worth ₹ 69,22,370 was not reflected in the Annual Account.

Reply of the Council is not acceptable since deposits received from contractors are to be accounted in a separate register (Register of Deposits) as per Rule 114 of the MADCF Rules, 2018 and outstanding amounts at the end of the year are to be reflected under Statement 3 of the Annual Accounts.

3.1.4 Understatement of Revenue Receipt

As per Rule 6(2) of the MADCF Rules 2018, Revenue Account of District Funds of the Council shall also include the grants and contributions received from the Government and also grants and contributions made by the Council. Government grant amounting to ₹ 9.43 crore was treated as capital receipt during 2018-19. As such, Capital receipt of the Council was overstated by ₹ 9.43 crore with corresponding understatement of Revenue receipts by the same amount.

3.1.5 Understatement of Revenue Expenditure

Scrutiny of cash book and vouchers revealed that the Co-operation Department had spent ₹ 19.09 lakh on employee salaries. However, as per Statement No.6 of the Annual Accounts 2018-19, the total salary of the department was recorded as ₹ 1.90 lakh. The difference of ₹ 17.19 lakh was classified/ booked as Capital Expenditure by the Council.

Thus, total revenue expenditure of the Council for the year (Statement 6 of the Annual Accounts) was understated by ₹ 17.19 lakh and Capital Expenditure was overstated by the same amount.

While accepting the fact, the Council stated (March 2021) that this was due to typing mistake during the preparation of the Annual Accounts for 2018-2019.

3.1.6 Understatement of Loans and Advances

Loans and Advances by the Council was Nil as per Statement No.4 of the Annual Accounts.

Scrutiny of records, however, revealed that the Council paid advances to works contractors during the year 2018-19 which were not yet settled till 31 March 2019.

Table 3.3: Details of advances not yet settled

Sl. No.	Contractor	Works	Amount (in ₹)
1.	K. Lalawmpuia	Primary School Building at Rawlbuk	9,51,840
2.	K. Lalawmpuia	Middle School Building at Rawlbuk	9,51,840
3.	H. Tlanghmingthanga	Middle School Building at Siachangkawn	7,90,356
4.	H. Tlanghmingthanga	Middle School Building at Tialdawnglung	11,90,356
5.	K. Lalawmpuia	Primary School Building at Saikhawthlir	11,14,800
6.	C. Lalrinpuia	Middle School Building at M Kawnpui	6,19,248
7.	C. Lalrinpuia	Primary School Building at Chamdur Part-I	9,19,248
8.	K. Lalawmpuia	Primary School Building at Chawngtelui	8,14,800
9.	H. Tlanghmingthanga	Primary School Building at Zochachhuah	6,32,285
Total			79,84,773

Thus, Statement No.4 – Loans and Advances by the Council should have been ₹ 79,84,773 instead of Nil.

The Council stated (March 2021) that advances were paid to the contractors for execution of their works only and not paid in the form of loan, and the said amount was adjusted from the final bills of the contractors.

Reply of the Council is not tenable. Advances paid to the contractors and adjustment thereon should be reflected under Statement No. 4 of the Annual Accounts.

3.1.7 Impact of audit comments

The overall impact of audit comments from the preceding audit paras is summarised in **Table 3.4**.

Table-3.4: Statement showing the overall impact of audit comments on expenditure booked in Annual Accounts.

(₹ in lakh)

Sl. No.	Particulars	Statement No. of the Annual Accounts	Expenditure as per subsidiary Cash Book/ audit query	Expenditure as per Annual Accounts (AA)	Overstated (+)/ Understated (-) in the Annual Accounts
(1)	(2)	(3)	(4)	(5)	(6)=(5)-(4)
Receipt					
1.	Understatement of Revenue Receipt and overstatement of Capital Receipt. (Para 3.1.4)	1	-	-	(-) 943.00
Expenditure					
1.	Understatement of Revenue Expenditure and overstatement of Capital Expenditure. (Para 3.1.5)	6	19.09	1.90	(-) 17.19
2.	Understatement of Loans & Advances	4	79.84	-	(-) 79.84
Total			98.93	1.90	

As can be seen from the above table, Capital Receipt was overstated by ₹ 9.43 crore and Revenue Receipt was understated by the same amount. Similarly, Revenue Expenditure was understated by ₹ 17.19 lakh and Capital Expenditure was overstated by the same amount. Further, the Council had overstated expenditure (advances paid to contractors) ₹ 79.84 lakh.

3.2 Conclusion

Item-wise revenue receipts and expenditure statement in respect of Part I – District Fund were not reflected in the Annual Accounts. Disbursements and balances under heads relating to District Fund and Deposit Fund were not shown in Statement 7 and only transactions relating to Treasury (PL A/C) were reflected in Statement 7. Revenue receipt and revenue expenditure were understated by ₹ 9.43 crore and ₹ 17.19 lakh respectively. Security deposits received from Contractors as well as Loans and Advances by the Council were not reflected in the Annual Accounts.

3.3 Recommendations

- (i). Annual Accounts of the Council may be prepared in line with the form of accounts prescribed by the Comptroller & Auditor General of India.*
- (ii). To prevent discrepancies between the budgeted and actual expenditure, it's recommended that the Council prepare a realistic budget and align the expenditure with the budgeted amount. This will help ensure that the Council's financial resources are used efficiently and effectively.*
- (iii). The Council needs to ensure that all the financial transactions are properly recorded in the accounts.*

CHAPTER-IV
Compliance Audit Observations

CHAPTER-IV

Compliance Audit

4.1 Violation of rules in the award of contract

As per Para 4 of the terms and conditions for empanelment of firms/contractor set by the Government of Mizoram vide Notification No.A46011/1/2018-F.Est/58-61 dated 01/10/2018, firms selected for preparation of Detailed Project Report (DPR) will not be, as a rule, allowed to execute and monitor the works for the DPR prepared by them.

For construction of (i) Tribal Girls Hostel at Lawngtlai (₹ 3.5 crore), (ii) Community Centre of Vawmbuk (₹ 3.0 crore) and (iii) Skill Development Centre at Lawngtlai (₹ 3.0 crore) under Special Central Assistance to Tribal Sub Scheme, a combined Tender Notice was issued by the Planning & Programme Implementation Department vide Tender No. 01/2019 dated 26/2/2019. In response to the tender notice, four firms/contractors *viz.* (i) M/s. VRS Construction, (ii) M/s. VINCO Construction, (iii) M/s. CLT Construction and (iv) M/s. Biakliana & Sons submitted bids.

M/s. VRS Construction, Mission Veng, Aizawl quoted 2 *per cent* below the tendered amount and was selected. An agreement was signed with M/s. VRS Construction and Work Order was issued on 07/03/2019.

During scrutiny of files, it was observed that the Detailed Project Report (DPR) for the aforementioned three works estimated at a total cost of ₹ 9.5 crore was prepared by M/s. VRS Construction, Mission Veng, Aizawl at a cost of ₹ 5 lakh (voucher No.2190 dated 29/03/2019) and the same firm was also selected to execute the works, in violation of the Government of Mizoram's Notification *ibid*.

The Council replied (March 2021) that M/s.VRS Construction was engaged because Mr. Lalengzauva Zonuam, the owner and Chairman of M/s. VRS Construction, was empaneled as Consultant/Contractor vide Notification No. 24011/1/2019- LADC FIN dated 04/02/2019.

Reply of the Council is not tenable since engagement of the same firm that prepared the DPR for construction of the works was against the provisions of the Notification dated 01/10/2018 issued by the State Government of Mizoram whereby firms selected for preparation of DPR were not, as a rule, allowed to execute and monitor the works for the DPR prepared by them. The Council ought to have rejected/not opened the bid submitted by M/s. VRS Construction, the firm that prepared the DPR.

4.2 Award of work without call of tenders - ₹ 2.18 crore

As per Rule 95 of MADCF Rules 2018, except in cases of piece works or petty purchase, the recognised system of carrying out work and purchasing or carrying materials otherwise than by the employment of daily labour is contract work. All such works shall be done after inviting tenders in a most open and public manner and executing agreements in writing, which should be previously and definitely expressed, and also should state the quantity and quality of the work to be done, the specifications to be complied, the conditions to be observed, the security to be lodged, the terms up to which the payments will be made and the penalties exacted with any provisions necessary for safeguarding the property entrusted to the contractor. Further, it is stated in Note 2 of Rule 95 that the monetary limit upto which the purchase may be treated as “petty” shall be fixed by the Council.

The Council had vide Order No. G25012/5/2017-LADC/Fin dated 27/04/2018, defined works with limit up to ₹ 10.00 lakh to be treated as “Petty Work”.

Scrutiny of records revealed that the Planning & Development Officer, LADC executed various works worth ₹ 2.18 crore without calling tenders during 2018-19 by either splitting the works or by ignoring to call for tenders altogether, as given below:

Table 4.1: Summary of works executed without call of tender

Sl. No.	Nature of work	Amount (₹ in crore)
1.	Splitting of works related to Land Development of Wet Rice Cultivation (WRC) under New Economic Development Policy (NEDP) (Details are given in <i>Appendix III</i>)	1.00
2.	Construction works above ₹ 10.00 lakh (Details are given in <i>Appendix IV</i>)	1.18
Total		2.18

- 1) In the case of Land Development of Wet Rice Cultivation (WRC) under New Economic Development Policy (NEDP), five works were split into smaller works and implemented without resorting to call of tender in violation of Mizoram Autonomous District Council Fund Rules, 2018 and Rule 137 of General Financial Rules (GFR), 2017 which states that “For purpose of approval and sanctions, a group of works which forms one project, shall be considered as one work”.
- 2) For execution of five works as listed in *Appendix IV*, even though each of the five works were worth over ₹ 10.00 lakh each, the works were issued to contractors without inviting tenders.

The Council replied (March 2021) that “the cost of each works has been split up below ₹ 10.00 lakh as provided by Rule 95 (Note 2) of the Mizoram Autonomous District Council Fund Rules, 2018, after the approval of the competent authority. Accordingly, the amount of each works is fixed at below ₹ 10.00 lakh as ‘Petty Works’ and executed without calling Tender”.

The reply of the Council is not tenable as Rule 95 (Note 2) of Mizoram Autonomous District Council Fund Rules, 2018 provides that the monetary limit upto which the purchase may be treated as ‘petty’ shall be fixed by the Council and does not provide for splitting of works. Thus, to have better financial control over public expenditure, the Council should adhere to the conditions stipulated in the Mizoram Autonomous District Council Fund Rules, 2018 and the General Financial Rules, 2017.

4.3 Lack of transparency in selection of beneficiaries

(i) New Economic Development Policy was launched by the Government of Mizoram during 2016-17 to address the problem of unproductive farming practices and to find ways to augment the income of the common people and to improve public service delivery in a sustainable manner.

Detailed Project Report (DPR) for Land Development of Wet Rice Cultivation (WRC) was prepared by the Council under New Economic Development Policy (NEDP) during 2017-18. As per the DPR, BPL families in the rural areas of each project location having adequate workforce for the subsequent implementation shall be targeted under the project. The Project aimed at achieving and sustaining annual growth by ensuring development of agriculture, by providing gainful employment to rural poor and also by conserving of natural resources.

It was noticed that 64 beneficiaries were selected based on the recommendation of the Executive Members of the Council and ₹ 1.50 crore expended under Land Development of WRC. However, there was no proper procedure in place or criteria defined to determine financial status while selecting the beneficiaries. As such, audit could not verify whether the selected beneficiaries were from BPL families.

(ii) The Planning & Programme Implementation Department, LADC released (09/08/2018) ₹ 4 lakh to Land Resources, Soil & Water Conservation Department for purchase of polythene pipes for free distribution during the implementation of Land Development of WRC under NEDP.

It was noticed that the pipes were distributed to 79 beneficiaries who were selected based on the recommendation of the Chairman and Executive Members of the Council. There were no guidelines or criteria defined for determination of eligible beneficiaries. Since there was lack of transparency in the selection of beneficiaries, Audit could not confirm whether the beneficiaries were deserving or not.

While accepting the fact, the Council stated (March 2021) that well-defined criteria for selection of beneficiaries will be put in place and selection will be done after proper survey and selection of beneficiaries will be done in a transparent manner.

4.4 Avoidable expenditure of ₹ 21.67 lakh on purchase of Rubber Budded Stump

Government of Mizoram released ₹ 1.45 crore to LADC on 11/07/2017 for implementation of rubber-based settlement project village and strategic development as sanctioned by North Eastern Council (NEC), Government of India. The Government of Mizoram also sanctioned and released the State share of ₹ 16.16 lakh for the same project on 08 December 2017. The work included coverage of 505 ha provisioning for (1) budded stumps with polybags and establishment of polybag nursery, (2) Tools & Implements, (3) Land Preparation, (4) Lining, Terracing, (5) Pitting and (6) Miscellaneous/contingency.

The Council invited a Short Quotation Notice on 23/01/2018 for supply of Rubber budded Stump (polypoted). Four firms responded to the Short Quotation Notice at different rates of ₹ 79, ₹ 85, ₹ 87, ₹ 95 *per* sapling. The Purchase Advisory Board of LADC in their meeting held on 26/3/2018 recommended M/s. Joy Kali Rubber Nursery, whose bid was the highest (costliest) for supplying Rubber Stumps at the rate of ₹ 95 *per* sapling.

The District Council Soil Conservation Officer issued supply order to M/s. Joy Kali Rubber Nursery, Dhalai, Tripura on 27/03/2018 for supply of 1,35,420 Rubber Stumps at a rate of ₹ 95 *per* stump and paid ₹ 1.29 core on 18/05/2018.

In response to an Audit Enquiry, the Council replied (March 2021) that M/s. Joy Kali Rubber Nursery was selected since they were dealing only in rubber plantation, they could provide the required saplings, while the other nurseries who offered lower rate did not have enough stocks to meet the requirements. The Council further stated that M/s. Joy Kali Rubber Nursery was registered under the Rubber Board of India, whereas the other bidders were not registered under the Rubber

Board of India, and they could not furnish complete documents as required by the Council.

Reply of the Council is not acceptable as it disregarded the more competitive financial bids submitted by other firms, thereby undermining fair competition and transparency and potentially imposing a significant financial burden. Further, the specialisation of the bidder or the requirement of registration with the Rubber Board of India, stated to have been the reason for prioritising the higher bidder, were not included in the tender notice or the terms and conditions and to that extent the decision was not justified.

Thus, selection of the highest bidder in violation of provisions of Rule 173 of General Financial Rules, 2017 resulted in avoidable expenditure of ₹ 21.67⁷ lakh.

4.5 Diversion of fund meant for improvement and maintenance of road

As per Rule 16 of the Mizoram Autonomous District Council Grants-in-Aid (GIA) Rules, 2018, the District Councils shall not divert any funds sanctioned for a specific purpose for any other purpose.

It was noticed in audit that the Council purchased one Tipper (LPK 912) at a cost of ₹ 16.56⁸ lakh from M/s Zothan Autoworks, Aizawl on 31/03/2018. The vehicle was purchased by diverting⁹ funds meant for Widening, Improvement and Maintenance of Road from Chamdurtlang to Mautlang under New Economic Development Policy (NEDP).

It was also noticed that ₹ 1.20 crore was diverted for payment of Salary from the same work.

The Council replied (March 2021) that the tipper was purchased as per the order of the Chief Executive Member for meeting day-to-day requirement for disposing garbage within Lawngtlai Town as a part of the Swachh Bharat Mission.

⁷ ₹ (95-79) x 1,35,420

⁸ APR V-75 dt. 15/1/19 & V-2178 dt. 29/03/2019

⁹ No.G.23011/1/2018-LDC/FIN dated Lawngtlai Dt. 29/03/2018

Reply of the Council is not tenable since out of ₹ 1.49 crore sanctioned specifically for maintenance of road, 91.31 *per cent* of the total fund *i.e.* ₹ 1.36 crore was re-appropriated for payment of Salary (₹ 1.20 crore, 80.23 *per cent*) and purchase of vehicle (₹ 16.56 lakh, 11.07 *per cent*). This is a case of diversion and not re-appropriation as stated by the Council and, therefore, is a violation of the Rule *ibid*.

4.6 Payment of ₹ 5.85 lakh for works not executed

As per Rule 107(1) of MADCF Rules, 2018, no payment can be made to a contractor, except for the work actually done or supplies actually received. Subject to such general or special order as may be issued by the District Council in this behalf, advances, if any, made to contractors during the execution of work shall invariably be recovered from their bills for the value of work done or supplies made before final payment is made, which must in no case be permitted without detailed measurement.

Construction of common cemetery at Phaikhang was executed under New Economic Development Policy (NEDP) through a contractor who quoted 5 *per cent* (₹ 57 lakh) below the estimated amount of ₹ 60 lakh. Work Order was issued to the contractor on 25/06/2018. Mobilisation Advance of ₹ 22.80 lakh was paid to the contractor in July 2018. Another advance of ₹ 5.70 lakh was paid in December 2018. Final bill for ₹ 31.50 lakh was paid (Vr. 123 dt. 29/03/2019) after adjusting the total advance of ₹ 28.50 lakh.

It was noticed during joint physical inspection by the audit team with the Council's staff that two numbers of retaining wall included in the Detailed Estimate were not constructed by the contractor even though ₹ 5.85 lakh had been paid to the contractor for the item. Further, additional work amounting to ₹ 3.00 lakh was executed without proper justification and without technical sanction of the competent authority.

The Council replied (March 2021) that the contractor would be directed to construct the retaining walls and if not constructed, the payment of ₹ 5.85 lakh would be recovered.

4.7 Excess expenditure of ₹ 3.24 lakh due to application of higher Schedule of Rates (SOR)

The Government of Mizoram sanctioned ₹ 3.47 crore under NITI-AAYOG for Lai Autonomous District Council vide order No.G.24014/6/2017-DC&MA/8 dated 08/03/2018 for various works. Construction of retaining walls within LADC areas for ₹ 75.72 lakh was allocated out of the total sanctioned amount. Works estimates were prepared based on Mizoram PWD Schedule of Rates 2013. Work orders were issued for construction of retaining walls to 43 contractors on nomination basis.

It was noticed during scrutiny of the estimates and payment of final bills that Coursed rubble masonry¹⁰ (First sort) with hard stone in foundation and plinth with cement mortar 1:3 (1 cement: 3 coarse sand) was estimated at ₹ 6,889.60 *per* cum, instead of ₹ 5282.30 *per* cum as per the MPWD SOR 2013. Application of a higher rate than the rate fixed in the MSOR 2013 in the construction of 11 retaining walls had resulted in excess expenditure of ₹ 3.24 lakh. Details are given in *Appendix V*.

The Council replied (March 2021) that even though the estimate specified the use of hard stone course rubble masonry, in some of these locations the work required laying of plain cement concrete for strengthening the loose soil foundation, and even in the superstructure of the retaining wall, huge quantity of cement mortar were used for the structural reinforcement of the wall. Therefore, the rate of ₹ 6,889.60 *per* cum was applied specifically as *per* CPWD Clause 12 sub-clause 12.1 and 12.2 whereby the Engineer-in-charge has the power to make alterations or substitutions from the original estimate and design, *etc.*

Reply of the Council is not tenable since the rate according to MSOR 2013 should be ₹ 5,282.30 *per* cum, instead of the applied rate of ₹ 6,889.60 *per* cum resulting in excess expenditure of ₹ 3.24 lakh.

¹⁰ 7.03 of MPWD SOR

4.8 Non-deduction of Labour Cess

As per Section 3 of the Building and Other Construction Workers' Welfare Cess Act, 1996, which extends to the whole of India, cess at the rate of one *per cent* of the cost of construction incurred by the employer is to be levied and collected. The Government of Mizoram had also issued an Office Memorandum regarding deduction of cess at source at the rate of one *per cent* on the cost of construction vide No. B. 16012/2/2014-LE&IT dated 30/03/2017.

Test-check of records relating to execution of minor works worth ₹ 32.00 lakh revealed that the works were executed by engaging 39 contractors. However, Labour cess amounting to ₹ 30,750 was not deducted from the cost of construction of the works as shown in the table below.

Table 4.2: List of minor works from which cess was not deducted (in ₹)

Sl. No.	Name of work	Approved Amount	No. of Contractor	Amount paid to Contractor	Total Amount	Cess Deductible
1.	Construction of Retaining Wall (LAO)	4,00,000	2	2,00,000	4,00,000	4,000
2.	Construction of Masonry Step (LAO)	5,00,000	17	25,000	4,25,000	4,250
3.	Construction of Urinal (LAO)	5,00,000	18	25,000	4,50,000	4,500
4.	Maintenance of Main Building at LADC Complex (PWD 'B')	9,00,000	1	9,00,000	9,00,000	9,000
5.	Maintenance of CEM Office Building, LADC Complex (PWD 'B')	9,00,000	1	9,00,000	9,00,000	9,000
Total		32,00,000	39	20,50,000	30,75,000	30,750

While accepting the fact, the Council stated (March 2021) that it will ensure deduction of Labour cess in future.

4.9 Excess expenditure of ₹ 2.91 lakh due to non-deduction of contractor's profit

Public Works Department (PWD) of the Council executed various works pertaining to maintenance of office buildings under the ADC of the Council during 2018-19. Detailed estimates were prepared based on MPWD SOR 2013.

Table 4.3: Details of works along with expenditure

Sl. No.	Name of Work	Status	Estimated Cost (in ₹)	Expenditure (in ₹)
1.	Renovation of Lai House, Old Building.	Completed	18,00,000	18,00,000
2.	Construction of Main gate at LADC Complex	Completed	2,50,000	2,50,000
3.	Whitewashing of Office fencing in Lai Dress	Completed	3,46,000	3,46,000
4.	Whitewashing of retaining wall	Completed	1,50,000	1,50,000
5.	Renovation of Personal Reform Cell Room	Completed	50,000	50,000
6.	Repair and Renovation of EM's Room(M)	Completed	50,000	50,000
7.	Repair of Chief Executive Member Office	Completed	25,000	25,000
8.	Repair of Court Building	Completed	25,000	25,000
9.	Construction of Diltlang RO Office Fencing	Completed	5,00,000	5,00,000
Total				31,96,000

Since the works were not executed through contractors, contractor's profit should have been deducted while framing the estimates for the works, as rates of items of works in the MPWD-SOR 2013 are inclusive of 10 *per cent* contractor's profit. Had the Council deducted contractor's profit, the total cost of the works could have been restricted to ₹ 29.05 lakh. Thus, non-deduction of contractor's profit resulted in higher cost of execution of the projects and thereby resulting in extra expenditure of ₹ 2.91 lakh.

The Council replied (March 2021) that Contractor's profit was not deducted due to insufficient funds and execution of extra works.

The Council should have prepared or revised the estimates based on the availability of fund and also after ignoring the element of contractor's profit. Separate sanction of competent authority should have been obtained for the extra works.

4.10 Non-condemnation of vehicles

It was noticed in audit that six vehicles under Transport Department of LADC were out of service and had been off-road for two to three years.

Table 4.4: Details of off-road vehicles

Sl. No	Types of Vehicles	Regd. No.	Year of Purchase	Date of Off-Road	Custodian	Condition of the vehicles
1.	Esteem (Car)	MZ 03 2182	2007	2018	DCAEO	Met an Accident (25/05/2018)
2.	SX-IV (Car)	MZ 02 0777	2010	2018	LO (Aizawl)	Met an Accident (12/07/2018)
3.	Gypsy	MZ 03 0718	1997	2017	DS (Fin.)	Due to over-age, maintenance cost is high. As such they are off-road to avoid wastage of Dept. fund.
4.	Gypsy	MZ 03 1364	2003	2017	RO (Diltlang)	
5.	Gypsy	MZ 03 0543	1997	2017	RO (Sangau)	
6.	Esteem (Car)	MZ 07 0039	2008	2017	LAO	

As the vehicles were already 12 to 25 years old and being off-road for two to three years, the Council may take necessary steps for repair or condemnation of the vehicles, as delay in taking action will result in further deterioration of the conditions of the vehicles and loss in their salvage values.

The Council replied (March 2021) that the Department had taken-up steps to dispose the off-road vehicles by auction.

4.11 Action taken notes on Audit Reports

As per Rule 123(2) of MADCF Rules, 2018, after the Reports of the Comptroller and Auditor General (CAG) of India are laid before

the Councils as provided in paragraph 7 (4) of the Sixth Schedule to the Constitution of India, action-taken notes (ATN) on the said Reports shall be submitted by the District Councils to the Governor of the State. The Governor shall give such directions as considered necessary in Public interest to the District Councils.

While furnishing ATNs on the previous report of the Comptroller and Auditor General of India for 2009-10 to 2015-16, the Council stated (March 2021) that these reports were laid in the Budget Session of the Lai Autonomous District Council on 02/04/2018 and discussed on 03/04/2018.

4.12 Conclusion

The Council engaged the same firm for preparing DPR and execution of works worth ₹ 9.5 crore under Special Central Assistance to Tribal Sub Scheme in violation of Government of Mizoram Notification No. A46011/1/2018-F.Est/58-61 dated 01/10/2018. An avoidable expenditure of ₹ 21.67 lakh was incurred due to the selection of higher bid in the procurement of Rubber budded stumps. Fund of ₹ 1.36 crore meant for construction of road was diverted for payment of salary (₹ 1.20 crore) and purchase of a truck (₹ 16.56 lakh) in violation of Rule 16 of the Mizoram Autonomous District Council Grants-in-Aid (GIA) Rules, 2018. Works of value of ₹ 2.18 crore were executed without inviting tender in violation of MADC Rules. There was payment of ₹ 5.85 lakh to a contractor for works not executed, and excess expenditure of ₹ 3.24 lakh was incurred due to application of higher rate than the rate specified in the SOR.

4.13 Recommendations

- (i). The Council may ensure fundamental principles of transparency, economy and competition during procurement of works and goods.*
- (ii). The Council may ensure transparency in the selection of beneficiaries in order to ensure that assistance is provided to the intended beneficiaries.*

- (iii). *The Council may revisit Rule 95 of the MADC Rules regarding 'petty works' in line with the relevant provisions contained under GFR and CPWD Manual.*

Aizawl
The 16 February 2024


(LHUNKHOTHANG HANGSING)
Principal Accountant General,
Mizoram

Countersigned

New Delhi
The 08 March 2024


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of
India



APPENDICES

Appendix-I

Sanctioned Strength and Person-in-Position under Finance Department, LADC

(Reference: Paragraph-1.2)

Sl. No.	Name of post	Sanctioned Posts	Persons-in-Position
1.	Deputy Secretary (Finance)	1	1
2.	Senior Finance & Accounts Officer	1	1
3.	Finance & Accounts Officer	1	1
4.	Accounts Officer	2	2
5.	Audit Officer	1	1
6.	Assistant Accounts Officer	2	2
7.	Assistant Audit Officer	2	2
8.	Upper Division Clerk	2	2
9.	Lower Division Clerk	5	5
10.	Xerox Operator	1	1
11.	Computer Operator	1	1
12.	Grade IV	4	4
Total		23	23

Appendix-II

Comparative statement of Budgeted Capital Outlay and Actual Capital Expenditure

(Reference: Paragraph-3.1.2)

(₹ in lakh)

Sl. No.	Major Heads of Accounts as per Budget	Capital Outlay as per Budget	Capital Expenditure as per Annual Accounts
1.	District Council (Purchase of Session Hall Conference System)	10.00	0
2.	General Secretariat Services (Installation of CCTV and Free WiFi)	15.00	0
3.	General Secretariat Services (Land acquisition)	4.00	0
4.	General Secretariat Services (Construction of Finance & Account Building)	20.00	0
5.	Public Works (Other schemes/ works)	30.00	1,522.06
6.	Planning & Programme Implementation (Other Schemes/ Works)	155.00	0
7.	Board of School Education (Furniture of School building)	4.00	0
8.	Board of School Education (Purchase of Blackboard)	3.00	0
9.	Education & Human Resources (Furniture of School building)	5.00	0.00
10.	Education & Human Resources (Purchase of Blackboard)	2.00	0
11.	Education & Human Resources (Purchase of Sports Goods)	2.00	0

Sl. No.	Major Heads of Accounts as per Budget	Capital Outlay as per Budget	Capital Expenditure as per Annual Accounts
12.	Public Health Sanitation and Water Supply (Other schemes/ works)	30.00	0
13.	Local Administration (Other schemes/works)	16.50	0
14.	Information & Public Relations (Other Schemes)	18.20	0
15.	Social Welfare (Other Schemes)	27.50	0
16.	Agriculture & Horticulture (Other Schemes)	22.00	30.01
17.	Land Resources, Water & Soil Conservation (Other schemes/ works)	5.00	0
18.	Fisheries (Other schemes/works)	9.00	0
19.	Environment, Forest & Climate Change (Other schemes/works)	12.30	0
20.	Rural Development (Other Schemes/works)	96.10	0
21.	Industry (Other schemes/works)	7.70	0
22.	A.H. & Veterinary (Other schemes/works)	10.00	0
23.	Sericulture (Other schemes/works)	1.00	0
24.	Co-operation (Other schemes/ works)	5.00	0
25.	Inland Water Ways (Other schemes/works)	3.50	0
26.	Sport & Youth Services (Other schemes/works)	15.10	0
27.	Urban Development & Poverty Alleviation (Other Schemes)	0.00	303
Total		528.90	1,855.07

Appendix-III

Statement showing details of works of Land Development of Wet Rice Cultivation (WRC) under NEDP

(Reference: Paragraph-4.2)

Work No.	Sl. No.	Name of Contractor	Address	Work Order Date	Location	Amount Sanctioned (in ₹)
I	1.	Rohmingthanga	Archhuang	23-08-2018	Land development of WRC at Archhuang	2,50,000
	2.	Rothanga	Archhuang	23-08-2018	Land development of WRC at Archhuang	2,50,000
	3.	Vanbawia	Archhuang	23-08-2018	Land development of WRC at Archhuang	1,00,000
	4.	Rintluanga	Archhuang	23-08-2018	Land development of WRC at Archhuang	2,00,000
	5.	Biaktluanga	Archhuang	23-08-2018	Land development of WRC at Archhuang	2,00,000
	6.	Sunghrea	Archhuang	23-08-2018	Land development of WRC at Archhuang	2,00,000
	7.	Liannunga	Archhuang	23-08-2018	Land development of WRC at Archhuang	2,00,000
	8.	Thawngzela	Archhuang	23-08-2018	Land development of WRC at Archhuang	2,00,000
	9.	Lalchhana	Archhuang	23-08-2018	Land development of WRC at Archhuang	2,00,000
	10.	Kapawra	Archhuang	23-08-2018	Land development of WRC at Archhuang	2,00,000
II	11.	Lalchhailovi	Diltlang	07-09-2018	Land development of WRC at Diltlang	10,00,000
	12.	Mary Lalthanzami	Thaitlang	05-09-2018	Land development of WRC at Diltlang	2,50,000
	13.	Sangkimi	Thaitlang	05-09-2018	Land development of WRC at Diltlang	2,50,000
	14.	Lory Thanghmingliana	Lawngtlai Bazar	05-09-2018	Land development of WRC at Diltlang	2,50,000
	15.	Alvin Rosangzuala	Bolisora	05-09-2018	Land development of WRC at Diltlang	2,50,000

Work No.	Sl. No.	Name of Contractor	Address	Work Order Date	Location	Amount Sanctioned (in ₹)
III	16.	Thangyavra	Sangau	07-09-2018	Land development of WRC at Sangau	1,00,000
	17.	Sanghirha	Sangau	07-09-2018	Land development of WRC at Sangau	1,00,000
	18.	Joel	Sangau	07-09-2018	Land development of WRC at Sangau	1,00,000
	19.	Hmangaihzuala	Sangau	07-09-2018	Land development of WRC at Sangau	1,00,000
	20.	F Lalthangfala	Sangau	07-09-2018	Land development of WRC at Sangau	1,00,000
	21.	Kapchina	Sangau	07-09-2018	Land development of WRC at Sangau	1,00,000
	22.	HC Lalrelkima	Sangau	07-09-2018	Land development of WRC at Sangau	1,00,000
	23.	C Lenglinga	Sangau	07-09-2018	Land development of WRC at Sangau	1,00,000
	24.	Lalvulmawia	Sangau	07-09-2018	Land development of WRC at Sangau	1,00,000
	25.	Darbuangi	Sangau	07-09-2018	Land development of WRC at Sangau	1,00,000
	26.	Lalhlimpuia	Sangau- IV	07-09-2018	Land development of WRC at Sangau	1,00,000
	27.	Thawngvunga	Sangau- IV	07-09-2018	Land development of WRC at Sangau	1,00,000
	28.	Duhtlinga	Sangau- IV	07-09-2018	Land development of WRC at Sangau	1,00,000
	29.	Thatkhuma	Sangau- IV	07-09-2018	Land development of WRC at Sangau	1,00,000
	30.	Hramlianchunga	Sentetfiang	28-09-2018	Land development of WRC at Sangau	2,00,000
	31.	B Sangliana	Sangau	28-09-2018	Land development of WRC at Sangau	1,00,000
	32.	Chhuanvavra	Sangau	28-09-2018	Land development of WRC at Sangau	1,00,000
	33.	MC Hiarvunga	Lungpher	28-09-2018	Land development of WRC at Sangau	1,00,000

Work No.	Sl. No.	Name of Contractor	Address	Work Order Date	Location	Amount Sanctioned (in ₹)
IV	34.	Malsawmkima	Sangau	28-09-2018	Land development of WRC at Sangau	1,00,000
	35.	H Lalchuallovi	Chawngtelui	07-09-2018	Land development of WRC at Chawngtelui	10,00,000
	36.	T Tialvunga	College Veng	28-09-2018	Land development of WRC at Chawngtelui	3,00,000
	37.	Biakliana	College Veng	28-09-2018	Land development of WRC at Chawngtelui	1,00,000
	38.	Thangkua	College Veng	28-09-2018	Land development of WRC at Chawngtelui	1,00,000
V	39.	Rev H Lalsanglian	AOC	05-09-2018	Land development of WRC at Chawngtelui	5,00,000
	40.	David Chakma	Sumsilui	03-10-2018	Land development of WRC at Sumsilui	5,00,000
	41.	Sangasur Chakma	Sumsilui-II	03-10-2018	Land development of WRC at Sumsilui	5,00,000
	42.	Anthony Chakma	Sumsilui	03-10-2018	Land development of WRC at Sumsilui	5,00,000
	43.	Sudir Chakma	Jogmasury	03-10-2018	Land development of WRC at Sumsilui	5,00,000
Total						1,00,00,000

Appendix-IV

Statement showing Development Works of LADC executed during 2018-19

(Reference: Paragraph-4.2)

Sl. No.	Name of Contractor	Name of the Work	Amount Paid (in ₹)
1.	K Lalawmpuia	Construction of AROs Office at Bungtlang S	28,50,000
2.	H Lalpari	Construction of RO Qtr, Revenue Deptt, Bualpui Ng	25,00,000
3.	H Tlanghmingthanga	Construction of LADC Rest House at Vawmbuk	30,00,000
4.	H Lalpari	Vertical extension of RO Office Bldg at Sangau	19,40,000
5.	H Lalpari	Construction of Forest Deptt cum Qtr cum check gate at Tlangpui	15,00,000
Total			1,17,90,000

Appendix-V

Statement showing excess expenditure due to application of higher rate

(Reference: Paragraph-4.7)

Sl. No.	Name of the Contractor	Location	Qty. (Cum)	Rate (₹/ Unit) as per Final Bill	Rate as per SOR (₹)	Amount Paid (₹)	Amount to be paid as per SOR (₹)	Excess Paid (₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)x(5)	(8) = (4)x(6)	(9) = (7)-(8)
1.	Pi F. Nurehhawni, L-III	Lawngtlai-III	22	6889.6	5282.3	1,51,571.2	1,16,210.6	35,360.60
2.	Pu F Vanlalchhawna	College Veng, Lawngtlai	6.45	6889.6	5282.3	44,437.92	34,070.84	10,367.09
3.	Pu T Tialvunga	College Veng, Lawngtlai	22	6889.6	5282.3	1,51,571.2	1,16,210.6	35,360.6
4.	Pu Sanzamlova,	College Veng, Lawngtlai	29.25	6889.6	5282.3	2,01,520.8	1,54,507.3	47,013.53
5.	Pu LR Zawna	College Veng, Lawngtlai	16.56	6889.6	5282.3	1,14,091.8	87,474.89	26,616.89
6.	Pi Lalneihchungi	Below Pu C Sangchhuanga House, Bazar	10.08	6889.6	5282.3	69,447.17	53,245.58	16,201.58
7.	Secretary, YLA	College Veng, Cemetery	16.56	6889.6	5282.3	1,14,091.8	87,474.89	26,616.89

8.	Beimo President Congress Unit	Karkawn	16.56	6889.6	5282.3	1,14,091.8	87,474.89	26,616.89
9.	L Lalramhuna	Hmunlai	16.56	6889.6	5282.3	1,14,091.8	87,474.89	26,616.89
10.	Sapthaina	Hmunlai	16.56	6889.6	5282.3	1,14,091.8	87,474.89	26,616.89
11.	Sanzamlova	Below Pu Sangzaulova house College Veng	29.25	6889.6	5282.3	2,01,520.8	1,54,507.3	47,013.53
Total						13,90,528.09	10,66,126.67	3,24,401.40

