

Laid before the Council on

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

FOR THE YEARS 2009-10 TO 2015-16

**LAI AUTONOMOUS 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 years 2009-10 to 2015-16.

The cases mentioned in this Report are those which came to notice in the course of test check of the accounts for the years 2009-10 to 2015-16 on the basis of information furnished and records made available by the Lai Autonomous District Council (auditee entity)

This Report contains three Sections, of which one sections 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 sections includes 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 years 2009-10 to 2015-16.



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 the Accounts. Chapter-II deals with comments arising out of Annual Accounts of the Council for the years 2009-10 to 2015-16 and contains six paragraphs and Chapter-III of the Report details the audit findings pertaining to transaction audit of the Council and contains 11 paragraphs. The main audit observations are discussed in subsequent paragraphs.

1. Comments on Accounts

The revenue receipt in Annual Accounts (2011-12) was understated by ₹ 4.93 crore.

(Paragraph 2.2)

Out of total expenditure of ₹ 635.96 crore during 2009-16, ₹ 558.49 crore (88 *per cent*) was spent towards non-developmental activities and ₹ 77.47 crore (12 *per cent*) towards developmental activities.

(Paragraph 2.4)

2. Findings on transaction audit

The Council incurred extra expenditure of ₹ 67.21 lakh on salary cost for deployment of excess teachers in Middle school during 2013-16.

(Paragraph 3.3)

The Council did not deduct Workers' Cess amounting to ₹ 21.94 lakh from the contractors' bill during 2012-16.

(Paragraph 3.4)

Excess payment ₹19.24 lakh was made to the contractors against the actual work done.

(Paragraph 3.6)

CHAPTER-I

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 20 B 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 28 Members (including 25 elected Members and three 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 there from, 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 (revised in 2010) which came into effect from the 24 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 2017) of the Annual Accounts of the Council for the year 2009-16 are discussed in the succeeding Chapters.

CHAPTER-II

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 years (2009-16) 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 2009-16 and the ways and means position of the Council's fund.
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 Fund and Deposit Fund

2.1 Receipts and Disbursements

The receipts and expenditure of the Council for the year 2009-16 were as follows:

Table 2.1

(₹ in lakh)

Part - I District Fund								
Revenue Section								
Receipts								
Head		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
(i)	Taxes on Income & Expenditure	37.01	38.41	48.39	50.30	53.87	58.84	58.07
(ii)	Land Revenue	11.99	15.37	15.34	18.98	22.37	24.80	26.54
(iii)	Public Works	3.53	5.09	4.04	7.98	8.04	7.21	9.35
(iv)	Other Administrative Services	0.04	0.04	0.10	0.09	0.16	0.16	0.29
(v)	Education	1.77	1.80	0.26	0.15	0.39	0.29	0.30
(vi)	Other General Economic Services	1.29	2.29	13.74	10.70	5.63	5.00	4.16
(vii)	Forest	17.07	16.83	29.60	35.93	36.58	35.56	39.34
(viii)	Taxes on Vehicles	0.21	1.57	1.61	1.67	1.70	1.50	1.29

Part - I District Fund							
Revenue Section							
Receipts							
Head	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
(ix) Grants-in-Aid from State Government	-	-	-	-	-	-	-
Plan	-	-	-	-	-	1,401.80	-
Non-Plan	-	-	-	-	-	7,545.26	-
(A) General Secretariat (P)	-	-	-	-	-	-	3,355.76
General Secretariat (NP)	1,491.79	1,980.00	2,140.00	2,666.00	2,842.00	-	7,667.07
(B) Education (P)	423.00	704.82	892.50	951.63	949.42	-	-
Education (NP)	1,999.78	2,910.00	3,043.00	3,330.00	3,395.00	-	-
(C) Minor Works (Development) (P)	1,134.00	1,622.18	1,323.50	1,139.37	1,191.45	-	-
(D) NLCPR (P)	70.78	-	463.43	702.12	457.54	399.55	470.39
NLCPR (NP)	-	30.00	-	-	-	-	-
(E) Special Central Assistance (P)	-	-	-	444.00	393.00	658.00	-
(F) Special Plan Assistance (P)	-	-	-	487.52	503.33	452.35	-
(G) RKVY (P)	-	-	-	550.00	812.00	613.00	95.30
(H) 13th FC (P)	-	-	60.00	125.00	-	-	158.00
13th FC (NP)	-	-	-	-	30.00	158.00	-
13th FC (Performance Grant Special Area) (P)	-	-	-	-	-	82.00	-
Total Revenue Receipts	5,192.25	7,328.42	8,035.51	10,521.43	10,702.50	11,443.32	11,885.86
Capital Section							
(i) Capital Receipt	-	-	-	-	-	-	-
Grants-in-Aid from State Government	-	-	-	-	-	-	-
Total Capital Receipts	-	-	-	-	-	-	-
Debt Section							
(i) Loan received from the State Government	-	-	-	-	-	-	-
(ii) Loan received from other sources	-	-	-	-	-	-	-
(iii) Recoveries of loans & advances	-	-	-	-	-	-	-
Total Debt Receipts	-	-	-	-	-	-	-
Total Part I - District Fund	5,192.25	7,328.42	8,035.51	10,521.43	10,702.50	11,443.32	11,885.86
Opening Balance	81.87	70.78	-	30.00	1,360.67	1,574.61	1,831.87
PART - II DEPOSIT FUND							
Deposit Section							
(i) Deposit Receipt	-	-	-	-	-	-	-
Total of Part -II Deposit Fund	-	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-	-
OVERALL POSITION							
TOTAL RECEIPTS (Part - I + Part - II)	5,192.25	7,328.42	8,035.51	10,521.43	10,702.50	11,443.32	11,885.86
Opening Balance (Part - I + Part - II)	81.87	70.78	-	30.00	1,360.67	1,574.61	1,831.87

Part - I District Fund								
Revenue Section								
Disbursement								
	Head	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
(i)	District Council	185.94	215.33	216.72	305.44	302.37	544.61	591.52
(ii)	Executive Members	61.20	57.59	73.34	132.98	118.44	127.04	117.41
(iii)	Administration of justice	28.39	52.98	83.13	57.45	61.51	80.87	87.96
(iv)	Land Revenue	240.12	380.91	395.02	459.67	445.88	546.18	604.71
(v)	Stamp & Registration	0.20	0.20	0.20	0.20	0.20	0.20	0.20
(vi)	Secretariat General Services	315.49	442.19	518.35	645.48	571.17	630.92	785.01
(vii)	Public Works	390.00	298.33	783.79	409.94	681.97	367.05	578.17
(viii)	Pension & other retirement benefits	171.05	270.35	344.00	490.00	526.12	482.58	626.31
(ix)	Education	2,433.08	3,630.45	3,918.17	4,345.63	4,044.44	4,952.45	5,392.20
(x)	Art & Culture	74.50	92.94	88.80	100.95	89.26	94.17	111.30
(xi)	Public Health, Sanitation & Water Supply (PHE)	34.20	72.42	50.92	55.35	97.83	58.52	73.34
(xii)	Urban Development	124.80	149.59	180.63	223.27	190.91	182.72	241.74
(xiii)	Information & Publicity	34.20	42.03	42.79	56.47	57.87	50.88	61.63
(xiv)	Social security & Welfare	56.30	56.09	60.57	39.88	79.28	69.35	69.42
(xv)	Sericulture	14.19	17.49	13.30	18.86	21.68	15.20	10.13
(xvi)	Co-operation	26.20	22.73	20.62	25.00	24.64	20.06	26.28
(xvii)	Inland water way	8.00	9.53	13.00	11.64	10.64	12.61	15.76
(xviii)	Sport & Youth Services	45.10	49.66	45.13	46.53	45.55	41.61	56.58
(xix)	Agriculture & Horticulture	83.20	386.60	94.79	104.30	200.11	104.13	112.32
(xx)	Soil Conservation	37.10	40.75	41.33	46.86	52.12	35.66	62.51
(xxi)	Fisheries	53.30	80.79	37.17	30.58	76.63	28.54	34.11
(xxii)	Environment & Forest	250.30	316.71	339.78	398.62	412.19	486.10	602.57
(xxiii)	Road Transport & Services	70.80	72.19	71.79	96.03	87.46	103.74	127.76
(xxiv)	Rural Development	55.20	58.75	63.97	77.81	116.86	67.54	87.94
(xxv)	Industry	39.90	39.34	45.28	61.38	64.29	47.11	70.17
(xxvi)	Animal Husbandry & Veterinary	30.30	34.66	36.36	36.49	93.10	31.77	29.90
(xxvii)	Relief on account of natural calamities	-	-	-	-	-	4.00	4.00
Total Revenue Expenditure		4,863.06	6,890.62	7,578.96	8,276.79	8,472.52	9,185.62	10,580.95
Capital Section								
(i)	Capital Disbursement	340.27	508.58	426.55	760.95	1,492.77	1,827.18	2,391.12
Total Capital Disbursement		340.27	508.58	426.55	760.95	1,492.77	1,827.18	2,391.12
Debt Section								
(i)	Repayment of loan received from the State Government	-	-	-	-	-	-	-
(ii)	Repayment of loan received from other sources	-	-	-	-	-	-	-
(iii)	Disbursement of loans & advances	-	-	-	-	-	-	-
Total Debt Disbursements		-	-	-	-	-	-	-
Total Part I - District Fund		5,203.33	7,399.20	8,005.51	9,037.74	9,965.29	11,012.80	12,972.07

Part - I District Fund								
Revenue Section								
Disbursement								
	Head	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	<i>Closing Balance</i>	70.78	-	30.00	1,360.67	1,574.61	1,831.87	916.57
PART - II DEPOSIT FUND								
(i)	Deposit Disbursements	-	-	-	-	-	-	-
	Total of Part - II Deposit Fund	-	-	-	-	-	-	-
	<i>Closing Balance</i>	-	-	-	-	-	-	-
OVERALL POSITION								
	Total Disbursements (Part - I + Part - II)	5,203.33	7,399.20	8,005.51	9,037.74	9,965.29	11,012.80	12,972.07
	<i>Closing Balance (Part - I + Part - II)</i>	70.78	-	30.00	1,360.67	1,574.61	1,831.87	916.57

2.2 Understatement of Revenue Receipt

Scrutiny of the Personal Ledger Account (PLA) revealed (November 2013) that ₹ 4.93 crore were not accounted for in the Annual Accounts 2011-12 (Statement No. 5) as tabulated below:

Table 2.2

(₹ in crore)					
Sl. No.	Grant	Amount	Release by GoM	Drawn by Council	Type of receipts
1	Non Lapsable Central Pool of Resources (NLCPR) – Upgradation of Lawngtlai Town	4.63	September 2011	22.09.11	Plan
2	Special Area Basic Grant (2011-12)	0.30	March 2012	21.03.12	Non-Plan
	Total	4.93			

While accepting the audit observation, the Council stated (May 2017) that the irregularities were due to negligence of the clerk during preparation of the Annual Accounts 2011-12.

2.3 Misclassification of Receipt Head

The Government of Mizoram released (February 2012) ₹ 8.39 crore as 3rd instalment of Grants-in-aid under Plan Fund in respect of Lai Autonomous District Council during 2011-12.

Scrutiny of the records revealed that out of ₹ 8.39 crore released during 2011-12, ₹ 1.75 crore was for implementation of works under the 13th Finance Commission and was debit to the Head of Account – 2225 Welfare of SC/ST & Other Backward Classes. However, ₹ 1.75 crore received under the 13th Finance Commission was not reflected under plan fund of the 13th Finance Commission but reflected under Minor Works (Development) (Plan) in the Annual Accounts 2011-12 resulting in understatement of receipt under the 13th Finance Commission plan fund and overstatement under Minor Works (Development) (Plan) fund during 2011-12.

While accepting the audit observation, the Council stated (May 2017) that the irregularity was due to negligence of the clerk during preparation of Annual Accounts 2011-12.

2.4 Expenditure on administrative expenses vis-à-vis developmental works

During 2009-16, the District Fund of the Council received under different heads of Revenue Section were disbursed to different departments for administration of the Council.

The following table shows the position of expenditure incurred under developmental and non-developmental activities of the Council.

Table – 2.3

(₹ in crore)

Year	Developmental expenses		Non-developmental expenses	Total
	Approved Provision	Actuals (as % of total Expenditure)	Actuals (as % of total Expenditure)	
2009-10	7.59	3.40 (7%)	48.63 (93%)	52.03
2010-11	9.91	5.09 (7%)	68.91 (93%)	74.00
2011-12	4.68	4.27 (5%)	75.79 (95%)	80.06
2012-13	40.92	7.61 (8%)	82.77 (92%)	90.38
2013-14	23.77	14.93 (15%)	84.73 (85%)	99.66
2014-15	N/A	18.27 (17%)	91.86 (83%)	110.13
2015-16	N/A	23.91 (18%)	105.81 (82%)	129.72
Total		77.48 (12%)	558.50 (88%)	635.98

(Source: Council records)

It could be seen from the above table that out of total expenditure of ₹ 635.98 crore during the years 2009-16, 88 per cent (₹ 558.50 crore) was spent towards non-developmental expenses mainly on salary and administrative expenses and only ₹ 77.48 crore, (12 per cent of the total expenditure) towards developmental activities for creation of assets. It could also be seen that actual developmental expenses were less than the provision made during the years 2009-10 to 2013-14 for which the information was available. Thus, the funds approved for developmental expenses was diverted for non-developmental purposes thereby defeating the intent of the Executive Council.

2.5 Submission of Utilization Certificate

The Council is required to submit Utilization Certificates (UCs) to the Department of District Council and Minority Affairs, Government of Mizoram from time to time after actual utilization of funds received.

The table below shows the funds received vis-à-vis the position of submission of UCs.

Table 2.4

(₹ incrore)

Sl. No.	Particular	GoM release date to the Council	Amount	Purpose	Amount disbursed by the Council to the Dept. as of 31.03.2015	UC furnished by LADC	
						Amt.	Date
1	Performance Grant to Special Area under LADC	12.03.2015	0.82	Constn. of 14 numbers of works within Lawngtlai	Nil	0.82	30.03.15
2	1st instalment RKVY. Plan.201415	06.02.2015	2.59	Implementation of developmental works under RKVY	1.95	2.59	04.03.15
3	Additional 3rd instalment Non. plan 2014-15	24.03.2015	3.50	Salary	Nil	3.50	01.04.15
Total			6.91		1.95	6.91	

(Source: Council records)

It could be seen from the above table that out of total amount of ₹ 6.91 crore, only ₹ 1.95 crore in respect of Sl. No.2 was actually disbursed as of 31.03.2015. However, LADC furnished the UCs for the entire amount of ₹ 6.91 crore which inter-alia included ₹ 0.82 crore and ₹ 3.50 crore in respect Sl. No. 1 and 3 even before its actual release and utilisation by the Departments.

In reply to the audit observation, the Council stated (May 2017) that the UCs were based on actual utilization. The reply is not acceptable as the records of the Council shows that the UCs were issued before its actual release and utilization. This indicates poor financial control and the Council cannot follow improper financial propriety.

2.6 Theft of ₹ 47.96 lakh

Scrutiny of the records (November 2013) of the Council revealed that ₹ 47.96 lakh meant for disbursement of salary of staff of the Council for the month of June 2013 was found missing from the strong room located at Executive Secretary's room on 03.06.2013.

Further scrutiny revealed that the Council lodged (June 2013) First Information Report (FIR) at Lawngtlai Police Station and suspended the Chowkidar on night duty. The matter was also intimated (June 2013) to the Secretary to the Governor of Mizoram. The amount remained untraceable (May 2017) even after the lapse of more than four years and the case is still under investigation.

While accepting the audit observation, the Council stated (May 2017) that a FIR has been lodged and the case is under investigation by the Police. LADC should approach the Police authority for speedy completion of the investigation.



CHAPTER-III

CHAPTER-III

Compliance audit observation included in this Report highlight the deficiencies in the management of LADC, which resulted in financial implication. The irregularities pointed out are broadly of the following nature.

3.1 Unfruitful expenditure

As per Department of Horticulture, Government of Mizoram, two seasons *viz*: January – February and October – November are ideal for sowing potato in the State, considering the climatic, temperature and soil conditions of the State. The requirement of seed potato for sowing is five to seven quintal *per* acre with the expected yield of 40 quintals *per* acre.

Scrutiny of the records revealed that in violation of the technical norms *ibid*, the Department of Agriculture, LADC procured (March 2011) 2,500 quintals of potato seeds worth ₹ one crore from Guwahati, Assam based supplier and distributed (March 2011) the potato seeds to 544 farmers¹ for cultivation in 357 acres.

Joint Inspection of the beneficiaries revealed that the actual yield of potato was only six to seven quintals in one acre and the farmers attributed the low yield of potato due to delay in receipt of potato seeds.

Thus, against a total expected yield of 1,428 tonnes (@ 40 quintals *per* ha for 357 acres) of potato, yield of only 250 tonnes² (17.50 *per cent* of the expected yield) was achieved by the LADC. Due to off-season procurement and late distribution of seed potato to the farmers, expenditure of ₹ one crore incurred on procurement of seed potato remained largely unfruitful and the desired benefit did not accrue to the farmers.

¹ Four to five quintals *per* farmer

² Calculated at the rate of 7 quintals *per* acre.

3.2 Appointment of officers and staff

As per the Supreme Court directives, it is mandatory for the requisitioning authority/establishment to intimate Employment Exchange for appointment and the Employment Exchange should sponsor the names of the candidates to the requisitioning departments for selection, strictly according to seniority and reservation, as per requisition. The appropriate Department should give wide publicity in the newspapers having wider circulation and also display on their office notice boards or announce on radio, television and employment news bulletins and then consider the cases of all the candidates who have applied.

Scrutiny of the records revealed that during 2014-16, various irregularities were noticed in the recruitment process under the Council as discussed below.

(i) During 2014-15:

Out of 15 staff recruited on regular basis, appointment against 14 posts (except an “Accountant” post) was made without advertisements and without the approval of Departmental Promotion Committee (DPC). After recruitment against the posts, the DPC accorded “Ex-post facto” approval for 12 posts (November 2014 and May 2015) and two posts are yet to be approved by the DPC (March 2017). Further, two posts³ against which recruitment was made during the period were not listed in the Schedules annexed in the “The Lai Autonomous District Council (Group A,B,C& D posts) Recruitment Rules, 2014.

While accepting the audit observations, the Council stated (May 2017) that the post of “Coach Grade-II” and “Tax Collector” were accidentally missed out in the schedules annexed to the Recruitment Rules, 2014 and amendment of the rules would be initiated.

³ Coach Grade-II and Tax Collector

(ii) During 2015-16:

The Council recruited 75 posts under the different departments during 2015-16, of which recruitment was made against 71 posts without advertisements. The appointment against all 75 posts were made without the approval of DPC.

While accepting the audit observation, the Council stated (July 2017) that corrective measures would be taken up in future. The fact, however, remains that the recruitment was not based on transparent and merit-based and consequently the risk of favoritism and nepotism cannot be ruled out.

3.3 Engagement of excess teachers over the norms

The LADC under notification dated 13.04.2011 adopted the School Education Department, Government of Mizoram norms for posting of teachers against enrolment of pupils in both Primary and Middle Schools to achieve better administrative control, quality improvement and expedient rationalization of teachers. The norms of deployment of teachers in the schools under the Council are shown below.

Table 3.1

(Fig. in numbers)

Sl. No.	Enrolment of pupils	Suggested strength of teachers
1.	21 – 40	2 – 3
2.	41 – 100	4 – 5
3.	101 – 150	5 – 6
4.	151 – 200	7 – 8
5.	200 and above	8 – 10

(Source: Council records)

Scrutiny of the records revealed that in violation of the norms, teachers in excess of the norms were engaged during 2013-16 as shown in the following table.

Table 3.2

Year	No. of Middle School	Requirement	Posting	No. of excess teachers
2013-14	50	256	331	75
2014-15	50	260	306	46
2015-16	53	308	318	10

(Source: Council records)

Consequently, the Council had incurred avoidable extra expenditure of ₹ 67.21 lakh on salary cost of excess number teachers during 2013-16.

In reply to the audit observation, the Council stated (July 2017) that necessary steps would be taken up to rationalize posting of teachers. However, the status of rationalization of posting of teachers is awaited (July 2017).

3.4 Non-deduction of Workers' Cess

As per the Department of Labour, Employment and Industrial Training, Government of Mizoram Office Memorandum (May 2012), all the Departments/Establishments executing construction works shall deduct *cess @ one per cent* on the cost of construction works from the contractors' bills. The *cess* was to be utilized by the Mizoram Workers Welfare Board on the welfare of the registered workers and their dependents.

Scrutiny of the records (May 2017), the Public Works Department, LADC executed various civil works during 2012-16 for construction of infrastructures under the Council. Test check of three construction works revealed that the Council did not deduct Workers' *Cess* of ₹ 21.94 lakh from the Contractors' bills as shown below:

Table 3.3

(₹ in lakh)

Sl. No.	Source of fund	Name of works	Sanctioned Amount	Expenditure incurred	Cessnot deducted
1.	13 th Finance Commission	Construction of CEM office, EM Quarters, LADC hall	616.00	611.00	6.11
2.	Non Lapsable Central Pool of Resources (NLCPR)	Construction of School buildings	443.94	429.38	4.29
3.	NLCPR	Upgradation of Lawngtlai Town	1181.74	1153.76	11.54
Total			2241.68	2194.14	21.94

(Source: Council records)

Thus, the Council had passed on undue benefit to the Contractors to the extent of ₹ 21.94 lakh.

In reply the Council stated (July 2017) that Workers Cess was not deducted due to non-receipt of Government notification on deduction of Workers Cess. The reply is not acceptable as the Government of Mizoram had addressed the notification to all the Departmental Heads.

3.5 Non-accountal of deducted Security deposits

As per the CPWD Works Manual, the security deposit is to be deducted from each running bill of the contractor at a specified rate and shall be refunded after expiry of defect liability periods.

Scrutiny of the records (May 2017) revealed that the Council constructed (September 2014 to February 2015) 20 school buildings under Non-Lapsable Central Pool of Resources (NLCPR) at a cost of ₹ 429.38 lakh by engaging 20 contractors. As per the contract, 5 per cent of each running bill was to be retained by the Department as Security Deposit which shall be refundable after successful completion of defect liability period of 365 days from the date of issue of completion certificate by the Engineer.

Further, scrutiny revealed that the Council deducted ₹ 21.47 lakh @ 5 per cent of bill amount from the contractors' bill as security deposit. It was, however, observed that the Council had not accounted for the deducted security deposit in the Personal Ledger Account (PLA), but the amount so deducted was irregularly paid to the Planning & Development Officer, LADC on 19 August 2015. The Council also did not maintain any Security deposit Register to record the receipt and refund of the security deposit.

Thus, non-accountal of security deposit in the PLA amounts to temporary misappropriation of Council Fund. Again, in the absence of Security Deposit Register, audit could not ascertain whether the Security Deposit was actually been refunded to the contractors.

In reply the Council stated (July 2017) that Security Deposit deducted from contractors' bills were kept under seal in the chest and a Register was maintained to check the incoming and outgoing of the deposits. The reply is not acceptable as the Council did not furnish any records on receipt and refund of Security deposit.

3.6 Excess payment to contractors

Ministry of Development of North Eastern Region (DoNER), GoI released ₹ 11.59 crore towards the project "Upgradation of Lawngtlai Town in the Lai Autonomous District Council, Mizoram" under Non-lapsable Central Pool Of resources (NLCPR) during 2011-16. The work *inter alia* consists of Road construction, Lined side drain, internal masonry step, construction of Aeropagi Building and Flyover Bridge, Vertical storm water drain etc. The project was completed in March 2016 at an expenditure of ₹ 11.54 crore.

Scrutiny of the records (May 2017) revealed that in respect of two works, the Council made payment of ₹ 19.24 lakh to two contractors in excess of the actual value of work done by the contractors as shown in the following table:

Table 3.4*(₹ in lakh)*

Sl. No.	Name of work	Name of the contractor	Value of work done as per MB	Amount paid to contractor	Excess payment
1	Construction of Aeropagi building with flyover bridges	C. Zothanpuia	77.20	96.33	19.13
2	Vertical storm drains	Rualthanchhingi	73.72	73.83	0.11
Total			150.92	170.16	19.24

(Source: Council Records)

While accepting the audit observation, the Council stated (July 2017) that the excess amount paid to the contractor for construction of Aeropagi building would be recovered from the subsequent works executed by the contractor. Similarly, the excess amount paid to the contractor for construction of Vertical Storm drains was attributed to a unintentional mistake and would be recovered. The reply was, however, silent as to why the amount was paid in excess of the work done as per the MB and action taken against the defaulting officer.

The status of recovery of excess amount along with interest thereon was awaited (July 2017).

3.7 Irregularities in procurement of Polythene pipe under RKVY

As per the shelf of project under Rastriya Krishi Vikash Yojana (RKVY) for implementation of developmental works with respect to Agriculture and Allied Departments, ₹ 70.17 lakh was allocated during 2014-15 to the Soil & Water Conservation Department, LADC for supply of polythene pipe, bench terracing and water harvesting pond.

Scrutiny of the records (May 2017) revealed that out of ₹ 70.17 lakh, the Soil & Water Conservation Department, LADC incurred ₹ 14.00 lakh for procurement of Polythene pipe during 2014-15. Further scrutiny, however, revealed the following.

- Two suppliers were selected by the Department for supply of the pipes after obtaining quotations for supply of Polythene pipes from the suppliers. However, both suppliers were not registered suppliers.
- Prior to procurement of Polythene Pipes, the Department did not take the approval of the Purchase Advisory Board (PAB) as required, though six member PAB was constituted by the Council.
- Scrutiny of beneficiaries revealed that the Polythene pipes were not issued to the eligible beneficiaries but to the staff of the Council⁴. Consequently, audit could not vouchsafe whether the pipes were distributed to the genuine beneficiaries.

While accepting the audit observation, the Council stated (July 2017) that the selected suppliers were not registered suppliers but they collected the Polythene pipes from various shops. It was added that the polythene pipes which were issued to the staff of the Council were further distributed to the beneficiaries by the Executive Members of the Council. The reply is not acceptable because the department procured from unregistered suppliers and that too without the approval of the PAB. Further, there is no provision for the Executive Members to distribute the pipes as the pipes were to be distributed by the Department to the eligible beneficiaries.

3.8 Irregularities in disbursement of Old Age Pension

The Indira Gandhi National Old Age Pension Scheme (IGNOAPS) provides for payment of pension to those persons who belong to Below Poverty Line (BPL) and attain the age of 60 or above. The

⁴ Personal Assistants of various Head of Departments of the Council

Central Assistance under IGNOAPS is to be provided at the rate of ₹ 200 and ₹ 500 per month per beneficiary in the age group of 60-79 years and 80 years and above respectively.

Scrutiny of the records (May 2017) of the Social Welfare Department, LADC revealed that the Council incurred ₹ 30.25 lakh during 2015-16 towards payment of Old Age Pension to 1100 beneficiaries. Further scrutiny revealed the following.

- The Council did not maintain BPL list approved by the Deputy Commissioner of the District or any other competent authority but the pensioners/beneficiaries were selected based on the recommendations of the Executive Members of the Council and the basis on which the recommendations for selection of pensioners/beneficiaries of old age pension was not on record.
- As per the records of the Council, there were 1004 and 96 beneficiaries in the age group of 60 to 79 years and 80 years and above respectively. The Council, instead of providing financial assistance as per the age group, provided pension at the flat rate of ₹ 250 per beneficiary to all the 1100 beneficiaries. Thus, the Council had deprived 96 beneficiaries of 80 years and above of eligible share of ₹ 250 each (₹ 500 minus ₹ 250) while it paid excess pension to 1004 beneficiaries of 60 to 79 years of ₹ 50 each (₹ 250 minus ₹ 200).

The Council stated (July 2017) that out of three block under LADC, identification of eligible beneficiaries in one block is completed, whereas identification of beneficiaries is under process in the remaining two blocks. The reply is silent on the failure for payment of pension as per the approved rates to the beneficiaries.

3.9 Internal Control and Internal Audit mechanism

Internal control mechanism is a process through which the organisation could ensure prudent financial management, checks

on financial irregularities and assurance on protection of assets and reliability of information.

Rule 144 of the Mizoram Autonomous District Council Fund Rules, 2010 envisages that the Council shall introduce a suitable system for internal audit with the approval of the Governor and in consultation with the State Accountant General.

Scrutiny of the records (May 2017) revealed that the Principal Accountant General, Mizoram had conveyed his consent (July 2013) for setting up of Internal Audit System (Mechanism and Control). However, till date no internal audit mechanism has been set up in the state.

3.10 Maintenance of Assets Register

Rule 143 of the Mizoram Autonomous District Council Fund Rules, 2010 envisages maintenance of a Register of lands, buildings and other properties belonging to the Council. Further, Rule 192 of General Financial Rule also stipulates verification of the fixed assets at least once in a year and the outcome of the verification should be recorded in the register.

Scrutiny of the records (May 2017) revealed that the Assets Register was not maintained as per the format prescribed in the Rules, *ibid*, and the entries of the relevant information on the assets were incomplete. Further, the Register was neither updated nor any record of physical verification of the assets was entered. Thus, in the absence of reliable and complete information, audit could not verify the actual position of the Assets under the Council.

While accepting the audit observation, the Council stated (July 2017) that the Departments under the Council would be informed to make regular submission of lists of assets and properties under their jurisdictions for record in the Asset Register.

3.11 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 Audit Inspection Reports. As on June 2017, three Inspection Reports containing 13 paragraphs of the years 2003-04 (1 No.), 2005-06 (7 nos.) and 2007-09 (5 nos.) were awaiting settlement.

Aizawl
The 25 August 2017



(A.P. Choppy)
Accountant General, Mizoram

Countersigned

New Delhi
The 25 August 2017



(Shashi Kant Sharma)
Comptroller and Auditor General of India

